



## Press Release

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

**FOR IMMEDIATE RELEASE**

**Date: January 24, 2003**  
**From: Grover L. Davis**  
**Chairman and**  
**Chief Executive Officer**

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### **Crawford Reports Financial Results for Fourth Quarter and Year-End 2002**

Crawford & Company (NYSE: CRDA and CRDB) announced its financial results for the fourth quarter and year ended December 31, 2002.

Fourth quarter 2002 revenues before reimbursements totaled \$173.7 million compared with \$178.1 million in the comparable 2001 period. Operating earnings (earnings before amortization of goodwill, net corporate interest and taxes) in the 2002 fourth quarter totaled \$10.3 million compared with \$11.5 million in the 2001 period. Year-over-year fourth quarter net income was unchanged at \$5.8 million.

U.S. revenues before reimbursements were \$121.7 million in the 2002 fourth quarter compared with \$129.8 million in the prior year fourth quarter. Revenues from the U.S. insurance company market were \$60.5 million in the 2002 fourth quarter versus \$66.8 million in the 2001 quarter, reflecting a continued softening in the Company's U.S. insurance company referrals for high-frequency, low-severity claims in the current quarter. Revenues from self-insured clients were \$44.4 million in the 2002 fourth quarter compared with \$51.1 million in the 2001 quarter. We believe this weakening is largely due to declines in U.S. employment levels and associated injury rates which have contributed to a reduction in workers' compensation claims. Class action services revenues grew to \$16.8 million during the 2002 fourth quarter, compared with \$11.9 million in the comparable 2001 period, reflecting the completion of a major project during the current quarter.

Fourth quarter 2002 international revenues before reimbursements reached \$52.1 million, up from \$48.3 million in the 2001 period. This growth was aided by the Company's recent acquisition in Australia and growth within its European operations. During the 2002 fourth



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quarter, the U.S. dollar weakened significantly 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 \$50.6 million in the 2002 fourth quarter.

Also during the 2002 fourth quarter, the Company recorded a charge to Accumulated Other Comprehensive Loss, a component of Shareholders' Investment, of \$42.2 million, net of related tax benefits. This non-cash charge resulted from a decline in the fair value of the Company's pension investments as of September 30, 2002, as well as a decline in interest rates during the year. The charge had no effect on the Company's operating results or cash flows during the quarter. Effective December 31, 2002, the Company froze its U.S. defined benefit pension plan and replaced it with a defined contribution retirement plan.

Fourth quarter 2002 net income per share was \$0.12 per share, unchanged from the prior year quarter. 2002 fourth quarter net income, relative to the 2001 fourth quarter, was increased by \$0.02 per share due to the Company's adoption of Statement of Financial Accounting Standard 142, "Goodwill and Other Intangible Assets."

Mr. Grover L. Davis, chairman and chief executive officer of Crawford & Company, stated, "Our fourth quarter results reflect the continued industry-wide decline in property & casualty claims frequency. Conservative underwriting, increases in policy deductibles and mild weather have all contributed to a decline in property and casualty claims frequency, resulting in an overall 17% decline in cases received in the U.S. These factors impacted our U.S. insurance company referrals for high-frequency, low-severity claims and resulted in lower U.S. revenues."

"On a positive note, we successfully reduced our cost of services by 4% in the 2002 fourth quarter despite a \$2.5 million increase in pension expense in the quarter. Without the pension expense increase, our cost of services would have declined over 6% during the 2002 fourth quarter. In addition, we continued to realize the benefits of the cost reduction initiatives we undertook earlier in the year to reduce our operating costs by \$1.0 million per month from second quarter 2002 levels. We remain committed to vigilantly managing our operating costs in 2003. Cash flow from operations was also very strong in the current quarter, as we ended the year with \$31.1 million in cash, up from \$22.0 million at the end of 2001."

Total revenues before reimbursements for the year ended December 31, 2002 were \$699.4 million compared with \$725.5 million in 2001. Operating earnings (before nonrecurring credit in the 2002 first quarter) for the year totaled \$37.2 million versus \$56.0 million in 2001.



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U.S. revenues before reimbursements for the year were \$508.7 compared with \$534.7 million in 2001. International revenues before reimbursements were \$190.7 million in 2002 compared with \$190.9 million during 2001. Excluding the adverse impact of exchange rate fluctuations due to the overall strength of the U.S. dollar during the year, 2002 international revenues would have grown to \$191.2 million.

Net income for the year was \$24.5 million, or \$0.50 per share versus \$29.4 million, or \$0.61 per share, reported in the prior year. The Company's adoption of Statement of Financial Accounting Standard 142, "Goodwill and Other Intangible Assets" increased 2002 net income per share by \$0.06.

Mr. Davis concluded, "We are encouraged by our prospects for 2003 and are hopeful that we are beginning to see a slight turnaround in the property and casualty market, which has been under tremendous pressure in recent years. While we believe difficult market conditions will persist, especially in the short-term, the potential for growth in services to the insurance industry is significant and we are well positioned in all of our strategic markets to realize this potential. Our plans for 2003 include significant investments in existing, proven technologies that will improve the consistency, quality, and efficiency of our service delivery, while making it easier for our clients to do business with us."

