



Pope Resources
A Limited Partnership

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NEWS RELEASE

FOR IMMEDIATE RELEASE

Nasdaq:POPEZ

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POPE RESOURCES REPORTS FOURTH QUARTER EARNINGS OF \$0.8 MILLION

Pope Resources (Nasdaq:POPEZ) reported earnings of \$0.8 million or 18 cents per diluted ownership unit, on revenues of \$8.0 million for the quarter ended December 31, 2004. This compares to break-even results on revenues of \$5.7 million, for the same period in 2003.

Net income for the twelve months ended December 31, 2004 totaled \$10.2 million, or \$2.22 per diluted ownership unit, on revenues of \$39.6 million. For the corresponding period in 2003, the Partnership reported net income of \$3.5 million, or 78 cents per diluted ownership unit, on revenues of \$27.0 million.

“We are pleased with our 2004 performance, in which our profitability was nearly triple that of 2003,” said David L. Nunes, President and CEO. “Much of the improvement in 2004 performance was driven by our Fee Timber segment, which enjoyed increased harvest volumes, stronger pricing, and an improved log mix. During 2004, we closed on three acquisitions, adding nearly 5,000 acres of timberland with approximately 56 million board feet (MMBF) of merchantable timber inventory to our ownership. This resulted in a 34% increase in annual harvest volume, which grew from 45 MMBF in 2003 to 60 MMBF in 2004. Realized log prices increased from \$476 per MBF in 2003 to \$529 per MBF in 2004, or 11%, during the year, with stronger pricing in all log grades. Additionally, our mix improved, with 15% of our total harvest going to the export market compared to 9% in 2003. Combined, these three factors resulted in a 46% increase in revenue and 56% increase in operating income from this segment for the year.

“Our Real Estate segment also enjoyed a strong year in 2004, posting operating income of \$1.6 million on revenues of \$4.5 million. This compares to an operating loss of \$0.5 million on revenues of \$1.7 million in 2003. Results for the year were strongly influenced by two transactions, the \$1.9 million sale in the second quarter of a 426-acre regional park site and the \$1.6 million sale in the fourth quarter of a 205-acre parcel of development property in Hansville, Washington. Results for the year were reduced by an additional expense of \$466,000 needed to complete environmental remediation work in Port Gamble, Washington.

“The Timberland Management & Consulting segment generated an operating loss of \$0.6 million on revenues of \$1.6 million in 2004, compared with an operating profit of \$0.3 million on revenues of \$2.4 million in 2003. This past year was a transition year for this segment, which did not have a major timberland management client for the first time since 1997, as reflected in the lower revenues and operating income.

“Notwithstanding that 85% of the annual Fee Timber harvest volume was front-loaded in the first three quarters of 2004, fourth quarter results were strong relative to 2003. Consistent with year-over-year results, Fee Timber revenues increased 46% during the quarter, driven by a 28% increase in log volumes attributable to the three acquisitions referenced above, a 17% increase in realized log prices, and a higher

proportion of export logs relative to the same quarter in 2003. Fourth quarter results were further strengthened by the aforementioned \$1.6 million Real Estate sale. These two factors more than offset a weaker year-to-year fourth quarter comparison of Timberland Management & Consulting results.

“While we enjoyed strong 2004 results, we are equally excited about the foundation laid for further growth in 2005. The aforementioned Fee Timber acquisitions are expected to translate to 2005 harvest volumes of approximately 79 MMBF, which represents a 26 MMBF increase over our annual sustainable harvest level of 53 MMBF. However, while this elevated harvest level will produce stronger cash flows, it will not be paralleled by similar increases in earnings due to depletion cost offsets. Additionally, our Timberland Management & Consulting segment began 2005 with a new timberland management contract on 522,000 acres in Washington and Oregon. Lastly, our Real Estate segment is expected to experience strong revenue growth in the next few years attributable to the Gig Harbor project and other land sales activities.”

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 or manage over 640,000 acres of timberland and development property in Washington and Oregon. 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. The contents of our website are not incorporated into this release or into our filings with the Securities and Exchange Commission.

Note About Forward Looking Information

This press release contains a number of projections and statements about our expected financial condition, operating results, business plans and objectives, including but not limited to anticipated performance in various business segments in future periods. 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 establish and service timberland management arrangements; 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 and cash from operations. 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 Dec.31,		Twelve months ended Dec. 31,	
	2004	2003	2004	2003
Revenues	\$ 7,977	\$ 5,679	\$ 39,648	\$ 27,036
Costs and expenses:				
Cost of sales	(3,299)	(1,783)	(15,184)	(10,540)
Operating expenses	(3,130)	(2,899)	(11,336)	(9,873)
Operating income	1,548	997	13,128	6,623
Interest, net	(728)	(711)	(2,952)	(2,806)
Minority interest	-	(47)	-	(47)
Income before income taxes	820	239	10,176	3,770
Income tax benefit/(provision)	-	(239)	-	(242)
Net income	<u>820</u>	<u>-</u>	<u>10,176</u>	<u>3,528</u>
Average units outstanding - Basic (000's)	<u>4,522</u>	<u>4,518</u>	<u>4,522</u>	<u>4,518</u>
Average units outstanding - Diluted (000's)	<u>4,629</u>	<u>4,544</u>	<u>4,594</u>	<u>4,522</u>
Basic net income per unit	\$ 0.18	\$ -	\$ 2.25	\$ 0.78
Diluted net income per unit	\$ 0.18	\$ -	\$ 2.22	\$ 0.78

