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Portfolio Recovery Associates Reports Fourth Quarter and Full Year 2007 Results

NORFOLK, VA, Feb 21, 2008 (MARKET WIRE via COMTEX News Network) -- Portfolio Recovery Associates, Inc. (NASDAQ: PRAA), a company that purchases, collects and manages portfolios of defaulted consumer receivables and provides a broad range of accounts receivable management services, today reported net income of \$10.7 million, or \$0.70 per diluted share, for the quarter ended December 31, 2007.

The Company's fourth quarter 2007 earnings represent a decline of 6% from net income of \$11.4 million, or \$0.71 per diluted share, in the same period a year earlier. Pretax income during the 2007 quarter was reduced by approximately \$2.1 million, or 9 cents a diluted share, of additional interest expense, net of tax, compared with the prior year. This stemmed from both the Company's record debt purchasing activity and its 2007 capital structure optimization plan.

Total revenue in the fourth quarter of 2007 increased 17% to \$57.3 million, up from \$49.0 million in the year-earlier period. Total revenue consists of cash collections reduced by amounts applied to principal on the Company's owned debt portfolios, plus commissions earned from its fee-for-service businesses. During the fourth quarter of 2007, the Company applied 28.2% of cash collections to reduce the carrying basis of its owned debt portfolios. This included a \$1.3 million net allowance charge, equivalent to approximately \$800,000 after tax, or 5 cents a diluted share, against certain pools of finance receivables accounts.

"Portfolio Recovery Associates is well-positioned to capitalize on the improved market for defaulted debt we saw emerge in the second half of 2007 and continue into the New Year. The company's fourth quarter net income performance was hindered in large part by increased borrowing expenses related to our record \$104 million in portfolio acquisitions during the quarter. However, these assets, which contributed to our total 2007 portfolio acquisitions of \$264 million, are expected to generate greater collections activity in 2008 and beyond, enhanced by new initiatives to improve the productivity of our collector workforce," said Steven D. Fredrickson, Chairman, President and Chief Executive Officer.

For full-year 2007, net income totaled \$48.2 million, or \$3.06 per diluted share, compared with \$44.5 million, or \$2.77 per diluted share, for full-year 2006. Revenue for 2007 was \$220.7 million, compared with \$188.3 million a year earlier.

Financial and Operating Highlights

-- Cash collections rose 11% to \$65.1 million in the fourth quarter of 2007, up from \$58.8 million in the year-ago period. Call center collections and other increased 14%, legal collections grew 6% and purchased bankruptcy collections gained 10% when compared with the year-earlier period.

The table below displays our cash collections by source, by quarter:

Cash Collection Source (\$ in thousands)	Q4 2007	Q3 2007	Q2 2007	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Call Center Collections	\$36,994	\$37,450	\$37,464	\$39,241	\$32,437	\$32,686	\$33,736	\$36,436
& Other	20,861	21,384	20,911	20,844	19,762	19,607	19,058	17,606
Legal	7,245	6,317	6,231	7,223	6,581	7,390	6,645	4,447
Purchased Bankruptcy								

-- Productivity, as measured by cash collections per hour paid, the Company's key measure of collector performance, finished at \$135.77 for full-year 2007, down from \$146.03 for all of 2006. Excluding the impact of trustee remittances from purchased bankrupt accounts, the comparison is \$123.10 for all of 2007 vs. \$132.15 for all of 2006. 2007 productivity was negatively impacted by the Company's substantial and rapid staffing of its new Jackson, Tennessee call center.

-- The Company purchased \$3.7 billion of face-value debt during the fourth quarter of 2007 for \$103.8 million, the largest amount the Company has spent on debt acquisitions in a single quarter. This debt was acquired in 84 portfolios from 24 different sellers. Portfolio spending for the full-year 2007 was a record \$263.8 million.

-- The Company's fee-for-service businesses generated revenue of \$10.6 million in the fourth quarter of 2007, up 48% from \$7.1 million in the same period a year ago.

-- The Company's cash balances were \$16.7 million as of December 31, 2007, up from \$14.5 million as of September 30, 2007. Also during the quarter, the Company drew \$68.0 million on its line of credit, leaving it with \$168 million in outstanding debt at quarter's end. Remaining borrowing availability under the line was \$102 million at year end.

