

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 June 30, 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

Accelerated filer

Non-accelerated filer

Smaller reporting Company

(Do not check if a smaller reporting company)

Emerging growth company

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 July 31, 2017: 57,188,303

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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)

	June 30, 2017	December 31, 2016
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 174.2	\$ 62.1
Investments	12.1	10.4
Receivables, net	352.7	429.0
Inventories, net	993.1	978.0
Assets held for sale	2.7	3.6
Prepaid expenses and other current assets	93.1	77.6
Total current assets	1,627.9	1,560.7
Property, plant, and equipment, net	1,296.3	1,359.3
Goodwill	2,454.2	2,447.2
Intangible assets, net	1,089.4	1,137.6
Other assets, net	42.1	41.0
Total assets	<u>\$ 6,509.9</u>	<u>\$ 6,545.8</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 712.1	\$ 626.8
Current portion of long-term debt	70.9	66.4
Total current liabilities	783.0	693.2
Long-term debt	2,568.4	2,724.8
Deferred income taxes	410.0	422.2
Other long-term liabilities	205.6	202.3
Total liabilities	3,967.0	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, 57.2 and 56.8 shares issued and outstanding, respectively	0.6	0.6
Additional paid-in capital	2,093.9	2,071.9
Retained earnings	526.1	532.1
Accumulated other comprehensive loss	(77.7)	(101.3)
Total stockholders' equity	<u>2,542.9</u>	<u>2,503.3</u>
Total liabilities and stockholders' equity	<u>\$ 6,509.9</u>	<u>\$ 6,545.8</u>

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net sales	\$ 1,522.2	\$ 1,541.4	\$ 3,058.4	\$ 2,811.6
Cost of sales	1,245.3	1,275.6	2,495.1	2,321.2
Gross profit	276.9	265.8	563.3	490.4
Operating expenses:				
Selling and distribution	94.8	104.3	199.4	189.8
General and administrative	83.1	78.1	162.2	172.7
Amortization expense	28.7	28.5	57.3	52.3
Other operating expense, net	94.0	3.3	100.8	5.0
Total operating expenses	300.6	214.2	519.7	419.8
Operating (loss) income	(23.7)	51.6	43.6	70.6
Other expense (income):				
Interest expense	31.8	31.5	61.5	57.2
Interest income	(0.3)	(0.6)	(3.1)	(3.4)
Gain on foreign currency exchange	(0.4)	(0.8)	(0.3)	(4.9)
Other expense (income), net	1.2	(0.7)	1.8	4.3
Total other expense	32.3	29.4	59.9	53.2
(Loss) income before income taxes	(56.0)	22.2	(16.3)	17.4
Income taxes	(21.8)	3.2	(10.3)	1.6
Net (loss) income	<u><u>\$ (34.2)</u></u>	<u><u>\$ 19.0</u></u>	<u><u>\$ (6.0)</u></u>	<u><u>\$ 15.8</u></u>
Net (loss) earnings per common share:				
Basic	\$ (0.60)	\$ 0.34	\$ (0.11)	\$ 0.29
Diluted	\$ (0.60)	\$ 0.33	\$ (0.11)	\$ 0.28
Weighted average common shares:				
Basic	57.0	56.6	57.0	54.6
Diluted	57.0	57.5	57.0	55.5

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net (loss) income	\$ (34.2)	\$ 19.0	\$ (6.0)	\$ 15.8
Other comprehensive income:				
Foreign currency translation adjustments	12.9	4.6	16.5	28.9
Pension and postretirement reclassification adjustment (1)	6.8	0.2	7.1	0.5
Other comprehensive income	<u>19.7</u>	<u>4.8</u>	<u>23.6</u>	<u>29.4</u>
Comprehensive (loss) income	<u><u>\$ (14.5)</u></u>	<u><u>\$ 23.8</u></u>	<u><u>\$ 17.6</u></u>	<u><u>\$ 45.2</u></u>

(1) Net of tax of \$4.2 million and \$0.2 million for the three months ended June 30, 2017 and 2016, respectively, and \$4.4 million and \$0.3 million for the six months ended June 30, 2017 and 2016, respectively.

See Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended June 30,	
	2017	2016
	(Unaudited)	
Cash flows from operating activities:		
Net (loss) income	\$ (6.0)	\$ 15.8
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation	81.7	80.5
Amortization	57.3	52.3
Stock-based compensation	18.6	14.3
Amortization of deferred financing costs	4.0	3.6
Loss on divestiture	85.2	—
Mark-to-market loss on derivative contracts	2.5	3.0
Loss on disposition of assets	3.8	1.3
Deferred income taxes	(16.7)	(6.6)
Gain on foreign currency exchange	(0.3)	(4.9)
Write-down of tangible assets	1.5	—
Other	(1.3)	(0.8)
Changes in operating assets and liabilities, net of effect of acquisitions:		
Receivables	77.2	13.6
Inventories	(65.7)	47.0
Prepaid expenses and other assets	(22.8)	(44.5)
Accounts payable, accrued expenses, and other liabilities	<u>108.4</u>	<u>65.9</u>
Net cash provided by operating activities	<u>327.4</u>	<u>240.5</u>
Cash flows from investing activities:		
Additions to property, plant, and equipment	(71.4)	(84.0)
Additions to intangible assets	(14.0)	(5.9)
Acquisitions, less cash acquired	—	(2,640.2)
Proceeds from sale of fixed assets	1.7	0.1
Proceeds from divestiture	19.3	—
Increase in restricted cash	—	(0.6)
Other	(0.6)	(0.5)
Net cash used in investing activities	<u>(65.0)</u>	<u>(2,731.1)</u>
Cash flows from financing activities:		
Borrowings under Revolving Credit Facility	130.0	114.2
Payments under Revolving Credit Facility	(251.0)	(196.2)
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	(1.9)	(2.1)
Payment of deferred financing costs	—	(34.3)
Payments on Term Loans	(31.7)	(15.1)
Net proceeds from issuance of common stock	—	835.1
Receipts related to stock-based award activities	9.9	7.0
Payments related to stock-based award activities	<u>(6.6)</u>	<u>(7.8)</u>
Net cash (used in) provided by financing activities	<u>(151.3)</u>	<u>2,500.8</u>
Effect of exchange rate changes on cash and cash equivalents	1.0	6.5
Net increase in cash and cash equivalents	<u>112.1</u>	<u>16.7</u>
Cash and cash equivalents, beginning of period	<u>62.1</u>	<u>34.9</u>
Cash and cash equivalents, end of period	<u><u>\$ 174.2</u></u>	<u><u>\$ 51.6</u></u>

See Notes to Condensed Consolidated Financial Statements.

TREEHOUSE FOODS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
As of and for the six months ended June 30, 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 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 three and six months periods ended June 30, 2016 have been recast to reflect the adoption of the ASU as of January 1, 2016, resulting in income tax benefits of \$3.3 million and \$3.5 million, respectively, related to the recognition of excess tax benefits and deficiencies, which are included in the Income taxes line of the Condensed Consolidated Statements of Operations. The effect on basic and diluted net earnings per common share was \$0.06 for the three and six months ended June 30, 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 \$3.5 million were retrospectively reclassified from financing to operating activities in the Condensed Consolidated Statements of Cash Flows for the six months ended June 30, 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 second quarter of 2016, and June 26, 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 three and six month periods ended June 30, 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 currently assessing the impact that these standards will have on its accounting policies, processes, system requirements, internal controls, and disclosures using internal resources and the assistance of a third-party. The Company has established a project plan, completed an initial review of its customer contracts, and is considering impacted policies and processes. The Company has not yet determined 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 Cash Costs (Proceeds) to Close	
						Total Costs to Close	(Proceeds) 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	6.1	3.3
Azusa, California	May 24, 2016	First quarter of 2017	Third quarter of 2017	Bars and snack products	Snacks	18.5	15.1
Ripon, Wisconsin	May 24, 2016	Fourth quarter of 2016	Fourth quarter of 2016	Sugar wafer cookies	Baked Goods	0.8	(0.2)
Delta, British Columbia	November 3, 2016	Fourth quarter of 2017	First quarter of 2018	Frozen griddle products	Baked Goods	3.3	2.3
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, Ayer, Massachusetts, Ripon, Wisconsin, and Delta, British Columbia facilities have been reduced by approximately \$4.9 million, \$0.4 million, \$1.3 million, and \$1.9 million, respectively, since the initial announcements, while total expected costs to close the Azusa, California facility have been increased by approximately \$3.7 million. Total costs to restructure 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 June 30,		Six Months Ended June 30,		Cumulative Costs To Date	Total Expected Costs
	2017	2016	2017	2016		
	(In millions)					
Asset-related	\$ (0.9)	\$ 0.7	\$ 3.5	\$ 1.5	\$ 13.7	\$ 16.8
Employee-related	0.2	1.3	2.7	1.9	10.0	11.8
Other closure costs	7.8	1.0	10.3	1.1	14.8	17.4
Total	<u><u>\$ 7.1</u></u>	<u><u>\$ 3.0</u></u>	<u><u>\$ 16.5</u></u>	<u><u>\$ 4.5</u></u>	<u><u>\$ 38.5</u></u>	<u><u>\$ 46.0</u></u>

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

Liabilities recorded as of June 30, 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 June 30, 2017:

	Severance	Multiemployer Pension		Other Costs	Total Liabilities
		Plan Withdrawal	(In millions)		
Balance as of December 31, 2016	\$ 3.5	\$ 0.8	—	\$ 4.3	
Expense	2.4	—	2.4		4.8
Payments	(3.2)	—	—		(3.2)
Adjustments	(0.3)	—	—		(0.3)
Balance as of June 30, 2017	<u>\$ 2.4</u>	<u>\$ 0.8</u>	<u>\$ 2.4</u>		<u>\$ 5.6</u>

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 \$1,286.6 million and income before income taxes of \$32.3 million from the date of acquisition through June 30, 2016. Integration costs of \$6.5 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	<u>\$ 2,687.7</u>

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

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

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 over their expected useful lives. 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 the amount as a component of cost of sales. 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 in 2016 and none in 2017. These costs are included in the General and administrative expense line of the Condensed Consolidated Statements of Operations.

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 in the first quarter of 2017. 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.

	Six Months Ended June 30, 2016
	(In millions, except per share data)
Pro forma net sales	\$ 3,135.5
Pro forma net income	\$ 37.5
Pro forma basic earnings per common share	\$ 0.66
Pro forma diluted earnings per common share	\$ 0.65

5. INVESTMENTS

	June 30, 2017	December 31, 2016
	(In millions)	
U.S. equity	\$ 8.9	\$ 7.6
Non-U.S. equity	2.1	1.8
Fixed income	1.1	1.0
Total investments	<u>\$ 12.1</u>	<u>\$ 10.4</u>

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.

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

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. When securities are sold, their cost is determined based on the first-in, first-out ("FIFO") method.

6. INVENTORIES

	June 30, 2017	December 31, 2016
	(In millions)	
Raw materials and supplies	\$ 448.3	\$ 429.4
Finished goods	569.5	571.9
LIFO reserve	(24.7)	(23.3)
Total inventories	<u>993.1</u>	<u>978.0</u>

Inventory is generally accounted for under the FIFO method, and a portion is accounted for under the last-in, first-out ("LIFO") method and the weighted average costing approach. Approximately \$93.0 million and \$105.9 million of our inventory was accounted for under the LIFO method of accounting at June 30, 2017 and December 31, 2016, respectively. Approximately \$113.3 million and \$116.2 million of our inventory was accounted for using the weighted average costing approach at June 30, 2017 and December 31, 2016, respectively.

7. PROPERTY, PLANT, AND EQUIPMENT

	June 30, 2017	December 31, 2016
	(In millions)	
Land	\$ 70.0	\$ 71.2
Buildings and improvements	451.1	465.3
Machinery and equipment	1,250.5	1,324.5
Construction in progress	68.0	85.0
Total	<u>1,839.6</u>	<u>1,946.0</u>
Less accumulated depreciation	(543.3)	(586.7)
Property, plant, and equipment, net	<u>\$ 1,296.3</u>	<u>\$ 1,359.3</u>

Depreciation expense was \$37.9 million and \$44.9 million for the three months ended June 30, 2017 and 2016, respectively, and \$81.7 million and \$80.5 million for the six months ended June 30, 2017 and 2016, respectively.

8. GOODWILL AND INTANGIBLE ASSETS

As a result of the changes in organizational structure completed in the first quarter of 2017, the Company 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 six months ended June 30, 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	—	1.7	2.3	—	—	4.0
Balance at June 30, 2017	<u>\$ 555.6</u>	<u>\$ 714.9</u>	<u>\$ 435.6</u>	<u>\$ 471.7</u>	<u>\$ 276.4</u>	<u>\$ 2,454.2</u>

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

The carrying amounts of our intangible assets with indefinite lives, other than goodwill, as of June 30, 2017 and December 31, 2016 are as follows:

	June 30, 2017	December 31, 2016
	(In millions)	
Trademarks	\$ 22.1	\$ 21.6
Total indefinite lived intangibles	<u>\$ 22.1</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 June 30, 2017 and December 31, 2016 are as follows:

	June 30, 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	\$ 1,260.8	\$ (317.4)	\$ 943.4	\$ 1,284.3	\$ (293.3)	\$ 991.0
Contractual agreements	3.0	(2.9)	0.1	3.0	(2.9)	0.1
Trademarks	69.4	(26.0)	43.4	69.6	(23.6)	46.0
Formulas/recipes	33.8	(15.6)	18.2	33.7	(12.8)	20.9
Computer software	128.6	(66.4)	62.2	115.7	(57.7)	58.0
Total finite lived intangibles	\$ 1,495.6	\$ (428.3)	\$ 1,067.3	\$ 1,506.3	\$ (390.3)	\$ 1,116.0

Total intangible assets, excluding goodwill, as of June 30, 2017 and December 31, 2016 were \$1,089.4 million and \$1,137.6 million, respectively.

Amortization expense on intangible assets for the three months ended June 30, 2017 and 2016 was \$28.7 million and \$28.5 million, respectively, and \$57.3 million and \$52.3 million for the six months ended June 30, 2017 and 2016, respectively. Estimated amortization expense on intangible assets for 2017 and the next four years is as follows:

	(In millions)
2017	\$ 114.2
2018	108.1
2019	105.5
2020	103.0
2021	93.8

9. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	June 30, 2017	December 31, 2016
	(In millions)	
Accounts payable	\$ 576.8	\$ 458.1
Payroll and benefits	57.2	78.5
Interest	23.7	24.1
Taxes	10.2	31.0
Health insurance, workers' compensation, and other insurance costs	26.3	17.2
Marketing expenses	9.6	12.4
Other accrued liabilities	8.3	5.5
Total	\$ 712.1	\$ 626.8

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

10. INCOME TAXES

Income taxes were recorded at an effective rate of 38.9% and 63.2% for the three and six months ended June 30, 2017, respectively, compared to 14.4% and 9.2% for the three and six months ended June 30, 2016, respectively. The changes in effective tax rates for the three and six months ended June 30, 2017 as compared to 2016 are primarily a result of the income tax benefits on the Company's losses before income taxes for the three and six months ended June 30, 2017, the income tax benefits related to share-based payments, and the income tax benefits from the release of reserves for unrecognized tax benefits. 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 for the six months ended June 30, 2017 reflects a discrete benefit of approximately 13.9% attributable to the vesting and exercise of share-based awards.

