



# Crawford<sup>®</sup> Press Release

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

**FOR IMMEDIATE RELEASE**

**Date: July 31, 2006**  
**From: Thomas W. Crawford**  
**Chief Executive Officer**

## **Crawford Reports Improved Second Quarter 2006 Results** **Net Income Increases 57%**

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 second quarter ended June 30, 2006.

Second quarter 2006 revenues before reimbursements totaled \$192.6 million compared with \$186.0 million in the 2005 second quarter. Second quarter 2006 net income was \$4.2 million compared to \$2.7 million for the 2005 second quarter. Second quarter 2006 net income per share was \$0.09 per share compared to \$0.05 in the prior-year quarter.

Revenues before reimbursements, by market type, for the Company’s operating segments for the quarter ended June 30, 2006 and 2005 were as follows (in 000s):

Market Type	Quarter ended		
	June 30, 2006	June 30, 2005	% Change
Insurance companies	\$ 51,563	\$ 48,215	6.9%
Self-insured entities	36,750	38,594	(4.8)%
Legal settlement administration	<u>30,430</u>	<u>27,545</u>	10.5%
U.S. Segment	118,743	114,354	3.8%
International Segment	<u>73,860</u>	<u>71,648</u>	3.1%
Total revenues before reimbursements	<u>\$192,603</u>	<u>\$186,002</u>	3.5%

U.S. revenues before reimbursements were \$118.7 million in the second quarter of 2006 compared with \$114.4 million in the 2005 second quarter. Revenues from the insurance company market were \$51.6 million in the 2006 second quarter increasing from \$48.2 million in the 2005 period; this increase includes a \$2.2 million rise in catastrophe-related revenues over the 2005 period. Revenues from self-insured clients were \$36.8 million in the 2006 second quarter compared with \$38.6 million in the 2005 quarter. Legal settlement administration revenues were \$30.4 million for the 2006 second quarter, compared with \$27.5 million in the comparable year-ago quarter. The Company’s legal settlement



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administration unit revenues are project-based and can fluctuate significantly. However, the Company has a record backlog of projects awarded, totaling approximately \$51.2 million at quarter end.

Second quarter 2006 international revenues grew to \$73.9 million from \$71.6 million for the same period in 2005. This growth reflects increased case referrals in our United Kingdom and European operations resulting from claims management agreements entered into during 2005. However, compared to the 2005 second quarter, the U.S. dollar strengthened against the British pound and the euro, resulting in a net exchange rate decline in the 2006 quarter. Excluding the negative effect of exchange rate fluctuations, international revenues would have been \$75.6 million in the 2006 second quarter, reflecting growth in revenues on a constant dollar basis of 5.5%. International operating expenses increased by \$2.7 million in U.S. dollars, a 4.0% increase, and increased by 5.9% on a constant dollar basis.

Mr. Thomas W. Crawford, chief executive officer of Crawford & Company, stated, “We are pleased to report our second straight quarter of earnings growth over the prior year period. Our U.S. operations continued to benefit from strong performance of our legal settlement administration unit and the on-going improvement in our U.S. property and casualty unit. Revenues produced by our catastrophe adjusters in the quarter grew by \$2.2 million as we responded to the numerous storms which occurred during the quarter in the midwestern and northeastern United States. Together these units helped us improve our U.S. operating margin by 2.0% in the quarter, from 1.6% in the 2005 period to 3.6% in the quarter ended June 30, 2006. The quality-driven processes in our self-insured operations established over the past two years continue to show improvement. While not yet visible in our financial performance, we are encouraged by customer response in this unit, where the number of requests for proposals is running well ahead of last year.”

“Operating earnings in our international segment declined to \$3.2 million in the current quarter, reflecting a decrease in our operating margin from 5.2% in the 2005 second quarter to 4.4% in the 2006 quarter, due to lower claims activity in our Canadian region and costs incurred in our United Kingdom and Canadian units in anticipation of new business. For the remainder of 2006, we continue to expect growth and margin improvement in our international division.”