Crawford & Company's conference call on Monday, January 27, 2003 at 3:00 p.m. EST, to discuss its quarterly earnings and other developments, will be recorded and available for replay through February 3, 2003. You may dial 1-800-428-6051 (973-709-2089 international) to listen. The access code is 276989. Alternatively, please visit our website 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 and year ended December 31, 2002 is shown on the attached statements.

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 67 countries. Major service lines include workers' compensation claims administration and healthcare management 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.



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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 and year ended December 31, 2002 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, 2001 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 JOHN GIBLIN AT (404) 847-4571.



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**CRAWFORD & COMPANY  
COMPARATIVE STATEMENTS OF INCOME**

*(In Thousands Except Per Share Data)*

<u>Year Ended December 31</u>	<u>2002</u>	<u>2001</u>	<u>% Change</u>
Revenues:			
Revenues before Reimbursements	\$699,390	\$725,539	-4%
Reimbursements	36,031	40,732	-12%
Total Revenues	<u>735,421</u>	<u>766,271</u>	-4%
Costs and Expenses:			
Cost of Services before Reimbursements	529,148	546,333	-3%
Reimbursements	36,031	40,732	-12%
Cost of Services	<u>565,179</u>	<u>587,065</u>	-4%
Selling, General, and Administrative	132,995	123,178	8%
Nonrecurring Credit (1)	(6,000)	0	nm
Corporate Interest, net	4,706	4,779	-2%
Amortization of Goodwill	0	3,448	-100%
Total Costs and Expenses	<u>696,880</u>	<u>718,470</u>	-3%
Income Before Income Taxes	38,541	47,801	-19%
Income Taxes	14,029	18,356	-24%
Net Income	<u>\$24,512</u>	<u>\$29,445</u>	-17%
Net Income Per Share:			
Basic	<u>\$0.50</u>	<u>\$0.61</u>	-18%
Diluted	<u>\$0.50</u>	<u>\$0.61</u>	-18%
Weighted Average Shares Outstanding:			
Basic	<u>48,580</u>	<u>48,492</u>	
Diluted	<u>48,664</u>	<u>48,559</u>	

(1) Nonrecurring credit related to a payment from a former vendor in full settlement of a business dispute.

nm = not meaningful



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**CRAWFORD & COMPANY  
COMPARATIVE STATEMENTS OF INCOME**

*(In Thousands Except Per Share Data)*

<u>Quarter Ended December 31</u>	<u>2002</u>	<u>2001</u>	<u>% Change</u>
Revenues:			
Revenues before Reimbursements	\$173,722	\$178,145	-2%
Reimbursements	<u>10,343</u>	<u>13,169</u>	-21%
Total Revenues	<u>184,065</u>	<u>191,314</u>	-4%
Costs and Expenses:			
Cost of Services before Reimbursements	130,728	136,703	-4%
Reimbursements	<u>10,343</u>	<u>13,169</u>	-21%
Cost of Services	<u>141,071</u>	<u>149,872</u>	-6%
Selling, General, and Administrative	32,669	29,974	9%
Corporate Interest, net	1,141	1,195	-5%
Amortization of Goodwill	<u>0</u>	<u>843</u>	-100%
Total Costs and Expenses	<u>174,881</u>	<u>181,884</u>	-4%
Income Before Income Taxes	9,184	9,430	-3%
Income Taxes	<u>3,343</u>	<u>3,622</u>	-8%
Net Income	<u>\$5,841</u>	<u>\$5,808</u>	1%
Net Income Per Share:			
Basic	<u>\$0.12</u>	<u>\$0.12</u>	0%
Diluted	<u>\$0.12</u>	<u>\$0.12</u>	0%
Weighted Average Shares Outstanding:			
Basic	<u>48,623</u>	<u>48,541</u>	
Diluted	<u>48,670</u>	<u>48,599</u>	



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**CRAWFORD & COMPANY  
SUMMARY RESULTS BY OPERATING SEGMENT**

**Year Ended December 31, 2002**

*(In Thousands Except Percentages)*

	U.S.		International		Total	
	2002	2001	2002	2001	2002	2001
Revenues before Reimbursements	\$508,734	\$534,671	\$190,656	\$190,868	\$699,390	\$725,539
Compensation & Benefits	320,475	331,116	130,886	125,862	451,361	456,978
<i>% of Revenues</i>	<i>62.9%</i>	<i>61.9%</i>	<i>68.6%</i>	<i>65.9%</i>	<i>64.5%</i>	<i>63.0%</i>
Expenses Other than Reimbursements, Compensation & Benefits	158,998	160,300	51,784	52,233	210,782	212,533
<i>% of Revenues</i>	<i>31.3%</i>	<i>30.0%</i>	<i>27.2%</i>	<i>27.4%</i>	<i>30.2%</i>	<i>29.3%</i>
Operating Earnings (1)	\$29,261	\$43,255	\$7,986	\$12,773	\$37,247	\$56,028
<i>% of Revenues</i>	<i>5.8%</i>	<i>8.1%</i>	<i>4.2%</i>	<i>6.7%</i>	<i>5.3%</i>	<i>7.7%</i>

