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# 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 and Exchange Act of 1934**

**For the Quarterly Period Ended September 30, 2005**

**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**<br>(State or other jurisdiction of incorporation or organization) | **20-2311383**<br>(I.R.S. employer identification no.) |

**Two Westbrook Corporate Center**
**Suite 1070**
**Westchester, IL 60154**
**(708) 483-1300**
(Address, including zip code, and telephone number, including area code of the registrant's principal executive offices)

**1333 Butterfield Road, Suite 490**
**Downers Grove, IL 60515**
**(630) 512-0592**
(Former name, former address and former fiscal year, if changed since last report)

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

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

As of November 7, 2005 there were 31,087,773 shares of Common Stock, par value $0.01 per share, outstanding.

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## Part I — Financial Information

### Item 1. Financial Statements

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

| | September 30, 2005 (unaudited) | December 31, 2004 (unaudited) |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 2,616 | $ 165 |
| Receivables, net | 32,592 | 30,411 |
| Inventories | 138,168 | 115,294 |
| Deferred income taxes | 1,307 | 6,642 |
| Prepaid expenses and other current assets | 3,482 | 1,327 |
| Assets of discontinued operations | 1,962 | 5,944 |
| Total current assets | 180,127 | 159,783 |
| Property, plant and equipment | 129,302 | 125,246 |
| Goodwill | 308,028 | 308,695 |
| Identifiable intangible and other assets | 37,384 | 39,198 |
| Total | $ 654,841 | $ 632,922 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | $ 72,713 | $ 55,280 |
| Current portion of long-term debt | 14,725 | 215 |
| Liabilities of discontinued operations | 111 | 1,431 |
| Total current liabilities | 87,549 | 56,926 |
| Long-term debt | 6,200 | 28,296 |
| Deferred income taxes | 28,506 | 32,407 |
| Other long-term liabilities | 18,924 | 20,538 |
| Commitments and contingencies (Note 13) | | |
| Stockholders' equity: | | |
| Preferred stock, par value $.01 per share, 10,000,000 shares authorized, none issued | | |
| Common stock, par value $.01 per share, 40,000,000 shares authorized and 31,087,773 shares issued and outstanding | 311 | — |
| Additional paid-in capital | 510,913 | — |
| Retained earnings | 4,900 | — |
| Dean Foods' net investment | — | 497,217 |
| Accumulated other comprehensive income (loss) | (2,462) | (2,462) |
| Total stockholders' equity | 513,662 | 494,755 |
| Total | $ 654,841 | $ 632,922 |

See Notes to Condensed Consolidated Financial Statements.

**TREEHOUSE FOODS, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**
(In thousands, except per share data)

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | (unaudited) | | (unaudited) | |
| Net sales | $ 171,872 | $ 169,203 | $ 523,255 | $ 515,133 |
| Cost of sales | 137,596 | 133,392 | 410,671 | 397,260 |
| Gross profit | 34,276 | 35,811 | 112,584 | 117,873 |
| Operating expenses: | | | | |
| Selling and distribution | 14,256 | 15,111 | 45,036 | 46,322 |
| General and administrative: | | | | |
| Stock-based compensation | 4,804 | — | 4,804 | — |
| Other general and administrative | 5,709 | 2,426 | 14,948 | 8,160 |
| Total general and administrative | 10,513 | 2,426 | 19,752 | 8,160 |
| Management fee paid to Dean Foods | — | 1,575 | 2,940 | 4,725 |
| Other operating (income) expense — net | (317) | — | 6,962 | — |
| Amortization expense | 452 | 352 | 1,280 | 1,024 |
| Total operating expenses | 24,904 | 19,464 | 75,970 | 60,231 |
| Operating income | 9,372 | 16,347 | 36,614 | 57,642 |
| Other (income) expense: | | | | |
| Interest expense, net | 403 | 180 | 768 | 545 |
| Other (income) expense, net | — | (20) | (66) | 79 |
| Total other (income) expense | 403 | 160 | 702 | 624 |
| Income from continuing operations before income taxes | 8,969 | 16,187 | 35,912 | 57,018 |
| Income taxes | 4,016 | 5,950 | 18,040 | 21,043 |
| Income from continuing operations | 4,953 | 10,237 | 17,872 | 35,975 |
| Loss from discontinued operations, net of tax | (53) | (9,071) | (648) | (9,345) |
| Net income | $ 4,900 | $ 1,166 | $ 17,224 | $ 26,630 |
| Weighted average common shares: | | | | |
| Basic | 30,833 | 30,801 | 30,812 | 30,801 |
| Diluted | 31,075 | 31,060 | 31,095 | 31,060 |
| Basic earnings per common share: | | | | |
| Income from continuing operations | $ .16 | $ .33 | $ .58 | $ 1.17 |
| Loss from discontinued operations, net of tax | — | (.29) | (.02) | (.30) |
| Net income | $ .16 | $ .04 | $ .56 | $ .87 |
| Diluted earnings per common share: | | | | |
| Income from continuing operations | $ .16 | $ .33 | $ .57 | $ 1.16 |
| Loss from discontinued operations, net of tax | — | (.29) | (.02) | (.30) |
| Net income | $ .16 | $ .04 | $ .55 | $ .86 |

See Notes to Condensed Consolidated Financial Statements.

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

| | Nine Months Ended September 30 | |
|---|---|---|
| | 2005 | 2004 |
| | (unaudited) | |
| Cash flows from operating activities: | | |
| Net income | $ 17,224 | $ 26,630 |
| Loss from discontinued operations | 648 | 9,345 |
| Income from continuing operations | 17,872 | 35,975 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 12,688 | 12,382 |
| Stock-based compensation | 4,804 | — |
| Loss on disposition of assets | 29 | 131 |
| Deferred income taxes | 1,434 | 6,550 |
| Tax savings on equity compensation | 2,283 | — |
| Other | (2) | — |
| Changes in operating assets and liabilities: | | |
| Receivables | (229) | (2,075) |
| Inventories | (21,345) | (9,461) |
| Prepaid expenses and other assets | (3,529) | 676 |
| Accounts payable and accrued expenses | 14,900 | 6,878 |
| Net cash provided by continuing operations | 28,905 | 51,056 |
| Net cash provided by discontinued operations | 2,014 | 5,326 |
| Net cash provided by operating activities | 30,919 | 56,382 |
| Cash flows from investing activities: | | |
| Additions to property, plant and equipment | (11,067) | (16,243) |
| Proceeds from sale of fixed assets | 14 | 76 |
| Net cash used in continuing operations | (11,053) | (16,167) |
| Net cash used in discontinued operations | — | (1,064) |
| Net cash used in investing activities | (11,053) | (17,231) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of debt | 33,672 | — |
| Repayment of debt | (19,275) | (4,035) |
| Payment of deferred financing costs | (808) | — |
| Issuance of common stock, net of expenses | 2,527 | — |
| Net activity with Dean Foods related to Distribution | (33,531) | (35,600) |
| Net cash provided by (used in) financing activities | (17,415) | (39,635) |
| Increase (decrease) in cash and cash equivalents | 2,451 | (484) |
| Cash and cash equivalents, beginning of period | 165 | 1,105 |
| Cash and cash equivalents, end of period | $ 2,616 | $ 621 |
| | | |
| Non cash transactions with Dean Foods prior to Distribution: | | |
| Termination of receivables backed facility | $ 21,983 | — |
| Transfer of Refrigerated Products net assets | 4,586 | — |
| Elimination of deferred compensation liability | 1,137 | — |

See Notes to Condensed Consolidated Financial Statements.

**TREEHOUSE FOODS, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**As of and for the three and nine months ended September 30, 2005**
(unaudited)

## 1. General

TreeHouse Foods, Inc. ("TreeHouse") was formed on January 25, 2005 by Dean Foods Company ("Dean Foods") in order to accomplish a spin-off to its shareholders of certain specialty businesses. Dean Foods transferred the assets and liabilities of its former Specialty Foods Group segment, in addition to the Mocha Mix, Second Nature and foodservice salad dressings businesses conducted by other businesses owned by Dean Foods, to TreeHouse. TreeHouse common stock held by Dean Foods was distributed to Dean Foods' stockholders on a distribution ratio of one share of TreeHouse common stock for every five shares of Dean Foods common stock outstanding. The transfer of assets and liabilities and the distribution of shares (the "Distribution") was completed on June 27, 2005 and TreeHouse commenced operations as an independent public company. Dean Foods has no continuing stock ownership in TreeHouse.

For periods prior to June 27, 2005, all of the historical assets, liabilities, sales, expenses, income, cash flows, products, businesses and activities of our business that we describe in this report as "ours" are in fact the historical assets, liabilities, sales, expenses, income, cash flows, products, businesses and activities of the businesses transferred to TreeHouse by Dean Foods. References in the accompanying Condensed Consolidated Financial Statements and in these Notes to "TreeHouse" "we", "our" and "us" mean TreeHouse. Our historical financial results as part of Dean Foods will not reflect our financial results in the future as an independent company or what our financial results would have been had we been operated as a separate, independent company during the periods presented.

## 2. Significant Accounting Policies

*Basis of Presentation* — The unaudited Condensed Consolidated Financial Statements contained in this Quarterly Report have been prepared on the same basis as the Combined Financial Statements in our registration statement on Form 10 for the year ended December 31, 2004. In our opinion, we have made all necessary adjustments (which include only normal recurring adjustments) in order to present fairly, in all material respects, our consolidated financial position, results of operations and cash flows as of the dates and for the periods presented. As permitted, certain disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted. Our results of operations for the period ended September 30, 2005 may not be indicative of our operating results for the full year. The Condensed Consolidated Financial Statements contained in this Quarterly Report should be read in conjunction with our 2004 Combined Financial Statements contained in our registration statement on Form 10/A, as amended, filed with the Securities and Exchange Commission on June 14, 2005.