Total revenues before reimbursements for the six months ended June 30, 2006 were \$394.2 million compared with \$370.3 million in 2005. Net income for the current six-month period totaled \$10.1 million, or \$0.20 per share, compared with \$5.0 million, or \$0.10 per share, reported in the prior year.

U.S. revenues before reimbursements for the 2006 six-month period were \$249.8 million compared with \$226.9 million in 2005. International revenues before reimbursements were \$144.4 million in the 2006 year-to-date period compared with \$143.5 million during 2005. Excluding the negative effect of exchange rate fluctuations, international revenues would have been \$149.3 million in the current year-to-



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date period, reflecting growth in revenues on a constant dollar basis of 4.0%. International operating expenses increased by \$3.0 million in U.S. dollars, a 2.2% increase, and by 5.7 % on a constant dollar basis.

On June 30, 2006, the Company closed the previously announced sale of its Atlanta corporate headquarters for \$8.0 million in cash paid at closing and a deferred payment contingent upon the buyer's ability to subsequently redevelop the property. As part of the sale, the Company also entered into a 12-month leaseback of these facilities, as it relocates and consolidates its corporate headquarters in a nearby leased facility. As required by sale-leaseback accounting rules, the Company deferred the pre-tax gain of approximately \$4.9 million related to this sale until the expiration of the leaseback agreement in June 2007.

“Our operating cash flows for the 2006 six-month period reflect an improvement of \$13.7 million as compared to the prior-year period. Overall, our consolidated cash position as of June 30, 2006 is very strong, totaling \$65.0 million, up \$21.4 million from the balance at June 30, 2005. This represents the highest cash balance the Company has enjoyed since the 1997 third quarter,” Mr. Crawford concluded.

Crawford & Company updated its previously disclosed guidance for fiscal 2006 to the following amounts:

- Revenues before reimbursements of between \$480 million and \$490 million in U.S. operations and operating earnings of between \$15 million and \$19 million.
- Revenues before reimbursements of between \$295 million and \$310 million in international operations and operating earnings of between \$14 million and \$16 million.
- After reflecting stock option expense, net corporate interest expense and income taxes, net income of between \$15.9 million and \$19.2 million, or \$0.32 to \$0.39 per share.

Crawford & Company's management will host a conference call with analysts on Monday, July 31, 2006 at 3:00 P.M. EDT, to discuss its quarterly earnings and other developments. The call will be recorded and available for replay through August 7, 2006. You may dial 1-800-642-1687 (706-645-9291 international) to listen to the replay. The access code is 3214387. Alternatively, please visit our web site at [www.crawfordandcompany.com](http://www.crawfordandcompany.com) for a live audio web cast.

Further information regarding the Company's financial position, operating results, and cash flows for the quarter ended June 30, 2006 is shown on the attached statements. Operating earnings (a non-GAAP financial measure) is one of the key performance measures used by the Company's senior management to evaluate the performance of its operating segments and make resource allocation decisions. The Company believes this measure is useful to investors in that it allows them to evaluate its operating performance using the same criteria that management uses. Net corporate interest expense, stock option



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expense and income taxes are recurring components of net income, but they are not considered part of segment operating earnings since they are managed on a corporate-wide basis. Net corporate interest expense results from capital structure decisions made by the Company, stock option expense relates to historically granted stock options which are not allocated to our operating units, and income taxes are based on statutory rates in effect in each of the locations where the Company provides services and vary throughout the world. None of these costs relates directly to the performance of the Company's services and are therefore excluded in order to accurately assess the results of segment operating activities on a consistent basis. Following is a reconciliation of segment operating earnings to consolidated net income on a GAAP basis and the related margins as a percentage of revenues before reimbursements for all periods presented:

