



Pope Resources Reports Second Quarter Net Income of \$4.8 Million

July 30, 2007

POULSBO, Wash.--(BUSINESS WIRE)--July 30, 2007--Pope Resources (Nasdaq:POPEZ) reported net income of \$4.8 million, or \$1.01 per diluted ownership unit, on revenues of \$15.3 million for the second quarter ended June 30, 2007. This compares to net income of \$3.5 million, or 74 cents per diluted ownership unit, on revenues of \$15.6 million for the comparable period in 2006.

Net income for the six months ended June 30, 2007 totaled \$5.7 million, or \$1.19 per diluted ownership unit, on revenues of \$22.1 million. Net income for the corresponding period in 2006 totaled \$8.8 million, or \$1.86 per diluted ownership unit, on revenues of \$31.7 million.

Earnings before interest, taxes, depreciation, depletion, and amortization (EBITDDA) for the quarter ended June 30, 2007 were \$7.0 million, compared to \$6.0 million for the second quarter of 2006. For the six months ended June 30, 2007, EBITDDA was \$8.8 million, compared to \$14.9 million for year-to-date 2006 results.

"Our operating results for second quarter 2007 were higher than last year's comparable quarter primarily because our harvest volume increased by 36%, from 17 million board feet (MMBF) in 2006 to 23 MMBF in 2007," said David L. Nunes, President and CEO. "Log prices generally softened during the second quarter given the decline in domestic housing starts, but we were able to mitigate much of the impact of this trend by virtue of locking in second quarter prices earlier in the year when market sentiment was less bearish, and by shifting our harvest mix toward select markets where pricing remained healthier. As a result, our average realized log price increased by 4% during the quarter, from \$603 per thousand board feet (MBF) in 2006 to \$626 per MBF in 2007."

For the first six months of 2007, Fee Timber operating income declined 5% to \$9.7 million from \$10.2 million in 2006. This decline was driven by a 16% drop in harvest volumes, from 39 MMBF in 2006 to 33 MMBF in 2007. This was offset somewhat by a 1% increase in the average realized log price, which rose from \$606 per MBF in 2006 to \$611 per MBF in 2007. Through the first half of 2007, we harvested 60% of our planned annual harvest volume, compared to the first half of 2006, when we harvested 71% of the total annual harvest volume.

Our Timberland Management & Consulting segment posted a year-to-date operating loss of \$0.3 million compared to income of \$1.3 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 \$0.2 million for the first six months of 2006 to a \$1.0 million loss for the comparable period in 2007. This anticipated decline is due to a significant reduction in the number of land sale closings in the first half of 2007 compared to the first half of last year. We expect to generate revenue from our Gig Harbor and Bremerton projects during the balance of 2007, but do not expect to reach 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 over 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. 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 there are varying methods of calculating depletion expense under GAAP. With different issuers employing various calculation methodologies, disclosure of EBITDDA can make it easier for the reader to make meaningful comparisons between the operating results and cash-generating capabilities of different timber companies.

Pope Resources, A Delaware Limited Partnership
Unaudited

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

	Three months ended		Six months ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Revenues	\$ 15,326	\$15,610	\$22,113	\$ 31,693
Costs and expenses:				
Cost of sales	(6,294)	(8,414)	(9,131)	(14,839)
Operating expenses	(4,080)	(3,461)	(7,342)	(6,934)
Operating income	4,952	3,735	5,640	9,920
Interest, net	18	(217)	27	(526)
Income before income taxes and minority interest	4,970	3,518	5,667	9,394
Income tax provision	(10)	8	(17)	(437)
Income before minority interest	4,960	3,526	5,650	8,957
Minority interest	(145)	14	19	(119)
Net income	\$ 4,815	\$ 3,540	\$ 5,669	\$ 8,838
Average units outstanding - Basic	4,685	4,641	4,675	4,638
Average units outstanding - Diluted	4,786	4,753	4,776	4,750
Basic net income per unit	\$ 1.03	\$ 0.76	\$ 1.21	\$ 1.91
Diluted net income per unit	\$ 1.01	\$ 0.74	\$ 1.19	\$ 1.86

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

	June 30,	December 31,
	2007	2006
Assets:		
Cash	\$ 6,146	\$ 7,194
Short term investments	25,000	25,000
Other current assets	10,705	8,933
Roads and timber	95,814	98,110
Properties and equipment	42,207	39,026
Other assets	1,490	2,019
Total	\$ 181,362	\$ 180,282
Liabilities and partners' capital:		
Current liabilities	\$ 13,341	\$ 14,775
Long-term debt, excluding current portion	29,543	30,866
Other long-term liabilities	46,867	47,036
Total liabilities	89,751	92,677

