



Pope Resources

A Limited Partnership
19245 10th Avenue NE
Poulsbo, WA 98370

Contact: Tom Ringo
VP and CFO
360.394.0520
Fax 360.697.1156

NEWS RELEASE

FOR IMMEDIATE RELEASE

Nasdaq: POPEZ

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POPE RESOURCES ANNOUNCES LOSS FOR 2001 OF \$0.4 MILLION

Pope Resources (Nasdaq: POPEZ) reported a net loss of \$0.4 million, or 10 cents per diluted ownership unit, on revenues of \$47.8 million for the twelve months ending December 31, 2001. This compares to a net loss of \$6.3 million, or \$1.38 per diluted ownership unit, on revenues of \$50.7 million for the same period in 2000. The 2001 results are after special charges of \$1.25 million or 28 cents per diluted ownership unit associated with the Port Ludlow real estate disposition. The 2000 results are after special charges of \$12.1 million or \$2.67 per diluted ownership unit also associated with the Port Ludlow disposition and other non-recurring writedowns and exit costs. Before special charges, net income for 2001 was \$0.8 million or 18 cents per diluted ownership unit compared to results for 2000 (also before special charges) of \$5.9 million of net income or \$1.29 per diluted ownership unit. Net cash provided by operating activities increased to \$10.7 million in 2001 from \$10.0 million in 2000.

For the fourth quarter ending December 31, 2001, the Partnership reported a loss of \$2.1 million, or 45 cents per diluted ownership unit, on revenues of \$9.2 million. This compares to a loss of \$10.9 million, or \$2.42 per diluted ownership unit for the same period in 2000 on revenues of \$11.0 million. The fourth quarter 2000 results included special charges of \$12.1 million or \$2.67 per diluted ownership unit. Before special charges, fourth quarter results for 2000 reflected net income of \$1.2 million or 26 cents per diluted ownership unit.

“Pope Resources’ financial results for the past two years were dominated by two significant transactions that closed during 2001,” explained David L. Nunes, President and CEO. “In March, we acquired the 44,500 acre Columbia tree farm in southwest Washington from Plum Creek Timber Company, Inc. (PCL) and in August, we sold our Port Ludlow resort assets. These transactions represent the culmination of two key long-term strategies for the Partnership. The sale of the Port Ludlow resort assets and re-deployment of those proceeds into additional timberland holdings represents a strategic shift towards concentrating our assets and expertise in timberland ownership and management. The Columbia tree farm timberland acquisition also provides for a more even distribution of our timber age classes, which we expect will provide greater consistency and sustainability of future harvest levels, earnings, and cash flows.”“The

Partnership incurred a significant loss as a result of the decision to sell the Port Ludlow resort assets. Most of this loss was recognized in 2000, but additional pre-sale writedowns were required in 2001. These transactional losses resulted in an overall loss for the second straight year. In the case of our Columbia tree farm timberland acquisition, we have incurred (and expect to continue to incur over the next few years) greater interest expense for an asset that we believe will add substantial long-term value for our unitholders. In addition, this acquisition resulted in higher depletion expenses of \$1.0 million in 2001 due to the higher cost basis of the Columbia tree farm. While dilutive to near-term earnings, we expect that this acquisition will add significant long-term earnings and cash flow.”

“Before special charges, net income for 2001 was down significantly due to deteriorating market conditions in our core fee timber and third-party timberland management and forestry consulting segments. Average log prices for our key export log market fell 15% year to year, our third-party acres under management declined 13%, and our forestry consulting practice experienced significantly lower revenues associated with the market uncertainty surrounding the softwood lumber dispute between the U.S. and Canada. To meet these changing market conditions and to adapt to a smaller real estate presence, we aggressively cut costs and right-sized our corporate support infrastructure, resulting in improved operating margins in our third-party timberland management and forestry consulting segment and substantially lower general and administrative costs. We expect these actions to help us weather another difficult year ahead in 2002.”

