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NEWS RELEASE

FOR IMMEDIATE RELEASE Nasdaq: POPEZ
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POPE RESOURCES REPORTS THIRD QUARTER INCOME OF $1.4 MILLION

Pope Resources (Nasdaq: POPEZ) reported net income of $1.4 million, or 31 cents per diluted ownership unit, on revenues of $12.5 million for the quarter ending September 30, 2001. This compares to net income of $0.9 million, or 19 cents per diluted ownership unit, on revenues of $12.1 million for the same period in 2000.

Net income for the nine months ending September 30, 2001, totaled $1.6 million, or 36 cents per diluted ownership unit, on revenues of $38.6 million. This is after a special charge taken in the first quarter of $1.25 million, or 27 cents per diluted ownership unit, associated with the Port Ludlow real estate disposition. Before the special charge, net income was $2.9 million or 63 cents per diluted ownership unit. Net income for the corresponding period in 2000 totaled $4.7 million, or $1.04 per diluted ownership unit, on revenues of $39.7 million.

“The company completed a milestone event in the third quarter with the closing of the Port Ludlow transaction, which included resort and real estate development assets valued at $16.7 million,” explained Allen E. Symington, Chairman & CEO. “Completing this transaction has been a major thrust for the company over the past year and will allow us to better focus on our core timberland ownership and third-party timberland management businesses. The company will still retain a portfolio of real estate properties, but these will be primarily focused on early-stage entitlement opportunities, where we believe we can add the most value. The closing of this transaction did not impact third quarter earnings.

“Earnings for the third quarter were up principally due to higher levels of fee timber harvest. “With log production coming on line from the Columbia tree farm, which was acquired at the end of the first quarter, fee timber harvest more than doubled from 6 MMBF in the third quarter of 2000 to 13 MMBF in the third quarter of this year. This was somewhat offset by a 5% decline in average log prices and higher depletion expense, but still resulted in stronger operating earnings for our Fee Timber segment, which improved results by $1.4 million in the third quarter of 2001.

“Results from our Timberland Management and Consulting segment were off slightly from the third quarter of 2000, reflecting lower margins in our third-party timberland management activities offset by improved efficiencies in our forestry consulting operations. Results from our Real Estate segment were off $0.6 million from the third quarter of 2000, primarily reflecting poorer results from our commercial properties in Port Ludlow prior to the sale and the post-sale absence of what are typically strong performing months from those same assets in August and September of this year.

“With the addition of the Columbia tree farm, interest expense between quarters increased by $0.7 million. However, this was largely offset by substantial savings in general and administrative expenses, which fell from $1.7 million during the third quarter of 2000 to $1.1 million in the same period of 2001.

“On a year-to-date basis, and prior to the aforementioned $1.25 million special charge, earnings for 2001 compare unfavorably with 2000 due primarily to weaker Fee Timber and Real Estate results and higher interest expenses associated with the acquisition of the Columbia tree farm.

“While log harvest volumes for the first nine months of this year increased to 32.5 MMBF or 8% above the level in 2000, average log prices fell to $513/MBF, or 7% lower than last year’s comparable period. This average realization and total log revenues would have been lower still had the log mix in 2001 not been heavier to domestic logs, whose prices did not fall as much relative to other markets. Combined with higher depletion expenses associated with the acquisition of the Columbia tree farm, overall Fee Timber earnings were $2.3 million lower than in 2000.

“Before the aforementioned $1.25 million special charge associated with the sale of the Port Ludlow resort assets, Real Estate earnings were $0.9 million below last year’s level. This unfavorable comparison is attributable to the aforementioned poorer results from our commercial properties in Port Ludlow.

“Weaker performance in these two business segments was partially offset by stronger year-to-date results in the Timberland Management and Consulting segment, which improved operating earnings by $1.4 million compared to the comparable period in 2000. Increased productivity and cost reductions in forestry consulting operations in the U.S. and Canada accounted for most of this improvement.

Year-to-date interest expense increased by $1.5 million over last year’s comparable period due to acquisition debt associated with the purchase of the Columbia tree farm. More than offsetting this, however, was the $2.1 million reduction in general and administrative expenses compared to 2000.”