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

	Dec. 31,	
	2004	2003
Assets:		
Cash and short-term investments	\$ 757	\$ 10,361
Other current assets	2,073	2,417
Roads and timber	64,484	48,203
Properties and equipment	26,198	23,907
Other assets	1,355	1,420
Total	<u>94,867</u>	<u>86,308</u>
Liabilities and partners' capital:		
Current liabilities	5,935	3,816
Long-term debt, excluding current portion	34,164	36,114
Other long-term liabilities	236	342
Total liabilities	<u>40,335</u>	<u>40,272</u>
Partners' capital	<u>54,532</u>	<u>46,036</u>
Total	<u>94,867</u>	<u>86,308</u>

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

	31-Dec-04	Three months ended 31-Dec-03	30-Sep-04
Net income	\$ 820	\$ -	\$ 1,361
Added back:			
Interest, net	728	711	698
Depletion	1,353	454	975
Depreciation and amortization	152	163	165
Income tax expense	-	239	-
Less:			
Income tax benefit	-	-	-
EBITDDA	<u>\$ 3,053</u>	<u>\$ 1,567</u>	<u>\$ 3,199</u>

RECONCILIATION BETWEEN CASH FROM OPERATIONS AND EBITDDA
(all amounts in \$000's)

	31-Dec-04	Three months ended 31-Dec-03	30-Sep-04
Cash from operations	\$ 3,595	\$ 1,947	\$ 4,013
Added back:			
Change in working capital			
Interest	728	711	698
Deferred profit		34	-
Income tax expense	-	239	-
Other		15	-
Less:			
Change in working capital	(827)	(1,204)	(1,013)
Deferred profit	(275)	-	(465)
Income tax benefit	-	-	-
Cost of land sold	(169)		(36)
Other	(2)	(175)	2
EBITDDA	<u>\$ 3,053</u>	<u>\$ 1,567</u>	<u>\$ 3,199</u>

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

	Three months ended Dec.31,		Twelve months ended Dec. 31,	
	2004	2003	2004	2003
Revenues:				
Fee Timber	\$ 5,576	\$ 3,809	\$ 33,571	\$ 22,916
Timberland Management & Consulting (TM&C)	602	1,350	1,601	2,386
Real Estate	1,799	520	4,476	1,734
Total	\$ 7,977	\$ 5,679	\$ 39,648	\$ 27,036
EBITDDA:				
Fee Timber	2,960	1,717	20,319	12,676
TM&C	(10)	736	(510)	341
Real Estate	904	(195)	1,719	(391)
General & administrative and minority interest	(801)	(691)	(2,648)	(2,504)
Total	\$ 3,053	\$ 1,567	\$ 18,880	\$ 10,122
Depreciation, depletion and amortization:				
Fee Timber	1,395	481	5,193	3,007
TM&C	22	19	88	69
Real Estate	19	23	133	85
General & administrative	69	94	338	385
Total	\$ 1,505	\$ 617	\$ 5,752	\$ 3,546
Operating income/(loss):				
Fee Timber	1,565	1,236	15,126	9,669
TM&C	(32)	717	(598)	272
Real Estate	885	(218)	1,586	(476)
General & administrative	(870)	(738)	(2,986)	(2,842)
Total	\$ 1,548	\$ 997	\$ 13,128	\$ 6,623

SELECTED STATISTICS

Owned acres	118,488	114,393	118,488	114,393
Acres under management	522,000	-	522,000	-
Capital expenditures (\$000's)	948	902	3,260	2,017
Depletion (\$000's)	1,353	454	5,093	2,888
Depreciation (\$000's)	152	163	659	658
Debt to total capitalization	40%	45%	40%	45%

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

	Q4 2004 vs. Q4 2003		Q4 2004 vs. Q3 2004	
	Total	Per Unit	Total	Per Unit
Net income:				
4th Quarter 2004	820	0.18	820	0.18
3rd Quarter 2004			1,361	0.30
4th Quarter 2003	-	-		
Variance	820	0.18	(541)	(0.12)
Detail of earnings variance:				
Fee Timber				
Log price realizations (A)	707	0.17	249	0.06
Log volumes (B)	558	0.12	(1,447)	(0.32)
Timberland sale income	-	-	(9)	-
Depletion	(899)	(0.20)	(378)	(0.09)
Other Fee Timber	(37)	(0.01)	92	0.02
Timberland Management & Consulting				
Management fee changes	327	0.07	133	0.03
Other Timberland Mgmt & Consulting	(1,076)	(0.24)	(102)	(0.02)
Real Estate				
Development property sales	1,103	0.24	1,161	0.26
General & administrative costs	(132)	(0.03)	(210)	(0.05)
Interest expense	30	0.01	1	-
Other (taxes, minority int., interest inc.)	239	0.05	(31)	(0.01)
Total change in earnings	820	0.18	(541)	(0.12)

(A) Price variance allocated based on changes in price using the current period volume.

(B) Volume variance allocated based on change in sales volume and the average log sales price for the prior period less variance in log production costs.