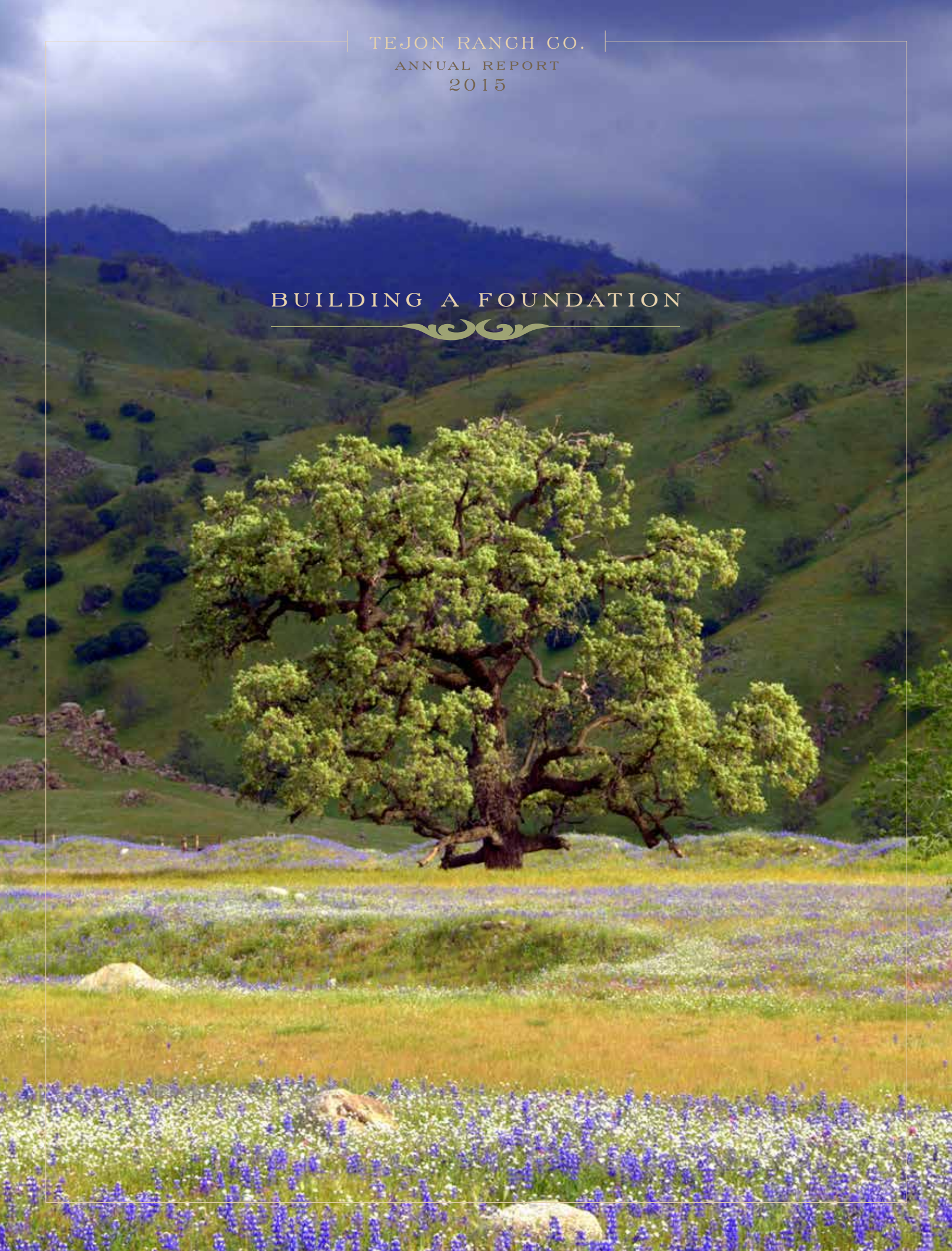


TEJON RANCH CO.

