



## Pope Resources Reports Third Quarter Net Income of \$3.6 Million

October 31, 2007

POULSBO, Wash.--(BUSINESS WIRE)--Oct. 31, 2007--Pope Resources (NasdaqGSM:POPEZ) reported net income of \$3.6 million, or 74 cents per diluted ownership unit, on revenues of \$12.2 million for the third quarter ended September 30, 2007. This compares to net income of \$8.3 million, or \$1.74 per diluted ownership unit, on revenues of \$18.0 million for the comparable period in 2006.

Net income for the nine months ended September 30, 2007, totaled \$9.2 million, or \$1.91 per diluted ownership unit, on revenues of \$34.3 million. Net income for the corresponding period in 2006 totaled \$17.1 million, or \$3.60 per diluted ownership unit, on revenues of \$49.7 million.

Earnings before interest, taxes, depreciation, depletion, and amortization (EBITDDA) for the quarter ended September 30, 2007, were \$5.1 million, compared to \$9.9 million for the third quarter of 2006. For the nine months ended September 30, 2007, EBITDDA was \$13.9 million, compared to \$24.7 million for year-to-date 2006 results.

"Results for the third quarter and the first nine months of this year were down significantly compared to last year's comparable periods because of the third quarter 2006 sale of a 17-acre commercial parcel in Gig Harbor to Costco Wholesale Corporation that contributed \$5.7 million to our Real Estate segment operating income in the prior year's results," said David L. Nunes, President and CEO.

Notwithstanding the much chronicled decline in domestic housing starts, our Fee Timber segment results have held up reasonably well. While our third quarter realized log prices slipped 2%, from \$623 per thousand board feet (MBF) in 2006 to \$611 per MBF in 2007, we managed to keep log prices flat on a year-to-date basis by locking in prices earlier in the year when markets were not as weak and by shifting our harvest mix toward those markets with the healthiest relative pricing. For the first nine months of 2007, Fee Timber operating income declined 2% to \$13.6 million from \$13.8 million in 2006. Even though we experienced a 6% drop in harvest volumes, from 51 MMBF in 2006 to 48 MMBF in 2007, the drop in operating income was mitigated by a lower average depletion rate. Last year's harvest included volume from a separate depletion pool that carried a higher depletion rate than volume harvested in the current year.

Our Timberland Management & Consulting segment posted a year-to-date operating loss of \$0.5 million compared to operating income of \$1.4 million in 2006. The decline in operating income from this segment is the result of fewer assets under management in 2007 and a timberland disposition fee earned in 2006 that was not repeated in 2007.

Operating income for our Real Estate segment declined from \$5.9 million for the first nine months of 2006 to a \$0.5 million loss for the comparable period in 2007. As mentioned above, this anticipated decline is due primarily to the sale of a 17-acre commercial parcel in Gig Harbor to Costco in 2006 for which there was no counterpart in 2007's year-to-date results. We expect to generate revenue from our Gig Harbor and Bremerton projects during the balance of 2007, but this revenue will not approach the record level attained in 2006.

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 nearly 430,000 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.poperesources.com](http://www.poperesources.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; our ability to discover and to accurately estimate liabilities associated with our properties; 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 "Risk Factors." 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 an important measure of operating profitability, particularly when comparing results between different timber-owning companies because of variability in capital structures, legal structures, methods of calculating depletion expense, and cost basis resulting from historical costs recorded under GAAP. Since this variability impacts the GAAP results of industry issuers in different ways, disclosure of EBITDDA can make it easier for the reader to make meaningful comparisons between operating results and cash-generating capabilities from one timber company to another.

Pope Resources, A Delaware Limited Partnership  
Unaudited

CONSOLIDATED STATEMENT OF OPERATIONS DATA  
(all amounts in \$000's, except per unit amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2007	2006	2007	2006
Revenues	\$12,171	\$18,024	\$ 34,284	\$ 49,717
Costs and expenses:				
Cost of sales	(5,171)	(6,198)	(14,302)	(21,037)
Operating expenses	(3,772)	(3,423)	(11,114)	(10,357)
Operating income	3,228	8,403	8,868	18,323
Interest, net	110	(115)	137	(641)
Income before income taxes and minority interest	3,338	8,288	9,005	17,682
Income tax provision	(5)	(16)	(22)	(453)
Income before minority interest	3,333	8,272	8,983	17,229
Minority interest	218	7	237	(112)
Net income	\$ 3,551	\$ 8,279	\$ 9,220	\$ 17,117
Average units outstanding - Basic	4,687	4,645	4,679	4,641
Average units outstanding - Diluted	4,831	4,769	4,823	4,760
Basic net income per unit	\$ 0.76	\$ 1.78	\$ 1.97	\$ 3.69
Diluted net income per unit	\$ 0.74	\$ 1.74	\$ 1.91	\$ 3.60

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

	September 30,	
	2007	2006
Assets:		
Cash	\$3,940	\$7,194
Short term investments	27,000	25,000
Other current assets	11,814	8,933
Roads and timber	94,483	98,110
Properties and equipment	42,662	39,026
Other assets	1,519	2,019
Total	\$181,418	\$180,282
Liabilities and partners' capital:		
Current liabilities	\$12,264	\$14,775
Long-term debt, excluding current portion	29,490	30,866
Other long-term liabilities	282	351
Total liabilities	42,036	45,992