*Shipping and Handling Fees* — Our shipping and handling costs are included in both cost of sales and selling and distribution expense, depending on the nature of such costs. Shipping and handling costs included in cost of sales reflect inventory warehouse costs, product loading and handling costs and costs associated with transporting finished products from our manufacturing facilities to our own distribution warehouses. Shipping and handling costs included in selling and distribution expense consist primarily of the cost of shipping products to customers through third party carriers. Shipping and handling costs recorded as a component of selling and distribution expense were approximately $7.1 million and $7.0 million in the three month periods ended September 30, 2005 and 2004, respectively, and $22.5 million and $21.4 million for the nine month periods ended September 30, 2005 and 2004, respectively.

*Income Taxes* —Prior to completion of the Distribution, we were included in Dean Foods' consolidated income tax returns and we did not file separate federal tax returns.

We entered into a tax sharing agreement with Dean Foods which generally governs Dean Foods' and our respective rights, responsibilities and obligations after the Distribution with respect to taxes attributable to our business, as well as any taxes incurred by Dean Foods as a result of the failure of the Distribution to qualify for tax-free treatment under Section 355 of the Code.

Under the tax sharing agreement, we are, with certain exceptions, liable for all U.S. federal, state, local and foreign taxes attributable to our business that are required to be paid after the Distribution. The tax sharing agreement sets forth rules for determining which taxes are attributable to our business and rules on the effect of subsequent adjustments to those taxes due to tax audits or examinations.

Under the tax sharing agreement, we are liable for taxes that may be incurred by Dean Foods that arise from the failure of the Distribution to qualify as a tax-free transaction under Section 355 of the Code (including as a result of Section 355(e) of the Code) if the failure to so qualify is attributable to actions, events, or transactions relating to the stock, assets, or business of us or any of our affiliates, or a breach of the relevant representations or covenants made by us in the tax sharing agreement or the Distribution agreement or to Wilmer Cutler Pickering Hale and Dorr LLP in connection with rendering its opinion. If the failure of the Distribution to qualify under Section 355 of the Code is attributable to a breach of certain representations made by both us and Dean Foods or a change in law or change in the interpretation or application of any existing law after the execution of the tax sharing agreement, we will be liable for 50% of the taxes arising from the failure to so qualify. Under the tax sharing agreement, we are also liable for taxes (not to exceed $20 million) arising from certain intercompany transactions effectuated in connection with the Distribution.

The tax sharing agreement also sets forth Dean Foods' and our respective obligations with respect to the filing of tax returns, the administration of tax contests, assistance and cooperation and other matters.

*Stock-Based Compensation (Post-Distribution)* — Effective July 1, 2005, we have adopted the requirements of SFAS 123(R) "Share-Based Payment". This statement requires that compensation paid with equity instruments be measured at grant-date fair value and that the resulting expense be recognized over the relevant service period. Prior to the quarter beginning July 1, 2005, we elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees". As such, no compensation expense was recognized prior to the quarter beginning July 1, 2005 as stock options were granted at exercise prices that were at or above market value at the grant date.

*Recently Issued Accounting Pronouncements* — In November 2004, the FASB issued SFAS No. 151, "Inventory Costs — an Amendment of ARB No. 43, Chapter 4." SFAS No. 151, which is effective for inventory costs incurred during years beginning after June 15, 2005, clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material, requiring that those items be recognized as current-period charges. In addition, SFAS No. 151 requires that allocation of fixed production overheads be based on the normal capacity of the production facilities. We do not believe the adoption of this standard will have a material impact on our Consolidated Financial Statements.

In December 2004, FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets, an amendment of APB Opinion No. 29." SFAS No. 153 is effective for nonmonetary exchanges occurring in years beginning after June 15, 2005. SFAS No. 153 eliminates the rule in APB No. 29 which excluded from fair value measurement exchanges of similar productive assets. Instead SFAS No. 153 excludes from fair value measurement exchanges of nonmonetary assets that do not have commercial substance. We do not believe the adoption of this standard will have a material impact on our Consolidated Financial Statements.

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections" ("SFAS 154"). SFAS 154 replaces Accounting Principles Board Opinion No. 20 "Accounting Changes" and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements-An Amendment of APB Opinion No. 28." SFAS 154 provides guidance on the accounting for and reporting of accounting changes and error corrections. SFAS 154 requires "retrospective application" of the direct effect of a voluntary change in accounting principle to prior periods' financial statements where it is practicable to do so. SFAS 154 also redefines the term "restatement" to mean the correction of an error by revising previously issued financial statements. SFAS 154 is effective for accounting changes and error corrections made in fiscal years beginning after December 15, 2005 unless adopted early. The Company does not expect the adoption of SFAS 154 to have a material impact on its consolidated financial position, results of operations or cash flows, except to the extent that the statement subsequently requires retrospective application of a future item.

### 3. Other Operating (Income) Expense — Net

We incurred other net operating (income) expense — net of $(317,000) and $7.0 million in the three months and nine months ended September 30, 2005. We did not incur like expenses in the three months or nine months ended September 30, 2004. Other operating expenses of $0 and $9.6 million in the three months and nine months ended September 30, 2005 consisted of Distribution related costs for legal, accounting and other professional fees. These expenses were partially offset by $1.1 million received in the second quarter as a settlement for participating in a high fructose corn syrup class action antitrust litigation, a $1.2 million gain from the sale of our Cairo, Georgia facilities in the second quarter and income of $317,000 in the third quarter related to lower environmental reserve requirements related to a closed tank yard facility which was sold in the third quarter.

**4. Discontinued Operations**

On September 7, 2004, we announced our decision to exit our nutritional beverages business. Our decision to exit this line of business resulted from significant declines in volume, which we believed could not be replaced. In accordance with generally accepted accounting principles, our financial statements reflect our former nutritional beverages business as discontinued operations.

Net sales and income (loss) before taxes generated by our nutritional beverages business were as follows:

| | Three Months Ended September 30, 2005 | Three Months Ended September 30, 2004 | Nine Months Ended September 30, 2005 | Nine Months Ended September 30, 2004 |
|---|---|---|---|---|
| | (In thousands) | | | |
| Net sales | $ — | $ 3,293 | $ 98 | $ 17,530 |
| Income (loss) before tax | $ (98) | $ (14,546) | $ (1,049) | $ (14,985) |

As part of the discontinuation of the nutritional beverages business, we recorded charges to close our manufacturing facility in Benton Harbor, Michigan. These charges were accounted for in accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." We expect to incur additional charges after September 30, 2005 of approximately $158,000 in shutdown and other costs. These additional charges are expected to be completed by December 2005. The principal components of the facility closure included (i) workforce reductions as a result of the facility closing; (ii) shutdown costs, including those costs that are necessary to prepare the abandoned facility for closure and resale; (iii) costs incurred after shutdown such as utilities and property taxes; and (iv) write-downs of property, plant and equipment. The impaired property and equipment was written down to its estimated fair value of $1.0 million and held for sale at September 30, 2005.

Activity with respect to the facility closure costs is summarized below:

| | Accrued Charges at December 31, 2004 | Charges | Payment | Accrued Charges at September 30, 2005 |
|---|---|---|---|---|
| | (In thousands) | | | |
| Cash charges: | | | | |
| Workforce reduction costs | $ 1,440 | $ (16) | $ (1,395) | $ 29 |
| Shutdown costs | — | 746 | (746) | — |
| Other | 4 | 318 | (320) | 2 |
| Total | $ 1,444 | $ 1,048 | $ (2,461) | $ 31 |

**5. Facility Closing and Reorganization Costs**

As part of the acquisition by merger of legacy Dean Foods by Suiza Foods in December 2001, we accrued costs pursuant to plans to exit certain activities and operations in order to rationalize production costs and inefficiencies. Under these plans, our facility in Cairo, Georgia was closed. We also shut down two pickle tank yards and relocated production between plants as part of our overall integration and efficiency efforts.

The principal components of the plans include (i) workforce reductions as a result of facility closings and facility reorganizations; (ii) shutdown costs, including those costs that are necessary to clean and prepare abandoned facilities for closure; and (iii) costs incurred after shutdown such as lease obligations or termination costs, utilities and property taxes after shutdown of the facility.

In the second quarter of 2005 we sold the Cairo, Georgia facility.

Activity with respect to these acquisition liabilities for 2005 is summarized below:

| | (In thousands) |
|---|---|
| Accrued charges at December 31, 2004 | $ 1,537 |
| Payments | (112) |
| Adjustments | (765) |
| Accrued charges at September 30, 2005 | $ 660 |

**6. Inventories**

| | September 30, 2005 | December 31, 2004 |
|---|---|---|
| | (In thousands) | |
| Raw materials and supplies | $ 42,259 | $ 33,430 |
| Finished goods | 101,862 | 85,819 |
| LIFO Reserve | (5,953) | (3,955) |
| Total | $ 138,168 | $ 115,294 |

Approximately $102.6 million and $88.2 million of our inventory was accounted for under the LIFO method of accounting at September 30, 2005 and December 31, 2004, respectively.

