Ralcorp Holdings, Inc.

2006 Annual Report

With Proxy Statement and
Notice of Annual Meeting

06

Corporate Overview

Ralcorp Holdings, Inc., through internal growth and strategic acquisitions, has emerged as the leading producer of private label (or store brand) foods, and a major producer of foodservice products. Ralcorp produces a variety of value brands and store brand foods that are sold under the individual labels of various grocery, mass merchandise and drug store retailers, and frozen bakery products that are sold to in-store bakeries, restaurants and other foodservice customers. Our businesses are organized into five operating segments as described below.

Cereals & Snacks

RALSTON FOODS is the industry leader in private label ready-to-eat and hot cereals, currently supplying over 50 varieties comparable to the national brands in terms of taste, appearance and nutrition. We also have a meaningful presence in the snack food category where our products include corn-based chips (since the 2005 acquisition of Medallion Foods) and cereal-based snack mixes. This division is part of our Cereals, Crackers & Cookies reportable segment and has five plants.

Crackers & Cookies

BREMNER is the largest supplier of private label crackers and cookies in America, producing a full line of quality emulations of the leading national brands. Our cracker selection includes everything from core items such as saltines and grahams to specialty flavored crackers, while our cookie offerings include several varieties of oatmeal, chocolate chip, sugar, enrobed, sandwich crèmes and much more. This division is included in our Cereals, Crackers & Cookies reporting segment and operates seven facilities.

Dressings, Syrups, Jellies & Sauces

CARRIAGE HOUSE is the nation's largest supplier of store brand preserves and jellies, peanut butter, table syrups and dressings, and a leading maker of private label sauces. The majority of our product offerings are available in several popular brand emulations, and key to our success is maintaining excellence in both product quality and customer service. Carriage House supplies products nationally to leading grocery retailers, wholesalers, mass merchandisers, drug chains and foodservice customers through four plants.

Snack Nuts & Candy

NUTCRACKER is the largest private label snack nut supplier in the country and a leader in high-quality peanut butter cups and other fine chocolates. We offer a full line of snack nut products including oil roasted, dry roasted and honey roasted peanuts, cashews, mixed nuts, macadamia nuts, sunflower kernels, almonds and pistachios. We also produce chocolate-covered nuts, baking nuts such as walnuts, pecans, dried fruit mixes and trail mixes. Nutcracker operates three production facilities.

Frozen Bakery Products

RALCORP FROZEN BAKERY PRODUCTS is a leading maker of high-quality frozen bakery products for customers in the foodservice, in-store bakery, and retail and club channels. We are one of the largest providers of pre-baked cookies to the in-store bakery channel, the largest private label manufacturer of waffles and pancakes and a provider of frozen biscuits, rolls, muffins and artisan and natural breads. Ralcorp Frozen Bakery Products operates nine plants in the U.S. and two in Canada.

Letter from the Chief Executive Officers

Dear Fellow Shareholders: As we have in the past, we will use this letter as a means to convey our thoughts regarding the recently completed fiscal year and our strategy for delivering long-term shareholder value. Overall, we experienced one of the most challenging years either of us has had during our tenure with Ralcorp.

COST INCREASES

In the first half of fiscal 2006, we incurred almost $30 million in increased costs for raw materials, out-bound freight and energy. Carriage House incurred about $9 million in such cost increases. These increases resulted primarily from soaring oil prices and could not be offset until later in the fiscal year. Consequently, Carriage House lost money during the first half of the year. When faced with these costs, each business unit quickly developed plans to reduce costs and working capital so that we maintained our favorable cash flow stream. In addition, our teams worked with our customers to mitigate these cost increases by increasing prices where appropriate while maintaining adequate price gaps. These efforts generated stronger operating results in our second half, but our efforts could not completely offset the disappointing performance earlier in the year.

ACQUISITIONS

We completed two acquisitions in fiscal 2006 in our growing Frozen Bakery Products segment. On November 15, 2005, we acquired Western Waffles, the leader in store brand frozen waffles and other frozen griddle products. The acquisition created a platform from which we can build a larger frozen food retail store brand business. Immediately after the acquisition we began to expand Western Waffles' Brantford, Ontario facility so that we could move production lines from a less efficient plant in Moncton, New Brunswick.

On February 7, 2006, we acquired Parco Foods, LLC, a producer of high quality cookies for sale in the in-store baking areas of food retailers. Parco also has an important presence in the food service channel. Within six months we relocated nearly all Parco production lines to our existing Ogden, Utah plant. During the year we also began full production of in-store bakery cookies at Bremner's South Beloit, Illinois cookie plant. The use of two facilities provides the flexibility needed to fulfill customer needs and maintain a low-cost structure.

Early in fiscal 2007 we completed our second largest acquisition. On November 10, 2006, we completed the acquisition of Cottage Bakery based in Lodi, California. Cottage Bakery is now a key part of our Frozen Bakery Products segment. For fiscal 2007 we expect the business will generate over $100 million in sales. Cottage Bakery produces high quality frozen artisan breads;

Financial Highlights

In millions except per share data

Year Ended September 30,	2006	2005	Change
Results for Year			
Net Sales	**$ 1,850.2**	$ 1,675.1	+ 10%
Net Cash Flows from Operating Activities	**52.8**	161.0	– 67%
Net Earnings	**68.3**	71.4	– 4%
Diluted Earnings Per Share	**2.41**	2.34	+ 3%
Year End Position			
Cash and Cash Equivalents	**$ 19.1**	$ 6.2	+ 208%
Working Capital (excluding cash and cash equivalents)	**170.3**	92.4	+ 84%
Total Assets	**1,507.5**	1,269.5	+ 19%
Long-Term Debt	**552.6**	422.0	+ 31%
Total Shareholders' Equity	**476.4**	518.3	– 8%

cakes; and Danish, doughnut, cookie and bagel dough. The acquisition is a great fit with our existing frozen baked offerings.

RESULTS

For fiscal 2006 Ralcorp achieved net sales of nearly $1.9 billion and diluted earnings per share grew from $2.34 to $2.41. For the past five years the Company's net sales and total segment profit contribution have increased steadily.

The Cereals, Crackers & Cookies segment profit contribution increased over 12% on net sales growth of nearly 8%. At Ralston Foods, total volume increased 2% on new products and increased co-manufacturing business. At Bremner, sales of cookies and crackers were off slightly but volume rebounded in the fourth quarter of 2006.

The Frozen Bakery Products segment profit contribution was up slightly, but down year-to-year without the impact of acquisitions. Weaker sales of in-store bakery cookies and increases in ingredient and freight costs more than offset sales gains in foodservice frozen griddle products and breads and retail frozen griddle products. In the fourth quarter, we started a new production line at our frozen bread plant in Fridley, Minnesota and believe the increased production flexibility, together with the Cottage Bakery acquisition, provides an excellent opportunity to expand our bread sales.

The Dressings, Syrups, Jellies & Sauces segment witnessed two completely different fiscal halves. In the first half of 2006, the business was unprofitable. In the second half through tireless efforts of all Carriage House employees, the business posted impressive profit numbers despite 3% lower volumes for the entire year. Overall, delivering $12.2 million in segment profit contribution was a great achievement after an extremely difficult first half.

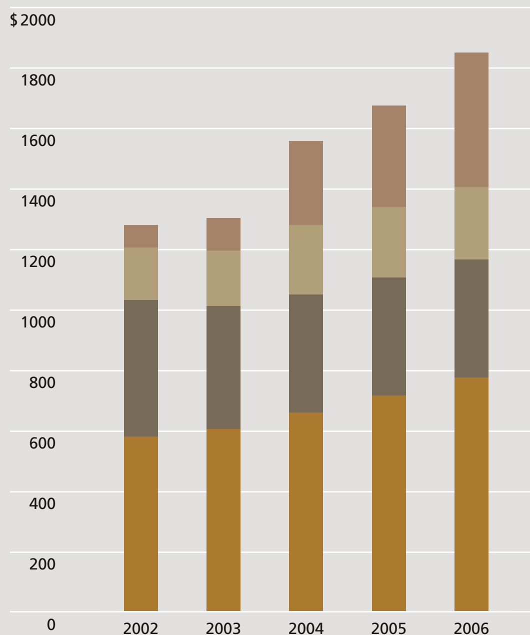
For the Snack Nuts & Candy segment, volume was up 2% for fiscal 2006 on a strong fourth quarter. However, due primarily to higher raw material costs and negative mix, the segment's profit contribution was off almost $5 million from the prior year. The costs of certain tree nuts have declined and the segment obtained sales with new customers in the fourth quarter.

FINANCE INITIATIVES

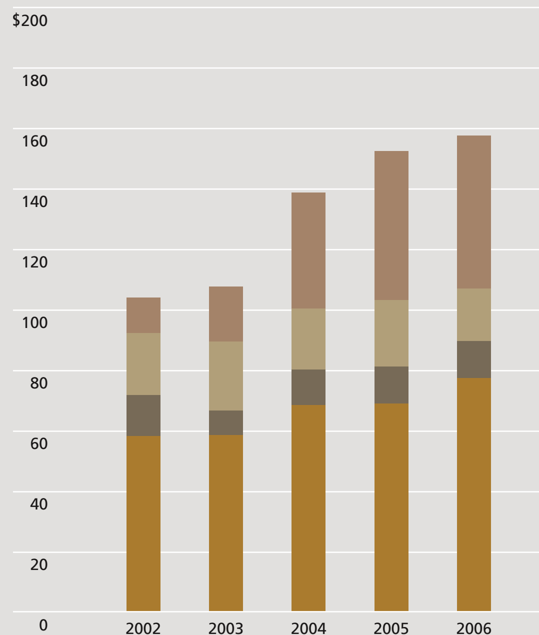
Since October 2005, we have entered into three forward sale contracts covering a total of 4.9 million

Frozen Bakery Products
Snack Nuts & Candy
Dressings, Syrups, Jellies & Sauces
Cereals, Crackers & Cookies

Net Sales by Segment
In millions



Profit Contribution by Segment
In millions

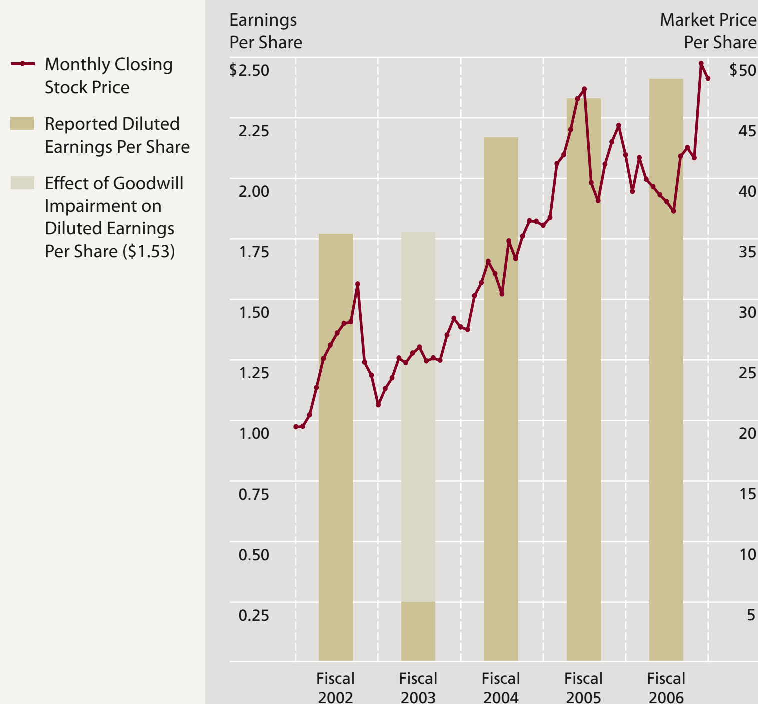


of our Vail shares. These contracts allowed us to receive $140 million under their discounted advance payment features while allowing us to participate in potential future appreciation of the Vail shares. We consider these contracts to be an attractive method for delivering additional value from our investment in Vail Resorts.

In December 2005 and February 2006, we completed additional issuances of private placement notes. The demand for the debt issuances was high and we were able to obtain favorable rates. We have now staggered the maturities of our long-term debt through 2015. The new issuances enabled us to make long-term investments through acquisitions and stock repurchases. At the same time, we maintained sufficient borrowing capacity to fund additional acquisitions like the Cottage Bakery transaction.

During fiscal 2006 we spent nearly $135 million to repurchase 3.4 million shares of Ralcorp common stock, demonstrating our commitment to delivering improved shareholder value over the long-term. We reduced shares outstanding by nearly 10%, and remaining shareholders realized improved earnings per share.

Market Price and Earnings Per Share



MANAGEMENT CHANGES

In October 2006, we announced that Richard Koulouris will assume the newly created position of President of The Carriage House Companies, Inc. As we struggled to regain profitability in Carriage House last year, we realized that to have long-term success, we need a strong leader dedicated to Carriage House on a full-time basis. The division is an important part of Ralcorp and its broad range of products creates opportunities to serve a wide range of customers. However, the complexities of the Carriage House business mandate a constant focus on all aspects of the business. Rich is an excellent leader and will use his skills to improve Carriage House.

Ronald Wilkinson was promoted and will assume Rich's former role as President of Bremner Food Group, Inc. and Nutcracker Brands, Inc. Because of Ron's deep manufacturing background and his leadership at Ralston Foods and Carriage House, he will be a tremendous asset to Bremner and Nutcracker.

OUTLOOK

We expect to face significant cost pressures in fiscal 2007. For example, recent prices for wheat, corn and rice have achieved record highs. As we did in fiscal 2006, we will implement cost reduction and other mitigating initiatives. Through the hard work of our talented and dedicated fellow employees, Ralcorp will respond to the challenges faced throughout the upcoming year.

We remain singularly focused on enhancing long-term value and are very proud that in just three years, Ralcorp's share price has increased 75%. In fiscal 2007, we will continue to integrate acquisitions made in fiscal 2006 and will fold in our recent acquisition. Our balance sheet remains strong; we are well-positioned to pursue growth initiatives.

We are grateful for your support and look forward to a successful fiscal 2007 and beyond.

David P. Skarie
Co-Chief Executive
Officer and President

Kevin J. Hunt
Co-Chief Executive
Officer and President

Board of Directors

Bill G. Armstrong [1,2]
Former Executive Vice President and Chief Operating Officer, Cargill Animal Nutrition

David R. Banks [1,2]
Private Equity Investor

Jack W. Goodall [1,2]
Former Chairman of the Board, Jack in the Box Inc. (restaurants)

Kevin J. Hunt
Co-Chief Executive Officer and President, Ralcorp Holdings, Inc.

David W. Kemper [1,2]
Chairman, President and Chief Executive Officer, Commerce Bancshares, Inc. (bank holding company)

Richard A. Liddy [1,2]
Former Chairman of the Board, GenAmerica Financial (financial and insurance products)

Joe R. Micheletto [3]
Vice-Chairman of the Board of Directors, Ralcorp Holdings, Inc.

David P. Skarie
Co-Chief Executive Officer and President, Ralcorp Holdings, Inc.

William P. Stiritz [2,3,4]
Private Equity Investor

1 Member of Audit Committee
2 Member of Corporate Governance and Compensation Committee
3 Member of Executive Committee
4 Chairman of the Board

Corporate Officers

Kevin J. Hunt
Co-Chief Executive Officer and President; and Chief Executive Officer of Bremner Food Group, Inc. and Nutcracker Brands, Inc.

David P. Skarie
Co-Chief Executive Officer and President; and Chief Executive Officer of The Carriage House Companies, Inc. and Chief Executive Officer and President of Ralston Foods

Thomas G. Granneman
Vice President and Controller

Charles G. Huber, Jr.
Vice President, General Counsel and Secretary

Richard R. Koulouris
Vice President; and President of The Carriage House Companies, Inc.

Scott Monette
Vice President and Treasurer

Richard G. Scalise
Vice President; and President of Frozen Bakery Products

Ronald D. Wilkinson
Vice President; and President of Bremner Food Group, Inc. and Nutcracker Brands, Inc.

Locations

Corporate Headquarters
St. Louis, MO

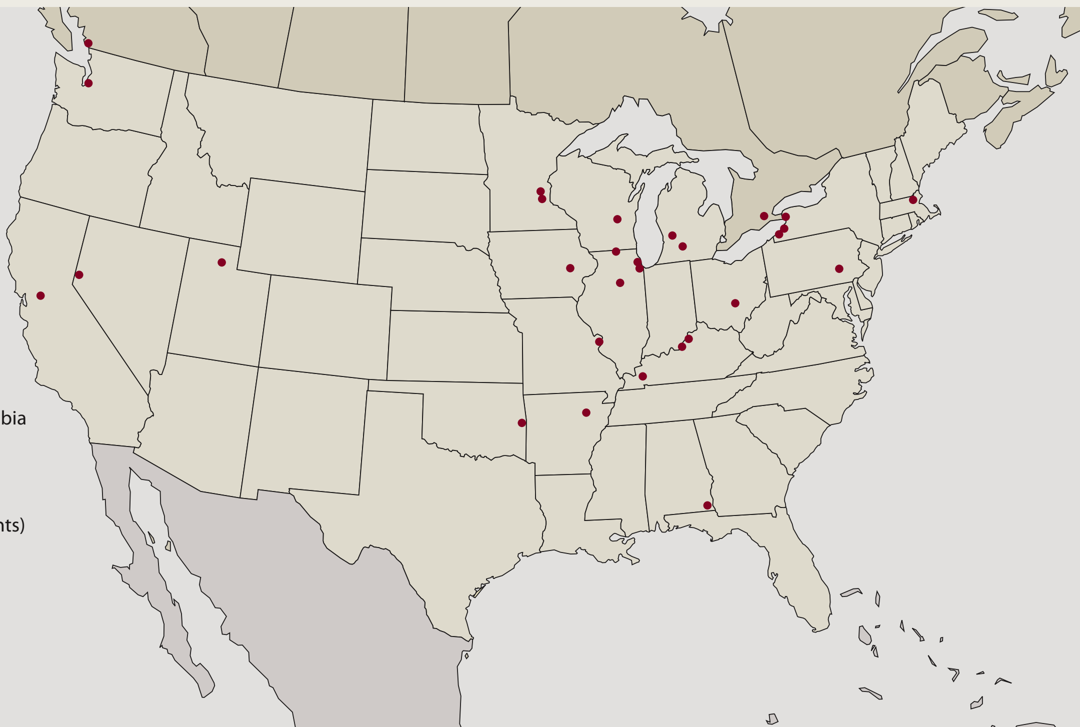
Ralston Foods
Battle Creek, MI
Cedar Rapids, IA
Lancaster, OH
Newport, AR
Sparks, NV

Carriage House
Buckner, KY
Dunkirk, NY
Fredonia, NY
Streator, IL

Nutcracker
Billerica, MA
Dothan, AL
Womelsdorf, PA

Bremner
Minneapolis, MN
Princeton, KY
Poteau, OK
Ripon, WI (2 plants)
South Beloit, IL
Tonawanda, NY

Ralcorp Frozen Bakery Products
Blue Island, IL
Brantford, Ontario
Chicago, IL
Delta, British Columbia
Fridley, MN
Grand Rapids, MI
Lodi, CA
Louisville, KY (2 plants)
Ogden, UT
Seattle, WA



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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 2006
or
[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number **1-12619**

RALCORP HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Missouri	**43-1766315**
(State of incorporation)	(I.R.S. Employer Identification No.)
800 Market Street, St. Louis, Missouri	**63101**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code **(314) 877-7000**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 par value	New York Stock Exchange, Inc.
Common Stock Purchase Rights	New York Stock Exchange, Inc.

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
☑Yes ☐No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
☐Yes ☑No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). ☑Yes ☐No

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

On March 31, 2006, the aggregate market value of the Common Stock held by non-affiliates of registrant was $959,063,681. Excluded from this figure is the Common Stock held by registrant's Directors and Corporate Officers, who are the only persons known to registrant who may be considered to be its "affiliates" as defined under Rule 12b-2.

Number of shares of Common Stock, $.01 par value, outstanding as of December 1, 2006: 26,848,352.

DOCUMENTS INCORPORATED BY REFERENCE

Registrant's Notice of Annual Meeting and Proxy Statement relating to its 2007 Annual Meeting (to be filed), to the extent indicated in Part III.

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CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

Forward-looking statements, within the meaning of Section 21E of the Securities Exchange Act of 1934, are made throughout this Report. These forward-looking statements are sometimes identified by their use of terms and phrases such as "believes," "should," "expects," "anticipates," "intends," "plans," "will," "can" or similar expressions elsewhere in this Report. The Company's results of operations and financial condition may differ materially from those in the forward-looking statements. Such statements are based on management's current views and assumptions, and involve risks and uncertainties that could affect expected results. The factors set forth below may cumulatively or individually impact the Company's expected results.

- If the Company is unable to maintain a meaningful price gap between its private label products and the branded products of its competitors, successfully introduce new products or successfully manage costs across all parts of the Company, the Company's private label businesses could incur operating losses.
- Consolidation among members of the grocery trade may lead to increased wholesale price pressure from larger grocery trade customers and could result in significant profit pressure, or in some cases, the loss of key accounts if the surviving entities are not customers of the Company.
- Significant increases in the cost of certain commodities (e.g., wheat, peanuts, soybean oil, eggs, various tree nuts, corn syrup and other sweeteners, cocoa, fruits), packaging or energy (e.g., natural gas) used to manufacture the Company's products, to the extent not reflected in the price of the Company's products, could adversely impact the Company's results.
- In light of its ownership in Vail Resorts, Inc. (approximately 19%), the Company's non-cash earnings can be adversely affected by unfavorable results from Vail Resorts or the inability to recognize earnings under the equity method of accounting in the future.
- The Company is currently generating profit from certain co-manufacturing contract arrangements with other manufacturers within its competitive categories. The termination or expiration of these contracts and the inability of the Company to replace this level of business could negatively affect the Company's operating results.
- The Company's businesses compete in mature segments with competitors having large percentages of segment sales. If such competitors are able to obtain larger percentages of their respective segment sales, the Company could lose its market position.
- The Company has realized increases in sales and earnings through the acquisitions of businesses, but the ability to undertake future acquisitions depends on many factors, such as identifying available acquisition candidates and negotiating satisfactory terms to purchase such candidates, which the Company does not unilaterally control.
- Presently, a portion of the interest on the Company's indebtedness is set on a short-term basis. Consequently, increases in interest rates will increase the Company's interest expense.
- If actual or forecasted cash flows of any reporting unit deteriorate such that its fair value falls below its carrying value, goodwill will likely be impaired and an impairment loss would be recorded immediately as a charge against earnings.
- The Company has experienced increases in the cost to transport finished goods to customers. The Company's costs have risen due to the increased cost of fuel and a limited supply of freight carriers. In the event this situation worsens, transportation costs will increase significantly and the Company will experience service problems and reduced customer sales.
- Fluctuations in the Canadian Dollar could result in losses in value of the Company's net foreign currency investment in its Canadian subsidiary.
- A portion of the Company's employees are represented by labor unions. Labor strikes, work stoppages or other employee related interruptions or difficulties in the employment of labor could negatively impact our manufacturing capabilities.
- Other uncertainties, all of which are difficult to predict and many of which are beyond the control of the Company, may impact its financial position, including those risks detailed from time to time in its publicly filed documents. These and other factors are discussed in the Company's Securities and Exchange Commission filings.

The factors set forth above are illustrative, but by no means exhaustive. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

PART I

ITEM 1. BUSINESS

INTRODUCTION

Ralcorp Holdings, Inc. is a Missouri corporation incorporated on October 23, 1996. Our principal executive offices are located at 800 Market Street, Suite 2900, St. Louis, Missouri 63101. The terms "we," "our," "Company," "Ralcorp," and "Registrant" as used herein refer to Ralcorp Holdings, Inc. and its consolidated subsidiaries.

We are primarily engaged in the manufacturing, distribution and marketing of store brand (private label) food products in the grocery, mass merchandise, drug and foodservice channels. Our products include: ready-to-eat and hot cereal products; store brand and value brand snack mixes and corn-based snacks; store brand and branded crackers and cookies; foodservice, store brand and branded frozen griddle products (pancakes, waffles, French toast and custom griddle products) and biscuits; foodservice and store brand breads, rolls and muffins; store brand wet-filled products such as salad dressings, mayonnaise, peanut butter, syrups, jams and jellies, and specialty sauces; and store brand and value branded snack nuts and chocolate candy. Substantially all of our products are sold to customers within the United States.

Our strategy is to grow our businesses through increased sales of existing and new products and through the acquisition of other companies. Since 1997 we have acquired eighteen companies. We typically pursue companies that manufacture predominantly store brand or value oriented food products.

The following sections of this report contain financial and other information concerning our business developments and operations and are incorporated into this Item 1:

- "Management's Discussion and Analysis of Financial Condition and Results of Operations" under Item 7; and
- "Acquisitions and Goodwill," "Supplemental Earnings Statement and Cash Flow Information," and "Segment Information" in the Notes to the Consolidated Financial Statements filed as part of this document under Item 8.

You can find additional information about Ralcorp including our 10-Ks, 10-Qs, 8-Ks, and other securities filings (and amendments thereto) by visiting our website at http://www.ralcorp.com or the SEC's website at http://www.sec.gov, from which they can be printed free of charge as soon as reasonably practicable after their electronic filing with the SEC. The Company's Corporate Governance Guidelines; Standards of Business Conduct for Employees, including Executive Officers; Director Code of Ethics; and the Charters of the Board's Audit, Corporate Governance, and Compensation Committees are also available on our website, from which they can be printed free of charge. All of these documents are also available to shareholders at no charge upon request sent to the Company's Secretary (PO Box 618, St. Louis, MO 63188-0618, Telephone: 314-877-7046).

RECENT BUSINESS DEVELOPMENTS

- On October 17, 2005, the Board of Directors increased our existing share repurchase authorization by 2,000,000 shares of common stock.
- On November 15, 2005, we completed the acquisition of Western Waffles, Ltd.
- On December 21, 2005, we issued Fixed Rate Senior Notes, Series E and Series F, totaling $175 million.
- On December 27, 2005, we entered into a new $150 million Revolving Credit Agreement which replaced a previous agreement established on October 15, 2004.
- On February 7, 2006, we completed the acquisition of Parco Foods, Inc.
- On February 22, 2006, we issued Floating Rate Senior Notes, Series G and Series H, totaling $100 million. The proceeds from this private placement debt were used to repay our Series A Floating Rate Senior Notes.
- On May 25, 2006, after the October 17, 2005 authorization had been exhausted, the Board of Directors authorized the repurchase of up to 2,000,000 shares of common stock.
- On October 27, 2006, we announced the appointment of Ronald D. Wilkinson as President of Bremner, Inc. and Nutcracker Brands, Inc. and the appointment of Richard R. Koulouris as President of The Carriage House Companies, Inc.
- On November 10, 2006, we completed the acquisition of Cottage Bakeries, Inc.
- Since October 31, 2005, we have entered into three forward sale agreements relating to our shares of Vail Resorts, Inc. and received approximately $140 million.

OTHER INFORMATION PERTAINING TO THE BUSINESS OF THE COMPANY

Segments

During fiscal year 2006 our businesses were comprised of four reportable business segments: Cereals, Crackers & Cookies (consisting of Ralston Foods and Bremner, Inc.); Frozen Bakery Products (Ralcorp Frozen Bakery Products, Inc.); Dressings, Syrups, Jellies & Sauces (The Carriage House Companies, Inc.); and Snack Nuts & Candy (Nutcracker Brands, Inc.). During fiscal 2006 we changed the name of Bakery Chef, Inc. to Ralcorp Frozen Bakery Products, Inc. The Frozen Bakery Products segment now includes Ralcorp Frozen Bakery Products, Lofthouse, Concept 2 Bakers, Parco, Western Waffles and for the first quarter of fiscal 2007, the recently acquired Cottage Bakery, Inc. business.

We develop, manufacture, and market emulations of various types of branded food products that retailers, mass merchandisers and drug stores sell under their own "store" brands or under value brands. We attempt to manufacture products that are equivalent in quality to branded products. In the event branded producers modify their existing products or successfully introduce new products, we may attempt to emulate the modified or new products. In conjunction with our customers, we develop packaging and graphics that rival the national brands. Our goal is that the only difference consumers perceive when purchasing our store brand products is a notable cost savings when compared to branded counterparts.

We also develop, manufacture and market signature frozen value-added bakery products for the foodservice, in-store bakery, retail and mass merchandising channels. Our frozen products typically are not emulations of branded products. Instead, they are designed to have unique tastes or characteristics that customers desire. To a much lesser extent, we also offer unique, custom products in our other businesses.

In Item 2, we have listed the principal plants operated by the Company as well as the types of products produced at each plant.

Cereals, Crackers & Cookies

The Cereals, Crackers & Cookies segment is composed of store brand ready-to-eat and hot cereals, store brand snack mixes and corn-based snacks (the "Cereal and Snack Business"); and store brand and branded crackers and cookies (the "Cracker and Cookie Business"). In fiscal 2006, these businesses accounted for approximately 58% and 42% respectively, of the Company's Cereals, Crackers & Cookies segment sales. These two businesses (operating segments) have been aggregated into a single reportable segment because they have similar economic characteristics, product ingredients, types of customers and distributions methods, and because of some shared processing.

Cereal and Snack Business

Store brand ready-to-eat cereals are currently produced at three operating facilities and include over 35 different cereal varieties, utilizing flaking, extrusion and shredding technologies. Our Cracker and Cookie Business produces shredded wheat cereal for the Cereal and Snack Business. Three additional cereals are produced for the Cereal and Snack Business through certain co-manufacturing arrangements. Store brand and branded hot cereals are produced at one facility and include old-fashioned oatmeal, quick oatmeal, regular instant oatmeal, flavored instant oatmeals, farina, instant *Ralston*® (a branded hot wheat cereal), and *3 Minute Brand*® hot cereals. As expected, we sell far more hot cereals in cooler months. We believe we are the largest manufacturer in the U.S. of store brand ready-to-eat and hot cereals. In fiscal 2006, approximately 70% of this business's net sales were in retail ready-to-eat cereals (excluding co-manufacturing), approximately 13% of its net sales were in retail hot cereals and approximately 11% of its net sales were in corn-based snack products. Corn-based snacks are produced at one facility and include four types of tortilla chips, two types of corn chips and three types of extruded puffed products that are packaged under store brands and the *Medallion*® name.

We produce cereal products based on our estimates of customer orders and consequently maintain, on average, three to five weeks' inventory of finished products. Our ready-to-eat and hot cereals are warehoused in and distributed through four independent distribution facilities and two of our cereal plants, and are shipped to customers principally via independent truck lines. Our corn-based snack products are produced based on customer orders and are shipped directly to customers through independent truck lines and customer supplied trucks. The ready-to-eat and hot cereal products as well as corn-based snack products are sold through internal sales staff and independent food brokers.

Cracker and Cookie Business

We believe our Cracker and Cookie Business is currently the largest manufacturer of store brand crackers and cookies for sale in the United States. The business also produces cookies under the *Rippin' Good*® brand and crackers under the *Ry Krisp*® brand. Management positions the Cracker and Cookie Business as a low cost, premier quality producer of a wide variety of store brand crackers and cookies. We produce 54 kinds of store brand cookies and 24 kinds of store brand crackers. In fiscal 2006 and solely with respect to the retail channel, approximately 58% of this business's net sales was in crackers and approximately 42% of its net sales was in cookies.

Our Cracker and Cookie Business operates seven plants where products are largely produced to order. In the fall and winter as consumer consumption of crackers increases, we have the ability to produce to estimated volumes, thereby building product inventories ranging from four to six weeks. Store brand crackers and cookies are sold through a broker network and internal sales staff. Branded *Ry Krisp*® crackers and branded cookies, including *Rippin' Good*® cookies are sold through direct store distributor networks. Our cookies and crackers are primarily distributed through our own warehouses and delivered to customers through independent truck lines.

Frozen Bakery Products

Our Frozen Bakery Products business operates eleven facilities, including the Cottage Bakery, Inc acquisition. We produce frozen griddle products such as pancakes, waffles and French toast; frozen bread products such as breads, rolls and biscuits; dessert products such as frozen cookies and frozen cookie dough, muffins, and Danishes, as well as dry mixes for bakery foods. During fiscal 2006, one plant within the Cereals, Crackers and Cookies segment began producing in-store bakery cookies for the Frozen Bakery Products segment. The segment's griddle, muffin, biscuit, and some other bread products are largely produced to order and shipped frozen directly to customers or third-party frozen warehouses. Cookies and artisan breads are produced to order and in anticipation of customer needs. These products are stored in onsite frozen warehouses and the majority of the products are shipped frozen.

The Frozen Bakery Products segment sells products through a broker network and an internal sales staff. Products are sold to foodservice customers such as large restaurant chains and distributors of foodservice products, retail grocery chains, and mass merchandisers. We utilize the trademark *Krusteaz*® for frozen griddle products sold to retail grocery chains and mass merchandisers. Also, we produce in-store bakery cookies under the *Lofthouse*®, *Cascade*®, and *Parco*® brands. During fiscal 2007, we intend to consolidate most of our in-store bakery cookies under the *Lofthouse*® brand; however, we will continue to use the *Cascade*®, and *Parco*® brands at a reduced level. Sales of cookies increase significantly in anticipation of holidays.

We sell a significant amount of products to a large international chain of restaurants. The loss of that customer would have a material adverse effect on the Frozen Bakery Products segment.

In fiscal 2006, approximately 37% of the segment's net sales was griddle products, 29% was cookies, 16% was breads and rolls, and 15% was biscuits, with the remainder representing various muffins, cakes and dry mixes. Approximately 45% of its net sales was in the foodservice channel, 36% was to in-store bakeries, and 18% was retail.

Dressings, Syrups, Jellies & Sauces

Our Dressings, Syrups, Jellies & Sauces segment currently operates four plants and produces a variety of store brand shelf-stable dressings, syrups, peanut butter, jellies, salsas and sauces, and non-alcoholic drink mixes under the *Major Peters'*® and *JERO*® brands. The segment's products are largely produced to order and shipped directly to customers using independent truck lines. However, we maintain warehouses at our plants to hold several weeks' supply of key products. The products are sold through an internal sales staff and a broker network. In fiscal 2006, approximately 19% of the segment's net sales was preserves and jellies, 16% was spoonable or pourable salad dressings, 17% was table syrup, and 17% was peanut butter, with the remainder consisting of various salsas, sauces, other syrups, and drink mixes. Approximately 88% of its net sales was to retail customers.

Due to the varied nature of branded counterparts and customer preferences, this segment produces far more variations of each type of product compared to our other segments. At any one time, we maintain over 5,000 active SKUs in this segment.

Snack Nuts & Candy

Our Snack Nuts & Candy segment operates two plants that produce a variety of jarred, canned and bagged snack nuts and one plant that produces chocolate candy. Our snack nut and candy products are largely produced to order and shipped directly to customers; however, we maintain two warehouses where finished snack nut products are stored during peak times of demand. Snack nuts and candy are shipped to customers through independent truck lines. We sell our products through an internal sales staff and a broker network. The segment produces store brand products as well as value branded products under the *Nutcracker*® and *Flavor House*® brands. Snack nut sales are seasonal, and the segment sells approximately 45% of its snack nuts in a four-month period between September and December. Profits from the sale of snack nuts are impacted significantly by the cost of raw materials (peanuts and tree nuts). Our chocolate candy products are positioned as premium chocolate products and not as an emulation of a branded product. Consequently, our chocolate candy products are sold to customers who maintain premium store brand product lines. We also produce chocolate candy for customers who use the candy as ingredients for ice cream and other products. In fiscal 2006, approximately 88% of the segment's net sales was nuts and approximately 10% was candy, with the remainder representing various snack mixes.

Ownership of Vail Resorts, Inc.

We own 7,454,406 shares of Vail Resorts, Inc. (Vail) common stock (approximately 19 percent of the shares outstanding as of September 30, 2006). Additionally, two of our Directors, Messrs. Stiritz and Micheletto, are on the Vail Board of Directors. Currently, we utilize the equity method of accounting to reflect our share of Vail's earnings (or losses) on a non-cash basis. On October 31, 2005, we entered into a prepaid variable forward sale contract relating to 1.78 million shares of our Vail common stock. We entered into a second prepaid variable forward sale contract on March 22, 2006 relating to 1.97 million of our Vail common stock, and a third contract on November 6, 2006 relating to 1.2 million shares. Under the three contracts, at the maturity dates (which range from November 2008 to November 2013) we can deliver a variable number of shares in Vail to Bank of America. The number of shares ultimately delivered will depend on the price of Vail shares at settlement. We obtained approximately $50.5 million, $60 million and $29.5 million, respectively, under the prepayment feature of the contracts. The contracts do not currently impact our equity accounting method due in part to the fact that we continue to vote the shares of Vail subject to the forward contract.

Vail's results of operations are highly seasonal and are dependent in part on weather conditions and consumers' discretionary spending trends. In light of the significance of our ownership in Vail in comparison to our earnings and assets, changes in Vail's common stock price or earnings can impact our stock price.

Trademarks

We own (or use under a license) a number of trademarks that are substantially important to our businesses, including, *Krusteaz*®, *Lofthouse*®, *Parco*®, *Major Peters'*®, *Medallion*®, *Ry Krisp*®, *Rippin' Good*®, *Flavor House*® *and Nutcracker*®.

Competition

Our businesses face intense competition from large branded manufacturers and highly competitive store brand and foodservice manufacturers in each of their product lines. Further, in some instances large branded companies presently manufacture, or in the past have manufactured, store brand products. Top branded ready-to-eat and hot cereal competitors include Kellogg, General Mills, Kraft Foods' Post division, and Quaker Oats (owned by PepsiCo). Large branded competitors of the Cracker and Cookie Business include Nabisco (owned by Kraft) and Keebler (owned by Kellogg), which possess large portions of the branded cracker and cookie categories. Branded competitors in the snack mix and corn-based snack categories include General Mills and Frito Lay. The Snack Nuts & Candy segment faces significant competition from one significant branded snack nut producer, Planters (owned by Kraft). Top branded competitors of the Dressings, Syrups, Jellies & Sauces segment include Kraft Foods, Bestfoods (owned by Unilever), Smucker's and Heinz. In addition, privately owned store brand manufacturers provide significant competition in all of the Company's segments. The Frozen Bakery Products segment faces intense competition from numerous producers of griddle, bread and cookie products, including Kellogg.

The industries in which we compete are highly sensitive to both pricing and promotion. Competition is based upon product quality, price, effective promotional activities, and the ability to identify and satisfy emerging consumer preferences. These industries are expected to remain highly competitive in the foreseeable future. Our customers do not typically commit to buy predetermined amounts of products. Moreover, many food retailers utilize bidding procedures to select vendors. Consequently, during the course of a year, up to 50% of any segment's business can be subject to a bidding process conducted by our customers.

Future growth opportunities are expected to depend on our ability to implement strategies for competing effectively in all of our businesses, including strategies relating to emulating branded products, enhancing the performance of our employees, maintaining effective cost control programs, developing and implementing methods for more efficient manufacturing and distribution operations, and developing successful new products, while at the same time maintaining high product quality, aggressive pricing and promotion of our products.

Customers

In fiscal 2006, Wal-Mart Stores, Inc. accounted for approximately 16% of our aggregate net sales. Each of our reporting segments sells products to Wal-Mart. Additionally, we sell our products to retail chains, mass merchandisers, grocery wholesalers, warehouse club stores, drug stores, restaurant chains and foodservice distributors across the country and in Canada.