Partners' capital	91,611	87,605
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Total	\$ 181,362	\$ 180,282
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RECONCILIATION BETWEEN NET INCOME AND EBITDDA
(all amounts in \$000's)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Net income	\$ 4,815	\$ 3,540	\$ 5,669	\$ 8,838
Added back:				
Interest, net	(18)	217	(27)	526
Depletion	2,038	2,119	2,749	4,692
Depreciation and amortization	197	175	399	359
Income tax expense	10	(8)	17	437
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EBITDDA	\$ 7,042	\$ 6,043	\$ 8,807	\$14,852
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RECONCILIATION BETWEEN CASH FROM OPERATIONS AND EBITDDA
(all amounts in \$000's)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Cash from operations	\$ 7,718	\$ 7,858	\$ 6,907	\$12,313
Added back:				
Change in working capital	-	1,522	2,368	5,682
Interest	-	217	-	526
Deferred revenue	260	-	-	-
Minority interest	-	13	19	-
Deferred taxes	-	36	-	19
Income tax provision	10	-	17	437
Less:				
Change in working capital	(673)	-	-	-
Interest	(17)	-	(26)	-
Deferred revenue	-	(666)	(77)	(941)
Cost of land sold	(14)	(2,856)	(46)	(2,869)
Equity based compensation	(103)	(72)	(361)	(195)
Minority interest	(145)	-	-	(120)
Income tax provision	-	(8)	-	-
Other	6	(1)	6	-
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EBITDDA	\$ 7,042	\$ 6,043	\$ 8,807	\$14,852
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SEGMENT INFORMATION
(all amounts in \$000's)

	Three months ended		Six months ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Revenues:				
Fee Timber	\$ 14,614	\$10,449	\$20,806	\$24,173
Timberland Management & Consulting (TM&C)	356	544	708	2,568
Real Estate	356	4,617	599	4,952
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Total	15,326	15,610	22,113	31,693
EBITDDA:				
Fee Timber	9,266	6,195	12,629	15,071

TM&C	(149)	71	(259)	1,250
Real Estate	(419)	629	(936)	324
General & Administrative	(1,656)	(852)	(2,627)	(1,793)
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Total	7,042	6,043	8,807	14,852
Depreciation, depletion and amortization:				
Fee Timber	2,122	2,181	2,916	4,825
TM&C	20	20	41	36
Real Estate	43	43	87	77
General & Administrative	50	50	104	113
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Total	2,235	2,294	3,148	5,051
Operating income/(loss):				
Fee Timber	7,289	4,014	9,694	10,246
TM&C	(169)	37	(300)	1,333
Real Estate	(462)	586	(1,023)	247
General & Administrative	(1,706)	(902)	(2,731)	(1,906)
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Total	\$ 4,952	\$ 3,735	\$ 5,640	\$ 9,920
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SELECTED STATISTICS

	Three months ended		Six months ended	
	30-Jun-07	30-Jun-06	30-Jun-07	30-Jun-06
Log sale volumes (thousand board feet):				
Sawlogs				
Douglas-fir	15,991	11,842	23,106	28,282
Whitewood	2,922	1,149	3,713	3,145
Cedar	575	227	635	586
Hardwood	878	1,144	1,007	1,706
Pulp				
All species	2,241	2,288	4,185	4,964
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Total	22,607	16,650	32,646	38,683
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Average price realizations
(per thousand board feet):

Sawlogs				
Douglas-fir	638	665	630	675
Whitewood	477	452	480	443
Cedar	1,333	1,182	1,320	993
Hardwood	945	670	910	646
Pulp				
All species	398	260	430	255
Overall	626	603	611	606
Owned acres (A)	140,294	117,435	140,294	117,435
Acres under management	292,647	291,925	292,647	291,925
Capital expenditures (\$000's)	\$ 3,101	\$ 2,713	\$ 4,410	\$ 4,148
Depletion (\$000's)	\$ 2,038	\$ 2,119	\$ 2,749	\$ 4,692
Depreciation (\$000's)	\$ 197	\$ 175	\$ 399	\$ 359
Debt to total capitalization	25%	31%	25%	31%

(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)

Q2 2007 vs. Q2 2007 vs.

	Q2 2006	Q1 2007
	Total	Total
Net income:		
2nd Quarter 2007	\$ 4,815	\$ 4,815
1st Quarter 2007		854
2nd Quarter 2006	3,540	
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Variance	\$ 1,275	\$ 3,961
Detail of earnings variance:		
Fee Timber		
Log price realizations (A)	\$ 520	\$ 1,085
Log volumes (B)	3,592	7,264
Depletion	81	(1,327)
Production costs	(989)	(2,145)
Other Fee Timber	68	4
Timberland Management & Consulting		
Management fee changes	(77)	(1)
Other Timberland Mgmt & Consulting	(129)	(37)
Real Estate		
Land sales	(1,370)	-
Other Real Estate	326	103
General & administrative costs	(804)	(681)
Interest expense	96	38
Other (taxes, minority int., interest inc.)	(39)	(342)
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Total change in earnings	\$ 1,275	\$ 3,961
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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.

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SOURCE: Pope Resources