"In the fourth quarter of 2007, Portfolio Recovery Associates remained focused on the long term. In addition to our record portfolio acquisitions in the quarter and the full year -- which will generate future collections activity -- we continued working to bring our new Jackson, Tennessee, call center up to speed in terms of collector productivity. We are very pleased with Jackson's progress on this front toward the end of the year, and are confident that this investment will yield improved results in terms of future collections and the ability to handle even greater portfolio volume. PRA's strong competitive position today is a direct result of our resolve to make the investments necessary for long-term success," said Kevin P. Stevenson, Chief Financial and Administrative Officer.

Conference Call Information

The Company will hold a conference call with investors tonight, Thursday, February 21, 2008, at 5:30 p.m. EST to discuss its fourth quarter and full year results. Investors can access the call live by dialing 888-680-0860 for domestic callers or 617-213-4852 for international callers using the pass code 35622899.

In addition, investors may listen to the call via a taped replay, which will be available for seven days, by dialing 888-286-8010 for domestic callers and 617-801-6888 for international callers using the pass code 10235503. The replay will be available approximately two hours after today's conference call ends. Investors may also listen via webcast, both live and archived, at the Company's website, www.portfoliorecovery.com.

About Portfolio Recovery Associates, Inc.

Portfolio Recovery Associates is a full-service provider of outsourced receivables management and related services. The Company's primary business is the purchase, collection and management of portfolios of defaulted consumer receivables. These are the unpaid obligations of individuals to credit originators, which include banks, credit unions, consumer and auto finance companies, and retail merchants. Portfolio Recovery Associates also provides a broad range of collection services, including revenue administration for government entities through its RDS business, collateral-location services for credit originators via IGS Nevada, and fee-based collections through Anchor Receivables Management.

Statements herein which are not historical, including Portfolio Recovery Associates' or management's intentions, hopes, beliefs, expectations, representations, projections, plans or predictions of the future, including statements with respect to future contributions of IGS Nevada and RDS to earnings and future portfolio-purchase opportunities, are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements include references to Portfolio Recovery Associates' presentations and web casts. The forward-looking statements in this press

release are based upon management's beliefs, assumptions and expectations of the Company's future operations and economic performance, taking into account currently available information. These statements are not statements of historical fact. Forward-looking statements involve risks and uncertainties, some of which are not currently known to us. Actual events or results may differ from those expressed or implied in any such forward-looking statements as a result of various factors, including the risk factors and other risks that are described from time to time in the Company's filings with the Securities and Exchange Commission including but not limited to its annual reports on Form 10-K, its quarterly reports on Form 10-Q and its current reports on Form 8-K, filed with the Securities and Exchange Commission and available through the Company's website, which contain a more detailed discussion of the Company's business, including risks and uncertainties that may affect future results. Due to such uncertainties and risks, readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. Information in this press release may be superseded by more recent information or statements, which may be disclosed in later press releases, subsequent filings with the Securities and Exchange Commission or otherwise. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or to reflect any change in events, conditions or circumstances on which any such forward-looking statements are based, in whole or in part.

Portfolio Recovery Associates, Inc.
Unaudited Consolidated Income Statements
(in thousands, except per share amounts)

	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006	Year Ended December 31, 2007	Year Ended December 31, 2006
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Revenues:

Income recognized on finance receivables, net	\$ 46,741	\$ 41,830	\$ 184,705	\$ 163,357
Commissions	10,584	7,129	36,043	24,965

Total revenues	57,325	48,959	220,748	188,322
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Operating expenses:

Compensation and employee services	18,584	15,160	69,021	58,142
Outside legal and other fees and services	12,944	10,757	47,474	40,139
Communications	2,603	1,483	8,531	5,876
Rent and occupancy	888	583	3,106	2,276
Other operating expenses	1,449	1,264	5,915	4,758
Depreciation and amortization	1,405	1,360	5,517	5,131

Total operating expenses	37,873	30,607	139,564	116,322
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Income from operations	19,452	18,352	81,184	72,000
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Other income and
(expense):

Interest income	55	169	419	584
Interest expense	(2,161)	(69)	(3,704)	(378)

