



Pope Resources

A Limited Partnership
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NEWS RELEASE

FOR IMMEDIATE RELEASE

Nasdaq: POPEZ

August 1, 2001

POPE RESOURCES REPORTS SECOND QUARTER NET INCOME OF \$0.6 MILLION

Pope Resources (Nasdaq: POPEZ) reported net income of \$0.6 million, or 14 cents per diluted ownership unit, on revenues of \$15.3 million for the quarter ending June 30, 2001. This compares to net income of \$1.5 million, or 32 cents per diluted ownership unit, on revenues of \$14.1 million for the same period in 2000.

Net income for the six months ending June 30, 2001, totaled \$0.2 million, or 5 cents per diluted ownership unit, on revenues of \$26.1 million. This is after a special charge of \$1.25 million associated with Port Ludlow real estate assets, or 28 cents per diluted ownership unit, taken during the first quarter of 2001. Before the special charge, net income was \$1.5 million or 32 cents per diluted ownership unit. Net income for the corresponding period in 2000 totaled \$3.8 million, or 84 cents per diluted ownership unit, on revenues of \$27.5 million.

“Earnings for the second quarter were off from the prior year due primarily to a combination of higher depletion expenses and weaker log prices,” explained Allen E. Symington, Chairman & CEO. “During the second quarter we started to produce log revenue from our recently acquired Columbia tree farm in southwest Washington. For the second quarter and on an ongoing basis, this will make comparative Fee Timber earnings look less favorable as we will record higher average depletion expenses. Weaker average log prices, which were down nearly 7% from the prior year’s second quarter, also adversely affected Fee Timber earnings.

“Offsetting lower second quarter Fee Timber earnings were improved results from our Timberland Management segment, which provides third-party timberland management, forestry consulting, and portfolio management services to other owners and managers of timberland. This segment, while generating a \$0.1 million increase in second quarter 2001 revenue compared to the prior year, produced improved earnings for the same period by nearly \$0.6 million due to higher operating profit margins.

“Also related to the recent Columbia tree farm acquisition, we took on incremental acquisition debt, resulting in interest expense increasing from \$0.3 million in the second quarter of 2000 to \$1.2 million in the current year. This higher interest expense, however, was largely offset by

substantial savings in general and administrative expenses, which fell from \$2.0 million during the second quarter of 2000 to \$1.2 million in the same period for 2001.

“On a year-to-date basis, and prior to the aforementioned special charge of \$1.25 million, earnings for 2001 compare unfavorably with 2000 due primarily to weaker Fee Timber earnings. For the first half of the year, log harvest volumes were 4.7 MMBF lower, or 20% below the levels of last year’s comparable period. Additionally, average log prices were 8% lower. Combined with higher depletion expenses, overall Fee Timber earnings were \$3.7 million lower than in 2000.

“Our Timberland Management segment, with both higher year-to-year revenues and lower operating expenses, improved earnings by \$1.5 million compared to the first half of 2000. Our Real Estate segment, before the aforementioned special charge, recorded \$0.3 million in lower earnings due primarily to poorer results in our commercial properties in Port Ludlow. The sale of the Port Ludlow resort assets is expected to be completed in the third quarter of 2001.

“Year-to-date interest expense increased by \$0.8 million compared to the same period of the prior year due to the additional acquisition debt associated with the Columbia tree farm. On a year-to-date basis, general and administrative expenses fell from \$4.1 million in 2000 to \$2.6 million in 2001. In spite of our overall weaker performance, we are encouraged by the improvements we’re seeing from right-sizing our general and administrative expenses, which are the result of changes instituted late last year.”

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
June 30, 2001 and December 31, 2000