**7. Intangible Assets**

Changes in the carrying amount of goodwill for the nine months ended September 30, 2005 are as follows:

| | Pickles | Powder | Other | Total |
|---|---|---|---|---|
| | (In thousands) | | | |
| Balance at December 31, 2004 | $ 102,720 | $ 162,935 | $ 43,040 | $ 308,695 |
| Purchase accounting adjustments | (83) | (549) | (35) | (667) |
| Balance at September 30, 2005 | $ 102,637 | $ 162,386 | $ 43,005 | $ 308,028 |

The gross carrying amount and accumulated amortization of our intangible assets other than goodwill as of September 30, 2005 and December 31, 2004 are as follows:

| | September 30, 2005 | | | December 31, 2004 | | |
|---|---|---|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| | (In thousands) | | | | | |
| Intangible assets with indefinite lives: | | | | | | |
| Trademarks | $ 25,640 | $ — | $ 25,640 | $ 25,640 | $ — | $ 25,640 |
| Intangible assets with finite lives: | | | | | | |
| Customer-related | 13,675 | (5,244) | 8,431 | 13,675 | (4,002) | 9,673 |
| Total | $ 39,315 | $ (5,244) | $ 34,071 | $ 39,315 | $ (4,002) | $ 35,313 |

Amortization expense on intangible assets for the three months ended September 30, 2005 and 2004 was $452,000 and $352,000 respectively and $1.3 million and $1.0 million in the nine months ended September 30, 2005 and 2004. Estimated aggregate intangible asset amortization expense for the next five years is as follows:

| | |
|---|---|
| 2006 | $1.9 million |
| 2007 | 1.7 million |
| 2008 | 1.7 million |
| 2009 | 1.5 million |
| 2010 | 1.2 million |

**8. Long-Term Debt**

| | September 30, 2005 | | December 31, 2004 | |
|---|---|---|---|---|
| | Amount Outstanding | Interest Rate | Amount Outstanding | Interest Rate |
| | (Dollars In Thousands) | | | |
| Revolving credit facility | $ 14,400 | 4.84% | $ — | |
| Receivables-backed loan | — | | 21,983 | 2.83% |
| Capital lease obligations and other | 6,525 | | 6,528 | |
| | 20,925 | | 28,511 | |
| Less current portion | | | | |
| Total | (14,725) | | (215) | |
| | $ 6,200 | | $ 28,296 | |

*Revolving Credit Facility* — Effective June 27, 2005 we entered into a five-year unsecured revolving credit agreement with a group of participating financial institutions under which we can borrow up to $400 million. This agreement also includes a $75 million letter of credit sublimit, against which $1.4 million letter of credit has been issued. We may request to increase the commitments under the credit facility up to an aggregate of $500 million upon the satisfaction of certain conditions. Proceeds from the credit facility may be used for working capital and general corporate purposes, including acquisition financing, and to pay fees and expenses in connection with the Distribution. The credit facility contains various financial and other restrictive covenants and will require that we maintain certain financial ratios, including a leverage and interest coverage ratio. We are in compliance with all applicable covenants as of September 30, 2005. We believe that, given our current cash position, our cash flow from operating activities and our available credit capacity, we can comply with the current terms of the credit facility and meet foreseeable financial requirements.

Interest is payable quarterly or at the end of the applicable interest period in arrears on any outstanding borrowings at a customary Eurodollar rate plus the applicable margin or at a customary base rate. The underlying rate is defined as either the rate offered in the inter-bank Eurodollar market or the higher of the prime lending rate of the administrative agent or federal funds rate plus 0.5%. The applicable margin for Eurodollar loans is based on our consolidated leverage ratio and ranges from 0.50% to 0.80%. In addition, a facility fee based on our consolidated leverage ratio and ranging from 0.125% to 0.20% is due quarterly on all commitments under the credit facility.

The credit facility contains limitations on liens, investments, the incurrence of subsidiary indebtedness, mergers, dispositions of assets, acquisitions, material lines of business and transactions with affiliates. The credit facility restricts certain payments, including dividends, and prohibits certain agreements restricting the ability of our subsidiaries to make certain payments or to guarantee our obligations under the credit facility. The credit facility contains standard default triggers, including without limitation:

- failure to pay principal, interest or other amounts due and payable under the credit facility and related loan documents;
- failure to maintain compliance with the financial and other covenants contained in the credit agreement;
- incorrect or misleading representations or warranties;
- default on certain of our other debt;
- the existence of bankruptcy or insolvency proceedings;
- insolvency;
- existence of certain material judgments;
- failure to maintain compliance with ERISA;
- the invalidity of certain provisions in any loan document; and
- a change of control.

*Receivables-Backed Facility* — Prior to the Distribution, we participated in Dean Foods' receivables-backed facility. We sold our accounts receivable to a wholly-owned special purpose entity controlled by Dean Foods that is intended to be bankruptcy-remote. The special purpose entity transferred the receivables to third-party asset-backed commercial paper conduits sponsored by major financial institutions. Dean Foods treats the securitization as a borrowing for accounting purposes, and the assets and liabilities of the special purpose entity are fully reflected in our December 31, 2004 Consolidated Balance Sheet. The Dean Foods receivables-backed facility bears interest at a variable rate based on the commercial paper yield, as defined in the agreement. Dean Foods does not allocate interest related to the receivables-backed facility to its segments. Therefore, no interest costs related to this facility have been reflected in our Consolidated Income Statements. Effective April 1, 2005, we ceased to participate in Dean Foods' receivables-backed facility.

*Capital Lease Obligations and Other* — Capital lease obligations includes various promissory notes for the purchase of property, plant and equipment and capital lease obligations. The various promissory notes payable provide for interest at varying rates and are payable in monthly installments of principal and interest until maturity, when the remaining principal balances are due. Capital lease obligations represent machinery and equipment financing obligations, which are payable in monthly installments of principal and interest and are collateralized by the related assets financed.

## 9. Stockholders' Equity and Earnings per Share

*Common stock distribution and issuance* — Our common stock was distributed to Dean Foods stockholders on June 27, 2005 in the ratio of one share of TreeHouse common stock for every five shares of Dean Foods outstanding as of the record date of June 20, 2005. As a result, Dean Foods distributed 30,287,925 shares of TreeHouse common stock to its shareholders. In conjunction with entering into employment agreements, TreeHouse management purchased approximately 1.67% of TreeHouse common stock directly from Dean Foods in January 2005. These shares are equivalent to 513,353 shares on a post-Distribution basis. As of September 30, 2005, there were 31,087,773 shares issued and outstanding. There is no treasury stock and there is no remaining stock ownership by Dean Foods.

*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. For all periods prior to June 30, 2005, basic earnings per share are computed using our shares outstanding as of the date of the completion of the Distribution. Diluted earnings per share give effect to all potentially dilutive common shares that were outstanding during the reporting period. As described in Note 10-Stock-based Compensation, we issued various awards as of June 27, 2005 and during the third quarter of 2005. For the period the options were outstanding, the exercise price for stock options issued exceeds the average market price during the quarter and nine months ended September 30, 2005. As such, these options are excluded from the diluted earnings per share calculation for the quarter and nine month periods. The restricted stock and restricted stock unit awards are subject to market conditions for vesting which was not met as of September 30, so these awards are also excluded from the diluted earnings per share calculation.

Prior to completion of the Distribution, Dean Foods converted options on Dean Foods stock held by Dean's chairman and chief executive officer. These were converted on a pro-rata basis between options for Dean Foods and TreeHouse shares. As a result, there are 459,505 options outstanding as of September 30, 2005 which are exercisable at various prices. The new awards maintained both the pre-conversion aggregate intrinsic value of each award and the ratio of the exercise price per share to the market value per share. The net dilutive effect of these options are included in the diluted earnings per share calculation for all periods presented. During the quarter ended September 30, 2005, 286,495 options held by Dean's chairman and chief executive officer were exercised at a total price of $2.5 million.

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 September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| Weighted average shares outstanding | 30,832,713 | 30,801,278 | 30,811,797 | 30,801,278 |
| Assumed exercise of stock options (1) | 242,211 | 259,133 | 282,706 | 259,133 |
| Weighted average diluted common shares outstanding | 31,074,924 | 31,060,411 | 31,094,503 | 31,060,411 |

(1) The assumed exercise of stock options excludes 1,537,560 options outstanding which were anti-dilutive for the three and nine months ended September 30, 2005.

**10. Stock-based Compensation**

The following table summarizes stock options granted during 2005. Options were granted under our long-term incentive plan and in certain cases pursuant to employment agreements. Options were also granted to our non-employee directors. All options granted have three year terms which vest one-third on each of the first three anniversaries of the grant date.

| | Employee Options | Director Options | Weighted Average Exercise Price |
|---|---|---|---|
| Outstanding, December 31, 2004 | — | — | — |
| Granted, Canceled, Exercised during first quarter | — | — | — |
| Granted during second quarter | 1,482,016 | 40,794 | $ 29.65 |
| Canceled or forfeited during second quarter | — | — | — |
| Exercised during second quarter | — | — | — |
| Converted from Dean Foods options during second quarter (1) | — | 746,000 | $ 12.68 |
| Granted during third quarter | 14,750 | — | $ 26.88 |
| Exercised during third quarter | — | (286,495) | $ 8.82 |
| Outstanding, September 30, 2005 | 1,496,766 | 500,299 | |

(1) Dean Foods' options converted into TreeHouse options as described in Note 9.