Income before income taxes	17,346	18,452	77,899	72,206
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Provision for income taxes	6,668	7,038	29,658	27,716
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Net income	\$ 10,678	\$ 11,414	\$ 48,241	\$ 44,490
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Net income per common

share:

Basic	\$ 0.71	\$ 0.72	\$ 3.08	\$ 2.80
Diluted	\$ 0.70	\$ 0.71	\$ 3.06	\$ 2.77

Weighted average number

of shares outstanding:

Basic	15,136	15,960	15,646	15,911
Diluted	15,230	16,106	15,779	16,082

Portfolio Recovery Associates, Inc.
Unaudited Consolidated Summary Balance Sheets
(in thousands, except share amounts)

	December 31, 2007	December 31, 2006
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ASSETS

Cash and cash equivalents	\$ 16,730	\$ 25,101
Finance receivables, net	410,297	226,447
Income taxes receivable	3,022	1,513
Property and equipment, net	16,171	11,193
Goodwill	18,620	18,288
Intangible assets, net	5,046	6,754
Other assets	6,422	4,082

Total assets	\$ 476,308	\$ 293,378
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LIABILITIES AND STOCKHOLDERS' EQUITY

Liabilities:

Accounts payable and accrued liabilities	\$ 15,346	\$ 11,715
Deferred tax liability	57,579	33,453
Lines of credit	168,000	-
Long-term debt and obligations under capital lease	103	932
Total liabilities	241,028	46,100

Stockholders' equity:

Preferred stock, par value \$0.01, authorized shares, 2,000,000, issued and outstanding shares - 0	-	-
Common stock, par value \$0.01, authorized shares, 30,000,000, issued and outstanding shares - 15,159,056 at December 31, 2007 and 15,987,432 at December 31, 2006	152	160
Additional paid-in capital	71,443	115,528
Retained earnings	163,685	131,590

Total stockholders' equity	235,280	247,278

Total liabilities and stockholders' equity	\$ 476,308	\$ 293,378
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Portfolio Recovery Associates, Inc.
Unaudited Consolidated Statements of Cash Flows
(in thousands)

	Year Ended	Year Ended
	December 31,	December 31,
	2007	2006

Cash flows from operating activities:		
Net income	\$ 48,241	\$ 44,490
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of share-based compensation	2,575	2,117
Depreciation and amortization	5,517	5,130
Deferred tax expense	24,126	11,107
Changes in operating assets and liabilities:		
Other assets	(2,339)	(437)
Accounts payable	1,164	559
Income taxes	(1,319)	(4,568)
Accrued expenses	1,816	340
Accrued payroll and bonuses	575	729

Net cash provided by operating activities	80,356	59,467
Cash flows from investing activities:		
Purchases of property and equipment	(8,661)	(6,869)
Acquisition of finance receivables, net of buybacks	(261,310)	(105,838)
Collections applied to principal on finance receivables	77,461	73,036
Purchases of auction rate certificates	-	(1,450)
Sales of auction rate certificates	-	1,450
Acquisition of The Palmer Group, including acquisition costs	(409)	-

Net cash used in investing activities	(192,919)	(39,671)
Cash flows from financing activities:		
Dividends paid	(16,070)	-
Proceeds from exercise of options	2,074	2,503
Income tax benefit from share-based compensation	1,575	2,419
Proceeds from lines of credit	171,000	-
Principal payments on lines of credit	(3,000)	(15,000)
Repurchases of common stock	(50,557)	-
Principal payments on long-term debt	(690)	(462)
Principal payments on capital lease obligations	(140)	(140)

Net cash provided by/(used in) financing activities	104,192	(10,680)

Net (decrease)/increase in cash and cash equivalents	(8,371)	9,116
Cash and cash equivalents, beginning of period	25,101	15,985

Cash and cash equivalents, end of period	\$ 16,730	\$ 25,101
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Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 2,779	\$ 411
Cash paid for income taxes	\$ 5,289	\$ 18,764
Noncash investing and financing activities:		
Common stock issued for acquisition	\$ 50	\$ -
SFAS 123R adoption reclass of payroll liability to additional paid in capital	\$ -	\$ 427

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