



*Landscapes certainly look different when viewed from above. A view from 30,000 feet can give you perspective and the big picture, but you can miss the individual details that, together, give character and identity to what you're viewing.*

*The same thing can be true of a company.*

*Often in our quest to see the big picture, we miss the individual components that make up a company — like its employees.*

*We never want that to be the case at Tejon Ranch Company.*

*We believe the strength of our Company comes from talented individual employees who work together to achieve what is best for the Company, its shareholders — and for California — as we pursue our vision to “Preserve California’s Legacy” and “Provide for California’s Future.”*

## TO OUR VALUED SHAREHOLDERS:

In 2007, I CELEBRATED my 11<sup>th</sup> anniversary at Tejon Ranch. As I look back at where we were eleven years ago and where the Company is today, the differences are striking. We've transitioned Tejon Ranch Co. from primarily a ranching and agricultural operation to a diversified real estate development and agribusiness company. In the process, we have developed and articulated a long term vision to guide the Company as it moves forward. The guiding principles behind the Tejon Ranch Vision are the Ranch's historic core values of conservation and good stewardship. The Vision identifies those values and activities we believe to be important and defines our areas of concentration for the next 25 to 30 years.

First, the Tejon Ranch Vision outlines our long-standing commitment to conservation. Tejon Ranch has often been described as a "jewel," an unspoiled natural landscape of great beauty. Such a description not only reflects Tejon's God-given physical attributes, but serves as testimony to our good stewardship. Tejon Ranch has experienced a great deal of physical activity over the years, including the building of the California Aqueduct as well as construction of a number of utility easements that cross the Ranch. The truth is Tejon Ranch is in the condition it's in

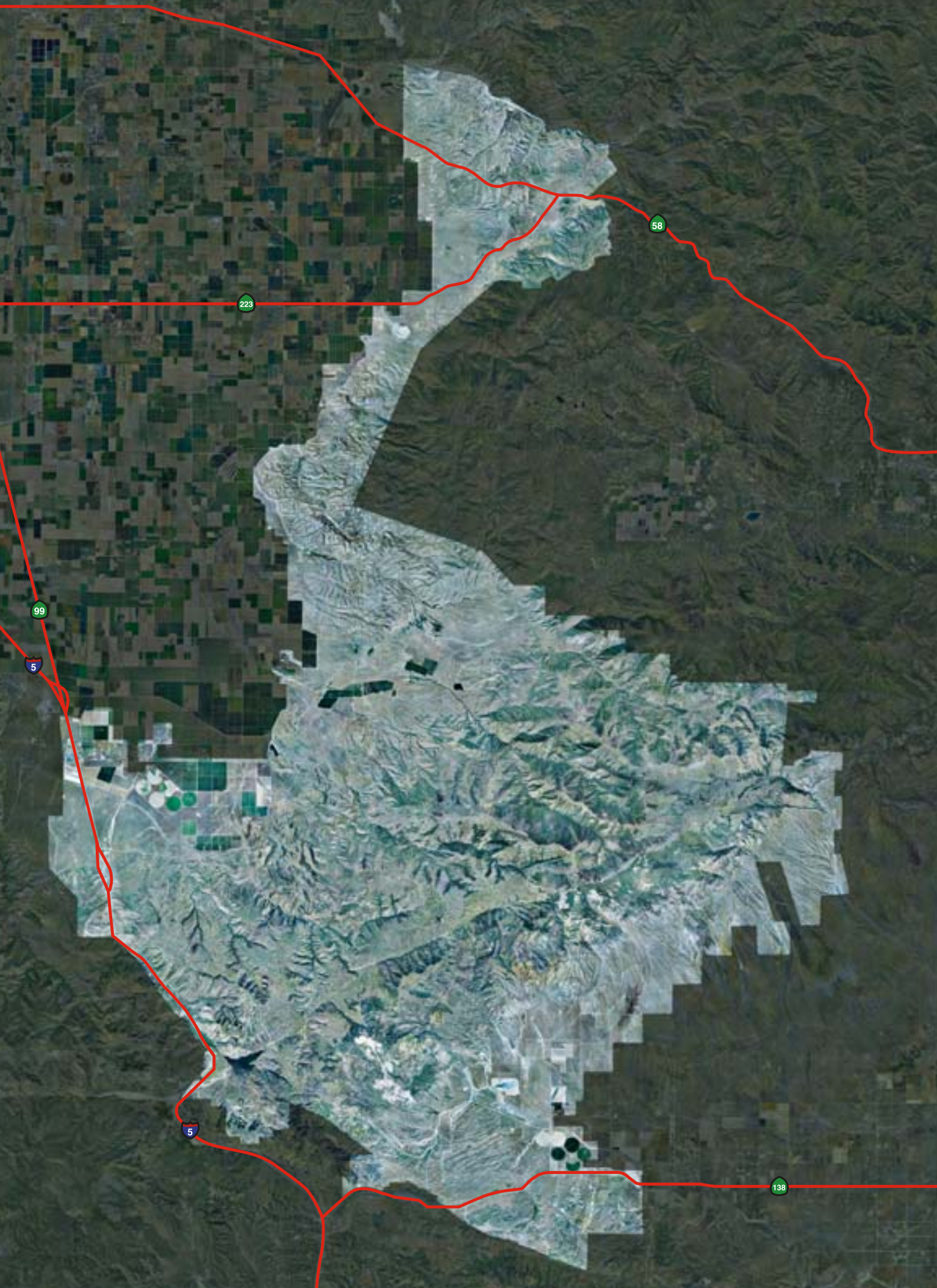
today – not because it's been untouched – but because we've purposefully taken good care of the land.

THE RANCH VISION calls for more acreage to be devoted to conservation and preservation than for any other purpose. We believe this is good for the land and for our shareholders. Conservation land certainly possesses its own intrinsic value. But even if the land was never part of a transaction, experience teaches that significant conservation areas often greatly increase the value of the lands surrounding them.

Not only does this commitment to conservation involve our land, it also extends to the wildlife on the Ranch. We continue to work with the U.S. Fish and Wildlife Service on plans to conserve habitat for endangered species, including the California condor. Last year we announced a ban on the use of lead ammunition on the Ranch, an action hailed by condor experts as the most important step we could take to enhance the condor's recovery.

Tejon Ranch is authentic California and our Vision calls for us to continue with the historic activities that have taken place on the Ranch over the years. Ranching, farming and hunting are the epitome of what it means to "Preserve California's Legacy" and "Provide for California's Future." Our ranching and farming operations not only preserve an important legacy on the Ranch,

*Tejon Ranch is located approximately 60 miles north of Los Angeles and 30 miles south of Bakersfield. At nearly 270,000 acres, it's the largest contiguous piece of private property in California.*