(Thousands)	2001 (Unaudited)		2000
Assets			
Current assets:			
Cash and cash equivalents	\$ 777	\$	9,882
Accounts receivable	3,036		1,933
Work in progress	1,684		1,504
Current portion of contracts receivable	37		490
Prepaid expenses and other	451		555
Assets held for sale	<u>16,295</u>		<u>18,790</u>
Total current assets	<u>22,280</u>		<u>33,154</u>
Properties and equipment at cost:			
Land and land improvements	19,306		9,899
Roads and timber (net of accumulated depletion)	56,877		12,394
Buildings and equipment (net of accumulated depreciation)	<u>3,819</u>		<u>3,847</u>
	<u>80,002</u>		<u>26,140</u>
Other assets:			
Contracts receivable, net of current portion	1,064		1,167
Loan fees and other	<u>738</u>		<u>396</u>
	<u>1,802</u>		<u>1,563</u>
	<u>\$ 104,084</u>	\$	<u>60,857</u>
Liabilities and Partners' Capital			
Current liabilities:			
Accounts payable	\$ 1,033	\$	761
Accrued liabilities	1,306		2,449
Environmental remediation	1,568		1,870
Current portion of long-term debt	11,076		442
Minority interest	286		128
Deposits	<u>384</u>		<u>446</u>
Total current liabilities	<u>15,653</u>		<u>6,096</u>
Long-term debt, net of current portion	46,490		12,801
Deferred profit	504		680
Partners' capital	<u>41,437</u>		<u>41,280</u>
	<u>\$ 104,084</u>	\$	<u>60,857</u>

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

Pope Resources

For the Three Months and Six Months Ended June 30, 2001 and 2000

(Thousands, except per unit data)	Three Months ended June 30,		Six months ended June 30,	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Revenues	\$ 15,332	\$ 14,096	\$ 26,137	\$ 27,545
Cost of sales	(6,778)	(5,087)	(9,747)	(9,092)
Operating expenses	(5,276)	(4,920)	(11,436)	(9,656)
Selling and administration expenses	<u>(1,388)</u>	<u>(2,294)</u>	<u>(3,002)</u>	<u>(4,526)</u>
Income from operations	<u>1,890</u>	<u>1,795</u>	<u>1,952</u>	<u>4,271</u>
Other income (expense):				
Interest expense	(1,180)	(339)	(1,484)	(649)
Interest income	<u>65</u>	<u>66</u>	<u>216</u>	<u>157</u>
	(1,115)	(273)	(1,268)	(492)
Income before taxes and minority interest	775	1,522	684	3,779
Income tax provision	<u>(30)</u>	<u>(1)</u>	<u>(252)</u>	<u>112</u>
Income before minority interest	745	1,521	432	3,891
Minority interest	<u>(121)</u>	<u>(64)</u>	<u>(225)</u>	<u>(67)</u>
Net income	\$ <u>624</u>	\$ <u>1,457</u>	\$ <u>207</u>	\$ <u>3,824</u>
Allocable to general partners	\$ 8	\$ 19	\$ 3	\$ 51
Allocable to limited partners	<u>616</u>	<u>1,438</u>	<u>204</u>	<u>3,773</u>
	\$ <u>624</u>	\$ <u>1,457</u>	\$ <u>207</u>	\$ <u>3,824</u>
Earnings per unit:				
Basic	\$ <u>0.14</u>	\$ <u>0.32</u>	\$ <u>0.05</u>	\$ <u>0.84</u>
Diluted	\$ <u>0.14</u>	\$ <u>0.32</u>	\$ <u>0.05</u>	\$ <u>0.84</u>
Weighted average units outstanding:				
Basic	<u>4,528</u>	<u>4,528</u>	<u>4,528</u>	<u>4,528</u>
Diluted	<u>4,528</u>	<u>4,529</u>	<u>4,528</u>	<u>4,530</u>

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Pope Resources
Six Months Ended June 30, 2001 and 2000

(Thousands)	<u>2001</u>	<u>2000</u>
Net cash flows from operating activities	\$ 2,324	\$ 5,811
Cash flows from investing activities:		
Acquisition of Columbia Tree	(54,611)	-
Acquisition of Port Ludlow Resorts	(222)	-
Capital expenditures	<u>(879)</u>	<u>(1,443)</u>
Net cash used in investing activities	<u>(55,712)</u>	<u>(1,443)</u>
Cash flows from financing activities:		
Cash distributions to minority interest	(40)	(211)
Cash distributions to unitholders	-	(906)
Repayment of long-term debt	(2,677)	(197)
Proceeds from debt financing	<u>47,000</u>	<u>-</u>
Net cash used in financing activities	<u>44,283</u>	<u>(1,314)</u>
Net increase in cash and cash equivalents	(9,105)	3,054
Cash and cash equivalents at beginning of period	<u>9,882</u>	<u>4,922</u>
Cash and cash equivalents at end of the period	\$ <u><u>777</u></u>	\$ <u><u>7,976</u></u>