# Tejon Ranch Co. Reports 2014 Results of Operations

March 16, 2015

TEJON RANCH, Calif.--(BUSINESS WIRE)--Mar. 16, 2015-- Tejon Ranch Co. (NYSE:TRC) today released the results of operations for the year ended December 31, 2014, with the Company showing net income attributable to common stockholders of $5,655,000, or $0.27 per common share, compared to net income attributable to common stockholders of $4,165,000, or $0.20 per common share, for the same period in 2013, which is a 37% increase year-over-year. Revenue from operations for the year ended December 31, 2014 was $51,252,000, a 13% increase compared to the $45,338,000 of revenue for the same period during 2013. All per share references in this release are presented on a fully diluted basis.

For the fourth quarter of 2014, the Company had net income attributable to common stockholders of $1,916,000, or $0.09 per common share, compared to a net loss attributable to common stockholders of $826,000, or ($0.04) per common share, for the fourth quarter of 2013. Revenue from operations for the fourth quarter of 2014 was $14,544,000 compared to $12,975,000 of revenue during the same period of 2013.

"Fiscal year 2014 demonstrated the importance of Tejon Ranch Co. being a diversified company," said Gregory S. Bielli, President and CEO. "Water sales and revenue related to our varied operations including farming and the Tejon Ranch Commerce Center led to both increased revenue and higher net income for the year. 2014 was also important to us due to the opening of the Outlets at Tejon. In 2015 we will continue to leverage the opening of the outlet center to build additional commercial/industrial revenue and take the next steps with our residential real estate projects. The Company continues to be in a strong position with regards to our water supply, with sufficient resources for our current farming and real estate operations, and the ability to sell excess supply until it's fully needed internally."

**Results of Operations for the Year Ended December 31, 2014:**

The improvement in net income attributable to common stockholders of $1,490,000 is driven by an increase in operating revenue, primarily from mineral resource revenues and improved equity in earnings of unconsolidated joint ventures.

Mineral resource segment revenues increased $6,013,000, or 59% during 2014 compared to the same period in 2013, due primarily to water sales totaling $7,702,000. During 2013, there were no water sales. In addition, cement and rock and aggregate royalties increased $476,000 as a result of expanded production driven by road construction in the region. These improvements were partially offset by a $1,606,000 decrease in oil and natural gas royalty revenue stemming from a 7% drop in production due to reduced production from older wells, the timing of new wells coming on-line during the year, and the timing of completion of the expansion of lessees' production facilities. In addition, oil prices began to decline during the fourth quarter of 2014 and they have continued to decline during 2015. We also saw a decline in oil leasehold payments of $586,000 when compared to 2013 due to a lessee entering the drilling phase of their lease.

During 2014, farming revenues decreased $175,000 compared to 2013. The decline in farming revenue was driven primarily by reduced almond revenue of $821,000. The decline in almond revenue compared to the same period in 2013, is primarily due to a decrease in production resulting from various weather related conditions such as a mild winter, which impacted tree and vine dormant time and very hot weather in early summer. Drought conditions within California did not impact our production levels because we had adequate water supplies for our farming activities. The drop in almond production was partially offset by a 24% increase in prices received for almonds. Wine grape revenue decreased $116,000 largely due to a decline in price per ton for grapes sold during the year compared to 2013. Pistachio revenue was flat during the year; a 19% increase in pricing helped offset a decline in production. Our farming activities also saw a $433,000 increase in hay sales due to improved pricing levels.

Commercial/industrial revenues improved $231,000 when compared to the same period in 2013. The increase is the result of the recognition of $458,000, representing 40% of a gain on the sale of land to the TA/Petro joint venture during the fourth quarter of 2014 for a new convenience store and gas station. In addition, we recognized higher development and management fees during the year as a result of the development of the outlet center. These improvements were partially offset by lower percentage rent from the Calpine power plant lease.

Adding to the improvement in revenues is an increase of $1,288,000 in earnings from unconsolidated joint ventures due to $941,000 of higher income from the TA/Petro joint venture as a result of higher gasoline sales and fuel margins and improved leasing revenue from the Five West Parcel joint venture that is in a partnership with the Rockefeller Development Group.

As a partial offset to the above improved revenues was an increase in operating costs of $4,964,000, primarily as a result of an increase in water sales cost of sales of $4,523,000.

**Results of Operations for the Fourth Quarter of 2014:**

Revenue increased $1,569,000, or 12%, due primarily to higher farming revenue and improved commercial/industrial revenues.

Farming revenues improved $1,842,000, or 23%, during the fourth quarter of 2014 compared to the same period in 2013. The improvement is related to the timing of the 2014 almond and pistachio harvests that were not completed until November 2014. We recognized an increase of approximately $500,000 in almond revenue and $1,500,000 in pistachio revenue compared to the same period in 2013 due primarily to the timing of the harvest despite lower production as described above. This improvement was partially offset by reduced grape revenues due to lower pricing.

Commercial/industrial revenue was $553,000, or 20% higher during the fourth quarter of 2014 as compared to the same period in 2013 due primarily to the sale of land as described above. We also saw an increase of $915,000 in equity in earnings of joint ventures due to growth within the TA/Petro joint venture as we saw a continued increase in gasoline sales.