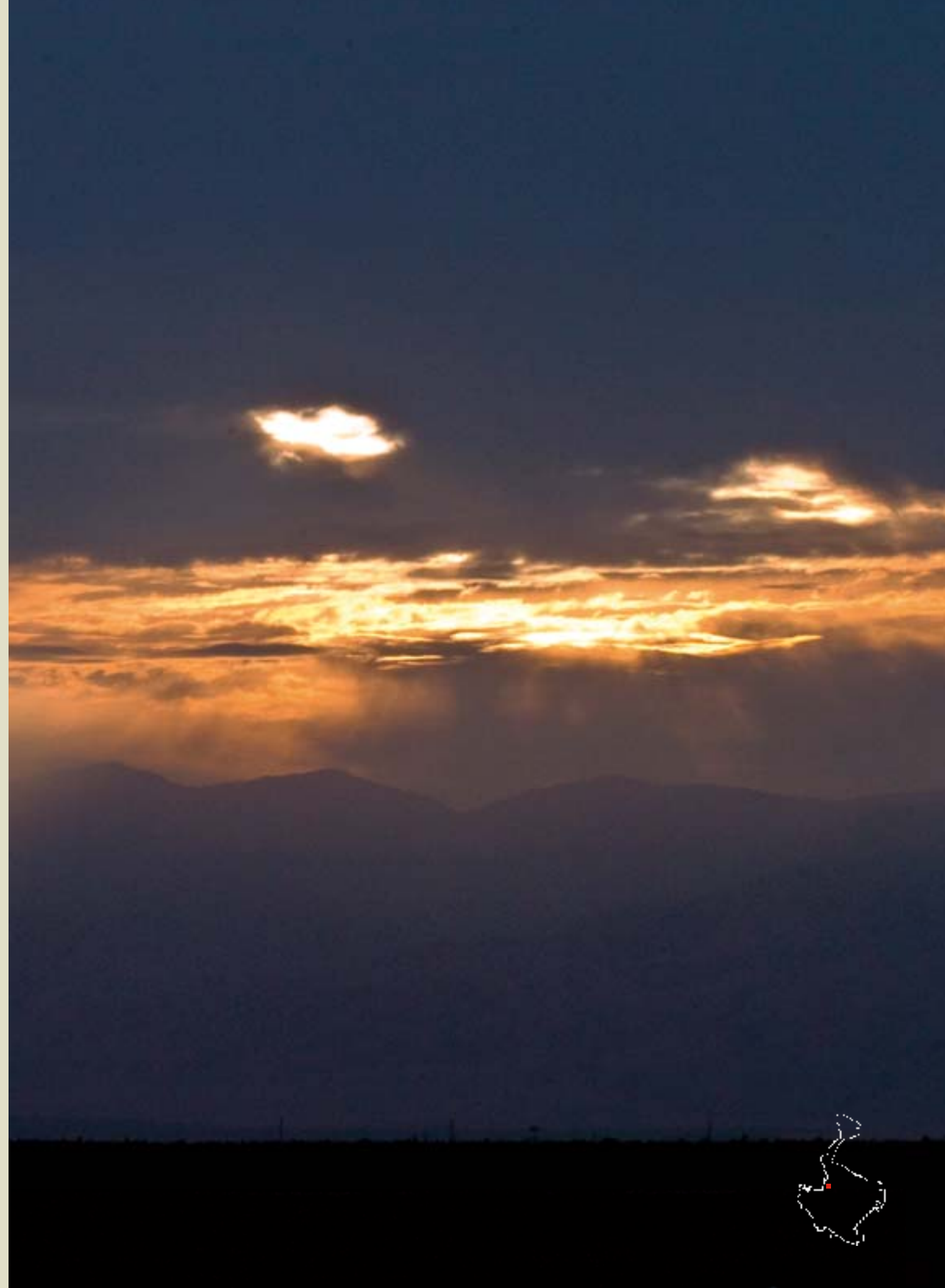


they also provide food for California and the rest of the world. This land was hunted long before the first European ever set foot on the territory they named “Tejon,” and our renowned wildlife management operation is helping maintain the healthiest and most diverse wildlife population you’ll find in California.

**THE TEJON RANCH VISION** also calls for using a small portion of the Ranch to build high quality, environmentally sensitive communities. Together with our partners in our planned residential communities of Centennial and Tejon Mountain Village, we are working diligently to finish the Environmental Impact Reports (EIR) for those two communities. Largely due to court decisions and other legal actions, the process of complying with the California Environmental Quality Act has become increasingly complex and costly. Changes in standards and regulations often require changes to EIRs. For example, the EIRs for both Centennial and Tejon Mountain Village will now have sections devoted to an analysis of greenhouse gas emissions. Twelve months ago that would not have been necessary.

Last year was certainly not a banner year for the residential real estate market and experts are divided as to when we might see a significant recovery. But while the current down cycle could potentially impact the timing of the commencement of construction of Centennial and/or Tejon Mountain Village, it will have no impact on the size, scope and scale of the overall plan. Both communities will be built in phases over a 15 to 25 year time frame and could experience several real estate cycles during their build out periods.

**WE SAW GOOD** progress last year at Tejon Industrial Complex (TIC). In April, the 5th District Court of Appeals affirmed a lower court ruling allowing the expansion of TIC to the east side of Interstate 5. This important victory clears the way for us to commence with construction on the east side of the freeway, beginning with a new travel center. That construction, along with other infrastructure work needed to prepare the site for additional commercial and industrial offerings, is expected to begin later this year. The Company realized a significant gain last year when the Tejon-Dermody warehouse was sold to ProLogis. Our 50% interest in the building generated \$8.7 million in before-tax income. We also added more commercial offerings at TIC last year, including a new In-N-Out Burger. On the industrial side, a 606,000-square-foot building begun in 2007 in conjunction with our partnership with





Rockefeller Group Development Corporation is now complete. IKEA is currently occupying much of the building on a month-to-month basis while we pursue a permanent tenant. Our partnership with The Rockefeller Group is also planning to begin construction this year on a separate, slightly smaller facility at TIC.


**WE RECOGNIZE THAT** what we've already accomplished, and what we hope to achieve in the years to come, doesn't happen alone. It takes the combined efforts of our employees and our partners. In last year's annual report, we looked outward at the strategic partnerships we've formed to help us carry out our business plan. This year we'd like to focus our attention inward and highlight some of the many internal cross-departmental teams who are working to help us realize the Tejon Ranch Vision.

**WE ARE VERY PROUD** of our people. They are smart and dedicated and work well together. That's important because teams play a vital role at Tejon Ranch. They allow us to combine the expertise and experience of individuals from different and diverse departments and bring them together to accomplish a common goal. We recognize, as did Ken Blanchard, that "none of us is smarter than all of us."

All Tejon Ranch employees are highly qualified and are critical to our success as a company. Our intention, in shining the spotlight on just a few, is not to infer that some are more important than others. Rather, we present them as examples of how we use teams from different departments and divisions to move the company forward. The ones we are highlighting in this year's annual report, our Conservation, Water and Real Estate teams, are simply representative of many others that exist throughout the organization. All our teams share the same goal – to execute the Tejon Ranch Vision and build shareholder value. Thank you for your confidence as we move ahead, together, in that pursuit.

ROBERT A. STINE  
PRESIDENT & CEO



An aerial photograph of a vast, dense forest. The trees are mostly green, with some brown trunks visible. In the center of the image, there is a large, irregularly shaped clearing or meadow area that is lighter in color, possibly due to less tree cover or different vegetation. The overall scene is a lush, natural landscape.

**CONSERVATION TEAM** Conservation and good stewardship are fundamental principles at Tejon Ranch, identified in the Company's mission statement as core values that guide and influence everything we do. We believe we have a responsibility to continue that legacy of good stewardship that pre-dates the establishment of Tejon Ranch in 1843 and its subsequent purchase by General Edward Fitzgerald Beale a decade or so later. From the native Americans who first inhabited the land, to the Beales, to the Chandlers, to today, Tejon Ranch recognizes that the beauty and integrity of the land is the Ranch's single greatest asset.

Good stewardship is not something that happens by itself. The very concept of stewardship involves active management. That certainly has been the history at the Ranch. From grazing and farming practices, to wildlife management, to limiting access, Tejon Ranch's stewardship of the land has been planned, intentional and successful. That's quite an accomplishment considering we are dealing with an area larger than the city limits of Los Angeles. The Ranch is in the condition it's in today because it's been actively cared for, evidence of our fundamental core values of conservation and good stewardship.