Seasonality

Due to our equity interest in Vail, which typically yields more than the entire year's equity income during our second and third fiscal quarters, our net earnings are seasonal. In addition, certain aspects of our operations, especially in the Snack Nuts & Candy segment, hot cereal portion of the Cereal, Crackers & Cookies segment, and in-store bakery portion of the Frozen Bakery Products segment, are seasonal, with a higher percentage of sales and operating profits expected to be recorded in the first and fourth fiscal quarters. See Note 20 in Item 8 for historical quarterly data.

Employees

As of September 30, 2006, we had approximately 6,500 employees, of whom an estimated 6,175 were located in the United States and 325 were located in Canada. We have entered into numerous collective bargaining agreements that we believe contain terms that are typical for the industries in which we operate. As these agreements expire, we believe that the agreements can be renegotiated on terms satisfactory to the Company. We believe our relations with our employees, including union employees, are good.

Raw Materials, Freight, and Energy

Our raw materials consist of ingredients and packaging materials. Our principal ingredients are grain and grain products, flour, corn syrup, sugar, soybean oil, eggs, tomatoes and other fruits, various nuts such as peanuts and cashews, and liquid chocolate. Our principal packaging materials are linerboard cartons, corrugated boxes, plastic bottles, plastic containers and composite cans. We purchase raw materials from local, regional, national and international suppliers. The cost of raw materials used in our products may fluctuate widely due to weather conditions, labor disputes, government regulations, industry consolidation, economic climate, energy shortages, transportation delays, or other unforeseen circumstances. Presently, we do not believe any raw materials we use are in short supply. However, the supply of raw materials can be negatively impacted by the same factors that can impact their cost. From time to time we will enter into supply contracts for periods up to three years to secure favorable pricing for ingredients and up to five years for packaging materials. Most of our sales are FOB destination, where we pay freight costs to deliver our products to the customer via common carriers or our own trucks. Freight costs are affected by both fuel prices and the availability of common carriers in the area. We also purchase natural gas, electricity, and steam for use in our processing facilities. Where possible, and when advantageous to the Company, we enter into purchase or other hedging contracts of up to 18 months to reduce the price volatility of these items and the cost impact upon our operations. In fiscal 2006, ingredients, packaging, freight, and energy represented approximately 42%, 20%, 9%, and 3%, respectively, of our total cost of goods sold.

Governmental Regulation and Environmental Matters

We are subject to regulation by federal, state and local governmental entities and agencies. As a producer of goods for human consumption, our operations are subject to stringent production and labeling standards. For example, in the early 1990's, new labeling regulations were promulgated and implemented which required us to modify information disclosed on our packaging. Recently, new labeling regulations relating to trans fatty acids and allergens were adopted by regulatory bodies. As a result, we had to change our packaging and in many instances, our formulations. In the event that mandated label disclosure causes customers to demand the use of different ingredients, the cost of goods sold may increase. In many instances we may not be able to obtain increased pricing to offset the increased cost.

Our operations, like those of similar businesses, are subject to various federal, state and local laws and regulations with respect to environmental matters, including air and water quality, underground fuel storage tanks, waste handling and disposal, and other regulations intended to protect public health and the environment. While it is difficult to quantify with certainty the potential financial impact of actions regarding expenditures for environmental matters, particularly remediation, and future capital expenditures for environmental control equipment, in the opinion of management, based upon the information currently available, the ultimate liability arising from such environmental matters, taking into account established accruals for estimated liabilities, should not have a material effect on our consolidated results of operations, financial position, capital expenditures or other cash flows. In fiscal 2007, and possibly extending into fiscal 2008, we will complete improvements to certain waste water pretreatment facilities within our Cereal, Crackers & Cookies segment. In total, we expect to spend an estimated $1.5 million on these improvements.

Contract Manufacturing

From time to time, our segments may produce products for other manufacturers. Typically, such products are new branded products for which branded companies lack capacity. This business tends to be inconsistent in volume. Often, initial orders can be significant and favorably impact a fiscal period (with respect to sales and profits) but later volume will level off or the branded company will ultimately produce the product internally and cease purchasing product from us. Branded companies retain ownership of the formulas and trademarks related to products we produce for them. Net sales under these “co-manufacturing” agreements were approximately 3.0% to 5.5% of our annual net sales for the past three years and were approximately $59 million in fiscal 2006.

ITEM 1A. RISK FACTORS

In addition to the factors discussed elsewhere in this Report, the following risks and uncertainties could have a material adverse effect on the Company's business, financial condition and results of operations. Additional risks and uncertainties not presently known to the Company or that the Company currently deems immaterial may also impair the Company's business operations and financial condition.

Continued increases in the cost of commodities could negatively impact profits.

The primary commodities used by our businesses include sugar, oats, almonds, wheat, soybean oil, corn sweeteners, almonds and other tree nuts, glass containers, caps and plastic packaging. We may experience shortages in these items as a result of commodity market fluctuations, availability, increased demand, weather conditions, and natural disasters as well as other factors outside of our control. Due to shortages, prices for these items have been volatile. Changes in the prices of our products may lag behind changes in the costs of our commodities. Competitive pressures also may limit our ability to raise prices in response to increased raw and packaging material costs. Accordingly, if we are unable to increase our prices to offset these costs, these costs may have a material adverse effect on our operating profits and margins.

Higher energy costs could negatively impact profits.

Higher prices for natural gas, electricity and fuel increase our production and delivery costs. Many of our large manufacturing operations use large quantities of natural gas and electricity. Our inability to respond to these cost increases may negatively affect our operating results. In addition, the Company has experienced increases in the cost of transporting finished goods to customers. Due to the increased cost of fuel and limited supply of freight carriers, the Company's costs have risen. In the event that this situation continues to worsen, the Company may experience service problems and reduced customer sales.

The Company may not be able to continue to make acquisitions at the rate at which we have been able to make acquisitions in the past.

The Company has experienced significant sales and operating profits through the acquisition of other companies. However, acquisition opportunities may not always present themselves. In such cases, the Company's sales and operating profit may not continue to grow from period to period at the same rate as it has in the past.

The success of our acquisitions will depend on many factors, such as our ability to identify potential acquisition candidates, negotiate satisfactory purchase terms and our ability to successfully integrate and manage acquisitions. Integrating the operations, financial reporting, disparate technologies and personnel of newly acquired companies involve risks. We cannot guarantee that we will be successful or cost-effective in integrating any new businesses into our existing businesses. In fact, the process of integrating newly acquired businesses may cause interruption or slow down the operations of our existing businesses. As a result, we may not be able to realize expected synergies or other anticipated benefits of acquisitions.

Significant private label competitive activity can lead to price declines.

Some customer buying decisions are based on a periodic bidding process in which the successful bidder is assured the selling of its selected product to the food retailer, super center or mass merchandiser until the next bidding process. Our sales volume may decrease significantly if our offer is too high and we lose the ability to sell products through these channels, even temporarily. Alternatively, we risk reducing our margins if our offer is successful but below our desired price points. Either of these outcomes may adversely affect our results of operations.

Our inability to successfully manage the price gap between our private-label products and those of our branded competitors may adversely affect our results of operation.

Competitors' branded products have an advantage over our private label products primarily due to advertising and name recognition. When branded competitors focus on price and promotion, the environment for private label products becomes more challenging because the price gaps between private label and branded products can become less meaningful.

At the retail level, private label products sell at a discount to those of branded competitors. If branded competitors continue to reduce the price of their products, the price of branded products offered to consumers may approximate or be lower than the prices of our private label products. Further, promotional activities by branded competitors such as temporary price rollbacks, buy-one-get-one-free offerings and coupons have the effect of price decreases. Price decreases taken by competitors could result in a decline in the Company's sales volumes.

Loss of one of the Company's significant customers may adversely affect our results of operations.

A limited number of customer accounts represent a large percentage of our consolidated net sales. The success of our business depends, in part, on our ability to maintain our level of sales and product distribution through high volume food retailers, super centers and mass merchandisers. The competition to supply products to these high volume stores is intense. These high volume stores and mass merchandisers frequently re-evaluate the products they carry; if a major customer elected to stop carrying one of our products, our sales may be adversely affected.

Unsuccessful implementation of business strategies to reduce costs may adversely affect our results of operations.

Many of our costs, such as raw materials, energy and freight are outside our control. Therefore, we must seek to reduce costs in other areas, such as operating efficiency. If we are not able to complete projects which are designed to reduce costs and increase operating efficiency on time or within budget, our operating profits may be adversely impacted. In addition, if the cost saving initiatives we have implemented or any future cost savings initiatives do not generate the expected cost savings and synergies, our results of operations may be adversely affected.

Our ability to raise prices for our products may be adversely affected by a number of factors, including but not limited to industry supply, market demand, and promotional activity by competitors. If we are unable to increase prices for our products as may be necessary to cover cost increases, our results of operations could be adversely affected. In addition, price increases typically generate lower volumes as customers then purchase fewer units. If these losses are greater than expected or if we lose distribution as a result of a price increase, our results of operations could be adversely affected.

We may be unable to anticipate changes in consumer preferences and trends, which could result in decreased demand for our products.

Our success depends in part on our ability to anticipate the tastes and eating habits of consumers and to offer products that appeal to their preferences. Consumer preferences change from time to time and can be affected by a number of different and unexpected trends. Our failure to anticipate, identify or react quickly to these changes and trends, and to introduce new and improved products on a timely basis, could result in reduced demand for our products, which would in turn cause our revenues and profitability to suffer. Similarly, demand for our products could be affected by consumer concerns regarding the health effects of nutrients or ingredients such as trans fats, sugar, processed wheat or other product attributes.

Changes in weather conditions, natural disasters and other events beyond our control can adversely affect our results of operations.

Changes in weather conditions and natural disasters such as floods, droughts, frosts, earthquakes, hurricanes or pestilence, may affect the cost and supply of commodities and raw materials, including tree nuts, corn syrup, sugar and wheat. Additionally, these events can result in reduced supplies of raw materials and longer recoveries of usable raw materials. Competing manufacturers can be affected differently by weather conditions and natural disasters depending on the location of their suppliers and operations. Damage or disruption to our manufacturing or distribution capabilities due to weather, natural disaster, fire, terrorism, pandemic, strikes or other reasons could impair our ability to manufacture or sell our products. Failure to take adequate steps to reduce the likelihood or mitigate the potential impact of such events, or to effectively manage such events if they occur, particularly when a product is sourced from a single location, could adversely affect our business and results of operations, as well as require additional resources to restore our supply chain.

The Company competes in mature categories with strong competition.

The Company's businesses compete in mature segments with competitors that have a large percentage of segment sales. Our private label products face strong competition from branded competitors for shelf space and sales. Competitive pressures could cause us to lose market share, which may require us to lower prices, increase marketing expenditures or increase the use of discounting or promotional programs, each of which would adversely affect our margins and could result in a decrease in our operating results and profitability.

Some of the Company's competitors have substantial financial, marketing and other resources, and competition with them in the Company's various markets and product lines could cause the Company to reduce prices, increase marketing, or lose category share, any of which would have a material adverse effect on the business and financial results of the Company. This high level of competition by branded competitors could result in a decrease in the Company's sales volumes.

The termination or expiration of current co-manufacturing arrangements could reduce our sales volume and adversely affect our results of operations.

Our businesses periodically enter into co-manufacturing arrangements with manufacturers of branded products. Terms of these agreements vary but are generally for relative short periods of time (less than two years). Volumes produced under each of these agreements can fluctuate significantly based upon the product's life cycle, product promotions, alternative production capacity and other factors, none of which are under our direct control. Our future ability to enter into co-manufacturing arrangements is not guaranteed, and a decrease in current co-manufacturing levels could have a significant negative impact on sales volume.

We have a substantial amount of indebtedness which could limit financing and other options.

As of November 30, 2006, we had total debt of approximately $630 million. Our level of indebtedness may limit our ability to obtain additional financing for working capital, capital expenditures or general corporate purposes. In addition, our indebtedness may limit our flexibility to adjust to changing business and market conditions and may make us more vulnerable to a downward turn in general economic conditions.

The agreements governing our credit facilities impose restrictions on our business.

There are various financial covenants and other restrictions in our debt instruments. Our ability to comply with these covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions. An event of default under our debt agreements would permit some of our lenders to declare all amounts borrowed from them to be due and payable, together with accrued and unpaid interest. A default under our debt instruments may also impair our ability to obtain additional or alternative financing. Our ability to make scheduled payments on or to refinance our debt or other obligations will depend on our operating and financial performance, which in turn is subject to prevailing economic conditions and to financial, business and other factors beyond our control.

Changing currency exchange rates may adversely affect earnings.

On November 15, 2005, the Company completed the purchase of Western Waffles, Ltd, a Canadian manufacturer of private label frozen griddle products. A significant portion of Western Waffles sales are to customers in the United States and are denominated in U.S. currency. In addition, the Company's consolidated financial statements are presented in U.S. dollars; the Company must translate its Canadian assets, liabilities, revenue and expenses into U.S. dollars at then applicable exchange rates. Consequently, fluctuations in the value of the Canadian dollar may negatively affect the value of these items in the Company's consolidated financial statements. To the extent the Company fails to manage its foreign currency exposure adequately, we may suffer losses in value of our net foreign currency investment and the Company's consolidated results of operations may be negatively affected.

If our assessments and assumptions about commodity prices, as well as ingredient and other prices, prove to be incorrect in connection with our hedging or forward-buy efforts or planning cycles, our costs may be greater than anticipated and our financial results could be adversely affected.

We generally use commodity futures and options to reduce the price volatility associated with anticipated commodity purchases of oats, sugar, tree nuts, and wheat used in the production of certain of our products. Additionally, we have a hedging program for heating oil relating to diesel fuel prices, natural gas, and corrugated paper products. The extent of our hedges at any given time depends upon our assessment of the markets for these commodities, including our assumptions for future prices. For example, if we believe that market prices for the commodities we use are unusually high, we may choose to hedge less, or possibly not hedge any, of our future requirements. If we fail to hedge and prices subsequently increase, or if we institute a hedge and prices subsequently decrease, our costs may be greater than anticipated or greater than our competitors' costs and our financial results could be adversely affected.

Consolidation among the retail grocery and foodservice industries may hurt profit margins.

Over the past several years, the retail grocery and foodservice industries have undergone significant consolidations and mass merchandisers are gaining market share. As this trend continues and such customers grow larger, they may seek lower pricing or increased promotional pricing from suppliers since they represent more volume. As a result, our profit margins as a grocery and foodservice supplier may be negatively impacted. In the event of consolidation if the surviving entity is not a customer, we may lose key business once held with the acquired retailer.

Ownership of Vail Resorts creates a risk to the Company's earnings.

The Company owns approximately 19% of the outstanding common stock of Vail Resorts, Inc ("Vail"). Because we account for this investment using the equity method of accounting, our non-cash earnings may be adversely affected by unfavorable results from Vail. Vail typically yields more than the entire year's equity income during our second and third fiscal quarters; as a result our net earnings are seasonal. In addition, Vail's results of operations are also dependant in part on weather conditions and consumer discretionary spending trends. In light of our significant ownership in Vail, changes in its common stock price or earnings can impact our stock price.

Labor strikes or work stoppages by our employees could harm our business.

Currently, a significant number of our full-time distribution, production and maintenance employees are covered by collective bargaining agreements. A dispute with a union or employees represented by a union could result in production interruptions caused by work stoppages. If a strike or work stoppage were to occur, our results of operations could be adversely affected.

Impairment in the carrying value of goodwill or other intangibles could negatively impact the Company's net worth.

The carrying value of goodwill represents the fair value of acquired businesses in excess of identifiable assets and liabilities as of the acquisition date. The carrying value of other intangibles represents the fair value of trademarks, trade names, and other acquired intangibles. Goodwill and other acquired intangibles expected to contribute indefinitely to cash flows of the Company are not amortized, but must be evaluated by management at least annually for impairment. Impairments to goodwill may be caused by factors outside our control, such as the inability to quickly replace lost co-manufacturing business, increasing competitive pricing pressures, or the bankruptcy of a significant customer and could negatively impact the Company's net worth.

Product liability or recalls could result in significant and unexpected costs to the Company.

The Company may need to recall some or all of its products if they become adulterated or misbranded. This could result in destruction of product inventory, negative publicity, temporary plant closings, and substantial costs of compliance or remediation. Any of these events, including a significant product liability judgment against us could result in a loss of confidence in our food products. This could have an adverse affect on our financial condition, results of operations or cash flows.

New laws or regulations could adversely affect our business.

Food production and marketing are highly regulated by a variety of federal, state, local and foreign agencies. Changes in laws or regulations that impose additional regulatory requirements on us could increase our costs of doing business or restrict our actions, causing our results of operations to be adversely affected. In addition, as we advertise our products, we could be the target of claims relating to false or deceptive advertising under federal, state and foreign laws and regulations.

The bankruptcy or insolvency of a significant customer could negatively impact profits.

Over the past five years we have had several customers file bankruptcy. As a result, the accounts receivable related to sales to these customers were not recovered. If the Company's bad debt reserve is inadequate to cover the amounts owed by bankrupt customers, the Company may have to write off the amount of the receivable to the extent the receivable is greater than our bad debt reserve. In the event a bankrupt customer is not able to emerge from bankruptcy or the Company is not able to replace sales lost from such customer, our profits could be negatively impacted.

The Company may experience losses or be subject to increased funding and expenses to its pension plan which could negatively impact profits.

The Company maintains a defined benefit plan. Although the Company has frozen benefits under the plan for all administrative employees and many production employees, the Company remains obligated to ensure that the plan is funded in accordance with applicable regulations. The plan remains under funded pursuant to FAS 87 guidelines. In the event the stock market deteriorates, the funds in which the Company has invested do not perform according to expectations, or the under funded nature of the plan worsens the Company may be required to make significant cash contributions to the pension plan and recognize increased expense within its financial statements.

ITEM 2. PROPERTIES

Our principal properties are our manufacturing locations. Shown below are our principal owned and leased properties. We also lease our principal executive offices and research and development facilities in St. Louis, Missouri. Management believes its facilities are suitable and adequate for the purposes for which they are used and are adequately maintained. We believe each segment's combination of facilities provides adequate capacity for current and anticipated future customer demand.

Plant Locations	Size (Sq. Ft.)	Owned/ Leased	Production Lines	Products
Cereals, Crackers & Cookies				
Battle Creek, MI	477,000	Owned	7	Ready-to-eat cereal
Cedar Rapids, IA	150,000	Owned	5	Hot cereal
Lancaster, OH	479,000	Owned	11	Ready-to-eat cereal
Sparks, NV	243,000	Owned	7	Ready-to-eat cereal
Newport, AR	252,000	Owned	9	Corn-based snacks
Princeton, KY	700,000	Owned	6	Crackers, cookies and ready-to-eat cereal
Poteau, OK	250,000	Owned	5	Crackers and cookies
Minneapolis, MN	40,000	Owned	3	Crackers
Tonawanda, NY	95,000	Owned	3	Cookies
Ripon, WI (two plants)	350,000	Owned	11	Cookies
South Beloit, IL	83,500	Owned	3	Cookies
Snack Nuts & Candy				
Billerica, MA	80,000	Owned	8	Snack nuts
Dothan, AL	135,000	Leased	13	Snack nuts
Womelsdorf, PA	100,000	Owned	5	Candy
Dressings, Syrups, Jellies & Sauces				
Buckner, KY	269,250	Owned	6	Syrups, jellies, salsas and sauces
Dunkirk, NY	306,000	Owned	6	Dressings, syrups and sauces
Fredonia, NY	367,000	Owned	10	Dressings, syrups, jellies, sauces, salsas, peanut butter and drink mixes
Streator, IL	165,000	Owned	1	Peanut butter
Frozen Bakery Products				
Blue Island, IL	300,000	Owned	1	Cookies
Chicago, IL	72,000	Owned	1	Muffins and pound cakes
Fridley, MN	147,000	Owned	5	Breads, rolls and frozen cookie dough
Grand Rapids, MI	75,000	Leased	4	Breads and rolls
Kent, WA	82,000	Owned	8	Pancakes, waffles, French toast and custom griddle items
Lodi, CA	345,000	Leased	13	Breads, frozen dough, cakes and cookies
Louisville, KY	205,000	Owned	5	Biscuits and pancakes
Louisville, KY	130,000	Leased	3	Dry mixes and pancakes
Ogden, UT	325,000	Leased	9	Cookies
Brantford, ON, Canada	140,000	Owned	4	Pancakes and waffles
Delta, BC, Canada	65,000	Leased	4	Pancakes and waffles

ITEM 3. LEGAL PROCEEDINGS

We are a party to a number of legal proceedings in various state and federal jurisdictions. These proceedings are in varying stages and many may proceed for protracted periods of time. Some proceedings involve complex questions of fact and law. Additionally, our operations, like those of similar businesses, are subject to various federal, state, and local laws and regulations intended to protect public health and the environment, including air and water quality and waste handling and disposal.

Pending legal liability, if any, from these proceedings cannot be determined with certainty; however, in the opinion of management, based upon the information presently known, the ultimate liability of the Company, if any, arising from the pending legal proceedings, as well as from asserted legal claims and known potential legal claims which are likely to be asserted, taking into account established accruals for estimated liabilities (if any), are not expected to be material to our consolidated financial position, results of operations or cash flows. In addition, while it is difficult to quantify with certainty the potential financial impact of actions regarding expenditures for compliance with regulatory matters, in the opinion of management, based upon the information currently available, the ultimate liability arising from such compliance matters should not be material to the Company's consolidated financial position, results of operations or cash flows.

Additionally, we retained certain potential liabilities associated with divested businesses (former branded cereal business and ski resort business). Presently, management believes that, taking into account applicable liability caps, sharing arrangements with acquiring entities and the known facts and circumstances regarding the retained liabilities, potential liabilities of the divested businesses should not be material to the Company's consolidated financial position, results of operations or cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to the security holders during the fourth quarter of fiscal year 2006.

ITEM 4A. EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Position
Kevin J. Hunt	55	Co-Chief Executive Officer and President of the Company since September 2003; Chief Executive Officer of Bremner Food Group, Inc. and Nutcracker Brands, Inc. since November 2003. He served as Corporate Vice President of the Company from October 1995 to September 2003; President of Bremner from October 1995 to November 2003; and President of Nutcracker Brands from January 2003 to November 2003.
David P. Skarie	60	Co-Chief Executive Officer and President of the Company since September 2003; Chief Executive Officer, The Carriage House Companies, Inc. since September 2003 and Chief Executive Officer and President Ralston Foods since September 2003. He served as Corporate Vice President of the Company from March 1994 to September 2003; President of Nutcracker Brands, Inc. from April 2002 to January 2003; President of Ralston Foods from June 2000 to September 2003; and President of The Carriage House Companies, Inc. from October 2002 to November 2006.
Thomas G. Granneman	57	Corporate Vice President and Controller since January 1999.
Charles G. Huber, Jr.	42	Corporate Vice President, General Counsel and Secretary of the Company since October 2003. He served as Vice President and Assistant General Counsel from September 2001 to October 2003; and Assistant General Counsel from March 1994 to September 2001.
Richard R. Koulouris	50	Corporate Vice President, and President, The Carriage House Companies, Inc. since December 1, 2006. He served as Corporate Vice President, and President of Bremner, Inc. and Nutcracker Brands, Inc. from November 2003 to November 2006. He also served as Vice President of Operations, Bremner from September 1995 to November 2003.

Scott Monette .... 45 Corporate Vice President and Treasurer since September 2001. He joined Ralcorp in January 2001 as Vice President and Treasurer. Prior to joining Ralcorp, Mr. Monette was Chief Investment Officer/Benefit Plans for Hallmark Cards, Inc. from December 1998 to January 2001.

Richard G. Scalise .... 52 Corporate Vice President, and President of Frozen Bakery Products since July 2005. Prior to joining Ralcorp, Mr. Scalise was President/Chief Operating Officer of ConAgra's Refrigerated Food Group from 2003 to 2005 and President/Chief Operating Officer of ConAgra's Dairy Foods Group from 2000 to 2003.

Ronald D. Wilkinson .... 56 Corporate Vice President, and President Bremner Food Group, Inc. and Nutcracker Brands, Inc. since December 1, 2006. He also served as Director of Product Supply of Ralston Foods from October 1996 to November 2006 and of The Carriage House Companies, Inc. from January 2003 to November 2006. He has held the Corporate Vice President position since October 1996.

(Ages are as of December 31, 2006.)

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock is traded on the New York Stock Exchange under the symbol "RAH". There were 9,494 shareholders of record on December 1, 2006. The Company paid a special dividend of $1.00 per share on October 22, 2004, but has no plans to pay cash dividends in the foreseeable future. The range of high and low sale prices of Ralcorp common stock as reported on the NYSE Composite Tape is set forth in Note 20 to the financial statements filed as a part of this document under Item 8.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs*
July 1 - July 31, 2006	0	$ 0	0	See total
August 1 - August 31, 2006	0	0	0	See total
September 1 - September 30, 2006	0	0	0	See total
Total	0	$ 0	0	2,000,000

*On May 25, 2006, the Board of Directors authorized the repurchase of up to 2,000,000 shares of common stock at prevailing market prices. The authorization has no expiration date. From time to time, the Company may repurchase its common stock through plans established under Rule 10b5-1. Typically, these plans direct a broker to purchase a variable amount of shares each day (usually between 0 and 50,000) depending on the previous day's closing share price.

ITEM 6. SELECTED FINANCIAL DATA

FIVE YEAR FINANCIAL SUMMARY
(In millions except per share data)

	Year Ended September 30,				
	2006	2005	2004	2003	2002
Statement of Earnings Data					
Net sales (a)	$1,850.2	$1,675.1	$1,558.4	$1,303.6	$1,280.3
Cost of products sold	(1,497.2)	(1,339.1)	(1,237.2)	(1,045.6)	(1,027.6)
Gross profit	353.0	336.0	321.2	258.0	252.7
Selling, general and administrative expenses	(226.4)	(215.1)	(204.7)	(171.3)	(163.1)
Interest expense, net	(28.1)	(16.5)	(13.1)	(3.3)	(5.9)
Goodwill impairment loss (b)	-	-	-	(59.0)	-
Loss on forward sale contracts (c)	(9.8)	-	-	-	-
Gain on sale of securities (d)	2.6	-	-	-	-
Restructuring charges (e)	(.1)	(2.7)	(2.4)	(14.3)	-
Litigation settlement income (f)	-	1.8	.9	14.6	1.6
Earnings before income taxes and equity earnings	91.2	103.5	101.9	24.7	85.3
Income taxes	(29.9)	(36.6)	(37.2)	(16.9)	(30.7)
Equity in earnings (loss) of Vail Resorts, Inc., net of related deferred income taxes (g)	7.0	4.5	.4	(.4)	(.8)
Net earnings	$ 68.3	$ 71.4	$ 65.1	$ 7.4	$ 53.8
Earnings per share:					
Basic	$ 2.46	$ 2.41	$ 2.22	$ 0.25	$ 1.79
Diluted	$ 2.41	$ 2.34	$ 2.17	$ 0.25	$ 1.77
Weighted average shares outstanding:					
Basic	27.7	29.6	29.2	29.3	30.0
Diluted	28.2	30.4	29.9	29.7	30.4
Balance Sheet Data					
Cash and cash equivalents	$ 19.1	$ 6.2	$ 23.7	$ 29.0	$ 3.2
Working capital (excl. cash and cash equivalents)	170.3	92.4	107.3	84.2	85.4
Total assets	1,507.5	1,269.5	1,221.6	794.3	832.5
Long-term debt	552.6	422.0	425.7	155.9	179.0
Shareholders' equity	476.4	518.3	444.2	412.7	436.1
Other Data					
Cash provided (used) by:					
Operating activities	$ 52.8	$ 161.0	$ 78.7	$ 101.0	$ 97.4
Investing activities	(162.2)	(156.3)	(365.5)	(30.7)	(69.0)
Financing activities	122.3	(22.2)	281.5	(44.5)	(29.1)
Depreciation and amortization	66.8	55.8	47.5	38.7	35.8
Dividends declared per share	$ -	$ -	$ 1.00	$ -	$ -

(a) In 2006, Ralcorp acquired Western Waffles Ltd. and Parco Foods L.L.C. In 2005, Ralcorp acquired Medallion Foods, Inc. In 2004, Ralcorp acquired Value Added Bakery Holding Company (Bakery Chef) and Concept 2 Bakers. In 2002, Ralcorp acquired Lofthouse Foods Incorporated. For more information about the 2006, 2005, and 2004 acquisitions, see Note 2 to the financial statements in Item 8.

(b) In 2003, a non-cash goodwill impairment loss related to the Carriage House reporting unit was recorded in accordance with FAS 142.

(c) For information about the loss on forward sale contracts, see Note 7 to the financial statements in Item 8.

(d) On March 21, 2006, the Company sold 100,000 of its shares of Vail Resorts for a total of $3.8. The shares had a carrying value of $1.2, so the transaction resulted in a $2.6 gain.

(e) For information about the 2006, 2005, and 2004 restructuring charges, see Note 3 to the financial statements in Item 8. In 2003, charges were due to the reduction of operations in Streator, IL, the sale of the ketchup and tomato paste businesses, and the relocation of in-store bakery production.

(f) The Company received payments in settlement of legal claims, primarily related to antitrust litigation, which are shown net of related expenses.

(g) In 2003 and 2002, Ralcorp adjusted its equity earnings to reflect the cumulative effect of earnings restatements made by Vail Resorts, Inc.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity and capital resources of Ralcorp Holdings, Inc. This discussion should be read in conjunction with the financial statements under Item 8, especially Note 18, and the "Cautionary Statement on Forward-Looking Statements" on page 2. The terms "we," "our," "Company," and "Ralcorp" as used herein refer to Ralcorp Holdings, Inc. and its consolidated subsidiaries.

RECENTLY ISSUED ACCOUNTING STANDARDS

See Note 1 for a discussion regarding the recently issued accounting standards, including Statement of Financial Accounting Standards (FAS) No. 123 (revised), FASB Interpretation No. 48, FAS 157, FAS 158, and Staff Accounting Bulletin No. 108.

RESULTS OF OPERATIONS

Consolidated

Fiscal 2006 was another challenging year as we faced intense cost pressures across all reporting segments: Cereals, Crackers & Cookies; Frozen Bakery Products; Dressings, Syrups, Jellies & Sauces; and Snack Nuts & Candy. We continue to benefit from our acquisition strategy while experiencing organic growth in many categories. While our net sales increased, our reported net earnings decreased as a result of the effects of a non-cash loss on our forward sale contracts. The following table summarizes key data (in millions of dollars, except for percentage data as indicated) for the past three years that we believe is important for you to note as you read the consolidated results analysis discussions below. In addition, please refer to Note 18 for data regarding net sales and profit contribution by segment.

	2006	2005	2004
Net earnings	68.3	71.4	65.1
Net sales	1,850.2	1,675.1	1,558.4
Cost of products sold as a percentage of net sales	80.9%	79.9%	79.4%
SG&A as a percentage of net sales	12.2%	12.8%	13.1%
Interest expense	28.1	16.5	13.1
Loss on forward sale contracts	9.8	-	-
Gain on sale of securities	2.6	-	-
Restructuring charges	.1	2.7	2.4
Litigation settlement income	-	1.8	.9
Effective income tax rate	32.8%	35.4%	36.5%
Equity in earnings of Vail Resorts, Inc.	10.8	6.9	.6

Net Earnings Earnings have been positively impacted by business acquisitions, organic growth, and improved earnings from our investment in Vail Resorts, Inc., but negatively impacted by cost increases and the loss on our Vail forward sale contracts. More detailed discussion and analysis of these and other factors follows.

Net Sales Most of the increases in net sales is attributable to the timing of business acquisitions. The table below shows the approximate amount of sales derived from recent acquisitions.

Business Acquired	Reporting Segment	Acquisition Date	2006	2005	2004
Parco Foods	Frozen Bakery Products	February 7, 2006	$ 25	$ -	$ -
Western Waffles	Frozen Bakery Products	November 15, 2005	67	-	-
Medallion Foods	Cereal, Crackers & Cookies	June 22, 2005	51	13	-
Concept 2 Bakers	Frozen Bakery Products	February 24, 2004	49	43	22
Bakery Chef	Frozen Bakery Products	December 3, 2003	204	185	149

Excluding sales from the fiscal 2004 and 2005 acquisitions, our net sales grew by 3% from 2004 to 2005, and excluding sales from the fiscal 2005 and 2006 acquisitions, our net sales grew by 3% from 2005 to 2006. Though there were volume gains in several product lines, they were largely offset by declines in others, so most of this net sales growth is attributable to improved selling prices. We further describe these and other factors affecting net sales in the segment discussions below.

Operating Expenses Cost of products sold as a percentage of net sales has been increasing as costs of raw materials (ingredients and packaging), freight (outbound rates and fuel surcharges), and energy (primarily natural gas and electricity) rapidly increased, partially offset by the effects of related (but delayed) selling price increases. The following table shows the estimated year-over-year gross impacts (in millions) of the higher per unit costs (or rates) of these cost components by reportable segment.

	2006 vs 2005			2005 vs 2004		
	Raw Materials	Outbound Freight	Energy	Raw Materials	Outbound Freight	Energy
Cereals, Crackers & Cookies	$ 5.6	$ 4.9	$ 6.0	$ 5.7	$ 11.2	$ 1.5
Frozen Bakery Products	5.3	1.8	.7	(2.5)	1.9	.5
Dressings, Syrups, Jellies & Sauces	9.1	3.8	1.8	7.4	4.4	.5
Snack Nuts & Candy	5.0	.5	.4	15.7	.8	.3
	$ 25.0	$ 11.0	$ 8.9	$ 26.3	$ 18.3	$ 2.8

Through our continuing cost containment efforts, cost reduction efforts in response to the rising costs noted above, and synergies from integrating functions among our businesses, we have reduced our selling, general, and administrative (SG&A) percentage. SG&A was also impacted by expenses associated with the implementation of large-scale information systems upgrades and conversions and other unallocated corporate expenses. The systems conversion costs consisted of both project costs (amounting to $3.4 million in 2006, $7.0 million in 2005, and $5.5 million in 2004) and unallocated systems maintenance costs and amortization. Our policy is to charge divisions, including the corporate headquarters, costs of centralized systems based on usage. During periods of transition, when more than one system is being utilized by the Company, this approach results in unallocated amounts representing the duplication of costs. These excess transitional amounts are reported as unallocated corporate expenses within SG&A. In fiscal 2006, SG&A also included approximately $4.7 million of additional stock-based compensation expense due to the adoption of FAS 123(R).

Again, refer to the segment discussions below for other factors affecting cost of products sold and SG&A expenses. In addition, refer to our policy regarding cost of products sold in Note 1 because our gross profit percentages may not be comparable to those of other companies who report cost of products sold on a different basis.

Interest Expense, Net Net interest expense has increased primarily as a result of changing debt levels and interest rates, but in fiscal 2006, it also includes $3.7 million of discount amortization related to our Vail forward sale contracts. Long-term debt rose from $155.9 million at the beginning of fiscal 2004 to $552.4 million at the end of fiscal 2006. The weighted average interest rate on all of the Company's outstanding debt was 4.8% in 2006, 4.5% in 2005, and 3.5% in 2004. For more information about our long-term debt, see Note 14. For more information about the Vail forward sale contracts, see "Loss on Forward Sale Contracts" and "LIQUIDITY AND CAPITAL RESOURCES" below, as well as Note 7. Refer to Note 11 for information about our agreement to sell our trade accounts receivable on an ongoing basis, including amounts of related discounts reported in SG&A.

Loss on Forward Sale Contracts Net earnings were affected by non-cash gains and losses on forward sale contracts, executed November 22, 2005 and April 19, 2006, related to a total of 3,750,100 of our shares of Vail Resorts, Inc. The contracts include a collar on the Vail stock price and the prepayment of proceeds at a discount (whereby Ralcorp received a total of $110.5 million). Because Ralcorp accounts for its investment in Vail Resorts using the equity method, these contracts, which are intended to hedge the future sale of those shares, are not eligible for hedge accounting. Therefore, gains or losses on the contracts are immediately recognized in earnings. For more information on these contracts, see "LIQUIDITY AND CAPITAL RESOURCES" below, as well as Note 7.

Gain on Sale of Securities On March 21, 2006, we sold 100,000 of our shares of Vail Resorts for a total of $3.8 million. The shares had a carrying value of $1.2 million, so the transaction resulted in a $2.6 million gain.

Restructuring Charges In fiscal 2005, we closed our leased plant in City of Industry, CA, and transferred much of the production to other facilities within the Dressings, Syrups, Jellies & Sauces segment. This project, which included termination benefits and other charges totaling $1.2 million, resulted in estimated annual savings (net of certain increased costs and lost sales) of approximately $1.0 million beginning in fiscal 2006. Fiscal 2006 included a small amount of additional costs related to this project.

In 2004, the Company closed its plant in Kansas City, KS, and moved production to other facilities within the Dressings, Syrups, Jellies & Sauces segment. Related restructuring charges included termination benefits, a loss from the write-down of property value, and other charges totaling $1.0 million in 2005 and $.6 million in 2004. Annual cost savings from this project (net of certain increased costs and lost sales) are estimated to be $1.2 million.

In the second quarter of fiscal 2003, we announced our plans to close our in-store bakery (ISB) facility in Kent, WA, and began transferring production from that facility and two other ISB facilities to a new ISB plant located in Utah. This project was substantially completed in fiscal 2004 and resulted in estimated annual cost savings of $3.0 to $3.6 million. Restructuring charges for this project totaled $.5 million in fiscal 2005, $1.8 million in 2004, and $2.9 million in 2003, including operating lease termination costs, costs related to the removal and relocation of equipment, equipment write-offs, and employee termination benefits.

For more information regarding these restructuring charges, see Note 3.

Litigation Settlement Income We received payments in fiscal 2005 and 2004 in settlement of certain claims related to antitrust litigation.

Income Taxes The 2006 effective tax rate was reduced by the new "Domestic Production Activities Deduction" (approximately 1%), the effect of approximately $1.2 million related to favorable resolutions of uncertain tax positions, and favorable Canadian tax benefits related to the Western Waffles entities. The 2005 effective rate was reduced by the effect of approximately $1.2 million related to favorable resolutions of uncertain tax positions. The effective rate was also affected by changes in our business mix which affect state tax provisions. See Note 5 for more information about income taxes.

Equity in Earnings of Vail Resorts, Inc. As noted previously, earnings from our investment in Vail Resorts (NYSE ticker: MTN) improved over the past three years. See Note 6 for more information about this equity investment.

