



## Pope Resources Reports Second Quarter Earnings of \$4.0 Million

July 21, 2004

POULSBO, Wash.--(BUSINESS WIRE)--July 21, 2004--Pope Resources (Nasdaq:POPEZ) reported net income of \$4.0 million, or 87 cents per diluted ownership unit, on revenues of \$11.9 million for the second quarter ended June 30, 2004. This compares to net income of \$1.3 million, or 29 cents per diluted ownership unit, on revenues of \$7.5 million, for the same period in 2003.

Net income for the six months ended June 30, 2004 totaled \$8.0 million, or \$1.75 per diluted ownership unit, on revenues of \$23.6 million. Net income for the corresponding period in 2003 totaled \$2.6 million, or 57 cents per diluted ownership unit, on revenues of \$14.8 million.

"We enjoyed very strong quarterly earnings, matching our excellent first quarter results," said David L. Nunes, President and CEO. "Net income for the first half of 2004 shows a large gain over the same period in 2003 due primarily to increases in log harvest volumes, an improvement in log prices, and the closing of a significant real estate sale."

### Log Volumes

"The most significant factor driving the improvement in year-to-date results was a 12 million board feet (MMBF), or 47%, increase in log harvest volume. Most of this volume lift is attributable to our planned increase in annual harvest from 45 to 58 MMBF in both 2004 and 2005 as a result of a January 2004 timberland acquisition. Of the total year-to-date harvest of 38 MMBF, 8 MMBF, or 22%, is attributable to this acquisition. The remaining volume lift is attributable to our decision to front-load our planned annual harvest volume to meet strong log prices in the first six months of this year. As of June 30, 2004 the Partnership had harvested 65% of its planned annual harvest versus 57% for the comparable period in 2003."

### Log Prices

"The increased harvest corresponded well with a significant strengthening of log prices in the first half of 2004 compared to last year's first six months, which both improved our results on harvested logs and encouraged us to accelerate our 2004 harvest schedule. Our average realized prices for the export and domestic softwood sawlog markets for the first half of 2004 were up 13% and 6%, respectively, over 2003. In addition, we were successful in selling a significantly higher proportion of our log mix into the more valuable export log market. For the first half of 2004, we sold 19% and 64% of our total log production into the export and domestic softwood sawlog markets, respectively. This compares to 10% and 71% for the same period in 2003."

### Real Estate Land Sale

"During the current quarter our Real Estate segment closed a 426-acre sale for \$1.9 million to Kitsap County. The county plans to use the property for a regional heritage park."

"As for the second-half of 2004," commented Mr. Nunes, "given the front-loading of our planned annual harvest into the first half of 2004, overall results for the balance of the year are expected to be only modestly profitable."

The financial schedules attached to this earnings release provide detail on individual segment results and operating statistics.

### About Pope Resources

Pope Resources, a publicly traded limited partnership, and its subsidiaries Olympic Resource Management and Olympic Property Group, own over 117,000 acres of timberland and development property in Washington. In addition, we provide forestry consulting and timberland investment management services to third-party owners and managers of timberland in Washington, Oregon, and California. 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). The contents of our website are not incorporated into this release or into our filings with the Securities and Exchange Commission.

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 the results of these variations may be material and adverse. Some of the factors that may cause actual operating results and financial condition to fall short of expectations include factors that affect our ability to anticipate and respond adequately to fluctuations in the market prices for our products; environmental and land use regulations that limit our ability to harvest timber and develop property; labor, equipment and transportation costs that affect our net income; and economic conditions that affect consumer demand for our products and the prices we receive for them. Other factors are set forth in that part of our Annual Report on Form 10-K entitled "Management's Discussion & Analysis of Financial Condition and Results of Operation - 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 our other filings with the Securities and Exchange Commission. Forward-looking statements in this release are made only as of the date shown above, and we cannot undertake to update these statements.

Management considers earnings (net income or loss) before interest expense, income taxes, depreciation, depletion and amortization (EBITDDA) to be a relevant and meaningful indicator of liquidity and earnings performance commonly used by investors, financial analysts and others in evaluating companies in its industry and, as such, has provided this information in addition to the generally accepted accounting principle-based presentation of

net income or loss. In that context, "depletion" refers to a measure of the reduction in value of timberland upon the harvest of growing timber from that land.

Pope Resources, A Delaware Limited Partnership  
Unaudited

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2004	2003	2004	2003
Revenues	\$11,888	\$ 7,480	\$23,620	\$14,792
Costs and expenses:				
Cost of sales	(4,128)	(3,128)	(8,616)	(5,999)
Operating expenses	(2,987)	(2,353)	(5,483)	(4,795)
Operating income	4,773	1,999	9,521	3,998
Interest, net	(776)	(694)	(1,526)	(1,408)
Income before income taxes	3,997	1,305	7,995	2,590
Income tax benefit/(provision)	-	(9)	-	(3)
Net income	\$ 3,997	\$ 1,296	\$ 7,995	\$ 2,587
Average units outstanding - Basic (000's)	4,520	4,518	4,520	4,518
Average units outstanding - Diluted (000's)	4,594	4,519	4,579	4,519
Basic net income per unit	\$ 0.88	\$ 0.29	\$ 1.77	\$ 0.57
Diluted net income per unit	\$ 0.87	\$ 0.29	\$ 1.75	\$ 0.57

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

	June 30,	
	2004	2003
Assets:		
Cash and short-term investments	\$ 8,865	\$ 7,602
Other current assets	2,120	2,092
Roads and timber	53,801	49,033
Properties and equipment	25,633	23,543
Other assets	1,337	3,188
Total	\$ 91,756	\$ 85,458
Liabilities and partners' capital:		
Current liabilities	\$ 3,927	\$ 3,192
Long-term debt, excluding current portion	34,198	36,057
Other long-term liabilities	184	468
Total liabilities	38,309	39,717
Partners' capital	53,447	45,741
Total	\$ 91,756	\$ 85,458