It requires a variety of disciplines to ensure Tejon Ranch is properly cared for. That's why the Ranch's Conservation team is made up of members from a number of different departments. Some, like those from our Ranch Operations department, are responsible for the maintenance and monitoring of the physical condition of the Ranch. Others, from our Real Estate Planning and Entitlements department, for example, are involved in future conservation planning and interfacing with various resource agencies and groups. Our Geographic Information Systems department provides vital information critical to both the on going stewardship of the Ranch as well as future planning efforts.

While these are just a few of the departments that play active roles in the conservation and stewardship of the Ranch, we'd like to highlight representatives from these respective departments as we introduce you to members of Tejon Ranch's Conservation team.



## DONALD N. GEIVET

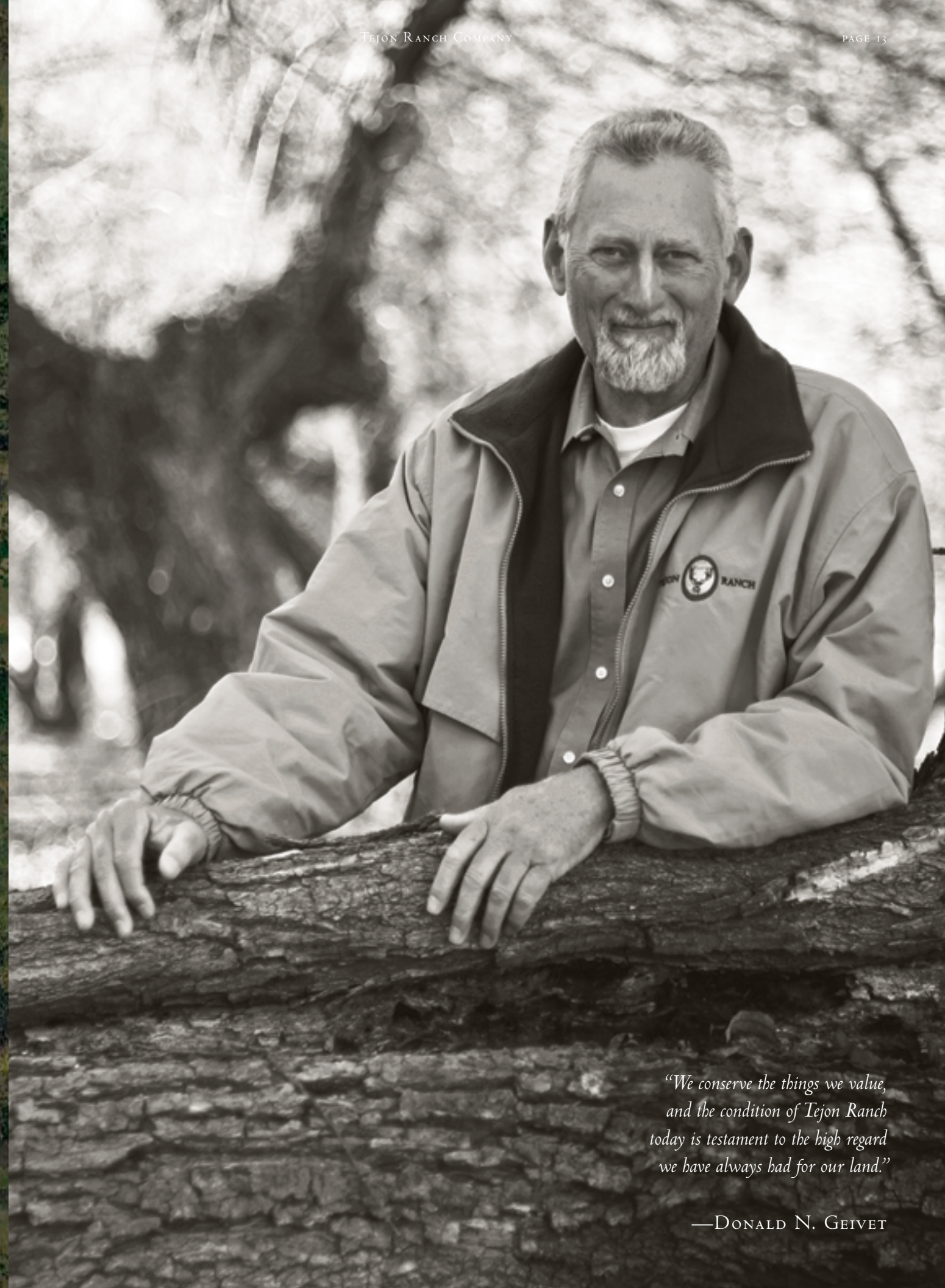
### Vice President of Ranch Operations

**BIOGRAPHY:** Don Geivet's tenure at Tejon Ranch is among the longest of any of our employees. He's been a part of the Ranch for more than 35 years, beginning his career in 1972 as assistant manager of the Livestock division. In 1982 he was promoted to Manager of the Game Management/Special Services division and in 2005 was named Vice President of Ranch Operations. Don received his bachelor of science degree from Cal Poly San Luis Obispo. Over the past ten years he has been elected and served on the California and National Board of Directors for the National Wild Turkey Federation, and is a current member of several wildlife conservation organizations, including the Rocky Mountain Elk Foundation, Mule Deer Foundation and the Safari Club International. In 1998 he was presented with the Al Taucher Hunting Heritage Award in recognition of his outstanding contributions to the promotion of California's rich hunting heritage.

**RESPONSIBILITIES:** As Vice President of Ranch Operations, Don is primarily responsible for overseeing the use and condition of the Ranch's rangeland, and the flora and fauna that inhabit it. This includes the maintenance of all roads, water systems, fences and livestock and hunting facilities. Additionally, Don is responsible for the Wildlife Management division and works to ensure that the wildlife population on the Ranch stays healthy and in balance. As a member of the Conservation team, the Ranch Operations division works diligently to make sure that all ranch resources are used responsibly in order to create the maximum attainable value of the resources for future conservative uses.



CONSERVATION TEAM



*"We conserve the things we value,  
and the condition of Tejon Ranch  
today is testament to the high regard  
we have always had for our land."*

—DONALD N. GEIVET



## E. ANDREW DAYMUDE

Vice President,  
Planning and Entitlements

**BIOGRAPHY:** Andrew Daymude joined Tejon Ranch nearly a decade ago. Andrew is a graduate of the University of Georgia School of Environmental Design where he earned a Bachelor of Landscape Architecture and Environmental Design. He is a registered landscape architect and is a member of the American Society of Landscape Architects, the American Planning Association, and a Regent of the California Architectural Foundation. Andrew has practiced in Hawaii and California, and has been blessed with many opportunities to touch majestic landscapes.

**RESPONSIBILITIES:** As an “architect of the land,” his mission is to be mindful of the creator’s original handiwork and to comprehend all the natural, biological, scientific, economic, and political influences on any palette he encounters. With that mission in mind, Andrew is responsible for the environmental analysis and long range land planning for the Ranch. He coordinates the various conservation and community initiatives to ensure that the Tejon Ranch Vision is realized. He leads our team in the planning, design, and regulatory compliance related to future conservation areas, including Biological Mitigation Banks and Habitat Conservation Plans. He is the primary point of contact for various resource agencies, including the U.S. Fish and Wildlife Service and the California Department of Fish and Game. He is also working with the U.S. Forest Service and Pacific Crest Trail Association to realign a 37-mile portion of the 2,650-mile Pacific Crest Trail from its current location on the Antelope Valley floor to the picturesque highlands of the Ranch.