ANNUAL REPORT

2015

BUILDING A FOUNDATION

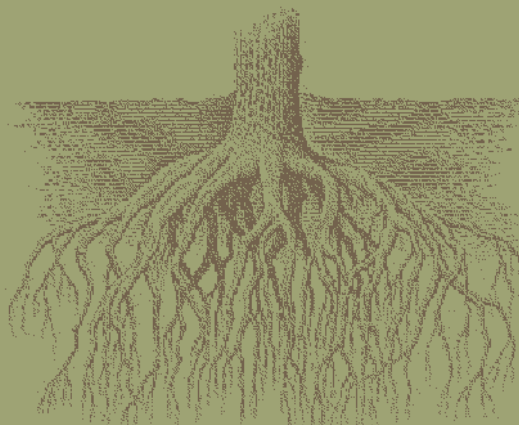




## BUILDING A FOUNDATION

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The word *Foundation* carries significant weight at Tejon Ranch. In a business sense, it is frequently used to describe the underlying reasons for a company's existence or the core values behind its operation. In construction, it is used to describe the base of concrete and steel upon which a structure is built. For the majestic oak trees that cover our land, their long deep roots serve as their foundation. In all these cases, it's vitally important that the foundation be solid and strong.





TO OUR  
VALUED SHAREHOLDERS



At Tejon Ranch Co., we've built a foundation on our unparalleled assets, our long-term strategy and our experienced, dedicated team. We believe our foundation is solid, and strongly believe that it will be the basis for the creation of meaningful shareholder value over the long term.

Tejon Ranch Co. owns a unique, valuable property – 270,000 acres of superbly located prime California real estate – with a legacy spanning nearly two centuries. The Ranch is an asset that cannot be replicated and represents a unique, long-term investment opportunity. It is strategically and geographically positioned to capitalize on California's real estate market, with growth opportunities coming from both Southern California and the central and northern reaches of the state.

Tejon Ranch's rich resources, including prime farming and grazing land, mineral deposits, oil and gas, extensive water rights, the intellectual property emanating from its historic brand, and its unparalleled natural beauty, form the foundation for diverse revenue streams, led by future residential, commercial and industrial real estate development. All of this leads to increased shareholder value. Having reserved up to 240,000 acres of the property for environmental conservation, the Company has ensured that Tejon Ranch's natural beauty will endure for future residents, and the Company's relationships with local governments and the community are strong and growing.