The Internal Revenue Service ("IRS") is currently examining the TreeHouse Foods, Inc. & Subsidiaries' 2015 tax year. The Canadian Revenue Agency ("CRA") is currently examining the 2008 through 2014 tax years of E.D. Smith. The CRA is also currently examining the 2013 tax year of Associated Brands, Inc. The CRA examinations are 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 \$2.8 million of the \$5.8 million would affect net income when settled.

11. LONG-TERM DEBT

	June 30, 2017	December 31, 2016
	(In millions)	
Revolving Credit Facility	\$ 49.0	\$ 170.0
Term Loan A	280.5	288.0
Term Loan A-1	175.0	180.0
Term Loan A-2	986.6	1,005.8
2022 Notes	400.0	400.0
2024 Notes	775.0	775.0
Other debt	3.1	5.7
Total outstanding debt	2,669.2	2,824.5
Deferred financing costs	(29.9)	(33.3)
Less current portion	(70.9)	(66.4)
Total long-term debt	\$ 2,568.4	\$ 2,724.8

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 (1) amended the maturity dates of the Revolving Credit Facility, Term Loan A, and Term Loan A-1 so that they are conterminous 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 Revolving Credit Facility, Term Loan A, Term Loan A-1, and Term Loan A-2 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 June 30, 2017 was 3.02%. 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 decreases to 2.98%.

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

Revolving Credit Facility — As of June 30, 2017, \$801.1 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. In addition, as of June 30, 2017, there were \$49.9 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.

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 June 30, 2017, there were 57,168,101 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.

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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
(In millions, except per share data)				
Net (loss) income	\$ (34.2)	\$ 19.0	\$ (6.0)	\$ 15.8
Weighted average common shares outstanding	57.0	56.6	57.0	54.6
Assumed exercise/vesting of equity awards (1)	—	0.9	—	0.9
Weighted average diluted common shares outstanding	<u>57.0</u>	<u>57.5</u>	<u>57.0</u>	<u>55.5</u>
Net (loss) earnings per basic share	\$ (0.60)	\$ 0.34	\$ (0.11)	\$ 0.29
Net (loss) earnings per diluted share	\$ (0.60)	\$ 0.33	\$ (0.11)	\$ 0.28

(1) Incremental shares from equity awards are computed using the treasury stock method. For the three and six months ended June 30, 2017, 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 periods. Equity awards, excluded from our computation of diluted earnings per share because they were anti-dilutive, were 1.1 million and 1.6 million for the three and six months ended June 30, 2017, respectively, and 0.7 million and 1.0 million for the three and six months ended June 30, 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 5.0 million remain available at June 30, 2017.

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

(Loss) income before income taxes for the three and six month periods ended June 30, 2017 includes stock-based compensation expense of \$11.1 million and \$18.6 million, respectively. Stock-based compensation expense for the three and six months ended June 30, 2016 was \$8.1 million and \$14.3 million, respectively. The tax benefit recognized related to the compensation cost of these share-based awards was approximately \$4.1 million and \$6.9 million for the three and six months ended June 30, 2017, respectively, and \$3.0 million and \$5.2 million for the three and six months ended June 30, 2016, respectively.

Stock Options — The following table summarizes stock option activity during the six months ended June 30, 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	Director Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (yrs)	Aggregate Intrinsic Value
	(In thousands)				(In millions)
Outstanding, at December 31, 2016	2,069	20	\$ 64.77	5.8	\$ 28.9
Granted	452	—	84.53		
Forfeited	(58)	—	87.93		
Exercised	(228)	(16)	40.51		
Expired	(2)		85.17		
Outstanding, at June 30, 2017	<u>2,233</u>	<u>4</u>	70.81	6.6	31.5
Vested/expected to vest, at June 30, 2017	<u>2,149</u>	<u>4</u>	70.19	6.4	31.4
Exercisable, at June 30, 2017	<u>1,425</u>	<u>4</u>	61.53	5.0	30.7
			Three Months Ended June 30,	Six Months Ended June 30,	
			2017	2016	2017
			(In millions)	(In millions)	(In millions)
Compensation expense	\$ 2.8	\$ 1.9	\$ 4.6	\$ 3.5	
Intrinsic value of stock options exercised	5.6	4.7	10.1	6.0	
Tax benefit recognized from stock option exercises	2.2	1.7	3.9	2.1	

Compensation costs related to unvested options totaled \$18.0 million at June 30, 2017 and will be recognized over the remaining vesting period of the grants, which averages 2.3 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 2.07%, and no dividends. The weighted average grant date fair value of awards granted in 2017 was \$24.86.

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 June 30, 2017, 100 thousand director restricted stock units have been earned and deferred.

The following table summarizes the restricted stock unit activity during the six months ended June 30, 2017:

	Employee Restricted Stock Units	Weighted Average Grant Date Fair Value	Director Restricted Stock Units	Weighted Average Grant Date Fair Value
	(In thousands)		(In thousands)	
Outstanding, at December 31, 2016	516	\$ 87.03	104	\$ 57.78
Granted	265	83.97	17	84.66
Vested	(163)	85.17	(2)	98.28
Forfeited	(44)	87.32	—	—
Outstanding, at June 30, 2017	<u>574</u>	<u>86.11</u>	<u>119</u>	<u>60.86</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In millions)		(In millions)	
Compensation expense	\$ 7.1	\$ 4.5	\$ 11.8	\$ 8.0
Fair value of vested restricted stock units	10.1	12.9	13.0	13.1
Tax benefit recognized from vested restricted stock units	3.7	4.6	4.8	4.7

Future compensation costs related to restricted stock units are approximately \$36.7 million as of June 30, 2017 and will be recognized on a weighted average basis over the next 2.1 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. On June 27, 2017, based on an achievement of operating performance measures, 72,335 performance units were converted into 81,556 shares of stock, an average conversion of 1.13 shares for each performance unit. The following table summarizes the performance unit activity during the six months ended June 30, 2017:

	Performance Units (In thousands)	Weighted Average Grant Date Fair Value	
		2017	2016
Unvested, at December 31, 2016	246	\$ 85.16	
Granted	114	84.66	
Vested	(72)	79.89	
Forfeited	(10)	88.10	
Unvested, at June 30, 2017	<u>278</u>	<u>86.21</u>	

		Three Months Ended June 30,		Six Months Ended June 30,	
		2017	2016	2017	2016
		(In millions)		(In millions)	
Compensation expense	\$ 1.2	\$ 1.7	\$ 2.2	\$ 2.8	
Fair value of vested performance units	6.5	11.4	6.5	11.4	
Tax benefit recognized from performance units vested	2.5	4.1	2.5	4.1	

Future compensation costs related to the performance units are estimated to be approximately \$12.7 million as of June 30, 2017, and are expected to be recognized over the next 2.4 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) (In millions)	Accumulated Other Comprehensive Loss
Balance at December 31, 2016	\$ (89.4)	\$ (11.9)	\$ (101.3)
Other comprehensive income	16.5	—	16.5
Reclassifications from accumulated other comprehensive loss	—	7.1	7.1
Other comprehensive income	16.5	7.1	23.6
Balance at June 30, 2017	<u><u>\$ (72.9)</u></u>	<u><u>\$ (4.8)</u></u>	<u><u>\$ (77.7)</u></u>
	Foreign Currency Translation (1)	Unrecognized Pension and Postretirement Benefits (2) (In millions)	Accumulated Other Comprehensive Loss
Balance at December 31, 2015	\$ (100.5)	\$ (13.0)	\$ (113.5)
Other comprehensive income	28.9	—	28.9
Reclassifications from accumulated other comprehensive loss	—	0.5	0.5
Other comprehensive income	28.9	0.5	29.4
Balance at June 30, 2016	<u><u>\$ (71.6)</u></u>	<u><u>\$ (12.5)</u></u>	<u><u>\$ (84.1)</u></u>

- (1) The foreign currency translation adjustment is not net of tax, as the Company's investments in its foreign subsidiaries are considered to be permanent.
- (2) The unrecognized pension and postretirement benefits reclassification is presented net of tax of \$4.4 million and \$0.3 million for the six months ended June 30, 2017 and 2016, respectively.

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 June 30,		Six Months Ended June 30,			
	2017	2016	2017	2016		
(In millions)						
Amortization of defined benefit pension and postretirement items:						
Prior service costs	\$ —	\$ —	\$ 0.1	\$ 0.1	(a)	
Unrecognized net loss	0.2	0.4	0.6	0.7	(a)	
Actuarial adjustment	2.1	—	2.1	—	(b)	
Divestiture	8.7	—	8.7	—	Other operating expense, net	
Total before tax	11.0	0.4	11.5	0.8		
Income taxes	4.2	0.2	4.4	0.3	Income taxes	
Net of tax	<u><u>\$ 6.8</u></u>	<u><u>\$ 0.2</u></u>	<u><u>\$ 7.1</u></u>	<u><u>\$ 0.5</u></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.
- (b) Represents the actuarial adjustment that was recorded in conjunction with the divestiture of a pension plan and a postretirement benefit plan in the second quarter of 2017.

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. In connection with the divestiture of the canned soup and infant feeding ("SIF") business in the second quarter of 2017, the Company divested a pension plan and a postretirement benefit plan. The net unfunded liability associated with these plans as of the closing date, which is included in the Other operating expense, net line of the Condensed Consolidated Statements of Operations, was \$10.5 million.

Components of net periodic pension expense are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In millions)		(In millions)	
Service cost	\$ 1.0	\$ 1.3	\$ 2.2	\$ 2.3
Interest cost	3.8	4.1	7.8	7.1
Expected return on plan assets	(4.4)	(4.5)	(9.1)	(7.7)
Amortization of unrecognized prior service cost	—	—	0.1	0.1
Amortization of unrecognized net loss	0.2	0.4	0.6	0.7
Net periodic pension cost	<u>\$ 0.6</u>	<u>\$ 1.3</u>	<u>\$ 1.6</u>	<u>\$ 2.5</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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In millions)		(In millions)	
Service cost	\$ —	\$ —	\$ —	\$ —
Interest cost	0.3	0.4	0.6	0.6
Amortization of unrecognized prior service cost	—	—	—	—
Amortization of unrecognized net loss	—	—	—	—
Net periodic postretirement cost	<u>\$ 0.3</u>	<u>\$ 0.4</u>	<u>\$ 0.6</u>	<u>\$ 0.6</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 and six months ended June 30, 2017 and 2016, which consisted of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In millions)		(In millions)	
Restructuring	\$ 8.8	\$ 2.5	\$ 15.6	\$ 4.1
Loss on divestiture	85.2	—	85.2	—
Other	—	0.8	—	0.9
Total other operating expense, net	<u>\$ 94.0</u>	<u>\$ 3.3</u>	<u>\$ 100.8</u>	<u>\$ 5.0</u>

On May 22, 2017, the Company completed the divestiture of its SIF business. The SIF business is based in Pittsburgh, Pennsylvania and produced private label condensed and ready-to-serve soup, baby food, and gravies for the Meals segment. The divestiture of this

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

business did not meet the criteria to be presented as discontinued operations as it did not represent a strategic shift that would have a major effect on the Company's results of operations. The transaction remains subject to working capital adjustments that are expected to be finalized in the third quarter of 2017.

18. SUPPLEMENTAL CASH FLOW INFORMATION

	Six Months Ended June 30,	
	2017	2016
	(In millions)	
Interest paid	\$ 56.9	\$ 33.3
Income taxes paid	21.7	46.4
Accrued purchase of property and equipment	14.9	11.5
Accrued other intangible assets	5.0	3.0

Non-cash financing activities for the six months ended June 30, 2017 and 2016 include \$19.5 million and \$24.0 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. The *Public Employees'* defendants have filed a motion to dismiss, which has been fully briefed.

Additionally, due to the similarity of the complaints, the parties in *Wells* and *Lavin* have entered stipulations 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 receiving notification of a settlement of *Public Employees'* or until otherwise agreed to by the Parties. The next status dates in *Wells* and *Lavin* are October 30, 2017 and August 4, 2017, respectively, though these dates may change.

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 June 30, 2017, the Company had \$23.6 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 June 30, 2017, the Company had outstanding contracts for the purchase of 107,370 megawatts of electricity, expiring throughout 2017 and 2018; 14.0 million gallons of diesel, expiring throughout 2017 and early 2018; 3.1 million dekatherms of natural gas, expiring throughout 2017 and 2018; 0.3 million bushels of wheat, expiring throughout 2017 and early 2018; and 0.9 million bushels of corn, expiring throughout 2017 and early 2018.

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:

Balance Sheet Location	Fair Value	
	June 30, 2017	December 31, 2016
Asset Derivatives		
Commodity contracts	Prepaid expenses and other current assets	\$ 0.5
Foreign currency contracts	Prepaid expenses and other current assets	\$ 0.3
Interest rate swap agreements	Prepaid expenses and other current assets	\$ 9.9
		\$ 10.7
		\$ 12.1
Liability Derivatives		
Commodity contracts	Accounts payable and accrued expenses	\$ 1.2
Foreign currency contracts	Accounts payable and accrued expenses	\$ 0.4
		\$ 1.6
		\$ 0.5

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

Location of Gain (Loss) Recognized in Net (Loss) Income	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Mark-to-market unrealized gain (loss):				
Commodity contracts	Other expense (income), net	\$ (0.1)	\$ 0.5	\$ (1.2)
Foreign currency contracts	Other expense (income), net	(0.7)	2.8	(0.8)
Interest rate swap agreements	Other expense (income), net	(1.5)	(1.6)	(0.5)
Total unrealized (loss) gain		(2.3)	1.7	(2.5)
Realized gain (loss):				
Commodity contracts	Manufacturing related to Cost of sales and transportation related to Selling and distribution	(0.7)	—	(0.2)
Foreign currency contracts	Cost of sales	1.0	(2.7)	1.2
Interest rate swap agreements	Interest expense	0.2	—	0.1
Total realized gain (loss)		0.5	(2.7)	1.1
Total loss		\$ (1.8)	\$ (1.0)	\$ (1.4)
		\$ (5.9)		

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 June 30, 2017 and December 31, 2016:

	June 30, 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	\$ (49.0)	\$ (48.3)	\$ (170.0)	\$ (167.1)	2
Term Loan A	(280.5)	(280.9)	(288.0)	(288.1)	2
Term Loan A-1	(175.0)	(175.3)	(180.0)	(180.3)	2
Term Loan A-2	(986.6)	(988.3)	(1,005.8)	(1,007.4)	2
2022 Notes	(400.0)	(413.0)	(400.0)	(410.0)	2
2024 Notes	(775.0)	(825.4)	(775.0)	(809.9)	2
Recorded on a recurring basis at fair value (liability) asset:					
Commodity contracts	\$ (0.7)	\$ (0.7)	\$ 0.5	\$ 0.5	2
Foreign currency contracts	(0.1)	(0.1)	0.7	0.7	2
Interest rate swap agreements	9.9	9.9	10.4	10.4	2
Investments	12.1	12.1	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.

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.

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

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, barbecue, 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; powdered soups and gravies; macaroni and cheese; pasta; ready-to-eat and hot cereals; and skillet dinners. Condensed and ready to serve soup and infant feeding products were sold within the Meals segment through the divestiture of the SIF business on May 22, 2017.