In addition to stock options, certain key management employees were granted restricted stock and restricted stock units pursuant to the terms of their employment agreements. Restricted stock generally vests one-third on each of January 27, 2006, 2007 and 2008. It is subject to a market condition that requires that the total shareholder return of TreeHouse exceed the median of a peer group of 20 companies for the applicable vesting period. In addition, there is a cumulative test at January 27, 2007 through 2010 that allows for vesting of previously unvested grants if the total shareholder return test is met on a cumulative basis. Restricted stock units have the same vesting dates as restricted stock, but they are subject to the condition that the price of TreeHouse stock exceeds $29.65 on each vesting date. The cumulative test extends for the two anniversary dates beyond the last vesting date of January 27, 2008. TreeHouse issued 630,942 shares of restricted stock and 616,802 restricted stock units in the second quarter and these are all outstanding as of September 30, 2005. As the market condition for both the restricted stock and restricted stock units had not been met, no compensation expense was recorded at June 30, 2005.

As stated in Note 2, for the quarter beginning July 1, 2005, we adopted the requirements of SFAS 123(R) "Share Based Payments". The company elected to use the modified prospective application of SFAS 123(R) for these awards issued prior to July 1, 2005. Income from continuing operations before tax for the quarter ended September 30, 2005 included share-based compensation expense for employee and director stock options, restricted stock and restricted stock units of $4.8 million.

The fair value of each stock option, restricted stock and restricted stock unit award (the "Awards") is estimated on the date of grant using the assumptions noted in the following table and the market price of the Company's stock on the date of grant. The stock options were valued using a Black Scholes model and the restricted stock and restricted stock units were valued using a Monte Carlo simulation. Because valuation models incorporate ranges of assumptions for inputs, those ranges are disclosed. As the Company's stock was not publicly traded prior to June 27, 2005, expected volatilities are based on the implied historical volatilities from peer companies and other factors. The Company has estimated that all employees will complete the required service conditions associated with the Awards. The expected service period is the longer of the derived service period, as determined from the output of the valuation models, and the implied service period based on the term of the Awards. The risk-free rate interest rate for periods within the contractual life of the Awards is based on the U.S. Treasury yield curve in effect at the time of the grant.

| | Stock Options | Restricted Stock | Restricted Stock Units |
|---|---|---|---|
| Expected volatility | 27.5% | 27.8% | 27.8% |
| Expected dividends | 0 | 0 | 0 |
| Expected term | 4.5 years | 1.35 - 3.15 years | 1.20 - 3.14 years |
| Risk-free interest rate | 3.76% | 3.76% | 3.76% |

**11. Share-Based Compensation Sponsored by Dean Foods**

*Stock-Based Compensation (Pre-Distribution)* — Certain of our employees previously participated in stock-based compensation plans sponsored by Dean Foods that were settled in Dean Foods common stock. We elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related interpretations in accounting for Dean Foods stock options held by our employees. As such, no compensation expense has been recognized as the stock options were granted at exercise prices that were at or above market value at the grant date. Prior to the Distribution, the scheduled vesting of the Dean Foods stock options was as follows: one-third on the first anniversary of the grant date, one-third on the second anniversary of the grant date, and one-third on the third anniversary of the grant date. Under the terms of the stock option agreements, the vesting of such options accelerated at the time of the Distribution. Had compensation expense been determined for stock option grants using fair value methods provided for in SFAS No. 123, "Accounting for Stock-Based Compensation," additional compensation expense, net of related taxes, would have been recognized of $0 and $324,000 in the three-month periods ended September 30, 2005 and 2004, respectively, and $312,000 and $960,000 in the nine-month periods ended September 30, 2005 and 2004, respectively. The fair value of each stock option granted in 2004 was calculated using the Black-Scholes option-pricing model, with the following assumptions: expected volatility — 25% ; no expected dividend; expected option term — 5 years; and risk-free rate of return — 3.57%. No Dean Foods stock options were granted to our employees in 2005.

**12. Employee Retirement and Postretirement Benefits**

*Pension, Profit Sharing and Postretirement Benefits* — Our employees and retirees participate in various pension, profit sharing and other postretirement benefit plans previously sponsored by Dean Foods. At the time of the Distribution, the obligations related to such plans were transferred to TreeHouse. Employee benefit plan obligations and expenses included in our Consolidated Financial Statements are determined based on plan assumptions, employee demographic data, claims and payments. We are in the process of separating the assets and liabilities related to our employees and retirees into our own pension, profit sharing and other post retirement benefit plans from the Dean Foods plans.

*Defined Benefit Plans* — The benefits under our defined benefit plans are based on years of service and employee compensation.

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | (In thousands) | | | |
| Components of net period cost: | | | | |
| Service cost | $ 80 | $ 90 | $ 240 | $ 270 |
| Interest cost | 399 | 428 | 1,197 | 1,284 |
| Expected return on plan assets | (312) | (274) | (936) | (822) |
| Amortizations: | | | | |
| Prior service cost | 21 | 20 | 63 | 60 |
| Unrecognized net loss | 40 | 3 | 120 | 9 |
| Effect of settlement | 37 | 32 | 111 | 96 |
| Net period benefit cost | $ 265 | $ 299 | $ 795 | $ 897 |

We expect to contribute $4.2 million to the pension plans during 2005.

*Postretirement Benefits* — We provide healthcare benefits to certain retirees who are covered under specific group contracts.

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | (In thousands) | | | |
| Components of net period cost: | | | | |
| Service and interest cost | $ 73 | $ 71 | $ 219 | $ 213 |
| Unrecognized net loss | 16 | 9 | 48 | 27 |
| Net period benefit cost | $ 89 | $ 80 | $ 267 | $ 240 |

We expect to contribute $60,000 to the postretirement health plans during 2005.

## 13. Commitments and Contingencies

*Indemnification of Dean Foods* — We have an agreement with Dean Foods under which we have agreed to assume all contingent and undisclosed liabilities relating to our businesses or operations of our assets, including those incurred prior to the Distribution, and to indemnify Dean Foods for liabilities, other than certain tax liabilities, incurred by Dean Foods relating to the businesses or operations of our assets. In addition, under the tax sharing agreement, we will, with limited exceptions, be liable for all taxes attributable to our business that are required to be paid after the distribution. We have agreed to indemnify Dean Foods for claims arising under the distribution agreement and the tax sharing agreement.

*Insurance* — We participated in the Dean Foods insurance programs through the date of the Distribution. We have established our own insurance program as of the Distribution with retention of selected levels of property and casualty risks, primarily related to employee health care, workers compensation claims and other casualty losses. Many of these potential losses are covered under conventional insurance programs with third party carriers with high deductible limits. Effective with the Distribution on June 27, 2005 all current property and casualty insurance programs are now administered directly for TreeHouse by the carriers with support from an independent insurance consultant. Deductibles for casualty claims range from $50,000 to $500,000 depending upon the type of coverage. We believe we have established adequate reserves to cover these claims. To minimize expense, Dean Foods will remain involved administratively on the historical workers compensation run-out of claims, with TreeHouse assuming financial responsibility.

Through calendar 2005 TreeHouse will continue to participate in the Dean Foods Health and Welfare plans. TreeHouse is responsible for the claims expenses associated with its employees and has secured stop loss coverage with a $150,000 specific deductible and a 115% aggregate limit. We have engaged a major benefits consulting firm to market our programs, and will convert to substantially similar TreeHouse plans effective January 1, 2006.

*Leases and Purchase Obligations* — We lease certain property, plant and equipment used in our operations under both capital and operating lease agreements. Such leases, which are primarily for machinery, equipment and vehicles, have lease terms ranging from one to 20 years. Certain of the operating lease agreements require the payment of additional rentals for maintenance, along with additional rentals based on miles driven or units produced. Certain leases require us to guarantee a minimum value of the leased asset at the end of the lease. Our maximum exposure under those guarantees is not a material amount.

We have entered into various contracts obligating us to purchase minimum quantities of raw materials used in our production processes, primarily cucumbers. We enter into these contracts from time to time to ensure a sufficient supply of raw ingredients. In addition, we have contractual obligations to purchase various services that are part of our production process.

*Litigation, Investigations and Audits* — We are party from time to time to certain claims, litigation, audits and investigations. We believe that we have established adequate reserves to satisfy any probable liability we may have under all such claims, litigations, audits and investigations that are currently pending. In our opinion, the settlement of any such currently pending or threatened matter is not expected to have a material adverse impact on our financial position, results of operations or cash flows.

## 14. Related Party Transactions

*Management Fee Paid to Dean Foods* — Dean Foods provided us with certain administrative services such as tax, treasury, human resources, risk management, legal, information technology, internal audit, accounting and reporting in return for a management fee. The management fee was based on budgeted annual expenses for Dean Foods' corporate headquarters and allocated among Dean Foods' segments. We paid Dean Foods a management fee of $0 and $1.6 million in the three months ended September 30, 2005 and 2004, respectively and $2.9 and $4.7 million in the nine months ended September 30, 2005 and 2004, respectively. There are no management fees paid to Dean post-Distribution.

*Amount Due Dean Foods* — As of September 30, 2005 we owed Dean Foods approximately $4.8 million in accordance with the tax sharing agreement. These amounts are included in accounts payable and accrued expense caption on the balance sheet.

*Cash Management* — Effective with the Distribution, we manage our own cash in conjunction with our revolving credit facility. Prior to the Distribution, we were part of Dean Foods' cash management system, wherein Dean regularly "swept" our available cash and provided funding for operating and investing activities.

*Refrigerated Products* — We have consolidated the Refrigerated Products manufacturing activities into a leased facility in City of Industry, California. We assumed the lease of the City of Industry facility at the date of the Distribution. Product costs are charged to the Refrigerated Products businesses based on the direct materials, direct processing costs and allocated indirect labor, benefits and other processing and facility costs applicable to our products on a shared services basis. As a result, our Consolidated Statements of Income reflect the fully absorbed costs for these products, along with allocated distribution, commission and administrative costs based on the volumes of products sold, including Refrigerated Products.

