



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 \$0.9 MILLION**

Pope Resources (Nasdaq:POPEZ) reported earnings of \$0.9 million or 18 cents per diluted ownership unit, on revenues of \$8.9 million for the quarter ended December 31, 2005. This compares to 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.

Net income for the twelve months ended December 31, 2005 totaled \$13.7 million, or \$2.88 per diluted ownership unit, on revenues of \$57.0 million. For the corresponding period in 2004, net income totaled \$10.2 million, or \$2.22 per diluted ownership unit, on revenues of \$39.6 million.

Earnings before interest, income tax, depreciation, depletion, and amortization (EBITDDA) for the quarter ended December 31, 2005 were \$2.9 million, compared to \$3.1 million for the fourth quarter of 2004. For the twelve months ended December 31, 2005, EBITDDA was \$28.4 million, compared to \$18.9 million in 2004.

“With a solid foundation for growth laid down over the past few years, we posted our strongest results in over a decade in 2005,” said David L. Nunes, President and CEO. “Three primary drivers contributed to this breakout year: continued favorable market conditions in our core log markets, a significant new timberland management client, and robust markets for rural residential real estate.”

In the fourth quarter of 2005, our Fee Timber segment experienced a 2% increase in average log prices from the corresponding quarter in 2004, while log volumes decreased from 9 million board feet (MMBF) in 2004 to 8 MMBF in 2005. Fee Timber operating income for both the fourth quarter of 2005 and 2004 was \$1.6 million. On a year-to-date basis, average realized log prices increased 9%, rising from \$529 per thousand board feet (MBF) in 2004 to \$576 per MBF in 2005. Total harvest volume increased to 74 MMBF in 2005 from 60 MMBF in 2004. Fee Timber segment operating income increased 8%, from \$15.1 million in 2004 to \$16.3 million in 2005.

While the increased harvest level in 2005 resulted in substantially higher log revenues, it did not translate to a corresponding increase in operating income due to the use of a separate depletion pool on 17 MMBF of timber harvested in 2005 from a late-2004 timberland purchase. The separate depletion pool was used to account for timber harvested from this acquired property because it was stocked primarily with merchantable timber. While the harvest of this 17 MMBF did not generate significant incremental earnings, it did contribute to significantly higher cash flow, allowing the Partnership to recover much of the purchase price of the property while leaving an incremental 1,300 acres of prime timberland.

On the strength of a new management contract, results for our Timberland Management & Consulting segment improved substantially, with operating income of \$3.5 million in 2005 compared to a loss of \$0.6

million for 2004. Similarly, this segment reported operating income of \$1.5 million for the fourth quarter of 2005 compared to breakeven results for the fourth quarter of 2004. This improvement in both quarterly and annual performance is due to our taking on a significant new client in January 2005 for whom we have performed timberland management, forestry consulting, and property disposition services.

Our Real Estate segment also performed well in 2005, posting its second consecutive profitable year, with operating income of \$1.3 million on revenues of \$4.8 million. This compares to operating income of \$1.6 million on revenues of \$4.5 million in 2004. The majority of Real Estate segment sales in 2005 were generated from a new rural residential land sale program which generated \$3.0 million of revenue from 18 sales totaling 523 acres. In addition, in 2005 we recognized \$0.9 million of revenue from a bulk land sale of 390 acres. This compares to 2004's revenue of \$3.5 million from two large bulk land sales totaling 636 acres.

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 560,000 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 Dec.31,		Twelve months ended Dec. 31,	
	2005	2004	2005	2004
Revenues	\$ 8,907	\$ 7,977	\$ 57,006	\$ 39,648
Costs and expenses:				
Cost of sales	(2,751)	(3,299)	(24,596)	(15,184)
Operating expenses	(4,264)	(3,130)	(14,931)	(11,336)
Operating income	1,892	1,548	17,479	13,128
Interest, net	(539)	(728)	(2,477)	(2,952)
Minority interest	(46)	-	(321)	-
Income before income taxes	1,307	820	14,681	10,176
Income tax provision	(435)	-	(997)	-
Net income	872	820	13,684	10,176
Average units outstanding - Basic (000's)	4,646	4,522	4,605	4,522
Average units outstanding - Diluted (000's)	4,780	4,629	4,753	4,594
Basic net income per unit	\$ 0.19	\$ 0.18	\$ 2.97	\$ 2.25
Diluted net income per unit	\$ 0.18	\$ 0.18	\$ 2.88	\$ 2.22

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

	Dec. 31,	
	2005	2004
Assets:		
Cash and short-term investments	\$ 18,361	\$ 757
Other current assets	5,770	2,073
Roads and timber	53,019	64,485
Properties and equipment	28,543	26,198
Other assets	665	1,355
Total	106,358	94,868
Liabilities and partners' capital:		
Current liabilities	7,454	5,935
Long-term debt, excluding current portion	32,281	34,164
Other long-term liabilities	218	236
Total liabilities	39,953	40,335
Partners' capital	66,405	54,533
Total	106,358	94,868