SEGMENT RESULTS

Revenue from the Partnership’s largest segment, Fee Timber, increased to \$25.0 million in 2001 from \$21.4 million in 2000, while operating earnings dropped to \$9.2 million in 2001 from \$12.9 million in 2000. The increase in revenue was attributable primarily to a late 2001 sale of a small portion of the newly acquired Columbia tree farm (\$5.3 million) and another smaller sale (\$0.3 million) from the Hood Canal tree farm. The impact on operating earnings from the small Columbia tree farm sale was negligible as the property had been acquired only eight months prior to sale. The decline in operating earnings was driven by a combination of slightly lower harvest levels, 8% lower average log prices, and increased depletion expense as a result of the Columbia tree farm acquisition. Total harvest volume for 2001 was 36.3 MMBF compared to 37.3 MMBF for 2000, while average log realizations declined from \$549/MBF in 2000 to \$503/MBF in 2001. A modest increase in the percentage of volume directed into the domestic log market, which experienced only a 5% price decline year to year, lessened the impact of falling log prices in 2001. Notwithstanding harvest levels that were fairly comparable between years, depletion expense from harvest operations increased from \$1.0 million in 2000 to \$2.0 million in 2001 due to the addition of the higher basis Columbia timber into the existing Hood Canal depletion cost pool.

Revenue from the Partnership’s Timberland Management and Consulting segment, which provides third-party timberland management, forestry consulting, and portfolio management services to owners and managers of timberlands, declined to \$9.7 million in 2001 from \$11.0 million in 2000. However, segment operating earnings increased to \$1.7 million in 2001 from \$0.1 million in 2000, or \$1.0 million before special charges in 2000. These 2000 special charges of \$0.9 million resulted from a writedown of Canadian forestry consulting practice asset values

as well as expenses incurred to right-size the cost structure of the management operations in accordance with some declines in acres under management in prior years. Revenues from management of third-party lands declined by \$0.9 million as client portfolios experienced net dispositions. A \$0.4 million decline in Canadian forestry consulting revenue, associated with the aforementioned market uncertainty surrounding the softwood lumber dispute between the U.S. and Canada, was partially offset by additional fees realized in 2001 from disposition services provided to third-party clients. Overall margins improved in the segment as operating expenses fell more than declines in revenues. Lower operating expenses also reflect the decision to retain the Canadian forestry consulting practice under a reduced scope following an unsuccessful effort to sell the business.

Real estate segment revenues decreased to \$13.1 million in 2001 from \$18.2 million in 2000, due to the sale in August 2001 of the Port Ludlow resort assets. In 2000, Port Ludlow assets generated over 90% of this segment's revenue. As such, the drop in revenues between years reflects the fact that one-third of a year's operations were not included in 2001. Segment operating earnings, including special charges of \$1.25 million in 2001 and \$11.2 million in 2000, improved to a loss of \$2.7 million in 2001 from a loss of \$11.6 million in 2000. Before the special charges, segment operating earnings decreased to a loss of \$1.5 million in 2001 from a loss of \$0.4 million in 2000. This decline in performance was driven primarily by a strong performance in 2000 from the Port Ludlow commercial properties and the absence of much of the high-profit summer business in 2001 following the sale of Port Ludlow. In 2000, just over \$8.6 million of exit costs were recorded to adjust book values to the expected amount realized on sale of the Port Ludlow assets. An additional writedown of \$1.25 million was required in the first quarter of 2001 as negotiations for the sale of these assets were finalized. Additional reserves of \$0.6 million were booked in 2000 to restructure overhead related to Port Ludlow. Lastly, Pope Resources recorded a \$2.0 million provision for environmental remediation in 2000 as an approximation of its negotiated portion of clean up costs at Port Gamble, Washington. The Partnership has entered into a Voluntary Cleanup Program under the guidance of the Washington State Department of Ecology. The cleanup process is expected to last several years and the liability will be evaluated on an ongoing basis.