Cereals, Crackers & Cookies

Because the Cereals, Crackers & Cookies segment consists of two of our divisions, we will discuss the year-over-year comparisons separately for fiscal 2006 versus 2005 and fiscal 2005 versus 2004 to improve readability. Volume changes are summarized in the following table (note that co-manufacturing was approximately 5% and 7% of total 2006 sales volume for Ralston Foods and Bremner, respectively):

	Sales Volume Change from Prior Year	
	2006	**2005**
Ralston Foods (excl. Medallion)		
Ready-to-eat (RTE) cereal	1%	12%
Hot cereal	0%	1%
Co-manufacturing	28%	-46%
Other minor categories	3%	11%
Total	2%	6%
Bremner		
Crackers	-3%	1%
Cookies	-5%	11%
Co-manufacturing	-20%	-15%
Total	-6%	3%

Fiscal 2006 vs. Fiscal 2005

For the year ended September 30, 2006, net sales for the Cereals, Crackers & Cookies segment were up 8% from fiscal 2005, as Ralston Foods grew $62.5 million and Bremner declined $2.1 million. Ralston Foods benefited from a full year of results from Medallion (as shown on page 17), but also had strong cereal business growth (about 6%), primarily as a result of higher average selling prices. The volume declines at Bremner were largely offset by the effects of price increases and improved product mix.

The segment's profit contribution improved 12% to $77.6 million. The extra nine months of results from Medallion added approximately $4.4 million (net of $1.9 million of intangible asset amortization in those nine months), while the positive impact of higher net sales in the base business was partially offset by the negative effects of higher energy, raw materials, and freight costs (as shown on page 18). Specific commodities with higher costs included oats, rice, sugar, wheat, tree nuts, and raisins. Approximately $3.0 million of the improvement in segment profit contribution was the result of a change in the allocations of certain shared management costs between the Bremner division and the Snack Nuts & Candy segment to better reflect the proportion of benefits received by each division.

Fiscal 2005 vs. Fiscal 2004

For the year ended September 30, 2005, net sales for the Cereals, Crackers & Cookies segment were up 8% from fiscal 2004, with Ralston Foods and Bremner contributing increases of $41.2 million and $13.8 million, respectively. Excluding the incremental net sales from Medallion, Ralston Foods increase was driven by continued expansion with existing customers and the effect of a change in product mix. Note that ready-to-eat cereal sales volume was up 12% for the year in an overall category that continues to show minimal growth. Bremner's net sales growth is attributable to both the increased volume and improved pricing on some products. Bremner comparisons were helped by incremental sales to former customers of Bake-Line Group, LLC, which ceased operations during the second quarter of fiscal 2004.

The segment's profit contribution improved 1% for the year to $69.1 million. Medallion contributed approximately $1.7 million (net of $.6 million of amortization of acquired intangible assets), while the existing businesses contributed less than last year as a result of higher costs of freight, raw materials, and energy (as shown on page 18), as well as $3.2 million of increased warehousing costs. The decline in sales under co-manufacturing agreements reduced segment profit by approximately $8.7 million.

Frozen Bakery Products

Net sales of the Frozen Bakery Products segment have grown from $276.5 million in 2004 to $334.8 million in 2005 and $442.8 million in 2006, largely as a result of acquisitions (as shown on page 17). Most of the segment's $16 million base business growth was the result of a strong 7% increase in the foodservice channel. The base retail channel was up nearly $5 million (32%) while base ISB was down about $2 million (2%) for the year. The foodservice and retail growth was a result of both higher volumes and slightly improved pricing. The ISB decline was due to a drop in cookie sales, partially offset by higher bread sales. The 2005 base business increase from 2004 was primarily driven by stronger foodservice and ISB sales volume partially offset by lower retail griddle products volume, and small improvements in foodservice pricing.

The segment's profit contribution was $38.4 million, $49.3 million, and $50.6 million in fiscal 2004, 2005, and 2006, respectively. Again, most of this improvement was due to the timing of acquisitions, which added approximately $7 million during the extra months of Bakery Chef and C2B results in 2005 and approximately $3.7 million in 2006 due to Western Waffles and Parco. Excluding the acquisition effects, the segment's 2006 profit contribution was $2.4 million lower than in 2005 as the effects of strong sales growth were more than offset by the higher costs of raw materials, freight, and energy (as shown on page 18). In addition, Frozen Bakery Products incurred about $1.2 million of expenses in fiscal 2006 related to the start-up of a new production line, which improved the flexibility of our operations. In fiscal 2005, base business profit benefited from favorable volume, lower ingredient costs, improved manufacturing efficiencies (particularly due to the ISB plant consolidation), and pricing. Those benefits were partially offset by higher freight costs, about $1.1 million of incentive compensation (not paid in 2004), and $.6 million of additional intangible asset amortization expense compared to fiscal 2004.

Dressings, Syrups, Jellies & Sauces

Our Dressings, Syrups, Jellies & Sauces segment's net sales have remained flat over the last three years as improved pricing offset volume declines as follows:

	Sales Volume Change from Prior Year	
	2006	2005
Table syrups	-2%	-3%
Preserves & jellies	0%	4%
Spoonable & pourable dressings	-10%	-11%
Peanut butter	2%	4%
Other minor categories	-3%	3%
Total	-3%	-1%

For fiscal 2006, the decrease in volume was due in part to the effects of the City of Industry plant closure at the end of fiscal 2005, industry softness in most Carriage House product categories, and the loss of certain product lines with a few customers in competitive bids.

The segment's profit contribution was also flat over the last three years, despite significant increases in the costs of raw materials (especially petroleum-based plastic packaging), freight, and energy (as shown on page 18). In fiscal 2006, the higher costs were largely offset by improved selling prices, approximately $2.5 million of net cost savings from the closure of the City of Industry plant, and a $1.6 million property tax refund. In fiscal 2005, the segment benefited from lower workers' compensation expense ($3.7 million), overhead savings from the Kansas City plant closure ($2.4 million), reduced expenses incurred to determine and implement cost savings initiatives (more than $2.3 million), lower broker commission expenses ($1.0 million), and the continued benefits of cost reduction projects that have improved the segment's SG&A cost structure.

Snack Nuts & Candy

Net sales for the Snack Nuts & Candy segment increased 3% in fiscal 2006 and 1% in fiscal 2005. In 2006, the growth was the result of both increased volume (primarily attributable to a new retail customer) and higher prices. In 2005, the decrease in volume was more than offset by improved pricing on several items, which had lagged commodity cost increases in the previous year. Volume changes were as follows:

	Sales Volume Change from Prior Year	
	2006	**2005**
Nuts	1%	-11%
Candy	-1%	7%
Other minor categories	47%	94%
Total	2%	-8%

Fiscal 2006 profit contribution decreased $4.7 million, or about 21%, as a result of unfavorable costs of raw materials (primarily almonds and other tree nuts), freight, and energy (as shown on page 18). In addition, larger allocations from centralized cost centers (at both corporate and Bremner) resulted in nearly $4 million higher costs in this segment in 2006 as a result of increased charges related to information systems and revised cross-charges for other shared functions to better reflect the proportion of benefits received. The 2005 profit contribution for the segment increased $1.7 million from 2004, as the benefits of improved pricing were largely offset by higher costs of raw materials (primarily almonds, pecans, and cashews), freight, and energy.

LIQUIDITY AND CAPITAL RESOURCES

Historically, we have funded operating needs by generating positive cash flows through operations. We expect to continue generating operating cash flows through our mix of businesses and expect that short-term and long-term liquidity requirements will be met through a combination of operating cash flows and strategic use of borrowings under committed and uncommitted credit arrangements. Capital resources remained strong at September 30, 2006, with total shareholders' equity of $476.4 million and a long-term debt to total capital (which is the total of long-term debt and total shareholders' equity) ratio of 54 percent, compared to corresponding figures for September 30, 2005, of $518.3 million and 45 percent. Working capital, excluding cash and cash equivalents, increased to $170.3 million at September 30, 2006, from $92.4 million at September 30, 2005, primarily as a result of a $50.8 million increase in our investment in Ralcorp Receivables Corporation.

Operating Activities

Cash provided by operating activities was $52.8 million, $161.0 million, and $78.7 million in 2006, 2005, and 2004, respectively, affected most significantly by fluctuations in proceeds from our accounts receivable sale program. During fiscal 2006, 2005, and 2004, proceeds decreased $49.0 million, increased $49.0 million and decreased $34.2 million, respectively. This explains $83.2 million of the increase in cash from operating activities from 2004 to 2005 and $98 million of the decrease from 2005 to 2006. See "Off-Balance Sheet Financing" below for more information about the sale of receivables. In 2006 and 2005, operating cash flows were reduced by contributions to our qualified pension plan of $25 million and $10 million, respectively. We do not expect to be required to make any significant contributions to this plan in fiscal 2007, but we expect to consider making a small (less than $10 million) voluntary contribution in September. See Note 16 for more information about pension plans, including the funded status. Remaining changes are due to fluctuations in other components of working capital.

Investing Activities

Net cash paid for business acquisitions totaled $110.1 million in fiscal 2006 (Western Waffles and Parco), $100.0 million in fiscal 2005 (Medallion), and $313.1 million in fiscal 2004 (Bakery Chef and C2B). See Note 2 for more information about these acquisitions. On November 10, 2006, we purchased Cottage Bakery, Inc. for approximately $173 million (see Note 21 – Subsequent Event).

Capital expenditures were $58.1 million, $56.9 million, and $53.8 million in fiscal years 2006, 2005, and 2004, respectively. Expenditures in these three years were unusually high due to information systems projects and special projects at the recently acquired businesses. Capital expenditures for fiscal 2007 are expected to be approximately $45 to $50 million. As discussed below, we have adequate capacity under current borrowing arrangements to meet these cash needs.

Financing Activities

On December 22, 2003, we issued Fixed Rate Senior Notes, Series B, Series C, and Series D, totaling $270 million. On November 22, 2004, $50.0 million of Floating Rate Senior Notes, Series A, was repaid with proceeds from the sale of accounts receivable. On December 21, 2005, we issued Fixed Rate Senior Notes, Series E and Series F, totaling $175 million, with $100 million due in 2015 and $75 million due in 2012. On December 27, 2005, we entered into a new $150 million revolving credit agreement, replacing the similar agreement established on October 15, 2004. Borrowings under the new agreement mature December 27, 2010. On February 22, 2006, we repaid the remaining $100.0 million outstanding under Floating Rate Senior Notes, Series A, with proceeds from the issuance of Floating Rate Senior Notes, Series G and Series H. The new notes incur interest at a rate of 3-month LIBOR plus 0.45% (compared to 3-month LIBOR plus 0.85% on Series A) and mature on February 22, 2011 (compared to May 22, 2010 for Series A). Total remaining availability under our $150 million revolving credit agreement and our $15 million of uncommitted credit arrangements was $163.2 million as of September 30, 2006.

We have amended all of our notes such that, if we elect to pay additional interest, our ratio of "Total Debt" to "Adjusted EBITDA" (each term as defined in the debt agreements) may exceed the 3.5 to 1.0 limit, but be no greater than 4.0 to 1.0, for a period not to exceed 12 consecutive months. As of September 30, 2006, the ratio of Total Debt to Adjusted EBITDA was 2.55 to 1.0, and we were also in compliance with all other debt covenants.

Supplementing our available borrowing capacity, under the agreement described under "Off-Balance Sheet Financing" below, we could choose to sell up to $66 million of ownership interests in accounts receivable, but no such interests were sold as of September 30, 2006. Further cash needs could be met through the sale of the Company's investment in Vail Resorts, Inc. Based on the market price of Vail stock at November 30, 2006, and excluding the 4.95 million shares already under forward sale contracts (discussed in the following paragraph), we could realize approximately $71 million in cash through the sale of this investment, net of income taxes.

During the first quarter of fiscal 2006, we entered into a forward sale contract relating to 1.78 million shares of our Vail common stock and received $50.5 million under the discounted advance payment feature of the contract. In April 2006, we entered into a similar contract relating to another 1.97 million shares and received $60.0 million and in November 2006, we entered into a third contract relating to 1.2 million shares and received $29.5 million. These contracts operate as a hedge of the cash flows expected from the sale of Vail shares in the future. At the maturity dates in the contracts, we can deliver a variable number of shares of Vail stock to the counterparty or settle the contracts with cash. The number of shares (or amount of cash) to be delivered will depend upon the market price of Vail shares at the settlement dates. A summary of contract terms follows:

Maturity Date	Maximum Shares	Minimum Shares	Floor Price	Cap Price
November 2008	890,000	727,157	$34.59	$42.33
November 2009	985,050	783,028	38.34	48.23
November 2010	890,000	632,551	34.59	48.67
November 2011	985,050	681,695	38.34	55.40
November 2013	1,200,000	570,825	35.29	74.19

Because Ralcorp accounts for its investment in Vail Resorts using the equity method, we are currently precluded from using hedge accounting under FAS 133 for these contracts. Accordingly, we must report changes to the fair value of these contracts within our statement of earnings. These gains or losses have no impact on our cash flows. The fair value of the contracts is dependent on several variables including the market price of Vail stock, estimated future Vail stock price volatility, interest rates, and the time remaining to the contract maturity dates.

A stock repurchase program was initiated in August 2005, and we purchased a total of $10.3 million of Ralcorp stock (243,000 shares) in fiscal 2005. An additional 3,422,000 shares were purchased at prevailing market prices for a total cost of $134.9 million during fiscal year 2006. On May 25, 2006, the Board of Directors authorized the repurchase of up to 2,000,000 additional shares which was the amount available for repurchase as of September 30, 2006.

On September 24, 2004, our Board of Directors declared a special cash dividend of $1.00 per share, payable on October 22, 2004, to shareholders of record as of the close of business on October 8, 2004. The dividend payout totaled approximately $29.3 million.

Off-Balance Sheet Financing

As an additional source of liquidity, on September 24, 2001, Ralcorp entered into an agreement to sell, on an ongoing basis, all of its trade accounts receivable to a wholly owned, bankruptcy-remote subsidiary called Ralcorp Receivables Corporation (RRC). The accounts receivable of the Frozen Bakery Products segment and the recently acquired Medallion business have not been incorporated into the sale agreement and are not currently being sold to RRC. RRC can then sell up to $66.0 million of undivided percentage ownership interests in qualifying receivables to a bank commercial paper conduit (the Conduit). RRC's only business activities relate to acquiring and selling interests in Ralcorp's receivables. Upon the agreement's termination, the Conduit would be entitled to all cash collections on RRC's accounts receivable until its purchased interest has been repaid. Unless extended, the agreement will terminate in October 2007.

The trade receivables sale arrangement with RRC represents "off-balance sheet financing" since the sale results in assets being removed from our balance sheet rather than resulting in a liability to the Conduit. The organizational documents of RRC and the terms of the agreements governing the receivables sale transactions make RRC a qualifying special purpose entity. As such, it is not to be consolidated in Ralcorp's financial statements under generally accepted accounting principles. Furthermore, the "true sale" nature of the arrangement requires Ralcorp to account for RRC's transactions with the Conduit as a sale of accounts receivable instead of reflecting the Conduit's net investment as debt with a pledge of accounts receivable as collateral. If RRC were not a qualifying special purpose entity and if the arrangement were not considered a "true sale," the outstanding balance of receivables would remain on Ralcorp's balance sheet, proceeds received from the Conduit (none as of September 30, 2006) would be shown as short-term debt, and there would be no investment in RRC. See further discussion in Note 11.

Contractual Obligations

In the normal course of business, we enter into contracts and commitments which obligate us to make payments in the future. The table below sets forth our significant future obligations by time period as of September 30, 2006.

	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Long-term debt obligations (a)	$ 703.8	$ 56.8	$ 126.8	$ 222.8	$ 297.4
Operating lease obligations (b)	49.5	8.4	14.1	10.6	16.4
Purchase obligations (c)	260.5	240.0	20.5	-	-
Deferred compensation obligations (d)	21.6	2.6	4.8	3.9	10.3
Total	$1,035.4	$ 307.8	$ 166.2	$ 237.3	$ 324.1

(a) Long-term debt obligations include principal payments, interest payments, and interest rate swap settlements based on interest rates at September 30, 2006. See Note 14 for details.
(b) Operating lease obligations consist of minimum rental payments under noncancelable operating leases, as shown in Note 15.
(c) Purchase obligations are legally binding agreements to purchase goods or services that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction.
(d) Deferred compensation obligations have been allocated to time periods based on existing payment plans for terminated employees and the estimated timing of distributions to current employees based on age.

INFLATION

We recognize that inflationary pressures may have an adverse effect on the Company through higher asset replacement costs, related depreciation and higher material and energy costs. We try to minimize these effects through cost reductions and productivity improvements as well as price increases to maintain reasonable profit margins. It is our view that inflation has not had a significant impact on operations in the three years ended September 30, 2006.

CURRENCY

Until the acquisition of Western Waffles in November 2005, all of our sales and costs were denominated in U.S. dollars. Western Waffles sells approximately 80% of its products (representing approximately $60 million USD), to customers in the U.S., but its raw materials and labor are purchased in Canadian dollars. Consequently, Western Waffles' profits can be impacted by fluctuations in the value of Canadian dollars relative to U.S. dollars. When practical, we use various types of currency hedges to reduce the economic impact of currency fluctuations.

OUTLOOK

Our strategy is to continue to grow the Company by capitalizing on the opportunities in the private label, value brand, and foodservice arenas. In the past few years, we have taken substantial steps to reshape the Company, reducing our reliance on any one business segment while achieving sufficient scale in the categories in which we operate. We expect to continue to improve our business mix through volume and profit growth of existing businesses, as well as through acquisitions or strategic alliances. We will continue to explore those acquisition opportunities that strategically fit with our intention to be the premier provider of value-oriented food products, such as the recent acquisition of Cottage Bakery, Inc. The following paragraphs discuss significant trends that we believe will impact our results across all segments.

Results of operations for the first half of fiscal 2006 were negatively impacted by cost increases (especially fuel, transportation and energy) across all business segments. These cost increases were largely mitigated in the second half of fiscal 2006 due to a combination of reducing costs, and, where justified, increasing prices. Based upon preliminary results of operations for the first two months of fiscal 2007, we expect total segment operating profit contribution for the first quarter to exceed depressed prior year results by approximately 35% to 45%. However, comparisons will become increasingly difficult throughout the rest of the year because results improved later in fiscal 2006 and because certain costs are expected to rise later in fiscal 2007.

The Company purchases significant quantities of certain ingredients (e.g., wheat flour, soybean oil, corn syrup and sweeteners, peanuts and various tree nuts, other grain products, cocoa, fruits), packaging materials (e.g., resin, glass, paper products), energy (e.g., natural gas), and transportation services. Recently, the market costs of some of these items, notably wheat and corn products (as well as other grain products), have increased significantly. To offset the impact of these significant cost increases and maintain adequate profitability levels, the Company will need to take additional actions, including further cost reductions and pricing changes, where justified. To the extent mitigating efforts trail the impact of cost increases, results of operations will be negatively affected. We expect this trend to intensify and have a greater impact on the second half of fiscal 2007.

Ralston Foods, Bremner, and other divisions periodically enter into co-manufacturing agreements with manufacturers of branded products. Terms of these agreements vary but are generally relatively short periods of time (less than two years). Volumes produced under each of these agreements can fluctuate significantly based upon the product's life cycle, product promotions, alternative production capacity and other factors, none of which are under our direct control.

Freight costs have been increasing over the past several years and are expected to remain at elevated levels in fiscal 2007, thereby putting continued pressure on profit margins. These cost increases are primarily the result of high fuel prices. Further, a shortage of available common carriers in some areas during certain months put additional upward pressure on freight rates as well as having a negative effect on our customer service and sales. In fiscal 2004, freight costs were approximately 7.3% of our cost of products sold; for fiscal 2005, the percentage rose to 8.5% and rose again to 9% in fiscal 2006. In addition, the cost of energy (e.g., natural gas) and certain petroleum-based packaging (e.g. resins, PET) have also increased significantly over this time period and remain volatile. The effects of rising costs on our past results of operations have been mitigated to some extent through hedging and forward purchase contracts, as well as volume and selling price increases. We expect that similar mitigation efforts and continued cost reduction efforts will reduce the impact of the anticipated increases; however, these efforts are not likely to fully offset these cost increases in a timely manner.

As a result of the American Jobs Creation Act of 2004, the Company received an additional "Domestic Production Activities Deduction" in fiscal 2006. The effect of this additional deduction was to reduce our federal tax rate by 1 percent in fiscal 2006, which will progress to a total reduction of 3 percent for fiscal 2011 and beyond, pending further tax law changes. The Company expects our fiscal 2007 annual blended state and federal effective tax rate on earnings before taxes and equity earnings to be between 33% and 35%. Our blended effective tax rate for fiscal 2006 was 32.8% and included the favorable resolution of certain uncertain tax positions as well as other matters.

The following sections contain discussions of the specific factors affecting the outlook for each of our reportable segments.

Cereals, Crackers & Cookies

The level of competition in the cereal and snack categories continues to be intense for our Ralston Foods division. Competition comes from branded box cereal manufacturers, branded bagged cereal producers and other private label cereal providers, as well as from alternative breakfast-food items and producers of corn and cereal-based snacks. For the last several years, category growth in ready-to-eat and hot cereals has been minimal or has declined, which has exacerbated its competitive nature. When branded competitors focus on price/promotion, the environment for private label producers becomes more challenging. We must maintain an effective price gap between our quality private label products and those of branded producers, thereby providing the best value alternative for the consumer.

Pricing and volume agreements with customers are generally determined by the customers' periodic requests for competitive category reviews in each of our divisions. During the past twelve months, however, Ralston Foods pre-empted a number of these reviews by aggressively seeking price increases to aid in offsetting the aforementioned input cost increases. Ralston Foods does expect additional category reviews covering a significantly portion (35% - 45%) of its sales volume will occur in fiscal 2007. In this environment, it is imperative that volume gains substantially offset the inevitable pricing pressures.

Our cracker and cookie operation, Bremner, also conducts business in a highly competitive category and faces many of the same challenges. Major branded competitors continue to market and promote their offerings aggressively and many smaller, regional branded and private label manufacturers provide additional competitive pressures. Minimal growth in the cookie and cracker categories has intensified the competition. Bremner's ability to maintain a sufficient price gap between products of branded producers and Bremner's quality private label emulations will be important to its results of operations. In fiscal 2007, Bremner will continue to focus on cost containment, new products, and volume growth of existing products in order to improve operating results.

Frozen Bakery Products

As previously mentioned, the Frozen Bakery Products segment now consists of Ralcorp Frozen Bakery Products (formerly Bakery Chef), the ISB group, Western Waffles (acquired November 15, 2005), Parco Foods (acquired February 7, 2006), and the Cottage Bakery acquisition (effective November 10, 2006).

For Frozen Bakery Products to grow, we must provide high quality products, excellent customer service, superior product innovation, and competitive pricing to our customers. New product offerings, new foodservice and retail customers, and growth of existing customers will all be important to the future success of this segment.

During fiscal 2006, the ISB group's frozen cookie business completed the consolidation of a majority of Parco Foods volume into the ISB plant in Ogden, UT and the closure of a waffles facility in Moncton, New Brunswick. The November 2006 addition of Cottage Bakery, a producer of par-baked frozen breads and dough, provides the segment with an expanded product line for sale in both the ISB and foodservice channels. In addition, the segment has expanded capacity in its frozen artisan bread business to further capitalize on the continued growth of this category.

The segment's focus for fiscal 2007 is to capitalize on the coordination of its component businesses by offering an expanded product grouping to its combined customer base.

Dressings, Syrups, Jellies & Sauces

Carriage House continues to be pressured by the affects of the previously mentioned cost increases. As the cost environment warrants, we will seek price increases to help offset these rising costs. However, competitors, both large and small, continue to be very aggressive on pricing which may result in lower margins or volume losses or both.

To further mitigate the impact of the cost increases, the segment has undertaken ongoing process improvement and cost reduction projects. In light of the segment's thin profit margins, ongoing cost reduction efforts, in concert with warranted pricing actions, are critical to maintaining segment profitability during periods of rising costs.

Snack Nuts & Candy

Snack nuts and candy continue to be very competitive categories. This segment of Ralcorp faces significant competition from branded manufacturers and, to a lesser extent, from private label and regional producers. We expect competition to intensify in the future as the snack nut category growth has slowed or declined.

The majority of the segment's cost of products sold relates to commodities including peanuts, cashews, and tree nuts such as macadamias, pecans, and almonds. The costs of these commodities fluctuate, sometimes drastically, based upon worldwide supply and demand. These commodity fluctuations, when not accompanied by pricing changes due to competition, can result in short-term changes in the profitability of the segment. We currently have committed contracts for a large portion of our commodity needs for the first half of fiscal 2007. During that period, we expect our peanut costs to be unchanged and our cashew and other tree nut costs to be lower compared to the corresponding period of fiscal 2006. However, rapid declines in material costs have resulted in category reviews and some decreases in average pricing.

The segment will continue to focus on maintaining and expanding its customer base, developing new products, and maintaining product quality.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The following discussion is presented pursuant to the United States Securities and Exchange Commission's Financial Reporting Release No. 60, "Cautionary Advice Regarding Disclosure About Critical Accounting Policies." The policies below are both important to the representation of the Company's financial condition and results and require management's most difficult, subjective or complex judgments.

Under generally accepted accounting principles in the United States, we make estimates and assumptions that impact the reported amounts of assets, liabilities, revenues, and expenses as well as the disclosure of contingent liabilities. We base estimates on past experience and on various other assumptions that are believed to be reasonable under the circumstances. Those estimates form the basis for making judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Revenue is recognized when title of goods is transferred to the customer, as specified by the shipping terms. Products are generally sold with no right of return except in the case of goods which do not meet product specifications or are damaged. We record estimated reductions to revenue for customer incentive offerings based upon each customer's redemption history. Should a greater proportion of customers redeem incentives than estimated, additional reductions to revenue may be required.

Inventories are generally valued at the lower of average cost (determined on a first-in, first-out basis) or market value and have been reduced by an allowance for obsolete product and packaging materials. The estimated allowance is based on a review of inventories on hand compared to estimated future usage and sales. If market conditions and actual demands are less favorable than projected, additional inventory write-downs may be required.

We review long-lived assets, including leasehold improvements and property and equipment, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Long-lived assets to be disposed of are reported at the lower of the carrying amount or fair value less the cost to sell.

Goodwill represents the excess of the cost of acquired businesses over the fair market value of their identifiable net assets. We conduct a goodwill impairment review during the fourth quarter of each fiscal year. The goodwill impairment tests require us to estimate the fair value of our businesses and certain assets and liabilities, for which we utilize valuation techniques such as EBITDA multiples and discounted cash flows based on projections. In our recent tests, we assumed EBITDA multiples of approximately 6 and discount rates of approximately 10.5%.

Pension assets and liabilities are determined on an actuarial basis and are affected by the estimated market-related value of plan assets; estimates of the expected return on plan assets, discount rates, and future salary increases; and other assumptions inherent in these valuations. We annually review the assumptions underlying the actuarial calculations and makes changes to these assumptions, based on current market conditions and historical trends, as necessary. Actual changes in the fair market value of plan assets and differences between the actual return on plan assets and the expected return on plan assets will affect the amount of pension expense or income ultimately recognized. The other postretirement benefits liability is also determined on an actuarial basis and is affected by assumptions including the discount rate and expected trends in healthcare costs. Changes in the discount rate and differences between actual and expected healthcare costs will affect the recorded amount of other postretirement benefits expense. For both pensions and postretirement benefit calculations, the assumed discount rate is determined by projecting the plans' expected future benefit payments as defined for the projected benefit obligation or accumulated postretirement benefit obligation, discounting those expected payments using a theoretical zero-coupon spot yield curve derived from a universe of high-quality (rated Aa or better by Moody's Investor Service) corporate bonds as of the measurement date, and solving for the single equivalent discount rate that results in the same present value. See Note 16 for more information about pension and other postretirement benefit assumptions.

Liabilities for workers' compensation claims and accrued healthcare costs (including a reserve for claims incurred but not yet reported) are estimated based on details of current claims, historical experience, and expected trends determined on an actuarial basis.

We account for stock-based compensation in accordance with FAS 123(R), Share-Based Payment. Under the fair value recognition provisions of this statement, share-based compensation cost is measured at the grant date based on the value of the award and is recognized as expense over the vesting period for awards expected to vest. Determining the fair value of share-based awards at the grant date requires judgment, including estimating the expected term, expected stock price volatility, risk-free interest rate, and expected dividends. In addition, judgment is required in estimating the amount of share-based awards that are expected to be forfeited before vesting. The original estimate of the grant date fair value is not subsequently revised unless the awards are modified, but the estimate of expected forfeitures is revised throughout the vesting period and the cumulative stock-based compensation cost recognized is adjusted accordingly. See Note 18 for more information about stock-based compensation and our related estimates.

We estimate income tax expense based on taxes in each jurisdiction, including (effective November 15, 2005) Canada. We estimate current tax exposures together with temporary differences resulting from differing treatment of items for tax and financial reporting purposes. These temporary differences result in deferred tax assets and liabilities. We believe that sufficient income will be generated in the future to realize the benefit of most of our deferred tax assets. Where there is not sufficient evidence that such income is likely to be generated, we establish a valuation allowance against the related deferred tax assets. We are subject to periodic audits by governmental tax authorities of our income tax returns. These audits generally include questions regarding our tax filing positions, including the amount and timing of deductions and the allocation of income among various tax jurisdictions. We evaluate our exposures associated with our tax filing positions, including state and local taxes, and record reserves for estimated exposures. As of the end of fiscal 2006, three years (2004, 2005 and 2006) were subject to audit by the Internal Revenue Service.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodity Price Risk

In the ordinary course of business, the Company is exposed to commodity price risks relating to the acquisition of raw materials and fuels. Ralcorp utilizes derivative financial instruments, including futures contracts, options and swaps, to manage certain of these exposures when it is practical to do so. As of September 30, 2006, a hypothetical 10% adverse change in the market price of the Company's principal hedged commodities, including linerboard, wheat, natural gas, and heating oil, would have decreased the fair value of the Company's commodity-related derivatives portfolio by approximately $6.7 million. As of September 30, 2005, the Company had no material open derivative contracts, so market risk associated with its commodity-related derivatives portfolio was immaterial. This volatility analysis ignores changes in the exposures inherent in the underlying hedged transactions. Because the Company does not hold or trade derivatives for speculation or profit, all changes in derivative values are effectively offset by corresponding changes in the underlying exposures. For more information, see Note 1 and Note 13 to the financial statements included in Item 8.

Interest Rate Risk

The Company has interest rate risk related to its debt. Changes in interest rates impact fixed and variable rate debt differently. For fixed rate debt, a change in interest rates will only impact the fair value of the debt, whereas a change in the interest rates on variable rate debt will impact interest expense and cash flows. At September 30, 2006, Ralcorp's financing arrangements included $445.0 million of fixed rate debt and $107.6 million of variable rate debt. However, in December 2004, $100 million of the variable rate debt was effectively fixed at 4.76% through December 2009 with an interest rate swap contract.

As of September 30, 2006 and 2005, the fair value of the Company's fixed rate debt was approximately equal to its carrying value, based on the discounted amount of future cash flows using Ralcorp's incremental rate of borrowing for similar debt. A hypothetical 10% decrease in interest rates would increase the fair value of the fixed rate debt by approximately $10.8 million.

With respect to variable rate debt, including the effect of the swap in fiscal 2005, a hypothetical 10% change in interest rates would not have had a material impact on the Company's reported net earnings or cash flows in fiscal 2006 or 2005.

The fair value of the interest rate swap contract was $3.2 million at September 30, 2006. A hypothetical 10% decrease in expected future interest rates would reduce that fair value by $1.3 million.

For more information, see Note 1, Note 13, and Note 14 to the financial statements included in Item 8.

Foreign Currency Risk

The Company has foreign currency exchange rate risk related to its Canadian subsidiaries, whose functional currency is the Canadian dollar. While nearly all of those subsidiaries' cash outflows are denominated and paid in Canadian dollars, most of their cash inflows are denominated and received in U.S. dollars. The Company uses foreign exchange forward contracts to hedge the risk of fluctuations in future cash flows and earnings related to fluctuations in the exchange rate between the Canadian dollar and U.S. dollar. A hedging offset is accomplished because the gain or loss on the forward contracts occurs on or near the date of the anticipated transactions. As of September 30, 2006, the Company held foreign exchange forward contracts with a total notional amount of $16 million and a fair value of $.2 million. A hypothetical 10% increase in the expected CAD-USD exchange rates would have reduced that fair value by $1.8 million. For more information, see Note 1 and Note 13 to the financial statements included in Item 8.

Equity Price Risk

The Company has equity price risk related to its investment in Vail Resorts, Inc. To limit the risk of a significant decline in the market price of Vail stock, the Company entered into forward sale contracts which include price collars. At the maturity dates in the contracts, we can deliver a variable number of shares of Vail stock to the counterparty or settle the contracts with cash. The number of shares (or amount of cash) to be delivered will depend upon the market price of Vail shares at the settlement dates. A summary of terms for contracts held at September 30, 2006 are included in a table under "LIQUIDITY AND CAPITAL RESOURCES" in Item 7 (which also includes data pertaining to a similar contract executed in November 2006). Because Ralcorp accounts for its investment in Vail Resorts using the equity method, it is currently precluded from using hedge accounting under FAS 133 for these contracts. Accordingly, it must report changes to the fair value of these contracts within the statement of earnings. These gains or losses have no impact on current cash flows. The fair value of the contracts is dependent on several variables including the market price of Vail stock, estimated future Vail stock price volatility, interest rates, and the time remaining to the contract maturity dates. As of September 30, 2006, a hypothetical 10% increase in the Vail stock price would have increased the fair value of the total contract liability by approximately $11.8 million, holding all other variables constant. For more information, see Note 6 and Note 7 to the financial statements included in Item 8, along with related discussions under "LIQUIDITY AND CAPITAL RESOURCES" in Item 7.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF MANAGEMENT RESPONSIBILITIES

Management of Ralcorp Holdings, Inc. is responsible for the fairness and accuracy of the consolidated financial statements. The statements have been prepared in accordance with accounting principles generally accepted in the United States, and in the opinion of management, the financial statements present fairly the Company's financial position, results of operations and cash flows.

Management has established and maintains accounting and internal control systems that it believes are adequate to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition and that the financial records are reliable for preparing financial statements. The selection and training of qualified personnel, the establishment and communication of accounting and administrative policies and procedures and our Standards of Business Conduct for Officers and Employees are important elements of these control systems. We maintain a strong audit program that independently evaluates the adequacy and effectiveness of internal controls. Appropriate actions are taken by management to correct any control weaknesses identified in the audit process.

The Board of Directors, through its Audit Committee consisting solely of independent directors, meets periodically with management and the independent registered public accounting firm to discuss internal control, auditing and financial reporting matters. To ensure independence, PricewaterhouseCoopers LLP has direct access to the Audit Committee.

The Audit Committee reviewed and approved the Company's annual financial statements and recommended to the full Board of Directors that they be included in the Annual Report.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Ralcorp Holdings, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934. Under the supervision and with the participation of management, including the Co-Chief Executive Officers and Controller and Chief Accounting Officer, we conducted an evaluation of the effectiveness of our internal controls over financial reporting based on the criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the evaluation under this framework, management concluded that our internal control over financial reporting was effective as of September 30, 2006 at the reasonable assurance level. We have excluded Western Waffles and Parco Foods from the assessment of internal control over financial reporting as of September 30, 2006 because they were acquired by the Company in purchase business combinations during 2006. Western Waffles and Parco Foods' combined total assets and combined total revenues represented 9% and 4%, respectively, of the related consolidated financial statement amounts as of and for the year ended September 30, 2006. Management's assessment of the effectiveness of our internal control over financial reporting as of September 30, 2006 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report below.

/s/ KEVIN J. HUNT	/s/ DAVID P. SKARIE	/s/ THOMAS G. GRANNEMAN
Kevin J. Hunt Co-Chief Executive Officer	David P. Skarie Co-Chief Executive Officer	Thomas G. Granneman Controller and Chief Accounting Officer

December 13, 2006

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Ralcorp Holdings, Inc.:

We have completed integrated audits of Ralcorp Holdings, Inc.'s September 30, 2006 and 2005 consolidated financial statements and of its internal control over financial reporting as of September 30, 2006, and an audit of its 2004 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(1) present fairly, in all material respects, the financial position of Ralcorp Holdings, Inc. and its subsidiaries at September 30, 2006 and 2005, and the results of their operations and their cash flows for each of the three years in the period ended September 30, 2006 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1 to the consolidated financial statements, the Company changed the manner in which it accounts for share-based compensation in fiscal 2006.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 8, that the Company maintained effective internal control over financial reporting as of September 30, 2006 based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2006, based on criteria established in *Internal Control - Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

As described in Management's Report on Internal Control Over Financial Reporting, management has excluded Western Waffles and Parco Foods from its assessment of internal control over financial reporting as of September 30, 2006 because they were acquired by the Company in purchase business combinations during 2006. We have also excluded Western Waffles and Parco Foods from our audit of internal control over financial reporting. Western Waffles and Parco Foods are wholly-owned subsidiaries whose combined total assets and combined total revenues represent 9% and 4%, respectively, of the related consolidated financial statement amounts as of and for the year ended September 30, 2006.

/s/ PRICEWATERHOUSECOOPERS LLP

St. Louis, MO
December 13, 2006

RALCORP HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF EARNINGS

(Dollars in millions except per share data, shares in thousands)

	Year Ended September 30,		
	2006	**2005**	**2004**
Net Sales	$ 1,850.2	$ 1,675.1	$ 1,558.4
Cost of products sold	(1,497.2)	(1,339.1)	(1,237.2)
Gross Profit	353.0	336.0	321.2
Selling, general and administrative expenses	(226.4)	(215.1)	(204.7)
Interest expense, net	(28.1)	(16.5)	(13.1)
Loss on forward sale contracts	(9.8)	-	-
Gain on sale of securities	2.6	-	-
Restructuring charges	(.1)	(2.7)	(2.4)
Litigation settlement income	-	1.8	.9
Earnings before Income Taxes and Equity Earnings	91.2	103.5	101.9
Income taxes	(29.9)	(36.6)	(37.2)
Earnings before Equity Earnings	61.3	66.9	64.7
Equity in earnings of Vail Resorts, Inc., net of related deferred income taxes	7.0	4.5	.4
Net Earnings	$ 68.3	$ 71.4	$ 65.1
Basic Earnings per Share	$ 2.46	$ 2.41	$ 2.22
Diluted Earnings per Share	$ 2.41	$ 2.34	$ 2.17
Weighted Average Shares for Basic Earnings per Share	27,663	29,566	29,228
Dilutive effect of:			
Stock options	502	818	670
Restricted stock awards	39	25	6
Weighted Average Shares for Diluted Earnings per Share	28,204	30,409	29,904

See accompanying Notes to Consolidated Financial Statements.

RALCORP HOLDINGS, INC.

CONSOLIDATED BALANCE SHEETS

(In millions except share and per share data)

	September 30, 2006	September 30, 2005
Assets		
Current Assets		
Cash and cash equivalents	$ 19.1	$ 6.2
Investment in Ralcorp Receivables Corporation	93.3	42.5
Receivables, net	66.8	30.8
Inventories	196.0	181.5
Deferred income taxes	5.7	6.7
Prepaid expenses and other current assets	5.5	2.3
Total Current Assets	386.4	270.0
Investment in Vail Resorts, Inc.	97.2	87.6
Property, Net	401.1	357.4
Goodwill	460.0	412.5
Other Intangible Assets, Net	142.6	125.0
Other Assets	20.2	17.0
Total Assets	$ 1,507.5	$ 1,269.5
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable	$ 96.1	$ 76.9
Book cash overdrafts	39.4	35.0
Other current liabilities	61.5	59.5
Total Current Liabilities	197.0	171.4
Long-term Debt	552.6	422.0
Deferred Income Taxes	81.3	61.2
Other Liabilities	200.2	96.6
Total Liabilities	1,031.1	751.2
Commitments and Contingencies		
Shareholders' Equity		
Common stock, par value $.01 per share		
Authorized: 300,000,000 shares		
Issued: 33,011,317 shares	.3	.3
Capital in excess of par value	122.3	119.9
Retained earnings	569.2	500.9
Common stock in treasury, at cost (6,170,788 and 3,190,557 shares)	(187.7)	(65.8)
Unearned portion of restricted stock	(4.0)	(4.3)
Accumulated other comprehensive loss	(23.7)	(32.7)
Total Shareholders' Equity	476.4	518.3
Total Liabilities and Shareholders' Equity	$ 1,507.5	$ 1,269.5

See accompanying Notes to Consolidated Financial Statements.

