



2021 Annual Shareholder Letter

Dear Fellow Shareholders:

2021 was a year of advancement at Tejon Ranch, a year in which we saw continued appreciation of our highly strategic, operational assets, as well as forward progress of our residential master plans.

When you take a closer look at our current income-producing assets, spanning the Tejon Ranch Commerce Center (TRCC), substantial water resources, other mineral operations, farming, and significant ground leases, these assets tell an important growth and success story. These assets continue to appreciate in value and generate cash flow, which we use, along with other sources of funding, to advance plans for our master planned, mixed-use residential communities. While our current operating assets are creating significant value, these mixed-use communities are also adding value as risks to their development continue to be removed in our continual advancement toward execution and delivery of these projects.

The entitlement and development accomplishments we have seen over the years has resulted in a growing portfolio of income-producing assets and the continued advancement of our master planned communities. The success and growth taking place on the Ranch today is the direct result of our prudent and proactive pursuit of those entitlements, including defending the approvals in litigation filed by those who oppose any land development on the Ranch.

This same prudent and proactive approach is being pursued to position our residential master plans legally and strategically for future development. As the owner of significant, unique, and value-laden assets, Tejon Ranch will continue to invest in its current income-producing assets--to increase their monetization and value--while also investing in, and legally defending, the local land use approvals of its additional large scale real estate opportunities so we can create even greater long-term value for our shareholders.

Tejon Ranch Commerce Center – Successful Monetization

We first broke ground on the Tejon Ranch Commerce Center (TRCC) in 1997. This state-of-the-art, commercial/industrial/retail campus now has entitlements for 20 million square feet of commercial and industrial product located strategically on California's Interstate 5 (I-5), north of the highly populated Los Angeles basin. With the addition of a new apartment community, which will begin construction later this year, TRCC is evolving into a mixed-use community, where residents of the apartments will be able to live, work and play.

We've built TRCC into a highly successful industrial park, with one of the busiest travel centers in the country, a triple net leased commercial and retail portfolio that boasts high quality tenants such as Starbucks, Chipotle and McDonalds, and an open-air outlet center.

What makes TRCC so special, and why do we believe its value has been underappreciated by some? All you need to do is look at the growth and level of activity to see that TRCC stands on its own as a significant contributor to value. When you include activity related to the many joint ventures within the envelope of the Commerce Center, TRCC, and all that it entails, boasts 7.7 million square feet of currently absorbed industrial, commercial, and retail square footage that is either operational and generating cash, in design, or under construction. Also, preliminary design work is underway for additional industrial space we anticipate could be under construction within the next 12-to-18 months.

Home to distribution centers (and coming advanced manufacturing facilities) for some of the world's largest companies (Ikea, Dollar General, Caterpillar, Famous Footwear, L'Oreal, Camping World, and others), TRCC is being developed through creation of wholly owned assets, via land sales, or in conjunction with like-minded joint venture partners. With demand for industrial development expanding as businesses look to meet supply chain challenges, we believe TRCC provides one of the best and most efficient locations for these operations.

The level of activity we generated in 2021 at TRCC, and continue to see in 2022, is evidence of the increasing demand for our industrial properties and the attractiveness of our location. Currently, we are constructing a nearly 630,000 square foot building, with partner Majestic Realty Co., to help meet this demand. The new building is located immediately to the north of two other industrial facilities built by Tejon-Majestic joint ventures in 2017 and 2019, respectively, and is expected to be ready for occupancy later this year. We are also in the planning and design phase for an additional spec industrial building that would follow the completion of the 630,000 square foot building currently under construction.

Toward the end of 2021, Indianapolis-based Scannell Properties acquired 17.1 acres in TRCC to build an advanced manufacturing facility for Plant Prefab, a builder of modular components for multifamily and single-family housing. Also in late 2021, Covington Group acquired two parcels from a Tejon-Rockefeller partnership, completing a transaction that began in 2018 with its purchase from the partnership of a 606,000 square foot building occupied by Dollar General.

Early in 2022, Los Angeles-based Dedeaux Properties closed on the purchase of the last remaining industrial parcel available on the west side of TRCC, located between a Best Western hotel and the Famous Footwear distribution center. The parcel can support a building of up to 250,000 square feet and Dedeaux has already submitted building plans to the County.