Pope Resources, a publicly traded limited partnership, owns or manages over 600,000 acres of timberland and development property in Washington, Oregon, California, and British Columbia and provides forestry consulting and timberland investment management services to third-party owners and managers of timberland.

CONSOLIDATED BALANCE SHEETS

Pope Resources
September 30, 2001 and December 31, 2000

(Thousands)	2001 (Unaudited)	2000
Assets		
Current assets:		
Cash and cash equivalents	$ 792	$ 9,882
Accounts receivable	2,224	1,933
Work in progress	1,930	1,504
Current portion of contracts receivable	31	490
Prepaid expenses and other	257	555
Assets held for Sale	65	18,790
Total current assets	5,299	33,154
Properties and equipment at cost:		
Land and land improvements	18,758	9,899
Roads and timber (net of accumulated depletion)	56,247	12,394
Buildings and equipment (net of accumulated depreciation)	4,161	3,847
	79,166	26,140
Other assets:		
Contracts receivable, net of current portion	6,290	1,167
Loan fees and other	553	396
	6,843	1,563
	$ 91,308	$ 60,857
Liabilities and Partners' Capital		
Current liabilities:		
Accounts payable	$ 682	$ 761
Accrued liabilities	1,582	2,449
Environmental remediation	1,470	1,870
Current portion of long-term debt	2,175	442
Minority interest	419	128
Deposits	115	446
Total current liabilities	6,443	6,096
Long-term debt, net of current portion	41,909	12,801
Deferred profit	112	680
Partners' capital	42,844	41,280
	$ 91,308	$ 60,857

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(Thousands, except per unit data)	Three Months Ended September 30,		Nine Months Ended September 30	
	2001	2000	2001	2000
Revenues	$ 12,465	$ 12,119	$ 38,602	$ 39,664
Cost of sales	(4,529)	(4,108)	(14,276)	(13,200)
Operating expenses	(4,265)	(4,956)	(15,701)	(14,612)
Selling general and administrative expenses	(1,149)	(1,940)	(4,151)	(6,466)
Income from operations	2,522	1,115	4,474	5,386
Other income (expense):				
Interest expense	(983)	(288)	(2,467)	(937)
Interest income	114	160	330	317
	(869)	(128)	(2,137)	(620)
Income before income taxes and minority interest	1,653	987	2,337	4,766
Income tax provision	(202)	(48)	(454)	64
Income before minority interest	1,451	939	1,883	4,830
Minority interest	(39)	(68)	(264)	(135)
Net income	$ 1,412	$ 871	$ 1,619	$ 4,695
Allocable to general partners	$ 19	$ 12	$ 22	$ 62
Allocable to limited partners	1,393	859	1,597	4,633
	$ 1,412	$ 871	$ 1,619	$ 4,695
Earnings per unit:				
Basic	$ 0.31	$ 0.19	$ 0.36	$ 1.04
Diluted	$ 0.31	$ 0.19	$ 0.36	$ 1.04
Weighted average units outstanding:				
Basic	4,528	4,528	4,528	4,528
Diluted	4,528	4,528	4,528	4,530

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Pope Resources
Nine Months Ended September 30, 2001 and 2000

(Thousands)	2001	2000
Net cash flows from operating activities	$ 5,559	$ 7,688
Cash flows from investing activities:		
Acquisition of Columbia Tree Farm	(54,611)	-
Acquisition of Port Ludlow Resorts	(222)	-
Proceeds from sale of Port Ludlow	10,654	-
Capital expenditures	(1,272)	(2,105)
Net cash used in investing activities	(45,451)	(2,105)
Cash flows from financing activities:		
Cash distributions to unitholders	-	(1,358)
Minority interest distrbution	(40)	(212)
Repayment of long-term debt	(16,158)	(325)
Proceeds from debt financing	47,000	-
Net cash provided by / (used in) financing activities	30,802	(1,895)
Net increase/(decrease) in cash and cash equivalents	(9,090)	3,688
Cash and cash equivalents at beginning of year	9,882	4,922
Cash and cash equivalents at end of the nine-month period	$ 792	$ 8,610