	Quarter ended				Six months ended			
	June 30, 2006	% Margin	June 30, 2005	% Margin	June 30, 2006	% Margin	June 30, 2005	% Margin
U.S. operating earnings	\$4,305	3.6%	\$1,810	1.6%	\$12,936	5.2%	\$3,646	1.6%
International operating earnings	3,213	4.4	3,696	5.2	4,899	3.4	7,041	4.9
Deduct:								
Stock option expense	(351)	(0.2)	-	-	(617)	(0.2)	-	-
Net corporate interest expense	(594)	(0.3)	(1,355)	(0.7)	(1,592)	(0.4)	(2,882)	(0.8)
Income taxes	<u>(2,360)</u>	<u>(1.2)</u>	<u>(1,470)</u>	<u>(0.8)</u>	<u>(5,565)</u>	<u>(1.4)</u>	<u>(2,763)</u>	<u>(0.7)</u>
Net income	<u>\$4,213</u>	<u>2.2%</u>	<u>\$2,681</u>	<u>1.4%</u>	<u>\$10,061</u>	<u>2.6%</u>	<u>\$5,042</u>	<u>1.4%</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 property and casualty claims management, integrated claims and medical management for workers' compensation, legal settlement administration, including class action and warranty inspections, and risk management information services. The Company's shares are traded on the NYSE under the symbols CRDA and CRDB.



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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 June 30, 2006 are not necessarily indicative of future prospects for the Company. Actual results in future quarters may differ materially. For a discussion regarding factors which could affect the Company's financial performance, see the Company's Form 10-K for the year ended December 31, 2005 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.

FOR FURTHER INFORMATION REGARDING THIS PRESS RELEASE, PLEASE CALL BRUCE SWAIN AT (404) 847-4407.



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**CRAWFORD & COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

Unaudited

(In Thousands, Except Per Share Amounts)

<u>Six Months Ended June 30</u>	<u>2006</u>	<u>2005</u>	<u>% Change</u>
Revenues:			
Revenues Before Reimbursements	\$394,209	\$370,336	6%
Reimbursements	37,230	36,088	3%
Total Revenues	<u>431,439</u>	<u>406,424</u>	6%
Costs and Expenses:			
Cost of Services Before Reimbursements	304,959	292,254	4%
Reimbursements	37,230	36,088	3%
Cost of Services	<u>342,189</u>	<u>328,342</u>	4%
Selling, General, and Administrative	72,032	67,395	7%
Corporate Interest Expense, Net	1,592	2,882	-45%
Total Costs and Expenses	<u>415,813</u>	<u>398,619</u>	4%
Income Before Income Taxes	15,626	7,805	100%
Income Taxes	5,565	2,763	101%
Net Income	<u>\$10,061</u>	<u>\$5,042</u>	100%
Earnings Per Share - Basic and Diluted	<u>\$0.20</u>	<u>\$0.10</u>	100%
Average Numbers of Shares Used to Compute:			
Basic Earnings Per Share	49,137	48,878	
Diluted Earnings Per Share	49,318	49,388	
Cash Dividends Per Share:			
Class A Common Stock	\$0.12	\$0.12	
Class B Common Stock	\$0.12	\$0.12	



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**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

Unaudited

(In Thousands, Except Per Share Amounts)

<u>Quarter Ended June 30</u>	<u>2006</u>	<u>2005</u>	<u>% Change</u>
Revenues:			
Revenues Before Reimbursements	\$192,603	\$186,002	4%
Reimbursements	17,164	20,779	-17%
Total Revenues	<u>209,767</u>	<u>206,781</u>	1%
Costs and Expenses:			
Cost of Services Before Reimbursements	148,483	147,335	1%
Reimbursements	17,164	20,779	-17%
Cost of Services	<u>165,647</u>	<u>168,114</u>	-1%
Selling, General, and Administrative	36,953	33,161	11%
Corporate Interest Expense, Net	594	1,355	-56%
Total Costs and Expenses	<u>203,194</u>	<u>202,630</u>	0%
Income Before Income Taxes	6,573	4,151	58%
Income Taxes	2,360	1,470	61%
Net Income	<u>\$4,213</u>	<u>\$2,681</u>	57%
Earnings Per Share - Basic and Diluted	<u>\$0.09</u>	<u>\$0.05</u>	80%
Average Numbers of Shares Used to Compute:			
Basic Earnings Per Share	<u>49,286</u>	<u>48,884</u>	
Diluted Earnings Per Share	<u>49,396</u>	<u>49,391</u>	
Cash Dividends Per Share:			
Class A Common Stock	\$0.06	\$0.06	
Class B Common Stock	\$0.06	\$0.06	