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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In millions)	(In millions)	(In millions)	(In millions)
Net sales to external customers:				
Baked Goods	\$ 324.3	\$ 322.9	\$ 665.4	\$ 542.4
Beverages	246.2	212.9	514.2	437.8
Condiments	344.9	340.5	655.0	636.1
Meals	288.4	317.0	612.4	589.4
Snacks	317.0	358.0	607.6	615.8
Unallocated	1.4	(9.9)	3.8	(9.9)
Total	\$ 1,522.2	\$ 1,541.4	\$ 3,058.4	\$ 2,811.6
Direct operating income:				
Baked Goods	\$ 32.5	\$ 34.8	\$ 74.4	\$ 63.6
Beverages	60.3	54.1	119.0	111.8
Condiments	36.0	41.9	67.7	77.0
Meals	33.8	29.4	67.8	55.8
Snacks	10.1	19.0	22.6	28.8
Total	172.7	179.2	351.5	337.0
Unallocated selling, general, and administrative expenses	(82.0)	(79.2)	(162.0)	(179.9)
Unallocated cost of sales (1)	6.9	(6.7)	8.4	(19.3)
Unallocated corporate expense and other	(121.3)	(41.7)	(154.3)	(67.2)
Operating (loss) income	(23.7)	51.6	43.6	70.6
Other expense	(32.3)	(29.4)	(59.9)	(53.2)
(Loss) income before income taxes	\$ (56.0)	\$ 22.2	\$ (16.3)	\$ 17.4

(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 8.6% and 9.0% of total consolidated net sales in the six months ended June 30, 2017 and 2016, respectively, with 6.8% and 7.1% of total consolidated

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

net sales in Canada, respectively. The Company held 11.6% and 11.2% of its property, plant, and equipment outside of the United States as of June 30, 2017 and 2016, respectively.

Major Customers — Walmart Stores, Inc. and affiliates accounted for approximately 20.6% and 18.7% of consolidated net sales in the six months ended June 30, 2017 and 2016, respectively. No other customer accounted for more than 10% of our consolidated net sales during these periods.

Product Information — The following table presents the Company's net sales by major products for the three and six months ended June 30, 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 June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In millions)		(In millions)	
Products:				
Dressings and sauces	\$ 250.9	\$ 248.1	\$ 488.2	\$ 469.4
Snack nuts	196.5	205.7	384.2	348.0
Beverages	167.7	142.0	350.8	286.1
Retail bakery	162.0	159.0	344.6	272.3
Cereals and other meals	149.2	182.1	339.6	352.0
Baked products	162.3	163.9	320.8	270.1
Pasta and dry dinners	139.2	134.9	272.8	237.4
Trail mix and bars	121.9	142.4	227.2	257.9
Pickles	94.0	92.4	166.8	166.7
Beverage enhancers	78.5	70.9	163.4	151.7
Total net sales	<u>\$ 1,522.2</u>	<u>\$ 1,541.4</u>	<u>\$ 3,058.4</u>	<u>\$ 2,811.6</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 June 30, 2017 and 2016, and for the three and six months ended June 30, 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
June 30, 2017
(In millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Assets					
Current assets:					
Cash and cash equivalents	\$ 107.0	\$ 0.2	\$ 67.0	\$ —	\$ 174.2
Investments	—	—	12.1	—	12.1
Accounts receivable, net	0.6	308.1	44.0	—	352.7
Inventories, net	—	867.8	125.3	—	993.1
Assets held for sale	—	2.7	—	—	2.7
Prepaid expenses and other current assets	61.3	13.7	18.1	—	93.1
Total current assets	168.9	1,192.5	266.5	—	1,627.9
Property, plant, and equipment, net	29.8	1,115.9	150.6	—	1,296.3
Goodwill	—	2,333.7	120.5	—	2,454.2
Investment in subsidiaries	5,129.6	549.2	—	(5,678.8)	—
Intercompany accounts receivable (payable), net	(174.8)	168.8	6.0	—	—
Deferred income taxes	22.0	—	—	(22.0)	—
Intangible and other assets, net	59.7	966.8	105.0	—	1,131.5
Total assets	<u>\$ 5,235.2</u>	<u>\$ 6,326.9</u>	<u>\$ 648.6</u>	<u>\$ (5,700.8)</u>	<u>\$ 6,509.9</u>
Liabilities and Stockholders' Equity					
Current liabilities:					
Accounts payable and accrued expenses	\$ 45.2	\$ 599.4	\$ 67.5	\$ —	\$ 712.1
Current portion of long-term debt	69.5	1.3	0.1	—	70.9
Total current liabilities	114.7	600.7	67.6	—	783.0
Long-term debt	2,566.6	1.6	0.2	—	2,568.4
Deferred income taxes	—	406.1	25.9	(22.0)	410.0
Other long-term liabilities	11.0	188.9	5.7	—	205.6
Stockholders' equity	2,542.9	5,129.6	549.2	(5,678.8)	2,542.9
Total liabilities and stockholders' equity	<u>\$ 5,235.2</u>	<u>\$ 6,326.9</u>	<u>\$ 648.6</u>	<u>\$ (5,700.8)</u>	<u>\$ 6,509.9</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 June 30, 2017
(In millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 1,439.9	\$ 158.9	\$ (76.6)	\$ 1,522.2
Cost of sales	—	1,187.0	134.9	(76.6)	1,245.3
Gross profit	—	252.9	24.0	—	276.9
Selling, general, and administrative expense	34.6	132.9	10.4	—	177.9
Amortization expense	3.2	23.1	2.4	—	28.7
Other operating expense, net	—	92.8	1.2	—	94.0
Operating (loss) income	(37.8)	4.1	10.0	—	(23.7)
Interest expense	31.7	—	(0.2)	0.3	31.8
Interest income	—	0.3	(0.3)	(0.3)	(0.3)
Other expense (income), net	1.5	(0.1)	(0.6)	—	0.8
(Loss) income before income taxes	(71.0)	3.9	11.1	—	(56.0)
Income taxes (benefit)	(27.4)	3.1	2.5	—	(21.8)
Equity in net income (loss) of subsidiaries	9.4	8.6	—	(18.0)	—
Net (loss) income	<u><u>\$ (34.2)</u></u>	<u><u>\$ 9.4</u></u>	<u><u>\$ 8.6</u></u>	<u><u>\$ (18.0)</u></u>	<u><u>\$ (34.2)</u></u>

Condensed Supplemental Consolidating Statement of Operations
Three Months Ended June 30, 2016
(In millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 1,454.5	\$ 159.0	\$ (72.1)	\$ 1,541.4
Cost of sales	—	1,210.7	137.0	(72.1)	1,275.6
Gross profit	—	243.8	22.0	—	265.8
Selling, general, and administrative expense	22.9	143.2	16.3	—	182.4
Amortization expense	2.3	23.8	2.4	—	28.5
Other operating expense, net	—	2.8	0.5	—	3.3
Operating (loss) income	(25.2)	74.0	2.8	—	51.6
Interest expense	31.0	0.4	1.4	(1.3)	31.5
Interest income	—	(1.6)	(0.3)	1.3	(0.6)
Other expense (income), net	—	2.7	(4.2)	—	(1.5)
(Loss) income before income taxes	(56.2)	72.5	5.9	—	22.2
Income taxes (benefit)	(21.3)	24.7	(0.2)	—	3.2
Equity in net income (loss) of subsidiaries	53.9	6.1	—	(60.0)	—
Net income (loss)	<u><u>\$ 19.0</u></u>	<u><u>\$ 53.9</u></u>	<u><u>\$ 6.1</u></u>	<u><u>\$ (60.0)</u></u>	<u><u>\$ 19.0</u></u>

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

Condensed Supplemental Consolidating Statement of Operations
Six Months Ended June 30, 2017
(In millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 2,895.3	\$ 322.9	\$ (159.8)	\$ 3,058.4
Cost of sales	—	2,375.4	279.5	(159.8)	2,495.1
Gross profit	—	519.9	43.4	—	563.3
Selling, general, and administrative expense	62.1	279.5	20.0	—	361.6
Amortization expense	6.1	46.5	4.7	—	57.3
Other operating expense, net	—	99.4	1.4	—	100.8
Operating (loss) income	(68.2)	94.5	17.3	—	43.6
Interest expense	62.9	0.2	1.0	(2.6)	61.5
Interest income	(2.2)	(2.6)	(0.9)	2.6	(3.1)
Other expense (income), net	1.6	(0.1)	—	—	1.5
(Loss) income before income taxes	(130.5)	97.0	17.2	—	(16.3)
Income taxes (benefit)	(50.2)	36.5	3.4	—	(10.3)
Equity in net income (loss) of subsidiaries	74.3	13.8	—	(88.1)	—
Net (loss) income	<u>\$ (6.0)</u>	<u>\$ 74.3</u>	<u>\$ 13.8</u>	<u>\$ (88.1)</u>	<u>\$ (6.0)</u>

Condensed Supplemental Consolidating Statement of Operations
Six Months Ended June 30, 2016
(In millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ —	\$ 2,659.3	\$ 292.8	\$ (140.5)	\$ 2,811.6
Cost of sales	—	2,207.8	253.9	(140.5)	2,321.2
Gross profit	—	451.5	38.9	—	490.4
Selling, general, and administrative expense	76.6	259.6	26.3	—	362.5
Amortization expense	4.5	43.2	4.6	—	52.3
Other operating expense, net	—	4.1	0.9	—	5.0
Operating (loss) income	(81.1)	144.6	7.1	—	70.6
Interest expense	56.4	0.3	2.9	(2.4)	57.2
Interest income	(2.2)	(2.9)	(0.7)	2.4	(3.4)
Other (income) expense, net	—	(2.0)	1.4	—	(0.6)
(Loss) income before income taxes	(135.3)	149.2	3.5	—	17.4
Income taxes (benefit)	(51.3)	54.7	(1.8)	—	1.6
Equity in net income (loss) of subsidiaries	99.8	5.3	—	(105.1)	—
Net income (loss)	<u>\$ 15.8</u>	<u>\$ 99.8</u>	<u>\$ 5.3</u>	<u>\$ (105.1)</u>	<u>\$ 15.8</u>

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

Condensed Supplemental Consolidating Statement of Comprehensive Income (Loss)
Three Months Ended June 30, 2017
(In millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net (loss) income	\$ (34.2)	\$ 9.4	\$ 8.6	\$ (18.0)	\$ (34.2)
Other comprehensive income:					
Foreign currency translation adjustments	—	—	12.9	—	12.9
Pension and postretirement reclassification adjustment, net of tax	—	6.8	—	—	6.8
Other comprehensive income	—	6.8	12.9	—	19.7
Equity in other comprehensive income (loss) of subsidiaries	19.7	12.9	—	(32.6)	—
Comprehensive (loss) income	<u>\$ (14.5)</u>	<u>\$ 29.1</u>	<u>\$ 21.5</u>	<u>\$ (50.6)</u>	<u>\$ (14.5)</u>

Condensed Supplemental Consolidating Statement of Comprehensive Income (Loss)
Three Months Ended June 30, 2016
(In millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$ 19.0	\$ 53.9	\$ 6.1	\$ (60.0)	\$ 19.0
Other comprehensive income:					
Foreign currency translation adjustments	—	—	4.6	—	4.6
Pension and postretirement reclassification adjustment, net of tax	—	0.2	—	—	0.2
Other comprehensive income	—	0.2	4.6	—	4.8
Equity in other comprehensive income (loss) of subsidiaries	4.8	4.6	—	(9.4)	—
Comprehensive income (loss)	<u>\$ 23.8</u>	<u>\$ 58.7</u>	<u>\$ 10.7</u>	<u>\$ (69.4)</u>	<u>\$ 23.8</u>

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

Condensed Supplemental Consolidating Statement of Comprehensive Income (Loss)
Six Months Ended June 30, 2017
(In millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net (loss) income	\$ (6.0)	\$ 74.3	\$ 13.8	\$ (88.1)	\$ (6.0)
Other comprehensive income:					
Foreign currency translation adjustments	—	—	16.5	—	16.5
Pension and postretirement reclassification adjustment, net of tax	—	7.1	—	—	7.1
Other comprehensive income	—	7.1	16.5	—	23.6
Equity in other comprehensive income (loss) of subsidiaries	23.6	16.5	—	(40.1)	—
Comprehensive income (loss)	<u>\$ 17.6</u>	<u>\$ 97.9</u>	<u>\$ 30.3</u>	<u>\$ (128.2)</u>	<u>\$ 17.6</u>

Condensed Supplemental Consolidating Statement of Comprehensive Income (Loss)
Six Months Ended June 30, 2016
(In millions)

	Parent Company	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net income (loss)	\$ 15.8	\$ 99.8	\$ 5.3	\$ (105.1)	\$ 15.8
Other comprehensive income:					
Foreign currency translation adjustments	—	—	28.9	—	28.9
Pension and postretirement reclassification adjustment, net of tax	—	0.5	—	—	0.5
Other comprehensive income	—	0.5	28.9	—	29.4
Equity in other comprehensive income (loss) of subsidiaries	29.4	28.9	—	(58.3)	—
Comprehensive income (loss)	<u>\$ 45.2</u>	<u>\$ 129.2</u>	<u>\$ 34.2</u>	<u>\$ (163.4)</u>	<u>\$ 45.2</u>

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

Condensed Supplemental Consolidating Statement of Cash Flows
Six Months Ended June 30, 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	\$ (0.4)	\$ 400.5	\$ 8.1	\$ (80.8)	\$ 327.4
Cash flows from investing activities:					
Additions to property, plant, and equipment	(1.3)	(62.2)	(7.9)	—	(71.4)
Additions to intangible assets	(13.3)	(0.7)	—	—	(14.0)
Intercompany transfer	189.7	(87.3)	(0.1)	(102.3)	—
Proceeds from sale of fixed assets	—	1.7	—	—	1.7
Proceeds from divestiture	—	19.0	0.3	—	19.3
Other	—	—	(0.6)	—	(0.6)
Net cash provided by (used in) investing activities	175.1	(129.5)	(8.3)	(102.3)	(65.0)
Cash flows from financing activities:					
Net borrowing (repayment) of debt	(152.7)	(1.9)	—	—	(154.6)
Intercompany transfer	81.7	(269.1)	4.3	183.1	—
Receipts related to stock-based award activities	9.9	—	—	—	9.9
Payments related to stock-based award activities	(6.6)	—	—	—	(6.6)
Net cash provided by (used in) financing activities	(67.7)	(271.0)	4.3	183.1	(151.3)
Effect of exchange rate changes on cash and cash equivalents	—	—	1.0	—	1.0
Increase in cash and cash equivalents	107.0	—	5.1	—	112.1
Cash and cash equivalents, beginning of period	—	0.2	61.9	—	62.1
Cash and cash equivalents, end of period	<u>\$ 107.0</u>	<u>\$ 0.2</u>	<u>\$ 67.0</u>	<u>\$ —</u>	<u>\$ 174.2</u>

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

Condensed Supplemental Consolidating Statement of Cash Flows
Six Months Ended June 30, 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	\$ 52.8	\$ 300.2	\$ (7.8)	\$ (104.7)	\$ 240.5
Cash flows from investing activities:					
Additions to property, plant, and equipment	(1.1)	(73.9)	(9.0)	—	(84.0)
Additions to intangible assets	(5.9)	—	—	—	(5.9)
Intercompany transfer	98.5	(30.7)	—	(67.8)	—
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	—	(0.6)	(0.5)	—	(1.1)
Net cash provided by (used in) investing activities	(2,592.0)	(104.8)	33.5	(67.8)	(2,731.1)
Cash flows from financing activities:					
Net borrowing (repayment) of debt	1,702.9	(2.1)	—	—	1,700.8
Payment of deferred financing costs	(34.3)	—	—	—	(34.3)
Intercompany transfer	25.9	(192.7)	(5.7)	172.5	—
Net proceeds from issuance of common stock	835.1	—	—	—	835.1
Receipts related to stock-based award activities	7.0	—	—	—	7.0
Payments related to stock-based award activities	(7.8)	—	—	—	(7.8)
Net cash provided by (used in) financing activities	2,528.8	(194.8)	(5.7)	172.5	2,500.8
Effect of exchange rate changes on cash and cash equivalents	—	—	6.5	—	6.5
(Decrease) increase in cash and cash equivalents	(10.4)	0.6	26.5	—	16.7
Cash and cash equivalents, beginning of period	10.4	0.1	24.4	—	34.9
Cash and cash equivalents, end of period	<u>\$ —</u>	<u>\$ 0.7</u>	<u>\$ 50.9</u>	<u>\$ —</u>	<u>\$ 51.6</u>

24. SUBSEQUENT EVENTS

On August 3, 2017, the Company announced the TreeHouse 2020 restructuring plan, which will be executed in multiple phases over the next several years. The key elements of Phase 1 include the closure of the Company's Brooklyn Park, Minnesota and Plymouth, Indiana facilities as well as the downsizing of the Dothan, Alabama facility. Production at the Brooklyn Park, Minnesota and Plymouth, Indiana facilities is expected to cease in the fourth quarter of 2017. The facility downsizing at Dothan, Alabama is expected to be complete in the third quarter of 2018.