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

	Three months ended		Twelve months ended	
	31-Dec-05	31-Dec-04	31-Dec-05	31-Dec-04
Net income	\$ 872	\$ 820	\$ 13,684	\$ 10,176
Added back:				
Interest, net	539	728	2,477	2,952
Income tax provision	435	-	997	-
Depletion	922	1,353	10,611	5,092
Depreciation and amortization	159	152	641	660
EBITDDA	<u>\$ 2,927</u>	<u>\$ 3,053</u>	<u>\$ 28,410</u>	<u>\$ 18,880</u>

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

	Three months ended		Twelve months ended	
	31-Dec-05	31-Dec-04	31-Dec-05	31-Dec-04
Cash from operations	\$ 6,656	\$ 3,595	\$ 28,909	\$ 17,854
Added back:				
Interest, net	539	728	2,477	2,952
Deferred profit	-	-	614	-
Income tax expense	435	-	997	-
Other	-	1	-	-
Less:				
Change in working capital	(4,456)	(827)	(4,075)	(902)
Unit compensation	(76)	-	(76)	-
Deferred profit	(81)	(275)	-	(815)
Cost of land sold	(90)	(169)	(434)	(209)
Other	-	-	(2)	-
EBITDDA	<u>\$ 2,927</u>	<u>\$ 3,053</u>	<u>\$ 28,410</u>	<u>\$ 18,880</u>

SEGMENT INFORMATION

(dollar amounts in 000's, except average price realizations)

	Three months ended December 31,		Twelve months ended December 31,	
	2005	2004	2005	2004
<b>Revenues:</b>				
Fee Timber	\$ 5,194	\$ 5,576	\$ 44,424	\$ 33,571
Timberland Management & Consulting (TM&C)	2,641	602	7,764	1,601
Real Estate	1,072	1,799	4,818	4,476
Total	<u>\$ 8,907</u>	<u>\$ 7,977</u>	<u>\$ 57,006</u>	<u>\$ 39,648</u>
<b>EBITDDA:</b>				
Fee Timber	\$ 2,544	\$ 2,960	\$ 27,034	\$ 20,319
TM&C	1,508	(10)	3,644	(510)
Real Estate	(10)	904	1,449	1,719
General & administrative and minority interest	(1,115)	(801)	(3,717)	(2,648)
Total	<u>\$ 2,927</u>	<u>\$ 3,053</u>	<u>\$ 28,410</u>	<u>\$ 18,880</u>
<b>Depreciation, depletion and amortization:</b>				
Fee Timber	\$ 950	\$ 1,395	\$ 10,714	\$ 5,193
TM&C	23	22	97	88
Real Estate	43	19	178	133
General & administrative	65	69	263	338
Total	<u>\$ 1,081</u>	<u>\$ 1,505</u>	<u>\$ 11,252</u>	<u>\$ 5,752</u>
<b>Operating income/(loss):</b>				
Fee Timber	\$ 1,594	\$ 1,565	\$ 16,320	\$ 15,126
TM&C	1,485	(32)	3,540	(598)
Real Estate	(53)	885	1,270	1,586
General & administrative	(1,134)	(870)	(3,651)	(2,986)
Total	<u>\$ 1,892</u>	<u>\$ 1,548</u>	<u>\$ 17,479</u>	<u>\$ 13,128</u>
<b>Log sale volumes (thousand board feet):</b>				
Export conifer	952	1,153	5,732	8,885
Domestic conifer	5,373	5,414	53,442	38,869
Pulp conifer	1,338	1,422	9,928	9,648
Hardwoods	677	1,111	5,143	2,914
Total	<u>8,340</u>	<u>9,100</u>	<u>74,245</u>	<u>60,316</u>
<b>Average price realizations (per thousand board feet):</b>				
Export conifer	\$ 641	\$ 676	\$ 660	\$ 658
Domestic conifer	620	590	631	571
Pulp conifer	223	209	213	224
Hardwoods	561	617	605	588
Overall	554	544	576	529
Owned acres	117,000	118,000	117,000	118,000
Acres under management	439,000	522,000	439,000	522,000
Capital expenditures	\$ 4,132	\$ 948	\$ 6,756	\$ 3,260
Depletion	922	1,353	10,611	5,092
Depreciation	159	152	641	660
Debt to total capitalization	34%	40%	34%	40%

QUARTER TO QUARTER COMPARISONS  
(Amounts in \$000's)

	Q4 2005 vs. Q4 2004 Total	Q4 2005 vs. Q3 2005 Total
Net income:		
4th Quarter 2005	872	872
3rd Quarter 2005		4,137
4th Quarter 2004	820	
Variance	52	(3,265)
Detail of earnings variance:		
Fee Timber		
Log price realizations (A)	83	(217)
Log volumes (B)	(413)	(7,077)
Log production costs	(95)	2,177
Depletion	431	1,701
Other Fee Timber	22	255
Timberland Management & Consulting		
Management fee changes	918	724
Consulting fees	18	(413)
Disposition fees	1,388	1,380
Other Timberland Mgmt & Consulting	(807)	(599)
Real Estate		
Development property sales	(562)	(280)
Environmental remediation	(90)	18
Other	(285)	(286)
General & administrative costs	(264)	(312)
Interest expense	14	(14)
Other (taxes, minority int., interest inc.)	(306)	(322)
Total change in earnings	52	(3,265)

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

(B) Volume variance calculated based on change in sales volume using the average log sales price for the prior period.