



Pope Resources  
*A Limited Partnership*

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## NEWS RELEASE

### **FOR IMMEDIATE RELEASE**

Nasdaq:POPEZ

October 22, 2002

### **POPE RESOURCES REPORTS THIRD QUARTER INCOME OF \$1.1 MILLION**

Pope Resources (Nasdaq:POPEZ) reported net income of \$1.1 million, or 24 cents per diluted ownership unit, on revenues of \$8.7 million for the quarter ended September 30, 2002. This compares to net income of \$1.4 million, or 31 cents per diluted ownership unit, on revenues of \$12.5 million, for the same period in 2001. Earnings before interest, taxes, depreciation, depletion, and amortization (EBITDDA) were \$2.9 million and \$3.6 million for the current and prior year third quarter, respectively.

Net income for the nine months ended September 30, 2002 totaled \$2.6 million, or 58 cents per diluted ownership unit, on revenues of \$24.4 million. These year-to-date results include three non-recurring items: a charge of \$730,000, or 16 cents per diluted ownership unit, to adjust a previously established reserve for environmental remediation costs at Port Gamble, Washington; a charge of \$165,000, or four cents per diluted ownership unit, for home warranty liabilities in Port Ludlow, Washington; and an income tax benefit of \$510,000, or 11 cents per diluted ownership unit, resulting from the restructuring of the Pope Resources Canadian operations. Income excluding these non-recurring items was \$3.0 million, or 66 cents per diluted ownership unit, for the nine months ended September 30, 2002. Net income for the corresponding period in 2001 totaled \$1.6 million, or 36 cents per diluted ownership unit, on revenues of \$38.6 million. The 2001 results included a \$1.3 million asset impairment charge associated with the Port Ludlow resort assets sold in August of 2001. Income excluding this non-recurring charge would have been \$2.9 million, or 63 cents per diluted ownership unit, for the comparable period in 2001.

“We are pleased with the steady improvement in our company’s financial performance in 2002,” said David L. Nunes, President and CEO. “We have managed to improve our year-to-year performance in the face of a deteriorating log market environment by focusing on wringing out unnecessary costs and improving our log merchandizing. We are also working diligently to grow our third-party timberland management business. With the exception of the disappointing results from our Canadian forestry consulting operations, we view our current business model as well suited to provide for future growth and remain optimistic about our long-term prospects.”

#### Fee Timber

Operating income from Fee Timber operations totaled \$2.6 million in the third quarter of 2002 versus \$3.4 million in the third quarter of last year. Harvest volume of 12.2 million board feet (MMBF) was down 0.9 MMBF, or 7% lower compared with the harvest volume in the same quarter a year ago. The Partnership’s weighted average log price of \$477 per thousand board feet (MBF) for the third quarter of

2002 was down \$41/MBF or 8% from the third quarter of 2001, and also down \$14/MBF or 3% from the second quarter of 2002. Average export log prices bounced up 10% in the third quarter of 2002 compared with the second quarter of 2002, but declined 5% in the third quarter of 2002 from the third quarter of 2001. Coinciding with this increase in export log prices relative to the second quarter, we directed 17% of our third quarter 2002 log production to the export market. This was an increase from the 10% level going to the export market in the second quarter of 2002, but still less than the 21% sold as export in the third quarter of 2001. In our domestic log market, weak lumber pricing pushed log prices 4% lower per MBF in the current quarter compared to the second quarter of 2002 and 10% less when compared to last year's third quarter. EBITDDA from Fee Timber operations in the third quarter of 2002 totaled \$3.4 million compared to \$4.3 million in the same period last year.

For the first nine months of 2002, operating income was \$7.6 million compared to \$8.7 million for the first nine months of 2001. Harvest volume of 33.9 MMBF for the first nine months of 2002 was up nearly 1.5 MMBF, or 4% higher compared with the harvest level in the same period a year ago. The Partnership's weighted average log price of \$488/MBF for the first nine months of 2002 was down \$25/MBF or 5% from the comparable period in 2001. EBITDDA from Fee Timber operations in the first nine months of 2002 totaled \$10.0 million compared to \$10.8 million in the same period last year. For the balance of 2002 the Partnership expects to harvest approximately 11 MMBF for a total annual harvest of 45 MMBF. This annual harvest level of 45 MMBF is expected to be sustainable for the foreseeable future.

#### Timberland Management and Consulting

This segment generated operating income of \$539,000 and \$1.1 million for the third quarter and first nine months of 2002, respectively. For the third quarter and first nine months of 2001, this segment generated operating income of \$247,000 and \$1.7 million, respectively. Year-to-date operating income in 2002 was lower than in 2001 as a result of reduced timberland management fees. Results for the current quarter show improvement over last year's third quarter due to cost-trimming efforts in our Canadian forestry consulting practice as well as incremental disposition fees earned in connection with one of our management contracts. EBITDDA for the Timberland Management and Consulting segment was \$1.2 million for the first nine months of 2002 compared to \$1.9 million for the same period in 2001.