*Agreements* — We have entered into a trademark license agreement, co-pack agreement and transition services agreement with Dean Foods. These agreements should have no material impact on the operations of the company.

**15. Business and Geographic Information and Major Customers**

Our pickles segment sells a variety of pickle, relish, sauerkraut and pepper products under customer brands and under our proprietary brands including *Farmans* ®, *Nalley's* ®, *Peter Piper* ® and *Steinfeld* ™. Branded products are sold to retailers and private label products are sold to retailers, foodservice customers and in bulk to other food processors. The pickles segment also includes shrimp, seafood, tartar, horseradish, chili, sweet and sour sauces and syrups sold to retail grocers in the Eastern, Midwestern and Southeastern United States. These products are sold under the *Bennett's* ® , *Hoffman House* ® and *Roddenberry's* ® *Northwoods* ® brand names.

Our non-dairy powdered creamer segment includes private label powdered creamer and our proprietary *Cremora* ® brand. The majority of our powdered products are sold under customer brands to retailers, distributors and in bulk to other food companies for use as ingredients in their products.

In addition to powdered coffee creamer, we also sell shortening powders and other high-fat powder formulas used in baking, beverage mixes, gravies and sauces.

Our aseptic products and other refrigerated products do not qualify as a reportable segment and are included under other food products. Aseptic products are sterilized using a process which allows storage for prolonged periods without refrigeration. We manufacture aseptic cheese sauces and puddings. Our cheese sauces and puddings are sold primarily under private labels to distributors. Our refrigerated products include *Mocha Mix* , a non-dairy liquid creamer, Second Nature, a liquid egg substitute, and salad dressings sold in foodservice channels.

Prior to December 2004, we also manufactured and distributed certain nutritional beverage products. Our historical financial statements reflect the operations related to the nutritional beverage business as discontinued operations.

We manage operations on a company-wide basis, thereby making determinations as to the allocation of resources in total rather than on a segment-level basis. We have designated our reportable segments based largely on how management views our business and on differences in manufacturing processes between product categories. We do not segregate assets between segments for internal reporting. Therefore, asset-related information has been presented in total.

We evaluate the performance of our segments based on gross profit less freight out and commissions (adjusted gross margin). The amounts in the following tables are obtained from reports used by our senior management team and do not include any allocated income taxes. There are no significant non-cash items reported in segment profit or loss other than depreciation and amortization. The accounting policies of our segments are the same as those described in the summary of significant accounting policies set forth in Note 2 to our 2004 Consolidated Financial Statements contained in our registration statement on Form 10.

| | Three Months Ended September 30 | | Nine Months Ended September 30 | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | (In thousands) | | | |
| Net sales to external customers: | | | | |
| Pickles | $ 76,045 | $ 79,655 | $ 244,046 | $ 258,725 |
| Non-Dairy Powdered Creamer | 62,630 | 59,745 | 188,468 | 171,479 |
| Other | 33,197 | 29,803 | 90,741 | 84,929 |
| Total | 171,872 | 169,203 | 523,255 | 515,133 |
| Operating income: | | | | |
| Pickles | 10,033 | 9,339 | 33,654 | 39,103 |
| Non-Dairy Powdered Creamer | 9,151 | 10,255 | 29,967 | 29,518 |
| Other | 5,302 | 6,724 | 18,238 | 18,912 |
| Segment adjusted gross margin | 24,486 | 26,318 | 81,859 | 87,533 |
| Other operating expenses | 15,114 | 9,971 | 45,245 | 29,891 |
| Operating income | $ 9,372 | $ 16,347 | $ 36,614 | $ 57,642 |

*Geographic Information* — During the first nine months of 2005 we had foreign sales of approximately 1.3% of consolidated sales. We primarily export to South America and Canada.

*Major Customers* — Our non-dairy powdered creamer segment had one customer that represented greater than 10% of our 2005 sales. Approximately 11.5% of our consolidated sales were to that same customer. Our other food products segment had two customers that represented greater than 10% of our 2005 sales. Approximately 6.7% and 6.0% of our consolidated 2005 sales were to those customers.

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

### Business Overview

We believe we are the largest manufacturer of pickles and non-dairy powdered creamer in the United States based upon total sales volumes. We believe we are also the leading retail supplier of private label pickles and private label non-dairy powdered creamer in the United States. We had two reportable segments during all periods discussed in this Management's Discussion and Analysis of Financial Condition and Results of Operations: pickles and non-dairy powdered creamer. We have designated our reportable segments largely on how management views our business and on differences in manufacturing processes between product categories. The key performance indicators of both of our segments are sales dollars, gross profit and adjusted gross margin, which is our gross profit less the cost of transporting products to customer locations (referred to in the tables below as "freight out") and commissions paid to independent brokers.

Our current operations consist of the following:

- Our pickles segment sells pickles, peppers, relishes and related products. We supply private label pickles to supermarkets and mass merchandisers across the United States. We also sell pickle products to foodservice customers, including relish and hamburger pickle slices. In addition, we sell pickle products under our own brands, including *Farmans* ®, *Nalley's* ®, *Peter Piper* ® and *Steinfeld* ™, that have a regional following in certain areas of the country. Our pickles segment also sells sauces and syrups to retail grocers in the Eastern, Midwestern and Southeastern United States under our proprietary *Bennett's* ®, *Hoffman House* ® and *Roddenberry's* ® *Northwoods* ® brand names.

- Our non-dairy powdered creamer segment sells non-dairy powdered creamer under private labels and under our proprietary *Cremora* ® brand. Product offerings in this segment include private label products packaged for retailers, such as supermarkets and mass merchandisers, foodservice products for use in coffee service and other industrial applications, including for repackaging in portion control packages and for use as an ingredient by other food manufacturers.

- We also sell a variety of aseptic and refrigerated products. Aseptic products are processed under heat and pressure in a sterile production and packaging environment, creating a product that does not require refrigeration prior to use. We manufacture aseptic cheese sauces and puddings for sale primarily in the foodservice market. Our refrigerated products include *Mocha Mix* ®, a non-dairy liquid creamer, *Second Nature* ®, a liquid egg substitute, and salad dressings sold in foodservice channels.

Prior to 2005, we manufactured and sold aseptic nutritional beverages under co-pack arrangements and private labels. We exited the nutritional beverages business in the fourth quarter of 2004 due to significant declines in volume, which we believed could not be replaced without significant investments in capital and research and development. Our financial statements reflect the operations and assets related to the nutritional beverages business as discontinued operations.

We sell our products primarily to the retail grocery and foodservice markets.

### Recent Developments

*Spin-Off from Dean Foods* -TreeHouse Foods, Inc. ("TreeHouse") was formed on January 25, 2005 by Dean Foods Company ("Dean Foods") in order to accomplish a spin-off to its shareholders of certain specialty businesses. Dean Foods transferred the assets and liabilities of its former Specialty Foods Group segment, in addition to the Mocha Mix, Second Nature and foodservice salad dressings businesses conducted by other businesses owned by Dean Foods to TreeHouse. TreeHouse common stock held by Dean Foods was distributed to Dean Foods' stockholders on a distribution ratio of one share of TreeHouse common stock for every five shares of Dean Foods common stock outstanding. The transfer of assets and liabilities and the distribution of shares (the "Distribution") were completed on June 27, 2005 and TreeHouse commenced operations as a separate, standalone company. Dean Foods has no continuing stock ownership in us.

*New York Stock Exchange Listing* - In conjunction with the Distribution, TreeHouse began regular trading on the New York Stock Exchange on June 28, 2005 under the symbol "THS."

*Credit Agreement* - TreeHouse entered into a credit agreement with a consortium of banks, effective as of the Distribution, which provides a $400 million revolving credit facility for general corporate purposes, including working capital and acquisitions.

**Results of Operations**

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

| | Three Months Ended September 30 | | | | Nine Months Ended September 30 | | | |
|---|---|---|---|---|---|---|---|---|
| | 2005 | | 2004 | | 2005 | | 2004 | |
| | Dollars | Percent | Dollars | Percent | Dollars | Percent | Dollars | Percent |
| | (Dollars in thousands) | | | | | | | |
| Net sales | $171,872 | 100.0% | $169,203 | 100.0% | $523,255 | 100.0% | $515,133 | 100.0% |
| Cost of sales | 137,596 | 80.0 | 133,392 | 78.8 | 410,671 | 78.5 | 397,260 | 77.1 |
| Gross profit | 34,276 | 20.0 | 35,811 | 21.2 | 112,584 | 21.5 | 117,873 | 22.9 |
| Operating expenses: | | | | | | | | |
| Selling and distribution | 14,256 | 8.3 | 15,111 | 8.9 | 45,036 | 8.6 | 46,322 | 9.0 |
| General and administrative: | | | | | | | | |
| Stock based compensation | 4,804 | 2.8 | — | — | 4,804 | .9 | — | — |
| Other general and administrative | 5,709 | 3.3 | 2,426 | 1.4 | 14,948 | 2.9 | 8,160 | 1.6 |
| Total general and administrative | 10,513 | 6.1 | 2,426 | 1.4 | 19,752 | 3.8 | 8,160 | 1.6 |
| Management fee paid to Dean Foods | — | — | 1,575 | .9 | 2,940 | .6 | 4,725 | .9 |
| Other operating expense, net | (317) | (.2) | — | — | 6,962 | 1.3 | — | — |
| Amortization expense | 452 | .3 | 352 | .2 | 1,280 | .2 | 1,024 | .2 |
| Total operating expenses | 24,904 | 14.5 | 19,464 | 11.4 | 75,970 | 14.5 | 60,231 | 11.7 |
| Total operating income | $ 9,372 | 5.5% | $ 16,347 | 9.8% | $ 36,614 | 7.0% | $ 57,642 | 11.2% |