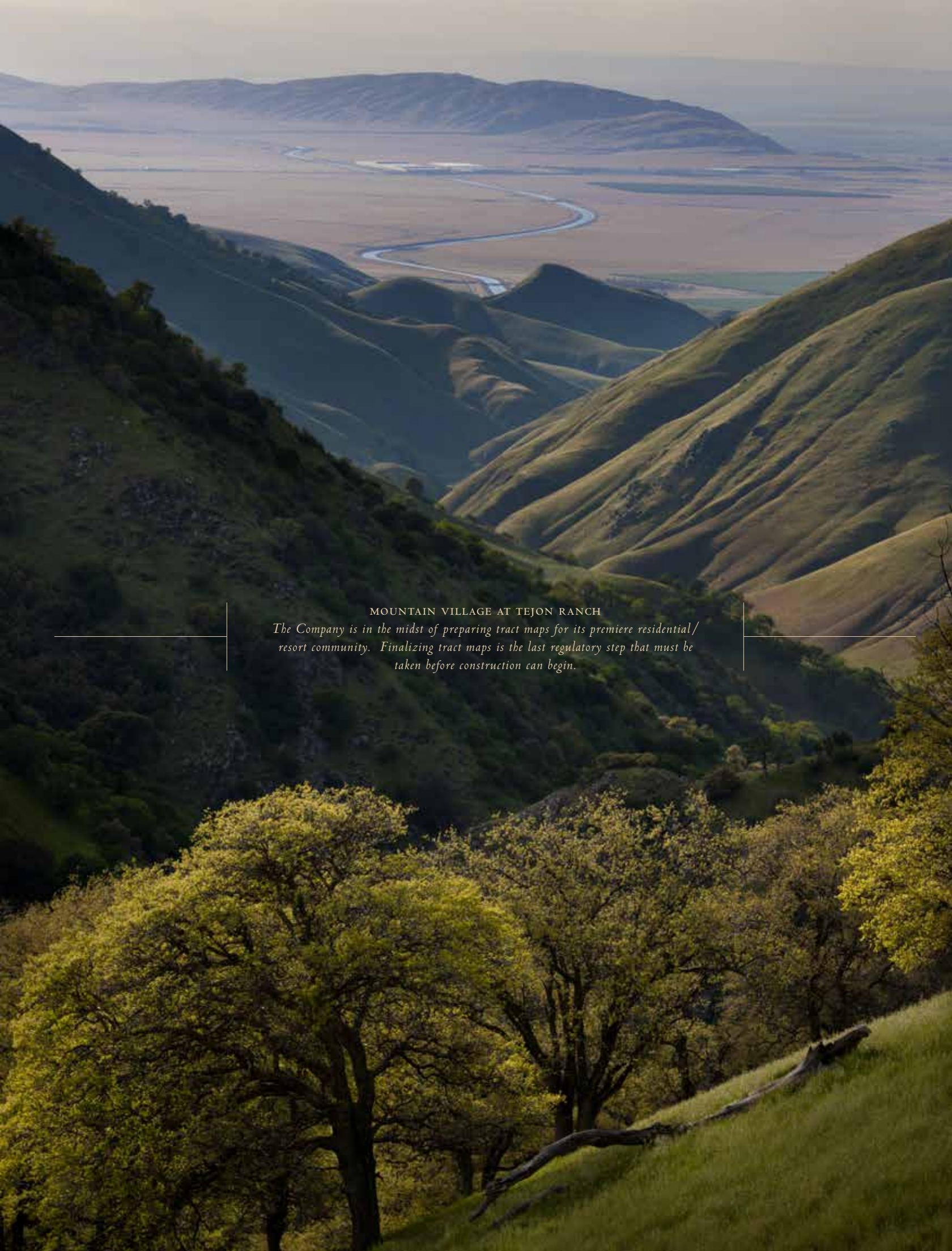
## BUILDING ON OUR MOMENTUM

The development and monetization of such an array of assets require a comprehensive strategy and consistent execution. Our strategy has been, and continues to be, to focus on real estate development, particularly the development of large scale residential and mixed use communities, which represent the most significant growth opportunity for the Company. These communities: Centennial at Tejon Ranch, Mountain Village at Tejon Ranch and Grapevine at Tejon Ranch, will provide our Company with a pipeline of long-term real estate projects.

As I reflect on 2015, and the meaningful progress we made in executing our overall strategy, I would describe the year as one in which we built upon our strong foundation and enhanced our potential for growth, both near term and long term.

Perhaps the most significant milestone as it relates to near-term impact is the Board's approval of the detailed business plan that will guide the ultimate development and marketing of Mountain Village at Tejon Ranch, and its decision to move forward with the processing of tentative tract maps for the initial phases of the community. Preparing tract maps—both tentative and then final maps—is the last regulatory hurdle that must be cleared before construction can begin. The process itself requires us to prepare a series of specific reports and studies, in addition to engineering and systems design. We are well underway with the effort, which is expected to take about two years to complete. The tentative tract maps will be reviewed and are ultimately required to be approved by the Kern County Planning Commission. Engaging in this process sends a clear signal that we are ready, willing and able to bring Mountain Village to market—as market conditions warrant—and have a clear path to execution.