Total costs related to the announced facility actions described above are expected to be approximately \$44.5 million, of which approximately \$29.7 million is expected to be in cash. Components of the charges include non-cash asset write-offs of approximately \$14.8 million, employee-related costs of approximately \$7.0 million, and other closure costs of approximately \$22.7 million.

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 within our five segments (baked goods, beverages, condiments, meals, and snacks). 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, barbecue 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 and six month periods ended June 30, 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, barbecue, 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; powdered soups and gravies; macaroni and cheese; pasta; ready-to-eat and hot cereals; and skillet dinners. Condensed and ready to serve soup and infant feeding products were sold within the Meals segment through the divestiture of the canned soup and infant feeding ("SIF") business on May 22, 2017.

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 a lower average unemployment rate in the second quarter of 2017 compared to the first quarter of 2017, continuing a trend of improving employment over the last several years. Annualized real gross domestic product rose in the second quarter of 2017 compared to the first quarter of 2017, signaling a return to expected growth following a lower than expected first quarter. Analysts are forecasting gross domestic product growth in the 2 to 3% range for the full year. In June 2017, the Federal Reserve raised interest rates by a quarter percentage point, the third increase in as many quarters. Citing a strong economy and better jobs data, the expectation is that one more similar rate hike will occur during the remainder of 2017. Despite the overall improvement in the U.S. economy, consumer spending continues to remain challenged. Specifically, retail food volumes continue to be weak compared to overall consumer spending. June total retail food sales and volumes, though improved sequentially, were unfavorable compared to the same period of the prior year, showing declines of 1.0%

and 2.5%, respectively. On a quarterly basis, volumes remained challenged year-over-year as second quarter total food volume declined 1.6% compared to the prior year. Branded products continue to be the hardest hit as volumes were down 2.2% in the second quarter of 2017 compared to 2016. Comparatively, private label food volumes were down 0.4% year-over-year for the second quarter. The weak volumes were offset by favorable pricing for both branded and private label products.

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 second quarter of 2017, net sales decreased approximately 1.2% when compared to the same period last year, primarily due to the divestiture of the SIF business in the second quarter of 2017, which contributed 1.1% to the overall decline. Unfavorable volume/mix primarily from the exit of low margin co-pack business, unfavorable pricing from competitive pressure, and unfavorable foreign exchange was offset partially by the favorable impact of product recalls. We expect industry volume to remain challenged throughout the remainder of the year.

The overarching themes impacting the second quarter of 2017 include (1) unfavorable volume/mix primarily from competitive pressure and the exit of low margin co-pack business, (2) unfavorable pricing primarily from competitive pressure offset partially by commodity-based pricing increases, (3) generally higher operating and commodity costs, and (4) reduced variable incentive compensation accruals.

As compared to the second quarter of 2016, the average Canadian foreign exchange rate in 2017 was 4.2% weaker. The Company estimates that net sales were negatively impacted by approximately 0.2%. The Company closely monitors the Canadian / U.S. dollar exchange rate and at times, enters into foreign exchange contracts.

Recent Developments

Sale of SIF Business

On April 25, 2017, the Company announced that it had entered into a definitive agreement to sell its 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 closed on May 22, 2017 and remains subject to working capital adjustments that are expected to be finalized in the third quarter of 2017.

Announcement of TreeHouse 2020

On August 3, 2017, the Company announced the TreeHouse 2020 restructuring plan, which will be executed in multiple phases over the next several years. The key elements of Phase 1 include the closure of the Company’s Brooklyn Park, Minnesota and Plymouth, Indiana facilities as well as the downsizing of the Dothan, Alabama facility. Production at the Brooklyn Park, Minnesota and Plymouth, Indiana facilities is expected to cease in the fourth quarter of 2017. The facility downsizing at Dothan, Alabama is expected to be complete in the third quarter of 2018.

Total costs related to the announced facility actions described above are expected to be approximately \$44.5 million, of which approximately \$29.7 million is expected to be in cash. Components of the charges include non-cash asset write-offs of approximately \$14.8 million, employee-related costs of approximately \$7.0 million, and other closure costs of approximately \$22.7 million.

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 June 30,				Six Months Ended June 30,			
	2017		2016		2017		2016	
	Dollars	Percent	Dollars	Percent	Dollars	Percent	Dollars	Percent
(Dollars in millions)								
Net sales	\$ 1,522.2	100.0%	\$ 1,541.4	100.0%	\$ 3,058.4	100.0%	\$ 2,811.6	100.0%
Cost of sales	1,245.3	81.8	1,275.6	82.8	2,495.1	81.6	2,321.2	82.6
Gross profit	276.9	18.2	265.8	17.2	563.3	18.4	490.4	17.4
Operating expenses:								
Selling and distribution	94.8	6.2	104.3	6.8	199.4	6.5	189.8	6.8
General and administrative	83.1	5.4	78.1	5.1	162.2	5.3	172.7	6.1
Amortization expense	28.7	1.9	28.5	1.8	57.3	1.9	52.3	1.9
Other operating expense, net	94.0	6.2	3.3	0.2	100.8	3.3	5.0	0.2
Total operating expenses	300.6	19.7	214.2	13.9	519.7	17.0	419.8	15.0
Operating (loss) income	(23.7)	(1.5)	51.6	3.3	43.6	1.4	70.6	2.4
Other expense (income):								
Interest expense	31.8	2.1	31.5	2.0	61.5	2.0	57.2	2.0
Interest income	(0.3)	—	(0.6)	—	(3.1)	(0.1)	(3.4)	(0.2)
Gain on foreign currency exchange	(0.4)	—	(0.8)	(0.1)	(0.3)	—	(4.9)	(0.2)
Other expense (income), net	1.2	0.1	(0.7)	—	1.8	0.1	4.3	0.1
Total other expense	32.3	2.2	29.4	1.9	59.9	2.0	53.2	1.7
(Loss) income before income taxes	(56.0)	(3.7)	22.2	1.4	(16.3)	(0.6)	17.4	0.7
Income taxes	(21.8)	(1.5)	3.2	0.2	(10.3)	(0.4)	1.6	0.1
Net (loss) income	\$ (34.2)	(2.2)%	\$ 19.0	1.2%	\$ (6.0)	(0.2)%	\$ 15.8	0.6%

Three Months Ended June 30, 2017 Compared to Three Months Ended June 30, 2016

Net Sales — Second quarter net sales decreased by \$19.2 million, or 1.2%, in 2017 compared to 2016. The change in net sales from the second quarter of 2016 to the second quarter of 2017 was due to the following:

	Dollars (Dollars in millions)	Percent
2016 Net sales	\$ 1,541.4	
Volume/mix	(5.6)	(0.3)%
Pricing	(4.5)	(0.3)
Product recalls	11.3	0.7
Acquisitions/divestitures	(17.5)	(1.1)
Foreign currency	(2.9)	(0.2)
2017 Net sales	\$ 1,522.2	(1.2)%

The change in net sales was primarily due to the divestiture of the SIF business in the second quarter of 2017 which contributed 1.1% to the overall decline. Unfavorable volume/mix, pricing, and foreign exchange was offset partially by the favorable impact of product recalls.

Cost of Sales — Cost of sales as a percentage of net sales was 81.8% in the second quarter of 2017, compared to 82.8% in the second quarter of 2016. Included in cost of sales in the second quarter of 2016 was \$5.3 million related to product recalls compared to an insignificant amount in the second quarter of 2017. Coupled with the impact to net sales, product recalls contributed 1.0% to the reduction in cost of sales as a percentage of net sales year-over-year. The impact of acquisition, integration, divestiture, and restructuring costs for the second quarter of 2017 and 2016 was a gain of \$0.9 million and expense of \$0.9 million, respectively, further contributing 0.1% to the reduction in cost of sales as a percentage of net sales. Excluding the impact of product recalls and acquisition, integration, divestiture, and restructuring costs, cost of sales as a percentage of net sales was relatively flat compared to the prior year primarily due to higher operating and commodity costs, offset by a reduction in variable incentive compensation and depreciation.

Operating Expenses — Total operating expenses were \$300.6 million in the second quarter of 2017 compared to \$214.2 million in the second quarter of 2016. The increase in 2017 resulted from the following:

Selling and distribution expenses decreased \$9.5 million, or 9.1%, in the second quarter of 2017 compared to the second quarter of 2016. Selling and distribution expenses as a percentage of net sales decreased to 6.2% in the second quarter of 2017, compared to 6.8% in the second quarter of 2016. The decrease was primarily related to lower volumes, a reduction in variable incentive compensation, and cost savings in 2017.

General and administrative expenses increased \$5.0 million, or 6.4%, in the second quarter of 2017 compared to the second quarter of 2016. General and administrative expenses as a percentage of net sales increased slightly to 5.4% in the second quarter of 2017, compared to 5.1% in the second quarter of 2016. This increase was primarily related to increased stock compensation costs of \$3.0 million due to the shift of the annual grant period to the first quarter in 2017, higher acquisition, integration, and divestiture costs in the second quarter of 2017 compared to the second quarter of 2016, and the build-out of the new segment structure, offset partially by a reduction in variable incentive compensation and cost savings.

Amortization expense increased \$0.2 million in the second quarter of 2017 compared to the second quarter of 2016, primarily due to additional costs from capitalized software projects to bring the Private Brands Business onto TreeHouse systems.

Other operating expense was \$94.0 million in the second quarter of 2017 compared to \$3.3 million in the second quarter of 2016. The increase was entirely due to a loss on the divestiture of the SIF business of \$85.2 million in the second quarter of 2017 and 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 restructuring activity.

Interest Expense — Interest expense increased to \$31.8 million in the second quarter of 2017, compared to \$31.5 million in 2016, primarily due to higher interest rates associated with Federal interest rate increases offset partially by lower net debt.

Interest Income — Interest income of \$0.3 million 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 decreased slightly from the second quarter of 2016.

Foreign Currency — The Company's foreign currency impact was a \$0.4 million gain for the second quarter of 2017, compared to a gain of \$0.8 million in the second quarter of 2016, primarily due to fluctuations in currency exchange rates between the U.S. and Canadian dollar during the respective periods.

Other Expense (Income), net — Other expense was \$1.2 million for the second quarter of 2017, compared to income of \$0.7 million in the second quarter of 2016. The change was due to the non-cash mark-to-market adjustments on derivative instruments, primarily foreign currency contracts, commodity contracts, and interest rate swaps.

Income Taxes — Income tax benefit of \$21.8 million was recorded in the second quarter of 2017 compared to expense of \$3.2 million for the same period of 2016. The effective rate was 38.9% for the second quarter of 2017 compared to 14.4% for the second quarter of 2016. The change in the effective tax rate for the second quarter of 2017 compared to the second quarter of 2016 is primarily a result of the income tax benefit on the Company's loss before income taxes for the second quarter of 2017, the income tax benefits related to share-based payments, and the income tax benefit from the release of reserves for unrecognized tax benefits. The Company's 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 June 30, 2017 Compared to Three Months Ended June 30, 2016 — Results by Segment

Baked Goods

	Three Months Ended June 30,			
	2017		2016	
	Dollars	Percent	Dollars	Percent
(Dollars in millions)				
Net sales	\$ 324.3	100.0%	\$ 322.9	100.0%
Cost of sales	264.6	81.6	258.0	79.9
Gross profit	59.7	18.4	64.9	20.1
Freight out and commissions	19.2	5.9	20.9	6.5
Direct selling, general, and administrative	8.0	2.5	9.2	2.8
Direct operating income	\$ 32.5	10.0%	\$ 34.8	10.8%

Net sales in the Baked Goods segment increased \$1.4 million, or 0.4%, in the second quarter of 2017 compared to the second quarter of 2016. The change in net sales from 2016 to 2017 was due to the following:

	Dollars		Percent
	(Dollars in millions)		
2016 Net sales	\$ 322.9		
Volume/mix	4.3		1.3%
Pricing	(2.3)		(0.7)
Foreign currency	(0.6)		(0.2)
2017 Net sales	\$ 324.3		0.4%

Net sales increased during the second quarter of 2017 compared to the second quarter of 2016 primarily due to favorable volume/mix from increased distribution, offset partially by unfavorable pricing from competitive pressure.

Cost of sales as a percentage of net sales increased 1.7%, from 79.9% in the second quarter of 2016 to 81.6% in the second quarter of 2017, primarily due to higher operating costs and a rebate received in the second quarter of 2016 that did not repeat in the second quarter of 2017, offset partially by lower commodity costs.

Freight out and commissions paid to independent sales brokers was \$19.2 million in the second quarter of 2017, compared to \$20.9 million in the second quarter of 2016. This decrease is associated with lower rates, offset partially by the impact of higher volumes.

Direct selling, general, and administrative expenses were \$8.0 million in the second quarter of 2017 compared to \$9.2 million in the second quarter of 2016. The decrease in direct selling, general, and administrative expenses was primarily due to lower spend due to cost savings.

