



# Crawford®

## Press Release

CRAWFORD & COMPANY 5620 GLENRIDGE DRIVE, N.E. P.O. BOX 5047 ATLANTA, GEORGIA 30302 (404) 256-0830

**FOR IMMEDIATE RELEASE**

**Date: April 25, 2005**  
**From: Thomas W. Crawford**  
**Chief Executive Officer**

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### **Crawford Reports First Quarter 2005 Results**

Crawford & Company (NYSE: CRDA and CRDB), the world's largest independent provider of claims management solutions to insurance companies and self-insured entities, today announced its financial results for the first quarter ended March 31, 2005.

First quarter 2005 revenues before reimbursements totaled \$184.3 million, up 8.5% over the \$169.9 million reported in the 2004 first quarter. First quarter 2005 net income was \$2.4 million, equaling net income for the 2004 first quarter. Net income per share was \$0.05 per share for both the 2005 and 2004 first quarters.

U.S. revenues before reimbursements were \$112.5 million in the first quarter of 2005 compared with \$109.3 million in the 2004 first quarter. Revenues from the insurance company market were \$54.0 million in the 2005 first quarter compared with \$50.5 million in the 2004 period, reflecting a \$3.9 million increase in revenues generated by the Company's catastrophe adjusters involved in finalizing claims resulting from the hurricanes which struck the U.S. during late 2004. Revenues from self-insured clients were \$39.3 million in the 2005 first quarter compared with \$40.4 million in the 2004 quarter, due primarily to a reduction in claim referrals from the Company's existing clients, only partially offset by new business gains. Class action services revenues, including administration and inspection services, were \$19.2 million for the 2005 first quarter, compared with \$18.5 million in the 2004 quarter. These revenues can fluctuate based on the timing and size of project awards.

First quarter 2005 international revenues grew 18.6%, to \$71.8 million from \$60.5 million for the same period in 2004. This growth is partially due to foreign currency fluctuations. As compared to the 2004 first quarter, during the 2005 period the U.S. dollar weakened against the British Pound and the euro, resulting in a net exchange rate benefit in the quarter. Excluding the benefit of exchange rate fluctuations, international revenues would have been \$67.4 million in the 2005 first quarter, reflecting growth on a constant dollar basis of 11.4%. This growth reflects increased case referrals in our United



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Kingdom and European operations resulting from claims management agreements entered into during 2004, as well as hurricane-related revenues from Hurricanes Frances and Jeanne claims. International operating expenses increased by \$10.1 million in U.S. dollars, a 17.4% increase, and by 10.0 % on a constant dollar basis.

Mr. Thomas W. Crawford, chief executive officer of Crawford & Company, stated, “During the first quarter, we continued to see an increase in property claims referred to us due to the hurricanes that hit Florida and other southeastern states during late 2004. Property claim referrals from the U.S. insurance company market were up nearly 19% during the 2005 first quarter as compared to the 2004 period. However, this increase in property claims was partially offset by continued weakness in casualty and workers’ compensation claims referrals during the current quarter.”

“We were disappointed by our U.S operating margin of 1.6% in the quarter, down from 2.6% in last year’s first quarter. Despite the increase in catastrophe-related revenues during the quarter, we experienced downward pressure on our margins as many of these claims involved re-inspections and supplemental damage appraisals on previously handled claims, due to delays in damage repairs, and the associated fees only covered our direct costs of finalizing the claims. In addition, we have substantially increased the operating capacity in our class action services unit in order to administer the large backlog of projects that exists as of the end of the quarter. This record backlog, totaling \$35.3 million, should provide strong growth in revenues and operating earnings for this unit during future quarters. Our U.S. margin was also impacted by higher legal expenses related to audits of workers’ compensation claims handled on behalf of clients in the State of California and our response to a subpoena received in December 2004 from the New York Attorney General’s office.”

“Our international operating margin grew to 4.7% from 3.6% in the 2004 first quarter. Strong case referrals, primarily as a result of recent client wins in our United Kingdom and Europe operations and hurricane-related claims in the Caribbean, contributed to the margin improvement. We remain confident that the substantial new business awarded to us during 2004 will provide healthy international operating margins throughout 2005.”

Mr. Crawford concluded, “Our operating cash flows in the 2005 first quarter reflected an \$11.8 million use of cash. This use of cash was expected and primarily due to an increase in our U.S. income tax payments during the quarter, annual contributions made to our U.S. defined contribution pension plan, incentive compensation payments, and a lag in collecting receivables generated from hurricane-related claims handled in 2004 and 2005.”

Crawford & Company’s management will host a conference call with analysts on Monday, April 25, 2005 at 3:00 P.M. EDT, to discuss its quarterly earnings and other developments. The call will be recorded and available for replay through May 2, 2005. You may dial 1-800-642-1687 (706-645-9291 international) to listen to the replay. The conference identification number is 5558282. Alternatively, please visit our web site at [www.crawfordandcompany.com](http://www.crawfordandcompany.com) for a live audio web cast.