We reached another important milestone in 2015 when the Los Angeles County Board of Supervisors approved a new Antelope Valley Plan, which provides the land use designations and zoning we need for our large-scale community, Centennial at Tejon Ranch. The next step is to submit a Specific Plan and circulate an environmental impact report. We are working diligently on both and are targeting the end



MOUNTAIN VILLAGE AT TEJON RANCH

*The Company is in the midst of preparing tract maps for its premiere residential/  
resort community. Finalizing tract maps is the last regulatory step that must be  
taken before construction can begin.*

TEJON RANCH COMMERCE CENTER

*The Outlets at Tejon is energizing new retail development at the Tejon Ranch Commerce Center. This Pieology Pizzeria represents just one of the many new establishments that have opened adjacent to the outlet center.*



of 2016 for approval by Los Angeles County. The County controls the eventual timeline, but we are working cooperatively together toward the 2016 goal. The Specific Plan submitted for Centennial calls for 19,333 residential units and about 10.1 million square feet of commercial space.

On the Kern County side of the ranch, we are aiming to have our large-scale community—Grapevine at Tejon Ranch—approved by the Board of Supervisors in 2016. The County will be circulating the environmental impact report for Grapevine and then scheduling meetings before the Planning Commission and then the Supervisors. The plan presented to the County is for 12,000 - 14,000 residential units and 5.1 million square feet of commercial development.

In 2015 we also advanced our strategy at the Tejon Ranch Commerce Center (TRCC). As we anticipated, the Outlets at Tejon, which opened on the east side of TRCC in 2014, is proving to be a catalyst for increased traffic, revenue and new business opportunities. The growing level of traffic exiting from Interstate 5 is driving significant increases in volume at our TA/Petro joint venture. Our share in earnings from the JV were up 29% in 2015 compared to 2014. Three new quick-serve food offerings opened adjacent to the outlets in 2015, a Carl's Jr., Starbucks and Pieology Pizzeria, and two more—a Habit Burger and Baja Fresh—will open in the second quarter of this year. All are generating new lease revenue for the Company.

In addition, the Board approved the expansion of our portfolio of industrial buildings at TRCC, authorizing the 2016 construction of a 250,000 square foot spec building. While most of the buildings and pads at TRCC are designed to accommodate larger users like distribution centers, an analysis of the nearby Santa Clarita/San Fernando Valley market indicates there is a real opportunity for buildings with a smaller footprint. Available space in that market is almost non-existent and the real demand is in the 50,000 to 100,000 square foot range. The new spec building at TRCC will be divisible and can house multiple users. This is another example of the Company taking concrete steps to monetize its assets.



## WELL POSITIONED FOR 2016 AND BEYOND

The diversity of our business operations enables us to invest the cash flow generated from other operations, including farming, mineral resources and our various joint ventures, into the entitlement and future development efforts of our residential communities. While we expect to engage capital partners to mitigate risk once we begin development of our residential communities, having the ability to fund the entitlement of the communities through existing cash flow and/or future equity events is a distinct advantage.

In addition, we have been deepening the bench to ensure we have the internal capabilities to manage the Company's transformation into a fully integrated real estate development business. We have an exciting opportunity to take the raw land at our disposal and develop it into a monetizable real estate asset, and we have the right team in place to execute on our strategy. In California, there are a number of steps in the real estate development process, some driven by law and regulation, others by what's become common practice in the state. It's also important to understand that most of the steps are consecutive in that you cannot proceed to the next step without completing the prior, though in certain instances they can be concurrent. That said, California's complex, costly and time-consuming regulations create a high barrier to entry, and therefore also play to our advantage. There are a limited number of locations in California where large-scale real estate development can take place and a limited number of players who can engage in the activity at this scale. Tejon Ranch is one of the select locations in the state where large-scale residential development can and will occur, and our Company is one of the few with the ability to capitalize on this increasingly rare opportunity.