In addition to our industrial properties, the Travel Center at TRCC, 60% of which is owned by Tejon Ranch with 40% owned by TravelCenters of America, has proven to be an irreplaceable asset that capitalizes on its strategic location along the 1-5. Over the last five years, the partnership has paid out \$45 million in cash distributions. With millions of vehicles exiting the freeway at that point each year, the Travel Center is among the busiest in the country.

Last, but certainly not least, the Outlets at Tejon takes advantage of its prime location on California's primary north/south transportation corridor. Notwithstanding industry-wide challenges in the retail sector, traffic has returned to pre-pandemic levels, occupied stores are witnessing higher sales, and other key operating metrics, such as sales-per-vehicle, are

improving. Over the last two years, several retailers have increased their footprints at the Outlets, and we have added new retailers, such as our popular Bird Dog Arts gallery that showcases local California artists.

Over the last five years, industrial land values at TRCC have increased 150%. Based on strong industry growth, and building on our lasting success, we are continuing to identify ways to make the Commerce Center even more enticing to some of the country's largest and most important businesses, which includes the construction of a new apartment community that will provide much needed and very convenient housing options for those working within the Commerce Center and beyond.

Water, Mining and Power – Precious Commodities

In addition to all the activities at TRCC, several other Tejon Ranch assets generate cash while providing key resources for California now, and in the future. If you combine revenues from both our Mineral Resources and Commercial Real Estate business segments, royalties (Minerals) and ground leases (Commercial-outside of TRCC) alone, exclusive of water leases, generate an average of nearly \$7 million of cash flow annually. Importantly, these businesses, again except for water resources, require nominal capital resources to generate cash flow... the kind of businesses we love. For example, the ground lease for Calpine's Pastoria Energy Facility, a 750 MW natural gas-fired power plant, generates in excess of \$4 million in revenue annually.

Starting with water, drought conditions in California make this one-of-a-kind asset extremely compelling. Our long-term water assets consist of water and water contracts held for future use or sale. If not needed for immediate use, we can hold our water assets, which are pumped and delivered from the California Aqueduct, in water banks both off and on company-owned land. We also have secured State Water Project, or SWP, entitlements under long-term contracts. In total, our water assets equal 142,172 acre-feet, which ultimately will be sold to water districts servicing our real estate developments, both commercial/industrial and resort/residential. Until such time, we successfully monetize our water assets through use in our agricultural operations, and in the temporary "right-of-use" lease of water to third-party users. Those opportunities will vary over the years based on demand related to SWP allocations, but over the last five years, Tejon's water assets have created an average of \$2.4 million in net cash flow annually.

In addition to our water assets, Tejon Ranch's mineral resources segment generates royalty revenues from multiple oil and gas leases, royalty income from rock and aggregate operations, and royalty revenue related to our lease with National Cement Company of California Inc. These powerful assets generate cash flow, while providing important resources to our state.

Currently, Tejon Ranch has approximately 10,332 oil/gas acres under lease, and 310 active wells. We also have 2,000 acres under lease to National Cement, and two aggregate leases comprising 521 acres with Granite Construction and Griffith Company. Over the last five years, these assets have created an average of \$4.3 million in net cash flow annually. Combined with water, our mineral resources segment has generated approximately 23.7% of revenues over last five years.

Rounding out our operational assets, our farming business provides a solid foundation for Tejon Ranch. We currently farm pistachios, almonds, wine grapes and alfalfa on about 4,977 acres, from which we have generated approximately 30.1% of Tejon Ranch's revenues over the last five years. To increase the overall productivity of our acreage under production, we are in the process of replacing older less-productive acreage with younger, denser plantings that feature more trees per acre for greater yields. It's important to note that the largest percentage of farming revenues are recognized during the third and fourth quarters of the fiscal year.

Tejon Ranch has successfully monetized thousands of acres of raw land through prudent and strategic development and growth. Combined with our future monetization plans, we believe the company is in a great position to ensure that we are deriving the most possible value from our land holdings for our shareholders.

Master Planned Communities – Future Monetization

Over the years, we have built a strong real estate development skill set, including entitlement expertise that will allow us to build residential communities to help alleviate California's severe housing crisis, while generating substantial additional revenue and cash flow for Tejon Ranch.