RALCORP HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In millions)

	Year Ended September 30,		
	2006	**2005**	**2004**
Cash Flows from Operating Activities			
Net earnings	$ 68.3	$ 71.4	$ 65.1
Adjustments to reconcile net earnings to net cash flow provided by operating activities:			
Depreciation and amortization	66.8	55.8	47.5
Sale of receivables, net	(49.0)	49.0	(34.2)
Contributions to qualified pension plan	(25.0)	(10.0)	-
Equity in earnings of Vail Resorts, Inc.	(10.8)	(6.9)	(.6)
Loss on forward sale contracts	9.8	-	-
Deferred income taxes	6.5	.6	4.6
Stock-based compensation expense	5.7	.7	.2
Gain on sale of securities	(2.6)	-	-
Other changes in current assets and liabilities, net of effects of business acquisitions:			
(Increase) decrease in receivables	(24.0)	5.1	(3.9)
(Increase) decrease in inventories	(6.9)	(4.4)	(17.6)
(Increase) decrease in prepaid expenses and other current assets	(2.5)	1.4	.2
Increase (decrease) in accounts payable and other current liabilities	2.8	(7.9)	13.9
Other, net	13.7	6.2	3.5
Net Cash Provided by Operating Activities	52.8	161.0	78.7
Cash Flows from Investing Activities			
Business acquisitions, net of cash acquired	(110.1)	(100.0)	(313.1)
Additions to property and intangible assets	(58.1)	(56.9)	(53.8)
Proceeds from sale of property	2.2	.6	1.4
Proceeds from sale of securities	3.8	-	-
Net Cash Used by Investing Activities	(162.2)	(156.3)	(365.5)
Cash Flows from Financing Activities			
Proceeds from issuance of long-term debt	275.0	-	270.0
Repayment of long-term debt	(100.0)	(50.0)	-
Net (repayments) borrowings under credit arrangements	(44.6)	46.3	-
Advance proceeds from forward sale of investment	110.5	-	-
Purchase of treasury stock	(134.9)	(10.3)	-
Proceeds from exercise of stock options	7.4	12.7	5.0
Change in book cash overdrafts	4.4	8.4	6.7
Dividends paid	-	(29.3)	-
Other, net	4.5	-	(.2)
Net Cash Provided (Used) by Financing Activities	122.3	(22.2)	281.5
Net Increase (Decrease) in Cash and Cash Equivalents	12.9	(17.5)	(5.3)
Cash and Cash Equivalents, Beginning of Year	6.2	23.7	29.0
Cash and Cash Equivalents, End of Year	$ 19.1	$ 6.2	$ 23.7

See accompanying Notes to Consolidated Financial Statements.

RALCORP HOLDINGS, INC.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Dollars in millions except per share data, shares in thousands)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Common Stock in Treasury	Unearned Portion of Restricted Stock	Accum. Other Compre-hensive Loss	Total
Balance, September 30, 2003	$ .3	$114.1	$393.8	$ (76.9)	$ (.1)	$(18.5)	$412.7
Net earnings			65.1				65.1
Minimum pension liability adjustment, net of $4.4 tax benefit						(7.3)	(7.3)
Cash flow hedging adjustments, net of $2.4 tax benefit						(4.1)	(4.1)
Comprehensive loss							53.7
Dividends declared ($1.00 per share)			(29.4)				(29.4)
Stock options exercised (295 shares)		1.2		5.6			6.8
Restricted stock awards granted (134 shares) and amortized		2.1		2.6	(4.5)		.2
Activity under deferred compensation plans (20 shares)		(.1)		.3			.2
Balance, September 30, 2004	$ .3	$117.3	$429.5	$ (68.4)	$ (4.6)	$(29.9)	$444.2
Net earnings			71.4				71.4
Minimum pension liability adjustment, net of $1.8 tax benefit						(4.8)	(4.8)
Cash flow hedging adjustments, net of $1.0 tax expense						2.0	2.0
Comprehensive income							68.6
Stock purchased (243 shares)				(10.3)			(10.3)
Stock options exercised (646 shares)		2.7		12.4			15.1
Restricted stock awards granted (9 shares) and amortized		.2		.2	.3		.7
Activity under deferred compensation plans (19 shares)		(.3)		.3			-
Balance, September 30, 2005	$ .3	$119.9	$500.9	$ (65.8)	$ (4.3)	$(32.7)	$518.3
Net earnings			68.3				68.3
Minimum pension liability adjustment, net of $1.2 tax expense						3.4	3.4
Cash flow hedging adjustments, net of $1.0 tax expense						1.7	1.7
Foreign currency translation adjustment, net of $2.2 tax expense						3.9	3.9
Comprehensive income							77.3
Stock purchased (3,422 shares)				(134.9)			(134.9)
Stock options & stock appreciation rights exercised (421 shares)		(2.2)		12.4			10.2
Restricted stock issued (9 shares)		.2		.2	(.4)		-
Stock based compensation expense		5.0			.7		5.7
Activity under deferred compensation plans (13 shares)		(.6)		.4			(.2)
Balance, September 30, 2006	$ .3	$122.3	$569.2	$ (187.7)	$ (4.0)	$(23.7)	$476.4

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation – The financial statements are presented on a consolidated basis and include the accounts of Ralcorp and its majority-owned subsidiaries. All significant intercompany transactions have been eliminated. The Company's investment in Vail Resorts, Inc. is presented on the equity basis (see Note 6).

Estimates – The financial statements have been prepared in conformity with generally accepted accounting principles, which require management to make estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates and assumptions.

Cash Equivalents include all highly liquid investments with original maturities of three months or less.

Receivables are reported at net realizable value. This value includes appropriate allowances for doubtful accounts, cash discounts, and other amounts which the company does not ultimately expect to collect. The Company calculates the allowance for doubtful accounts based on historical losses and the economic status of, and its relationship with, its customers, especially those identified as "at risk." A receivable is considered past due if payments have not been received within the agreed upon invoice terms. Receivables are written off against the allowance when the customer files for bankruptcy protection or is otherwise deemed to be uncollectible based upon the Company's evaluation of the customer's solvency. Refer to Note 9, Note 10, Note 11, and Note 12 for more information about receivables and the allowance for doubtful accounts.

Inventories are generally valued at the lower of average cost (determined on a first-in, first-out basis) or market. Reported amounts have been reduced by an allowance for obsolete product and packaging materials based on a review of inventories on hand compared to estimated future usage and sales (see Note 10 and Note 12).

Derivative Financial Instruments and Hedging – In the ordinary course of business, the Company is exposed to commodity price risks relating to the acquisition of raw materials and supplies, interest rate risks relating to debt, and foreign currency exchange rate risks. Authorized individuals within the Company may utilize derivative financial instruments, including (but not limited to) futures contracts, option contracts, forward contracts and swaps, to manage certain of these exposures by hedging when it is practical to do so. The terms of these instruments generally do not exceed eighteen months for commodities, five years for interest rates, and one year for foreign currency. The Company is not permitted to engage in speculative or leveraged transactions and will not hold or issue financial instruments for trading purposes. Hedge accounting is only applied when the derivative is deemed to be highly effective at offsetting changes in fair values or anticipated cash flows of the hedged item or transaction. Earnings impacts for all designated hedges are reported in the statement of earnings within the same line item as the gain or loss on the item being hedged. Since the hedging activities relate to operations, related cash flows are included in the statement of cash flows in cash flows from operating activities. For a fair value hedge of a recognized asset or liability or unrecognized firm commitment, the entire change in fair value of the derivative is recorded in earnings as incurred. For a cash flow hedge of an anticipated transaction, the ineffective portion of the change in fair value of the derivative is recorded in earnings as incurred, whereas the effective portion is deferred in accumulated other comprehensive income in the balance sheet until the transaction is realized, at which time any deferred hedging gains or losses are recorded in earnings. For more information about our hedging activities, see Note 13.

Property is recorded at cost and depreciation expense is generally provided on a straight-line basis over the estimated useful lives of the properties. Estimated useful lives range from 3 to 15 years for machinery and equipment and 10 to 50 years for buildings and leasehold improvements. Total depreciation expense was $53.4, $47.5, and $41.2 in fiscal 2006, 2005, and 2004, respectively. At September 30, property consisted of:

	2006	2005
Land	$ 12.7	$ 10.3
Buildings and leasehold improvements	125.5	108.3
Machinery and equipment	557.0	504.0
Construction in progress	38.7	29.1
	733.9	651.7
Accumulated depreciation	(332.8)	(294.3)
	$ 401.1	$ 357.4

Other Intangible Assets consist of computer software purchased or developed for internal use and customer relationships, trademarks, and computer software acquired in business combinations (see Note 2). Amortization expense related to intangible assets, which is provided on a straight-line basis over the estimated useful lives of the assets, was $13.4, $8.3, and $6.3 in fiscal 2006, 2005, and 2004, respectively. For the intangible assets recorded as of September 30, 2006, amortization expense of $13.8, $14.7, $14.2, $12.0, and $10.1 is scheduled for fiscal 2007, 2008, 2009, 2010, and 2011, respectively. Other intangible assets consisted of:

	September 30, 2006			September 30, 2005		
	Carrying Amount	Accum. Amort.	Net Amount	Carrying Amount	Accum. Amort.	Net Amount
Computer software	$ 43.2	$ (28.2)	$ 15.0	$ 42.0	$ (24.5)	$ 17.5
Customer relationships	127.0	(16.8)	110.2	98.3	(7.9)	90.4
Trademarks	20.2	(2.8)	17.4	19.0	(1.9)	17.1
	$ 190.4	$ (47.8)	$ 142.6	$ 159.3	$ (34.3)	$ 125.0

Recoverability of Long-lived Assets – The Company continually evaluates whether events or circumstances have occurred which might impair the recoverability of the carrying value of its long-lived assets, including identifiable intangibles and goodwill. An asset is deemed impaired and written down to its fair value if estimated related future cash flows are less than its carrying amount.

Investments – The Company funds a portion of its deferred compensation liability by investing in certain mutual funds in the same amounts as selected by the participating employees. Because management's intent is to invest in a manner that matches the deferral options chosen by the participants and those participants can elect to transfer amounts in or out of each of the designated deferral options at any time, these investments have been classified as trading assets and are stated at fair value in "Other Assets". Both realized and unrealized gains and losses on these assets are included in "Selling, general and administrative expenses" and offset the related change in the deferred compensation liability.

Revenue is recognized when title of goods is transferred to the customer, as specified by the shipping terms. Net sales reflect gross sales, including amounts billed to customers for shipping and handling, less sales discounts and allowances. Products are generally sold with no right of return except in the case of goods which do not meet product specifications or are damaged. Estimated reductions to revenue for customer incentive offerings are based upon each customer's redemption history.

Cost of Products Sold includes, among other things, inbound and outbound freight costs and depreciation expense related to assets used in production, while storage and other warehousing costs are included in "Selling, general, and administrative." Storage and other warehousing costs totaled $56.6, $55.3, and $50.2 in fiscal 2006, 2005, and 2004, respectively.

Advertising, Repair, and Maintenance Costs are expensed as incurred.

Stock-based Compensation – Prior to October 1, 2005, the Company recognized stock-based compensation in accordance with APB 25, which required the use of the intrinsic value method. On October 1, 2005, the Company adopted the provisions of Statement of Financial Accounting Standards No. 123(R), "Share-Based Payment", (FAS 123(R)), which replaces FAS 123 and supersedes APB Opinion No. 25. FAS 123(R) requires entities to recognize the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards (with limited exceptions). That cost will be recognized over the period during which an employee is required to provide service in exchange for the award – the requisite service period (usually the vesting period). The Company followed the nominal vesting period approach prior to October 1, 2005 (for pro forma disclosure purposes) and must continue following that approach for awards outstanding as of that date, but applies the non-substantive vesting period approach to new grants that have retirement eligibility provisions. Ralcorp elected the modified prospective method of adopting FAS 123(R), whereby compensation cost is recognized for all share-based payments granted after October 1, 2005 and the unvested portion of outstanding awards at that time (based on the grant-date fair value of those outstanding awards calculated under FAS 123 for pro forma disclosures). Under this method of adoption, prior periods are not restated. The adoption of FAS 123(R) had no impact on net cash flows, but the tax benefits realized from exercised stock options are now shown in cash flows from financing activities rather than operating activities. See Note 18 for disclosures related to stock-based compensation.

Income Tax Expense is estimated based on taxes in each jurisdiction and includes the effects of both current tax exposures and the temporary differences resulting from differing treatment of items for tax and financial reporting purposes. These temporary differences result in deferred tax assets and liabilities. A valuation allowance is established against the related deferred tax assets to the extent that it is not more likely than not that the future benefits will be realized. Reserves are recorded for estimated exposures associated with the Company's tax filing positions, which are subject to periodic audits by governmental tax authorities. The Company considers the undistributed earnings of its foreign subsidiaries to be permanently invested, so no U.S. taxes have been provided for those earnings. See Note 5 for disclosures related to income taxes.

Recently Issued Accounting Standards – Significant developments in accounting rules are discussed below.

See above for a discussion regarding the adoption of FAS 123(R), "Share-Based Payment," which resulted in $5.0 of additional compensation expense for the year ended September 30, 2006, reducing net earnings by approximately $3.2 million ($.11 per share).

In June 2006, the Financial Accounting Standards Board issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes," which will be effective as of the beginning of Ralcorp's 2008 fiscal year. This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, "Accounting for Income Taxes." It prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. At this time, the Company has not completed its review and assessment of the impact of the adoption of this Interpretation.

In September 2006, the Financial Accounting Standards Board issued FAS 157, "Fair Value Measurements," which will be effective as of the beginning of Ralcorp's 2009 fiscal year. This Statement defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. At this time, the Company has not completed its review and assessment of the impact of the adoption of this Statement.

In September 2006, the Financial Accounting Standards Board issued FAS 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans" an amendment of FASB Statements No. 87, 88, 106, and 132(R), which will be effective as of the end of Ralcorp's 2007 fiscal year. This statement requires an entity to recognize the funded status of its defined benefit pension plans and other postretirement benefit plans on the balance sheet and to recognize changes in the funded status that arise during the period but are not recognized as components of net periodic benefit cost within other comprehensive income, net of income taxes. FAS 158 also requires measurement of the defined benefit plan assets and obligations as of the balance sheet date. At this time, the Company has not completed its review and assessment of the impact of the adoption of this Statement.

In September 2006, the SEC staff issued Staff Accounting Bulletin No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements," (SAB 108) in order to eliminate the diversity of practice surrounding how public companies quantify financial statement misstatements. Traditionally, there have been two widely-recognized methods for quantifying the effects of financial statement misstatements: the "roll-over" method (which focuses primarily on the impact of a misstatement on the income statement and can lead to the accumulation of misstatements in the balance sheet) and the "iron curtain" method (which focuses primarily on the effect of correcting the period-end balance sheet with less emphasis on the reversing

effects of prior year errors on the income statement). SAB 108 established an approach that requires quantification of financial statement misstatements based on the their effects on each of the company's financial statements and the related financial statement disclosures. This model is commonly referred to as a "dual approach" because it requires quantification of errors under both the iron curtain and the roll-over methods. Ralcorp is required to adopt SAB 108 in connection with the preparation of its financial statements for the quarter ending December 31, 2006. The Company does not expect the adoption of this Bulletin to have a significant impact on its financial statements.

Reclassifications – Certain prior years' amounts have been reclassified to conform to the current year's presentation.

NOTE 2 – ACQUISITIONS AND GOODWILL

Each of the following acquisitions was accounted for using the purchase method of accounting, whereby the results of operations of each of the following acquisitions are included in the consolidated statements of earnings from the date of acquisition. The purchase price, including costs of acquisition, was allocated to acquired assets and liabilities based on their estimated fair values at the date of acquisition, and any excess was allocated to goodwill, as shown in the following table. For the fiscal 2006 acquisitions (Western Waffles and Parco), the allocation is subject to change pending the completion of a detailed analysis of deferred tax assets and liabilities.

	Western Waffles	Parco	Medallion	Bakery Chef	C2B
Cash	$ 1.1	$ -	$ 2.1	$ .1	$ -
Receivables	5.7	2.2	5.8	13.8	4.3
Inventories	3.7	3.7	2.0	10.0	1.8
Other current assets	.5	.1	.1	1.2	.1
Property	33.2	7.9	18.5	55.3	17.6
Goodwill	33.9	11.3	45.8	184.3	4.7
Other intangible assets	24.0	4.2	33.1	75.3	-
Other assets	-	1.9	-	-	-
Total assets acquired	102.1	31.3	107.4	340.0	28.5
Accounts payable	(5.0)	(3.0)	(2.2)	(10.6)	(2.9)
Other current liabilities	(4.1)	(3.6)	(3.1)	(5.2)	(1.7)
Other liabilities	(6.5)	-	-	(34.9)	-
Total liabilities assumed	(15.6)	(6.6)	(5.3)	(50.7)	(4.6)
Net assets acquired	$ 86.5	$ 24.7	$ 102.1	$ 289.3	$ 23.9

Fiscal 2006

On November 15, 2005, the Company completed the purchase of Western Waffles, Ltd., a Canadian manufacturer of private label frozen griddle products with three manufacturing facilities, approximately 370 employees, and annual net sales of approximately $75. The Western Waffles business complements the product offerings of Ralcorp's Bakery Chef business (which includes a variety of frozen griddle products sold primarily in the foodservice channel) and launches Ralcorp into the private label frozen griddle products category. The Western Waffles business is reported as part of the Frozen Bakery Products segment. The assigned goodwill is not deductible for tax purposes. The allocation included $24.0 of customer relationships subject to amortization over an estimated amortization period of approximately 15 years.

On February 7, 2006, the Company completed the purchase of Parco Foods, L.L.C., a manufacturer of high quality cookies for sale primarily in the in-store bakery channel. Parco Foods had net sales of approximately $50 for the year ended December 25, 2005. The Parco business is reported as part of Ralcorp's Frozen Bakery Products segment and enhances the segment's existing in-store bakery cookie offerings. The assigned goodwill is deductible for tax purposes. The allocation included $3.0 of customer relationships and $1.2 for a trademark, subject to amortization over an estimated amortization period of approximately 10 years.

Fiscal 2005

On June 22, 2005, the Company completed the purchase of 100 percent of the stock of Medallion Foods, Inc., a leading manufacturer of value brand and private label corn-based chips and extruded corn products. Medallion employs 270 people at its plant in Newport, Arkansas. Its product lines complement the snack mix products sold by the Ralston Foods division and are reported as part of the Cereals, Crackers & Cookies segment. The assigned

goodwill is deductible for tax purposes. The amount assigned to other intangible assets included $29.3 for customer relationships, $3.7 for a trademark, and $.1 for software, subject to amortization over weighted-average amortization periods of 13 years, 15 years, and 3 years, respectively.

Fiscal 2004

On December 3, 2003, the Company completed the purchase of 100 percent of the stock of Value Added Bakery Holding Company, also known as Bakery Chef. Bakery Chef is a leading manufacturer of frozen griddle products (pancakes, waffles, and French toast) and pre-baked biscuits and breads. The acquisition provides a platform for increasing Ralcorp's existing access to the foodservice channel and allows entry into the frozen food segment. Bakery Chef is reported in the Frozen Bakery Products segment. For tax purposes, $20.2 of the assigned goodwill is expected to be deductible. The amount assigned to other intangible assets included $69.0 of customer relationships and $6.3 of trademarks, subject to amortization over a 16-year weighted-average amortization period for each class.

On February 27, 2004, the Company purchased the assets of Concept 2 Bakers (C2B), including a bakery located in Fridley, Minnesota. C2B is reported as part of the in-store bakery group in the Frozen Bakery Products segment. The assigned goodwill is deductible for tax purposes.

Pro Forma Information

The following unaudited pro forma information shows Ralcorp's results of operations as if the fiscal 2006 and 2005 business combinations had been completed as of the beginning of each period presented. These pro forma results may not necessarily reflect the actual results of operations that would have been achieved, nor are they necessarily indicative of future results of operations.

	2006	2005
Net sales	$ 1,884.0	$ 1,835.3
Net earnings	68.7	73.0
Basic earnings per share	2.47	2.46
Diluted earnings per share	2.43	2.39

Goodwill

The changes in the carrying amount of goodwill by reportable segment (see Note 19) were as follows:

	Cereals, Crackers & Cookies	Dressings, Syrups, Jellies & Sauces	Snack Nuts & Candy	Frozen Bakery Products	Total
Balance, September 30, 2004	$ 39.1	$ 38.8	$ 54.4	$ 234.8	$ 367.1
Goodwill acquired	45.8	-	-	-	45.8
Purchase price allocation adjustment	-	-	.1	(.5)	(.4)
Balance, September 30, 2005	$ 84.9	$ 38.8	$ 54.5	$ 234.3	$ 412.5
Goodwill acquired	-	-	-	45.2	45.2
Currency translation adjustment	-	-	-	2.3	2.3
Balance, September 30, 2006	$ 84.9	$ 38.8	$ 54.5	$ 281.8	$ 460.0

NOTE 3 – RESTRUCTURING CHARGES

In fiscal 2005, the Company announced plans to close its plant in City of Industry, CA, and transfer much of the production to other facilities within the Dressings, Syrups, Jellies & Sauces segment. This project, which included the termination of 65 employees, was substantially complete by the end of the fiscal year. In addition to employee termination benefits, charges for this project included costs to clean up the facility, a charge to write off remaining inventories, and a $.1 accrual of the remaining lease payment obligations. Additional expenses of $.1 were incurred in fiscal 2006.

In fiscal 2004, the Company closed its plant in Kansas City, KS, terminating 42 employees, and moved production to other facilities within the Dressings, Syrups, Jellies & Sauces segment. In 2005, the carrying amount of the property was written down to management's revised estimate of the amount of net proceeds to be received when sold.

In fiscal 2003, Ralcorp announced its plans to close its in-store bakery (ISB) facility in Kent, WA, now part of the Frozen Bakery Products segment, and transfer production from that facility and two other ISB facilities to a new ISB plant located in Utah. This project, which included the termination of 68 employees, was completed in fiscal 2004. Restructuring costs included Kent operating lease termination costs recorded as a liability when the facility was vacated in 2003. The liability represented the present value of the remaining lease rentals (July 2003 through February 2007), reduced by estimated sublease rentals that could be reasonably obtained for the property. Ralcorp has been unable to sublease a portion of the property and, in fiscal 2004 and 2005, reduced its estimate of future sublease rentals, resulting in additional charges. As of September 30, 2005 and 2004, "Other current liabilities" included $.5 and "Other liabilities" included $.2 related to the remaining net lease obligation.

Other than the lease obligations recorded as described above, there were no restructuring reserves at September 30, 2006 or 2005. The following table details the amounts included in "Restructuring charges" for fiscal 2006, 2005, and 2004, along with the corresponding cumulative charges for these restructuring projects through September 30, 2006. No significant future charges are expected for any of these projects.

	2006	2005	2004	Cumulative
City of Industry - Employee termination benefits	$ -	$ .6	$ -	$ .6
City of Industry - Other associated charges	.1	.6	-	.7
Kansas City - Write-down of property to be sold	-	.6	-	.6
Kansas City - Employee termination benefits	-	-	.4	.4
Kansas City - Other associated charges	-	.4	.2	.6
ISB - Removal and relocation of equipment	-	-	.7	2.0
ISB - Operating lease termination costs	-	.5	.2	1.9
ISB - Write-off of abandoned property	-	-	.9	1.1
ISB - Employee termination benefits	-	-	-	.2
	$ .1	$ 2.7	$ 2.4	$ 8.1

NOTE 4 – LITIGATION SETTLEMENT INCOME

The Company received payments in settlement of legal claims in fiscal 2005 and 2004. Most of these claims related to antitrust litigation. These payments are shown net of related expenses as "Litigation settlement income" on the statements of earnings.

NOTE 5 – INCOME TAXES

The provision for income taxes consisted of the following:

	2006	2005	2004
Current:			
Federal	$ 25.9	$ 31.1	$ 29.8
State	1.9	3.5	3.0
Foreign	(.6)	-	-
	27.2	34.6	32.8
Deferred:			
Federal	1.9	2.3	4.1
State	(1.4)	(.3)	.3
Foreign	2.2	-	-
	2.7	2.0	4.4
Income taxes	29.9	36.6	37.2
Deferred income taxes on equity earnings (federal)	3.8	2.4	.2
Total provision for income taxes	$ 33.7	$ 39.0	$ 37.4

A reconciliation of income taxes with amounts computed at the statutory federal rate follows:

	2006	2005	2004
Computed tax at federal statutory rate (35%)	$ 35.7	$ 38.6	$ 35.9
State income taxes, net of federal tax benefit	.3	2.1	2.1
Domestic production activities deduction	(.9)	-	-
Other, net (none in excess of 5% of computed tax)	(1.4)	(1.7)	(.6)
	$ 33.7	$ 39.0	$ 37.4

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets (liabilities) were as follows:

	September 30, 2006			September 30, 2005		
	Assets	Liabilities	Net	Assets	Liabilities	Net
Current:						
Accrued liabilities	$ 4.7	$ -	$ 4.7	$ 4.7	$ -	$ 4.7
Inventories	.4	-	.4	1.3	-	1.3
Other items	.6	-	.6	.7	-	.7
	5.7	-	5.7	6.7	-	6.7
Noncurrent:						
Property	-	(45.2)	(45.2)	-	(42.8)	(42.8)
Intangible assets	-	(38.5)	(38.5)	-	(32.4)	(32.4)
Equity investment in Vail	-	(27.8)	(27.8)	-	(24.2)	(24.2)
Pension	6.1	-	6.1	18.4	-	18.4
Other postretirement benefits	6.7	-	6.7	6.3	-	6.3
Deferred compensation	8.0	-	8.0	7.3	-	7.3
Insurance reserves	4.6	-	4.6	6.3	-	6.3
State NOL and tax credit carryforwards	2.6	-	2.6	2.0	-	2.0
Other items	4.4	-	4.4	-	(.1)	(.1)
	32.4	(111.5)	(79.1)	40.3	(99.5)	(59.2)
Total deferred taxes	38.1	(111.5)	(73.4)	47.0	(99.5)	(52.5)
Valuation allowance	(2.2)	-	(2.2)	(2.0)	-	(2.0)
Net deferred taxes	$ 35.9	$(111.5)	$ (75.6)	$ 45.0	$ (99.5)	$ (54.5)

As of September 30, 2006, the Company had state operating loss carryforwards totaling approximately $17.4, of which approximately $.1 will expire in 2010 and the remainder will expire in 2016 through 2025. As of September 30, 2006, the Company had state tax credit carryforwards totaling approximately $2.9, of which approximately $2.0 have no expiration date and the remainder will expire in 2015 through 2017. Due to the uncertainty of the realization of certain tax carryforwards (specifically due to a lack of evidence that sufficient taxable income will be generated in certain states), the Company carried a valuation allowance against these carryforward benefits in the amount of $1.9 as of September 30, 2006 ($2.0 as of September 30, 2005), which is management's estimate of the amount of deferred tax assets that are not more likely than not to be realized.

As of September 30, 2006, no provision for income taxes was made for approximately $3.4 of the cumulative undistributed earnings of the Company's Canadian subsidiaries (other than $.3 of Canadian withholding taxes paid). Those earnings are not taxable in Canada (except for the 10% withholding tax required by treaty) and would become taxable in the U.S. only to the extent that they are repatriated in the future. Since the Company considers the undistributed earnings to be permanently invested in Canada, the related deferred tax liability (which is estimated to be between $1.0 and $1.5) has not been recorded and a valuation allowance of $.3 was established in fiscal 2006 against the foreign tax credit for the Canadian withholding taxes paid.

NOTE 6 – EQUITY INVESTMENT IN VAIL RESORTS, INC.

On January 3, 1997, the Company sold its ski resorts holdings (Resort Operations) to Vail Resorts, Inc. (Vail) in exchange for 7,554,406 shares of Vail common stock (NYSE:MTN). At the date of the exchange, the Company's equity interest in the underlying net assets of Vail exceeded the net book value of the net assets contributed by the Company to Vail by $37.5. This excess is being amortized ratably to the investment in Vail over 20 years. The unamortized excess was $19.2 and $21.1 as of September 30, 2006 and 2005, respectively. The amount of retained earnings that represents undistributed earnings of Vail was $26.1 and $19.1 as of September 30, 2006 and 2005, respectively.

On October 5, 2004, the Company entered into a Termination Agreement by and among Vail Resorts, Inc., the Company, and Apollo Ski Partners, L.P. In accordance with the Termination Agreement, the parties agreed to terminate the Shareholder Agreement dated as of January 3, 1997, as amended, by and among Vail, the Company, and Apollo, prior to its anticipated termination at the end of October or early November of 2004. Pursuant to the Termination Agreement, the Company's registration rights under the Shareholder Agreement survived for eighteen months from the date of the Termination Agreement (April 2006). The Company now may request that Vail register a portion or all of its shares. In addition, the Company is free to sell some or all of its shares in one or more private sales or through Rule 144 of the 1933 Securities Act.

On March 21, 2006, the Company sold 100,000 of its shares of Vail Resorts for a total of $3.8 million. The shares had a carrying value of $1.2 million, so the transaction resulted in a $2.6 million gain. As of September 30, 2006, 7,454,406 shares of Vail Resorts were still held by the Company but 3,750,100 shares were subject to forward sale contracts, as discussed in Note 7. As of September 30, 2006 and 2005, respectively, the carrying values of the Company's investment in Vail were $97.2 and $87.6 and the corresponding market values were $298.3 and $217.2.

Vail's fiscal year ends July 31, so the Company reports equity earnings on a two-month time lag. The Company's ownership percentages were 19.1% and 20.6% as of July 31, 2006 and 2005, respectively. Presently, two of the Company's directors (Messrs. Stiritz and Micheletto) serve as directors of Vail; however, the Company is not guaranteed representation on Vail's board of directors.

Vail's summarized financial information follows:

	Year Ended July 31, 2006	Year Ended July 31, 2005	Year Ended July 31, 2004
Net revenues	$ 838.9	$ 810.0	$ 726.6
Total operating expenses	733.6	721.7	644.8
Income from operations	$ 105.3	$ 88.3	$ 81.8
Net income (loss)	$ 45.8	$ 23.1	$ (6.0)

	July 31, 2006	July 31, 2005
Current assets	$ 326.0	$ 282.9
Noncurrent assets	1,361.7	1,243.0
Total assets	$ 1,687.7	$ 1,525.9
Current liabilities	$ 254.2	$ 224.4
Noncurrent liabilities	758.1	731.3
Minority interest	32.6	29.7
Stockholders' equity	642.8	540.5
Total liabilities and stockholders' equity	$ 1,687.7	$ 1,525.9

NOTE 7 – FORWARD SALE CONTRACTS

During the quarter ended December 31, 2005, Ralcorp entered into a forward sale contract relating to 1.78 million shares of its Vail common stock. Under the contract, at the maturity dates (half on November 21, 2008 and half on November 22, 2010) the Company can deliver a variable number of shares of Vail stock (or cash) to the counterparty. During the quarter ended June 30, 2006, the Company entered into a similar agreement relating to 1.97 million additional shares of its Vail common stock, with maturity dates of November 18, 2009 and November 16, 2011. The calculation of the number of shares ultimately delivered will depend on the price of Vail shares at settlement and includes a price collar. Ralcorp received $50.5 and $60.0, respectively, under the discounted advance payment feature of the contracts. Amortization of the corresponding $11.0 and $15.5 discounts is included in "Interest expense, net" on the statement of earnings. At September 30, 2006, the fair value of the contracts was $124.0, included in "Other Liabilities" on the balance sheet. Because Ralcorp accounts for its investment in Vail Resorts using the equity method, these contracts, which are intended to hedge the future sale of those shares, are not eligible for hedge accounting. Therefore, any gains or losses on the contracts are immediately recognized in earnings.

NOTE 8 – EARNINGS PER SHARE

The following schedule shows common stock options and stock appreciation rights (SARs) which were outstanding and could potentially dilute basic earnings per share in the future but which were not included in the computation of diluted earnings per share for the periods indicated because to do so would have been antidilutive. See Note 18 for more information about outstanding options and SARs.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Fiscal 2006				
Stock options at $34.73 per share	25,701	25,701	25,701	-
Stock options at $35.31 per share	10,281	10,281	10,281	10,281
Stock options at $45.25 per share	161,000	161,000	157,000	152,000
Stock options at $42.00 per share	25,000	25,000	25,000	25,000
Stock options at $48.99 per share	-	-	-	25,000
SARs at $42.00 per share	400,000	400,000	395,000	392,500
SARs at $48.99 per share	-	-	-	435,000
Fiscal 2005				
Stock options at $45.25 per share	-	163,000	163,000	161,000
SARs at $42.00 per share	-	-	-	400,000
Fiscal 2004				
Stock options at $29.85 per share	22,500	-	-	-
Stock options at $32.30 per share	-	394,000	-	-

NOTE 9 – SUPPLEMENTAL EARNINGS STATEMENT AND CASH FLOW INFORMATION

	2006	2005	2004
Repair and maintenance expenses	$ 49.2	$ 46.6	$ 46.1
Advertising and promotion expenses	12.5	12.2	11.3
Research and development expenses	8.4	7.5	7.2
Interest paid	23.2	17.1	9.7
Income taxes paid, net of refunds	29.6	23.7	25.9
Income tax benefit of stock options exercised	4.5	7.2	1.8

NOTE 10 – SUPPLEMENTAL BALANCE SHEET INFORMATION

	September 30, 2006	September 30, 2005
Receivables, net		
Trade	$ 46.4	$ 27.7
Other	20.8	3.4
	67.2	31.1
Allowance for doubtful accounts	(.4)	(.3)
	$ 66.8	$ 30.8
Inventories		
Raw materials and supplies	$ 81.9	$ 79.1
Finished products	117.2	105.4
	199.1	184.5
Allowance for obsolete inventory	(3.1)	(3.0)
	$ 196.0	$ 181.5
Other Current Liabilities		
Compensation	$ 20.3	$ 18.0
Advertising and promotion	15.0	15.8
Dividends payable	.1	.1
Other items	26.1	25.6
	$ 61.5	$ 59.5
Other Liabilities		
Pension	$ 17.8	$ 42.8
Other postretirement benefits	18.2	17.5
Forward sale contracts	124.0	-
Other items	40.2	36.3
	$ 200.2	$ 96.6

NOTE 11 – SALE OF RECEIVABLES

To reduce its long-term debt, on September 24, 2001 the Company entered into an agreement to sell, on an ongoing basis, all of its trade accounts receivable to a wholly owned, bankruptcy-remote subsidiary named Ralcorp Receivables Corporation (RRC). The accounts receivable of the Frozen Bakery Products segment and the recently acquired Medallion business have not been incorporated into the sale agreement and are not currently being sold to RRC. RRC can then sell up to $66.0 of ownership interests in qualifying receivables to a bank commercial paper conduit, which issues commercial paper to investors. Ralcorp continues to service the receivables as agent for RRC and the bank conduit. RRC is a qualifying special purpose entity under FAS 140, and the sale of Ralcorp receivables to RRC is considered a true sale for accounting, tax, and legal purposes. Therefore, the trade receivables sold and the related commercial paper borrowings are not recorded on Ralcorp's consolidated balance sheets. However, the Company's consolidated balance sheets do reflect an investment in RRC that in substance represents a subordinated retained interest in the trade receivables sold. As of September 30, 2006, the outstanding balance of receivables (net of an allowance for doubtful accounts) sold to RRC was $93.3 and the Company elected not to sell any to the conduit, resulting in a subordinated retained interest of $93.3 reflected on the Company's consolidated balance sheet as an "Investment in Ralcorp Receivables Corporation." As of September 30, 2005, net receivables sold to RRC $91.5 and proceeds received were $49.0, resulting in a retained interest of $42.5. Discounts related to the sale of receivables to the conduit totaled $.8 and $1.1 the years ended September 30, 2006 and September 30, 2005 respectively, and are included on the statements of earnings in selling, general and administrative expenses. Unless extended, the agreement will terminate in October 2007.

NOTE 12 – ALLOWANCES FOR DOUBTFUL ACCOUNTS AND OBSOLETE INVENTORY

	2006	2005	2004
Allowance for Doubtful Accounts			
Balance, beginning of year	$ .3	$ .3	$ -
Provision charged to expense	(.7)	1.2	1.5
Write-offs, less recoveries	.5	(1.2)	(1.0)
Acquisitions	-	-	.2
Transfers to Ralcorp Receivables Corporation	.3	-	(.4)
Balance, end of year	$ .4	$ .3	$ .3
Allowance for Obsolete Inventory			
Balance, beginning of year	$ 3.0	$ 2.6	$ 2.5
Provision charged to expense	5.2	5.1	4.0
Write-offs of inventory	(5.6)	(4.8)	(4.0)
Acquisitions	.5	.1	.1
Balance, end of year	$ 3.1	$ 3.0	$ 2.6

NOTE 13 – DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

Fair Values

The carrying amounts reported on the consolidated balance sheets for cash and cash equivalents, receivables and accounts payable approximate fair value because of the short maturities of these financial instruments. The carrying amount of the Company's variable rate long-term debt (see Note 14) approximates fair value because the interest rates are adjusted to market frequently. Based on the discounted amount of future cash flows, using Ralcorp's incremental rate of borrowing for similar debt, the Company's fixed rate debt (which had a carrying amount of $445.0 and $270.0 as of September 30, 2006 and 2005, respectively) had an estimated fair value of $451.9 and $269.5 as of September 30, 2006 and 2005, respectively. The Company's derivative financial instruments, which are used for the purpose of hedging commodity, interest rate, and foreign currency exposures in the normal course of business (see below), or for the purpose of hedging the market risk related to the Company's investment in Vail Resorts (see Note 7), are carried on the consolidated balance sheets at their estimated fair values.

Concentration of Credit Risk

The Company's primary concentration of credit risk is related to certain trade accounts receivable due from several highly leveraged or "at risk" customers. At September 30, 2006 and 2005, the amount of such receivables was immaterial. Consideration was given to the economic status of these customers when determining the appropriate allowance for doubtful accounts and the fair value of the Company's subordinated retained interest in accounts receivable (see Note 11).

Hedging Activities

During fiscal 2006, activities qualifying for hedge accounting consisted of cash flow hedges on ingredient, packaging, and fuel purchases (options, futures, and swaps); variable interest payments (interest rate swap); and receipts of foreign currency-denominated accounts receivable (foreign exchange forwards). Hedge gains (net of hedge losses) totaling $5.1 were deferred into accumulated other comprehensive income, $2.4 of net gains was reclassified into earnings, and net gains of $.3 representing ineffectiveness were recorded in earnings as incurred.