***Three Months Ended September 30, 2005 Compared to Three Months Ended September 30, 2004***

*Net Sales* — Third quarter net sales increased approximately 1.6% to $171.9 million in 2005, compared to $169.2 million in the third quarter of 2004. Net sales by segment are shown in the table below.

| | Net Sales | | | |
|---|---|---|---|---|
| | 2005 | 2004 | $ Increase/ (Decrease) | % Increase/ (Decrease) |
| | (Dollars in thousands) | | | |
| Pickles | $ 76,045 | $ 79,655 | $ (3,610) | (4.5)% |
| Non-dairy powdered creamer | 62,630 | 59,745 | 2,885 | 4.8 |
| Other | 33,197 | 29,803 | 3,394 | 11.4 |
| Total | $ 171,872 | $ 169,203 | $ 2,669 | 1.6% |

Declines in sales in the pickles segment in the third quarter of 2005 were offset by increased sales in the non-dairy powdered creamer segment and in other products. Sales in the non-dairy powdered creamer segment increased 4.8% as a result of increased volumes in our retail and export channels. Net sales in the pickles segment decreased 4.5% to $76.0 million in the third quarter of 2005 from $79.7 million in the third quarter of the prior year primarily due to declines in sales to retail customers. Net sales of other products increased 11.4% to $33.2 million in the third quarter of 2005 from $29.8 million in the third quarter of the prior year primarily due to increased sales of refrigerated dips and dressings.

*Cost of Sales* — All expenses incurred to bring a product to completion are included in cost of sales, such as raw material, ingredient and packaging costs; labor costs; facility and equipment costs, including costs to operate and maintain our warehouses; and costs associated with transporting our finished products from our manufacturing facilities to our own distribution centers. Cost of sales as a percentage of consolidated net sales increased to 80.0% in the third quarter of 2005 from 78.8% in the third quarter of 2004, primarily due to increased raw material and packaging costs in the pickles and powder segments that could not be passed on to the customer. Higher fuel and energy costs negatively impacted cost of sales partially due to the impact of Hurricane Katrina. We continue to experience increases in commodity costs such as casein and coconut oil compared to the third quarter of 2004. See — "Results by Segment".

*Operating Expenses* — Our operating expenses increased to $24.9 million during the third quarter of 2005 compared to $19.5 million for the third quarter of 2004. The increase in 2005 resulted from the adoption of SFAS 123(R), Share Based Payments, which increased operating expenses in the current quarter by $4.8 million. Additionally, the hiring of the TreeHouse management team, which is included in general and administrative expense, increased operating expense by $1 million from the year ago quarter which included a management fee paid to Dean Foods of $1.6 million. There are no management fees paid to Dean Foods post-Distribution. Selling and distribution expenses decreased primarily due to a reduction of sales and marketing personnel in the fourth quarter of 2004 and lower trade marketing expenses. These decreases were offset by higher fuel prices, which we estimate added a total of approximately $800,000 to distribution costs in the third quarter of 2005 compared to the third quarter of 2004.

*Operating Income* — Operating income during the third quarter of 2005 was $9.4 million, a decrease of $7.0 million, or 42.7%, from operating income of $16.4 million in the third quarter of 2004. Our operating margin was 5.5% in the third quarter of 2005 as compared to 9.8% in the prior year.

*Income Taxes* — Income tax expense was recorded at an effective rate of 44.8% in the third quarter of 2005 compared to 36.8% in the prior year. The higher effective rate is primarily due to changes in the distribution of our taxable income from previous estimates for state income tax purposes.

***Three Months Ended September 30, 2005 Compared to Three Months Ended September 30, 2004 — Results by Segment***

*Pickles —*

| | Three Months Ended September 30 | | | |
|---|---|---|---|---|
| | 2005 | | 2004 | |
| | Dollars | Percent | Dollars | Percent |
| | (Dollars in thousands) | | | |
| Net sales | $ 76,045 | 100.0% | $ 79,655 | 100.0% |
| Cost of sales | 61,144 | 80.4 | 65,018 | 81.6 |
| Gross profit | 14,901 | 19.6 | 14,637 | 18.4 |
| Freight out and commissions | 4,868 | 6.4 | 5,298 | 6.7 |
| Adjusted gross margin | $ 10,033 | 13.2% | $ 9,339 | 11.7% |

Net sales in the pickles segment decreased by approximately $3.6 million, or 4.5%, in the third quarter of 2005 compared to the third quarter of 2004. The change in net sales from third quarter of 2004 to 2005 was due to the following:

| | Dollars | Percent |
|---|---|---|
| | (Dollars in thousands) | |
| 2004 Net sales | $ 79,655 | |
| Volume | (3,954) | (5.0)% |
| Pricing | 344 | .5 |
| 2005 Net sales | $ 76,045 | (4.5)% |

The decrease in net sales from 2004 to 2005 resulted primarily from declines in volume sales to retail customers. We lost the business of a large retail customer in the third quarter of 2004; in addition, according to Information Resources, Inc., sales volumes of pickles by retail grocers were down 5.2% compared to third quarter of the prior year.

Cost of sales as a percentage of net sales decreased from 81.6% in 2004 to 80.4% in 2005 primarily as a result of significant decrease in promotional spending related to net sales which was partially offset by increases in packaging, raw material and labor and overhead costs. Significant increases in the quarter include (i) a 4% increase in glass costs due in part to rising natural gas prices; (ii) a 14% increase in plastic containers due to rising resin costs; and (iii) a 21% increase in natural gas costs.

Freight out and commissions paid to independent brokers decreased $430,000 or 8.1%, to $4.9 million in the second quarter of 2005 compared to $5.3 million in 2004 primarily as a result of lower volumes offset somewhat by increased freight expense.

*Non-dairy powdered creamer —*

| | Three Months Ended September 30 | | | |
|---|---|---|---|---|
| | 2005 | | 2004 | |
| | Dollars | Percent | Dollars | Percent |
| | (Dollars in thousands) | | | |
| Net sales | $ 62,630 | 100.0% | $ 59,745 | 100.0% |
| Cost of sales | 50,218 | 80.2 | 46,535 | 77.9 |
| Gross profit | 12,412 | 19.8 | 13,210 | 22.1 |
| Freight out and commissions | 3,261 | 5.2 | 2,955 | 4.9 |
| Adjusted gross margin | $ 9,151 | 14.6% | $ 10,255 | 17.2% |

Net sales in the non-dairy powdered creamer segment increased by approximately $2.9 million, or 4.8%, in the third quarter of 2005 compared to the prior year. The change in net sales from 2004 to 2005 was due to the following:

| | Dollars | Percent |
|---|---|---|
| | (Dollars in thousands) | |
| 2004 Net sales | $ 59,745 | |
| Volume | 3,167 | 5.3% |
| Pricing | (282) | (.5) |
| 2005 Net sales | $ 62,630 | 4.8% |

Sales volumes increased by approximately 5.3%, which was due to strong growth in both our retail and export business.

Cost of sales as a percentage of net sales increased from 77.9% in the third quarter of 2004 to 80.2% in 2005, as increases in raw material packaging and utility costs continue to escalate due to rising energy costs. Increases in raw material costs included a 34% increase in casein, which was partially offset by a 18% decrease in soybean oil in the third quarter of 2005 compared to the third quarter of 2004. Packaging cost increases include an 18% increase on plastic and PET containers. Natural gas increased 21% in the third quarter of 2005 compared to the prior year.

Freight out and commissions paid to independent brokers increased $306,000 to $3.3 million in 2005 compared to $3.0 million in 2004 primarily as a result of the increase in net sales volume. Freight out and commissions as a percentage of net sales increased to 5.2% in the third quarter of 2005 compared to 4.9% in 2004 as a result of a 16% increase in freight caused by higher fuel costs..

***First Nine Months of 2005 Compared to First Nine Months of 2004***

*Net Sales* —Net sales increased approximately 1.6% to $523.3 million in the first nine months of 2005, compared to $515.1 million in the first nine months of 2004. Net sales by segment are shown in the table below.

| | Net Sales | | | |
|---|---|---|---|---|
| | 2005 | 2004 | $ Increase/ (Decrease) | % Increase/ (Decrease) |
| | (Dollars in thousands) | | | |
| Pickles | $ 244,046 | $ 258,725 | $ (14,679) | (5.7)% |
| Non-dairy powdered creamer | 188,468 | 171,479 | 16,989 | 9.9 |
| Other | 90,741 | 84,929 | 5,812 | 6.9 |
| Total | $ 523,255 | $ 515,133 | $ 8,122 | 1.6% |

Declines in sales in the pickles segment in the first nine months of 2005 were offset by increased sales in the non-dairy powdered creamer segment and in other products. Sales in the non-dairy powdered creamer segment increased 9.9% as a result of increased volumes in our retail and industrial channels and increased prices in response to rising input costs. Net sales in the pickles segment decreased 5.7% to $244.0 million in the first nine months of 2005 from $258.7 million in the first nine months of the prior year primarily due to declines in sales to retail customers. Net sales of other products increased 6.9% to $90.7 million in the first nine months of 2005 from $84.9 million in the first nine months of the prior year primarily due to increased sales of aseptic and refrigerated products.