Beverages

	Three Months Ended June 30,			
	2017		2016	
	Dollars	Percent	Dollars	Percent
(Dollars in millions)				
Net sales	\$ 246.2	100.0%	\$ 212.9	100.0%
Cost of sales	171.9	69.8	146.6	68.9
Gross profit	74.3	30.2	66.3	31.1
Freight out and commissions	8.9	3.6	6.0	2.8
Direct selling, general, and administrative	5.1	2.1	6.2	2.9
Direct operating income	<u>\$ 60.3</u>	<u>24.5%</u>	<u>\$ 54.1</u>	<u>25.4%</u>

Net sales in the Beverages segment increased \$33.3 million, or 15.6%, in the second quarter of 2017 compared to the second quarter of 2016. The change in net sales from 2016 to 2017 was due to the following:

	Dollars		Percent
	(Dollars in millions)		
2016 Net sales	\$	212.9	
Volume/mix		38.9	18.3%
Pricing		(3.1)	(1.5)
Acquisitions/divestitures		(2.5)	(1.2)
2017 Net sales	<u>\$</u>	<u>246.2</u>	<u>15.6%</u>

Net sales increased during the second quarter of 2017 compared to the second quarter of 2016 primarily due to favorable volume/mix associated with additional distribution, primarily in the single serve beverage, broth, non-dairy creamer, and tea categories, offset partially by unfavorable pricing due to competitive pressure and lower sales due to the sale of a part of the Tetra re-cart broth business associated with the SIF divestiture.

Cost of sales as a percentage of net sales increased 0.9%, from 68.9% in the second quarter of 2016 to 69.8% in the second quarter of 2017, primarily due to unfavorable pricing and commodities (primarily oils and green coffee), offset partially by favorable volume/mix.

Freight out and commissions paid to independent sales brokers was \$8.9 million in the second quarter of 2017, compared to \$6.0 million in the second quarter of 2016. The increase is primarily related to increased volume year-over-year. Additionally, freight out and commissions as a percentage of net sales increased 0.8% from the second quarter of 2016 due to higher rates.

Direct selling, general, and administrative expenses were \$5.1 million in the second quarter of 2017, compared to \$6.2 million in the second quarter of 2016. The decrease in direct selling, general, and administrative expenses as a percentage of net sales of 0.8% was primarily due to cost savings.

Condiments

	Three Months Ended June 30,			
	2017		2016	
	Dollars	Percent	Dollars	Percent
Net sales	\$ 344.9	100.0%	\$ 340.5	100.0%
Cost of sales	288.2	83.6	276.6	81.2
Gross profit	56.7	16.4	63.9	18.8
Freight out and commissions	14.1	4.1	13.9	4.1
Direct selling, general, and administrative	6.6	1.9	8.1	2.4
Direct operating income	\$ 36.0	10.4%	\$ 41.9	12.3%

Net sales in the Condiments segment increased \$4.4 million, or 1.3%, in the second quarter of 2017 compared to the second quarter of 2016. The change in net sales from 2016 to 2017 was due to the following:

	Dollars		Percent
	(Dollars in millions)		
2016 Net sales	\$	340.5	
Volume/mix		5.8	1.7%
Pricing		0.9	0.3
Foreign currency		(2.3)	(0.7)
2017 Net sales	\$	344.9	1.3%

Net sales increased during the second quarter of 2017 compared to the second quarter of 2016 primarily due to favorable volume/mix from additional distribution and favorable pricing from commodity-based price increases and lower trade spend, offset partially by unfavorable foreign exchange.

Cost of sales as a percentage of net sales increased 2.4%, from 81.2% in the second quarter of 2016 to 83.6% in the second quarter of 2017, primarily due to higher commodity costs for soybean oil, cucumbers, peppers, and packaging, as well as higher operating costs.

Freight out and commissions paid to independent sales brokers was \$14.1 million in the second quarter of 2017, compared to \$13.9 million in the second quarter of 2016. Costs remained consistent with sales activity as freight out and commissions as a percentage of net sales was 4.1% for both the second quarter of 2017 and 2016.

Direct selling, general, and administrative expenses were \$6.6 million in the second quarter of 2017 and \$8.1 million in the second quarter of 2016. The decrease in direct selling, general, and administrative expenses as a percentage of net sales of 0.5% was primarily due to cost savings.

Meals

	Three Months Ended June 30,			
	2017		2016	
	Dollars	Percent	Dollars	Percent
Net sales	\$ 288.4	100.0%	\$ 317.0	100.0%
Cost of sales	235.7	81.7	265.1	83.6
Gross profit	52.7	18.3	51.9	16.4
Freight out and commissions	12.2	4.3	14.0	4.4
Direct selling, general, and administrative	6.7	2.3	8.5	2.7
Direct operating income	\$ 33.8	11.7%	\$ 29.4	9.3%

Net sales in the Meals segment decreased \$28.6 million, or 9.0%, in the second quarter of 2017 compared to the second quarter of 2016. The change in net sales from 2016 to 2017 was due to the following:

	Dollars	Percent
	(Dollars in millions)	
2016 Net sales	\$ 317.0	
Volume/mix	(9.1)	(2.9)%
Pricing	(4.5)	(1.4)
Acquisitions/divestitures	(15.0)	(4.7)
2017 Net sales	<u><u>\$ 288.4</u></u>	<u><u>(9.0)%</u></u>

Net sales decreased during the second quarter of 2017 compared to the second quarter of 2016 primarily due to the divestiture of the SIF business, unfavorable volume/mix largely in the ready-to-eat cereal category, and unfavorable pricing from commodity-based price reductions and competitive pressure.

Cost of sales as a percentage of net sales decreased 1.9%, from 83.6% in the second quarter of 2016 to 81.7% in the second quarter of 2017, primarily due to favorable commodity costs, lower depreciation, and selling, general, and administrative cost savings.

Freight out and commissions paid to independent sales brokers was \$12.2 million in the second quarter of 2017, compared to \$14.0 million in the second quarter of 2016. Freight out and commissions as a percentage of net sales was relatively flat in the second quarter of 2017 compared to the second quarter of 2016.

Direct selling, general, and administrative expenses were \$6.7 million in the second quarter of 2017 compared to \$8.5 million in 2016. Direct selling, general, and administrative expenses as a percentage of net sales decreased 0.4% in the second quarter of 2017 compared to the second quarter of 2016 primarily due to cost savings and the divestiture of the SIF business.

Snacks

	Three Months Ended June 30,			
	2017		2016	
	Dollars	Percent	Dollars	Percent
Net sales	\$ 317.0	100.0%	\$ 358.0	100.0%
Cost of sales	291.8	92.1	322.6	90.1
Gross profit	25.2	7.9	35.4	9.9
Freight out and commissions	7.3	2.3	8.8	2.5
Direct selling, general, and administrative	7.8	2.4	7.6	2.1
Direct operating income	<u><u>\$ 10.1</u></u>	<u><u>3.2%</u></u>	<u><u>\$ 19.0</u></u>	<u><u>5.3%</u></u>

Net sales in the Snacks segment decreased \$41.0 million, or 11.5%, in the second quarter of 2017 compared to the second quarter of 2016. The change in net sales from 2016 to 2017 was due to the following:

	Dollars		Percent	
	(Dollars in millions)			
	Dollars	Percent	Dollars	Percent
2016 Net sales	\$ 358.0			
Volume/mix	(45.5)	(12.7)%		
Pricing	4.5	1.2		
2017 Net sales	<u><u>\$ 317.0</u></u>	<u><u>(11.5)%</u></u>		

Net sales decreased during the second quarter of 2017 compared to the second quarter of 2016 primarily due to unfavorable volume/mix from soft consumer trends, the exit of low margin co-pack business, and reduced merchandising support from customers, offset partially by favorable pricing from commodity-based price increases.

Cost of sales as a percentage of net sales increased 2.0%, from 90.1% in the second quarter of 2016 to 92.1% in the second quarter of 2017, primarily due to unfavorable mix, and higher commodity costs, predominantly in cashews.

Freight out and commissions paid to independent sales brokers was \$7.3 million in the second quarter of 2017, compared to \$8.8 million in 2016 mostly due to lower volumes. Freight out and commissions as a percentage of net sales decreased 0.2%, to 2.3% in the second quarter of 2017 compared to 2.5% in the second quarter of 2016 due to slightly lower rates.

Direct selling, general, and administrative expenses were relatively flat at \$7.8 million in the second quarter of 2017 compared to \$7.6 million in the second quarter of 2016. 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.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Net Sales — Net sales increased by \$246.8 million, or 8.8%, in the first six months of 2017 compared to the first six months of 2016. The change in net sales from 2016 to 2017 was due to the following:

	Dollars (Dollars in millions)	Percent
2016 Net sales	\$ 2,811.6	
Volume/mix	1.5	0.1%
Pricing	(14.4)	(0.5)
Product recalls	13.7	0.5
Acquisitions/divestitures	246.8	8.7
Foreign currency	(0.8)	—
2017 Net sales	<u>\$ 3,058.4</u>	<u>8.8%</u>

The change in net sales is primarily due to an additional month of sales from the 2016 acquisition of the Private Brands Business and the favorable impact of product recalls, offset partially by the divestiture of the SIF business in the second quarter of 2017 and unfavorable pricing.

Cost of Sales — Cost of sales as a percentage of net sales was 81.6% in the first six months of 2017, compared to 82.6% in the first six months of 2016. Included in cost of sales in the first six months of 2016 was \$5.3 million related to product recalls compared to a \$1.5 million gain in the first six months of 2017. Coupled with the impact to net sales, product recalls contributed 0.6% to the reduction in cost of sales as a percentage of net sales year-over-year. The impact of acquisition, integration, divestiture, and restructuring costs for the first six months of 2017 and 2016 was \$3.3 million and \$11.4 million, respectively, further contributing 0.3% to the reduction in cost of sales as a percentage of net sales. Excluding the impact of product recalls, acquisition, integration, divestiture, and restructuring costs, cost of sales as a percentage of net sales was relatively flat year-over-year primarily due to a reduction in variable incentive compensation, lower depreciation, and favorable commodities, offset by unfavorable mix and higher operating costs.

Operating Expenses — Total operating expenses were \$519.7 million in the first six months of 2017 compared to \$419.8 million in the first six months of 2016. The increase in 2017 resulted from the following:

Selling and distribution expenses increased \$9.6 million, or 5.1%, in the first six months of 2017 compared to the first six months of 2016. Selling and distribution expenses as a percentage of net sales decreased to 6.5% in the first six months of 2017 compared to 6.8% in the first six months of 2016. The increase in selling and distribution expense dollars is primarily related to the additional month of Private Brands Business in 2017, while the decrease in selling and distribution expense as a percentage of net sales was primarily due to cost savings and reduced variable incentive compensation.

General and administrative expenses decreased by \$10.5 million, or 6.1%, in the first six months of 2017 compared to the first six months of 2016. This decrease is primarily related to higher acquisition, integration, and divestiture costs in the first six months of 2016 compared to the first six months of 2017, offset partially by an additional month of Private Brands Business in 2017. General and administrative expenses as a percentage of net sales decreased from 6.1% in the first six months of 2016 to 5.3% in the first six months of 2017 due to the change in acquisition and integration costs year-over-year. In the first six months of 2016, the Company incurred approximately \$37.6 million (1.3% of net sales) of acquisition, integration, and divestiture costs primarily related to the Private Brands Business acquisition, compared to \$9.3 million (0.3% of net sales) in the first six months of 2017. Excluding the impact of acquisition, integration, and divestiture costs, general and administrative expenses as a percentage of net sales increased year-over-year as increased stock compensation costs of \$4.3 million related to the shift of the annual grant period to the first quarter in 2017 and the build-out of the new segment structure were offset partially by a reduction in variable incentive compensation.

Amortization expense increased \$5.0 million in the first six months of 2017 compared to the first six months of 2016, primarily due to the amortization of intangible assets from the acquisition of Private Brands.

Other operating expense was \$100.8 million in the first six months of 2017 compared to \$5.0 million in the first six months of 2016. The increase was entirely due to a loss on the divestiture of the SIF business of \$85.2 million in the second quarter of 2017 and 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 restructuring activity.

Interest Expense — Interest expense increased to \$61.5 million in the first six months of 2017, compared to \$57.2 million in 2016, due to higher average debt levels and interest rates from financing the acquisition and Federal interest rate increases.

Interest Income — Interest income of \$3.1 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 \$1.5 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.

Foreign Currency — The Company's foreign currency impact was a \$0.3 million gain for the first six months of 2017, compared to a gain of \$4.9 million in the first six months of 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 \$1.8 million for the first six months of 2017, compared to expense of \$4.3 million in the first six months of 2016. The change was mostly due to the non-cash mark-to-market adjustments on derivative instruments, primarily foreign currency contracts, commodity contracts, and interest rate swaps.

Income Taxes — Income tax benefit of \$10.3 million was recorded in the second quarter of 2017 compared to expense of \$1.6 million for the same period of 2016. The effective tax rate was 63.2% for the first six months of 2017 and 9.2% for the six months of 2016. The change in the effective tax rate for the first six months of 2017 compared to the first six months of 2016 is primarily a result of the income tax benefit on the Company's loss before income taxes for the first six months of 2017, the income tax benefits related to share-based payments, and the income tax benefit from the release of reserves for unrecognized tax benefits. The Company's 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.

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016 — Results by Segment

Baked Goods

	Six Months Ended June 30,			
	2017		2016	
	Dollars	Percent	Dollars	Percent
Net sales	\$ 665.4	100.0%	\$ 542.4	100.0%
Cost of sales	532.5	80.0	431.2	79.5
Gross profit	132.9	20.0	111.2	20.5
Freight out and commissions	41.6	6.3	33.6	6.2
Direct selling, general, and administrative	16.9	2.5	14.0	2.6
Direct operating income	<u>\$ 74.4</u>	<u>11.2%</u>	<u>\$ 63.6</u>	<u>11.7%</u>

Net sales in the Baked Goods segment increased \$123.0 million, or 22.7%, in the first six months of 2017 compared to the first six months of 2016. The change in net sales from 2016 to 2017 was due to the following:

	Dollars	Percent
	(Dollars in millions)	
2016 Net sales	\$ 542.4	
Volume/mix	(11.7)	(2.1)%
Pricing	(5.0)	(0.9)
Acquisitions/divestitures	140.0	25.8
Foreign currency	(0.3)	(0.1)
2017 Net sales	<u>\$ 665.4</u>	<u>22.7%</u>

Net sales increased from 2016 to 2017 due entirely to an additional month of Private Brands Business in 2017 offset partially by unfavorable volume/mix and unfavorable pricing mostly from competitive pressure.

Cost of sales as a percentage of net sales increased 0.5%, from 79.5% in the first six months of 2016 to 80.0% in the first six months of 2017, primarily due to higher operating costs and the non-repeat of a rebate received in the second quarter of 2016, offset partially by lower commodity costs.

Freight out and commissions paid to independent sales brokers was \$41.6 million in the first six months of 2017, compared to \$33.6 million in the first six months of 2016. The increase is primarily associated with the additional month of Private Brands Business in 2017. Freight and commissions as a percentage of net sales was relatively flat year-over-year.

Direct selling, general, and administrative expenses were \$16.9 million in the first six months of 2017 compared to \$14.0 million in the first six months of 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 was relatively flat year-over-year.