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Further information regarding the Company's financial position, operating results, and cash flows for the quarter ended March 31, 2005 is shown on the attached statements. Operating earnings is one of the key performance measures used by the Company's senior management to evaluate the performance of its business and make resource allocation decisions. The Company believes this measure is useful to investors in that it allows them to evaluate its performance using the same criteria that management uses. Following is a reconciliation of consolidated net income to operating earnings and the related margin as a percentage of revenues before reimbursements:

	Quarter Ended March 31, 2005	Margin %	Quarter Ended March 31, 2004	Margin %
<i>(in thousands)</i>				
Net income	\$2,361	1.3%	\$2,389	1.4%
Add:				
Net corporate interest	1,527	.8	1,337	.8
Income taxes	<u>1,293</u>	<u>.7</u>	<u>1,368</u>	<u>.8</u>
Operating earnings	<u>\$5,181</u>	<u>2.8%</u>	<u>\$5,094</u>	<u>3.0%</u>

Based in Atlanta, Georgia, Crawford & Company ([www.crawfordandcompany.com](http://www.crawfordandcompany.com)) is the world's largest independent provider of claims management solutions to insurance companies and self-insured entities, with a global network of more than 700 offices in 63 countries. Major service lines include workers' compensation claims administration and managed care services, property and casualty claims management, class action services and risk management information services. The Company's shares are traded on the NYSE under the symbols CRDA and CRDB.

Except for historical information contained herein, the matters discussed in this news release are forward-looking statements that involve risks and uncertainties. The results achieved in the quarter ended March 31, 2005 are not necessarily indicative of future prospects for the Company. Actual results in future quarters may differ materially. For a complete discussion regarding factors which could affect the Company's financial performance, see the Company's Form 10-K for the year ended December 31, 2004 filed with the Securities and Exchange Commission, in particular the information under the headings "Business", "Legal Proceedings" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company undertakes no obligation to publicly release any revisions to any forward-looking statements contained herein to reflect events or circumstances occurring after the date hereof or to reflect the occurrence of unanticipated events. The Company's actual results may differ materially from those projected in forward-looking statements made by, or on behalf of, the Company.



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FOR FURTHER INFORMATION REGARDING THIS PRESS RELEASE, PLEASE CALL JOHN GIBLIN AT (404) 847-4571.



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**CRAWFORD & COMPANY  
CONSOLIDATED STATEMENTS OF INCOME**

Unaudited

*(In Thousands Except Per Share Data)*

<b><u>Quarter Ended March 31</u></b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>% Change</u></b>
Revenues:			
Revenues Before Reimbursements	\$184,334	\$169,855	9%
Reimbursements	15,309	14,881	3%
Total Revenues	<u>199,643</u>	<u>184,736</u>	8%
Costs and Expenses:			
Cost of Services Before Reimbursements	144,919	131,125	11%
Reimbursements	15,309	14,881	3%
Cost of Services	<u>160,228</u>	<u>146,006</u>	10%
Selling, General, and Administrative	34,234	33,636	2%
Corporate Interest Expense, Net	1,527	1,337	14%
Total Costs and Expenses	<u>195,989</u>	<u>180,979</u>	8%
Income Before Income Taxes	3,654	3,757	-3%
Income Taxes	1,293	1,368	-5%
Net Income	<u>\$2,361</u>	<u>\$2,389</u>	-1%
Net Income Per Share:			
Basic	<u>\$0.05</u>	<u>\$0.05</u>	0%
Diluted	<u>\$0.05</u>	<u>\$0.05</u>	0%
Weighted Average Shares Outstanding:			
Basic	<u>48,872</u>	<u>48,724</u>	
Diluted	<u>49,381</u>	<u>48,869</u>	



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**CRAWFORD & COMPANY**  
**SUMMARY RESULTS BY OPERATING SEGMENT**  
**Quarter Ended March 31**  
Unaudited

*(In Thousands Except Percentages)*

	U.S.		International		Total	
	2005	2004	2005	2004	2005	2004
Revenues Before Reimbursements	<b>\$112,507</b>	\$109,313	<b>\$71,827</b>	\$60,542	<b>\$184,334</b>	\$169,855
Compensation & Benefits	<b>72,116</b>	69,367	<b>50,545</b>	42,420	<b>122,661</b>	111,787
<i>% of Revenues</i>	<b>64.1%</b>	63.5%	<b>70.3%</b>	70.1%	<b>66.6%</b>	65.8%
Expenses Other than Reimbursements, Compensation & Benefits	<b>38,555</b>	37,054	<b>17,937</b>	15,920	<b>56,492</b>	52,974
<i>% of Revenues</i>	<b>34.3%</b>	33.9%	<b>25.0%</b>	26.3%	<b>30.6%</b>	31.2%
Operating Earnings (1)	<b>\$1,836</b>	\$2,892	<b>\$3,345</b>	\$2,202	<b>\$5,181</b>	\$5,094
<i>% of Revenues</i>	<b>1.6%</b>	2.6%	<b>4.7%</b>	3.6%	<b>2.8%</b>	3.0%

(1) Earnings before net corporate interest expense and income taxes.