The current housing situation in Southern California, in terms of availability and affordability, continues to be dire. Southern California home prices hit an all-time high in December 2021 as inventory remained historically low. There were nearly 30% fewer homes for sale in Los Angeles and Orange counties in December than in the same month a year earlier. With a shortage of homes and a growing population, Tejon Ranch is working to lessen the severity of the crisis with plans to build more than 35,000 homes and apartments through our master planned communities.

Our plans focus on four residential communities, each of which are in various stages of development, including Centennial, Grapevine, Mountain Village, and the multi-family residential complex located in TRCC. With all local legislative approvals in place for these developments, we are moving forward with the next steps in the entitlement process, while continuing to make progress on the litigation front, a known reality in the process for which we have planned and accounted for.

In early 2021, a Kern County court ruled in favor regarding the County's re-approval of our Grapevine community, and that decision was not appealed. Later in the year, in dealing with the litigation over L.A. County's approval of Centennial, which is not yet fully resolved, we reached a settlement agreement with one of the plaintiffs--Climate Resolve--over its concerns regarding the project. In so doing, we've paved the way for the creation of a community that is committed to achieving a net zero GHG project status. Centennial also includes new wildfire resilience measures to enhance safety in and around the community. 18% of the housing units are being designated as affordable housing. There's more to do before the litigation is fully resolved, but we continue to work towards possible solutions.

Each of our development projects are proceeding on track, with our multi-family residential complex at TRCC expected to be the first to break ground in late 2022, with occupancy

anticipated in late 2023. This apartment community, which will be located next to the Outlets, will eventually include up to 495 units and will result in long-term recurring revenue for the Company. Following several successful and profitable joint venture projects with Majestic Realty Co., we will again be partnering with them on this project, as Majestic has expanded its development portfolio to include construction of apartment communities in other southern California locations.

We anticipate the next master planned community to break ground will be Mountain Village. Approval of our first final tract map has been granted, and we are continuously monitoring the markets to identify the appropriate time to begin infrastructure development and ultimately, lot sales. We are currently exploring a number of financing opportunities for the development of this community.

Responsible and Strategic Resource Deployment

Tejon Ranch's operational assets are producing meaningful cash flows for our company, and our plans call for the creation of additional value by growing those assets and developing our master planned residential communities.

Going forward, we will deploy our resources strategically and opportunistically to capture additional growth. Our capital allocation plans include funding the advancement of entitlements for our master planned communities, as well as funding future growth primarily through internally generated cash flow, as well as through joint venture partnerships, which have been extremely successful for us in the past, project-specific debt financing, and possibly the issuance of common stock. We have built a strong and conservative balance sheet and are committed to maintaining financial flexibility as we execute against our growth plans.

All Roads Go Through Tejon Ranch

Anyone or anything, including goods, materials, water, and power that needs to directly travel from Northern California to Southern California, or vice versa, passes through Tejon Ranch's land holdings. Our unique location, combined with decades of know-how, has allowed us to develop meaningful, cash producing assets that will exist for generations to come.

As we continue to work to enhance our capabilities, we are capitalizing on this unique position and opportunity through the development, leasing, and ownership of travel centers, commercial and industrial properties, power plants, telecommunications infrastructure, mineral royalties, agriculture operations, water, and other vital infrastructure.

At the same time, we are focused on further monetizing our strategic location between the two strong undersupplied housing markets of Los Angeles and Bakersfield by pursuing the entitlement and development of master planned residential communities.

We have the right team in place to successfully execute our plan, and a Board with a breadth of experience to help guide our path. Our Board consists of ten highly qualified and experienced

professionals from various disciplines including real estate development and complies with California public board diversity laws related to gender and under-represented communities.

Our current and future success is attributable to our exceptional assets, highly strategic location, and talented and committed operating team. As we work to enhance the monetization of our existing, operational assets, and build new, sustainable, cash-generating residential communities, we are poised to reward the confidence of our shareholders as we meet the needs of millions of Californians.

Thank you to all our stakeholders for joining us on this endeavor. We look forward to reporting on our progress as we continue to execute on our clear, strategic vision to create significant value as a fully integrated real estate development company.

Sincerely,

Gregory S. Bielli
President and Chief Executive Officer