Beverages

	Six Months Ended June 30,			
	2017		2016	
	Dollars	Percent	Dollars	Percent
(Dollars in millions)				
Net sales	\$ 514.2	100.0%	\$ 437.8	100.0%
Cost of sales	366.3	71.2	300.9	68.7
Gross profit	147.9	28.8	136.9	31.3
Freight out and commissions	18.0	3.5	13.1	3.0
Direct selling, general, and administrative	10.9	2.2	12.0	2.8
Direct operating income	<u>\$ 119.0</u>	<u>23.1%</u>	<u>\$ 111.8</u>	<u>25.5%</u>

Net sales in the Beverages segment increased \$76.4 million, or 17.5%, in the first six months of 2017 compared to the first six months of 2016. The change in net sales from 2016 to 2017 was due to the following:

	Dollars		Percent	
	(Dollars in millions)			
2016 Net sales	\$	437.8		
Volume/mix		86.2		19.7%
Pricing		(7.3)		(1.7)
Acquisitions/divestitures		(2.5)		(0.5)
2017 Net sales	<u>\$</u>	<u>514.2</u>		<u>17.5%</u>

Net sales increased from 2016 to 2017 primarily due to favorable volume/mix associated with additional distribution, primarily in the single serve beverage, broth, non-dairy creamer, and tea categories, offset partially by unfavorable pricing due to competitive pressure and lower sales due to the sale of a part of the Tetra re-cart broth business associated with the divestiture of the SIF business in the second quarter of 2017.

Cost of sales as a percentage of net sales increased 2.5%, from 68.7% in the first six months of 2016 to 71.2% in the first six months of 2017, primarily due to higher commodity costs (primarily oils and green coffee).

Freight out and commissions paid to independent sales brokers was \$18.0 million in the first six months of 2017, compared to \$13.1 million in the first six months of 2016. The increase is primarily related to increased volume year-over-year. Additionally, freight out and commissions as a percentage of net sales increased 0.5% from the first six months of 2016 due to higher freight costs associated with one customer primarily in the first quarter.

Direct selling, general, and administrative expenses were \$10.9 million in the first six months of 2017 and \$12.0 million in the first six months of 2016. The decrease in direct selling, general, and administrative expenses as a percentage of net sales (0.6%) was primarily due to cost savings.

Condiments

	Six Months Ended June 30,			
	2017		2016	
	Dollars	Percent	Dollars	Percent
Net sales	\$ 655.0	100.0%	\$ 636.1	100.0%
Cost of sales	545.7	83.3	516.7	81.2
Gross profit	109.3	16.7	119.4	18.8
Freight out and commissions	27.5	4.2	26.8	4.2
Direct selling, general, and administrative	14.1	2.2	15.6	2.5
Direct operating income	<u>\$ 67.7</u>	<u>10.3%</u>	<u>\$ 77.0</u>	<u>12.1%</u>

Net sales in the Condiments segment increased \$18.9 million, or 3.0%, in the first six months of 2017 compared to the first six months of 2016. The change in net sales from 2016 to 2017 was due to the following:

	Dollars		Percent
	(Dollars in millions)		
2016 Net sales	\$	636.1	
Volume/mix		1.4	0.3%
Pricing		(1.8)	(0.3)
Acquisitions/divestitures		19.8	3.1
Foreign currency		(0.5)	(0.1)
2017 Net sales	<u>\$</u>	<u>655.0</u>	<u>3.0%</u>

Net sales increased from 2016 to 2017 mostly due to an additional month of Private Brands Business in 2017. Favorable volume/mix from increased distribution was more than offset by unfavorable pricing primarily from competitive pressure and unfavorable foreign exchange.

Cost of sales as a percentage of net sales increased 2.1%, from 81.2% in the first six months of 2016 to 83.3% in the first six months of 2017, primarily due to higher operating costs and higher commodity costs primarily for soy bean oil, cucumbers, peppers, and packaging.

Freight out and commissions paid to independent sales brokers was \$27.5 million in the first six months of 2017, compared to \$26.8 million in the first six months of 2016. Costs remained consistent with sales activity as freight out and commissions as a percentage of net sales was 4.2% for both the first six months of 2017 and 2016.

Direct selling, general, and administrative expenses were \$14.1 million in the first six months of 2017 and \$15.6 million in the first six months of 2016. The decrease in direct selling, general, and administrative expenses as a percentage of net sales (0.3%) was primarily due to cost savings.

Meals

	Six Months Ended June 30,			
	2017		2016	
	Dollars	Percent	Dollars	Percent
Net sales	\$ 612.4	100.0%	\$ 589.4	100.0%
Cost of sales	501.9	82.0	493.3	83.7
Gross profit	110.5	18.0	96.1	16.3
Freight out and commissions	27.6	4.5	24.9	4.2
Direct selling, general, and administrative	15.1	2.4	15.4	2.6
Direct operating income	<u>\$ 67.8</u>	<u>11.1%</u>	<u>\$ 55.8</u>	<u>9.5%</u>

Net sales in the Meals segment increased \$23.0 million, or 3.9%, in the first six months of 2017 compared to the first six months of 2016. The change in net sales from 2016 to 2017 was due to the following:

	Dollars	Percent
	(Dollars in millions)	
2016 Net sales	\$ 589.4	
Volume/mix	(10.3)	(1.7)%
Pricing	(8.7)	(1.5)
Acquisitions/divestitures	42.0	7.1
2017 Net sales	<u><u>\$ 612.4</u></u>	<u><u>3.9%</u></u>

Net sales increased from 2016 to 2017 primarily due to an additional month of Private Brands Business in 2017, offset partially by the divestiture of the SIF business, unfavorable volume/mix, and unfavorable pricing related to commodity-based price reductions and competitive pressure.

Cost of sales as a percentage of net sales decreased 1.7%, from 83.7% in the first six months of 2016 to 82.0% in the first six months of 2017, primarily due to an additional month of higher margin Private Brands Business and lower depreciation, commodity, and operating costs.

Freight out and commissions paid to independent sales brokers was \$27.6 million in the first six months of 2017, compared to \$24.9 million in the first six months of 2016. Freight out and commissions as a percentage of net sales was 4.5% in the first six months of 2017 compared to 4.2% 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 primarily in the first quarter.

Direct selling, general, and administrative expenses were \$15.1 million in the first six months of 2017 compared to \$15.4 million in the first six months of 2016. Direct selling, general, and administrative expenses as a percentage of net sales decreased slightly in the second quarter of 2017 compared to the second quarter of 2016 due to cost savings.

Snacks

	Six Months Ended June 30,			
	2017		2016	
	Dollars	Percent	Dollars	Percent
Net sales	\$ 607.6	100.0%	\$ 615.8	100.0%
Cost of sales	<u>557.1</u>	<u>91.7</u>	<u>559.8</u>	<u>90.9</u>
Gross profit	50.5	8.3	56.0	9.1
Freight out and commissions	13.8	2.3	14.9	2.4
Direct selling, general, and administrative	14.1	2.3	12.3	2.0
Direct operating income	<u><u>\$ 22.6</u></u>	<u><u>3.7%</u></u>	<u><u>\$ 28.8</u></u>	<u><u>4.7%</u></u>

Net sales in the Snacks segment decreased \$8.2 million, or 1.3%, in the first six months of 2017 compared to the first six months of 2016. The change in net sales from 2016 to 2017 was due to the following:

	Dollars		Percent
	(Dollars in millions)		
2016 Net sales	\$ 615.8		
Volume/mix	(64.1)	(10.4)%	
Pricing	8.4	1.4	
Acquisitions/divestitures	47.5	7.7	
2017 Net sales	<u><u>\$ 607.6</u></u>	<u><u>(1.3)%</u></u>	

Net sales decreased from 2016 to 2017 primarily due to unfavorable volume/mix from weak consumer trends in the first six months of 2017 compared to the prior year and the exit from low margin co-pack business, offset partially by an additional month of Private Brands Business in 2017 and favorable pricing.

Cost of sales as a percentage of net sales increased 0.8%, from 90.9% in the first six months of 2016 to 91.7% in the first six months of 2017, primarily due to the impact of unfavorable mix, higher commodity costs, mostly in cashews, and higher operating costs, offset partially by lapping a 2016 quality issue.

Freight out and commissions paid to independent sales brokers decreased to \$13.8 million in the first six months of 2017, compared to \$14.9 million in the first six months of 2016 primarily due to lower volumes partially offset by favorable rates. Freight out and commissions as a percentage of net sales was relatively flat in the first six months of 2017 compared to the first six months of 2016.

Direct selling, general, and administrative expenses were \$14.1 million in the first six months of 2017 compared to \$12.3 million in the first six months of 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 increased year-over-year due to the realignment of the Company's organizational structure and the associated build-out of the Snacks segment.

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 \$801.1 million was available under the Revolving Credit Facility as of June 30, 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:

	Six Months Ended June 30,	
	2017	2016
	(In millions)	
Cash flows from operating activities:		
Net (loss) income	\$ (6.0)	\$ 15.8
Depreciation and amortization	139.0	132.8
Stock-based compensation	18.6	14.3
Loss on divestiture	85.2	—
Deferred income taxes	(16.7)	(6.6)
Changes in operating assets and liabilities, net of acquisitions	97.1	82.0
Other	10.2	2.2
Net cash provided by operating activities	\$ 327.4	\$ 240.5

Our cash from operations was \$327.4 million in the first six months of 2017 compared to \$240.5 million in 2016, an increase of \$86.9 million. The increase in cash provided by operating activities was primarily due to a continued focus on working capital management. The change in cash provided by receivables and payables totaled \$106.1 million when comparing the first six months of 2017 to the first six months of 2016, as the Company continued to manage collection and payment terms.

	Six Months Ended June 30,	
	2017	2016
	(In millions)	
Cash flows from investing activities:		
Additions to property, plant, and equipment	\$ (71.4)	\$ (84.0)
Additions to intangible assets	(14.0)	(5.9)
Acquisitions, less cash acquired	—	(2,640.2)
Other	20.4	(1.0)
Net cash used in investing activities	\$ (65.0)	\$ (2,731.1)

In the first six months of 2017, cash used in investing activities decreased by \$2.7 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, Phase 1 of TreeHouse 2020, and routine equipment upgrades or replacements at our plants.

	Six Months Ended March 31,	
	2017	2016
	(In millions)	
Cash flows from financing activities:		
Net borrowing (repayment) of debt	\$ (154.6)	\$ 1,700.8
Payment of deferred financing costs	—	(34.3)
Net proceeds from issuance of common stock	—	835.1
Equity award financing activities	3.3	(0.8)
Net cash (used in) provided by financing activities	<u>\$ (151.3)</u>	<u>\$ 2,500.8</u>

Net cash used in financing activities increased by \$2.7 billion in the first six 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 June 30, 2017, \$67.0 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 June 30, 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 “*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. 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 broths 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 June 30, 2017, we had \$49.0 million in borrowings outstanding under our Revolving Credit Facility, \$280.5 million outstanding under Term Loan A, \$175.0 million outstanding under Term Loan A-1, \$986.6 million outstanding under Term Loan A-2, \$400.0 million of the 2022 Notes outstanding, \$775.0 million of the 2024 Notes outstanding, and \$3.1 million of other obligations. In addition, at June 30, 2017, there were \$49.9 million in letters of credit under the Revolving Credit Facility that were issued but undrawn.

Also, at June 30, 2017, our Revolving Credit Facility provided for an aggregate commitment of \$900 million, of which \$801.1 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 June 30, 2017 averaged 3.02%. Including the interest rate swap agreements with a weighted average fixed interest rate base of approximately 0.86% on \$500 million, the average rate decreases to 2.98%.

We are in compliance with all applicable debt covenants as of June 30, 2017. From an interest coverage ratio perspective, the Company's actual ratio as of June 30, 2017 is 99.0% higher than the minimum required level. As it relates to the leverage ratio, the Company was 38.4% 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.

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 June 30,		Six Months Ended June 30,	
	2017		2016	
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Diluted EPS per GAAP	\$ (0.60)	\$ 0.33	\$ (0.11)	\$ 0.28
Acquisition, integration, divestiture, and related costs	1.58	0.08	1.64	0.83
Restructuring/facility consolidation costs	0.14	0.05	0.33	0.13
Mark-to-market adjustments	0.04	(0.03)	0.05	0.06
Foreign currency gain on re-measurement of intercompany notes	(0.05)	—	(0.06)	(0.12)
Product recall (reimbursement) costs	(0.02)	0.27	(0.09)	0.27
Tax impact on adjusting items	(0.58)	(0.10)	(0.64)	(0.36)
Adjusted Diluted EPS	\$ 0.51	\$ 0.60	\$ 1.12	\$ 1.09

During the three and six months ended June 30, 2017 and 2016, the Company entered into transactions that affected the year-over-year comparison of its financial results that included acquisition, integration, and divestiture costs, mark-to-market adjustments, restructuring costs, product recall (reimbursement) costs, foreign currency gains 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 second quarter of 2017, the Company incurred approximately \$7.8 million in costs versus \$3.1 million last year. For the six months ended June 30, 2017 and

2016, the Company incurred restructuring and facility consolidation costs of approximately \$18.8 million and \$7.0 million, respectively.

The acquisition, integration, divestiture, and related costs line represents costs associated with completed and potential acquisitions and divestitures. Costs incurred in the first six months of 2017 primarily related to the divestiture of the SIF business, which closed on May 22, 2017, while costs incurred in the first six months of 2016 primarily related to the acquisition and integration of the Private Brands Business, which was acquired on February 1, 2016. Costs associated with integrating 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 \$2.6 million in the second quarter of 2017 versus foreign currency gains of \$0.1 million in the prior year to re-measure the loans at quarter end. For the six months ended June 30, 2017 and 2016, the Company incurred foreign currency gains of \$3.4 million and \$6.6 million, respectively. 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 six months 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.

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

Adjusted net income represents GAAP net (loss) income 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.

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 (loss) income as presented in the Condensed Consolidated Statements of Operations, the relevant GAAP measure, to Adjusted net income and Adjusted EBITDAS for the three and six months ended June 30, 2017 and 2016:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(unaudited in millions)			
Net (loss) income per GAAP	\$ (34.2)	\$ 19.0	\$ (6.0)	\$ 15.8
Product recall (reimbursement) costs (1)	(1.4)	15.2	(5.2)	15.2
Foreign currency gain on re-measurement of intercompany notes (2)	(2.6)	(0.1)	(3.4)	(6.6)
Mark-to-market adjustments (3)	2.3	(1.7)	2.5	3.0
Acquisition, integration, divestiture, and related costs (4)	91.0	4.8	94.7	46.1
Restructuring/facility consolidation costs (5)	7.8	3.1	18.8	7.0
Less: Taxes on adjusting items	(33.4)	(5.8)	(36.9)	(20.2)
Adjusted net income	29.5	34.5	64.5	60.3
Interest expense	31.8	31.5	61.5	57.2
Interest income	(0.3)	(0.6)	(3.1)	(3.4)
Income taxes	(21.8)	3.2	(10.3)	1.6
Depreciation and amortization (6)	64.8	72.7	134.5	130.3
Stock-based compensation expense (7)	11.1	7.8	18.6	14.0
Add: Taxes on adjusting items	33.4	5.8	36.9	20.2
Adjusted EBITDAS	<u>\$ 148.5</u>	<u>\$ 154.9</u>	<u>\$ 302.6</u>	<u>\$ 280.2</u>

Location in Condensed Consolidated Statements of Operations	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(unaudited in millions)			
(1) Product recall (reimbursement) costs	Net sales	\$ (1.3)	\$ 9.9	\$ (3.7)
	Cost of sales	(0.1)	5.3	(1.5)
(2) Foreign currency gain on re-measurement of intercompany notes	Gain on foreign currency exchange	(2.6)	(0.1)	(3.4)
(3) Mark-to-market adjustments	Other expense (income), net	2.3	(1.7)	2.5
(4) Acquisition, integration, divestiture, and related costs	Other operating expense, net	85.2	—	85.2
	General and administrative	5.7	4.6	9.3
	Other expense (income), net	0.1	—	0.2
	Cost of sales	—	0.2	—
(5) Restructuring/facility consolidation costs	Other operating expense, net	8.7	2.4	15.5
	Cost of sales	(0.9)	0.7	3.3
(6) Depreciation and amortization included as an adjusting item	Cost of sales	1.5	0.7	4.2
	General and administrative	0.3	—	0.3
(7) Stock-based compensation expense included in acquisition, integration, divestiture, and related costs	General and administrative	—	0.3	—
				0.3

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 included herein 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 six months ended June 30, 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 June 30, 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 June 30, 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 \$1,491.1 million under the Amended and Restated Credit Agreement at June 30, 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 \$9.9 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 second quarter of 2017 to the second quarter of 2016, price decreases in almonds, durum, flour, rice, grains, and eggs were more than offset by price increases in cashews, coffee, soybean and other oils, and packaging materials. 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 Loss (gain) on foreign currency exchange line of the Condensed

Consolidated Statements of Operations where the Company recognized gains of \$0.3 million and \$4.9 million for the six months ended June 30, 2017 and 2016, respectively.