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### CRAWFORD & COMPANY SUMMARY RESULTS BY OPERATING SEGMENT

Six Months Ended June 30

Unaudited

(In Thousands, Except Percentages)

	U.S.		%	International		%
	2006	2005	Change	2006	2005	Change
Revenues Before Reimbursements	\$249,849	\$226,861	10.1%	\$144,360	\$143,475	0.6%
Compensation & Benefits	157,215	146,316	7.4%	102,397	100,467	1.9%
<i>% of Revenues</i>	<i>62.9%</i>	<i>64.5%</i>		<i>70.9%</i>	<i>70.0%</i>	
Expenses Other than Reimbursements, Compensation & Benefits	79,698	76,899	3.6%	37,064	35,967	3.1%
<i>% of Revenues</i>	<i>31.9%</i>	<i>33.9%</i>		<i>25.7%</i>	<i>25.1%</i>	
Total Operating Expenses	236,913	223,215	6.1%	139,461	136,434	2.2%
Operating Earnings (1)	\$12,936	\$3,646	254.8%	\$4,899	\$7,041	-30.4%
<i>% of Revenues</i>	<i>5.2%</i>	<i>1.6%</i>		<i>3.4%</i>	<i>4.9%</i>	

### Quarter Ended June 30

Unaudited

(In Thousands, Except Percentages)

	U.S.		%	International		%
	2006	2005	Change	2006	2005	Change
Revenues Before Reimbursements	\$118,743	\$114,354	3.8%	\$73,860	\$71,648	3.1%
Compensation & Benefits	76,447	74,200	3.0%	51,732	49,922	3.6%
<i>% of Revenues</i>	<i>64.4%</i>	<i>64.9%</i>		<i>70.0%</i>	<i>69.6%</i>	
Expenses Other than Reimbursements, Compensation & Benefits	37,991	38,344	-0.9%	18,915	18,030	4.9%
<i>% of Revenues</i>	<i>32.0%</i>	<i>33.5%</i>		<i>25.6%</i>	<i>25.2%</i>	
Total Operating Expenses	114,438	112,544	1.7%	70,647	67,952	4.0%
Operating Earnings (1)	\$4,305	\$1,810	137.8%	\$3,213	\$3,696	-13.1%
<i>% of Revenues</i>	<i>3.6%</i>	<i>1.6%</i>		<i>4.4%</i>	<i>5.2%</i>	

(1) A non-GAAP financial measurement which represents earnings before net corporate interest expense, stock option expense, and income taxes.



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**CRAWFORD & COMPANY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**June 30, 2006 and December 31, 2005**

(In Thousands)