Segment revenues and operating income in fiscal year 2003 are expected to be significantly lower due to a recently announced decision by the Hancock Timber Resource Group (HTRG) not to renew our contract to manage 200,000 acres of timberland in California, Oregon, Washington, and British Columbia. Our current contract expires at the end of 2002. HTRG, while very pleased with the services provided by ORM, has concluded that their own business plans necessitate becoming a vertically integrated timberland management organization. If these acres under management are not replaced with other new business, this will have a significant impact on our bottom line. For fiscal year 2002, this contract is expected to contribute approximately \$4 million to our annual revenues and approximately \$1 million to our operating earnings.

#### Real Estate

For the third quarter and first nine months of 2002, the Real Estate segment recorded operating losses of \$190,000 and \$1.3 million, respectively. The year-to-date results were greatly influenced by two accruals totaling \$895,000: one for environmental cleanup in Port Gamble (\$730,000) and the other for home warranty liabilities in Port Ludlow (\$165,000). Before these charges, the Real Estate segment produced a current year-to-date operating loss of \$423,000. This compares to a segment loss of \$1.0 million for the first nine months of 2001 (excluding a \$1.3 million asset impairment charge recorded in the second quarter

of 2001) and a \$110,000 loss for the third quarter of 2001. For the balance of 2002, the Partnership expects additional operating losses of approximately \$300,000 in this segment. Enhanced revenue opportunities from sales of real estate properties are still expected to be several years away.

#### General and Administrative

General and administrative costs for the third quarter 2002 declined by 9% from the third quarter of 2001 to \$958,000 as the Partnership continues to record the benefits of overhead cost reductions put in place during the past year. Year-to-date costs of \$2.8 million are 24% below the comparable level in 2001. For the full year, the Partnership expects to post a significantly lower level of general and administrative spending compared to 2001.

Capital expenditures for the first nine months of 2002 and 2001 were \$1.5 and \$1.3 million (excluding the \$54.5 million acquisition from Plum Creek in 2001), respectively. Capital expenditures for fiscal 2002 are expected to total nearly \$2.0 million. The Partnership's debt to total capitalization ratio was 47 percent as of September 30, 2002, down from 51 percent at the end of the third quarter of 2001.

[Note: This press release contains a number of projections and statements about our expected financial condition, operating results, business plans and objectives. These statements reflect management's estimates based on current goals and its expectations about future developments. Because these statements describe our goals, objectives, and anticipated performance, they are inherently uncertain, and some or all of these statements may not come to pass. Accordingly, they should not be interpreted as promises of future management actions or financial performance. Our future actions and actual performance will vary from current expectations and under various circumstances these variations may be material and adverse. 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.

Some of the factors that may cause actual operating results and financial condition to fall short of expectations are set forth in that part of our Form 10-K filing entitled "Risks and Uncertainties." Other issues that may have an adverse and material impact on our business, operating results, and financial condition include those risks and uncertainties discussed in other filings with the Securities and Exchange Commission, environmental and land use regulations that limit our ability to harvest timber and develop property, and economic conditions that affect consumer demand for our products and the prices we receive for them.]

Pope Resources, a publicly traded limited partnership, and its subsidiaries Olympic Resource Management and Olympic Property Group, own or manage over 500,000 acres of timberland and development property in Washington, Oregon, California, and British Columbia. In addition, it provides forestry consulting and timberland investment management services to third-party owners and managers of timberland. The company and its predecessor companies have owned and managed timberlands and development properties for more than 150 years. Additional information on the company can be found at [www.orm.com](http://www.orm.com).

POPE RESOURCES REPORTS THIRD QUARTER EARNINGS  
October 22, 2002

Pope Resources, A Delaware Limited Partnership  
Unaudited

CONSOLIDATED STATEMENTS OF OPERATIONS  
(all amounts in \$000's)

	Three months ended Sept 30, 2002	2001	Nine months ended Sept 30, 2002	2001
Revenues	8,654	12,465	24,426	38,602
Costs and expenses:				
Cost of sales	(3,006)	(4,529)	(8,521)	(14,276)
Operating expenses	(3,684)	(5,414)	(11,351)	(19,852)
Interest, net	(737)	(869)	(2,161)	(2,137)
Minority interest	(103)	(39)	(135)	(264)
Total	(7,530)	(10,851)	(22,168)	(36,529)
Income before income taxes	1,124	1,614	2,258	2,073
Income tax provision	(61)	(202)	380	(454)
Net income/(loss)	1,063	1,412	2,638	1,619
Average units outstanding - Basic (000's)	4,518	4,528	4,518	4,528
Average units outstanding - Diluted (000's)	4,518	4,528	4,520	4,528
Basic net income (loss) per unit	\$ 0.24	\$ 0.31	\$ 0.58	\$ 0.36
Diluted net income (loss) per unit	\$ 0.24	\$ 0.31	\$ 0.58	\$ 0.36