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 six months ended June 30, 2017 and 2016, the Company recognized translation gains of \$16.5 million and \$28.9 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 June 30, 2017, the Company had \$23.6 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 June 30, 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 June 30, 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 June 30, 2017, and the related condensed consolidated statements of operations and comprehensive income (loss) for the three-month and six-month periods ended June 30, 2017 and 2016, and of cash flows for the six-month periods ended June 30, 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
August 3, 2017

Part II — Other Information

Item 1. Legal Proceedings

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. The *Public Employees'* defendants have filed a motion to dismiss, which has been fully briefed.

Additionally, due to the similarity of the complaints, the parties in *Wells* and *Lavin* have entered stipulations 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 receiving notification of a settlement of *Public Employees'* or until otherwise agreed to by the Parties. The next status dates in *Wells* and *Lavin* are October 30, 2017 and August 4, 2017, respectively, though these dates may change.

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, with the exception of the following:

Our TreeHouse 2020 restructuring plan could result, from time to time, in the impairment of assets, including goodwill and other intangible assets, and we may not realize some or all of the anticipated benefits of this plan in the anticipated time frame or at all.

On August 3, 2017, the Company announced the TreeHouse 2020 restructuring plan, which will be executed in multiple phases over the next several years. The plan targets a 300 basis point operating margin improvement by the end of 2020 through a comprehensive program of category and customer portfolio management, as well as manufacturing and supply chain optimization. Phase 1 of TreeHouse 2020 consists of the closure of the Company's Brooklyn Park, Minnesota and Plymouth, Indiana facilities as well as the downsizing of the Dothan, Alabama facility. TreeHouse 2020 could result, from time to time, in significant financial charges for the impairment of assets, including goodwill and other intangible assets. The calculation of anticipated charges, as well as cost savings and other benefits, resulting from our corporate restructuring are based on estimates and assumptions which are subject to

uncertainties. If any of our estimates or assumptions prove to be inaccurate, we may incur greater than expected charges, which could have a material adverse effect on our financial condition and results of operations.

Events and circumstances, such as financial or strategic difficulties, delays and unexpected costs may occur that could result in our not realizing all or any of the anticipated benefits on our expected timetable or at all, and there can be no assurance that any benefits we realize from these restructuring efforts will be sufficient to offset the restructuring charges and other costs that we expect to incur. If our restructuring measures are not successful, we may need to undertake additional cost reduction efforts, which could result in future charges. If we fail to realize the anticipated benefits from these measures, our financial condition and operating results may be adversely affected.

In addition, we expect that our restructuring plan will require a substantial amount of management and operational resources. These and related demands on our resources may divert the Company's attention from existing core businesses, potentially disrupting our operations and adversely affecting our relationships with suppliers and customers. As a result, our financial condition, results of operations or cash flows may be adversely affected.

Item 5. Other Information

None

Item 6. Exhibits

10.1	Employment Agreement, dated as of June 12, 2017, between TreeHouse Foods, Inc. and Robert B. Aiken, Jr. (incorporated by reference to Exhibit 10.1 to our Current Report on Form 8-K dated June 13, 2017).**
10.2*	Employment Agreement, effective July 10, 2017, between TreeHouse Foods, Inc. and Dennis F. Riordan.**
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.
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

August 3, 2017

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (hereinafter “Agreement”), effective as of the 10th day of July, 2017 (“Employment Status Change Date”), by and between TreeHouse Foods, Inc., with its principal place of business at 2021 Spring Road, Suite 600, Oak Brook, IL 60523 (“Company”) and Dennis F. Riordan (“Executive”).

WHEREAS, Executive has been a full-time employee of the Company and an officer of the Company and certain of its subsidiaries, most recently as President of TreeHouse Foods, Inc., and other officer positions with other Company subsidiaries; and the terms and conditions of such employment have been governed by an Employment Agreement, dated as of November 7, 2008, and amended pursuant to a First Amendment, dated as of April 21, 2009, and a Second Amendment, dated as of February 21, 2014 (collectively, the “Prior Employment Agreement”);

WHEREAS, the Company and Executive agree that it is in their mutual best interests that Executive switch from full-time to part-time employment status beginning July 10, 2017 (“Employment Status Change Date”), and that, effective at the end of business on July 9, 2017, Executive resign from all officer and other positions of fiduciary responsibility with the Company or any of its subsidiaries;

NOW THEREFORE, in consideration of the following mutual covenants, it is herein agreed by and between the parties as follows:

1. TERM. Upon the terms and subject to the conditions of this Agreement, the term of Executive’s employment under this Agreement (hereafter, the “Term”) shall commence as of the Employment Status Change Date and shall continue for twelve (12) months from the Employment Status Change Date; provided, however that the parties may extend the Term beyond twelve months or beyond any earlier agreed extension by mutual agreement at least ninety (90) calendar days prior to the anticipated end of the Term. Notwithstanding the foregoing, this Agreement may terminate for any of the reasons set forth in **Section 11** of this Agreement. Executive agrees and acknowledges that the Prior Employment Agreement is terminated as of the Employment Status Change Date; that the “Employment Period” applicable to the Prior Employment Agreement terminates as of the Employment Status Change Date; that the termination of the Prior Employment Agreement is a “Voluntary Termination” within the meaning of Section 6 of the Prior Employment Agreement; and that notwithstanding such termination the Company and Executive have obligations under the Prior Employment Agreement that continue through and after the Term of this Agreement.

2. DUTIES. During the Term, Executive will perform any duties reasonably requested by the President or the Chief Executive Officer of the Company, provided that the time Executive devotes to performing such duties, exclusive of any travel time to or from any location at which Executive performs such duties, shall approximate a 25% time commitment (which in the aggregate constitutes five hundred and twenty (520) hours over twelve months, calculated as ten hours for each of fifty-two weeks), with the further understanding that each calendar week may require more or less than ten (10) hours to perform the duties. In the event Executive anticipates that the requested duties will require more than five hundred and twenty (520) hours (exclusive of travel time) in the aggregate during the twelve-month Term, Executive shall inform the President and the Chief Executive Officer of the Company. The parties anticipate that Executive’s assigned duties during the Term will include, at a minimum, attendance and participation as requested by the Chief Executive Officer of the Company at management, officer and/or meetings of the Company’s Board of Directors (the “Board”) and the management of the Company’s Direct Flight Department.

3. BASE SALARY. During the Term, the Company shall pay Executive an annual base salary (“Base Salary”) in the amount of One Hundred Seventy Thousand Seven Hundred Fifty and 00/100 Dollars (\$170,750.00), less required withholdings and authorized deductions, pro-rated during the Term of this Agreement and payable in equal bi-monthly installments pursuant to the Company’s regular payroll practices; provided, however, that in the event this Agreement is terminated before twelve (12) months from the Employment Status Change Date, or before any agreed extension of the Term beyond such twelve months, for any of the reasons set forth in **Section 11** below, the Company will have no obligation to continue making any further such payments to Executive.

4. INCENTIVE BONUS COMPENSATION.

A. For the calendar year 2017, Executive shall be eligible to receive an annual incentive bonus from the Company, with a target bonus opportunity of not less than 100% of his “2017 Base Salary” which will be payable, if at all, upon the achievement by Executive and/or the Company of performance objectives to be established by the Board in consultation with the Company’s Chief Executive Officer and communicated to Executive. “2017 Base Salary” shall include the base salary Executive received from January 1, 2017, to the Employment Status Change Date plus the Base Salary he receives pursuant to this Agreement from the Employment Status Change Date to the earlier of (i) December 31, 2017, or (ii) termination for any of the reasons set forth in **Section 11** of this Agreement.

B. Without limiting the generality of the foregoing, the actual amount payable to Executive in respect of the above annual bonus incentive for calendar year 2017 may be more or less than the targeted opportunity (including zero) based on the actual results against the pre-established performance objectives. Such annual bonus incentive payments, if any, shall be paid at such time and in such manner as set forth in the relevant underlying annual incentive compensation plan document, as in effect from time to time.

C. The annual incentive bonus under this **Section 4** will be paid at the time payment is made to the Company's executive officers, but in no event later than two and a half (2½) months after the close of the calendar year in which Executive becomes vested in such incentive bonus, and (ii) is intended to qualify for the short-term deferral exception to Section 409A of the Internal Revenue Code of 1986 (the Code").

D. Executive agrees and acknowledges that he will receive no other annual incentive bonus from the Company, for 2017 or any subsequent calendar year.

5. HEALTH BENEFITS CONTINUATION COVERAGE. Executive agrees and acknowledges that the health benefits insurance coverage to which he was entitled and which he received as an employee of the Company will end on the Employment Status Change Date. Executive may elect to continue receiving group health insurance after the Employment Status Change Date pursuant to the federal law known as COBRA (29 U.S.C. § 1161 *et seq.*) for the time period during which he is eligible under COBRA via the COBRA materials that will be provided to Executive under separate cover. If Executive elects to receive COBRA coverage and for as long as he remains eligible, Executive will be responsible for, and his continued receipt of such continuation coverage is contingent upon his, paying the full coverage premium set forth in the Executive's COBRA billing statements.

6. BUSINESS EXPENSES. Executive will be reimbursed for all authorized reasonable expenses incurred in the discharge of his duties under this Agreement, pursuant to the standard reimbursement policies of the Company.

7. RETIREMENT 401(K) PLAN. Executive understands and acknowledges that Executive's right to continue participation, if any, in any Company sponsored retirement or 401(k) Plan shall be governed by the terms of such plan and not this Agreement, and, if applicable, the Company will continue to deduct Executive contributions and make Company matching contributions, each to the limits allowed under the 401(k) Plan, pursuant to Executive's current election unless Executive modifies such election through proper documentation.

8. EQUITY GRANTS. Any grants of equity in the Company that Executive has received, regardless of form or status, shall be governed by the applicable grant agreements and governing plan documents, including without limitation the TreeHouse Foods, Inc. Equity and Incentive Plan, as amended (the "Equity Plan") and the agreements to which Executive was a party in the context of any specific equity grants under the Equity Plan. Nothing in this Agreement shall expand, diminish or otherwise modify Executive's or the Company's rights and obligations contained in any of the aforementioned documents, and the Company strongly recommends that Executive review the documents. For the avoidance of doubt, the Company and Executive agree and acknowledge that Executive's change in employment status from full-time to part-time as of the Employment Status Change Date will not in and of itself affect the continued vesting or exercisability of any equity grants Executive received prior to the Employment Status Change Date.

9. INDEMNIFICATION. The Company agrees that if Executive is made a party, or is threatened to be made a party, to any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "Proceeding"), by reason of the fact that he is or was a director, officer or employee (including a part-time employee pursuant to this Agreement) of the Company or any subsidiary or affiliate thereof, or is or was serving at the request of the Company as a director, officer, member, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, including, in each case, service with respect to employee benefit plans, whether or not the basis of such Proceeding is Executive's alleged action in an official capacity while serving as a director, officer, member, employee or agent, Executive shall be indemnified and held harmless by the Company to the fullest extent legally permitted or authorized by the Company's certificate of incorporation or by-laws or resolutions of the Board or, if greater, by the laws of the State of Delaware, against all cost, expense, liability and loss (including, without limitation, attorney's fees, judgments, fines or penalties and amounts paid or to be paid in settlement) reasonably incurred or suffered by Executive in connection therewith, and such indemnification shall continue as to Executive even if he has ceased to be a director, officer, member, employee or agent of the Company or other entity and shall inure to the benefit of Executive's heirs, executors and administrators. If Executive serves as a director, officer, member, partner, employee or agent of another corporation, partnership, joint venture, limited liability company, trust or other enterprise (including, in each case, service with respect to employee benefit plans) which is a subsidiary or affiliate of the Company, it shall be presumed for purposes of this **Section 9(d)** that Executive serves or served in such capacity at the request of the Company. The Company shall advance to Executive all reasonable costs and expenses incurred by him in connection with a Proceeding within thirty (30) calendar days after receipt by the Company of a written request for such advance. Such request shall include an undertaking by Executive to repay the amount of such advance, if it shall ultimately be determined that he is not entitled to be indemnified against such costs and expenses. The Company agrees to continue and maintain a directors' and officers' liability insurance policy covering Executive to the extent the Company provides such coverage for its executive officers or directors.

10. NO OTHER COMPENSATION OR BENEFITS. Executive agrees and acknowledges that, other than as set forth above in **Sections 3 through 9**, (a) Executive is entitled to no other benefits or forms of compensation arising from his employment with the Company after the Employment Status Change Date, including without limitation any entitlement to any equity grants above and beyond what he already has received prior to the Employment Status Change Date; and (ii) all other benefits and forms of compensation shall cease upon the Employment Status Change Date.

11. TERMINATION OF SERVICES. Notwithstanding **Section 1** above, this Agreement and Executive's employment with the Company may be terminated upon the occurrence of any of the following events:

A. Death. Executive's employment and this Agreement shall terminate in the event of Executive's death.

B. Disability. Executive's employment and this Agreement shall terminate, at the option of the Company, in the event of the disability of Executive. For purposes of this Agreement, the term "disability" shall be defined in a manner consistent with the primary long-term disability insurance policy that covers Company employees, or if no long-term disability insurance policy is in effect, the term "disability" shall mean the inability of Executive to perform his duties for the Company under this Agreement, as a result of his mental or physical illness or other incapacity, for a period in excess of one hundred fifty (150) consecutive days (provided that a return to full work status of less than five full business days shall be deemed not to interrupt the calculation of such 150 days) or any period aggregating one hundred eighty (180) days in any one-year period.