CONSERVATION TEAM



*“Our Vision is simple, yet rich and complex. It continues our legacy of stewardship, our rich agricultural and ranching heritage, our commitment to supplying employment and housing opportunities to meet the imminent demands of California, all the while preserving the very best portions of the Ranch.”*

—E. ANDREW DAYMUDE

## LEAH D. METZGER

### Director of Geographic Information Systems

**BIOGRAPHY:** Leah Metzger has directed Tejon Ranch's GIS department since 1999. Geographic Information Systems (GIS) are computer-based methods of recording, analyzing, combining, and displaying geographic information such as ownership, property boundary, tax parcels, roadways, hydrology, habitat types, soil and geology types, or any other feature that can be mapped on the ground. Leah joined Tejon following six years as GIS Coordinator for Paramount Farming Company. She also assisted in the coordination and implementation of the geographic information management system developed during the design and construction phase of the Kern Water Bank Authority's 25,000-acre groundwater recharge facility. Leah has served on a number of professional organizations, including terms as president and vice president of the Central California Chapter of the Urban and Regional Information Systems Association (URISA).

**RESPONSIBILITIES:** As Director of the GIS department, Leah's primary role as part of the Conservation team is to manage and provide information related to the databases of numerous elements, such as wildlife movement corridors, wildlife habitat, vegetative communities, terrain, multi-specie flora and fauna, archeological surveys and water resources, to name a few. This is especially useful in management planning and land-use decisions, enabling members of the team to record physical conditions on the ground and track their change over time. GIS is a valuable tool which provides Tejon Ranch the ability to analyze and understand the geographical relationship between various resources, whether physical or geo-political, allowing management to make informed decisions regarding conservation policy and its impact to the Ranch.

CONSERVATION TEAM



*"Working as a team in our conservation planning efforts, we are helping Tejon Ranch make the best possible decisions for the Company, its land, and the environment."*

—LEAH D. METZGER

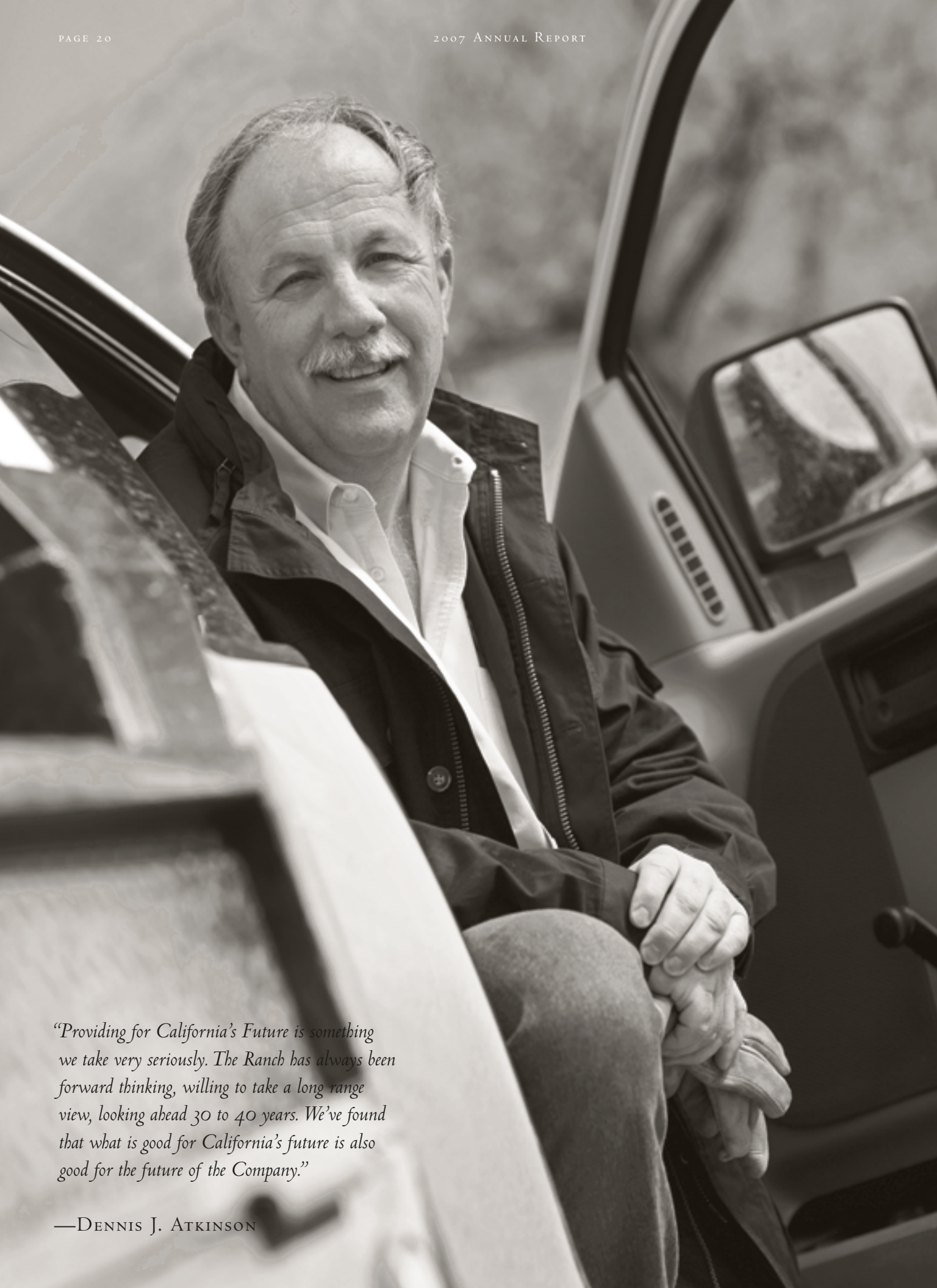




**WATER TEAM** Water is the new gold of the 21<sup>st</sup> Century, especially in California. Its continued availability is crucial for California homeowners, businesses, industries and agriculture. Tejon Ranch is no exception. Having a long-term reliable source and supply of water is critical to the Ranch's future.

Fortunately, through a combination of location, geography, geology, and good planning, the Ranch is in an excellent position when it comes to water. Springs and creeks dot our nearly 270,000 acres. The California Aqueduct channels through the middle of the Ranch and we have long held rights to water from the State Water Project. Underground aquifers on the Ranch have proven ideal for water banking. Last year we stored nearly 6,600 acre feet of water in our newly established Tejon Ranch Water Bank, which is located in the Antelope Valley portion of the Ranch near Centennial. Several other areas of the Ranch may also be conducive to water banking.

We certainly don't take our strong position for granted. We operate under the philosophy that one can never have enough water. Our Water team is responsible for securing, storing and supplying sufficient water resources to meet the needs of our ranching, farming and real estate operations. From negotiating the purchase of water supplies from outside interests and agencies, to managing the storage and distribution of water throughout the Ranch, as well as maintaining water systems, perfecting water rights and ensuring regulatory compliance, our Water team plays a vital role in both the day-to-day and future operations of the Ranch.