General and administrative costs decreased to \$5.1 million in 2001 from \$7.3 million in 2000, reflecting continued efforts to trim overhead in concert with changes in the Partnership's business mix. Factoring into this decrease was the sale of the Port Ludlow resort assets, which allowed the Partnership to substantially shrink its corporate infrastructure. Interest expense increased to \$3.4 million in 2001 from \$1.3 million in 2000 due to debt incurred to acquire the new Columbia tree farm assets. Minority interest charges and the tax liability in the Partnership's taxable subsidiaries grew by \$0.9 million between 2000 and 2001. This was a function of cost-trimming measures in timberland management and forestry consulting that, in turn, elevated profit levels for that segment and increased minority interest and income tax liabilities.

OPERATING OUTLOOK

The operating outlook for 2002 is a challenging one. Average log prices for the year are expected to be off 10% or more from 2001's annual totals due to soft overall economic conditions in both our key export and domestic markets. With Columbia tree farm operations in place for a full

year, the Partnership plans to increase its overall harvest level in 2002 to 45 MMBF. Upon resolution of the U.S.-Canada softwood lumber trade dispute, the Partnership expects revenue growth to recover and improved operating efficiencies to increase operating results for its Canadian operations while perhaps dampening price increases for domestic logs. The Partnership expects to incur losses near term in its real estate segment as the majority of activities will be focused on early-stage entitlement efforts on its remaining properties. Entering 2002, the Partnership has a modest cash balance of \$1.0 million, but expects to increase this balance through operating cash flows generated in 2002.

Statements in this press release or in other Partnership communications may relate to future events or the Partnership's future performance. Such statements are forward-looking statements and are based on present information the Partnership has related to its existing business circumstances. Investors are cautioned that such forward-looking statements are subject to an inherent risk that actual results may differ materially from such forward-looking statements. Further, investors are cautioned that the Partnership does not assume any obligation to update forward-looking statements based on unanticipated events or changed expectations.

The Partnership's performance depends on the prices it receives for its products, as well as other factors. Prices for the Partnership's products are highly cyclical and have fluctuated significantly in the past and may fluctuate significantly in the future. A deterioration in pricing may result in the Partnership taking actions such as curtailment of log production that is currently unanticipated. The Partnership's sensitivity to these and other factors that may affect future results are discussed in the Partnership's Annual Report and included in its Form 10-K, as well as in Partnership reports filed on Form 10-Q.

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.

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2001 AND 2000

ASSETS

(Thousands)

Current assets:

	<u>2001</u>	<u>2000</u>
Cash and cash equivalents	\$ 1,047	\$ 9,882
Accounts receivable	1,119	1,933
Work in progress	518	1,088
Current portion of contracts receivable	25	490
Prepaid expenses and other	505	555
Assets held for sale (Note 2)	-	18,790
Total current assets	<u>3,214</u>	<u>32,738</u>

Properties and equipment:

Land and land improvements	19,358	10,315
Roads and timber, net of accumulated depletion of \$15,368 and \$11,025	52,191	12,394
Buildings and equipment, net of accumulated depreciation of \$5,838 and \$4,599	4,269	3,847
	<u>75,818</u>	<u>26,556</u>

Other assets:

Contracts receivable (net of current portion)	4,806	1,167
Other	349	396
	<u>5,155</u>	<u>1,563</u>

Total assets	<u>\$ 84,187</u>	<u>\$ 60,857</u>
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LIABILITIES AND PARTNERS' CAPITAL

Current Liabilities:

Accounts payable	\$ 275	\$ 761
Accrued liabilities	1,700	2,449
Environmental remediation	909	1,870
Current portion of long-term debt	1,075	442
Minority interest	225	128
Deposits	9	446
Total current liabilities	<u>4,193</u>	<u>6,096</u>

Long-term debt	39,208	12,801
Deferred profit	113	680

Commitments and contingencies (Notes 4 and 10)