C. Termination for Cause. The Company may terminate this Agreement and Executive's employment for Cause upon written notice to Executive. For purposes hereof, "Cause" shall be deemed to exist if any of the following items apply:

(i) The continued failure of Executive to perform his duties for the Company during the Term (other than by reason of Executive's illness or other incapacity) after the Company delivers a written notice to Executive identifying the manner in which the Company believes that Executive has failed to perform his duties, and Executive fails to commence substantial performance of his duties to the reasonable satisfaction of the Company on a continuous basis within two (2) weeks of the date of the notice;

(ii) The commission of any act of fraud, embezzlement, misappropriation, willful misconduct or gross negligence by Executive with respect to the Company;

(iii) Conviction of Executive of a criminal offence which substantially relates to Executive's performance of duties for the Company;

(iv) Breach by Executive of any of the terms or conditions set forth in this Agreement, which breach is not cured within two (2) weeks after the Company delivers to Executive a written notice of such breach, which notice describes in reasonable detail the Company's belief that Executive is in breach; or

(v) Any material violation by Executive of the TreeHouse Code of Ethics as set forth on the TreeHouse website.

In addition, Executive's employment and this Agreement shall be deemed to have terminated for Cause if, after Executive's employment has terminated, facts and circumstances are discovered that would have justified a termination for Cause.

D. Termination by Executive. Executive may terminate this Agreement and his employment with the Company for any or no reason upon sixty (60) calendar days' written notice to the Company.

12. COOPERATION. Executive agrees to cooperate and assist the Company with any investigation, regulatory matter, lawsuit or other such matter in which the Company is a subject, target or party and as to which Executive may have pertinent information. Executive agrees to make Executive reasonably available for preparation for hearings, proceedings or litigation and for attendance at any pre-trial discovery and trial sessions, if applicable. The Company agrees to make every reasonable effort to provide Executive with reasonable notice in the event Executive's participation is required. The Company agrees to reimburse Executive reasonable out-of-pocket costs incurred by Executive as the direct result of Executive's participation, provided that such out-of-pocket expenses are supported by appropriate documentation and have prior authorization of the Company. Executive agrees to perform all acts and execute any and all documents that may be reasonably necessary to carry out the provisions of this paragraph. Any time that Executive spends engaging in any activities pursuant to this **Section 12** shall not constitute any of, or contribute to the allotment of, the 520 hours to which Executive has committed to perform his duties under **Section 2** of this Agreement.

13. GENERAL RELEASE.

A. Release and Waiver of All Claims. Executive, and for Executive's heirs, executors, and assigns, does hereby discharge and release the Company, its predecessors and affiliates, including but not limited to the Company, its present and former principals, owners, shareholders, representatives, associates, servants, employees, attorneys, officers, directors, trustees, successors and assigns, and agents of any of the foregoing, from any and all liability or responsibility for all grievances, disputes, actions, causes

of action and claims at law or equity, sounding in contract or tort, whether under any state or federal statutory or common law and whether known or unknown, arising out of or related in any way to Executive's employment with the Company through the Employment Status Change Date and/or his change in employment status effective on the Employment Status Change Date, including but not limited to claims for wrongful discharge, unlawful discrimination, retaliation, breach of contract (express or implied), intentional or negligent infliction of emotional distress, negligence, defamation, duress, fraud, or misrepresentation, any violation of the *Age Discrimination in Employment Act of 1967*, the *Americans with Disabilities Act of 1990*, Title VII of the *Civil Rights Act of 1964*, the *Employee Retirement Income Security Act of 1974*, the *Equal Pay Act of 1963*, the *Family and Medical Leave Act of 1993*, the *Fair Labor Standards Act*, the *Sarbanes-Oxley Act of 2002*, the *Worker Adjustment Retraining and Notification Act*, the *National Labor Relations Act*, any claim based upon the Company's 401(k) Plan or deferred compensation plan maintained on behalf of the Company's employees, the laws of any state, and all claims under related common law, statutes, and executive orders at the federal, state and local levels of government, and any claims to any benefits from employment with the Company, other than those benefits enumerated herein. In addition, Executive represents and affirms that, as of the date he executes this Agreement, (i) no incident has occurred during Executive's employment with the Company that could form the basis for any claim by Executive against the Company for any work-related injury, (ii) Executive has been given an adequate opportunity to advise the Company's human resources, legal, or other relevant management division, and has so advised such division in writing, of any facts that Executive is aware of that constitute or might constitute a violation of any ethical, legal or contractual standards or obligations of the Company, and (iii) Executive is not aware of any existing or threatened claims, charges, or lawsuits that Executive has not disclosed to the Company. It is the intention of the parties to make this release as broad and as general as the law permits, thus excluding claims which Executive cannot waive by law and claims for breach of this Agreement.

B. Effect of Release and Waiver. The effect of this Agreement is to waive and release to the extent permitted by law any and all claims, demands, actions, or causes of action that Executive may now or hereafter have against the Company and individuals and entities named above for any liability, whether known or unknown, vicarious, derivative, or direct. This includes but is not limited to any claims for damages (actual or punitive), back wages, future wages, commission payments, bonuses, reinstatement, accrued vacation leave benefits, past and future employee benefits (except to which there is vested entitlement) including contributions to the Company's employee benefit plans, compensatory damages, penalties, equitable relief, attorneys' fees, costs of court, interest, and any and all other loss, expense, or detriment of whatever kind resulting from, growing out of, connected with, or related in any way to Executive's employment by the Company before the Employment Status Change Date or the change in his employment status as effective on the Employment Status Change Date. This release does not apply to any claims that may arise after the date Executive executes this Agreement. Nothing in this Agreement shall be construed to prohibit Executive from filing a charge/complaint, including a challenge to this Agreement's validity, with the Equal Employment Opportunity Commission, the U.S. Securities & Exchange Commission, or any other governmental agency for which this Agreement cannot lawfully so prohibit (although Executive waives any right to lost back or front pay or employee benefits in the event of such filing) or participating fully in any investigation or proceeding conducted by any such agency.

C. Notice. Executive understands and agrees that Executive:

(i) Has had a full twenty-one (21) calendar days within which to consider this Agreement before executing it. Any modifications, material or otherwise, made to this Agreement do not restart or affect in any manner such consideration period. The Company may revoke this Agreement at any time until it is accepted by Executive;

(ii) Has carefully read and fully understands all provisions in this Agreement;

(iii) Is, through this Agreement, releasing the Company from any and all claims Executive may have against the Company, including claims under the federal Age Discrimination in Employment Act (with the exception of challenges under the Older Workers Benefits Protection Act to a waiver of such claims), to the extent permitted by law;

(iv) Knowingly and voluntarily agrees to all of the terms set forth in this Agreement and intends to be legally bound by the same;

(v) Was advised and hereby is advised in writing to consider the terms of this Agreement and consult prior to executing this Agreement with an attorney of Executive's choice and at Executive's expense;

(vi) Has a full seven (7) calendar days following the execution of this Agreement to revoke this Agreement by delivering notice of revocation to Thomas O'Neill at TreeHouse Foods, Inc., 2021 Spring Road, Suite 600, Oak Brook, IL 60523, before the end of such seven-day period; and has been and hereby is advised in writing that this Agreement shall not become effective or enforceable until such revocation period has expired; and

(vii) Understands that rights or claims under the Age Discrimination in Employment Act of 1967 (29 U.S.C. § 621, et seq.) that may arise after the date this Agreement is executed are not waived.

D. Second Release. In addition, Executive will need to sign another release of claims in the same form as set forth in this **Section 13** sometime after the end of the Term, as it may be extended, and Executive's last day of employment under this Agreement and, like the first release, you must not revoke the second release.

14. RESTRICTIVE COVENANTS.

A. Confidentiality. Without the prior written consent of the Company, except (i) in the course of performing duties for the Company hereunder or (ii) to the extent required by an order of a court with competent jurisdiction or under subpoena from an appropriate government agency, Executive shall not use or disclose any trade secrets, customer lists, drawings, designs, product recipes or formulae, information regarding product development, marketing plans, sales plans, manufacturing plans, management organization information (including data and other information relating to management or Board members), operating policies or manuals, business plans, financial records, packaging design or other financial, commercial, business or technical information relating to the Company or any of its subsidiaries or information designated as confidential or proprietary that the Company or any of its subsidiaries may receive belonging to suppliers, customers or others who do business with the Company or any of its subsidiaries (collectively, "**Confidential Information**") to any third person unless such Confidential Information has been previously disclosed to the public by the Company or has otherwise become available to the public (other than by reason of Executive's breach of this **Section 14.A**). Notwithstanding the foregoing, nothing in this Agreement shall be interpreted to prohibit Executive from initiating or participating fully (including, to the extent protected by law, the act and method of providing confidential information) in any investigation or proceeding conducted by the Equal Employment Opportunity Commission, the U.S. Securities & Exchange Commission or any other governmental agency for which this Agreement cannot impose any such limitation.

B. Non-Solicitation of Employees. During the Term of this Agreement and for a period of eighteen (18) months following the termination of this Agreement, regardless of whether such termination is a result of the expiration of the Agreement's anticipated twelve-month duration, or expiration of any agreed extension beyond such initial twelve months, or the result of an earlier termination for any of the reasons set forth in **Section 11** above, Executive shall not, except in the course of carrying out his duties hereunder, directly or indirectly induce any employee of the Company or any of its subsidiaries to terminate employment with such entity, and shall not directly or indirectly, either individually or as owner, agent, employee, consultant or otherwise, knowingly employ or offer employment to any person who is or was employed by the Company or a subsidiary thereof unless such person shall have ceased to be employed by such entity for a period of at least 6 months.

C. Non-Competition. During the Term and, in the event that Executive's employment is terminated for any reason other than death, a Termination Without Cause or a Termination for Good Reason, for a period of twelve (12) months following the date of termination (the "Post-Termination Period"), Executive shall not become associated with any entity, whether as a principal, partner, employee, consultant or shareholder (other than as a holder of not in excess of one percent (1%) of the outstanding voting shares of any publicly traded company), that is actively engaged in any geographic area in any business which is in competition with a business conducted by the Company at the time of the alleged competition and, in the case of the Post-Termination Period, at the date of termination.

D. Injunctive Relief with Respect to Covenants. Executive acknowledges and agrees that the covenants and obligations of Executive with respect to non-competition, non-solicitation, confidentiality and Company property relate to special, unique and extraordinary matters and that a violation of any of the terms of such covenants and obligations may cause the Company irreparable injury for which adequate remedies are not available at law. Therefore, Executive agrees that the Company shall be entitled to an injunction, restraining order or other equitable relief restraining Executive from violating any of the covenants and obligations contained in this **Section 14** or in **Section 15**. These injunctive remedies are cumulative and are in addition to any other rights and remedies the Company may have at law or in equity.

15. SURRENDER OF RECORDS AND COMPANY PROPERTY. Executive agrees upon termination of this Agreement, regardless of the reason for termination, immediately to surrender to the Company all correspondence, letters, contracts, manuals, mailing lists, customer lists, marketing data, ledgers, supplies, corporate checks, any documents (electronic, hardcopy or in any other format regardless location) that contain any Confidential Information, and all other Company property or materials or records of any kind relating to the Company or its business then in his possession or under his control, as well as all copies of any of the foregoing.

16. MISCELLANEOUS.

A. Waiver of Breach. The waiver by any party hereto of any breach of any provision of this Agreement by the other shall not be deemed a waiver by such party of any subsequent breach.

B. Notice. Any notice required or permitted to be given hereunder shall be in writing and shall be deemed to be sufficiently given and received in all respects when personally delivered, three (3) business days after when deposited in the United States mail, certified mail, postage prepaid, return receipt requested, or one (1) day after when sent by reputable overnight courier service, in each case addressed to TreeHouse Foods, Inc., 2021 Spring Road, Suite 600, Oak Brook, IL 60523, Attn: General Counsel

or the last known residence of Executive in the records of the Company.

C. Assignment. Executive may not assign, pledge or encumber any interest in this Agreement or any part hereof without the prior written consent of the Company.

D. Complete Agreement. This writing represents the parties' entire agreement and understanding with respect to the subject matter hereof and supersedes all prior agreements and understandings of the parties in connection therewith, except with respect to Section 5(d), Section 7 and Section 8(o) of the Prior Employment Agreement as restated in **Section 1** above; it may not be altered or amended except by mutual agreement evidenced by a writing signed by both parties and specifically identified as an amendment to this Agreement. Notwithstanding the foregoing, to the extent Employee is subject to any other contractual, common law or statutory obligations to the Company with respect to confidential and proprietary information, nothing in this Agreement modifies, narrows or releases Executive from such obligations.

E. Governing Law. This Agreement and all questions of its interpretation, performance, enforceability and the rights and remedies of the parties hereto shall be governed by and determined in accordance with the internal laws of the state of Illinois. The Company and Executive agree that the jurisdiction and venue for any disputes arising under, or any action brought to enforce (or otherwise relating to), this Agreement shall be exclusively in the courts in the State of Illinois, County of Cook, including the Federal Courts located therein (should Federal jurisdiction exist), and the Company and Executive and hereby submit and consent to said jurisdiction and venue.

F. Binding Effect. This Agreement shall be binding on the parties hereto and their respective successors and permitted assigns. This Agreement shall also inure to the benefit of Executive's heirs, executors, administrators and legal representatives and beneficiaries.

G. Severability: Reformation. If any one or more of the provisions of this Agreement shall be determined to be invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions of this Agreement shall not be in any way impaired. In the event any of **Section 14(a), (b) or (c)** is not enforceable in accordance with its terms, Executive and the Company agree that such Section shall be reformed to make such Section enforceable in a manner which provides the Company the maximum rights permitted at law.

H. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts shall together constitute one and the same Agreement, and that facsimile or electronic signatures hereto shall have the same effect as original signatures.

I. Compensation Recovery Policy. All incentive compensation payable under this Agreement shall be subject to any compensation recovery policy adopted by the Company to comply with applicable law or to comport with good corporate governance practices as determined by the Board or Board committee in its sole discretion, as such policy may be amended from time to time.

J. Code Section 409A Policies and Procedures. This Agreement incorporates the terms of the TreeHouse Foods, Inc. Code Section 409A Policies and Procedures, originally effective as of January 1, 2009 and as may be amended from time to time.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the Employment Status Change Date.

TREEHOUSE FOODS, INC.

By: /s/ Lori G. Roberts

Print Name: Lori G. Roberts

Title: Sr. Vice President, Human Resources

Date: July 10, 2017

DENNIS F. RIORDAN

/s/ Dennis F. Riordan

Date: July 10, 2017

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

	Six Months Ended June 30, 2017	Year Ended December 31, 2016
Earnings:		
Loss before income taxes	\$ (16.3)	\$ (195.4)
Add (deduct):		
Fixed charges	84.1	154.8
Capitalization of interest, net of amortization	(0.3)	(1.5)
Earnings available for fixed charges (a)	<u>\$ 67.5</u>	<u>\$ (42.1)</u>
Fixed charges:		
Interest expense	\$ 61.5	\$ 119.2
Capitalized interest and tax interest	1.5	2.5
One third of rental expense (1)	21.1	33.1
Total fixed charges (b)	<u>\$ 84.1</u>	<u>\$ 154.8</u>
Ratio of earnings to fixed charges (a/b) (2)	<u>0.80</u>	<u>(0.27)</u>

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

(2) The Company incurred losses before income taxes for the six months ended June 30, 2017 and the year ended December 31, 2016. As a result, our earnings were less than our fixed charges by approximately \$16.6 and \$196.9 million, respectively.

August 3, 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 June 30, 2017, and 2016, as indicated in our report dated August 3, 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 June 30, 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: August 3, 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: August 3, 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 June 30, 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: August 3, 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 June 30, 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: August 3, 2017