During fiscal 2005, hedging activities consisted of cash flow hedges on ingredient and packaging purchases (options, futures, and swaps) and on variable interest payments (interest rate swap). Hedge gains (net of hedge losses) totaling $2.4 were deferred into accumulated other comprehensive income, $.6 of expense was reclassified into earnings, and net gains of $.4 representing ineffectiveness were recorded in earnings as incurred.

During fiscal 2004, hedging activities consisted only of cash flow hedges on ingredient and packaging purchases. Hedge gains (net of hedge losses) totaling $4.8 were deferred into accumulated other comprehensive income, $11.3 was reclassified into earnings, and $.1 of ineffectiveness was recorded in earnings as incurred.

NOTE 14 - LONG-TERM DEBT

Long-term debt consisted of the following at September 30:

	2006		2005	
	Balance Outstanding	Interest Rate	Balance Outstanding	Interest Rate
Floating Rate Senior Notes, Series A	$ -	n/a	$ 100.0	4.67%
Fixed Rate Senior Notes, Series B	145.0	4.24%	145.0	4.24%
Fixed Rate Senior Notes, Series C	50.0	5.43%	50.0	5.43%
Fixed Rate Senior Notes, Series D	75.0	4.76%	75.0	4.76%
Fixed Rate Senior Notes, Series E	100.0	5.57%	-	n/a
Fixed Rate Senior Notes, Series F	75.0	5.43%	-	n/a
Floating Rate Senior Notes, Series G	50.0	5.85%	-	n/a
Floating Rate Senior Notes, Series H	50.0	5.85%	-	n/a
Industrial Development Revenue Bond	5.6	3.77%	5.6	2.66%
$150 Revolving Credit Agreement	-	n/a	40.0	4.61%
Uncommitted credit arrangements	1.8	6.19%	6.4	4.69%
Other	.2	Various	-	n/a
	$ 552.6		$ 422.0	

On May 22, 2003, the Company issued Floating Rate Senior Notes, Series A, in the amount of $150.0, and on November 22, 2004, $50.0 was repaid. Borrowings under this private placement debt financing incurred interest at a rate of 3-month LIBOR plus 0.85%, adjusted quarterly, with interest payable quarterly in arrears. In December 2004, the interest rate on the remaining $100.0 was effectively fixed at 4.76% through December 2009 with an interest rate swap contract. Under the terms of the swap, the Company pays interest at a 3.91% fixed rate and receives interest at 3-month LIBOR. The interest received offsets the variable portion of interest incurred on the Floating Rate Senior Notes. On February 22, 2006, the balance of Series A was repaid and the swap was applied to Series G and Series H (discussed below).

On December 22, 2003, the Company issued Fixed Rate Senior Notes, Series B, Series C and Series D, totaling $270.0. Series B comprises $145.0 of 4.24% notes due December 2010 with annual amortization of principal beginning December 2006. Series C comprises $50.0 of 5.43% notes with bullet maturity in December 2013. Series D comprises $75.0 of 4.76% notes due December 2013 with annual amortization of principal beginning in December 2007.

On December 21, 2005, the Company issued Fixed Rate Senior Notes, Series E and Series F, totaling $175.0. Series E comprises $100.0 of 5.57% notes due in 2015. Series F consists of $75.0 of 5.43% notes with maturity in 2012.

On February 22, 2006, the Company issued Floating Rate Senior Notes, Series G and Series H, totaling $100.0. The proceeds from this private placement debt were used to repay the Floating Rate Senior Notes, Series A. Borrowings under Series G and Series H incur interest at a rate of 3-month LIBOR plus 0.45%, adjusted quarterly, and mature on February 22, 2011.

The above note agreements are unsecured but contain certain representations, warranties, covenants, and conditions customary to agreements of this nature. The covenants include requirements that “Total Debt” not exceed 3.5 times “Adjusted EBITDA” and that “Consolidated Adjusted Net Worth” remain above a certain minimum amount (each term as defined in the note agreements). However, if the Company elects to pay additional interest, its ratio of “Total Debt” to “Adjusted EBITDA” may exceed the 3.5 to 1.0 limit, but be no greater than 4.0 to 1.0, for a period not to exceed 12 consecutive months. If these covenants are violated and cannot be remedied within the 30 days allowed, the noteholders may choose to declare any outstanding notes to be immediately due and payable.

Through the acquisition of The Red Wing Company, Inc. in 2000, the Company acquired an Industrial Development Revenue Bond in the amount of $5.6, which bears interest at a variable rate and matures on March 31, 2010.

On December 27, 2005, the Company entered into a new $150 Revolving Credit Agreement, replacing the similar agreement established on October 15, 2004. Borrowings under the new agreement incur interest at the Company’s choice of either (1) LIBOR plus the applicable margin rate (currently 0.625%) or (2) the higher of (a)

the federal funds rate plus 0.50% or (b) the prime rate. Such borrowings are unsecured and mature on December 27, 2010. The credit agreement calls for a commitment fee calculated as a percentage (currently 0.09%) of the unused portion, and contains certain representations, warranties, covenants, and conditions customary to credit facilities of this nature. The covenants include requirements that "EBIT" be at least three times "Consolidated Interest Expense", and that "Total Debt" not exceed 3.5 times "Adjusted EBITDA" (each term as defined in the agreement).

The Company has entered into uncommitted credit arrangements with banks that totaled $15.0 as of September 30, 2006. Borrowings under these arrangements typically have terms of less than a week. The amounts outstanding under these arrangements at September 30, 2006 matured October 1, 2006. Based upon management's intent and ability to refinance these amounts on a long-term basis, they were classified as long-term.

As of September 30, 2006, aggregate maturities of long-term debt are as follows: $30.8 in fiscal 2007, $39.7 in fiscal 2008, $39.7 in fiscal 2009, $45.3 in fiscal 2010, $139.7 in fiscal 2011, and $257.2 thereafter. Also as of September 30, 2006, $19.9 in letters of credit and surety bonds were outstanding with various financial institutions, principally related to self-insurance requirements.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company is a party to a number of legal proceedings in various state and federal jurisdictions. These proceedings are in varying stages and many may proceed for protracted periods of time. Some proceedings involve complex questions of fact and law. Additionally, the operations of the Company, like those of similar businesses, are subject to various federal, state, and local laws and regulations intended to protect public health and the environment, including air and water quality and waste handling and disposal.

Pending legal liability, if any, from these proceedings cannot be determined with certainty; however, in the opinion of Company management, based upon the information presently known, the ultimate liability of the Company, if any, arising from the pending legal proceedings, as well as from asserted legal claims and known potential legal claims which are likely to be asserted, taking into account established accruals for estimated liabilities (if any), are not expected to be material to the Company's consolidated financial position, results of operations or cash flows. In addition, while it is difficult to quantify with certainty the potential financial impact of actions regarding expenditures for compliance with regulatory matters, in the opinion of management, based upon the information currently available, the ultimate liability arising from such compliance matters should not be material to the Company's consolidated financial position, results of operations or cash flows.

Additionally, the Company has retained certain potential liabilities associated with divested businesses (its former branded cereal business and ski resort business). Presently, management believes that taking into account applicable liability caps, sharing arrangements with acquiring entities and the known facts and circumstances regarding the retained liabilities, potential liabilities of the divested businesses should not be material to the Company's consolidated financial position, results of operations or cash flows.

Lease Commitments

Future minimum rental payments under noncancelable operating leases in effect as of September 30, 2006 were $8.4, $7.6, $6.5, $5.5, $5.1, and $16.4 for fiscal 2007, 2008, 2009, 2010, 2011, and thereafter, respectively.

Rent expense for all operating leases was $11.2, $11.4, and $11.9 in fiscal 2006, 2005, and 2004, respectively, net of sublease income of $.1, $.8, and $.6 in fiscal 2006, 2005, and 2004, respectively.

Container Supply Agreement

During fiscal 2002, the Company entered into a ten-year agreement to purchase certain containers from a single supplier. It is believed that the agreement was related to the supplier's financing arrangements regarding the container facility. The Company's total purchases under the agreement were $23.7 in fiscal 2006, $15.8 in fiscal 2005, and $14.6 in fiscal 2004. Generally, to avoid a shortfall payment requirement, the Company must purchase approximately 331 million additional containers by the end of the ten-year term. The minimum future payment obligation cannot be determined at this time, but is currently estimated at $2.4.

Other Contingencies

In connection with the sale of the Company's Resort Operations in 1997, Vail assumed the obligation to repay, when due, certain indebtedness of Resort Operations consisting of the following: Series 1990 Sports Facilities Refunding Revenue Bonds in the aggregate principal amount of $19.0, maturing in installments in 2006 and 2008,

bearing an interest rate of 7.75% for bonds maturing in fiscal 2007 and 7.875% for bonds maturing in fiscal 2009; and Series 1991 Sports Facilities Refunding Revenue Bonds in the aggregate principal amount of $1.5, bearing interest at 7.375% and maturing in 2011 (collectively, "Resort Operations Debt"). The Resort Operations Debt is guaranteed by Ralston Purina Company (Ralston). Pursuant to an Agreement and Plan of Reorganization signed when the Company was spun-off from Ralston in 1994, the Company agreed to indemnify Ralston for any liabilities associated with the guarantees. To facilitate the sale of the Company's branded cereal business to General Mills in 1997, General Mills acquired the legal entity originally obligated to so indemnify Ralston. Pursuant to the Reorganization Agreement with General Mills, however, the Company has agreed to indemnify General Mills for any liabilities it may incur with respect to indemnifying Ralston relating to aforementioned guarantees. Presently, management believes there is not a significant likelihood that Vail will default on its repayment obligations with respect to the Resort Operations Debt.

NOTE 16 – PENSION AND OTHER POSTRETIREMENT BENEFITS

The Company sponsors qualified and supplemental noncontributory defined benefit pension plans and other postretirement benefit plans for certain of its employees. The Company uses the fiscal year end as the measurement date for the plans. The following tables provide a reconciliation of the changes in the plans' benefit obligations and fair value of assets over the two-year period ending September 30, 2006, and a statement of the funded status as of September 30 of both years.

	Pension Benefits		Other Benefits	
	2006	**2005**	**2006**	**2005**
Change in benefit obligation				
Benefit obligation at beginning of year	$ 188.0	$ 170.0	$ 30.2	$ 24.3
Service cost	2.4	2.3	.2	.1
Interest cost	10.5	9.6	1.6	1.3
Actuarial (gain) loss	(.5)	13.8	(8.3)	6.0
Curtailment gain	-	(.2)	-	-
Benefit payments	(9.2)	(7.5)	(1.8)	(1.5)
Benefit obligation at end of year	$ 191.2	$ 188.0	$ 21.9	$ 30.2
Change in fair value of plan assets				
Fair value of plan assets at beginning of year	$ 139.6	$ 121.2	$ -	$ -
Actual return on plan assets	13.2	15.3	-	-
Employer contributions	25.6	10.6	1.8	1.5
Benefit payments	(9.2)	(7.5)	(1.8)	(1.5)
Fair value of plan assets at end of year	$ 169.2	$ 139.6	$ -	$ -
Funded status	$ (22.1)	$ (48.4)	$ (21.9)	$ (30.2)
Unrecognized net actuarial loss	53.4	59.4	3.8	12.8
Unrecognized prior service cost	-	-	(.1)	(.1)
Net amount recognized	$ 31.3	$ 11.0	$ (18.2)	$ (17.5)
Amounts recognized				
Accrued benefit liability	$ (17.8)	$ (42.8)	$ (18.2)	$ (17.5)
Accumulated other comprehensive loss	49.1	53.8	-	-
Net amount recognized	$ 31.3	$ 11.0	$ (18.2)	$ (17.5)
Weighted-average assumptions used to determine benefit obligation				
Discount rate	5.95%	5.70%	5.95%	5.70%
Rate of compensation increase	3.50%	3.50%	3.50%	3.50%

For September 30, 2006 measurement purposes, the assumed annual rate of increase in the future per capita cost of covered health care benefits was 8% for 2007, declining gradually to an ultimate rate of 5% for 2010 and beyond. For September 30, 2005 measurement purposes, the assumed annual rate of increase in the future per capita cost of covered health care benefits was 9% for 2006, declining gradually to an ultimate rate of 5% for 2010 and beyond. A 1% change in assumed health care cost trend rates would result in a corresponding change in the accumulated postretirement benefit obligation at September 30, 2006 of approximately $1.6 and in the total service and interest cost components for fiscal 2006 of approximately $.1.

All plans had an accumulated benefit obligation in excess of plan assets. The aggregate accumulated benefit obligation for pension plans was $186.9 at September 30, 2006, and $182.3 at September 30, 2005.

Expected future benefit payments and related federal subsidy receipts (Medicare Part D) in the next ten years are as follows:

	2007	2008	2009	2010	2011	2012-2016
Pension benefits	$ 8.5	$ 8.3	$ 8.8	$ 9.1	$10.4	$63.5
Other benefits	1.5	1.5	1.5	1.6	1.6	8.6
Subsidy receipts	(.1)	(.1)	(.1)	(.2)	(.2)	(.9)

Other than those made as benefit payments in unfunded plans, no contributions are currently expected to be paid to the plans during fiscal 2007.

The following table provides the components of net periodic benefit cost for the plans.

	Pension Benefits			Other Benefits		
	2006	2005	2004	2006	2005	2004
Service cost	$ 2.4	$ 2.3	$ 3.3	$ .2	$ .1	$ .1
Interest cost	10.5	9.6	8.8	1.6	1.3	1.7
Expected return on plan assets	(12.2)	(11.6)	(11.9)	-	-	-
Amortization of:						
Net loss	4.6	2.6	.4	.7	.4	.8
Transition asset	-	(.1)	-	-	-	-
Net periodic benefit cost	$ 5.3	$ 2.8	$ .6	$ 2.5	$ 1.8	$ 2.6
Weighted-average assumptions used to determine net benefit cost						
Discount rate	5.70%	6.00%	6.00%	5.70%	6.00%	6.00%
Rate of compensation increase	3.50%	3.50%	4.75%	3.50%	3.50%	4.75%
Expected return on plan assets	9.00%	9.00%	9.00%	n/a	n/a	n/a

The expected return on pension plan assets was determined based on historical and expected future returns of the various asset classes, using the target allocation. The broad target allocations are 70% equity securities (comprised of 56% U.S. equities and 14% foreign equities) and 30% debt securities. At September 30, 2006, equity securities were 70.9% and debt securities were 29.1% of the fair value of total plan assets, over 99% of which was invested in passive index funds. At September 30, 2005, equity securities were 70.0% and debt securities were 30.0%. The allocation guidelines were established based on the Company's determination of the appropriate risk posture and long-term objectives.

In addition to the defined benefit plans described above, Ralcorp sponsors defined contribution [401(k)] plans under which it makes matching and profit sharing contributions. The costs of these plans were $6.0, $5.9, and $5.3 for the years ended September 30, 2006, 2005, and 2004, respectively. The Company contributed $1.1, $1.0, and $1.0 to multiemployer pension plans in the years ended September 30, 2006, 2005, and 2004, respectively.

NOTE 17 - SHAREHOLDERS' EQUITY

During the last three days of fiscal 2005, the Company repurchased 24,700 shares of its common stock on the open market at a total cost of $1.0, but the trades were not settled until the first three business days of fiscal 2006. Those stock repurchases were not reflected in the Company's financial statements as of and for the year ended September 30, 2005, but were reflected in fiscal 2006.

The Company has not issued any shares of preferred stock. The terms of any series of preferred stock (including but not limited to the dividend rate, voting rights, convertibility into other Company securities, and redemption) may be set by the Company's Board of Directors.

At September 30, 2006, accumulated other comprehensive loss included $31.2 in net minimum pension liability adjustments after taxes, partially offset by a $3.6 net gain on cash flow hedging instruments after taxes and a $3.9 foreign currency translation adjustment after taxes. At September 30, 2005, the respective amounts were $34.6, $1.9, and zero.

On September 23, 2004, the Company's Board of Directors declared a special cash dividend of $1.00 per share payable on October 22, 2004 to shareholders of record as of the close of business on October 8, 2004.

On December 18, 1996, the Company's Board of Directors declared a dividend distribution of one share purchase right (Right) for each outstanding share of the Company's common stock. Each Right entitles a shareholder to purchase from the Company one common share at an exercise price of $30 per share subject to antidilution adjustments. The Rights, however, become exercisable only at the time a person or group acquires, or commences a public tender offer for, 20% or more of the Company's common stock. If an acquiring person or group acquires 20% or more of the Company's common stock, the price will be further adjusted so that each Right (other than those held by the acquiring person or group) would entitle the holder to acquire for the exercise price a number of shares of the Company's common stock found by dividing the then current exercise price by the number of shares of the Company's common stock for which a Right is then exercisable and dividing that amount by 50% of the then current per share market price of the Company's common stock. In the event that the Company merges with, or transfers 50% or more of its assets or earning power to, any person or group after the Rights become exercisable, holders of the Rights may purchase, at the exercise price, common stock of the acquiring entity having a value equal to twice the exercise price. The Rights can be redeemed by the Board of Directors at $.01 per Right only up to the tenth business day after a person or group acquires 20% or more of the Company's common stock. Also, following the acquisition by a person or group of beneficial ownership of at least 20% but less than 50% of the Company's common stock, the Board may exchange the Rights for common stock at a ratio of one share of common stock per Right. The Rights expire on January 31, 2007.

NOTE 18 – STOCK-BASED COMPENSATION PLANS

On January 31, 2002, the Company's shareholders adopted the 2002 Incentive Stock Plan (Plan), which reserves shares to be used for various stock-based compensation awards and replaces the 1997 Incentive Stock Plan. The Plan provides that eligible employees may receive stock option awards and other stock awards payable in whole or part by the issuance of stock. At September 30, 2006, 713,156 shares were available for future awards under the Plan, excluding the potential reduction due to future exercises of stock appreciation rights or to future distributions from deferred compensation plans (discussed herein).

Total compensation cost for share-based payment arrangements recognized as of September 30, 2006 was $5.7, and the related recognized deferred tax benefit was $2.0. As of September 30, 2006, the total compensation cost related to nonvested awards not yet recognized was $18.8, which is expected to be recognized over a weighted average period of 2.1 years.

Stock Options

Changes in nonqualified stock options outstanding are summarized in the following table. Most of the options are exercisable beginning from three to nine years after date of grant and have a maximum term of ten years.

	Shares Under Option	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at September 30, 2005	2,160,089	$ 23.35		
Granted	25,000	48.99		
Exercised	(456,986)	16.22		
Forfeited	(7,598)	37.17		
Outstanding at September 30, 2006	1,720,505	25.56	5.7 years	$ 39.0
Exercisable at September 30, 2006	408,706	19.79	4.3 years	11.6

The fair value of each option was estimated on the date of grant using the Black-Scholes valuation model, which uses assumptions of expected option life (term), expected stock price volatility, risk-free interest rate, and expected dividends. The expected option life, or expected term, is estimated based on the award's vesting period and contractual term, along with historical exercise behavior on similar awards. Expected volatilities are based on historical volatility trends and other factors. The risk-free rate is the interpolated grant date U.S. Treasury rate for a term equal to the expected option life. The weighted average assumptions and fair values for options granted each year were as follows:

	2006	2005	2004
Expected option life	7.70 yrs	5.73 yrs	7.17 yrs
Expected stock price volatility	23.50%	29.07%	34.75%
Risk-free interest rate	4.62%	3.84%	3.72%
Expected dividends	0%	0%	0%
Fair value (per share)	$18.49	$15.25	$14.41

The Company uses treasury shares to settle options exercised. The total intrinsic value of stock options exercised was $12.6, $19.8, and $4.9 in fiscal 2006, 2005, and 2004, respectively.

Stock Appreciation Rights

Information about the Company's stock appreciation rights (SARs) is summarized in the following table. Upon exercise, the SAR holder will receive the number of shares of Ralcorp common stock equal in value to the difference between the exercise price and the fair market value at the date of exercise, less all applicable taxes. No SARs were exercisable at September 30, 2006.

	Stock Appreciation Rights	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at September 30, 2005	400,000	$ 42.00		
Granted	435,000	48.99		
Exercised	(2,500)	42.00		
Forfeited	(5,000)	42.00		
Outstanding at September 30, 2006	827,500	45.67	9.5 years	$ 2.1

The fair value of each SAR was estimated on the date of grant using the Black-Scholes valuation model, as described under the heading "Stock Options" above. The weighted average assumptions and fair values for SARs granted each year were as follows:

	2006	**2005**
Expected term	6.00 yrs	6.00 yrs
Expected stock price volatility	23.50%	22.50%
Risk-free interest rate	4.58%	4.17%
Expected dividends	0%	0%
Fair value (per right)	$16.70	$13.55

The Company uses treasury shares to settle SARs exercised. The total intrinsic value of SARs exercised in fiscal 2006 was less than $.1. No SARs were exercised in previous years.

Restricted Stock Awards

Information about the Company's restricted stock awards (nonvested stock) is summarized in the following table. Approximately 42,000 shares are scheduled to vest in each of fiscal 2011, 2012, and 2013, but would vest immediately in the event of retirement or involuntary termination (other than for cause). The grant date market value of each award is recorded as a reduction of shareholders' equity and amortized on a straight-line basis over the expected vesting period. The total fair value of restricted stock awards that vested during fiscal 2006, 2005, and 2004 was zero, $.2, and zero, respectively.

	Number	**Weighted Average Grant Date Fair Value**
Nonvested at September 30, 2005	142,238	$ 35.40
Granted	8,749	47.71
Vested	-	-
Forfeited	-	-
Nonvested at September 30, 2006	150,987	36.11

Pro Forma Information

Prior to October 1, 2005, the Company recognized stock-based compensation in accordance with APB 25, which required the use of the intrinsic value method. Accordingly, no compensation expense was recognized in prior periods for the stock options granted, since the exercise price was equal to the fair market value of the shares at the grant date. No compensation expense was recognized before October 1, 2005 for the stock appreciation rights granted September 29, 2005 because the stock price at September 30, 2005 was lower than the grant price. Compensation expense was recognized under APB 25 for the cost of restricted stock awards. If the Company had used the fair value method required by FAS 123(R) for all stock-based compensation awards, net earnings and earnings per share would have been reduced as shown in the following table.

	2005	**2004**
Net earnings, as reported	$ 71.4	$ 65.1
Add: Stock-based employee compensation expense included in reported net earnings, net of related tax effects	.4	.1
Deduct: Total stock-based employee compensation expense determined under fair value based method, net of related tax effects	(2.9)	(3.4)
Pro forma net earnings	$ 68.9	$ 61.8
Earnings per share:		
Basic - as reported	$ 2.41	$ 2.22
Basic - pro forma	$ 2.33	$ 2.11
Diluted - as reported	$ 2.34	$ 2.17
Diluted - pro forma	$ 2.26	$ 2.06

Deferred Compensation

The Incentive Stock Plan provides for deferred compensation plans for non-management directors and key employees, as well as an Executive Savings Investment Plan.

Under the Deferred Compensation Plan for Non-Management Directors, any non-management director may elect to defer, within certain limitations, his retainer and fees until retirement or other termination of his directorship. Deferrals may be made in Ralcorp common stock equivalents (Equity Option) or in cash under a number of funds operated by The Vanguard Group Inc. with a variety of investment strategies and objectives (Vanguard Funds). Deferrals in the Equity Option receive a 33 1/3% Company matching contribution that is fully vested. All distributions under this plan are paid in cash.

Under the Deferred Compensation Plan for Key Employees, eligible employees may elect to defer payment of all or a portion of their bonus until some later date. Deferrals may be made in the Equity Option or in the Vanguard Funds. Under this plan, deferrals into the Equity Option are distributed in Ralcorp stock, while deferrals into the Vanguard Funds are distributed in cash.

The Executive Savings Investment Plan allows eligible employees to defer up to 44% of their cash compensation. Once they have reached the legislated maximum annual pre-tax contribution to the Company's Savings Investment Plan [401(k)] or their compensation exceeds the legislated maximum compensation that can be recognized under that plan, they are eligible to defer an additional 2% to 6% of their cash compensation, a portion of which receives a Company matching contribution that vests at a rate of 25% for each year of Company service. Deferrals may be made in the Equity Option or in the Vanguard Funds. Under this plan, deferrals into the Equity Option are distributed in Ralcorp stock, while deferrals into the Vanguard Funds are distributed in cash.

Matching contributions related to these deferred compensation plans resulted in additional compensation expense of approximately $.3, $.2, and $.2 for fiscal 2006, 2005, and 2004, respectively. Market adjustments to the liability and investment related to these plans resulted in pretax expense of $.7, $.7, and $.8 for fiscal 2006, 2005, and 2004, respectively.

NOTE 19 – SEGMENT INFORMATION

The Company's operating segments offer different products and are generally managed separately. These operating segments have been aggregated to present the Company's reportable segments – Cereals, Crackers & Cookies; Frozen Bakery Products; Dressings, Syrups, Jellies & Sauces; and Snack Nuts & Candy. The Company evaluates each segment's performance based on its profit contribution, which is profit or loss from operations before income taxes, interest, certain costs related to restructuring activities, and other unallocated corporate income and expenses.

The accounting policies of the segments are the same as those described in Note 1. The Company's revenues were primarily generated by sales within the United States; foreign sales were immaterial (less than 1% of total net sales). As of September 30, 2006, all of the net carrying value of the Company's long-lived assets were located in the United States except for approximately $36.0 of property located in Canada. There were no material intersegment revenues (less than 1% of total net sales). In fiscal 2006, one customer accounted for $300.3, or approximately 16%, of total net sales. Each of the segments sells products to this major customer.

The table below presents information about reportable segments as of and for the years ended September 30. Note that "Additions to property and intangibles" excludes additions through business acquisitions (see Note 2).

	2006	2005	2004
Net sales			
Ralston Foods	$ 452.3	$ 389.8	$ 348.6
Bremner	325.3	327.4	313.6
Cereals, Crackers & Cookies	777.6	717.2	662.2
Frozen Bakery Products	442.8	334.8	276.5
Dressings, Syrups, Jellies & Sauces	389.2	389.9	388.8
Snack Nuts & Candy	240.6	233.2	230.9
Total	$ 1,850.2	$ 1,675.1	$ 1,558.4
Profit contribution			
Cereals, Crackers & Cookies	$ 77.6	$ 69.1	$ 68.7
Frozen Bakery Products	50.6	49.3	38.4
Dressings, Syrups, Jellies & Sauces	12.2	12.3	11.6
Snack Nuts & Candy	17.2	21.9	20.2
Total segment profit contribution	157.6	152.6	138.9
Interest expense, net	(28.1)	(16.5)	(13.1)
Loss on forward sale contracts	(9.8)	-	-
Gain on sale of securities	2.6	-	-
Restructuring charges	(.1)	(2.7)	(2.4)
Accelerated depreciation	(1.1)	(2.4)	(1.4)
Litigation settlement income	-	1.8	.9
Systems upgrades and conversions	(3.4)	(7.0)	(5.5)
Stock-based compensation expense	(5.7)	(.7)	(.2)
Other unallocated corporate expenses	(20.8)	(21.6)	(15.3)
Earnings before income taxes and equity earnings	$ 91.2	$ 103.5	$ 101.9
Additions to property and intangibles			
Cereals, Crackers & Cookies	$ 26.6	$ 24.8	$ 27.0
Frozen Bakery Products	24.6	12.0	12.1
Dressings, Syrups, Jellies & Sauces	.8	4.7	5.0
Snack Nuts & Candy	3.5	3.7	2.7
Corporate	2.8	11.7	7.0
Total	$ 58.3	$ 56.9	$ 53.8
Depreciation and amortization			
Cereals, Crackers & Cookies	$ 28.0	$ 24.0	$ 21.6
Frozen Bakery Products	21.8	15.1	11.6
Dressings, Syrups, Jellies & Sauces	8.5	8.7	8.8
Snack Nuts & Candy	3.1	2.7	2.4
Corporate	5.4	5.3	3.1
Total	$ 66.8	$ 55.8	$ 47.5
Assets, end of year			
Cereals, Crackers & Cookies	$ 374.6	$ 370.9	$ 265.4
Frozen Bakery Products	600.1	447.2	446.0
Dressings, Syrups, Jellies & Sauces	146.3	150.5	162.9
Snack Nuts & Candy	107.8	114.8	107.0
Total segment assets	1,228.8	1,083.4	981.3
Investment in Ralcorp Receivables Corporation	93.3	42.5	98.0
Investment in Vail Resorts, Inc.	97.2	87.6	80.7
Other unallocated corporate assets	88.2	56.0	61.6
Total	$ 1,507.5	$ 1,269.5	$ 1,221.6

NOTE 20 - QUARTERLY FINANCIAL DATA (UNAUDITED)

The results for any single quarter are not necessarily indicative of the Company's results for any other quarter or the full year. Due to the Company's equity interest in Vail (see Note 6), which typically yields more than the entire year's equity income during the Company's second and third fiscal quarters, net earnings of the Company are seasonal. In addition, certain aspects of the Company's operations (especially in the Snack Nuts & Candy segment, hot cereal portion of the Cereal, Crackers & Cookies segment, and in-store bakery portion of the Frozen Bakery Products segment) are somewhat seasonal with a higher percentage of sales and segment profit contribution expected to be recorded in the first and fourth fiscal quarters. Selected quarterly financial data is shown below. The gain (loss) on forward sale contracts, gain on sale of securities, restructuring charges, and litigation settlement income are unusual or infrequently occurring items and are described in Note 7, Note 6, Note 3, and Note 4, respectively.

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
Fiscal 2006					
Net sales	$ 464.0	$ 438.7	$ 462.4	$ 485.1	$ 1,850.2
Gross profit	85.0	81.7	88.8	97.5	353.0
Gain (loss) on forward sale contracts	.8	(6.2)	3.7	(8.1)	(9.8)
Gain on sale of securities	-	2.6	-	-	2.6
Restructuring charges	-	-	-	(.1)	(.1)
Net earnings	9.7	13.9	30.2	14.5	68.3
Diluted earnings per share	.32	.48	1.12	.53	2.41
Market price per share - high	45.10	40.35	43.00	54.16	54.16
Market price per share - low	38.42	34.30	35.22	39.80	34.30
Fiscal 2005					
Net sales	$ 440.1	$ 386.6	$ 406.5	$ 441.9	$ 1,675.1
Gross profit	88.6	77.1	80.4	89.9	336.0
Restructuring charges	(.1)	-	(1.5)	(1.1)	(2.7)
Litigation settlement income	-	-	1.7	.1	1.8
Net earnings	16.6	17.9	24.0	12.9	71.4
Diluted earnings per share	.55	.59	.79	.42	2.34
Market price per share - high	42.51	48.00	47.91	45.40	48.00
Market price per share - low	34.81	41.40	35.69	39.16	34.81

NOTE 21 – SUBSEQUENT EVENT

On November 10, 2006, the Company completed the acquisition of Cottage Bakery, Inc. for approximately $173 in cash (pending a net asset adjustment and additional acquisition costs). The transaction was financed primarily through borrowings under its existing $150 revolving credit facility. Cottage Bakery, a leading manufacturer of frozen par-baked breads and frozen dough sold in the retail and foodservice channels, operates one manufacturing facility in Lodi, California and employs approximately 690 people. For the year ended June 30, 2006, Cottage Bakery had gross sales of approximately $125 million. The acquired business will be reported within the Frozen Bakery Products segment.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

The Company's management, with the participation of the Company's Co-Chief Executive Officers and its Controller and Chief Accounting Officer, evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of September 30, 2006. Based upon that evaluation, the Co-Chief Executive Officers and the Controller and Chief Accounting Officer have concluded that, as of September 30, 2006, the Company's disclosure controls and procedures were effective to provide reasonable assurance that information that is required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

There were no changes in our internal control over financial reporting during our fourth fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

A Report of Management Responsibilities as well as Management's Report on Internal Control over Financial Reporting, together with the attestation report thereon of PricewaterhouseCoopers LLP, is provided in Item 8 of this report and is incorporated herein by reference.

ITEM 9B. OTHER INFORMATION

On September 28, 2006, the Company granted a Restricted Stock Award (the "Award") to Richard G. Scalise. The terms of the Award are set forth in the 2006 Restricted Stock Award Agreement attached hereto as Exhibit 10.54. The Award consists of 7,500 shares of the Company's Common Stock with one-third of the total shares awarded to be released from restriction on September 28th of each of the years 2012, 2013 and 2014. Vesting of the Award is accelerated upon the death, involuntary termination, normal retirement at or after age 62, or disability of Mr. Scalise, and upon a change of control of the Company.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information regarding directors under the headings "ELECTION OF DIRECTORS," "INFORMATION ABOUT RALCORP'S BOARD OF DIRECTORS," "BOARD GOVERNANCE," and "OTHER MATTERS – Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's Notice of Annual Meeting and Proxy Statement (to be filed) is hereby incorporated by reference. Information regarding Executive Officers of the Company is included under Item 4A of Part I.

ITEM 11. EXECUTIVE COMPENSATION

Information appearing under the headings "EXECUTIVE COMPENSATION," "DIRECTOR COMPENSATION," "EXECUTIVE AGREEMENTS," and "EXECUTIVE BENEFITS" in the Company's Notice of Annual Meeting and Proxy Statement (to be filed) is hereby incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The discussion of the security ownership of certain beneficial owners and management appearing under the headings "STOCK OWNERSHIP INFORMATION" and "EXECUTIVE COMPENSATION – EQUITY COMPENSATION PLAN INFORMATION" in the Company's Notice of Annual Meeting and Proxy Statement (to be filed) is hereby incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Information appearing under the heading "OTHER RELATIONSHIPS INVOLVING DIRECTORS, OFFICERS, OR THEIR ASSOCIATES" of the Company's Notice of Annual Meeting and Proxy Statement (to be filed) is hereby incorporated by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information under the heading "OTHER MATTERS – Fees Paid To PricewaterhouseCoopers LLP" in the Company's Notice of Annual Meeting and Proxy Statement (to be filed) is hereby incorporated by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Documents filed with this report:

1. Financial Statements. The following are filed as a part of this document under Item 8.

   -Management's Report on Internal Control over Financial Reporting
   -Report of Independent Registered Public Accounting Firm
   -Consolidated Statements of Earnings for years ended September 30, 2006, 2005 and 2004
   -Consolidated Balance Sheets at September 30, 2006 and 2005
   -Consolidated Statements of Cash Flows for years ended September 30, 2006, 2005 and 2004
   -Consolidated Statements of Shareholders' Equity for the three years ended September 30, 2006
   -Notes to Consolidated Financial Statements

2. Financial Statement Schedules. None. Schedules not included have been omitted because they are not applicable or the required information is shown in the financial statements or notes thereto. Financial statements of the Registrant's 50% or less owned companies have been omitted because, in the aggregate, they are not significant.

3. Exhibits. See the Exhibit Index that appears at the end of this document and which is incorporated herein. Exhibits 10.11 through 10.54 are management compensation plans or arrangements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, Ralcorp Holdings, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RALCORP HOLDINGS, INC.

By: /s/ KEVIN J. HUNT
Kevin J. Hunt
Co-Chief Executive Officer
and President

/s/ DAVID P. SKARIE
David P. Skarie
Co-Chief Executive Officer
and President

December 13, 2006

KNOW ALL MEN BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints C. G. Huber, Jr. and T. G. Granneman and each of them, his true and lawful attorney-in-fact and agent, with full power of substitution and resolution, for him and in his name, place, and stead, in any and all capacities, to sign any and all amendments to this report, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ KEVIN J. HUNT Kevin J. Hunt	Director and Co-Chief Executive Officer and President (Principal Executive Officer)	December 13, 2006
/s/ DAVID P. SKARIE David P. Skarie	Director and Co-Chief Executive Officer and President (Principal Executive Officer)	December 13, 2006
/s/ THOMAS G. GRANNEMAN Thomas G. Granneman	Corporate Vice President and Controller (Principal Accounting Officer)	December 13, 2006
/s/ DAVID R. BANKS David R. Banks	Director	December 13, 2006
/s/ JACK W. GOODALL Jack W. Goodall	Director	December 13, 2006
/s/ BILL G. ARMSTRONG Bill G. Armstrong	Director	December 13, 2006
/s/ DAVID W. KEMPER David W. Kemper	Director	December 13, 2006
/s/ RICHARD A. LIDDY Richard A. Liddy	Director	December 13, 2006
/s/ JOE R. MICHELETTO Joe R. Micheletto	Director	December 13, 2006
/s/ WILLIAM P. STIRITZ William P. Stiritz	Director	December 13, 2006

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
*3.1	Restated Articles of Incorporation of Ralcorp Holdings, Inc. (Filed as Exhibit 3.1 to the Company's Form 10-Q for the period ended December 31, 1996).
*3.2	Bylaws of Ralcorp Holdings, Inc. (Filed as Exhibit 99.1 to the Company's Form 8-K filed February 8, 2006).
*4.1	Shareholder Protection Rights Agreement (Filed as Exhibit 4.1 to the Company's Registration Statement on Form 10 dated December 27, 1996).
*4.2	First Amendment to Shareholder Rights Protection Plan (Filed as Exhibit 4 to the Company's Form 10-Q for the period ended June 30, 1997).
*10.1	$150,000,000 Credit Agreement among Ralcorp Holdings, Inc., the lenders named therein, and JP Morgan Bank, as Agent, dated as of October 5, 2004 (Filed as Exhibit 99.1 to the Company's Form 8-K dated as of October 21, 2004).
*10.2	Reorganization Agreement dated as of January 31, 1997 by and among Ralcorp Holdings, Inc., New Ralcorp Holdings, Inc., Ralston Foods, Inc., Chex, Inc. and General Mills, Inc. (Filed as Exhibit 10.2 to the Company's Form 10-Q for the period ended December 31, 1997).
*10.3	Receivables Purchase Agreement dated as of September 25, 2001 among Ralcorp Receivables Corporation, Ralcorp Holdings, Inc., Falcon Asset Securitization Corporation and Bank One, N.A. (Filed as Exhibit 10.4 to the Company's Form 10-K for the year ended September 30, 2001).
*10.4	Amendment No. 5 to Receivables Purchase Agreement dated as of September 25, 2001 among Ralcorp Receivables Corporation, Ralcorp Holdings, Inc., Falcon Asset Securitization Corporation and Bank One, N.A. dated October 20, 2005. (Filed as Exhibit 10.4 to the Company's Form 10-K for the year ended September 30, 2005).
*10.5	Amendment No. 6 to Receivables Purchase Agreement dated October 19, 2006 among Ralcorp Holdings, Inc., Ralcorp Receivables Corporation, Falcon Asset Securitization Company LLC, formerly known as Falcon Asset Securitization Corporation and JPMorgan Chase Bank, N.A., successor by merger to Bank One, NA (Filed as Exhibit 10.1 to the Company's Form 8-K filed on October 25, 2006).
*10.6	Agreement and Plan of Merger dated as of August 13, 1996 by and among Ralcorp Holdings, Inc., General Mills, Inc. and General Mills Missouri, Inc. (Filed as Exhibit 2.6 to the Company's Form 10-Q for the period ended December 31, 1996).
*10.7	Stock Purchase Agreement by and among Vail Resorts, Inc., Ralston Foods, Inc. and Ralston Resorts, Inc. dated July 22, 1996 (Filed as Exhibit 10.10 to the Company's Registration Statement on Form 10, dated December 27, 1996).
*10.8	Shareholder Agreement dated as of January 3, 1997 among Vail Resorts, Inc., Ralston Foods, Inc. and Apollo Ski Partners L.P. (Filed as Exhibit 10.9 to the Company's Form 10-Q for the period ended December 31, 1996).
*10.9	First Amendment to Shareholder Agreement dated as of November 1, 1999 among Vail Resorts, Inc., Ralcorp Holdings, Inc. and Apollo Ski Partners LP. (Filed as Exhibit 10.9(a) to the Company's Form 10-K for the year ended September 30, 2000).
*10.10	Termination Agreement by and among Vail Resorts, Inc., Ralcorp Holdings, Inc. and Apollo Ski Partners dated as of October 5, 2004 (Filed as Exhibit 99.1 to the Company's Form 8-K dated October 6, 2004).
*10.11	Incentive Stock Plan (Filed as Exhibit 10.01 to the Company's Registration Statement on Form 10 dated December 27, 1996).
*10.12	Form of 1997 Non-Qualified Stock Option Agreement (Filed as Exhibit 10.01 to the Company's Form 10-Q for the period ended June 30, 1997).