*“Providing for California’s Future is something we take very seriously. The Ranch has always been forward thinking, willing to take a long range view, looking ahead 30 to 40 years. We’ve found that what is good for California’s future is also good for the future of the Company.”*

—DENNIS J. ATKINSON



## DENNIS J. ATKINSON

Vice President of Agriculture

**BIOGRAPHY:** Dennis Atkinson has been employed by Tejon Ranch for more than 30 years. A graduate of Cal Poly San Luis Obispo, he is actively involved in agricultural organizations statewide. He is a past regional director of the State Farm Bureau, past president of the Kern County Farm Bureau, sits on the boards of the Glassy Wing Sharpshooter Board, the Kern Ag Foundation, and is on an advisory board for the University of California, Riverside. Dennis is also involved in a number of water agencies. He’s president of the Tejon Castac Water Agency, vice president of the Wheeler Ridge Water Agency and is a member of the Kern County Water Bank Authority board of directors.

**RESPONSIBILITIES:** As head of Tejon Ranch Company’s agricultural operations, Dennis is responsible for all water-related issues in our farming division. But with more than three decades at the Ranch, and three decades dealing with water policy, Dennis brings to the Water team a wealth of knowledge and experience regarding local, regional and statewide water matters. He understands the acquisition and distribution of water resources, and importantly, the relationships between various water agencies in California. He knows the big picture, the process and the players.

WATER TEAM





*“Tejon Ranch is more than just a ranch. It’s the most important link between southern and northern California for water, energy, communications and other vital infrastructure.”*

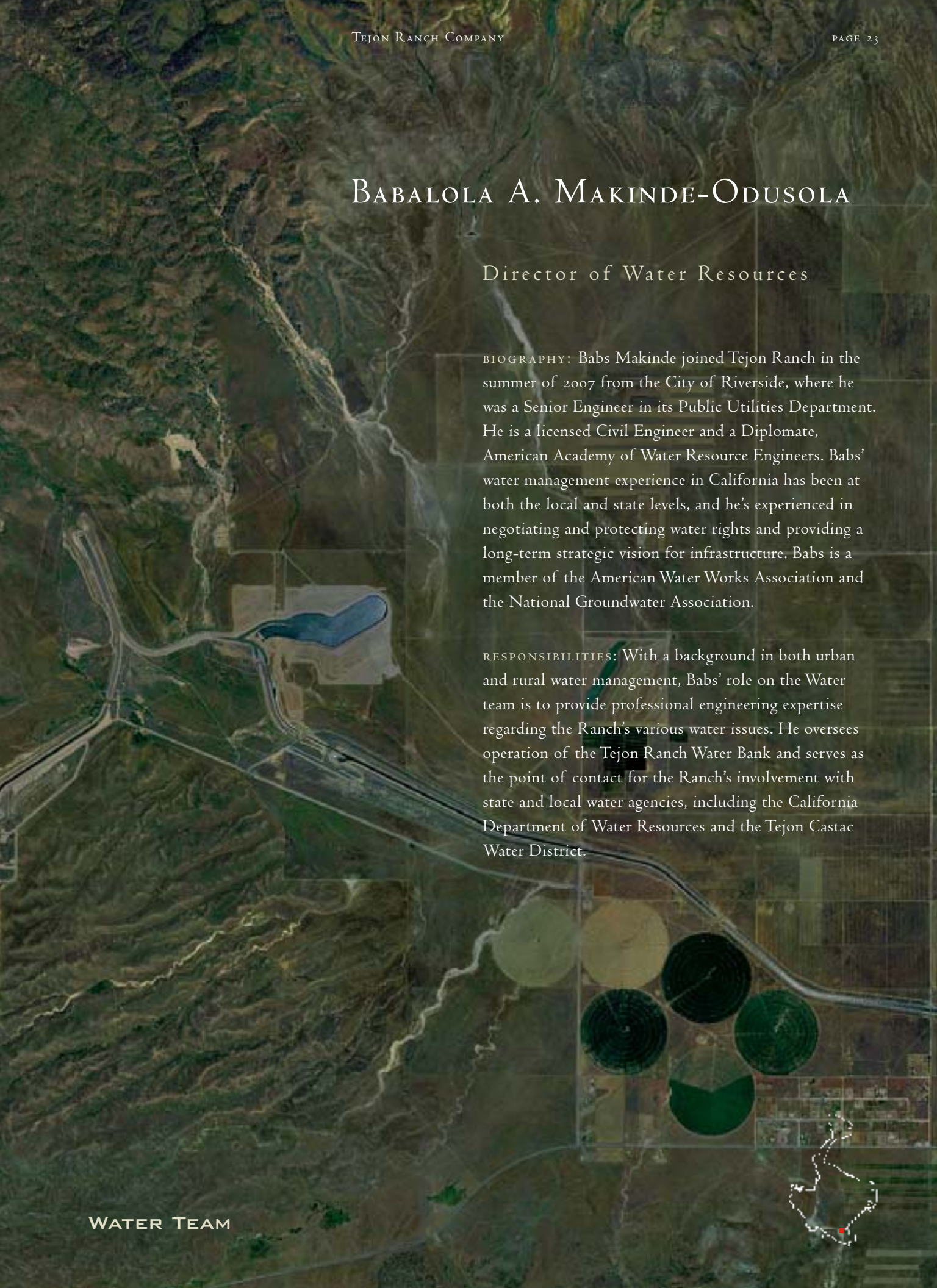
—BABALOLA A. MAKINDE-ODUSOLA

## BABALOLA A. MAKINDE-ODUSOLA

Director of Water Resources

**BIOGRAPHY:** Babs Makinde joined Tejon Ranch in the summer of 2007 from the City of Riverside, where he was a Senior Engineer in its Public Utilities Department. He is a licensed Civil Engineer and a Diplomat, American Academy of Water Resource Engineers. Babs’ water management experience in California has been at both the local and state levels, and he’s experienced in negotiating and protecting water rights and providing a long-term strategic vision for infrastructure. Babs is a member of the American Water Works Association and the National Groundwater Association.

**RESPONSIBILITIES:** With a background in both urban and rural water management, Babs’ role on the Water team is to provide professional engineering expertise regarding the Ranch’s various water issues. He oversees operation of the Tejon Ranch Water Bank and serves as the point of contact for the Ranch’s involvement with state and local water agencies, including the California Department of Water Resources and the Tejon Castac Water District.



WATER TEAM



*“Combining the knowledge, experience and expertise of a land attorney, and agricultural and urban water experts, Tejon Ranch’s Water team is ensuring that the best decisions are being made for the Company, and for the water community as a whole.”*

—TERI A. BJORN

## TERI A. BJORN

Vice President & General Counsel

**BIOGRAPHY:** Teri A. Bjorn has been Tejon Ranch Company’s General Counsel since January 2007. She brings to the position nearly 30 years of legal experience, with a specialization in transactional real estate and land use law. Her background and experience have given her a keen understanding of the essential component of water for any beneficial use on the land, from farming to real estate development. Teri earned both bachelor’s and master’s degrees in French language and literature from the University of Iowa and received her law degree from George Washington University in Washington, DC. Teri is a member of the American Bar Association, the California and Oregon Bar Associations, the Kern County Bar Association, and the Kern County Women Lawyers Association.

**RESPONSIBILITIES:** As the attorney member of the Water team at Tejon Ranch, Teri oversees the legal assessment of the Ranch’s water supplies and needs for existing and planned activities, including the negotiation and closing of water asset purchases, and the protection of those assets. In addition to providing legal guidance on water issues, she also contributes business and government relations advice in an arena that’s becoming more and more politicized.