The Company also saw a decline in operating costs, including corporate costs, during the fourth quarter of 2014. Overall, costs declined $1,013,000 during the quarter as compared to the same period in 2013. This decline in cost was led by reduced staffing costs and professional service expense within corporate general and administrative expense. These improvements were partially offset by higher farming cost of sales and higher farm water costs.

Partially offsetting the improvements above during the fourth quarter of 2014 was a reduction in mineral resource revenue of $733,000. This decline was led by a $784,000 decline in oil and gas royalty income as a result of reduced production and lower pricing.

**2015 Outlook:**

Management believes that the capital structure of the Company provides a solid foundation for continued investment in our projects. At December 31, 2014, total capital, including long-term debt, was approximately $399,000,000. As of December 31, 2014, the Company also had cash and securities totaling approximately $48,000,000.

The Company will continue to aggressively pursue development, leasing, and investment within the Tejon Ranch Commerce Center and in our joint ventures. The Company is continuing to invest in its residential projects to complete the entitlements for the Centennial and Grapevine projects and pre-development investment for Tejon Mountain Village.

As we move into 2015, we expect our mineral resource revenue from oil royalties to be negatively impacted compared to 2014 due to the expectation of lower average prices for oil during 2015 as compared to 2014. The Company believes the variability of its quarterly and annual operating results will continue during 2015 due to its farming and real estate activities. Many of the Company's projects, especially in real estate, require a lengthy process to complete the entitlement and development phases before revenue can begin to be recognized. The timing of projects and sales of both real estate inventory and non-strategic assets can vary from year-to-year; therefore, it is difficult for the Company to accurately predict quarterly and annual revenues and results of operations.

Tejon Ranch Co. is a diversified real estate development and agribusiness company, whose principal asset is its 270,000-acre land holding located approximately 60 miles north of Los Angeles and 30 miles south of Bakersfield.

More information about Tejon Ranch Co. can be found online at http://www.tejonranch.com.

**Forward Looking Statements:**

The statements contained herein, which are not historical facts, are forward-looking statements based on economic forecasts, strategic plans and other factors, which by their nature involve risk and uncertainties. In particular, among the factors that could cause actual results to differ materially are the following: business conditions and the general economy, future commodity prices and yields, market forces, the ability to obtain various governmental entitlements and permits, interest rates and other risks inherent in real estate and agriculture businesses. For further information on factors that could affect the Company, the reader should refer to the Company's filings with the Securities and Exchange Commission.

TEJON RANCH CO.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
YEAR ENDED DECEMBER 31, 2014
(In thousands, except earnings per share)
(Unaudited)

| | **Three Months Ended December 31** | | **Year Ended December 30** | |
|---|---|---|---|---|
| | **2014** | **2013** | **2014** | **2013** |
| Revenues: | | | | |
| Real estate - commercial/industrial | $ 3,312 | $ 2,759 | $ 11,379 | $ 11,148 |
| Real estate - resort/residential | (15) | 78 | 183 | 338 |
| Mineral resources | 1,454 | 2,187 | 16,255 | 10,242 |
| Farming | 9,793 | 7,951 | 23,435 | 23,610 |
| Total revenues from Operations | 14,544 | 12,975 | 51,252 | 45,338 |
| | | | | |
| Operating Profits: | | | | |
| Real estate - commercial/industrial | 129 | (599) | (1,825) | (1,754) |
| Real estate - resort/residential | (907) | (574) | (2,425) | (1,893) |
| Mineral resources | 968 | 1,818 | 9,837 | 8,965 |
| Farming | 2,924 | 2,484 | 7,185 | 7,684 |
| Income from Operating Segments | 3,114 | 3,129 | 12,772 | 13,002 |
| | | | | |
| Investment income | 175 | 212 | 696 | 941 |
| Other income | 230 | 29 | 343 | 66 |
| Corporate expense | (2,358) | (4,955) | (10,646) | (11,826) |
| | | | | |
| Income from operations before equity in earnings of unconsolidated joint ventures | 1,161 | (1,585) | 3,165 | 2,183 |

| | | | | |
|---|---|---|---|---|
| Equity in earnings of unconsolidated joint ventures, net | 2,001 | 1,086 | 5,294 | 4,006 |
| Income before income tax expense | 3,162 | (499) | 8,459 | 6,189 |
| Income tax expense | 1,050 | 334 | 2,697 | 2,086 |
| Net income | 2,112 | (833) | 5,762 | 4,103 |
| Net income (loss) attributable to non-controlling interest | 196 | (7) | 107 | (62) |
| Net income (loss) attributable to common stockholders | 1,916 | (826) | 5,655 | 4,165 |
| Net income (loss) per share to common stockholders, basic | $ 0.09 | $ (0.04) | $ 0.27 | $ 0.21 |
| Net income (loss) per share to common stockholders, diluted | $ 0.09 | $ (0.04) | $ 0.27 | $ 0.20 |
| Weighted average number of shares outstanding: | | | | |
| Common stock | 20,635,008 | 20,381,501 | 20,595,422 | 20,190,245 |
| Common stock equivalents – stock options | 42,904 | 124,288 | 37,033 | 195,310 |
| Diluted shares outstanding | 20,677,912 | 20,505,789 | 20,632,455 | 20,385,555 |

Source: Tejon Ranch Co.

Tejon Ranch Co.
Allen Lyda, Executive VP/CFO
661-248-3000