



## Pope Resources Reports Fourth Quarter Earnings of \$7.8 Million

February 1, 2007

POULSBO, Wash.--(BUSINESS WIRE)--Feb. 1, 2007--Pope Resources (Nasdaq:POPEZ) reported net income of \$7.8 million, or \$1.63 per diluted ownership unit, on revenues of \$16.5 million for the quarter ended December 31, 2006. This compares to net income of \$0.9 million, or 18 cents per diluted ownership unit, on revenues of \$8.9 million for the quarter ended December 31, 2005.

Net income for the year ended December 31, 2006, totaled \$24.9 million, or \$5.23 per diluted ownership unit, on revenues of \$66.3 million. For the corresponding period in 2005, net income totaled \$13.7 million, or \$2.88 per diluted ownership unit, on revenues of \$57.0 million.

Earnings before interest, income tax, depreciation, depletion, and amortization (EBITDDA) for the quarter ended December 31, 2006, were \$8.5 million, compared to \$2.9 million for the fourth quarter of 2005. For the year ended December 31, 2006, EBITDDA was \$33.2 million, compared to \$28.4 million in 2005.

"We enjoyed record results in 2006, thanks to a series of major real estate sales that closed following years of effort and planning," said David L. Nunes, President and CEO. "Over 52% of our profit and 27% of revenue for 2006 resulted from the sale of two real estate parcels, a 200-acre residential land sale in Bremerton and the sale of a 17-acre commercial property in Gig Harbor."

Fourth quarter 2006 results for our Fee Timber segment were very modest, with operating income of \$0.8 million, representing half the corresponding 2005 level of \$1.6 million; however, this was expected as we front-loaded over 90% of our annual harvest volume during the first three quarters of 2006. Average realized log prices in the current quarter were \$619 per thousand board feet (MBF), up 12% from the corresponding quarter in 2005, while log volumes decreased from 8 million board feet (MMBF) in 2005 to 4 MMBF in 2006. On a year-to-date basis, average realized log prices increased 6%, rising from \$576 per MBF in 2005 to \$611 per MBF in 2006. Total harvest volume decreased from 74 MMBF in 2005 to 55 MMBF in 2006, based on a planned reduction following the completion of harvest volume coming from two acquisitions made in 2004.

Notwithstanding this 27% drop in harvest volume, Fee Timber operating income declined by only 11%, from \$16.3 million in 2005 to \$14.6 million in 2006, as a result of the increase in log price realizations and because the 2005 segment results were burdened by higher than usual depletion costs associated with a separate depletion pool from one of the aforementioned 2004 acquisitions. Nearly 23% of our 2005 log sales volume and 13% of our 2006 log sales volume related to harvests from a late-2004 timberland purchase where we created a discrete depletion pool because this property was stocked primarily with merchantable timber.

For the fourth quarter, our Real Estate segment generated operating income of \$7.9 million on revenues of \$13.0 million, compared to a \$0.1 million loss for the fourth quarter of 2005 on revenues of \$1.1 million. A majority of the revenue and operating income during the fourth quarter of 2006 related to the \$12 million sale of a 200-acre residential parcel in Bremerton, Washington; however, a portion of this revenue recognition was deferred to 2007 pending our completion of certain land improvements. As a result, \$10.7 million of this sale was recognized as revenue in the fourth quarter of 2006, contributing \$7.7 million of the quarter's operating income. Full year 2006 results for the Real Estate segment reflect operating income of \$13.9 million on revenues of \$27.3 million, compared to \$1.3 million of operating income on revenues of \$4.8 million for 2005. The full-year improvement in segment results is driven by the Bremerton residential property sale together with two closings from our Harbor Hill project in Gig Harbor, Washington, an 11-acre business park transaction and the aforementioned 17-acre commercial property transaction.

Fourth quarter operating results for our Timberland Management & Consulting segment declined from \$1.5 million in 2005 to a \$100,000 loss in 2006. For the full year, this segment posted operating income of \$1.3 million, compared to \$3.5 million for 2005. The decline in operating income from this segment is the result of fewer assets under management as well as lower property disposition fees earned 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 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.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; our ability to discover and accurately to 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 December 31,		Twelve months ended December 31,	
	2006	2005	2006	2005
Revenues	\$16,533	\$ 8,907	\$ 66,250	\$ 57,006
Costs and expenses:				
Cost of sales	(4,716)	(2,751)	(25,753)	(24,596)
Operating expenses	(4,235)	(4,264)	(14,592)	(14,931)
Operating income	7,582	1,892	25,905	17,479
Interest, net	16	(539)	(625)	(2,477)
Income before income taxes and minority interest	7,598	1,353	25,280	15,002
Income tax provision	14	(435)	(439)	(997)
Income before minority interest	7,612	918	24,841	14,005
Minority interest	181	(46)	69	(321)
Net income	\$ 7,793	\$ 872	\$ 24,910	\$ 13,684
Average units outstanding - Basic	4,647	4,621	4,642	4,607
Average units outstanding - Diluted	4,778	4,773	4,762	4,751
Basic net income per unit	\$ 1.68	\$ 0.19	\$ 5.37	\$ 2.97
Diluted net income per unit	\$ 1.63	\$ 0.18	\$ 5.23	\$ 2.88

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

	December 31,	
	2006	2005
Assets:		
Cash	\$ 7,194	\$ 3,362
Short term investments	25,000	15,000
Other current assets	8,917	5,769
Roads and timber	97,883	53,019
Properties and equipment	39,253	28,543
Other assets	2,035	665
Total	\$180,282	\$106,358