*Cost of Sales* — All expenses incurred to bring a product to completion are included in cost of sales, such as raw material, ingredient and packaging costs; labor costs; facility and equipment costs, including costs to operate and maintain our warehouses; and costs associated with transporting our finished products from our manufacturing facilities to our own distribution centers. Cost of sales as a percentage of consolidated net sales increased to 78.5% in the first nine months of 2005 from 77.1% in the first nine months of 2004, primarily due to the increased raw material and packaging costs that we were unable to pass on to the customer. Higher fuel and energy costs also negatively impacted cost of sales. We continue to experience increases in commodity costs such as casein, and coconut oil compared to the first nine months of 2004. See — “Results by Segment”.

*Operating Expenses* — Our operating expenses increased to $76.0 million for the nine months ended September 30, 2005 compared to $60.2 million for the same period of 2004. The increase in 2005 resulted from three events: (1) the creation of TreeHouse and hiring of its management team, (2) the completion of the spin-off of TreeHouse from Dean Foods and (3) the adoption of SFAS 123(R), Share Based Compensation, in the third quarter, which increased operating expenses by $4.8 million. TreeHouse corporate costs of $5.4 million are included in general and administrative expense. The transaction costs to complete the spin-off are included in other operating expense in the amount of $9.6 million. These costs, which include legal, accounting and other professional fees and an investment banking fee incurred in completing the spin-off, are considered by TreeHouse to be a one-time expense unique to this transaction. Other operating expense also includes two items which partially offset the transaction costs. We received $1.1 million in the second quarter as a settlement for participating in a high fructose corn syrup class action antitrust litigation. We also sold our Cairo, Georgia facilities in the second quarter that generated a gain of $1.2 million. Selling expenses decreased primarily due to a reduction of sales and marketing personnel in the fourth quarter of 2004 and lower trade marketing expenses. These decreases were offset by higher fuel prices, which we estimate added a total of approximately $1.6 million to distribution costs in the first nine months of 2005 compared to the first nine months of 2004.

*Operating Income* — Operating income during the first nine months of 2005 was $36.6 million, a decrease of $21.0 million, or 36.5% from operating income of $57.6 million in the first nine months of 2004 as a result of the distribution spin related expenses, the adoption of SFAS 123(R), TreeHouse corporate costs and higher raw material and packaging expenses incurred in the first nine months of 2005. Our operating margin was 7.0% in the first nine months of 2005 as compared to 11.2% in the prior year.

*Income Taxes* — Income tax expense was recorded at an effective rate of 50.2% for the first nine months of 2005 compared to 36.9% in the prior year. The non-deductibility of the Distribution expenses for tax purposes in 2005 caused the large increase in effective tax rate compared to 2004. Our effective tax rate varies based on the relative earnings of our business units.

***First Nine Months of 2005 Compared to First Nine Months of 2004 — Results by Segment***

*Pickles —*

| | Nine Months Ended September 30 | | | |
|---|---|---|---|---|
| | 2005 | | 2004 | |
| | Dollars | Percent | Dollars | Percent |
| | (Dollars in thousands) | | | |
| Net sales | $ 244,046 | 100.0% | $ 258,725 | 100.0% |
| Cost of sales | 194,403 | 79.7 | 202,665 | 78.3 |
| Gross profit | 49,643 | 20.3 | 56,060 | 21.7 |
| Freight out and commissions | 15,989 | 6.5 | 16,957 | 6.6 |
| Adjusted gross margin | $ 33,654 | 13.8% | $ 39,103 | 15.1% |

Net sales in the pickles segment decreased by approximately $14.7 million, or 5.7%, in the first nine months of 2005 compared to the first nine months of 2004. The change in net sales from the first nine months of 2004 to 2005 was due to the following:

| | Dollars | Percent |
|---|---|---|
| | (Dollars in thousands) | |
| 2004 Net sales | $ 258,725 | |
| Volume | (14,577) | (5.6)% |
| Pricing | (102) | (.1) |
| 2005 Net sales | $ 244,046 | (5.7)% |

The decrease in net sales from 2004 to 2005 resulted primarily from declines in volume sales to retail customers. We lost the business of a large retail customer in the third quarter of 2004; in addition, according to Information Resources, Inc., sales volumes of pickles by all retail grocers was down 6.0% compared to the first nine months of the prior year.

Cost of sales as a percentage of net sales increased from 78.3% in 2004 to 79.7% in 2005 primarily as a result of significant increases in packaging, raw material and labor and overhead costs. Significant increases in the first nine months include (i) a 4% increase in glass costs due in part to rising natural gas prices; (ii) a 14% increase in plastic containers due to rising resin costs; and (iii) a 23% increase in natural gas costs.

Freight out and commissions paid to independent brokers decreased $968,000, or 5.7%, to $16.0 million in the first nine months of 2005 compared to $17.0 million as a result of lower volumes. However, freight out and commissions decreased slightly as a percentage of net sales to 6.5% in the first nine months of 2005 compared to 6.6% in 2004 due to a decrease in commission rates offset by an increase in freight out.

*Non-dairy powdered creamer —*

| | Nine Months Ended September 30 | | | |
|---|---|---|---|---|
| | 2005 | | 2004 | |
| | Dollars | Percent | Dollars | Percent |
| | (Dollars in thousands) | | | |
| Net sales | $ 188,468 | 100.0% | $ 171,479 | 100.0% |
| Cost of sales | 149,152 | 79.1 | 133,262 | 77.7 |
| Gross profit | 39,316 | 20.9 | 38,217 | 22.3 |
| Freight out and commissions | 9,349 | 5.0 | 8,699 | 5.1 |
| Adjusted gross margin | $ 29,967 | 15.9% | $ 29,518 | 17.2% |

Net sales in the non-dairy powdered creamer segment increased by approximately $17 million, or 9.9%, in the first nine months of 2005 compared to the prior year. The change in net sales from 2004 to 2005 was due to the following:

| | Dollars | Percent |
|---|---|---|
| | (Dollars in thousands) | |
| 2004 Net sales | $ 171,479 | |
| Volume | 12,129 | 7.1% |
| Pricing | 4,860 | 2.8 |
| 2005 Net sales | $ 188,468 | 9.9% |

In the first quarter of 2005, we increased our prices in response to significant increases in raw material costs such as casein. Also, sales volumes increased by approximately 7.1%, which we believe was due to continued positive response to our new packaging for retail customers introduced in mid-2002.

Cost of sales as a percentage of net sales increased from 77.7% in the first nine months of 2004 to 79.1% in 2005, as price increases to our customers partially offset increases in raw material packaging and utility costs. Increases in raw material costs included a 35% increase in casein, which was partially offset by a 15% decrease in soybean oil in the first nine months of 2005 compared to the first nine months of 2004. Packaging costs increased largely driven by increase in resin. Natural gas costs increased 23% in the first six months of 2005 compared to the prior year.

Freight out and commissions paid to independent brokers increased $650,000 to $9.3 million in 2005 compared to $8.7 million in 2004 primarily as a result of the increase in net sales volume. Freight out and commissions as a percentage of net sales decreased to 5.0% in the first nine months of 2005 compared to 5.1% in 2004 as a result of the relatively smaller increase in freight out and commission dollars compared to the increase in sales dollars.

## Liquidity and Capital Resources

### *Historical Cash Flow*

We have generated and expect to continue to generate positive cash flow from operations.

When we were part of Dean Foods, our cash was swept regularly by Dean Foods. Dean Foods also funded our operating and investing activities as needed. Our transfers of cash both to and from Dean Foods' cash management system are reflected on our balance sheets as "Dean Foods' net investment." Dean Foods did not allocate the interest expense related to its receivables-backed facility or other financing obligations to its segments, except for specific borrowings for industrial revenue bonds. Therefore, the interest expense reflected in our Consolidated Financial Statements relates only to our capital leases and our new line of credit.

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2005 | 2004 |
| | (In thousands) | |
| Cash provided by operating activities | $ 30,919 | $ 56,382 |
| Capital spending | $ 11,067 | $ 16,243 |

Net cash provided by operating activities decreased by $25.5 million for the first nine months of 2005 compared to 2004, due to a reduction in income from continuing operations of $18.1 million, reduction in deferred taxes of $5.1 million, reduction in cash provided by discontinued operations of $3.3 million. Reductions were offset by the cash provided by tax savings on equity compensation of $2.3 million.

Net cash used in investing activities was $11.1 million in the first nine months of 2005 compared to $17.2 million in the first nine months of 2004, an decrease of $6.1 million mainly due to the acquisition of our Portland facility for $4.4 million in August of 2004. This facility was previously leased.

We received a net amount of $14.4 million from borrowings under our revolving credit agreement in the first nine months of 2005.

We also received $2.5 million as the result of stock option exercises.

### *Current Debt Obligations*

At September 30, 2005 we had outstanding borrowings of $20.9 million consisting of $14.4 million under our revolving credit facility and $6.5 million of capital leases.

Our short-term financing needs primarily are for financing of working capital during the year and reimbursement of transaction expenses associated with the Distribution. Due to the seasonality of pickle production driven by the cucumber harvest cycle, which occurs primarily during the spring and summer, pickle inventories generally are at a low point in late spring and at a high point during the fall increasing our working capital requirement. Our long-term financing needs will depend largely on potential acquisition activity. At September 30, 2005, we had $14.4 million in borrowings under our $400 million revolving credit facility. In addition, at September 30, 2005, there were $1.4 million of letters of credit under the revolver that were issued but undrawn. We are currently in compliance with all covenants contained in our credit agreement. Our credit agreement, plus cash flow from operations, is expected to be adequate to provide liquidity for our planned growth strategy.