<b>Assets</b>	Unaudited <b>June 30</b> <u>2006</u>	* December 31 <u>2005</u>
Current Assets:		
Cash and Cash Equivalents	\$64,980	\$49,441
Accounts Receivable, Net	172,751	163,087
Unbilled Revenues	102,388	109,319
Prepaid Expenses and Other Current Assets	18,958	14,964
Total Current Assets	<u>359,077</u>	<u>336,811</u>
Property and Equipment, at Cost	132,957	150,008
Less Accumulated Depreciation	<u>(99,842)</u>	<u>(113,071)</u>
Net Property and Equipment	<u>33,115</u>	<u>36,937</u>
Other Assets:		
Goodwill, Net	110,833	110,035
Capitalized Software Costs, Net	34,700	33,068
Deferred Income Tax Asset	37,976	38,217
Other	16,665	16,596
Total Other Assets	<u>200,174</u>	<u>197,916</u>
Total Assets	<u><u>\$592,366</u></u>	<u><u>\$571,664</u></u>
<b>Liabilities and Shareholders' Investment</b>		
Current Liabilities:		
Short-Term Borrowings	\$30,354	\$28,888
Accounts Payable	39,317	42,434
Accrued Liabilities	66,196	78,047
Self-Insured Risks	15,898	17,664
Accrued Income Taxes	24,479	17,880
Deferred Revenues	25,739	19,608
Deposit on Sale of Real Estate	8,000	-
Current Installments of Long-Term Debt and Capital Leases	11,427	6,441
Total Current Liabilities	<u>221,410</u>	<u>210,962</u>
Noncurrent Liabilities:		
Long-Term Debt and Capital Leases, Less Current Installments	40,212	45,810
Deferred Revenues	10,268	10,409
Self-Insured Risks	11,300	9,122
Postretirement Medical Benefit Obligation	4,352	4,569
Minimum Pension Liabilities	103,425	101,406
Other	14,151	10,355
Total Noncurrent Liabilities	<u>183,708</u>	<u>181,671</u>
Shareholders' Investment:		
Class A Common Stock, \$1.00 Par Value	24,675	24,293
Class B Common Stock, \$1.00 Par Value	24,697	24,697
Additional Paid-in Capital	8,421	6,311
Unearned Stock-Based Compensation	-	(37)
Retained Earnings	205,989	202,351
Accumulated Other Comprehensive Loss	(76,534)	(78,584)
Total Shareholders' Investment	<u>187,248</u>	<u>179,031</u>
Total Liabilities and Shareholders' Investment	<u><u>\$592,366</u></u>	<u><u>\$571,664</u></u>

\* Derived from the audited Consolidated Balance Sheet



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### CRAWFORD & COMPANY

#### CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

##### Six Months Ended June 30, 2006 and June 30, 2005

Unaudited  
(In Thousands)

	<u>2006</u>	<u>2005</u>
<b>Cash Flows From Operating Activities:</b>		
Net Income	\$10,061	\$5,042
Reconciliation of Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization Expenses	9,484	9,631
Stock-Based Compensation Expense	1,248	99
Loss on Sales of Property and Equipment, net	32	15
Changes in Operating Assets and Liabilities:		
Accounts Receivable, net	(11,335)	2,891
Unbilled Revenues, net	10,999	2,664
Accrued or Prepaid Income Taxes	6,433	(5,360)
Accounts Payable and Accrued Liabilities	(10,401)	(1,328)
Deferred Revenues	6,124	(2,596)
Accrued Retirement Costs	240	(1,745)
Prepaid Expenses and Other Assets	(1,325)	(1,416)
Net Cash Provided by Operating Activities	<u>21,560</u>	<u>7,897</u>
<b>Cash Flows From Investing Activities:</b>		
Acquisitions of Property and Equipment, net	(5,552)	(7,100)
Capitalization of Computer Software Costs	(4,606)	(2,626)
Proceeds from 2004 Sale of Undeveloped Land	-	7,562
Proceeds from 2006 Sale of Corporate Headquarters	8,000	-
Other Investing Activities	(388)	(90)
Net Cash Used in Investing Activities	<u>(2,546)</u>	<u>(2,254)</u>
<b>Cash Flows From Financing Activities:</b>		
Dividends Paid	(5,900)	(5,866)
Proceeds from Stock Issued to Employees Under Incentive Plans	1,281	310
Increase in Short-Term Borrowings, Net	1,416	392
Payments on Long-Term Debt and Capital Lease Obligations	(721)	(975)
Net Cash Used in Financing Activities	<u>(3,924)</u>	<u>(6,139)</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	449	480
Increase (Decrease) in Cash and Cash Equivalents	15,539	(16)
Cash and Cash Equivalents at Beginning of Period	49,441	43,571
Cash and Cash Equivalents at End of Period	<u>\$64,980</u>	<u>\$43,555</u>