RECONCILIATION BETWEEN NET INCOME AND EBITDDA  
(all amounts in \$000's)

	Three months ended		
	30-Jun-04	30-Jun-03	31-Mar-04
Net income	\$ 3,997	\$ 1,296	\$ 3,998
Added back:			
Interest, net	776	694	750
Depletion	1,294	811	1,471
Depreciation and amortization	174	162	168
Income tax expense	-	9	-
Less:			
Income tax benefit	-	-	-
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EBITDDA	\$ 6,241	\$ 2,972	\$ 6,387
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RECONCILIATION BETWEEN CASH FROM OPERATIONS AND EBITDDA  
(all amounts in \$000's)

	Three months ended		
	30-Jun-04	30-Jun-03	31-Mar-04
Cash from operations	\$ 7,272	\$ 1,960	\$ 4,225
Added back:			
Change in working capital		328	1,519
Interest	776	694	750
Deferred profit	33	-	-
Other		-	1
Less:			
Change in working capital	(1,834)	-	-
Deferred profit		(2)	(108)
Income tax benefit	-	-	-
Other	(6)	(8)	
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EBITDDA	\$ 6,241	\$ 2,972	\$ 6,387
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SEGMENT INFORMATION  
(all amounts in \$000's)

	Three months ended		Six months ended	
	June 30, 2004	June 30, 2003	June 30, 2004	June 30, 2003
Revenues:				
Fee Timber	\$ 9,369	\$ 6,338	\$ 20,780	\$ 13,113
Timberland Management & Consulting (TM&C)	396	299	522	683
Real Estate	2,123	843	2,318	996
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Total	11,888	7,480	23,620	14,792
EBITDDA:				
Fee Timber	5,671	3,531	13,304	7,561
TM&C	(77)	(180)	(459)	(289)
Real Estate	1,279	250	1,061	(27)
General & administrative	(632)	(629)	(1,278)	(1,264)
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Total	6,241	2,972	12,628	5,981

Depreciation, depletion and

amortization:				
Fee Timber	1,299	845	2,801	1,719
TM&C	22	14	44	34
Real Estate	61	20	84	39
General & administrative	86	94	178	191
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Total	1,468	973	3,107	1,983

Operating income/(loss):				
Fee Timber	4,372	2,686	10,503	5,842
TM&C	(99)	(194)	(503)	(323)
Real Estate	1,218	230	977	(66)
General & administrative	(718)	(723)	(1,456)	(1,455)
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Total	\$ 4,773	\$1,999	\$ 9,521	\$ 3,998
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#### SELECTED STATISTICS

	Three months ended		Six months ended	
	30-Jun-04	30-Jun-03	30-Jun-04	30-Jun-03
Log sale volumes (thousand board feet):				
Export conifer	1,558	1,203	7,182	2,633
Domestic conifer	12,529	8,939	24,219	18,226
Pulp conifer	2,786	2,069	5,419	3,748
Hardwoods	682	464	1,087	1,234
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Total	17,555	12,675	37,907	25,841
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Average price realizations (per thousand board feet):				
Export conifer	\$ 628	\$ 564	\$ 652	\$ 579
Domestic conifer	562	532	558	528
Pulp conifer	234	200	228	216
Hardwoods	582	563	573	543
Overall	517	482	529	489

Owned acres	117,251	112,200	117,251	112,200
Acres under management	5,316	123,597	5,316	123,597
Capital expenditures (\$000's)	\$ 1,104	\$ 303	\$ 10,434(a)	\$ 716
Depletion (\$000's)	\$ 1,294	\$ 811	\$ 2,765	\$ 1,654
Depreciation (\$000's)	\$ 174	\$ 162	\$ 342	\$ 329
Debt to total capitalization	40%	45%	40%	45%

(a) Includes \$8.5 million timberland acquisition closed in January 2004.

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

	Q2 2004 vs. Q2 2003		Q2 2004 vs. Q1 2004	
	Total	Per Unit	Total	Per Unit
Net income:				
2nd Quarter 2004	\$3,997	\$ 0.88	\$ 3,997	\$ 0.88
1st Quarter 2004			3,998	0.88
2nd Quarter 2003	1,296	0.29		
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Variance \$2,701 \$ 0.59 \$ (1) \$(0.00)

Detail of earnings variance:

Fee Timber				
Log price realizations (A)	\$ 614	\$ 0.14	\$ (404)	\$(0.09)
Log volumes (B)	1,674	0.37	(1,278)	(0.28)
Timberland sale income	-	-	(6)	-
Depletion	(483)	(0.11)	177	0.04
Other Fee Timber	(119)	(0.03)	(248)	(0.05)
Timberland Management & Consulting				
Management fee changes	223	0.05	396	0.09
Other Timberland Mgmt & Consulting	(128)	(0.03)	(91)	(0.02)
Real Estate				
Environmental remediation reserve	(295)	(0.07)		
Operating results from sold RE op's	41	0.01		
Other Real Estate	1,242	0.28	1,459	0.32
General & administrative costs	5	-	20	-
Interest expense	(32)	(0.01)	(27)	(0.01)
Other (taxes, minority int., interest inc.)	(41)	(0.01)	1	-
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Total change in earnings	\$2,701	\$ 0.59	\$ (1)	\$ 0.00
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- (A) Price variance calculated by extending the change in average realized price by current period volume.
- (B) Volume variance calculated by extending change in sales volume by the average log sales price for the comparison period, less variance in log production costs.

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SOURCE: Pope Resources