WATER TEAM





**REAL ESTATE TEAM** Tejon Ranch's Vision for the future calls for the use of a small portion of our land to create high-quality, environmentally sensitive communities. Each community that's part of the plan is different, but together, they provide great variety and meet a broad range of needs while providing a wealth of opportunities. The industrial/commercial nature of Tejon Industrial Complex is geared toward job creation. Centennial's wide mix of housing and employment opportunities will address the huge and persistent shortage of housing in Southern California while providing people an opportunity to work close to home. Tejon Mountain Village promises to be a world class destination and will set new standards for developing environmentally sensitive communities in beautiful natural areas. The Ranch's real estate efforts will not only provide homes, jobs, recreational and economic opportunities for current and future generations of Californians, they will also help build value in the Company.

The challenge for our Real Estate team is to execute that Vision. Even though that effort may be challenging, our team is certainly up to the task. Each of the communities are different in size, scale and approach; and are also at different points in the development process. Two of them – Centennial and Tejon Mountain Village – are in the final planning and environmental review stage. At Tejon Industrial Complex, we're actively marketing and building. Centennial and Tejon Mountain Village are being developed solely through partnerships. Tejon Industrial Complex includes a mix of partnerships, direct land sales and leases. All of this diversity requires our Real Estate team to possess a wide variety of skill sets, expertise and experience. Team members may be involved in planning or participating in the political process. Some are making deals or are making sure that the deals make sense financially. Others are overseeing construction, ensuring that everything is built to Tejon Ranch standards. Working together, we're moving forward.

## KATHLEEN J. PERKINSON

### Vice President of Community Development

**BIOGRAPHY:** Kathy Perkinson joined Tejon Ranch in July 2007, bringing with her more than 20 years experience in the planning and development of master planned communities in California and Texas. She previously served as Managing Director for the Miller Family Companies, the master developer of Dos Vientos Ranch in Thousand Oaks, California; as General Manager of Wood Ranch in Simi Valley, California and Vice President Finance for Richland Interests, a Hines affiliate; and as Vice President and Senior Controller of Sugarland Properties Incorporated, the developer of First Colony in Sugar Land, Texas. Kathy earned her BS in Accountancy from the University of Illinois and is a Certified Public Accountant. She is a member of a number of professional organizations and is Chair of the Urban Land Institute Community Development Council.

**RESPONSIBILITIES:** Centennial and Tejon Mountain Village are being developed in partnership with several major home building and real estate development companies. As such, it is important for Tejon Ranch to have someone serve as its primary representative in these partnerships, bringing leadership and experience to the project teams while also representing the Company's interests. Kathy Perkinson has that important responsibility. The primary goal behind Centennial and Tejon Mountain Village is to develop high-quality, environmentally sensitive communities that will meet the housing, employment and lifestyle needs of Californians, while providing significant economic returns to the Company and its shareholders. From the planning and entitlement process, all the way through construction, sales and marketing, it is Kathy's job to see this goal accomplished.

REAL ESTATE TEAM



*"It is exciting to contribute to the leadership of an organization whose core values exemplify responsible land planning by providing opportunities for current and future generations to live, work and recreate amid the natural beauty and heritage of Tejon Ranch."*

—KATHLEEN J. PERKINSON



## BARRY G. HIBBARD

### Vice President of Commercial & Industrial Development

**BIOGRAPHY:** Now starting his tenth year at Tejon Ranch Company, Barry Hibbard oversees the development, sales and leasing for the 1,450-acre Tejon Industrial Complex (TIC). During that time he has sold, leased or developed 208 acres with 2.9 million square feet of industrial properties, and 87,000 square feet of freeway commercial/retail properties. Barry is a graduate of Michigan State University, where he earned a bachelor of science in finance, and California State University, Bakersfield, where he earned an MBA. He is an active member of National Association of Industrial and Office Properties (NAIOP) and the Council of Supply Chain Management Professionals (CSCMP).

**RESPONSIBILITIES:** While Centennial and Tejon Mountain Village are in their final planning stages, Tejon Industrial Complex is entitled and growing. Leading TIC's marketing and development effort makes Barry the Company's primary sales person. He is responsible for determining how our commercial and industrial land can meet the needs of a growing California; identifying market opportunities; developing the product; telling the world that the product is available; and attracting world class companies to TIC, thereby creating core jobs in the community. Barry also interfaces with our two partners at TIC; Rockefeller Group Development Corporation and TA/Petro. As the Company's first entitled development, TIC is projecting Tejon Ranch Company's values of quality, stewardship and vision, to the local, state and national real estate communities.

REAL ESTATE TEAM



*"I see a unique, quiet confidence and excitement in everyone working for Tejon Ranch. We are privileged to be a part of history and to be working for a purpose much larger than ourselves."*

—BARRY G. HIBBARD

## HUGH F. McMAHON IV

### Vice President of Finance

**BIOGRAPHY:** Hugh McMahon began his career with Tejon Ranch Company in 2001. Prior to joining the Ranch, he was Director of Finance for Castle and Cooke's mainland operations headquartered in Bakersfield, California. Hugh graduated with a bachelor of arts in economics from California State University, Fresno, and received an MBA from California State University, Bakersfield. He is also a graduate of Stanford University's Financial Management Program, and Harvard University's Real Estate Management Program.

**RESPONSIBILITIES:** Hugh's role on the Real Estate team is to engage in a relentless pursuit of value for the Company. His primary area of responsibility is to engage in the necessary financial analysis, project costing, and valuation modeling to make sure our real estate deals and developments make financial sense – for the Company and for shareholders. Hugh also works with our business partners to analyze deal structures and with lending institutions to obtain bank financing. Tejon Ranch is the largest contiguous piece of private property in California and as such, it contains a myriad of land leases, facility leases, and strategic easements for various uses, including commercial and industrial real estate, power generation and transmission, telecommunications, and oil and mineral extraction. Managing this diverse portfolio of leases is also Hugh's responsibility.



REAL ESTATE TEAM



*"I am a developer by trade and a naturalist by heart. These two disciplines are not mutually exclusive, and must come together if we are to address the challenges posed by California's growing population while minimizing the impact of that growth. I am proud to work for a company whose vision is guided by this principle."*

—HUGH F. McMAHON IV



## FINANCIAL REVIEW SUMMARY

## CONSOLIDATED BALANCE SHEETS

(\$ in thousands)	DECEMBER 31	
	2007	2006
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 9,454	\$ 4,662
Marketable securities	67,559	73,404
Accounts receivable	9,352	7,835
Inventories	4,129	2,578
Prepaid expenses and other current assets	9,059	7,481
Total current assets	99,553	95,960
Property and equipment, net	50,357	45,657
Investments in unconsolidated joint ventures	24,464	16,628
Other assets	1,129	872
Total assets	\$ 175,503	\$ 159,117
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade accounts payable	\$ 1,511	\$ 1,553
Other accrued liabilities	656	658
Deferred income	572	1,309
Income taxes payable	1,359	-
Current portion of long-term debt	28	27
Total current liabilities	4,126	3,547
Long-term debt, less current portion	389	417
Long-term deferred gains	1,688	1,688
Other liabilities	2,954	2,656
Pension liability	1,292	1,779
Stockholders' equity		
Common stock, \$.50 par value per share:		
Authorized shares - 30,000,000		
Issued and outstanding shares - 16,899,982 in 2007 and 16,776,049 in 2006	8,450	8,388
Additional paid-in capital	118,370	110,558
Accumulated other comprehensive loss	(2,071)	(2,888)
Retained earnings	40,305	32,972
Total stockholders' equity	165,054	149,031
Total liabilities and stockholders' equity	\$ 175,503	\$ 159,117