Minority interest	45,969	46,685
Partners' capital	93,413	87,605
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Total	\$181,418	\$180,282
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RECONCILIATION BETWEEN NET INCOME AND EBITDDA  
(all amounts in \$000's)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Net income	\$3,551	\$8,279	\$ 9,220	\$17,117
Added back:				
Interest, net	(110)	115	(137)	641
Depletion	1,430	1,278	4,179	5,970
Depreciation and amortization	205	175	604	534
Income tax provision	5	16	22	453
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EBITDDA	\$5,081	\$9,863	\$13,888	\$24,715
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RECONCILIATION BETWEEN CASH FROM  
OPERATIONS AND EBITDDA  
(all amounts in \$000's)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Cash from operations	\$5,087	\$15,868	\$11,993	\$28,423
Adjustments:				
Change in working capital	(579)	(4,005)	1,751	1,435
Interest	(110)	115	(137)	641
Deferred revenue	1,168	(90)	1,091	(1,031)
Minority interest	219	7	237	(112)
Deferred taxes	(92)	(7)	(45)	11
Income tax provision	5	16	22	453
Cost of land sold	(486)	(1,968)	(532)	(4,837)
Equity based compensation	(131)	(73)	(492)	(267)
Other	-	-	-	(1)
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EBITDDA	\$5,081	\$ 9,863	\$13,888	\$24,715
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SEGMENT INFORMATION  
(all amounts in \$000's)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2007	2006	2007	2006
Revenues:				
Fee Timber	\$ 9,836	\$ 8,114	\$30,642	\$32,287
Timberland Management & Consulting (TM&C)	366	578	1,074	3,146
Real Estate	1,969	9,332	2,568	14,284
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Total	12,171	18,024	34,284	49,717
EBITDDA:				
Fee Timber	5,624	4,686	18,253	19,757
TM&C	(223)	58	(482)	1,308
Real Estate	589	5,913	(347)	6,237
General & administrative	(909)	(794)	(3,536)	(2,587)

Total	5,081	9,863	13,888	24,715
Depreciation, depletion and amortization:				
Fee Timber	1,517	1,123	4,433	5,948
TM&C	21	18	62	54
Real Estate	49	245	136	322
General & administrative	48	67	152	180
Total	1,635	1,453	4,783	6,504
Operating income/(loss):				
Fee Timber	3,889	3,563	13,583	13,809
TM&C	(244)	33	(544)	1,366
Real Estate	540	5,668	(483)	5,915
General & administrative	(957)	(861)	(3,688)	(2,767)
Total	\$ 3,228	\$ 8,403	\$ 8,868	\$18,323

SELECTED STATISTICS

	Three months ended		Nine months ended	
	September 30, 2007	September 30, 2006	September 30, 2007	September 30, 2006
Log sale volumes (thousand board feet):				
Sawlogs				
Douglas-fir	7,602	8,626	30,708	36,908
Whitewood	2,272	483	5,985	3,628
Cedar	931	188	1,566	774
Hardwood	1,297	1,464	2,304	3,170
Pulp				
All species	3,127	1,386	7,312	6,350
Total	15,229	12,147	47,875	50,830

Average price realizations (per thousand board feet):

Sawlogs				
Douglas-fir	622	662	628	672
Whitewood	446	462	467	446
Cedar	1,347	1,260	1,335	1,058
Hardwood	960	683	938	663
Pulp				
All species	353	281	397	261
Overall	611	623	611	610
Owned timber acres (A)	140,294	114,196	140,294	114,196
Acres under management	292,647	291,925	292,647	291,925
Capital expenditures (\$000's)	\$ 3,003	\$ 4,851	\$ 7,413	\$ 8,999
Depletion (\$000's)	1,430	1,278	4,179	5,970
Depreciation (\$000's)	205	175	604	534
Debt to total capitalization	25%	29%	25%	29%

(A) 2007 acres include 23,858 acres owned by ORM Timberfund I, LP.

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

	Q3 2007 vs. Q3 2006	Q3 2007 vs. Q2 2007
Total		Total

Net income:

3rd Quarter 2007	\$ 3,551	\$ 3,551
2nd Quarter 2007		4,815
3rd Quarter 2006	8,279	
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Variance	\$(4,728)	\$(1,264)
Detail of earnings variance:		
Fee Timber		
Log price realizations (B)	\$ (183)	\$ (228)
Log volumes (C)	1,920	(4,618)
Depletion	(152)	608
Production costs	(1,059)	1,040
Other Fee Timber	(201)	(220)
Timberland Management & Consulting		
Management fee changes	69	147
Disposition fee changes	-	-
Other Timberland Mgmt & Consulting	(346)	(222)
Real Estate		
Environmental remediation liability	114	-
Land sales	(5,050)	1,218
Other Real Estate	(192)	(216)
General & administrative costs		
	(96)	749
Interest net	225	110
Minority interest	211	363
Income taxes	12	5
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Total change in earnings	\$(4,728)	\$(1,264)
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(B) Price variance calculated by extending the change in average realized price by current period volume.

(C) Volume variance calculated by extending change in sales volume by the average log sales price for the comparison period.

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SOURCE: Pope Resources