	=====	
Liabilities and partners' capital:		
Current liabilities	\$ 14,775	\$ 7,454
Long-term debt, excluding current portion	30,866	32,281
Other long-term liabilities	47,036	218
	-----	
Total liabilities	92,677	39,953
Partners' capital	87,605	66,405
	-----	
Total	\$180,282	\$106,358
	=====	

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

	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2006	2005	2006	2005
Net income	\$7,793	\$ 872	\$24,910	\$13,684
Added back:				
Interest, net	(16)	539	625	2,477
Depletion	522	922	6,492	10,611
Depreciation and amortization	178	159	712	641
Income tax expense	(14)	435	439	997
	-----		-----	
EBITDDA	\$8,463	\$2,927	\$33,178	\$28,410
	=====		=====	

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

	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2006	2005	2006	2005
Cash from operations	\$15,148	\$ 6,656	\$43,571	\$28,909
Added back:				
Change in working capital	3,889	-	5,324	-
Interest	-	539	625	2,477
Deferred revenue	-	-	-	614
Minority interest	143	-	31	-
Deferred taxes	-	435	-	-
Income tax provision	-	-	439	997
Less:				
Change in working capital	-	(4,456)	-	(4,075)
Interest	(16)	-	-	-
Deferred revenue	(7,502)	(81)	(8,533)	-
Cost of land sold	(2,981)	(90)	(7,818)	(434)
Deferred taxes	(27)	-	(16)	-
Equity based compensation	(177)	(76)	(444)	(76)
Income tax provision	(14)	-	-	-
Other	-	-	(1)	(2)
	-----		-----	
EBITDDA	\$ 8,463	\$ 2,927	\$33,178	\$28,410
	=====		=====	

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

	Three months ended		Twelve months ended	
	December 31,		December 31,	
	2006	2005	2006	2005
Revenues:				
Fee Timber	\$ 2,973	\$ 5,194	\$35,260	\$44,424

Timberland Management & Consulting (TM&C)	524	2,641	3,670	7,764
Real Estate	13,036	1,072	27,320	4,818
	-----	-----	-----	-----
Total	16,533	8,907	66,250	57,006
EBITDDA:				
Fee Timber	1,247	2,544	21,004	27,034
TM&C	(46)	1,508	1,262	3,637
Real Estate	8,274	(10)	14,511	1,448
General & administrative	(1,012)	(1,115)	(3,599)	(3,709)
	-----	-----	-----	-----
Total	8,463	2,927	33,178	28,410
Depreciation, depletion and amortization:				
Fee Timber	318	950	6,266	10,714
TM&C	19	23	73	97
Real Estate	325	43	647	178
General & administrative	38	65	218	263
	-----	-----	-----	-----
Total	700	1,081	7,204	11,252
Operating income/(loss):				
Fee Timber	783	1,594	14,592	16,320
TM&C	(100)	1,485	1,266	3,540
Real Estate	7,949	(53)	13,864	1,270
General & administrative	(1,050)	(1,134)	(3,817)	(3,651)
	-----	-----	-----	-----
Total	\$ 7,582	\$ 1,892	\$25,905	\$17,479
	=====	=====	=====	=====

#### SELECTED STATISTICS

	Three months ended		Twelve months ended	
	31-Dec-06	31-Dec-05	31-Dec-06	31-Dec-05
Log sale volumes (thousand board feet):				
Sawlogs				
Douglas-fir	2,046	4,923	38,954	43,720
Whitewood	172	1,170	3,800	11,007
Cedar	301	229	1,075	4,447
Hardwood	421	699	3,591	5,143
Pulp				
All species	763	1,319	7,113	9,928
	-----	-----	-----	-----
Total	3,703	8,340	54,533	74,245
	=====	=====	=====	=====
Average price realizations (per thousand board feet):				
Sawlogs				
Douglas-fir	621	653	669	644
Whitewood	419	446	445	472
Cedar	1,183	908	1,093	942
Hardwood	815	544	681	605
Pulp				
All species	328	225	268	213
Overall	619	554	611	576
Owned timber acres	114,000	117,000	114,000	117,000
Acres under management	316,000	439,000	316,000	439,000
Capital expenditures (\$000's)	\$ 3,177	4,132	\$ 10,508	6,756
Depletion (\$000's)	522	922	6,492	10,611
Depreciation (\$000's)	178	159	712	641
Debt to total capitalization	27%	34%	27%	34%

QUARTER TO QUARTER COMPARISONS

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

Q4 2006 vs. Q4 2005      Q4 2006 vs. Q3 2006

	Total	Total
Net income:		
4th Quarter 2006	\$ 7,793	\$ 7,793
3rd Quarter 2006		8,279
4th Quarter 2005	872	
	-----	-----
Variance	\$ 6,921	\$ (486)
Detail of earnings variance:		
Fee Timber		
Log price realizations (A)	\$ 241	\$ (15)
Log volumes (B)	(2,569)	(5,261)
Depletion	667	803
Production costs	823	1,588
Other Fee Timber	28	106
Timberland Management & Consulting		
Management fee changes	(624)	46
Disposition fee changes	(1,388)	-
Other Timberland Mgmt & Consulting	427	(179)
Real Estate		
Environmental remediation liability	(56)	(32)
Land sales	9,106	2,838
Other Real Estate	(1,049)	(525)
General & administrative costs	84	(189)
Interest expense	391	115
Other (taxes, minority int., interest inc.)	840	219
	-----	-----
Total change in earnings	\$ 6,921	\$ (486)
	=====	=====

(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.

CONTACT: Pope Resources  
Tom Ringo, VP & CFO, 360-697-6626  
Fax: 360-697-1156  
SOURCE: Pope Resources