Partners' capital (units outstanding: 4,518 and 4,528)	<u>40,673</u>	<u>41,280</u>
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Total liabilities and partners' capital	<u>\$ 84,187</u>	<u>\$ 60,857</u>
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POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 2001, 2000, AND 1999

(Thousands, except per unit information)	<u>2001</u>	<u>2000</u>	<u>1999</u>
Revenues:			
Fee timber	\$ 24,999	\$ 21,444	\$ 23,467
Timberland management and consulting	9,703	11,011	11,705
Real estate	<u>13,143</u>	<u>18,202</u>	<u>15,681</u>
Total revenues	<u>47,845</u>	<u>50,657</u>	<u>50,853</u>
Costs and expenses:			
Cost of sales:			
Fee timber	(13,271)	(6,784)	(7,566)
Real estate	<u>(7,160)</u>	<u>(10,186)</u>	<u>(8,233)</u>
	<u>(20,431)</u>	<u>(16,970)</u>	<u>(15,799)</u>
Operating expenses			
Fee timber	(2,538)	(1,765)	(2,292)
Timberland management and consulting	(8,018)	(9,996)	(9,844)
Real Estate	<u>(7,442)</u>	<u>(8,448)</u>	<u>(7,956)</u>
Total operating expenses	<u>(17,998)</u>	<u>(20,209)</u>	<u>(20,092)</u>
Impairment, exit, and environmental remediation costs:			
Timberland management and consulting	-	(940)	-
Real estate	(1,250)	(9,205)	-
Environmental remediation	-	(1,956)	-
Total impairment, exit, and environmental remediation costs:	<u>(1,250)</u>	<u>(12,101)</u>	<u>-</u>
Operating income/(loss) by business unit:			
Fee timber	9,190	12,895	13,609
Timberland management and consulting	1,685	75	1,861
Real estate	(2,709)	(11,593)	(508)
General & administrative	<u>(5,110)</u>	<u>(7,254)</u>	<u>(8,282)</u>
Income/(loss) from operations	<u>3,056</u>	<u>(5,877)</u>	<u>6,680</u>
Other income (expense):			
Interest expense	(3,443)	(1,273)	(1,298)
Interest income	<u>482</u>	<u>573</u>	<u>259</u>
Total other expense	<u>(2,961)</u>	<u>(700)</u>	<u>(1,039)</u>
Income/(loss) before income taxes and minority interest	95	(6,577)	5,641
Income tax provision	<u>(356)</u>	<u>326</u>	<u>(259)</u>
Income/(loss) before minority interest	<u>(261)</u>	<u>(6,251)</u>	<u>5,382</u>
Minority interest	<u>(171)</u>	<u>-</u>	<u>(316)</u>
Net income/(loss)	<u>\$ (432)</u>	<u>\$ (6,251)</u>	<u>\$ 5,066</u>
Earnings/(loss) per unit:			
Basic	<u>\$ (0.10)</u>	<u>\$ (1.38)</u>	<u>\$ 1.12</u>
Diluted	<u>\$ (0.10)</u>	<u>\$ (1.38)</u>	<u>\$ 1.11</u>