Exhibit Number	Description of Exhibit
*10.13	Form of 1997 Non-Qualified Stock Option Agreement for Non-Management Directors (Filed as Exhibit 10.01 to the Company's Form 10-Q for the period ended June 30, 1997).
*10.14	Form of Amended and Restated Management Continuity Agreement for Corporate Officers (Filed as Exhibit 10.2 to the Company’s Form 10-Q for the period ended March 31, 2006).
*10.15	Form of Management Continuity Agreement for Co-Chief Executive Officers (Filed as Exhibit 10.1 to the Company’s Form 10-Q for the period ended March 31, 2006).
*10.16	Summary of Terms for 1998 Non-Qualified Stock Options (Filed as Exhibit 10.23 to the Company’s Form 10-K for the year ended September 30, 1998).
*10.17	Split Dollar Second to Die Life Insurance Arrangement (Filed as Exhibit 10.07 to the Company's Registration Statement on Form 10 dated December 27, 1996).
*10.18	Change in Control Severance Compensation Plan (Filed as Exhibit 10.06 to the Company’s Registration Statement on Form 10 dated December 27, 1996).
*10.19	Amended and Restated Deferred Compensation Plan for Non-Management Directors (Filed as Exhibit 10.1 to the Company’s Form 10-Q for the period ended June 30, 2006).
*10.20	Amended and Restated Deferred Compensation Plan for Key Employees Effective January 1, 2005. (Filed as Exhibit 10.19 to the Company’s Form 10-K for the year ended September 30, 2005).
*10.21	Executive Health Plan Effective January 1, 2001. (Filed as Exhibit 10.20 to the Company’s Form 10-K for the year ended September 30, 2005).
*10.22	Amended and Restated Executive Long Term Disability Plan Effective October 1, 2005. (Filed as Exhibit 10.21 to the Company’s Form 10-K for the year ended September 30, 2005).
*10.23	Supplemental Retirement Plan (Filed as Exhibit 10.14 to the Company's Registration Statement on Form 10 dated December 27, 1996).
*10.24	Amended and Restated Retired Executive Survivor Benefit Plan Effective October 1, 2005. (Filed as Exhibit 10.23 to the Company’s Form 10-K for the year ended September 30, 2005).
*10.25	Amended and Restated Executive Savings Investment Plan Effective January 1, 2005. (Filed as Exhibit 10.24 to the Company’s Form 10-K for the year ended September 30, 2005).
*10.26	Form of Indemnification Agreement for all Non-Management Directors of the Company (Filed as Exhibit 10.35 to the Company’s Form 10-K for the year ended September 30, 1999).
*10.27	Form of Indemnification Agreement for all Management Directors of the Company (Filed as Exhibit 10.36 to the Company’s Form 10-K for the year ended September 30, 1999).
*10.28	Form of Indemnification Agreement for all Corporate Officers who are not Directors of the Company (Filed as Exhibit 10.37 to the Company’s Form 10-K for the year ended September 30, 1999).
*10.29	Summary of Terms of 1999 Non-Qualified Stock Options (Filed as Exhibit 10.38 to the Company’s Form 10-K for the year ended September 30, 1999).
*10.30	Summary of Terms of 2001 Non-Qualified Stock Options (Filed as Exhibit 10.33 to the Company’s Form 10-K for the year ended September 30, 2001).
*10.31	Form of Non-Qualified Stock Option Agreement dated May 24, 2001 for each non-management Director (Filed as Exhibit 10.34 to the Company’s Form 10-K for the year ended September 30, 2001).
*10.32	Form of Non-Qualified Stock Option Agreement dated September 27, 2001 for each non-management Director (Filed as Exhibit 10.35 to the Company’s Form 10-K for the year ended September 30, 2001).

Exhibit Number	Description of Exhibit
*10.33	Restricted Stock Award Agreement dated May 24, 2001 with William P. Stiritz (Filed as Exhibit 10.36 to the Company's Form 10-K for the year ended September 30, 2001).
*10.34	Ralcorp Holdings, Inc. 2002 Incentive Stock Plan (Filed as Exhibit 10.38 to the Company's Form 10-K for the year ended September 30, 2002).
*10.35	Form of 2004 Long-Term Restricted Stock Award for Corporate Officers (Filed as Exhibit 99.1 to the Company's Form 8-K dated as of September 29, 2004).
*10.36	2002 Restricted Stock Award Agreement with William P. Stiritz granted January 2, 2002 (Filed as Exhibit 10.1 to the Company's Form 10-Q for the period ended March 31, 2002).
*10.37	Form of 2002 Non-Qualified Stock Option Agreement (Filed as Exhibit 10.2 to the Company's Form 10-Q for the period ended March 31, 2002).
*10.38	Form of 2002 Non-Qualified Stock Option Agreement for non-management Directors (Filed as Exhibit 10.41 to the Company's Form 10-K for the year ended September 30, 2002).
*10.39	2003 Restricted Stock Award Agreement with William P. Stiritz (Filed as Exhibit 10.42 to the Company's Form 10-K for the year ended September 30, 2003).
*10.40	Form of 2003 Non-Qualified Stock Option Agreement (Filed as Exhibit 10.42 to the Company's Form 10-K for the year ended September 30, 2003).
*10.41	Form of 2003 Non-Qualified Stock Option Agreement for non-management Directors (Filed as Exhibit 10.42 to the Company's Form 10-K for the year ended September 30, 2003).
*10.42	Restricted Stock Award Agreement dated January 2, 2004 with William P. Stiritz (Filed as Exhibit 10.42 to the Company's Form 10-K for the year ended September 30, 2004).
*10.43	Restricted Stock Award Agreement dated January 2, 2004 with Joe R. Micheletto (Filed as Exhibit 10.43 to the Company's Form 10-K for the year ended September 30, 2004).
*10.44	Form of Non-Qualified Stock Option Agreement dated February 5, 2004 (Filed as Exhibit 10.44 to the Company's Form 10-K for the year ended September 30, 2004).
*10.45	Form of Director Non-Qualified Stock Option Agreement dated September 23, 2004 (Filed as Exhibit 99.1 to the Company's Form 8-K dated September 29, 2004).
*10.46	Form of Non-Qualified Stock Option Agreement dated February 2, 2005 (Filed as Exhibit 10.2 to the Company's Form 10-Q for the period ended March 31, 2005).
*10.47	Restricted Stock Award Agreement dated June 29, 2005 (Filed as Exhibit 10.1 to the Company's Form 10-Q for the period ended June 30, 2005).
*10.48	Form of Director Non-Qualified Stock Option Agreement dated September 29, 2005 (Filed as Exhibit 99.1 to the Company's Form 8-K dated October 5, 2005).
*10.49	Form of Stock Appreciation Rights Agreement dated September 29, 2005. (Filed as Exhibit 10.48 to the Company's Form 10-K for the year ended September 30, 2005).
*10.50	Amended and Restated 2002 Incentive Stock Plan (Filed as Exhibit 10.1 to the Company's Form 10-Q for the period ended March 31, 2005).
*10.51	Restricted Stock Award Agreement dated January 3, 2006 (Filed as Exhibit 99.1 to the Company's Form 8-K dated January 5, 2006).
*10.52	Form of 2006 Non-Qualified Stock Option Agreement dated September 28, 2006 (Filed as Exhibit 99.1 to the Company's Form 8-K filed on October 4, 2006).

Exhibit Number	Description of Exhibit
*10.53	Form of Stock Appreciation Rights – Summary of Terms (Filed as Exhibit 99.1 to the Company's Form 8-K filed on October 4, 2006).
10.54	Restricted Stock Award Agreement dated September 28, 2006 with Richard G. Scalise.
*10.55	Floating Rate Senior Notes, Series A, due May 22, 2010 Note Purchase Agreement (Filed as Exhibit 10.1 to the Company's Form 10-Q for the period ended June 30, 2003).
*10.56	$145,000,000 4.24% Series B Senior Notes due December 22, 2010, First Supplement to Note Purchase Agreements dated as of December 22, 2003 (Filed as Exhibit 10.4 to the Company's Form 10-Q for the period ended December 31, 2003).
*10.57	$50,000,000 5.43% Series C Senior Notes due December 22, 2013, Second Supplement to Note Purchase Agreements dated as of December 22, 2003 (Filed as Exhibit 10.5 to the Company's Form 10-Q for the period ended December 31, 2003).
*10.58	$75,000,000 4.76% Series D Senior Notes due December 22, 2013, Third Supplement to Note Purchase Agreements dated as of December 22, 2003 (Filed as Exhibit 10.6 to the Company's Form 10-Q for the period ended December 31, 2003).
*10.59	First Amendment dated as of December 22, 2005 to Note Purchase Agreements dated as of May 22, 2003 and Series A, B, C, D and E and F Senior Notes (Filed as Exhibit 10.1 to the Company's Form 10-Q for the period ended December 31, 2005).
*10.60	Fourth Supplement to Note Purchase Agreement Senior Notes, Series E dated as of December 21, 2005 (Filed as Exhibit 10.2 to the Company's Form 10-Q for the period ended December 31, 2005).
*10.61	Fifth Supplement to Note Purchase Agreement Senior Notes, Series F dated as of December 21, 2005 (Filed as Exhibit 10.3 to the Company's Form 10-Q for the period ended December 31, 2005).
*10.62	Sixth Supplement to Note Purchase Agreement Senior Notes, Series G dated as of February 22, 2006 (Filed as Exhibit 99.1 to the Company's Form 8-K on February 27, 2006).
*10.63	Seventh Supplement to Note Purchase Agreement Senior Notes, Series H dated as of February 22, 2006 (Filed as Exhibit 99.2 to the Company's Form 8-K on February 27, 2006).
*10.64	Credit Agreement dated as of December 27, 2005. (Filed as Exhibit 10.4 to the Company's Form 10-Q for the period ended December 31, 2005).
21	Subsidiaries of the Company.
23	Consent of PricewaterhouseCoopers LLP.
*24	Power of Attorney (Included under Signatures).
31.1	Certification of Kevin J. Hunt pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated December 13, 2006.
31.2	Certification of David P. Skarie pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated December 13, 2006.
31.3	Certification of Thomas G. Granneman pursuant to Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, dated December 13, 2006.
32	Certification of Kevin J. Hunt, David P. Skarie and Thomas G. Granneman, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, dated December 13, 2006.

* Incorporated by reference

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

I, Kevin J. Hunt, certify that:

1. I have reviewed this annual report on Form 10-K of Ralcorp Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers 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 the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 13, 2006

/s/ KEVIN J. HUNT

Kevin J. Hunt
Co-Chief Executive Officer and President

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

I, David P. Skarie, certify that:

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

Date: December 13, 2006

/s/ DAVID P. SKARIE

David P. Skarie
Co-Chief Executive Officer and President

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

I, Thomas G. Granneman, certify that:

1. I have reviewed this annual report on Form 10-K of Ralcorp Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers 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 the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 13, 2006

/s/ THOMAS G. GRANNEMAN

Thomas G. Granneman
Controller and Chief Accounting Officer

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

In connection with the Annual Report of Ralcorp Holdings, Inc. (the "Company") on Form 10-K for the period ending September 30, 2006, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), we, Kevin J. Hunt and David P. Skarie, Co-Chief Executive Officers of the Company, and I, Thomas G. Granneman, Controller and Chief Accounting Officer, certify, to the best of our knowledge, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ KEVIN J. HUNT	/s/ DAVID P. SKARIE	/s/ THOMAS G. GRANNEMAN
Kevin J. Hunt Co-Chief Executive Officer Ralcorp Holdings, Inc.	David P. Skarie Co-Chief Executive Officer Ralcorp Holdings, Inc.	Thomas G. Granneman Controller and Chief Accounting Officer Ralcorp Holdings, Inc.

Date: December 13, 2006

A signed original of this written statement required by Section 906 has been provided to Ralcorp Holdings, Inc. and will be retained by Ralcorp Holdings, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

RALCORP HOLDINGS, INC.

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

DEAR SHAREHOLDERS:

The 2007 Annual Meeting of Shareholders of Ralcorp Holdings, Inc. will be held at 8:30 a.m. local time, on Thursday, February 8, 2007, at the Bank of America Plaza, 800 Market St., 26th floor, St. Louis, Missouri, 63101 for the following purposes:

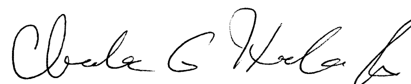
- To elect three directors;
- To approve the Company's 2007 Incentive Stock Plan;
- To ratify the appointment of PricewaterhouseCoopers LLP as the Company's Independent Registered Public Accounting Firm; and
- To transact any other business that may properly be presented at the Annual Meeting.

If you were a shareholder of record at the close of business on December 1, 2006, then you may vote on these matters.

It is important that your shares be represented and voted at the Annual Meeting. Whether you plan to attend the Annual Meeting or not, we encourage you to vote in one of three ways:

- USE THE INTERNET WEBSITE shown on the Proxy Card;
- USE THE TOLL-FREE TELEPHONE NUMBER shown on the Proxy Card; or
- MARK, SIGN, DATE, and PROMPTLY RETURN the Proxy Card in the postage-paid envelope provided.

By Order of the Board of Directors,



Charles G. Huber, Jr.
Secretary

December 13, 2006

RALCORP HOLDINGS, INC.

800 Market Street
St. Louis, MO 63101

PROXY STATEMENT

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RALCORP HOLDINGS, INC.

PROXY STATEMENT FOR THE 2007 ANNUAL MEETING OF SHAREHOLDERS

QUESTIONS AND ANSWERS ABOUT THESE PROXY MATERIALS

Why Am I Receiving These Materials?

The Board of Directors of Ralcorp Holdings, Inc. (''Ralcorp'' or ''Company'') is soliciting proxies to be used at the 2007 Annual Meeting of Shareholders. This Proxy Statement and Proxy Card are being mailed to shareholders on or about December 20, 2006. A copy of Ralcorp's Annual Report on Form 10-K containing financial statements for the fiscal year ended September 30, 2006 has been mailed with this Proxy Statement.

YOUR VOTE IS VERY IMPORTANT AND YOU ARE ENCOURAGED TO VOTE WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING.

Where And When Is The Annual Meeting?

The Annual Meeting will take place at 8:30 a.m. local time, on Thursday, February 8, 2007, at the Bank of America Plaza, 800 Market St., 26th floor, St. Louis, Missouri, 63101.

Who Can Vote?

Record holders of Ralcorp Common Stock on December 1, 2006 may vote at the Annual Meeting. On that date, there were 26,848,352 shares of Ralcorp Common Stock outstanding.

How Do I Vote?

Shares Registered In Your Name:

- **Vote by Internet.** Go to www.computershare.com/expressvote, enter the information requested on your computer screen and follow the instructions provided.
- **Vote by Telephone.** Using a touch-tone telephone, call 1-800-652-VOTE (8683) toll-free and follow the instructions provided.
- **Vote by Mail.** Mark your Proxy Card, sign, date and return it in the postage-paid envelope provided.
- **Vote in Person.** Attend the Annual Meeting and cast your vote there.

To vote by Internet or telephone, you will need your Voter Control Number located above your name on your Proxy Card. Internet and telephone voting are available twenty-four hours a day until midnight on Wednesday, February 7, 2007, the day before the Annual Meeting. **Please do not return your Proxy Card if you vote by Internet or telephone.**

Shares Held By Your Bank Or Broker:

If your Ralcorp Common Stock is held in the name of a bank or broker, you should follow the voting instructions you receive from your bank or broker. If you wish to attend the Annual Meeting and vote your shares, then you will need to bring an account statement or letter from your bank or broker indicating that you were the record holder of your shares as of December 1, 2006.

Shares Held In The Savings Investment Plan:

If you participate in the Company's Savings Investment Plan (SIP) and are the record holder of Ralcorp Common Stock in exactly the same name as you are identified by in the SIP, then you will receive a single Proxy Card to vote all of your shares. If your SIP account is not in exactly the same name as your shares of record, then you will receive one Proxy Card for your SIP shares and one for your record shares.

If you own shares through the SIP and we have not received your vote by 5:00 p.m. eastern standard time on February 5, 2007, then the trustee will vote your shares in the same proportion as the shares that are voted on behalf of the other participants in the SIP. The trustee will also vote unallocated shares of Ralcorp Common Stock held in the SIP in direct proportion to the voting of allocated shares in the SIP as to which voting instructions have been received, unless doing so would be inconsistent with the trustee's duties.

How Many Votes Are Needed?

If a quorum is represented at the Annual Meeting, then the following votes are required:

- **Election of Directors**

A majority of shares entitled to vote and present (in person or by proxy) at the Annual Meeting must be voted **"FOR"** a nominee.

- **Approval of 2007 Incentive Stock Plan**

A majority of shares entitled to vote and present (in person or by proxy) at the Annual Meeting must be voted **"FOR"** the approval of the 2007 Incentive Stock Plan.

- **Ratification of Appointment of Independent Registered Public Accounting Firm**

A majority of shares entitled to vote and present (in person or by proxy) at the Annual Meeting must be voted **"FOR"** the ratification of appointment of independent accountants.

- **Other Matters**

Generally, a majority of the shares entitled to vote and present (in person or by proxy) at the Annual Meeting must be voted **"FOR"** such other matter(s). However, the Company does not know of any other matter that will be presented at this Annual Meeting.

How Can I Change My Vote?

You can change your vote in one of three ways:

- Send in another proxy or vote again electronically after your original vote;
- Notify Ralcorp's Corporate Secretary in writing before the Annual Meeting that you have revoked your proxy; or
- Vote in person at the Annual Meeting.

How Many Votes Do I Have?

You are entitled to cast one vote for each share of Ralcorp Common Stock you own on the record date. A majority of the outstanding shares entitled to vote must be present (in person or by proxy) in order to conduct the election of directors and approve the 2007 Incentive Plan along with other matters in this Proxy Statement. Record holders can check the number of shares they own by contacting Computershare, the Company's Transfer Agent, at 1-877-282-1169 or via the internet at www.computershare.com.

What Constitutes A Quorum?

A majority of the outstanding shares entitled to vote at the Annual Meeting represented in person or by proxy constitutes a quorum.

How Are Votes Counted?

A Proxy Card marked ''withhold'' for a nominee or nominees acts as a vote against such nominee or nominees. A Proxy Card marked ''abstain'' on a matter will be considered to be represented at the Annual Meeting, but not voted for these purposes. Shares registered in the name of a bank, broker, or other ''street name'' agent, for which proxies are voted on some, but not all matters, will be considered to be represented at the Annual Meeting and voted only as to those matters marked on the Proxy Card.

All shares that are properly voted (whether by Internet, telephone, or mail) will be voted at the Annual Meeting in accordance with your instructions. If you sign the Proxy Card but do not give voting instructions, the shares represented by your Proxy Card will be voted as recommended by the Board of Directors.

If any other matters are properly presented at the Annual Meeting, the people named on the Proxy Card will use their discretion to vote on your behalf.

What Does The Board Recommend?

The Board recommends you vote **''FOR''** the three nominees for director, **''FOR''** the approval of the 2007 Incentive Stock Plan and **''FOR''** the ratification of appointment of independent registered public accounting firm.

ELECTION OF DIRECTORS
Item 1 on Proxy Card

Nine members serve on the Board of Directors. The Board is currently divided into three classes, with each class consisting of three members. Directors for each class are elected at the Annual Meeting held in the year in which the term for their class expires. Messrs. Armstrong, Liddy and Stiritz constitute the class whose term expires at the 2007 Annual Meeting.

The Board has nominated Bill G. Armstrong, Richard A. Liddy and William P. Stiritz for election as directors at the Annual Meeting, to serve until the 2010 Annual Meeting.

Each nominee has agreed to serve and the Board does not contemplate that any of the nominees will be unable to stand for election. However, if any nominee becomes unable to serve before the Annual Meeting, then your Proxy Card will be voted for a person that the Board nominates in such nominee's place, unless you have withheld authority to vote for all nominees. There are no family relationships among our directors and corporate officers.

Other directors not up for election this year will continue in office for the remainder of their terms or until their death, resignation or removal. Proxies may not be voted for a greater number of persons than the nominees listed beginning on page 4.

INFORMATION ABOUT RALCORP'S BOARD OF DIRECTORS

Biographical information on Messrs. Armstrong, Liddy and Stiritz, and the directors continuing in office, is set forth below. Directors' ages are as of December 31, 2006.

BILL G. ARMSTRONG—*Standing for election at this meeting for a term expiring 2010*

Age:	58
Director Since:	October 2004
Principal Occupation/ Recent Business Experience:	Mr. Armstrong served as Executive Vice President and Chief Operating Officer of Cargill Animal Nutrition from May 2001 to September 2004 and as Chief Operating Officer of Agribrands International, Inc. from April 1998 to April 2001.
Other Directorships:	Energizer Holdings, Inc.

DAVID R. BANKS—*Continuing in office—Term expiring 2008*

Age:	69
Director Since:	May 2001
Principal Occupation/ Recent Business Experience:	Private equity investor. Mr. Banks served as Chairman of the Board of Beverly Enterprises, Inc. (health care) from May 1989 to December 2001 and as Chief Executive Officer from May 1989 to February 2001.
Other Directorships:	Nationwide Health Properties, Inc.

JACK W. GOODALL—*Continuing in office—Term expiring 2009*

Age:	68
Director Since:	March 1994
Principal Occupation/ Recent Business Experience:	Mr. Goodall served as Chairman of the Board of Jack in the Box Inc. (restaurants) from April 1996 to February 2001.
Other Directorships:	Rubio's Restaurants, Inc.

KEVIN J. HUNT—*Continuing in office—Term expiring 2008*

Age:	55
Director Since:	October 2004
Principal Occupation/ Recent Business Experience:	Mr. Hunt has been Co-Chief Executive Officer and President of Ralcorp Holdings, Inc. since September 2003 and Chief Executive Officer of Bremner Food Group, Inc. since 1995 and of Nutcracker Brands, Inc. since September 2003. Mr. Hunt has been employed with the Company since 1985.

DAVID W. KEMPER—*Continuing in office—Term expiring 2008*

Age:	56
Director Since:	October 1994
Principal Occupation/ Recent Business Experience:	Mr. Kemper has been Chairman, President and Chief Executive Officer of Commerce Bancshares, Inc. (bank holding company) since October 1991.
Other Directorships:	Tower Properties Company

RICHARD A. LIDDY—*Standing for election at this meeting for a term expiring 2010*

Age:	71
Director Since:	February 2001
Principal Occupation/ Recent Business Experience:	Mr. Liddy served as Chairman of the Board of GenAmerica Financial (financial and insurance products) from September 2000 to April 2002. He also served as Chairman of the Board of Reinsurance Group of America from May 1993 to April 2002.
Other Directorships:	Ameren Corporation and Energizer Holdings, Inc.

JOE R. MICHELETTO—*Continuing in office—Term expiring 2009*

Age:	70
Director Since:	January 1994
Principal Occupation/ Recent Business Experience:	Mr. Micheletto has been Vice-Chairman of the Board of Directors of Ralcorp Holdings, Inc. since September 2003. Mr. Micheletto served as Chief Executive Officer and President of Ralcorp Holdings, Inc. from September 1996 to September 2003.
Other Directorships:	Energizer Holdings, Inc. and Vail Resorts, Inc.

DAVID P. SKARIE—*Continuing in office—Term expiring 2009*

Age:	60
Director Since:	October 2004
Principal Occupation/ Recent Business Experience:	Mr. Skarie has been Co-Chief Executive Officer and President of Ralcorp Holdings, Inc. since September 2003 and Chief Executive Officer of The Carriage House Companies, Inc. and Ralston Foods since January 2002. Mr. Skarie has been employed with the Company since 1986.

WILLIAM P. STIRITZ, Chairman of the Board—*Standing for election at this meeting for a term expiring 2010*

Age:	72
Director Since:	January 1994
Principal Occupation/ Recent Business Experience:	Private equity investor. Mr. Stiritz has been Chairman of the Board of Energizer Holdings, Inc. (batteries) since 2000 and served as Chairman of the Energizer Holdings, Inc. Management Strategy and Finance Committee from 2000 to 2005. Mr. Stiritz served as Chairman of the Board of Ralston Purina Company from January 1982 to December 2001. He also served as Chairman of the Board, Chief Executive Officer and President of Agribrands International, Inc. from April 1998 to May 2001.
Other Directorships:	Energizer Holdings, Inc., Federated Department Stores, Inc. and Vail Resorts, Inc.

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE “FOR” MESSRS. ARMSTRONG, LIDDY AND STIRITZ.

STOCK OWNERSHIP INFORMATION

Beneficial Ownership of More than 5% of Ralcorp Common Stock

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	% of Shares Outstanding	Explanatory Notes
Shapiro Capital Management LLC 3060 Peachtree Road, Ste. 1555 N.W. Atlanta, GA 30305	2,552,350	9.65	(a) (b)
Baron Capital Management, Inc. c/o BAMCO, Inc. 767 Fifth Avenue, 49th Floor New York, NY 10153	1,590,850	5.92	(c) (d)

(a) Based on its filings with the Securities and Exchange Commission, Shapiro Capital Management LLC has investment authority with respect to all of the shares, sole voting authority with respect to 2,118,350 shares and shared voting with respect to 434,000 shares.

(b) As reported by the beneficial owner in a filing dated October 6, 2006 with the Securities and Exchange Commission.

(c) Based on its filings with the Securities and Exchange Commission, Baron Capital Management, Inc. has shared investment authority with respect to all of the shares, shared voting authority with respect to 1,465,850 shares and no voting authority with respect to 125,000 shares.

(d) As reported by BAMCO, Inc., the institutional investment manager for Baron Capital Management, Inc., in a filing dated November 14, 2006 with the Securities and Exchange Commission.

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Directors and Executive Officers

The following table shows, as of December 1, 2006, the shares of Ralcorp Common Stock beneficially owned by Ralcorp directors and executive officers. Except as noted, all such persons possess sole voting and investment powers with respect to the shares listed. An asterisk in the column listing the percentage of shares outstanding indicates that the person owns less than 1% of the Common Stock outstanding.

Directors & Executive Officers	Number of Shares(a)	Exercisable Options(b)	Total	% of Shares Outstanding
Bill G. Armstrong	1,000	15,281	16,281	*
David R. Banks	6,000	28,131	34,131	*
Jack W. Goodall	30,900	28,131	59,031	*
David W. Kemper	9,000	28,131	37,131	*
Richard A. Liddy	10,000(c)	28,131	38,131	*
Joe R. Micheletto	257,138	7,570	264,708	*
William P. Stiritz	886,446(d)	225,621	1,112,067	4.1
Kevin J. Hunt	33,405	67,062	100,467	*
David P. Skarie	40,001	71,789	111,790	*
Thomas G. Granneman	14,627	53,601	68,228	*
Richard R. Koulouris	17,125	22,103	39,228	*
Richard G. Scalise	15,000	0	15,000	*
Ron D. Wilkinson	16,842	41,380	58,222	*
All Directors and Executive Officers as a Group (15 people)	1,364,354	646,657	2,011,011	7.5

(a) In addition to shares held directly, the number of shares includes the following:

- Restricted Stock granted to Messrs. Hunt, Skarie, Granneman, Koulouris, Scalise and Wilkinson. The restricted stock awards are subject to forfeiture, a vesting schedule and other restrictions described in footnote 2 to the Summary Compensation Table on page 17. The number for Mr. Stiritz includes 9,987 shares of restricted stock, which become released from restrictions upon his leaving the Board.
- Shares (or share equivalents) held indirectly in the SIP, Executive Savings Investment Plan (Executive SIP) and Deferred Compensation Plan for Key Employees. Shares in the SIP and Executive SIP are held in a separate fund in which participants acquire units. The fund also holds cash and short-term investments. The shares reported for a participant approximate the number of shares in the fund allocable to that participant and fluctuate due to the cash in the fund and the Common Stock's price.

(b) Shares that could be acquired by exercising stock options through January 31, 2007. Options granted to a director become exercisable upon that director's termination, retirement, disability or death.

(c) Shares of Common Stock owned by Mr. Liddy's wife.

(d) Includes 18,333 shares of Common Stock owned by Mr. Stiritz's wife.

BOARD GOVERNANCE

The Board of Directors has adopted categorical independence standards, which are described in the Company's Corporate Governance Guidelines ("Guidelines") that are attached as Appendix B to this Proxy Statement and are available on the Company's website at www.ralcorp.com/corporategovernance.htm or will be provided at no charge upon request sent to the Company's Secretary at PO Box 618, St. Louis, MO 63188-0618, Telephone: 314-877-7046. The Guidelines contain the categorical standards the Board uses to make its determination as to the materiality of the relations of each of its directors. The Board has determined, in its judgement, that Messrs. Armstrong, Banks, Goodall, Kemper, Liddy, and Stiritz are independent directors as defined in the NYSE listing standards and the SEC rules and regulations. The Board and the Corporate Governance and Compensation Committee have determined, in their judgement and based on the criteria in the Guidelines, that the relationship between Mr. Kemper and the Company is immaterial and therefore should not preclude a determination of independence. The nature of this immaterial relationship is described under the heading "Other Relationships Involving Directors, Officers, or Their Associates" on page 24 of this Proxy Statement. We believe the remaining independent directors do not have any relationship with the Company (other than being a director and shareholder), material or immaterial, to report. Messrs. Stiritz and Micheletto serve as directors of Energizer Holdings, Inc. ("Energizer") and Mr. Stiritz is Chairman of the Board of Energizer. The Company, Energizer and Nestle Purina Petcare Company ("Nestle") share in the common ownership of three aircraft. The joint ownership affords the Company the ability to share the acquisition expenses of the aircraft and costs not related to actual trips. Each of the owners incur the cost for their use of the aircraft and a pro rata portion of the fixed costs. In connection with the joint ownership of aircraft, no amounts are paid to Energizer and Energizer pays no amounts to the Company. As such, based on the criteria in the Company's Corporate Governance and Compensation Committee Guidelines, the joint ownership does not preclude Mr. Stiritz from being independent.

The Guidelines also address qualifications for directors. Generally, the Guidelines provide that directors should have the skills, expertise, integrity and knowledge of the industries in which the Company operates, and other qualities, to enhance the long-term interest of shareholders. The Board will evaluate each individual in the context of the entire Board of Directors with the objective of assembling a Board of Directors that will enhance the success of the Company and promote the interests of stockholders. Annually (or more often, if necessary), the Corporate Governance and Compensation Committee reviews the qualifications and backgrounds of the directors and makes recommendations to the Board as to the directors to be nominated for election by the shareholders at the next annual meeting or to be appointed as directors between annual meetings of the shareholders. The Guidelines do not contain any specific limitations on a director's ability to serve on boards or committees, including audit committees, of other organizations.

The Board has determined, in its judgement, that Mr. Banks qualifies as an "audit committee financial expert" as defined by the SEC and that Mr. Banks has accounting and related financial management expertise within the meaning of the NYSE listing standards.

Generally, at each regularly scheduled meeting, the non-management directors meet without the presence of management. The independent directors meet without the presence of management and any non-independent director at least twice each year. When the Board meets without management, Mr. Stiritz, the Company's Chairman, or the Chairman of the Board Committee then in session, act as the presiding director.

Information concerning the standing committees of the Board is provided below.

Audit Committee

The Committee's primary responsibilities are to monitor and oversee (a) the quality and integrity of the Company's financial statements and financial reporting, (b) the independence and qualifications of the Company's independent auditors, (c) the performance of the Company's independent audit, (d) the Company's systems of internal accounting, financial controls and disclosure controls, and (e) the Company's compliance with legal and regulatory requirements, codes of conduct and ethics programs.

The Audit Committee currently consists of five directors. The Board has determined, in its judgement, that the Audit Committee is comprised solely of independent directors as defined in the NYSE listing standards and Rule 10A-3 of the Securities Exchange Act of 1934. The Committee operates under a written charter, adopted by the entire board, which is available on the Company's website at www.ralcorp.com/corporategovernance.htm. The Audit Committee's report is on page 23 of this Proxy Statement.

Corporate Governance and Compensation Committee

The Corporate Governance and Compensation Committee reviews and revises, as necessary, the Company's Corporate Governance Guidelines. Criteria for board membership is described in the Corporate Governance Guidelines attached as Appendix B. The Committee also recommends to the Board nominees for directors and executive officers of the Company. The Committee relies primarily on recommendations from management and members of the Board to identify director nominee candidates. However, the Committee will consider timely written suggestions from shareholders. Such suggestions and the nominees consent to being nominated, together with appropriate biographical information (including principal occupation for the previous 5 years, business and residential addresses, and education background), should be submitted in writing to the Secretary of the Company. Shareholders wishing to suggest a candidate for director nomination for the 2008 Annual Meeting should mail their suggestions to Ralcorp Holdings, Inc., PO Box 618, St. Louis, MO 63188-0618, Attn: Corporate Secretary. Suggestions must be received by the Secretary of the Company no later than August 22, 2007. The Committee also makes recommendations to the Board regarding CEO and other executive compensation and administers the Company's Deferred Compensation and Incentive Stock Plans.

The Committee currently consists of six directors. The Board has determined, in its judgement, that the Corporate Governance and Compensation Committee is comprised solely of independent directors as defined in the NYSE listing standards. The Committee operates under a written charter, adopted by the entire Board, which is available on the Company's website at www.ralcorp.com/corporategovernance.htm. The Corporate Governance and Compensation Committee's report on fiscal year 2006 executive compensation is on pages 21-23 of this Proxy Statement.

Executive Committee

The Executive Committee consists of two directors and may exercise all Board authority in the intervals between Board meetings, to the extent such authority is in compliance with the Corporate Governance Guidelines and does not infringe upon the duties and responsibilities of other Board committees.

Communication with the Board

Shareholders and other parties interested in communicating directly with an individual director or with the non-management directors as a group, may do so by writing to the individual director or group, c/o Ralcorp Holdings, Inc., PO Box 618, St. Louis, Missouri 63188-0618, Attn: Corporate Secretary. The Board has directed that the Company's Secretary forward shareholder communications to the Chairman of the Board and any other director to whom the communications are directed. In order to facilitate an efficient and reliable means for directors to receive all legitimate communications directed to them regarding the governance or operation of the Company, the Secretary will use his discretion to refrain from forwarding the following: sales literature; defamatory material regarding the Company and/or its directors; incoherent or inflammatory correspondence, particularly when such correspondence is repetitive and was addressed previously in some manner; and other correspondence unrelated to the Board's corporate governance and oversight responsibilities.

Director Attendance at Annual Meeting

The Board has directed that the Company schedule, whenever practicable, a Board meeting and any Committee meetings on the same day as the Company's Annual Meeting of Shareholders. The Board's meetings on that day will be convened or adjourned to allow all directors who are physically present for the

meetings to attend the Company's Annual Meeting of Shareholders. The Company's Corporate Governance Guidelines do not require the directors to attend the Annual Meeting. Six members of the Company's Board of Directors attended the 2006 Annual Meeting of Shareholders. Typically, the Company's Annual Meeting is sparsely attended.

Code of Ethics

Our Standards of Business Conduct, applicable to all corporate officers and employees, set forth the Company's expectations for the conduct of business by officers and employees. The directors have adopted, and are required to abide by, the Directors Code of Ethics. Both documents are available on the Company's website at, www.ralcorp.com/corporategovernance.htm. In the event the Company modifies either document or waivers of compliance are granted to officers or directors, the Company will post such modifications or waivers on its website.

BOARD AND COMMITTEE SERVICE SUMMARY

Director	Board	Audit	Corporate Governance & Compensation	Executive	Attended 75% or More of Board & Applicable Committee Meetings
Bill G. Armstrong	X	X	X		X
David R. Banks	X	X*	X		X
Jack W. Goodall	X	X	X*		X
Kevin J. Hunt	X				X
David W. Kemper	X	X	X		X
Richard A. Liddy	X	X	X		X
Joe R. Micheletto	X			X	X
David P. Skarie	X				X
William P. Stiritz	X*		X	X*	X
Meetings Held in FY 2006	7	8	5	8	

* Chair

DIRECTOR COMPENSATION

All non-employee directors receive an annual retainer of $40,000. The Company's Chairman receives a retainer of $70,000. The Chairmen of the Audit Committee and the Corporate Governance and Compensation Committee receive Chairman retainers of $10,000. Directors are paid $1,500 for each regular or special Board meeting, Committee meeting, telephonic meeting and consent to action without a meeting. We also pay the premiums on directors' and officers' liability and travel accident insurance policies insuring Directors. We reimburse Directors for their expenses incurred in connection with Board meetings. On occasion, the Company provides Directors with ski resort accommodations that the Company owns in Colorado. Non-employee directors also receive annual stock-based compensation. All awards vest at the Director's termination, retirement, disability or death.

In addition, certain members of the Board receive the following:

Chairman of the Board

- Restricted stock grant with a fair market value of $50,000 each January.
- Stock option grant of 10,000 shares each September.
- Mr. Stiritz used Company aircraft for personal use. The cost (on a variable basis and including gross-up on income taxes) to the Company for such use was $16,150.10.

Vice-Chairman of the Board

- Through December 31, 2003, Mr. Micheletto received cash compensation, employee benefits and stock-based compensation as an employee of Ralcorp.

- On January 1, 2004, Mr. Micheletto began receiving non-employee director compensation.
- Reimbursement of reasonable office expenses.
- Stock option grant of 2,500 shares each September.

Other Non-Employee Directors

- Initial stock option grant of 10,000 shares for newly elected directors.
- Stock option grant of 2,500 shares each September.

Ralcorp has a Deferred Compensation Plan for Non-Management Directors. Under this plan, any non-employee director may elect to defer, with certain limitations, their retainer and fees until retirement or other termination of his directorship. Deferrals may be made in Common Stock equivalents in an Equity Option or may be made in cash under a number of funds operated by The Vanguard Group Inc. with a variety of investment strategies and objectives. Deferrals in the Equity Option receive a 33⅓% Company matching contribution. The Equity Option mirrors the performance of the Company's Common Stock. Deferrals are paid in cash upon leaving the board in one of three ways: (1) lump sum payout; (2) five-year installments; or (3) ten-year installments. For calendar year 2006, all non-management Directors elected to defer their retainers and fees into the Equity Option. Non-Management Directors will make their deferral elections for calendar year 2007 prior to December 31, 2006.