FOUNDATION FOR GROWTH

*Just as the advent of spring signals a time for new growth, Tejon Ranch Co. is at an exciting inflexion point. We believe we have the assets, the strategy and the team to drive meaningful shareholder value over the long term.*





## STEPS TO DEVELOPMENT

Here are the steps one must go through in California to transform raw land into a monetizable real estate asset.

»» **ENTITLEMENT:** Creating the plan, preparing the environmental impact report and then gaining approval of both by the local governing body—City Council or County Board of Supervisors.

»» **SECURING STATE AND FEDERAL PERMITS:** Various state and federal agencies have jurisdiction over all or part of the project and one must obtain necessary permits in order to begin construction. Some of the agencies include the State Department of Fish and Wildlife, the Regional Water Quality Control Board, the US Fish and Wildlife Service, and the US Army Corps of Engineers, among others.

»» **TRACT MAPS:** Final detailed maps showing exact locations of all lots and engineering and systems infrastructure, including water and sewer.

»» **WEATHER THE INEVITABLE DELAYS:** When you're executing your strategy within a highly regulated framework, such as you encounter working in real estate development in California, you must anticipate and be prepared for natural delays – including those resulting from litigation.

We are at an exciting inflexion point for the Company, and look forward to sharing our continued progress with our shareholders and the investment community. We believe in our assets, our strategy to monetize those assets and in the high-quality team we've assembled to continue the execution of that strategy to drive meaningful shareholder value over the long term.

Thank you for your continued confidence as we build upon this strong foundation for our next phase of growth.

GREG BIELLI  
*President & CEO*



AN IRREPLACEABLE ASSET

*Tejon Ranch Co. owns a unique, valuable property — 270,000 acres of superbly located prime California real estate—an asset that cannot be replicated and which represents a long-term investment opportunity.*





FINANCIAL HIGHLIGHTS



## CONSOLIDATED BALANCE SHEETS

(\$ in thousands)	DECEMBER 31	
	2015	2014
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 1,930	\$ 5,638
Marketable securities - available-for-sale	32,815	42,140
Accounts receivable	6,511	8,506
Inventories	3,517	4,098
Prepaid expenses and other current assets	4,120	4,456
Total current assets	48,893	64,838
Real estate and improvements - held for lease, net	21,942	20,226
Real estate development (includes \$84,194 at December 31, 2015 and \$77,131 at December 31, 2014)	235,466	219,654
Property and equipment, net	44,469	43,094
Investments in unconsolidated joint ventures	30,680	32,604
Long-term water assets	43,806	45,349
Deferred tax assets	4,659	4,576
Other assets	2,004	1,582
Total Assets	\$ 431,919	\$ 431,923
<b>LIABILITIES AND EQUITY</b>		
Current Liabilities:		
Trade accounts payable	\$ 3,252	\$ 3,347
Accrued liabilities and other	3,492	2,774
Income taxes payable	1,237	1,703
Deferred income	1,525	1,164
Revolving line of credit	—	6,850
Current maturities of long-term debt	815	244
Total current liabilities	10,321	16,082
Long-term debt, less current portion	73,223	74,023
Long-term deferred gains	3,816	3,683
Other liabilities	13,251	13,802
Total liabilities	100,611	107,590
Commitments and contingencies		
Equity:		
Tejon Ranch Co. Stockholders' Equity		
Common stock, \$0.50 par value per share:		
Authorized shares - 30,000,000		
Issued and outstanding shares - 20,688,154 at December 31, 2015 and 20,636,478 at December 31, 2014	10,344	10,318
Additional paid-in capital	216,803	212,763
Accumulated other comprehensive loss	(6,902)	(6,899)
Retained earnings	71,389	68,439
Total Tejon Ranch Co. Stockholders' Equity	291,634	284,621
Non-controlling interest	39,674	39,712
Total equity	331,308	324,333
Total Liability and Equities	\$ 431,919	\$ 431,923