## CONSOLIDATED STATEMENTS OF OPERATIONS

(\$ in thousands, except per share amounts)	YEAR ENDED DECEMBER 31		
	2007	2006	2005
<b>REVENUES</b>			
Real estate - commercial/industrial	\$ 16,940	\$ 16,010	\$ 13,063
Farming	15,404	12,412	13,297
Total revenues	32,344	28,422	26,360
<b>Costs and expenses:</b>			
Real estate - commercial/industrial	12,427	11,231	9,271
Real estate - resort/residential	3,512	3,408	2,496
Farming	10,432	9,324	7,514
Corporate expenses	8,547	13,173	7,881
Total expenses	34,918	37,136	27,162
Operating loss	(2,574)	(8,714)	(802)
<b>OTHER INCOME (EXPENSE)</b>			
Investment income	3,509	2,975	2,565
Other	55	119	384
Interest expense	(70)	(70)	(70)
Total other income	3,494	3,024	2,879
Income (loss) from continuing operations before equity in earnings of unconsolidated joint ventures	920	(5,690)	2,077
Equity in earnings of unconsolidated joint ventures, net	10,580	1,247	423
Income (loss) from operations before income tax provision (benefit)	11,500	(4,443)	2,500
Income tax provision (benefit)	4,167	(1,714)	954
Net income (loss)	\$ 7,333	\$ (2,729)	\$ 1,546
Net income (loss) per share, basic	\$ 0.43	\$ (0.16)	\$ 0.09
Net income (loss) per share, diluted	\$ 0.42	\$ (0.16)	\$ 0.09

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

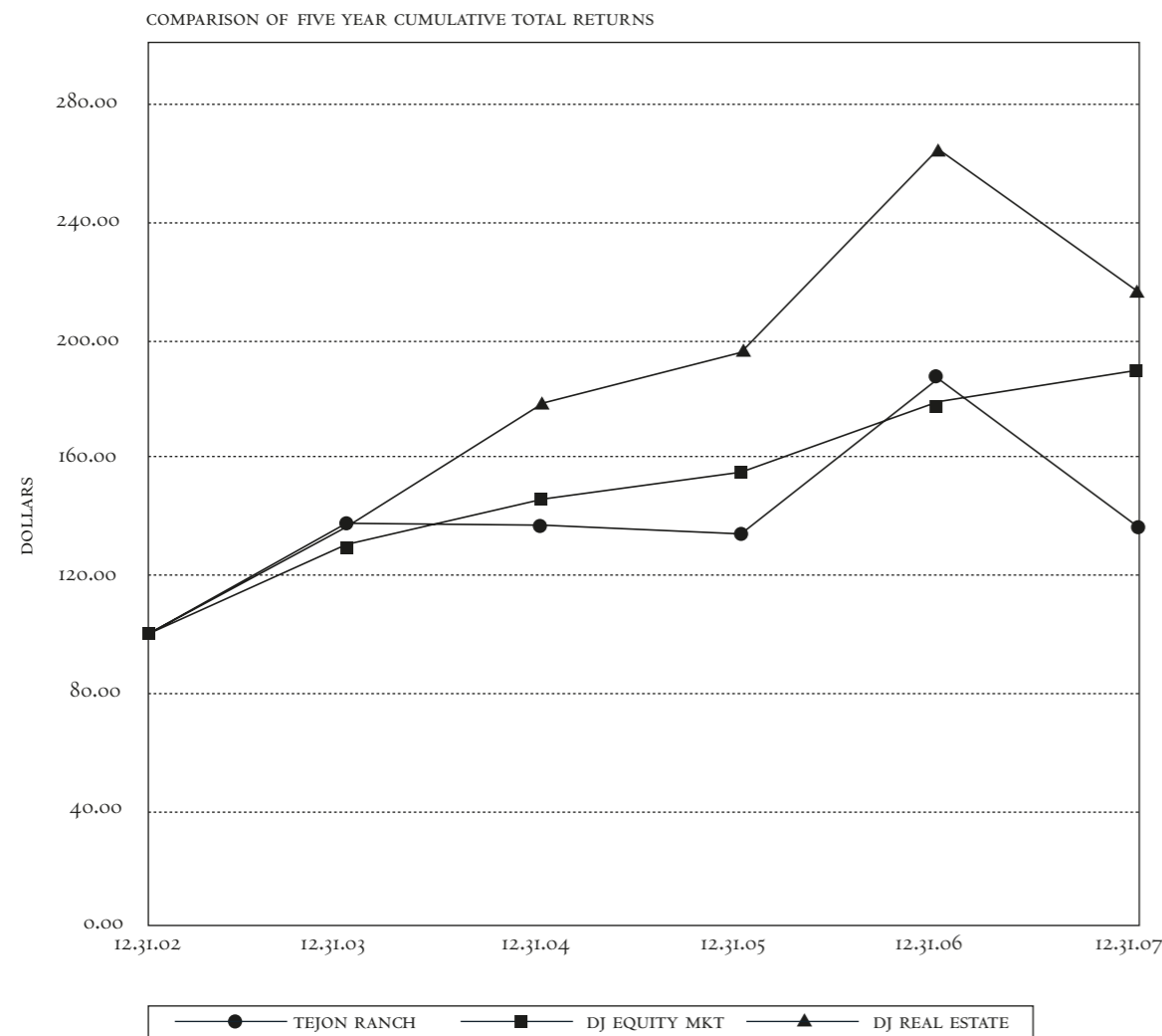
(\$ in thousands, except shares outstanding)	YEAR ENDED DECEMBER 31					
	COMMON STOCK SHARES OUTSTANDING	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED OTHER COMPREHENSIVE LOSS	RETAINED EARNINGS	TOTAL
Balance, December 31, 2004	16,386,499	\$ 8,193	\$ 91,388	\$ (1,643)	\$ 34,155	\$ 132,093
Net income	-	-	-	-	1,546	1,546
Changes in unrealized losses on available-for-sale securities, net of taxes of \$553	-	-	-	(737)	-	(737)
Benefit plan adjustments, net of taxes of \$497	-	-	-	(665)	-	(665)
Equity in other comprehensive income of unconsolidated joint venture, net of taxes of \$61	-	-	-	80	-	80
Comprehensive income						224
Additional cost related to private placement	-	-	(6)	-	-	(6)
Exercise of stock options and related tax benefit of \$989	114,602	58	3,439	-	-	3,497
Restricted stock issuance	6,411	3	279	-	-	282
Stock compensation	-	-	2,741	-	-	2,741
Balance, December 31, 2005	16,507,512	8,254	97,841	(2,965)	35,701	138,831
Net income (loss)	-	-	-	-	(2,729)	(2,729)
Changes in unrealized losses on available-for-sale securities, net of taxes of \$104	-	-	-	139	-	139
Adjustment to initially apply FASB 158, net of taxes of \$33	-	-	-	43	-	43
SERP liability adjustment, net of taxes of \$84	-	-	-	(111)	-	(111)
Equity in other comprehensive income of unconsolidated joint venture, net of taxes of \$5	-	-	-	6	-	6
Comprehensive income						(2,652)
Exercise of stock options and related tax benefit of \$1,329	171,017	85	5,380	-	-	5,465
Restricted stock issuance	22,277	12	542	-	-	554
Stock compensation	70,507	35	6,597	-	-	6,632
Charitable contribution of stock	4,736	2	198	-	-	200
Balance, December 31, 2006	16,776,049	8,388	110,558	(2,888)	32,972	149,030
Net income	-	-	-	-	7,333	7,333
Changes in unrealized losses on available-for-sale securities, net of taxes of \$457	-	-	-	692	-	692
Benefit plan adjustments, net of taxes of \$44	-	-	-	67	-	67
SERP liability adjustment, net of taxes of \$79	-	-	-	120	-	120
Equity in other comprehensive income of unconsolidated joint venture, net of taxes of \$41	-	-	-	(62)	-	(62)
Comprehensive income						8,150
Exercise of stock options and related tax benefit of \$343	101,539	51	2,436	-	-	2,487
Restricted stock issuance	22,394	11	(11)	-	-	-
Stock compensation	-	-	5,387	-	-	5,387
Balance, December 31, 2007	16,899,982	\$ 8,450	\$ 118,370	\$ (2,071)	\$ 40,305	\$ 165,054