APPROVAL OF 2007 INCENTIVE STOCK PLAN
Item 2 on Proxy Card

The Company has approximately 500,000 shares of Common Stock remaining for the award of stock-based compensation out of the original authorization of 2,900,000 shares and the authorization under the 2002 Incentive Stock Plan. We estimate the remaining shares available for awards after giving effect to the anticipated issuance of Common Stock under restricted stock awards, stock options, stock appreciation rights and the Company's deferred compensation plan. Item 2 on your proxy card is a proposal by the Company to approve the 2007 Incentive Stock Plan (the ''Plan'') which, in essence, would make additional shares available. The following sets forth the significant features of the proposed Plan.

What is the purpose of the Plan?

The purpose of the Plan is to enhance the profitability and value of the Company for the benefit of its shareholders by providing stock-based awards to attract, retain, compensate and motivate directors, officers and other key employees who make important contributions to the success of the Company and to allow recipients to share in the increases in the value of the Company. The Plan provides for the granting of stock appreciation rights, stock options, restricted stock awards, performance stock and other awards payable in Common Stock to Company directors and employees, including the named executive officers set forth in the compensation table on page 17.

Where can I get a copy of the Plan?

A copy of the proposed Plan is attached in Appendix A to this Proxy Statement.

Who will administer the Plan?

The Plan will be administered by the Corporate Governance and Compensation Committee of the Board of Directors (the ''Committee''), although the Board also has the authority to perform certain administrative functions and to grant awards. Terms and conditions of awards will be set forth in written agreements approved by the Committee.

What Company Stock will be granted?

The Plan provides that 1,500,000 shares of Common Stock will be available for the granting of awards under the Plan. Also, shares remaining for granting awards under the previous plan are available for awards under the Plan. Further, shares underlying existing awards that are not ultimately issued by reason of forfeiture, stock withheld for payment of taxes or otherwise will be available under the Plan. We have granted stock appreciation rights during the past two years. Only a net number of shares of Common Stock are issued upon the exercise of such stock appreciation rights. The 500,000 shares of Common Stock we estimate to be available for future awards under the present plan assumes shares not so issued under stock appreciation rights will be available for future awards. The closing price per share of the Common Stock on December 1, 2006 was $50.51.

Who is eligible to receive awards under the Plan?

Any director or employee of the Company or any of its subsidiaries will be eligible for any award under the Plan if selected by the Board or the Committee. There are approximately seven thousand persons employed by the Company and its subsidiaries. Subject to the provisions of the Plan, the Committee will have full authority and discretion to determine the individuals to whom awards will be granted and the amount and form of such awards. No determination has been made by the Board or the Committee with respect to the specific recipients or the amount or nature of any future awards under the Plan. Shares that may be granted to a single individual by the Committee are limited to 1,000,000.

What type of stock options or stock appreciation rights can be awarded?

Under the Plan, the Committee will be authorized to grant (i) stock options that qualify as ''Incentive Stock Options'' (''ISOs'') under Section 422 of the Internal Revenue Code of 1986, as amended, (the ''Code''), (ii) stock options that do not so qualify, and (iii) stock appreciation rights. Stock options and stock appreciation rights cannot be granted at a price less than the fair market value of the Common Stock at the time of grant. No stock option or stock appreciation right can be exercised more than ten years after the date such option or stock appreciation right is granted. In the case of ISOs, the aggregate fair market value of the Common Stock with respect to which options are exercisable for the first time by any recipient during any calendar year cannot, under present tax rules, exceed $100,000.

Can the Committee grant other stock awards?

The Committee will also be authorized to grant other stock awards including, but not limited to, restricted stock awards and deferrals of an employee's cash bonus or other compensation in the form of stock equivalents under such terms and conditions as the Committee may prescribe. The shares of Common Stock that may be granted pursuant to a restricted stock award will be restricted and will not be able to be sold, pledged, transferred or otherwise disposed of until such restrictions lapse. Shares of Common Stock issued pursuant to a restricted stock award can be issued for no monetary consideration. No more than 750,000 shares of Stock can be granted as restricted stock.

What is the Company's practice for granting stock-based compensation?

Stock options for Directors are granted at the regularly scheduled September meeting of the Board of Directors and the exercise price is set at the closing price of the Company's stock on the date of grant. Stock Appreciation Rights (and in previous years stock options), are granted annually at a regularly scheduled meeting of the Board of Directors in connection with the review of officer compensation. The exercise price is set at the closing price of the Company's stock on the date of grant.

Will shares available under the Plan be granted under any other Company compensation plan?

The Committee has determined that the deferral of cash bonuses and other compensation under the Plan will be made in accordance with the provisions of the Deferred Compensation Plan for Key Employees. Pursuant to that plan, the Committee may, in its discretion, permit an eligible employee to defer

payment of a cash bonus or other cash consideration under the Equity Option of that plan. Upon such deferral, an account in the employee's name will be credited with an appropriate number of stock equivalents. Also, an additional matching deferral may be credited with respect to all employee deferrals in any specific fiscal year. Currently, the Company does not make any matching contributions. Distributions under the Equity Option are made upon the employee's retirement or other termination of employment or at an earlier date as selected in advance by the employee. Upon distribution, the employee will receive shares of Common Stock equal to the number of equivalents in such employee's vested balance account.

Can the Plan be amended?

The Plan provides that it may be amended by the Board, except that no such amendment can increase the number of shares of Common Stock reserved for awards or change the terms of awards granted prior to the amendment without the consent of the recipient.

What happens to awards in the event of changes to the Company's capitalization?

Appropriate adjustments will be made to the number of shares available for awards and the terms of outstanding awards under the Plan to reflect any issuance by the Company of another class of common, preferred, or otherwise targeted stock, any stock split-up, spin-off, issuance of targeted stock, stock dividend, special cash dividend, combination or reclassification with respect to any outstanding series or class of stock of the Company, the consolidation or merger of the Company with any other entity or the sale of all or substantially all of the assets of the Company.

Does the Plan prohibit repricing of stock options or stock appreciation rights?

The Plan prohibits the repricing of stock options and stock appreciation rights other than adjustments referred to in the prior answer.

What are the key accounting consequences of the Plan?

Under the Company's current accounting practices, stock options, stock appreciation rights, and restricted stock expected to vest result in charges against earnings of the Company over their vesting periods based upon their estimated fair value at the time of grant. Outstanding stock options, stock appreciation rights, and restricted stock awards that are dilutive (as calculated according to accounting rules) are included in the calculation of (and reduce) diluted earnings per share. When shares are issued upon grant of restricted stock awards or upon exercise of stock options or stock appreciation rights, the number of shares issued would be added to the total Common Stock outstanding.

Deferrals into the Equity Option under the Deferred Compensation Plan for Key Employees are charged against earnings as the bonus or other consideration is earned, and credited to shareholders' equity. The underlying common stock equivalents are included in the calculation of (and reduce) basic and diluted earnings per share. Upon distribution, the number of shares issued would be added to the total Common Stock outstanding.

Income taxes, taxes payable and deferred taxes are adjusted to reflect the tax consequences of awards issued under the Plan, as described under ''What are the tax consequences of non-qualified stock options and stock appreciation rights?'', ''What are the tax consequences of incentive stock options?'' and ''What are the tax consequences of other stock awards?'' below.

What awards will be received by directors or key employees?

The Committee and the Board have the discretion to grant awards under the Plan and, as noted, no determination has been made as to specific recipients or the amount or nature of future awards to be made under the Plan. However, the following table sets forth awards granted in Fiscal 2006.

Name and Position	Number of Stock Appreciation Rights Granted (#)	Number of Non-Qualified Stock Options Granted (#)	Number of Shares of Restricted Stock Granted (#)
K. J. Hunt, Co-CEO & President	75,000	0	0
D. P. Skarie, Co-CEO & President	75,000	0	0
T. G. Granneman, VP & Controller	22,500	0	0
R. R. Koulouris, VP & President of The Carriage House Companies, Inc.	25,000	0	0
R. G. Scalise, VP & President of Frozen Bakery Products	12,500	0	7,500
R. D. Wilkinson, VP & President of Bremner Food Group, Inc. and Nutcracker Brands, Inc.	25,000	0	0
Remaining Executive Officer Group	45,000	0	0
Non-Management Director Group	0	25,000	1,249
Non-Executive Officer Employee Group	137,500	0	0

What are the tax consequences of non-qualified stock options and stock appreciation rights?

Stock options issued under the Plan, which do not satisfy the requirements of the Code, and stock appreciation rights will have the following tax consequences:

1. the awardee will have ordinary income at the time the award is exercised in an amount equal to the excess of the fair market value of the Common Stock acquired at the date of exercise over the exercised price;

2. the Company will have a deductible expense in an amount equal to the ordinary income of the awardee;

3. no amount other than the price paid upon exercise of the award shall be considered as received by the Company for shares so transferred; and

4. any gain from the subsequent sale of the shares of Common Stock acquired upon exercise for an amount in excess of fair market value on the date the award is exercised will be capital gain and any loss will be capital loss.

What are the tax consequences of incentive stock options?

Stock options to be issued under the Plan as ISOs will satisfy the requirements of Section 422 of the Code. Under the provisions of that Section, the optionee will not be deemed to receive any income at the time an ISO is granted or exercised. If the optionee disposes of the shares of Common Stock acquired more than two years after the grant and one year after the exercise of the ISO, the gain, if any (i.e., the excess of the amount realized for the share over the option price) will be long-term capital gain. If the optionee disposes of the shares acquired on exercise of an ISO within two years after the date of grant or within one year after the exercise of the ISO, the disposition will constitute a "disqualifying disposition" and the optionee will have ordinary income in the year of the disqualifying disposition equal to the fair market value of the stock on the date of exercise minus the option price. The excess of the amount received for the shares over the fair market value at the time of exercise will be short-term capital gain if the shares are disposed of within one year after the ISO is exercised, or long-term capital gain if the shares are disposed of more than one year after the ISO is exercised. If the optionee disposes of the shares in a disqualifying disposition, and such disposition is a sale or exchange which would result in a loss to the optionee, then the amount treated

as ordinary income shall not exceed the excess (if any) of the amount realized on such sale or exchange over the adjusted basis of such shares.

The Company is not entitled to a deduction as a result of the grant or exercise of an ISO. If the optionee has ordinary income as a result of a disqualifying disposition, the Company will have a corresponding deductible expense in an equivalent amount in the taxable year of the Company in which the disqualifying disposition occurs.

The difference between the fair market value of the option at the time of exercise and the option price is a tax preference item for alternative minimum tax purposes. The basis in stock acquired upon exercise of an ISO for alternative minimum tax purposes is increased by the amount of the preference.

What are the tax consequences of other stock awards?

In general, a recipient of other stock awards, including stock equivalents pursuant to the Deferred Compensation Plan for Key Employees, but excluding restricted stock awards (see below), will have ordinary income equal to the fair market value of the Common Stock on the date received in the year in which the award is actually paid. The Company will have a corresponding deductible expense in an amount equal to that reported by the recipient as ordinary income in the same year so reported. The recipient's basis in the stock received will be equal to the fair market value of the Common Stock when received and his or her holding period will begin on that date.

Performance shares and restricted stock awards do not constitute taxable income under existing federal tax law until such time as restrictions lapse with respect to any installment. When any installment of shares are released from restriction, the market value of such shares of Common Stock on the date the restrictions lapse constitutes income to the recipient in that year and is taxable at ordinary income rates.

The Code, however, permits a recipient of a restricted stock award to elect to have the award treated as taxable income in the year of the award and to pay tax at ordinary income tax rates on the fair market value of all of the shares awarded based on the price of the shares on the date the recipient receives a beneficial interest in such shares. The election must be made promptly within the time limits prescribed by the Code and the regulations thereunder. Any appreciation in value thereafter would be taxed at capital gain rates when the restrictions lapse and the stock is subsequently sold. However, should the market value of the stock, at the time the restrictions lapse and the stock is sold, be lower than at the date acquired, the recipient would have a capital loss, to the extent of the difference. In addition, if, after electing to pay tax on the award in the year received, the recipient subsequently forfeits the award for any reason, the tax previously paid is not recoverable. Since the lapse of restrictions on restricted stock awards is accelerated in the event of a change-in-control of the Company, such an acceleration may result in an excess parachute payment, as defined in Section 280G of the Code. In such event, the Company's deduction with respect to such excess parachute payment is denied and the recipient is subject to a nondeductible 20% excise tax on such excess parachute.

When will the Plan expire?

The Committee will be entitled to grant awards under the Plan until February 8, 2017. The Plan will remain effective with respect to all awards granted prior to expiration.

What vote is required to approve the Plan?

The affirmative vote of a majority of the shares entitled to vote and present in person or by proxy is required for approval.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL 2, APPROVAL OF THE 2007 INCENTIVE STOCK PLAN.

RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Item 3 on Proxy Card

The Audit Committee of the Board of Directors has selected PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending September 30, 2007, and the Board of Directors has directed that management submit the appointment of independent accountants for ratification by the shareholders at the Annual Meeting. PricewaterhouseCoopers LLP has served as Ralcorp's independent accountants since 1994. A representative of PricewaterhouseCoopers LLP is expected to be present at the Annual Meeting.

Neither the Company's Bylaws nor other governing documents or law require shareholder ratification of the appointment of PricewaterhouseCoopers LLP as the Company's independent auditors. However, the submission of appointment of PricewaterhouseCoopers LLP to the shareholders for ratification is a matter of good corporate practice. If the shareholders fail to ratify the appointment, the Audit Committee will reconsider whether or not to retain PricewaterhouseCoopers LLP. Even if the appointment is ratified, the Audit Committee in its discretion may direct the appointment of a different independent registered public accounting firm at any time if they determine that such a change would be in the best interests of the Company and its shareholders.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL 3, RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.

EXECUTIVE COMPENSATION

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation: Salary($)	Bonus($)	Other Annual Compensation ($)(1)	Long-Term Compensation Awards: Restricted Stock Award(s) ($)(2)	Securities Underlying Options/ SARs (#)	All Other Compensation ($)(3)
K. J. Hunt	2006	454,004	454,000	951	0	75,000	54,480
Co-CEO &	2005	439,704	432,500	5,370	0	70,000	52,032
President	2004	350,000	348,000	4,756	1,071,000	51,405	34,035
D. P. Skarie	2006	454,004	454,000	1,496	0	75,000	51,756
Co-CEO &	2005	439,704	432,500	3,276	0	70,000	50,532
President	2004	350,000	375,000	1,616	1,071,000	51,405	39,375
T. G. Granneman	2006	215,508	118,500	0	0	22,500	12,702
VP & Controller	2005	207,708	99,000	0	0	20,000	13,082
	2004	166,008	89,600	0	428,400	20,562	7,534
R. R. Koulouris	2006	224,320	110,000	566	0	25,000	15,044
VP & President of	2005	217,260	109,700	0	0	23,000	15,859
The Carriage House Companies, Inc. (4)	2004	189,798	97,500	0	535,500	23,646	15,512
R. G. Scalise	2006	330,372	165,300	0	367,425	12,500	19,489
VP & President of Frozen Bakery Products (5)	2005	86,154	40,000	0	307,275	16,500	1,108
R. D. Wilkinson	2006	253,231	126,500	0	0	25,000	11,395
VP & President of	2005	246,456	139,000	0	0	23,000	11,091
Bremner Food Group, Inc. & Nutcracker Brands, Inc (6)	2004	208,000	126,000	0	535,500	23,646	8,580

(1) Amounts reflect reimbursement for taxes associated with spouse/immediate family accompaniment on business travel. Consistent with applicable regulations, this column does not include perquisites that when aggregated did not exceed the lesser of $50,000 or 10% of any such officer's salary and bonus. All arrangements under which the named executive officers would receive perquisites are described under the heading ''Other Benefit Plans'' located on page 21 of this Proxy Statement.

(2) Restricted stock awards are valued by multiplying the closing market price of the Common Stock on the date of grant by the number of shares awarded. The Company pays dividends on shares of restricted stock at the same rate, if any, as paid to all shareholders. Dividends are held in an account bearing interest at the prime rate until restrictions lapse. The restrictions on the 2004 awards lapse as follows: one-third on September 24 in 2011, 2012 and 2013. The number of shares of restricted stock awarded in 2004 are as follows: Mr. Hunt - 30,000; Mr. Skarie -30,000; Mr. Granneman - 12,000; Mr. Koulouris - 15,000; and Mr. Wilkinson - 15,000. The restriction lapse dates and number of shares of restricted stock awarded to Mr. Scalise are as follows: 2005 - 7,500 with one-third released from restrictions on June 29 in the years 2012, 2013 and 2014; 2006 - 7,500 with one-third released from restrictions on September 28 in the years 2012, 2013 and 2014.

(3) The amounts shown in this column consist of the following Company Matching Contributions or Accruals to the Company's SIP and Executive SIP for fiscal years 2006, 2005 and 2004:

	Fiscal Year 2006	Fiscal Year 2005	Fiscal Year 2004
Mr. Hunt	$54,480	$52,032	$34,035
Mr. Skarie	$51,756	$50,532	$39,375
Mr. Granneman	$12,702	$13,082	$ 7,534
Mr. Koulouris	$15,044	$15,859	$15,512
Mr. Scalise	$19,489	$ 1,108	(5)
Mr. Wilkinson	$11,395	$11,091	$ 8,580

(4) Mr. Koulouris became President of The Carriage House Companies, Inc. on December 1, 2006.

(5) Mr. Scalise joined the Company as a Corporate Officer on June 27, 2005.

(6) Mr. Wilkinson became President of Bremner Food Group, Inc. and Nutcracker Brands, Inc. on December 1, 2006.

Below are the approved fiscal year 2007 salaries and bonus targets for the named executive officers:

APPROVED 2007 SALARIES AND BONUS TARGETS

Named Executive Officer	Fiscal Year 2007 Salary ($)	Fiscal Year 2007 Bonus Target (%)
K. J. Hunt	470,000	100
D. P. Skarie	470,000	100
T. G. Granneman	245,000	50
R. R. Koulouris	256,200	50
R. G. Scalise	340,550	50
R. D. Wilkinson	275,000	50

STOCK APPRECIATION RIGHTS GRANTED IN LAST FISCAL YEAR

	Individual Grants				Grant Date Value
Name	Number of SAR's Granted(#)(1)	% of Total Stock Awards Granted to Employees in Fiscal Year(2)	Exercise or Base Price ($/Sh)	Expiration Date	Grant Date Present Value($)(3)
K. J. Hunt	75,000	16	48.99	9/27/16	1,252,695
D. P. Skarie	75,000	16	48.99	9/27/16	1,252,695
T. G. Granneman	22,500	4.9	48.99	9/27/16	375,809
R. R. Koulouris	25,000	5.4	48.99	9/27/16	417,565
R. G. Scalise	12,500	2.7	48.99	9/27/16	208,783
R. D. Wilkinson	25,000	5.4	48.99	9/27/16	417,565

(1) 33⅓% of the total number of SAR's become exercisable on September 28 in the years 2009, 2010 and 2011.

(2) The number of stock awards granted to all employees in fiscal year 2006 was 468,749.

(3) Grant date valuation amounts were determined by application of the Black-Scholes valuation method. Assumptions used were as follows: (i) the expected life of the awards equals 6 years; (ii) the expected share price volatility equals 23.5%; (iii) the risk free interest rate equals 4.58%, the interpolated grant date Treasury rate for a term equal to the expected life of the awards; and (iv) the dividend yield equals 0%.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

Name	Shares Acquired	Value Realized($)	Number of Securities Underlying Unexercised Options at FY-End(#)		Value of Unexercised In-the-Money Options at FY-End($)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
K. J. Hunt	54,026	1,652,823	51,640	242,157	1,450,481	2,460,222
D. P. Skarie	33,591	1,075,590	56,367	242,157	1,578,630	2,460,222
T. G. Granneman	6,225	201,192	43,320	93,906	1,237,503	1,253,944
R. R. Koulouris	6,169	187,044	18,762	81,672	546,360	795,949
R. G. Scalise	0	0	0	29,000	0	102,795
R. D. Wilkinson	21,591	653,290	35,469	107,116	972,268	1,442,015

Equity Compensation Plan Information For Fiscal Year End

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights	(b) Weighted Average of Exercise Price of Outstanding Options and Rights ($)	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column a)
Equity compensation plans approved by security holders	1,771,205(1)	32.09	713,156(2)
Equity compensation plans not approved by security holders	0	0	0
Total	1,771,205		713,156

(1) The number in this column includes 1,720,505 shares of outstanding non-qualified stock options. Also included in this number is a net number of shares of Common Stock that will be issued upon exercise of the 392,500 shares of Common Stock, underlying the 2005 stock appreciation rights awarded. The Company's closing stock price on September 29, 2006 was used to calculate the net number of shares issued. The shares of Common Stock underlying the stock appreciation rights awarded in fiscal 2006 had no value at fiscal year end, therefore are not included in this calculation.

(2) Of this number, the Company has reserved approximately 175,000 shares for issuance under the Company's existing 2005 and 2006 stock appreciation rights awards. In addition, approximately 63,000 shares of this number are reserved for issuance under the Equity Option of the Company's Deferred Compensation Plan for Key Employees. This amount equals the dollar value of previous deferrals of income by executive officers and key employees.

EXECUTIVE AGREEMENTS

The Company has Management Continuity Agreements with the named executive officers and each of the other corporate officers. The agreements provide severance compensation to each corporate officer in the event of the officer's voluntary or involuntary termination after a change-in-control of the Company. The compensation provided would be in the form of a lump sum payment equal to the present value of continuing the executive officer's salary and bonus for a specified period following the executive officer's termination of employment, and the continuation of other executive benefits for the same period. The initial applicable period is three years in the event of an involuntary termination of employment (including a constructive termination), two years in the event of a voluntary termination within six months of a change-in-control and one year (two years for a CEO) in the event of any other voluntary termination of employment within two years following the change of control.

No payments would be made if the executive officer's termination is due to death, disability or normal retirement, or is "for cause", nor would any payments continue beyond the executive officer's normal

retirement date. Contracts governing stock options, stock appreciation rights and restricted stock provide that upon a change-in-control of the Company, any unexercised, unvested, unearned restricted or unpaid shares become 100% vested. The Management Continuity Agreements provide that executives shall be indemnified from any tax under Section 4999 and Section 280G of the Code that is attributable to a parachute payment under the Code and any tax upon the payment of such amounts. In addition, vesting of stock-based incentive compensation awards accelerate upon a change of control.

EXECUTIVE BENEFITS

Retirement Plan

The Ralcorp Retirement Plan may provide pension benefits in the future to the named executive officers. Certain regular U.S. employees having one year of service with the Company or certain Company subsidiaries are eligible to participate in the Retirement Plan. Employees become vested after five years of service. Normal retirement is at age 65; however, employees who work beyond age 65 may continue to accrue benefits.

Annual benefits are computed by multiplying the participant's Final Average Earnings (average of participant's five highest consecutive annual earnings during ten years prior to retirement or earlier termination) by the product of 1.5% times the participant's years of service (to a maximum of 40 years) and by subtracting from that amount up to one half of the participant's primary social security benefit at retirement (with the actual amount of offset determined by age and years of service at retirement).

The following table shows the estimated annual retirement benefits that would be payable from the Retirement Plan to salaried employees, including the named executive officers, assuming age 65 retirement and five-year certain payment option. To the extent an employee's compensation or benefits exceed certain limits imposed by the Internal Revenue Code of 1986, as amended, the table also includes benefits payable from an unfunded supplemental retirement plan. The table reflects benefits prior to the subtraction of social security benefits as described above. Effective December 31, 2003, the Company froze retirement benefits for administrative employees including corporate officers. Consequently, they no longer accrue defined pension benefits.

Pension Plan Table

Remuneration (Final Average Earnings)	Years of Service						
	10	15	20	25	30	35	40
$ 100,000	$ 15,000	$ 22,500	$ 30,000	$ 37,500	$ 45,000	$ 52,500	$ 60,000
$ 200,000	$ 30,000	$ 45,000	$ 60,000	$ 75,000	$ 90,000	$105,000	$120,000
$ 300,000	$ 45,000	$ 67,500	$ 90,000	$112,500	$135,000	$157,500	$180,000
$ 400,000	$ 60,000	$ 90,000	$120,000	$150,000	$180,000	$210,000	$240,000
$ 500,000	$ 75,000	$112,500	$150,000	$187,500	$225,000	$262,500	$300,000
$ 600,000	$ 90,000	$135,000	$180,000	$225,000	$270,000	$315,000	$360,000
$ 700,000	$105,000	$157,500	$210,000	$262,500	$315,000	$367,500	$420,000
$ 800,000	$120,000	$180,000	$240,000	$300,000	$360,000	$420,000	$480,000
$ 900,000	$135,000	$202,500	$270,000	$337,500	$405,000	$472,500	$540,000
$1,000,000	$150,000	$225,000	$300,000	$375,000	$450,000	$525,000	$600,000

For the purpose of calculating retirement benefits, the named executive officers had, as of September 30, 2006, the following years of credited service, calculated to the nearest year: Mr. Hunt—18 years; Mr. Skarie—18 years; Mr. Granneman—7 years; Mr. Koulouris—24 years; and Mr. Wilkinson—8 years. Credited service includes service with Ralston Purina Company, the Company's former parent corporation. Earnings used in calculating benefits under the Retirement Plan and any unfunded supplemental retirement plan previously described are approximately equal to amounts included in the Salary and Bonus column for fiscal 2004 in the Summary Compensation Table on page 17.

Other Benefit Plans

Beneficiaries of eligible retired executive officers will be provided a death benefit in an amount equal to 50% of the earnings recognized under the Company's benefit plans for the executive officer during the last full year of employment. This benefit is not presently insured or funded.

In addition, the Executive Long-Term Disability Plan would provide benefits to its corporate officers, including certain executive officers, in the event they become disabled. The Long-Term Disability Plan, which is available to certain regular employees of the Company and in which officers must participate at their own expense in order to be eligible for the Executive Long-Term Disability Plan, imposes a limit of $10,000 per month (60% of a maximum annual salary of $200,000) on the amount paid to a disabled employee. The Executive Long-Term Disability Plan will provide a supplemental benefit equal to 60% of the difference between the executive officer's previous year's earnings recognized under the Company's benefit plans and $200,000, with appropriate taxes withheld. The supplemental benefit is grossed up for income taxes.

The Company's Executive Health Plan provides eligible employees and their eligible dependents with supplemental health insurance coverage. The Executive Health Plan provides reimbursement for covered out-of-pocket expenses not reimbursed by a Company sponsored health plan.

The Company's corporate officers are entitled to an annual Company-paid physical exam.

Occasionally corporate officers use Company owned condominiums in Colorado for personal use; all income taxes for such use are paid for by the officer.

The Company's corporate officers are eligible to receive reimbursement for eligible financial planning, tax and estate planning. The first year's allowance is $5,000 ($8,000 for the CEO's) with subsequent annual allowances of $4,000 ($6,000 for CEO's). There is a carryforward maximum of $4,000 ($6,000 for CEO's) if the annual allowance is not used.

The Company maintains a deferred compensation plan, which permits the deferral of all or part of an eligible individual's bonus and up to 50% of their annual salary. Income taxes on the amounts deferred and any investment gains are deferred until distributed. A number of investment funds are available as ''benchmark'' investment options. Amounts contributed continue to grow on a tax-deferred basis until distributed. As with any deferred compensation plan, there are restrictions on deferral and distribution elections as well as potential financial exposure to changes in the Company's financial health.

CORPORATE GOVERNANCE AND COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

The Corporate Governance and Compensation Committee consists entirely of independent directors. It approves direct and indirect compensation of all executive officers, administers and makes awards under the Company's existing Incentive Stock Plan. Stock-based awards such as stock options, restricted stock and stock appreciation rights may be granted under that Plan to officers and other key employees of the Company.

Compensation Philosophy

The Company's executive compensation program is designed to provide total compensation that can attract, retain and motivate key employees. The Committee's intent is to provide overall cash compensation packages that have a greater ''at risk'' element than competitive norms, i.e., salaries below industry medians and performance-based bonuses which may permit recipients to achieve total cash compensation packages exceeding medians. The Committee generally reviews executive officer compensation including salaries, bonuses and any long-term compensation each September near the end of the Company's fiscal year.

Salaries

The Committee establishes the salaries for executive officers based on its assessment of each individual's responsibilities, experience, individual performance and contribution to the Company's performance. The Committee also takes into account compensation data from other companies, length of service in current position and with the Company overall, historical compensation levels at the Company, the competitive environment for attracting and retaining executives, entitlement to employee retirement benefits (pension, 401k, etc.) and the recommendation of Messrs. Hunt and Skarie, (except with respect to their own compensation). The Company attempts to set base salary levels at or below the median level for executives holding positions of similar responsibility and complexity at corporations as reflected in published surveys. In addition, with respect to Messrs. Hunt and Skarie, the Committee considered the Company's financial performance in light of the dramatic cost increases incurred in the first fiscal quarter of 2006 and their leadership in connection with the review of strategic matters. The salaries and other compensation information for the Company's named executive officers are set forth in the Summary Compensation Table on page 17.

Bonuses

On September 28, 2006, the Committee awarded bonuses to all of the named executive officers for the Company's 2006 fiscal year. The amount of each such bonus was based on: the officer's total compensation package including salary, bonus, stock options, and long-term stock-based awards; the financial performance of the officer's business unit relative to the business plan (including such measures as sales volume, revenues, costs, cash flow and operating profit); Company financial performance (including the measures of business unit performance listed above and, in addition, earnings per share); the officer's individual performance (including the quality of strategic plans, organizational and management development, participation in evaluations of potential acquisitions and similar manifestations of individual performance); and the business environment for the officer's business unit. With the exception of their own bonuses, the Committee considered recommendations of Messrs. Hunt and Skarie, which were based on bonus targets (as a percent of salary) set prior to the beginning of the fiscal year.

The Committee identified a bonus target goal equal to a percentage of an executive officer's salary. After reviewing the factors identified above, the Committee approved individual bonuses based on the Committee's subjective judgement and discretion. The bonuses granted were not based on a strict adherence to the target. For the CEO's, the target was 100% and for each named executive officer, the target goal was 50%.

Long-Term Compensation

Long-term compensation currently consists of stock options, restricted stock awards and stock appreciation rights.

- Stock options entitle the recipient to purchase a specified number of shares of the Company's Common Stock after a specified period of time at an option price, which is ordinarily equal to the fair market value of the Common Stock at the time of grant. The Committee ceased granting stock options to officers in 2004.
- Restricted stock awards were granted in 2004 (2005 and 2006 for Mr. Scalise) and provide the awardee with a long-term incentive. The restricted stock awards provide for a one-third vesting in years 2011, 2012 and 2013. Both of Mr. Scalise's restricted stock awards provide for a one-third vesting in years 2012, 2013 and 2014.
- Stock appreciation rights are based on a set number of shares, and upon exercise, they will receive the number of shares equal in value to the difference between the exercise price and the fair market value at the date of exercise, less all applicable taxes.

All stock-based compensation provides executives with an opportunity to buy and maintain an equity interest in the Company while linking the executive's compensation directly to shareholder value since the

executive receives no benefit from the option unless all shareholders have benefited from an appreciation in the value of the Common Stock. In addition, since all stock-based incentive awards ''vest'' serially over a period of time after the date of grant (usually three to six years), they enhance the ability of the Company to retain the executive while encouraging the executive to take a longer-term view on decisions impacting the Company. All stock-based compensation will vest upon a change-in-control, normal retirement, death, disability, or an involuntary termination.

Stock appreciation rights were awarded in September 2006. The amount awarded to each Company officer was recommended by Messrs. Hunt and Skarie after consultation with the Committee's Chairman. With respect to each of Messrs. Hunt and Skarie, the Committee authorized 75,000 stock appreciation rights. Messrs. Hunt and Skarie recommended the amounts awarded to all other officers after consultation with the Committee's Chairman. The awards were designed to link compensation to long-term share price performance. Consequently, the awards do not begin vesting until 2009.

Additional Information

The Committee retained Watson Wyatt as independent advisor to review the recommendations of Messrs. Hunt and Skarie with respect to officer compensation and long-term compensation. The results confirmed that, after giving effect to the 2004 restricted stock awards, total direct compensation (salary, bonus and present value of long-term incentives) for named executive officers was at or above the market median levels. With respect to Messrs. Hunt and Skarie, the analysis compared their total direct compensation against that of the Chief Operating Officer at other companies using published data and an average of the first and second highest paid individuals against a publicly-traded peer group. The peer group was composed of twelve U.S. based publicly-traded food companies with revenue ranging from approximately $422 million to approximately $3.8 billion. The twelve companies were: Lance Inc.; TreeHouse Foods Inc.; Lancaster Colony Corp.; Cott Corporation; Church & Dwight Co. Inc.; UST Inc.; Flowers Foods, Inc.; The J.M. Smucker Company; Corn Products Company; McCormick & Co.; Seaboard Corp.; and Brown-Forman Corp. The approximate cost of Watson Wyatt's services was $9,000.

Deductibility of Certain Executive Compensation

A feature of the Omnibus Budget Reconciliation Act of 1993 sets a limit on deductible compensation of $1,000,000 per person, per year for the Chief Executive Officer and the next four highest-paid executives. While it is the general intention of the Committee to meet the requirements for deductibility, the Committee may, in the exercise of its judgement, approve payment of compensation from time to time that may not be fully deductible. The Committee believes this flexibility will enable it to respond to changing business conditions, or to an executive's exceptional individual performance. The Committee will continue to review and monitor its policy with respect to the deductibility of compensation.

J. W. Goodall—*Chairman*	D. R. Banks	D. W. Kemper
B. G. Armstrong	R. A. Liddy	W. P. Stiritz

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

As noted previously, the Corporate Governance and Compensation Committee is currently composed of Messrs. Armstrong, Banks, Goodall, Liddy, Kemper and Stiritz. There are no relationships involving the members of the Corporate Governance and Compensation Committee or the executive officers of Ralcorp that are required to be disclosed under Item 402 (j) of Regulation S-K.

AUDIT COMMITTEE REPORT

The Board has determined, in its judgement, that the Audit Committee is comprised solely of independent directors as defined in the NYSE listing standards, Rule 10A-3 of the Securities Exchange Act of 1934 and the Company's Corporate Governance Guidelines. The Audit Committee operates under a

written charter, adopted by the entire Board, which is available on the Company's website at www.ralcorp.com/corporategovernance.htm and is attached as Appendix C.

Management is responsible for the Company's internal controls, financial reporting process and compliance with laws and regulations and ethical business standards. PricewaterhouseCoopers LLP, the Company's independent accountants, are responsible for performing an independent audit of the Company's consolidated financial statements in accordance with generally accepted auditing standards and issuing a report thereon. Ernst & Young, LLP, the Company's internal auditor, assists the Audit Committee with its responsibility to monitor and oversee the financial reporting process and internal controls. The Committee discussed with the Company's internal auditors and independent accountants the overall scopes and plans for their respective audits. The Committee met, at least quarterly, with the internal auditors and independent accountants, with and without management present, and discussed the results of their examinations, their evaluations of the Company's internal controls, and the overall quality of the Company's financial reporting.

With respect to the Company's audited financial statements for the Company's fiscal year ended September 30, 2006, management of the Company has represented to the Committee that the financial statements were prepared in accordance with generally accepted accounting principles and the Committee has reviewed and discussed those financial statements with management. The Audit Committee has also discussed with PricewaterhouseCoopers LLP, the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees) as modified or supplemented.

The Audit Committee has received the written disclosures from PricewaterhouseCoopers LLP required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as modified or supplemented, and has discussed the independence of PricewaterhouseCoopers LLP with members of that firm.

Based on the review and discussions referred to above, the Audit Committee recommended to the Company's Board of Directors that the audited consolidated financial statements for the fiscal year ended September 30, 2006, be included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission for that year.

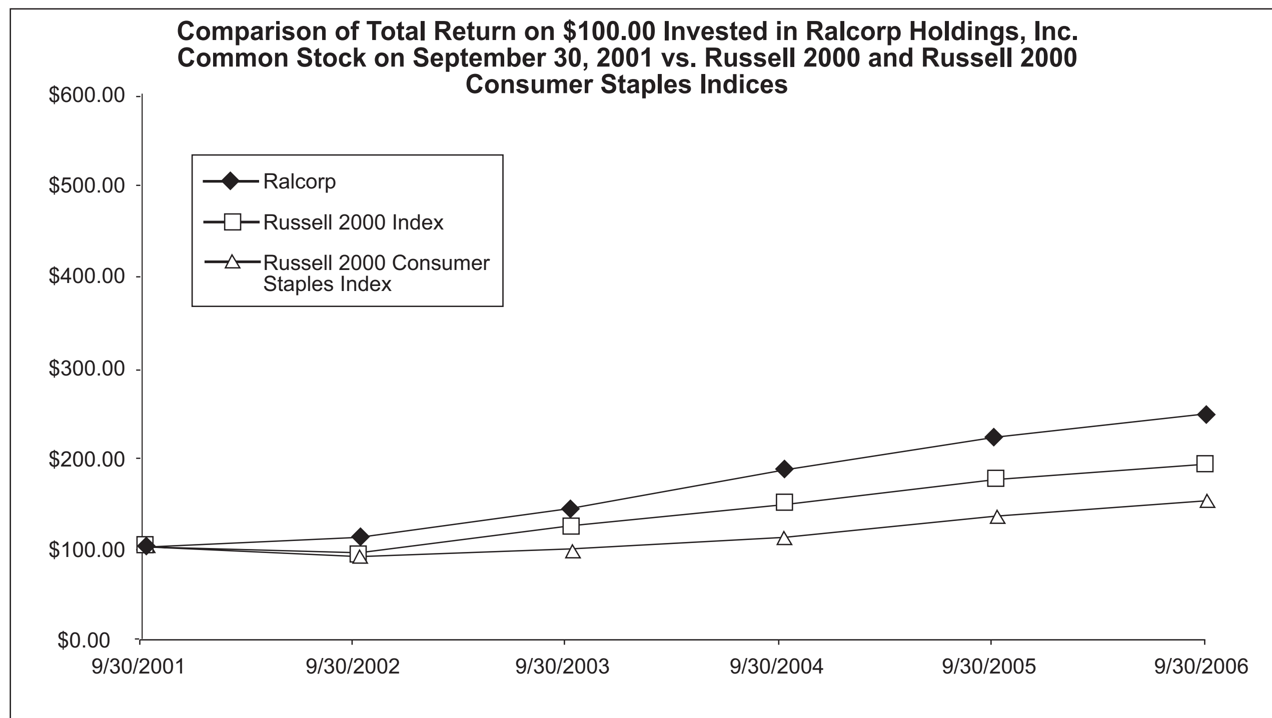
D. R. Banks—*Chairman*
B. G. Armstrong
D. W. Kemper
J. W. Goodall
R. A. Liddy

OTHER RELATIONSHIPS INVOLVING DIRECTORS, OFFICERS, OR THEIR ASSOCIATES

Mr. Kemper is Chairman, President and Chief Executive Officer of Commerce Bancshares, Inc., which is one of eight banks that participate in the Company's committed credit facility. Commerce Bancshares' lending commitment under that facility in Fiscal 2006 was limited to $13 million out of a total syndicate commitment of $150 million. During the fiscal year, the Company paid approximately $115,000 in interest to Commerce Bancshares, Inc. The Company's corporate credit card program (travel & entertainment) was administered through Commerce Bancshares, Inc., until September 18, 2006. There was no charge made to or fee paid by the Company for this service. Instead, the Company was paid a fee (approximately $5,000 was paid in fiscal 2006) for using credit cards administered by Commerce and therefore find the relationship to be immaterial. The Board and the Corporate Governance and Compensation Committee do not believe Mr. Kemper has a material interest in the transactions between the Company and Commerce Bancshares, Inc. These transactions are disclosed on a voluntary basis.