## CONSOLIDATED STATEMENTS OF OPERATION

(\$ in thousands, except per share amounts)	YEAR ENDED DECEMBER 31		
	2015	2014	2013
REVENUES:			
Real estate - commercial/industrial	\$ 8,272	\$ 7,845	\$ 7,455
Mineral resources	15,116	16,255	10,242
Farming	23,836	23,435	23,610
Ranch operations	3,923	3,534	3,693
Total revenues	51,147	51,069	45,000
Costs and Expenses:			
Real estate - commercial/industrial	6,694	7,206	6,853
Real estate - resort/residential	2,349	2,608	2,231
Mineral resources	7,396	6,418	1,277
Farming	18,984	16,250	15,926
Ranch operations	6,112	5,998	6,049
Corporate expenses	12,808	10,646	11,826
Total expenses	54,343	49,126	44,162
Operating (loss) income	(3,196)	1,943	838
Other Income:			
Investment income	528	696	941
Other income	381	526	404
Total other income	909	1,222	1,345
(Loss) income from operations before equity in earnings of unconsolidated joint ventures	(2,287)	3,165	2,183
Equity in earnings of unconsolidated joint ventures, net	6,324	5,294	4,006
Income before income tax expense	4,037	8,459	6,189
Income tax expense	1,125	2,697	2,086
Net income	2,912	5,762	4,103
Net (loss) income attributable to non-controlling interest	(38)	107	(62)
Net income attributable to common stockholders	\$ 2,950	\$ 5,655	\$ 4,165
Net income per share attributable to common stockholders, basic	\$ 0.14	\$ 0.27	\$ 0.21
Net income per share attributable to common stockholders, diluted	\$ 0.14	\$ 0.27	\$ 0.20

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(\$ in thousands)	YEAR ENDED DECEMBER 31		
	2015	2014	2013
Net income	\$ 2,912	\$ 5,762	\$ 4,103
Other comprehensive income/(loss):			
Unrealized loss on available for sale securities	(188)	(208)	(348)
Benefit plan adjustments	(1,301)	(3,168)	2,218
Benefit plan reclassification for losses included in net income	536	407	—
SERP liability adjustments	234	(1,003)	1,098
Unrealized interest rate swap gains/(losses)	678	(2,227)	—
Other comprehensive (loss) income before taxes	(41)	(6,199)	2,968
Benefit (provision) for income taxes related to other comprehensive loss items	38	2,644	(1,183)
Other comprehensive (loss) income	(3)	(3,555)	1,785
Comprehensive income	2,909	2,207	5,888
Comprehensive (loss) income attributable to non-controlling interests	(38)	107	(62)
Comprehensive income attributable to common stockholders	\$ 2,947	\$ 2,100	\$ 5,950