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL

YEARS ENDED DECEMBER 31, 2001, 2000, AND 1999

(Thousands)	General Partners	Limited Partners	Total
January 1, 1999	\$ 632	\$ 45,264	\$ 45,896
Net Income	316	4,750	5,066
Translation loss	<u>(1)</u>	<u>(37)</u>	<u>(38)</u>
Comprehensive income	<u>315</u>	<u>4,713</u>	<u>5,028</u>
Issuance of Partnership units		188	188
Distributions	<u>(24)</u>	<u>(1,786)</u>	<u>(1,810)</u>
December 31, 1999	\$ <u>923</u>	\$ <u>48,379</u>	\$ <u>49,302</u>
Net loss	-	(6,251)	(6,251)
Translation gain	<u>-</u>	<u>13</u>	<u>13</u>
Comprehensive loss	<u>-</u>	<u>(6,238)</u>	<u>(6,238)</u>
Equity based compensation		27	27
Distributions	<u>(24)</u>	<u>(1,787)</u>	<u>(1,811)</u>
December 31, 2000	\$ <u>899</u>	\$ <u>40,381</u>	\$ <u>41,280</u>
Net Income/(loss)	171	(603)	(432)
Translation loss	<u>-</u>	<u>(13)</u>	<u>(13)</u>
Comprehensive income	<u>171</u>	<u>(616)</u>	<u>(445)</u>
Partnership unit repurchase	-	(162)	(162)
December 31, 2001	\$ <u><u>1,070</u></u>	\$ <u><u>39,603</u></u>	\$ <u><u>40,673</u></u>

Weighted average units outstanding :	12/31/2001	12/31/2000	12/31/1999
Basic	<u>4,526</u>	<u>4,528</u>	<u>4,523</u>
Diluted	<u>4,526</u>	<u>4,528</u>	<u>4,548</u>

POPE RESOURCES, A DELAWARE LIMITED PARTNERSHIP

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 2001, 2000, AND 1999

(Thousands)	<u>2001</u>	<u>2000</u>	<u>1999</u>
Cash flows from operating activities:			
Cash received from customers	\$ 44,918	\$ 51,026	\$ 50,055
Cash paid to suppliers and employees	(31,373)	(40,515)	(40,006)
Interest received	490	585	234
Interest paid, net of amounts capitalized	(3,264)	(1,200)	(1,394)
Income taxes (paid)/received	(10)	77	(542)
Net cash provided by operating activities	<u>10,761</u>	<u>9,973</u>	<u>8,347</u>
Cash flows from investing activities:			
Capital expenditures	(1,995)	(2,858)	(3,764)
Proceeds from sale of fixed assets	7	319	-
Proceeds from the sale of Port Ludlow	10,627	-	-
Columbia Tree Farm acquisition	(54,555)	-	-
Net cash used for investing activities	<u>(45,916)</u>	<u>(2,539)</u>	<u>(3,764)</u>
Cash flows from financing activities:			
Cash distributions to unitholders	-	(1,811)	(1,810)
Issuance of long-term debt	30,000	-	-
Repayment of long-term debt	(3,460)	(424)	(497)
Issuance/(purchase) of Partnership units	(162)	-	188
Minority interest distribution	(58)	(239)	(208)
Net cash provided/(used) for financing activities	<u>26,320</u>	<u>(2,474)</u>	<u>(2,327)</u>
Net increase (decrease) in cash and cash equivalents	(8,835)	4,960	2,256
Cash and cash equivalents:			
Beginning of year	9,882	4,922	2,666
End of year	<u>\$ 1,047</u>	<u>\$ 9,882</u>	<u>\$ 4,922</u>
Reconciliation of net income to net cash provided by operating activities:			
Net (loss)/income	\$ (432)	\$ (6,251)	\$ 5,066
Cost of land sold	777	31	1,200
Minority interest	156	-	316
Land resale expenditures	-	-	(7)
Depreciation and depletion	7,698	2,899	2,686
Unit option compensation	-	27	-
Deferred profit	(568)	340	(147)
Asset impairment	-	5,651	-
Increase (decrease) in cash from changes in operating accounts:			
Accounts receivable	814	(351)	(944)
Work in progress	7,541	4,012	(834)
Contracts receivable	(3,174)	663	71
Accounts payable and accrued liabilities	(1,696)	2,861	1,007
Other long-term liabilities	-	(21)	(20)
Deposits	(437)	358	16
Loan fees and other	47	(203)	10
Other, net	35	(43)	(73)
Net cash provided by operating activities	<u>\$ 10,761</u>	<u>\$ 9,973</u>	<u>\$ 8,347</u>