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ in thousands)	YEAR ENDED DECEMBER 31		
	2007	2006	2005
<b>OPERATING ACTIVITIES</b>			
Net income (loss)	\$ 7,333	\$ (2,729)	\$ 1,546
Items not affecting cash:			
Depreciation and amortization	2,410	2,176	2,264
Deferred income taxes	(976)	(1,677)	(1,007)
Tax benefit from exercise of stock options	-	-	989
Gain from sale of real estate	(712)	(804)	(571)
Non-cash straight line rent income	(562)	(735)	(945)
Non-cash expense of retirement plans	586	974	329
Gain (loss) on sales of assets	25	(29)	5
Equity in (earnings) of unconsolidated joint ventures, net	(10,580)	(1,247)	(423)
Distribution of earnings from joint ventures	8,016	1,200	-
Non-cash issuances of stock and stock compensation expense	5,387	7,186	3,023
Excess tax benefit from stock-based compensation	(343)	(1,329)	-
Charitable contribution of stock	-	200	-
Changes in certain current assets and current liabilities:			
Accounts receivable	(1,802)	895	691
Inventories	(1,571)	(495)	(747)
Prepaid expenses and other current assets	(338)	(193)	(19)
Trade accounts payable and other accrued liabilities	(44)	(115)	462
Current deferred income	(25)	(12)	136
Income taxes payable	1,359	(1,076)	593
Net cash provided by operating activities of continuing operations	8,163	2,190	6,326
<b>INVESTING ACTIVITIES</b>			
Maturities of marketable securities	28,697	14,910	6,440
Funds invested in marketable securities	(21,944)	(26,378)	(12,188)
Reimbursement proceeds from community facilities district	2,981	3,524	-
Proceeds from sale of real estate	-	2,667	742
Distribution of equity from joint ventures	1,182	14,735	1,298
Property and equipment disposals	33	41	46
Property and equipment expenditures	(9,887)	(11,789)	(11,128)
Investment in unconsolidated joint ventures	(6,455)	(126)	(374)
Other	(438)	(664)	(219)
Net cash used in investing activities of continuing operations	(5,831)	(3,080)	(15,383)
<b>FINANCING ACTIVITIES</b>			
Payments on short-term debt	-	(5,400)	-
Borrowing of short-term debt	-	5,400	-
Repayment of long-term debt	(27)	(27)	(23)
Additional cost relating to private placement	-	-	(6)
Excess tax benefit from stock-based compensation	343	1,329	-
Exercise of stock options	2,144	4,136	2,508
Net cash provided by financing activities	2,460	5,438	2,479
Increase (decrease) in cash and cash equivalents	4,792	4,548	(6,578)
Cash and cash equivalents at beginning of year	4,662	114	6,692
Cash and cash equivalents at end of year	\$ 9,454	\$ 4,662	\$ 114
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>			
Interest paid (net of amounts capitalized)	\$ 70	\$ 70	\$ 70
Taxes paid (net of refunds)	\$ 2,813	\$ 1,039	\$ 376

**PERFORMANCE GRAPH**

The following graph is a comparison of cumulative total shareowner returns for the Company, the Dow Jones Equity Market Index, and the Dow Jones Real Estate Index for the period shown.



- Assumes \$100 invested on December 31, 2002  
 - Total return assumes reinvestment of dividends  
 - Fiscal year ending December 31

	2003	2004	2005	2006	2007
TEJON RANCH	38.08%	-0.51%	-2.16%	39.88%	-26.84%
DJ EQUITY MKT	30.75%	12.01%	6.32%	15.57%	6.01%
DJ REAL ESTATE	36.90%	31.22%	9.64%	35.50%	-18.15%

The stock price performance depicted in the above graph is not necessarily indicative of future price performance. The Performance Graph will not be deemed to be incorporated by reference in any filing by the Company under the Securities Act of 1933 or the Securities Exchange Act of 1934, except that the Company specifically incorporates the Performance Graph by reference.

The Dow Jones Real Estate Index, for the most part, includes companies which have revenues substantially greater than those of the Company. The Company is unaware of any industry or line-of-business index that is more nearly comparable.

**DIRECTORS AND EXECUTIVE OFFICERS**

**BOARD OF DIRECTORS**

- Kent G. Snyder  
Chairman of the Board,  
Tejon Ranch Company;  
Real Estate Attorney
- John L. Goolsby  
Private Investments and Real Estate
- Barbara Grimm-Marshall  
Co-owner  
Grimmway Farms
- Norman Metcalfe  
Real Estate and Investments
- George G.C. Parker  
Dean Witter Distinguished  
Professor of Finance,  
Stanford Business School

Robert C. Ruocco  
Principal, Carl Marks  
Management Company, L.P.,  
Investment Management

Geoffrey L. Stack  
Managing Director,  
SARES-REGIS Group,  
Real Estate Development  
and Management

Robert A. Stine  
President and Chief Executive Officer,  
Tejon Ranch Company

Michael H. Winer  
Portfolio Manager, Third Avenue  
Management LLC,  
Investment Management

**EXECUTIVE OFFICERS**

Robert A. Stine  
President and Chief Executive Officer

Joseph E. Drew  
Senior Vice President – Real Estate

Allen E. Lyda  
Vice President, Chief Financial Officer,  
Treasurer and Assistant Secretary

Teri A. Bjorn  
Vice President, General Counsel  
and Secretary

Dennis J. Atkinson  
Vice President – Agriculture

**COMMON STOCK INFORMATION**

QUARTER	2007		2006	
	HIGH	LOW	HIGH	LOW
First	\$ 56.95	\$ 45.37	\$ 49.74	\$ 39.71
Second	50.89	44.19	49.43	38.43
Third	47.72	37.70	44.78	37.55
Fourth	44.51	35.80	57.09	41.10

As of February 26, 2008, there were 442 owners of record of our Common Stock.

**CORPORATE DIRECTORY**

**CORPORATE OFFICE**  
 Tejon Ranch Company  
 Post Office Box 1000  
 4436 Lebec Road  
 Lebec, California 93243  
 Telephone: (661) 248-3000

**STOCK TRANSFER AGENT AND REGISTRAR**  
 Mellon Investor Services LLC  
 85 Challenger Road  
 Ridgfield Park, New Jersey 07660

**AUDITORS**  
 Ernst & Young LLP

**SECURITIES LISTING**  
 Tejon Ranch Company  
 Common Stock is listed on  
 the New York Stock Exchange  
 under the ticker symbol: TRC

**FORM 10-K**  
 A copy of this report and the Company's  
 Annual Report to the Securities and  
 Exchange Commission  
 on Form 10-k, without exhibits, will be  
 provided without charge to any stockholder  
 submitting a written request to the  
 Corporate Secretary:

**TEJON RANCH COMPANY**  
 Post Office Box 1000  
 4436 Lebec Road  
 Lebec, California 93243