## CONSOLIDATED STATEMENTS OF EQUITY

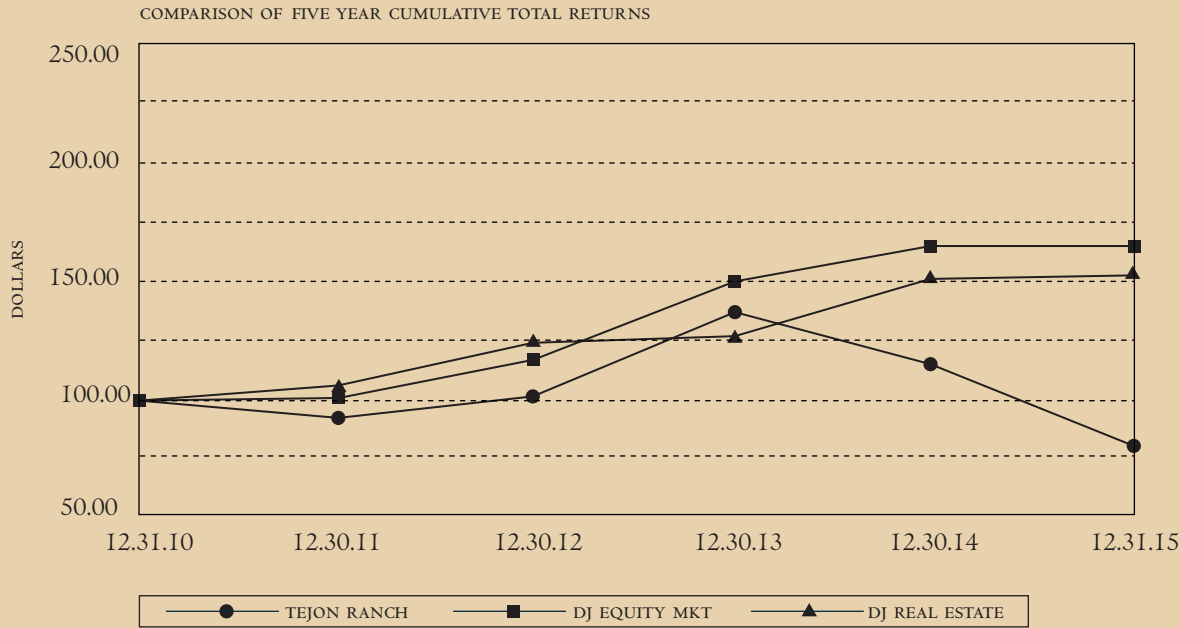
(\$ in thousands, except share information)	Common	Common	Additional	Accumulated	Retained	Total	Non-	Total
	Stock Shares			Other				
	Outstanding	Stock	Paid-In	Income (Loss)		Equity	Interest	Equity
BALANCE, DECEMBER 31, 2012	20,085,865	10,043	198,117	(5,118)	65,550	268,592	39,667	308,259
Net income				—	4,165	4,165	(62)	4,103
Other comprehensive income				1,785	—	1,785	—	1,785
Exercise of stock options and related tax benefit of \$3	7,567	4	207	—	—	211	—	211
Restricted stock issuance	391,555	196	(196)	—	—	—	—	—
Common stock issued for water purchase	251,876	126	9,244	—	—	9,370	—	9,370
Stock compensation			1,223	—	—	1,223	—	1,223
Shares withheld for taxes and tax benefit of vested shares	(173,840)	(87)	(4,677)	—	—	(4,764)	—	(4,764)
Warrants issued as dividends (3,000,000 warrants)	—	—	6,930	—	(6,930)	—	—	—
BALANCE, DECEMBER 31, 2013	20,563,023	10,282	210,848	(3,333)	62,785	280,582	39,605	320,187
Net income	—	—	—	—	5,655	5,655	107	5,762
Other comprehensive income	—	—	—	(3,555)	—	(3,555)	—	(3,555)
Restricted stock issuance	94,014	47	(47)	—	—	—	—	—
Stock compensation			2,564	—	—	2,564	—	2,564
Shares withheld for taxes and tax benefit of vested shares	(20,559)	(11)	(603)	(11)	—	(625)	—	(625)
Warrants exercised			1	—	(1)	—	—	—
BALANCE, DECEMBER 31, 2014	20,636,478	\$ 10,318	\$ 212,763	\$ (6,899)	\$ 68,439	\$ 284,621	\$ 39,712	\$ 324,333
Net income	—	—	—	—	2,950	2,950	(38)	2,912
Other comprehensive loss	—	—	—	(3)	—	(3)	—	(3)
Restricted stock issuance	85,584	43	(43)	—	—	—	—	—
Stock compensation			3,922	—	—	3,922	—	3,922
Shares withheld for taxes and tax benefit of vested shares	(33,908)	(17)	(904)	—	—	(921)	—	(921)
Modified share-based awards			1,065	—	—	1,065	—	1,065
Balance, December 31, 2015	20,688,154	\$ 10,344	\$ 216,803	\$ (6,902)	\$ 71,389	\$ 291,634	\$ 39,674	\$ 331,308