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**CRAWFORD & COMPANY  
CONSOLIDATED BALANCE SHEETS  
March 31, 2005 and December 31, 2004**

(In Thousands)

<u>Assets</u>	Unaudited March 31 <u>2005</u>	December 31 <u>2004</u>
Current Assets:		
Cash and Cash Equivalents	\$25,638	\$43,571
Accounts Receivable, Net	178,531	176,187
Unbilled Revenues	102,076	103,586
Prepaid Expenses and Other Current Assets	19,678	21,363
Total Current Assets	<u>325,923</u>	<u>344,707</u>
Property and Equipment, at Cost	154,783	154,922
Less Accumulated Depreciation	<u>(119,938)</u>	<u>(120,079)</u>
Net Property and Equipment	<u>34,845</u>	<u>34,843</u>
Other Assets:		
Intangible Assets Arising from Acquisitions, Net	110,233	109,410
Capitalized Software Costs, Net	32,476	32,550
Deferred Income Tax Asset, Net	32,191	32,172
Other	19,252	17,578
Total Other Assets	<u>194,152</u>	<u>191,710</u>
Total Assets	<u><u>\$554,920</u></u>	<u><u>\$571,260</u></u>
 <b>Liabilities and Shareholders' Investment</b>		
Current Liabilities:		
Short-Term Borrowings	\$39,915	\$37,401
Accounts Payable	39,303	41,730
Accrued Liabilities	94,067	110,610
Deferred Revenues	23,418	22,682
Current Installments of Long-Term Debt and Capital Leases	1,787	1,900
Total Current Liabilities	<u>198,490</u>	<u>214,323</u>
Noncurrent Liabilities:		
Long-Term Debt and Capital Leases, Less Current Installments	50,564	50,875
Deferred Revenues	10,081	10,179
Self-Insured Risks	8,386	10,958
Postretirement Medical Benefit Obligation	5,544	5,544
Minimum Pension Liabilities	75,230	73,893
Other	10,119	10,655
Total Noncurrent Liabilities	<u>159,924</u>	<u>162,104</u>
Shareholders' Investment:		
Class A Common Stock, \$1.00 Par Value	24,186	24,157
Class B Common Stock, \$1.00 Par Value	24,697	24,697
Additional Paid-in Capital	1,673	1,441
Retained Earnings	200,641	201,213
Accumulated Other Comprehensive Loss	<u>(54,691)</u>	<u>(56,675)</u>
Total Shareholders' Investment	<u>196,506</u>	<u>194,833</u>
Total Liabilities and Shareholders' Investment	<u><u>\$554,920</u></u>	<u><u>\$571,260</u></u>



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**CRAWFORD & COMPANY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Quarter Ended March 31, 2005 and March 31, 2004**

Unaudited  
(In Thousands)

	<u>2005</u>	<u>2004</u>
<b>Cash Flows From Operating Activities:</b>		
Net Income	\$2,361	\$2,389
Reconciliation of Net Income to Net Cash Used in Operating Activities:		
Depreciation and Amortization	4,801	4,377
Deferred Income Taxes	26	(107)
Loss on Sales of Property and Equipment	31	19
Stock-Based Compensation	63	-
Changes in Operating Assets and Liabilities:		
Accounts Receivable, Net	(785)	(2,723)
Unbilled Revenues	2,954	(3,600)
Accrued or Prepaid Income Taxes	(5,705)	1,241
Accounts Payable and Accrued Liabilities	(12,435)	(6,581)
Deferred Revenues	499	776
Accrued Pension Costs	(3,903)	(3,717)
Prepaid Expenses and Other Assets	291	(589)
Net Cash Used in Operating Activities	<u>(11,802)</u>	<u>(8,515)</u>
<b>Cash Flows From Investing Activities:</b>		
Acquisitions of Property and Equipment, Net	(2,862)	(2,132)
Capitalization of Computer Software Costs	(1,508)	(1,649)
Additional Payment for Prior Acquisition	(90)	(106)
Net Cash Used in Investing Activities	<u>(4,460)</u>	<u>(3,887)</u>
<b>Cash Flows From Financing Activities:</b>		
Dividends Paid	(2,933)	(2,923)
Proceeds from Exercise of Stock Options	261	-
Increase in Short-Term Borrowings, Net	1,070	142
Decrease in Long-Term Debt and Capital Lease Obligations, Net	(513)	(342)
Capitalized Loan Costs	-	33
Net Cash Used in Financing Activities	<u>(2,115)</u>	<u>(3,090)</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	444	852
Decrease in Cash and Cash Equivalents	(17,933)	(14,640)
Cash and Cash Equivalents at Beginning of Period	43,571	45,805
Cash and Cash Equivalents at End of Period	<u>\$25,638</u>	<u>\$31,165</u>