CONSOLIDATED BALANCE SHEETS  
(all amounts in \$000's)

	September 30,	
	2002	2001
Assets:		
Cash and short-term investments	5,003	792
Assets held for sale		2,224
Other current assets	2,515	2,283
Properties and equipment	73,615	79,166
Other assets	3,438	6,843
Total	84,571	91,308
Liabilities and partners' capital:		
Current liabilities	3,975	6,443
Long-term debt, excluding current portion	36,987	41,793
Other long-term liabilities	528	228
Total liabilities	41,490	48,464
Partners' capital	43,081	42,844
Total	84,571	91,308

SEGMENT INFORMATION  
(all amounts in \$000's)

	Three months ended Sept 30,		Nine months ended Sept 30,	
	2002	2001	2002	2001
Revenues:				
Fee Timber	6,101	7,250	17,425	17,702
Timberland Management & Consulting (TM&C)	2,081	2,160	5,623	7,910
Real Estate	472	3,055	1,378	12,990
Total	8,654	12,465	24,426	38,602
EBITDDA:				
Fee Timber	3,411	4,309	10,040	10,845
TM&C	584	311	1,207	1,859
Real Estate	(174)	(76)	(1,273)	(1,827)
General & administrative	(958)	(970)	(2,591)	(3,562)
Total	2,863	3,574	7,383	7,315
Depreciation, depletion and amortization:				
Fee Timber	838	868	2,435	2,111
TM&C	41	64	150	185
Real Estate	16	34	45	445
General & administrative	107	125	334	364
Total	1,002	1,091	2,964	3,105
Operating income:				
Fee Timber	2,573	3,441	7,605	8,734
TM&C	539	247	1,053	1,674
Real Estate	(190)	(110)	(1,318)	(1,022)
Asset impairment				(1,250)
General & administrative	(958)	(1,056)	(2,786)	(3,662)
Total	1,964	2,522	4,554	4,474

SELECTED STATISTICS

	Three months ended		Nine months ended	
	30-Sep-02	30-Sep-01	30-Sep-02	30-Sep-01
Log sale volumes (thousand board feet):				
Export conifer	2,058	2,733	4,730	7,449
Domestic conifer	7,333	7,598	22,775	18,130
Pulp conifer	1,935	2,200	4,780	5,685
Hardwoods	845	543	1,623	1,191
Total	<u>12,171</u>	<u>13,074</u>	<u>33,908</u>	<u>32,455</u>
Average price realizations (per thousand board feet):				
Export conifer	586	615	561	623
Domestic conifer	521	580	539	564
Pulp conifer	190	201	176	209
Hardwoods	485	444	477	505
Overall	477	518	488	513
Owned acres	112,200	116,000	112,200	116,000
Acres under management	414,938	513,487	414,938	513,487
Capital expenditures (\$000's)	404	171	1,545	1,272 (A)
Depletion (\$000's)	803	846	2,349	2,054
Depreciation (\$000's)	199	246	615	1,051
Debt to total capitalization	47%	51%	47%	51%

(A) Excludes acquisition cost of Columbia Tree Farm (\$54.5 million) and Port Ludlow Resorts (\$0.2 million) from 1st Nine Months 2001 amounts of cap ex.

QUARTER TO QUARTER COMPARISONS  
(Amounts in \$000's except per unit data)

	Q3 2002 vs. Q3 2001		Q3 2002 vs. Q2 2002	
	Total	Per Unit	Total	Per Unit
Income (loss):				
3rd Quarter 2002	1,063	0.24	1,063	0.24
2nd Quarter 2002			1,563	0.35
3rd Quarter 2001	1,412	0.31		
Variance	(349)	(0.07)	(500)	(0.11)
Detail of earnings variance:				
Fee Timber				
Log price realizations (B)	(499)	(0.11)	(170)	(0.04)
Log volumes (C)	(258)	(0.06)	(810)	(0.18)
Timberland sale income	(226)	(0.05)	(44)	(0.01)
Depletion	43	0.01	237	0.05
Other Fee Timber	72	0.02	(5)	(0.00)
Timberland Management & Consulting				
Management fee changes	(28)	(0.01)	(19)	(0.00)
Other Timberland Mgmt & Consulting	320	0.07	136	0.03
Real Estate				
Operating results from sold RE op's	169	0.04	112	0.02
Environmental remediation reserve	-	-	730	0.16
Other Real Estate	(249)	(0.05)	(72)	(0.02)
General & administrative costs	98	0.02	17	0.00
Interest expense	160	0.04	(13)	(0.00)
Other (taxes, minority int., interest inc.)	49	0.01	(599)	(0.13)
Total change in earnings	<u>(349)</u>	<u>(0.07)</u>	<u>(500)</u>	<u>(0.11)</u>

(B) Price variance allocated based on changes in price using the lower period volume.

(C) Volume variance allocated based on change in sales volume and the average log sales price for higher margin less variance in log production costs.