## CONSOLIDATED STATEMENTS OF CASH FLOWS

(\$ in thousands)	YEAR ENDED DECEMBER 31		
	2015	2014	2013
<b>OPERATING ACTIVITIES</b>			
Net income	\$ 2,912	\$ 5,762	\$ 4,103
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	5,090	4,871	4,226
Amortization of premium/discount of marketable securities	555	769	879
Equity in earnings	(6,324)	(5,294)	(4,006)
Non-cash retirement plan expense	997	164	865
Gain on sale of real estate/assets	(95)	—	(46)
Deferred income taxes	(120)	112	(8)
Stock compensation expense	3,757	3,534	929
Distribution of earnings from unconsolidated joint ventures	7,200	—	—
Changes in operating assets and liabilities:			
Receivables, inventories, prepaids and other assets, net	2,733	2,291	3,712
Current liabilities, net	263	1,009	(1,118)
Net cash provided by operating activities	16,968	13,218	9,536
<b>INVESTING ACTIVITIES</b>			
Maturities and sales of marketable securities	24,157	20,844	29,779
Funds invested in marketable securities	(15,574)	(8,525)	(21,392)
Real estate and equipment expenditures	(28,048)	(24,775)	(21,558)
Reimbursement of outlet center costs	—	—	512
Reimbursement proceeds from Communities Facilities District	4,971	—	17,809
Proceeds from sale of real estate/assets	796	—	—
Investment in unconsolidated joint ventures	(52)	(9,656)	(3,415)
Purchase of partner interest in TMV LLC	—	(70,000)	—
Distribution of equity from unconsolidated joint ventures	1,100	—	1,000
Investments in long-term water assets	—	(480)	(9,635)
Other	(11)	—	(711)
Net cash used in investing activities	(12,661)	(92,592)	(7,611)
<b>FINANCING ACTIVITIES</b>			
Borrowings of line of credit	17,540	31,050	—
Repayments of line of credit	(24,390)	(24,200)	—
Borrowings of long-term debt	—	70,000	4,750
Repayments of long-term debt	(244)	(244)	(310)
Proceeds from exercise of stock options	—	—	211
Taxes on vested stock grants	(921)	(625)	(4,764)
Net cash (used in) provided by financing activities	(8,015)	75,981	(113)
(Decrease) increase in cash and cash equivalents	(3,708)	(3,393)	1,812
Cash and cash equivalents at beginning of year	5,638	9,031	7,219
Cash and cash equivalents at end of year	\$ 1,930	\$ 5,638	\$ 9,031
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>			
Increase in construction in progress attributable to the reclassification of equity in investment of TMV LLC	\$ —	\$ 44,950	\$ —
Accrued capital expenditures included in current liabilities	\$ 329	\$ 1,096	\$ 2,058
Taxes paid (net of refunds)	\$ 1,817	\$ (2,384)	\$ 15
Common stock issued for water purchase	\$ —	\$ —	\$ 9,370

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, 2010
- Total return assumes reinvestment of dividends
- Fiscal year ending December 31

	2011	2012	2013	2014	2015
TEJON RANCH	-11.14%	14.71%	30.91%	-19.86%	-35.00%
DJ EQUITY MKT	1.07%	16.38%	33.47%	12.48%	0.44%
DJ REAL ESTATE	6.05%	18.91%	1.79%	27.24%	2.14%

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 where 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.

QUARTER	2015		2014	
	HIGH	LOW	HIGH	LOW
First	\$29.74	\$23.57	\$36.98	\$32.14
Second	\$27.10	\$23.84	\$35.23	\$29.54
Third	\$28.00	\$21.50	\$33.08	\$27.95
Fourth	\$24.28	\$18.12	\$31.44	\$27.86

As of March 1, 2016, there were 307 registered owners of record of our Common Stock.





**TEJON RANCH**  
C O M P A N Y

[WWW.TEJONRANCH.COM](http://WWW.TEJONRANCH.COM)