See Note 8 to our Condensed Consolidated Financial Statements.

The table below summarizes our obligations for indebtedness, purchase and lease obligations at September 30, 2005.

| Indebtedness, Purchase & Lease Obligations | Payments Due by Period | | | | | | |
|---|---|---|---|---|---|---|---|
| | Total | 10/1/05-9/30/06 | 10/1/06-9/30/07 | 10/1/07-9/30/08 | 10/1/08-9/30/09 | 10/1/09-9/30/10 | Thereafter |
| | (In thousands) | | | | | | |
| Revolving credit facility | $ 14,400 | $ 14,400 | $ — | $ — | $ — | $ — | $ — |
| Capital lease obligations and other(1) | 13,450 | 1,037 | 1,008 | 960 | 904 | 862 | 8,679 |
| Purchasing obligations(2) | 67,089 | 34,153 | 8,785 | 7,471 | 6,043 | 886 | 9,751 |
| Operating leases | 41,527 | 6,806 | 5,509 | 5,260 | 5,067 | 4,987 | 13,898 |
| Interest payments | 69 | 69 | — | — | — | — | — |
| Total | $ 136,535 | $ 56,465 | $ 15,302 | $ 13,691 | $ 12,014 | $ 6,735 | $ 32,328 |

(1) Represents face value.

(2) Primarily represents commitments to purchase minimum quantities of raw materials used in our production processes, primarily cucumbers. We enter into these contracts from time to time in an effort to ensure a sufficient supply of raw ingredients. In addition, we have contractual obligations to purchase various services that are part of our production process.

***Long-Term Liabilities***

Our employees participated in Dean Foods retirement plans. At the date of Distribution we assumed the liabilities and plan assets related to our employees. These plans offer pension benefits through various defined benefit pension plans and also offer certain health care and life insurance benefits to eligible employees and their eligible dependents upon the retirement of such employees. Reported costs of providing non-contributory defined pension benefits and other postretirement benefits are dependent upon numerous factors, assumptions and estimates.

For example, these costs are impacted by actual employee demographics (including age, compensation levels and employment periods), the level of contributions made to the plan and earnings on plan assets. Our pension plan assets are primarily made up of equity and fixed income investments. Changes made to the provisions of the plan may impact current and future pension costs. Fluctuations in actual equity market returns, as well as changes in general interest rates may result in increased or decreased pension costs in future periods. Pension costs may be significantly affected by changes in key actuarial assumptions, including anticipated rates of return on plan assets and the discount rates used in determining the projected benefit obligation and pension costs.

We expect to contribute approximately $4.2 million to the pension plans and approximately $60,000 to the postretirement health plans in 2005.

***Other Commitments and Contingencies***

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

- certain indemnification obligations in favor of Dean Foods related to tax liabilities for the Distribution;
- certain lease obligations, which require us to guarantee the minimum value of the leased asset at the end of the lease; and
- selected levels of property and casualty risks, primarily related to employee health care, workers’ compensation claims and other casualty losses.

See Note 13 to our Condensed Consolidated Financial Statements for more information about our commitments and contingent obligations.

### *Future Capital Requirements*

During 2005, we intend to invest a total of approximately $13 million to $15 million in capital expenditures primarily for our existing manufacturing facilities and distribution capabilities. We intend to fund these expenditures using cash flow from operations. We intend to spend this amount as follows:

| Operating Division | Amount (In thousands) |
|---|---|
| Pickles | $ 4,500 |
| Non-Dairy Powdered Creamer | 6,300 |
| Other | 4,200 |
| Total | $ 15,000 |

In 2005, we expect cash interest to be approximately $1.2 million based on anticipated debt levels and cash taxes to be approximately $23 million. We expect that cash flow from operations will be sufficient to meet our requirements for our existing businesses for the foreseeable future. As of November 7, 2005, $388 million was available for future borrowings under our line of credit.

## Known Trends and Uncertainties

### *Prices of Raw Materials*

We were adversely affected by rising input costs during 2004 and the first nine months of 2005, and we expect our financial results to continue to be adversely affected by high input costs throughout 2005.

Many of the raw materials that we use in our products rose to unusually high levels during 2005, including soybean oil, casein, cheese and packaging materials. High fuel costs are also having a negative impact on our results. Prices for many of these raw materials and packaging materials are expected to remain high and in some cases increase in the fourth quarter of 2005. For competitive reasons, we may not be able to pass along increases in raw materials and other input costs as we incur them. Therefore, the current raw materials environment is expected to continue to adversely affect our financial results in 2005.

### *Competitive Environment*

There has been significant consolidation in the retail grocery and foodservice industries in recent years, and mass merchandisers are gaining market share. As our customer base continues to consolidate, we expect competition to intensify as we compete for the business of fewer customers. There can be no assurance that we will be able to keep our existing customers, or gain new customers. As the consolidation of the retail grocery and foodservice industries continues, we could lose sales if any one or more of our existing customers were to be sold.

Both the difficult economic environment and the increased competitive environment at the retail and foodservice levels have caused competition to become increasingly intense in our business. We expect this trend to continue for the foreseeable future.

### *Tax Rate*

Our effective income tax rate was 50.2% for the nine month period ended September 30, 2005. This high rate is due to the non-deductibility for tax purposes of the Distribution costs of $9.6 million. Recent and proposed changes to federal and state tax codes may cause the rate to change from historical rates.

### Forward Looking Statements

This report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act. Statements that are not historical in nature are forward-looking statements about our future that are not statements of historical fact. Most of these statements are found in this report under the following subheadings: "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Quantitative and Qualitative Disclosures About Market Risk." In some cases, you can identify these statements by terminology such as "may," "should," "could," "expects," "seek to," "anticipates," "plans," "believes," "estimates," "intends," "predicts," "projects," "potential" or "continue" or the negative of such terms and other comparable terminology. These statements are only predictions, and in evaluating those statements, you should carefully consider the information above, including in "— Known Trends and Uncertainties," as well as the risks outlined below. Actual performance or results may differ materially and adversely.

## Item 3. Quantitative and Qualitative Disclosures About Market Risk

### Interest Rate Fluctuations

We do not utilize financial instruments for trading purposes or hold derivative financial instruments, which could expose us to significant market risk. In addition, all of our foreign sales are transacted in U.S. dollars. 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 revolving credit facility entered into in connection with the Distribution, which is tied to variable market rates.

## Item 4. Controls and Procedures

### Disclosure Controls and Procedures

We maintain and evaluate disclosure controls and procedures designed to reasonably assure that information required to be disclosed in our reports filed with the Securities and Exchange Commission (the "SEC") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Our disclosure controls and procedures are also designed to reasonably assure that such information is accumulated and communicated to our management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

### Internal Control Over Financial Reporting

In the third quarter of 2005, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

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

We have reviewed the accompanying condensed consolidated balance sheet of TreeHouse Foods, Inc. and subsidiaries as of September 30, 2005, and the related condensed consolidated statements of income for the three-month and nine-month periods then ended, and of cash flows for the nine-month period then ended. These interim financial statements are the responsibility of the Corporation's management.

We conducted our review 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 statements taken as a whole. Accordingly, we do not express such an opinion.

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

DELOITTE & TOUCHE LLP
Chicago, Illinois
November 11, 2005

## Part II — Other Information

### Item 1. Legal Proceedings

We are not party to, nor are our properties the subject of, any material pending legal proceedings. However, we are parties from time to time to certain claims, litigation, audits and investigations. We believe that we have established adequate reserves to satisfy any potential liability we may have under all such claims, litigations, audits and investigations that are currently pending. In our opinion, the settlement of any such currently pending or threatened matter is not expected to have a material adverse impact on our financial position, results of operations or cash flows.

### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

### Item 6. Exhibits

(a) Exhibits

| | |
|---|---|
| 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 |

## 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/ E. Nichol McCully

E. Nichol McCully
Senior Vice President and Chief Financial Officer

November 10, 2005

Exhibit 31.1

**Certification**

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 quarterly 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 the report;
3. Based on my knowledge the financial statements, and other financial information included in the quarterly 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 quarterly 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 15-d-15(e)) 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. 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 evaluations; and
   c. 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;
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:
   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.

/s/ Sam K. Reed
Sam K. Reed
*Chairman of the Board and Chief Executive Officer*

November 10, 2005

Exhibit 31.2

**Certification**

I, E. Nichol McCully, certify that:

1. I have reviewed this quarterly report on Form 10-Q of TreeHouse Foods, Inc.;
2. Based on my knowledge, this quarterly 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 the report;
3. Based on my knowledge the financial statements, and other financial information included in the quarterly 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 quarterly 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 15-d-15(e)) 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. 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 evaluations; and
    c. 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;
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:
    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.

/s/ E. Nichol McCully
E. Nichol McCully
*Senior Vice President and Chief Financial Officer*

November 10, 2005

EXHIBIT 32.1

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 Form 10-Q of TreeHouse Foods, Inc. (the “Company”) for the quarter ended September 30, 2005, 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, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and 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*

Note: This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed, except to the extent required by the Sarbanes-Oxley Act of 2002, by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

November10, 2005

EXHIBIT 32.2

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 Form 10-Q of TreeHouse Foods, Inc. (the “Company”) for the quarter ended September 30, 2005, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, E. Nichol McCully, Senior Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended, and the information contained in the Report fairly presents in all material respects, the financial condition and results of operations of the Company.

/s/ E. Nichol McCully
E. Nichol McCully
*Senior Vice President and Chief Financial Officer*

Note: This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed, except to the extent required by the Sarbanes-Oxley Act of 2002, by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

November 10, 2005