STOCK PERFORMANCE GRAPH

The following performance graph compares the changes, for the period indicated, in the cumulative total value of $100 hypothetically invested in each of (a) Ralcorp Common Stock, (b) the Russell 2000 Index, and (c) the Russell 2000 Consumer Staples Index.



Graph Data Points

	Ralcorp ($)	Russell 2000 Index ($)	Russell 2000 Consumer Staples Index ($)
9/30/2001	100.00	100.00	100.00
9/30/2002	109.30	90.72	90.05
9/30/2003	142.34	123.85	98.50
9/30/2004	185.51	147.14	109.74
9/30/2005	220.55	173.73	134.26
9/30/2006	253.75	191.08	149.92

OTHER MATTERS

Proxy Solicitation

Ralcorp has paid for preparing this Proxy Statement and the Proxy Card. Ralcorp will also pay for the solicitation of proxies. The Company hired Georgeson Shareholder Communications Inc. to assist in the solicitation of proxies for a fee of $9,000 plus expenses. Ralcorp will reimburse banks, brokerage firms and other custodians, nominees and fiduciaries for costs, including postage and handling, reasonably incurred by them in sending proxy materials to the beneficial owners of Ralcorp's Common Stock. In addition to the standard mail, employees of the Company may make proxy solicitations via telephone or personal contact.

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP acted as Ralcorp's independent registered public accounting firm for fiscal year 2006 and has served in that capacity since 1994. The Board, upon the recommendation of the Audit Committee, appointed PricewaterhouseCoopers LLP as independent accountants for the current fiscal year. A representative of that firm will be present at the Annual Meeting, will have an opportunity to make a statement, if they desire, and will be available to respond to appropriate questions.

Fees Paid to PricewaterhouseCoopers LLP

The following fees were paid for audit services rendered in conjunction with reviewing and auditing the Company's fiscal years 2005 and 2006 financial statements, and for other services during those fiscal years:

	FY 2005	FY 2006
Audit Fees (1)	$1,211,935	$1,036,500
Audit-Related Fees (2)	$ 25,300	$ 46,920
Tax Fees	$ 0	$ 0
All Other Fees (3)	$ 1,500	$ 1,500

(1) The ''Audit Fees'' do not include out of pocket expenses in the amount of $76,500 and $60,000 for fiscal years 2005 and 2006, respectively.

(2) The ''Audit-Related Fees'' paid for fiscal year 2005 were for an audit of the employee benefit plans, and for fiscal year 2006 an audit of the employee benefit plans, technical accounting issues relating to the Company's ownership in Vail Resorts, Inc. and the acquisition of Western Waffles.

(3) ''All Other Fees'' was an amount paid for the use of a proprietary accounting research database.

With regard to the fees listed above, the Audit Committee has considered whether the provision by PricewaterhouseCoopers LLP of services other than audit services is compatible with its ability to maintain its independence. Regardless of the size or nature of the other services, if any, to be provided, it is the Audit Committee's policy and practice to approve any services not under the heading ''Audit Fees'' before any such other services are undertaken. The audit performed on behalf of the Company was staffed primarily by full-time, permanent employees of PricewaterhouseCoopers LLP.

Section 16(a) Beneficial Ownership Reporting Compliance

Executive officers and directors of Ralcorp are required under the Securities Exchange Act of 1934 to file reports of ownership and changes in ownership of Ralcorp Common Stock with the Securities and Exchange Commission and the New York Stock Exchange. Copies of those reports must also be furnished to Ralcorp.

Based solely on a review of copies of those reports, other documents furnished to Ralcorp and written representations that no other reports were required, Ralcorp believes that all filing requirements applicable to executive officers and directors have been complied with during the preceding fiscal year except that Richard R. Koulouris filed one report late for a single transaction.

Shareholder Proposals for 2008 Meeting

Under the Company's Bylaws, shareholders who desire to nominate a director or present any other business at an Annual Meeting of Shareholders must follow certain procedures. Generally, to be considered at the 2008 Annual Meeting of Shareholders, a shareholder nomination or proposal not to be included in the Proxy Statement and Notice of Meeting must be received by the Company's Secretary between November 10, 2007, and December 10, 2007. However, if the shareholder desires that the proposal be included in the Company's Proxy Statement and Notice of Meeting for the 2008 Annual Meeting of Shareholders then it must be received by the Secretary of the Company no later than August 23, 2007 and must also comply in all respects with the rules and regulations of the SEC and the laws of the State of Missouri. A copy of the

Bylaws will be furnished to any shareholder without charge upon written request to the Company's Secretary.

Form 10-K and Other Filings

Upon written request and at no charge, the Company will provide a copy of any of its filings with the Securities and Exchange Commission (SEC), including its Annual Report on Form 10-K, with financial statements and schedules for its most recent fiscal year. The Company may impose a reasonable fee for expenses associated with providing copies of separate exhibits to the report when such exhibits are requested. These documents are also available on the Company's website at www.ralcorp.com, and the SEC's website at www.sec.gov.

Householding

SEC rules allow delivery of a single annual report and proxy statement to households at which two or more shareholders reside. Accordingly, shareholders sharing an address who have been previously notified by their broker or its intermediary will receive only one copy of the annual report and proxy statement, unless the shareholder has provided contrary instructions. Individual proxy cards or voting instruction forms (or electronic voting facilities) will, however, continue to be provided for each shareholder account. This procedure, referred to as "householding," reduces the volume of duplicate information received by shareholders, as well as the Company's expenses. Shareholders having multiple accounts may have received householding notifications from their respective brokers and, consequently, such shareholders may receive only one proxy statement and annual report. Shareholders who prefer to receive separate copies of the proxy statement and annual report, either now or in the future, may request to receive separate copies of the proxy statement and annual report by notifying the Company's Secretary. Shareholders currently sharing an address with another shareholder who wish to have only one proxy statement and annual report delivered to the household in the future should also contact the Company's Secretary.

Notices, Requests or Communications with Directors

Any notice or request discussed above, or any communication intended for any member or members of the Company's Board of Directors, should be directed to the Company's Secretary, Ralcorp Holdings, Inc., PO Box 618, St. Louis, Missouri 63188-0618. The Company's Secretary will forward the communication to the designated member or members of the Company's Board of Directors.

We maintain a confidential telephone number and post office box through which you can send concerns regarding accounting matters or business practices. The toll-free number in the U.S. is 1-800-877-7055 or if you prefer, you may write to: Corporate Vice President and Controller, Ralcorp Holdings, Inc., PO Box 618, St. Louis, Missouri 63188-0618.

By Order of the Board of Directors,

Charles G. Huber, Jr.
Secretary

December 13, 2006

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APPENDIX A

RALCORP HOLDINGS, INC.
2007 INCENTIVE STOCK PLAN

Section I. General Provisions

A. Purpose of Plan

The purpose of the Amended and Restated 2007 Ralcorp Incentive Stock Plan (the ''Plan'') is to enhance the profitability and value of the Company for the benefit of its shareholders by providing for stock awards to attract, retain and motivate directors, officers and other key employees who make important contributions to the success of the Company and to allow recipients of awards to share in the increases in the value of the Company.

B. Definitions of Terms as Used in the Plan

1. ''*Affiliate*'' means any subsidiary, whether directly or indirectly owned, or parent of the Company, or any other entity designated by the Committee.
2. ''*Award*'' means a Stock Option or Stock Appreciation Award granted under Section II of the Plan or Other Stock Award granted under Section III of the Plan.
3. ''*Board*'' means the Board of Directors of Ralcorp Holdings, Inc.
4. ''*Committee*'' means the Corporate Governance and Compensation Committee of the Board of Directors of the Company or any successor committee the Board of Directors may designate to administer the Plan.
5. ''*Company*'' means Ralcorp Holdings, Inc.
6. ''*Employee*'' means any person who is employed by the Company or an Affiliate.
7. ''*Fair Market Value*'' of any class or series of Stock means the fair and reasonable value thereof as determined by the Committee according to prices in trades as reported on the New York Stock Exchange-Composite Transactions. If there are no prices so reported or if, in the opinion of the Committee, such reported prices do not represent the fair and reasonable value of the Stock, then the Committee shall determine Fair Market Value by any means it deems reasonable under the circumstances.
8. ''*Stock*'' means the Ralcorp Common Stock $.01 par value or any other authorized class or series of common stock or any such other security outstanding upon the reclassification of any of such classes or series of common stock, including, without limitation, any stock split-up, stock dividend, creation of targeted stock, spin-off or other distributions of stock in respect of stock, or any reverse stock split-up, or recapitalization of the Company or any merger or consolidation of the Company with any Affiliate.

C. Scope of Plan and Eligibility

Any Employee or director selected by the Board or Committee shall be eligible for any Award contemplated under the Plan.

D. Authorization and Reservation

The shares of Stock for which Awards may be granted under the Plan shall be subject to the following:

(a) the shares of Stock with respect to which Awards may be made under the Plan shall be shares currently authorized but unissued or currently held or subsequently acquired by the Company as treasury shares, including shares purchased in the open market or in private transactions;

(b) subject to the following provisions of Paragraph D, the maximum number of shares of stock that may be delivered to participants and their beneficiaries under the Plan shall be equal to the sum of:

(i) 1,500,000 shares of Stock; plus (ii) the number of shares of Stock remaining available for issuance pursuant to Awards under the Company's amended 2002 Incentive Stock Plan, but not subject to outstanding awards as of the effective date of the Plan; plus (iii) any shares of Stock that are forfeited, withheld to pay taxes, expire or are canceled without delivery of shares of Stock or which result in the forfeiture of shares of Stock back to the Company under Awards made under the 2002 Incentive Stock Plan and 1997 Incentive Stock Plan (the ''Prior Plans'');

(c) to the extent any shares of Stock covered by an Award are not delivered to an Award recipient or beneficiary because (i) the Award settled in cash; (ii) the Award expires or is forfeited or canceled or (iii) the shares of Stock under an Award are not delivered because the shares are used to satisfy the applicable tax withholding obligation, such shares shall not be deemed to have been delivered for purpose of determining the maximum number of shares of Stock available for delivery of the Plan and shall be again available for issuance pursuant to Awards;

(d) if the exercise price of any Award granted under the Plan or all Prior Plans is satisfied by tendering shares of Stock to the Company, only the number of shares of Stock issued net of the shares of Stock tendered shall be deemed delivered for purposes of determining the maximum number of shares of Stock available under the Plan; and

(e) the total number of shares of Stock that may be issued to any one participant during the term of Plan shall not exceed 1,000,000 shares of Stock.

E. Administration of the Plan

1. The Committee shall administer the Plan and, in connection therewith, it shall have full power to grant Awards, construe and interpret the Plan, establish rules and regulations and perform all other acts it believes reasonable and proper, including the power to delegate responsibility to others to assist it in administering the Plan.

2. The Committee shall include three or more members of the Board of the Company. Its members shall be appointed by and serve at the pleasure of the Board.

3. The determination of those eligible to receive Awards, and the amount and type of each Award shall rest in the sole discretion of the Committee or the Board, subject to the provisions of the Plan.

Section II. Stock Options and Stock Appreciation Rights

A. Description

The Committee or the Board may grant with respect to any class or series of stock (i) stock options (''Stock Options'') that qualify as ''Incentive Stock Options'' under Section 422 of the Internal Revenue Code of 1986, as amended, and it may grant Stock Options that do not so qualify and (ii) Stock Appreciation Rights (''Stock Appreciation Rights'').

B. Terms and Conditions

1. Each Stock Option and Stock Appreciation Right shall be set forth in a written agreement containing such terms and conditions as the Committee or the Board may determine, subject to the provisions of the Plan.

2. Except as set forth below in this paragraph, the purchase price of any shares exercised under any Stock Option must be paid in full upon such exercise. The payment shall be made in such form, which may be cash or Stock, as the Committee or the Board may determine. The Committee may permit a participant to pay the exercise price upon the exercise of a Stock Option by irrevocably

authorizing a third party to sell shares of Stock (or a sufficient portion of shares) acquired upon exercise of the Stock Option and remit to the Company a sufficient portion of the sale proceeds to pay the entire exercise price and any tax withholding resulting from such exercise.

3. No Incentive Stock Option may be exercised after the expiration of ten (10) years from the date such option is granted.

4. The exercise price of each Stock Option and Stock Appreciation Right shall be established by the Committee or shall be determined by a method established by the Committee at the time the Stock Option is granted. The exercise price shall not be less than 100% of the Fair Market Value of a share of Stock on the date of grant of the Award.

5. In the case of an Incentive Stock Option, the aggregate Fair Market Value (determined as of the time the Stock Option is granted) of the appropriate class or series of Stock with respect to which Stock Options are exercisable for the first time by any Employee during any calendar year (under all such plans of his employer corporation and its parent and subsidiary corporations) shall not exceed $100,000.

6. Except as otherwise provided in Section VI. F., the exercise price of the stock option or stock appreciation right may not be reduced directly or indirectly by cancellation or repricing, without the prior approval of the shareholders of the Company.

Section III. Other Stock Awards

In addition to Stock Options and Stock Appreciation Rights, the Committee or the Board may grant other stock awards payable in any class or series of Stock upon such terms and conditions as the Committee or the Board may determine, subject to the provisions of the Plan (''Other Stock Awards''). Other Stock Awards may include, but are not limited to, the following types of Awards:

1. *Restricted Stock Awards.* The Committee or the Board may grant Restricted Stock Awards, each of which consists of a grant of shares of any class or series of Stock subject to terms and conditions determined by the Committee or the Board in each entity's discretion, subject to the provisions of the Plan. Such terms and conditions shall be set forth in written agreements. The shares of Stock granted will be restricted and may not be sold, pledged, transferred or otherwise disposed of until the lapse or release of restrictions in accordance with the terms of the written award agreement and the Plan. Prior to the lapse or release of restrictions, all shares of Stock are subject to forfeiture in accordance with Section IV of the Plan. Shares of Stock issued pursuant to a Restricted Stock Award can be issued for no monetary consideration. No more than 750,000 shares of Stock available for Awards may be used for the grant of Restricted Stock.

2. *Stock Related Deferred Compensation.* The Committee or the Board may, in its discretion, permit the deferral of payment of an Employee's cash bonus or other cash compensation in the form of either cash or any class or series of Stock (or Stock equivalents, each corresponding to a share of such Stock) under such terms and conditions as the Committee or the Board may prescribe. Payment of such compensation may be deferred for such period or until the occurrence of such event as the Committee or the Board may determine. All deferrals made in any class or series of Stock (or Stock equivalents) shall be paid on distribution in Stock. If a deferral is permitted in the form of Stock or Stock equivalents, the number of shares of Stock or number of Stock equivalents deferred will be determined by dividing the amount of the Employee's bonus or other cash compensation being deferred by the closing price of the appropriate class or series of Stock, as reported by the New York Stock Exchange-Composite Transactions, on the date in question. Deferrals in any class or series of Stock or Stock equivalents cannot be transferred into other investment options. Additional rights or restrictions may apply in the event of a change in control of the Company.

3. *Performance Shares.*

a. The Committee or the Board, in their discretion, may establish one or more performance programs, each with a specified objective or objectives and a specified performance period over which the specified objective is targeted for achievement, and

b. The payment amount (in cash or stock) which a holder of performance shares (''Performance Shares'') shall be entitled to receive if the applicable targeted performance objective is met shall be an amount equal to the Fair Market Value of one share of Stock on the date that the Committee determines that the applicable targeted performance objective is met (following the expiration of the applicable performance period) multiplied by the number of Performance Shares held; and

c. Notwithstanding the provisions of the foregoing paragraph, the Committee or the Board, in their discretion, may establish, at the time it establishes the targeted performance objective, a minimum performance target and may provide for payment on a reduced scale if the targeted performance objective is not achieved but the minimum performance target is met or exceeded. The Committee or the Board may not increase the amount of payment that would otherwise be paid upon attainment of a performance objective.

Section IV. Forfeiture of Awards

A. The Committee or the Board may include in any Award any conditions of forfeiture it may deem appropriate. The Committee or the Board also, after taking into account the relevant circumstances, may waive any condition of forfeiture stated in any Award contract.

B. In the event of forfeiture, the recipient shall lose all rights in and to the Award. Except in the case of Restricted Stock Awards as to which the restrictions have not lapsed, this provision, however, shall not be invoked to force any recipient to return any Stock already received under an Award.

C. Such determinations as may be necessary for application of this section, including any grant of authority to others to make determinations under this section, shall be at the sole discretion of the Committee or the Board, and its determinations shall be conclusive.

Section V. Death of Awardee

Upon the death of an Award recipient, the following rules apply:

A. A Stock Option or Stock Appreciation Right, to the extent exercisable on the date of his death, may be exercised at any time within six (6) months, or such longer period not exceeding three years as the Committee or the Board may determine, after the recipient's death, but not after the expiration of the term of the Stock Option or Stock Appreciation Right, by the recipient's designated beneficiary or personal representative or the person or persons entitled thereto by will or in accordance with the laws of descent and distribution.

B. In the case of any Other Stock Award, the Stock due shall be determined as of the date of the recipient's death, and the Company shall issue the appropriate number of shares of the appropriate class or series of Stock. The issuance of shares of such Stock shall be made to recipient's designated beneficiary or personal representative or the person or persons entitled thereto by will or in accordance with the laws of descent and distribution.

C. An Award recipient may file with the Committee a written designation of a beneficiary or beneficiaries (subject to such limitations as to the classes and number of beneficiaries and contingent beneficiaries as the Committee and the Board may from time to time prescribe) to exercise, in the event of the death of the recipient, a Stock Option, or to receive, in such event, any Other Stock Awards. The Committee and the Board reserve the right to review and approve beneficiary designations. A recipient may from time to time revoke or change any such

designation or beneficiary and any designation of beneficiary under the Plan shall be controlling over any other disposition, testamentary or otherwise; provided, however, that if the Committee or the Board shall be in doubt as to the right of any such beneficiary to exercise any Stock Option or to receive any Other Stock Award, the Committee or the Board, as the case may be, may determine to recognize only an exercise by the legal representative of the recipient, in which case the Company and the Committee and the Board and the members thereof shall not be under any further liability to anyone.

Section VI. Other Governing Provisions

A. Transferability

Except as otherwise noted herein, no Award shall be transferable other than by beneficiary designation, will or the laws of descent and distribution, and any right granted under an Award may be exercised during the lifetime of the holder thereof only by him or by his guardian or legal representative.

B. Rights as a Shareholder

A recipient of an Award shall, unless the terms of the Award provide otherwise, have no rights as a shareholder, with respect to any Stock Option, Stock Appreciation Right, or shares which may be issued in connection with the Award until the issuance of a Stock certificate for such shares. No adjustment other than as stated herein shall be made for dividends or other rights for which the record date is prior to the issuance of such Stock certificate.

C. General Conditions of Awards

No director, Employee or other person shall have any right with respect to this Plan, the shares reserved or in any Award, contingent or otherwise, until written evidence of the Award shall have been delivered to the recipient and all the terms, conditions and provisions of the Plan applicable to such recipient have been met.

D. Reservation of Rights of Company

The selection of an Employee for any Award shall not give such person any right to continue as an Employee and the right to discharge any Employee is specifically reserved.

E. Acceleration

The Committee or the Board may, in its sole discretion, accelerate the date of exercise of any Award.

F. Mandatory Adjustments

In the event of any stock split, reverse stock split, stock dividend, recapitalization, combination of shares, reclassification of shares, spin-off or other similar change in capitalization or event, or any distribution (in cash, shares, or otherwise) to holders of Common Stock other than an ordinary cash dividend, (i) the number and class of securities available under this Plan, (ii) the sub-limit set forth in Section III(1), (iii) the number and class of securities and exercise price per share subject to each outstanding Option and Stock Appreciation Right (under the Plan or the Prior Plans) and (iv) the terms of each other outstanding stock-based Award shall be appropriately adjusted by the Company (or substituted Awards may be made, if applicable) to prevent dilution or enlargement of the benefits available under this Plan and to preserve the value of outstanding Awards.

G. Withholding of Taxes

The Company shall deduct from any payment, or otherwise collect from the recipient, any taxes required to be withheld by federal, state or local governments in connection with any Award. The recipient

may elect, subject to approval by the Committee or the Board, to have shares withheld by the Company in satisfaction of such taxes, or to deliver other shares of Stock owned by the recipient in satisfaction of such taxes. The number of shares to be withheld or delivered shall be calculated by reference to the Fair Market Value of the appropriate class or series of Stock on the date that such taxes are determined.

H. No Warranty of Tax Effect

Except as may be contained in the terms of any Award, no opinion is expressed nor warranties made as to the effect for federal, state, or local tax purposes of any Award.

I. Amendment of Plan

The Board may, from time to time, amend, suspend or terminate the Plan in whole or in part, and if terminated may reinstate any or all of the provisions of the Plan, except that no amendment, suspension or termination may: (i) apply to the terms of any Award (contingent or otherwise) granted prior to the effective date of such amendment, suspension or termination without the recipient's consent; (ii) increase the shares of Stock available for Awards other than as mandated by Section VI. F.; or (iii) eliminate the shareholder approval requirement in Section II. B. 6.

J. Construction of Plan

The place of administration of the Plan shall be in the State of Missouri, and the validity, construction, interpretation, administration and effect of the Plan and of its rules and regulations, and rights relating to the Plan, shall be determined solely in accordance with the laws of the State of Missouri.

K. Elections of Corporate Officers

Notwithstanding anything to the contrary stated herein, any election or other action with respect to an Award of a recipient subject to Section 16 of the Securities Exchange Act of 1934 will be null and void if any such election or other action would cause said recipient to be subject to short-swing profit recovery under Section 16.

Section VII. Effective Date and Term

This Plan shall be effective upon adoption by the shareholders of the Company. The Plan shall continue in effect until February 8, 2017, when it shall terminate. Upon termination, any balances in the share reserve shall be canceled, and no Awards shall be granted under the Plan thereafter. The Plan shall continue in effect, however, insofar as is necessary to complete all of the Company's obligations under outstanding Awards to conclude the administration of the Plan.

APPENDIX B

RALCORP HOLDINGS, INC.

CORPORATE GOVERNANCE GUIDELINES
Adopted December 4, 2003

Role of the Board of Directors

The Board of Directors selects and supervises the officers of the Company in the interest and for the benefit of the stockholders. The Board of Directors has delegated to the Co-Chief Executive Officers, together with the other officers of the Company, the authority and responsibility for managing the business of the Company under the direction of the Board. Each director is expected to spend the time and effort necessary to properly discharge the director's responsibilities.

Composition of the Board of Directors

1. Size of the Board of Directors

The Board believes that it should generally have no fewer than five and no more than ten directors. This range permits diversity of experience without hindering effective discussion or diminishing individual accountability. The size of the Board could, however, be increased or decreased if determined to be appropriate by the Board.

2. Board Membership Criteria

The Board of Directors is responsible for nominating individuals for election to the Board of Directors by the stockholders and for appointing individuals as directors between annual meetings of the stockholders. The Corporate Governance and Compensation Committee identifies, reviews and makes recommendations concerning potential members of the Board of Directors.

The Board should be comprised of individuals who, after taking into account their skills, expertise, integrity, knowledge of the industries in which the Company operates, and other qualities, have the ability to enhance the long-term interest of the shareholders. The Board will evaluate each individual in the context of the entire Board of Directors with the objective of assembling a Board of Directors that can enhance the success of the Company and promote the interests of stockholders. Annually (or more often, if necessary), the Corporate Governance and Compensation Committee reviews the qualifications and backgrounds of the directors and makes recommendation to the Board as to the directors to be nominated for election by the stockholders at the next annual meeting or to be appointed as directors between annual meetings of the stockholders.

3. Selection of Chairman

The Board of Directors selects a Chairman from among the directors. Presently the Board has determined that the offices of the Chief Executive Officer and the Chairman should not be held by the same person. However, the Board can determine that to enhance the management of the Company, one person should hold the positions of Chief Executive Officer and Chairman.

4. Term Limits

The Board has not established term limits for directors. The Board believes term limits deprive the Company of the knowledge and expertise developed by directors from extended service on the Board of Directors.

5. Retirement of Board Members

The policy of the Board of Directors is that it will not nominate any individual for election as a director by the shareholders or appoint any individual as a director if such person is 72 years or older at the commencement of their term unless the person has been nominated and appointed by a unanimous vote of the entire board.

6. Directors Who Change Their Present Job Responsibility

Directors who retire or significantly change the position they held when they became a member of the Board should not leave the Board of Directors simply because of such a change. However, upon any such event, the Corporate Governance Committee will review the appropriateness of continued service on the Board of Directors by that director.

7. No Specific Limitation on Other Board Service

Directors are not prohibited from serving on boards and committees of other organizations, and the Board has not adopted any guidelines limiting such activities. Instead, each director is expected to ensure that other commitments do not interfere with the director's discharge of his or her duties. Directors are expected to inform the Chairman of the Board and the Chairman of the Corporate Governance Committee upon becoming a director of any other public company or becoming a member of the audit committee of any other public company.

8. Director Orientation and Continuing Education

The Company shall provide new directors with a director orientation program to familiarize such directors with, among other things, the Company's business, strategic plans, significant financial, accounting and risk management issues, compliance programs, conflicts policies, code of business ethics, corporate governance guidelines, principal officers, internal auditors and independent auditors. The Company encourages and supports continuing director education and shall reimburse directors for reasonable expenses incurred in connection therewith.

9. Determination of Director Independence

The Board shall be comprised of a majority of directors who qualify as independent directors under the listing standards of the New York Stock Exchange and the applicable rules of the Securities and Exchange Commission.

Further, a director is deemed to be independent if the Board has determined that the director has no material relationship with the Company.

The Board of Directors has established the following categorical standards in connection with determining the independence of directors:

- A director will not be considered to be independent if, during the past five years, the Company has employed the director or any of the director's immediate family (except in a non-officer capacity);
- A director will not be considered to be independent if, during the past five years, the director has been employed by (or affiliated with) the Company's present or former independent accountants or any of the director's immediate family members have been so employed or affiliated (except in a non-partner capacity not involving the Company's business);
- A director's independence will not be considered to be impaired if the director or any immediate family member of the director is employed by (or affiliated with) an entity that loans the Company an amount of money less than 5% of the Company's total assets;
- A director will not be considered to be independent if the director is a partner, shareholder, or officer of a company or firm that provides significant consulting, legal, or financial advisory services to the Company. For purposes of this categorical standard, a company or firm will be considered to provide non-significant services if the fees represent less than (i) 2% of the Company's or firm's gross revenues for its last full fiscal year and (ii) 2% of the Company's gross revenues for its last full fiscal year;
- A director's independence will not be considered to be impaired if the director or any immediate family member of the director is employed by (or affiliated with) a non-significant supplier or customer of the Company. For the purposes of this categorical standard, a supplier or customer will be considered non-significant if its sales to, or purchases from, the Company represent less than (i) 2% of the gross revenues of the customer or supplier for its last full fiscal year and (ii) 2% of the Company's gross revenues, for its last full fiscal year;

- A director's independence will not be considered to be impaired if the director is an employee, officer, or director of a foundation, university or other non-profit organization to which the Company gives directly, or indirectly through its foundation, no more than $200,000 per annum or 5% of the organization's gross revenues for its last full fiscal year (whichever is greater); and
- A director's independence will not be considered to be impaired if such director is an executive officer of an entity for which another director of the Company serves as a director and member of any board committee of that entity, provided such service does not occur while that other director also serves as an executive officer of the Company.

An individual will be considered to be affiliated with a corporation or other entity, if that individual controls, is controlled by or is under common control with the corporation or other entity. The Board of Directors will determine the independence of any director with a relationship to the Company that is not covered by the above standards.

Board Meetings

1. Frequency of Meetings

The Board of Directors determines its schedule of board meetings each year. The current schedule is for four regular meetings each year. The Audit Committee has six regularly scheduled meetings. A director is expected to regularly attend (in person or telephonically) meetings of the Board and of the committees on which the director serves, and to review materials distributed in advance of meetings.

2. Selection of Agenda Items

The Chairman of the Board of Directors establishes the agenda for each meeting. Each member of the Board may suggest additional items for the agenda.

3. Distribution of Materials

The minutes of the prior Board meeting, an agenda for the forthcoming meeting, and selected Company financial information and agenda item background materials must be distributed to Board members in advance of the meetings.

4. Access to Management and Advisors

Board members shall have unrestricted access to management of the Company. The Board of Directors shall have the authority to retain independent legal, accounting or other consultants to advise the Board.

5. Separate Session of Non-Management Directors

The non-management directors of the Company shall meet in regularly scheduled executive sessions without management no fewer than four times a year. The presiding director at these meetings shall be the Chairman or other Board appointed non-management director in the event the Chairman is unavailable.

Director Compensation

The Company believes that the compensation paid to directors should be competitive and should encourage ownership of the Company's stock by directors. The Corporate Governance and Compensation Committee shall periodically review the compensation paid to directors by the Company and make recommendations to the Board of Directors concerning such compensation.

Employees of the Company serving as directors shall not receive any additional compensation for service on the Board of Directors.

Board Committees

1. Number and Names of Board Committees

The Board of Directors shall establish committees from time to time to assist it in discharging its obligations. There are currently three standing committees:

Audit Committee

Corporate Governance and Compensation Committee

Executive Committee

Each committee shall have a written charter, adopted and periodically reviewed by the Board of Directors. The purpose and responsibility of each committee shall be described in its respective charter. After each of its meetings, the committee shall report on the meeting to the Board of Directors.

2. Independence of Committee Members

The Audit and Corporate Governance and Compensation Committees shall be composed entirely of independent directors. The membership of each committee and the compensation paid to the members of each committee will comply with all applicable laws and regulations and the listing standards of the New York Stock Exchange.

3. Committee Agendas

The Chairman of each committee, in consultation with appropriate members of management, establishes the agenda for each meeting. Each member of the committee may suggest additional items for the agenda.

4. Assignment of Committee Members

The Chairman of the Board, after consideration of the advice, experience and expertise of individual directors and in consultation with the Chairman of the Corporate Governance and Compensation Committee, recommends to the Board of Directors the assignment of directors to the committees of the Board of Directors, including the chairmen of the committees.

The Board of Directors does not mandate rotation of committee assignments or chairmen. The Board of Directors believes that the knowledge and expertise developed by directors through extended service on a committee outweigh the benefits obtained through mandatory rotation.

Planning

1. Management Succession

The Board of Directors plans for the succession to the position of co-Chief Executive Officers. To assist the Board of Directors, the co-Chief Executive Officers annually provide to the Board an assessment of the Company's executive officers and their potential to succeed him or her. The co-Chief Executive Officers must also provide to the Board of Directors an assessment of persons considered potential successors to the other executive officers. In addition, the co-Chief Executive Officers must prepare a short-term succession plan providing for temporary delegation of authority in the event either co-Chief Executive Officer become unexpectedly unable to perform his or her duties.

2. Performance

Annually, the Corporate Governance and Compensation Committee shall evaluate the performance of the Board of Directors and each committee thereof. The Corporate Governance and Compensation Committee shall discuss the results of their evaluations with the Board of Directors. Annually the Corporate Governance and Compensation Committee in connection with salary and wage determinations will evaluate officer performance.

Annually the Corporate Governance and Compensation Committee reviews the Corporate Governance Guidelines and recommends such changes to the Board of Directors as it determines to be necessary or appropriate.

APPENDIX C

RALCORP HOLDINGS, INC.

AUDIT COMMITTEE CHARTER

Revised May 22, 2003 and December 4, 2003

Membership

The Audit Committee of the Board of Directors shall consist of members, including a Chairman, appointed by the Board. The Committee members will be appointed by the Board and may be removed by the Board in its discretion. All members shall be independent directors, as determined by the Company in accordance with New York Stock Exchange (NYSE) criteria and the rules and regulations of the Securities and Exchange Commission (SEC); and further, no member shall have any material relationship, with the Company or otherwise, that in the opinion of the Board would interfere with the exercise of independent judgement as a Committee member. The Committee shall not consist of fewer than three non-employee members. All members of the Committee shall be financially literate, and at least one member shall be an ''audit committee financial expert'' as defined by the rules and regulations of the SEC.

The Board shall appoint an individual to serve as Chairman, and may also appoint a Secretary for the Committee. A majority of the members of the Committee shall constitute a quorum for all purposes and the act of a majority of the members present at any meeting at which a quorum is present shall be the act of the Committee.

Purpose

The Board appointed the Committee to oversee:

- The quality and integrity of the Company's financial statements and financial reporting;
- The independence and qualification of the Company's independent auditors;
- The performance of the independent audit;
- The Company's systems of internal accounting and financial controls and disclosure controls; and
- The compliance with legal and regulatory requirements, codes of conduct and ethics programs established by management and the Board.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities and personnel of the Company. The Committee has the authority to retain outside counsel, advisors or other experts, as it deems necessary or advisable. The Board and the Committee are in place to represent the Company's shareholders; accordingly, the independent auditor is ultimately accountable to the Board and the Committee.

Meetings

The Committee shall meet as often as its members deem necessary to perform the Committee's responsibilities.

The Committee will meet periodically, with management, the senior-most internal auditor, and the independent auditors in separate sessions to discuss any matters, which the Committee or these groups believe should be discussed privately with the Committee. The Committee will also meet at any time that the independent auditors believe communication to the Committee is required.

Authority and Responsibilities

The Committee's job is one of oversight and it recognizes that the Company's management is responsible for preparing the Company's financial statements and that the independent auditors are responsible for auditing those financial statements.

The Committee shall assist the Board in monitoring the Company's financial reporting processes, systems of internal control, the independence and performance of the Company's independent auditors and

the performance of the internal auditors, and shall provide an avenue of communication among management, the independent auditors, the internal auditors and the Board. The Committee shall perform any other activities consistent with the Company's Articles of Incorporation, By-Laws and governing law as the Committee or the Board deems necessary or appropriate.

The Committee will make regular reports to the Board and will propose any necessary action to the Board. The Committee will review and assess the adequacy of this charter at least annually, and recommend any proposed changes to the Board for approval. The Committee will annually evaluate its own performance.

The following duties shall be the common recurring activities of the Committee in carrying out its oversight function. These duties are set forth as a guide with the understanding that the Committee may diverge from this guide as appropriate given the circumstances.

The Committee's duties are to:

- Appoint or replace the Company's independent auditors. Approve all audit engagement fees and terms as well as lawful non-audit engagements with the independent auditor;
- Review and approve the services to be provided by the independent auditors for the coming year, including the scope of audits, audit plan and fees therefore;
- Discuss with management and the independent auditors the quality and adequacy of the Company's internal controls, as well as the Company's accounting policies and principles followed on financial and accounting matters, internal audits, legal compliance, and ethical and responsible business conduct; and review the adequacy of programs and procedures for compliance with such policies;
- Review the effect of new or proposed auditing, accounting or reporting standards with management and the independent auditors;
- Review with management and the independent auditors the audited financial statements to be included in the Company's Annual Report on Form 10-K (or the Annual Report to Shareholders if distributed prior to the filing of Form 10-K). Review and consider with the independent auditors the results of the annual audit of the Company's consolidated financial statements and all matters required to be discussed by Statement of Auditing Standards (''SAS'') No. 61 and other existing professional standards;
- Review with management and the independent auditors the Company's interim financial results to be included in the Company's press releases or quarterly reports to be filed with the SEC and the matters required to be discussed by SAS No. 61; this communication will occur prior to the Company's filing of Form 10-Q;
- Receive annually from the independent auditors a formal written statement delineating all relationships between the independent auditors and the Company in accordance with existing professional standards and applicable laws and regulations and rules of the NYSE. Discuss with the independent auditors any such disclosed relationships or non-audit services that may impair their objectivity and independence, and if necessary, recommend that the Board take appropriate action to ensure the independence of the independent auditors;
- Prepare any reports regarding the Committee's actions that SEC rules require be included in the Company's filings;
- Review information concerning environmental, legal, regulatory and other matters which may represent material financial exposure and/or material risk and appropriate management thereof;
- Develop and recommend to the Board for approval a clear and definitive hiring policy regarding employees or former employees of the Company's independent auditors;
- Develop and recommend to the Board for approval a code of business conduct for the Board, consistent with NYSE and SEC rules and regulations, other applicable law, and the Company's existing business conduct guidelines;

- Review the Company's codes of business conduct at least annually, and recommend changes as necessary; and
- Consider any other matters related to the oversight responsibilities of the Committee, as deemed advisable or necessary by Company management, the Board or the Committee.

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Corporate and Shareholder Information

General Office

Ralcorp Holdings, Inc.
PO Box 618
St. Louis, MO 63188-0618
Telephone: 314-877-7000
Internet: www.ralcorp.com

Date and State of Incorporation

October 23, 1996 – Missouri

Fiscal Year End

September 30

Number of Record Shareholders

9,556 at September 30, 2006

Number of Employees

Approximately 6,500 at September 30, 2006

Independent Registered Public Accounting Firm

PricewaterhouseCoopers LLP – St. Louis, MO

Exchange Listing

New York Stock Exchange, Inc.
Ticker Symbol – RAH

Certifications

The Company has submitted to the New York Stock Exchange the certification of the Company's chief executive officers required by Section 303A.12(a) of the New York Stock Exchange listing standards. Additionally, the certifications of the Company's chief executive officers and controller required by Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act of 1934, as amended, have been filed with the Securities and Exchange Commission as Exhibits 31.1 and 31.2, respectively, to the Company's Annual Report on Form 10-K for the year ended September 30, 2006.

Notice of Annual Meeting

The 2007 Annual Meeting of Shareholders will be held at the Corporate Offices of Ralcorp Holdings, 800 Market St., 26th Floor, St. Louis, Missouri at 8:30 a.m., Thursday, February 8, 2007. Proxy material for the meeting is enclosed.

Additional Information

You can access financial and other information about Ralcorp Holdings, Inc. at www.ralcorp.com, including press releases, Forms 10-K and 10-Q as filed with the Securities and Exchange Commission, and Information on Corporate Governance such as the Director Code of Ethics, Standards of Business Conduct for Officers and Employees, and charters of Board committees. You can also request that any of these materials be mailed to you at no charge by calling or writing:

Ralcorp Holdings, Inc.
Attn: Shareholder Services
PO Box 618
St. Louis, MO 63188-0618
Telephone: 314-877-7046

Transfer Agent and Registrar

Computershare Investor Services

Shareholder Telephone Calls:
Operators are available Monday-Friday, 9:00 a.m. to 5:00 p.m. Eastern time. An interactive automated system is available around the clock daily.

Inside the U.S.: 877-282-1169
Outside the U.S.: 781-575-2879

Internet Address:
www.computershare.com

Mailing Addresses:
For questions regarding stock transfers, change of address or lost certificates:

Computershare Investor Services
PO Box 43078
Providence, RI 02940-3078

To send stock certificates by regular mail:
Computershare Investor Services
PO Box 43078
Providence, RI 02940-3078

To deliver stock certificates in person or by courier:
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250 Royall Street
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