**Quarter Ended December 31, 2002**

*(In Thousands Except Percentages)*

	U.S.		International		Total	
	2002	2001	2002	2001	2002	2001
Revenues before Reimbursements	\$121,660	\$129,822	\$52,062	\$48,323	\$173,722	\$178,145
Compensation & Benefits	74,132	79,173	34,913	31,901	109,045	111,074
<i>% of Revenues</i>	<i>61.0%</i>	<i>61.0%</i>	<i>67.0%</i>	<i>66.0%</i>	<i>62.8%</i>	<i>62.4%</i>
Expenses Other than Reimbursements, Compensation & Benefits	39,687	40,635	14,665	14,968	54,352	55,603
<i>% of Revenues</i>	<i>32.6%</i>	<i>31.3%</i>	<i>28.2%</i>	<i>31.0%</i>	<i>31.3%</i>	<i>31.2%</i>
Operating Earnings (1)	\$7,841	\$10,014	\$2,484	\$1,454	\$10,325	\$11,468
<i>% of Revenues</i>	<i>6.4%</i>	<i>7.7%</i>	<i>4.8%</i>	<i>3.0%</i>	<i>5.9%</i>	<i>6.4%</i>

(1) Earnings before nonrecurring credit, amortization of goodwill, net corporate interest, and taxes.



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**CRAWFORD & COMPANY**  
**CONDENSED COMPARATIVE BALANCE SHEETS**  
**December 31, 2002 and December 31, 2001**  
*(In Thousands)*

<u>Assets</u>	<u>December 31</u> <u>2002</u>	<u>December 31</u> <u>2001</u>
Current Assets:		
Cash and Cash Equivalents	\$31,091	\$21,966
Accounts Receivable, Net	135,174	139,380
Unbilled Revenues	93,792	88,399
Prepaid Expenses and Other Current Assets	11,968	11,539
Total Current Assets	<u>272,025</u>	<u>261,284</u>
Property and Equipment, at Cost	144,706	146,626
Less Accumulated Depreciation	<u>(108,607)</u>	<u>(107,898)</u>
Net Property and Equipment	<u>36,099</u>	<u>38,728</u>
Other Assets	<u>166,652</u>	<u>131,403</u>
Total Assets	<u><u>\$474,776</u></u>	<u><u>\$431,415</u></u>
 <b>Liabilities and Shareholders' Investment</b>		
Current Liabilities:		
Short-Term Borrowings	\$30,019	\$36,440
Accounts Payable	31,956	31,275
Accrued Liabilities	70,430	67,723
Deferred Revenues	18,516	20,543
Current Installments of Long-Term Debt	1,493	326
Total Current Liabilities	<u>152,414</u>	<u>156,307</u>
Noncurrent Liabilities	<u>167,096</u>	<u>86,808</u>
Shareholders' Investment:		
Class A Common Stock, \$1.00 Par Value	23,925	23,843
Class B Common Stock, \$1.00 Par Value	24,697	24,697
Additional Paid-in Capital	523	27
Retained Earnings	191,767	186,683
Accumulated Other Comprehensive Loss	<u>(85,646)</u>	<u>(46,950)</u>
Total Shareholders' Investment	<u>155,266</u>	<u>188,300</u>
Total Liabilities and Shareholders' Investment	<u><u>\$474,776</u></u>	<u><u>\$431,415</u></u>



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**CRAWFORD & COMPANY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**December 31, 2002 and December 31, 2001**

*(In Thousands)*

	<u>December 31</u> <u>2002</u>	December 31 <u>2001</u>
<b>Cash Flows From Operating Activities:</b>		
Net Income	\$24,512	\$29,445
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	17,414	20,626
Deferred income taxes	3,975	(287)
(Gain) loss on sales of property and equipment	(18)	125
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivables, net	5,473	(309)
Unbilled revenues	(1,369)	2,852
Accrued or prepaid income taxes	(3,525)	6,198
Accounts payable and accrued liabilities	3,692	3,176
Deferred revenues	(1,579)	(2,741)
Prepaid and accrued pension costs	6,020	4,022
Prepaid expenses and other assets	(1,972)	(35)
Net cash provided by operating activities	<u>52,623</u>	<u>63,072</u>
<b>Cash Flows From Investing Activities:</b>		
Acquisitions of property and equipment, net	(8,709)	(11,736)
Capitalization of computer software costs	(11,093)	(7,332)
Acquisitions of businesses, net of cash acquired	(13,569)	(9,207)
Net cash used in operating activities	<u>(33,371)</u>	<u>(28,275)</u>
<b>Cash Flows From Financing Activities:</b>		
Dividends Paid	(19,427)	(27,146)
Proceeds from exercise of stock options	578	836
Decrease in short-term borrowings	(6,312)	(7,697)
Increase (Decrease) in long-term debt	14,062	(119)
Net cash used in financing activities	<u>(11,099)</u>	<u>(34,126)</u>
Effect of exchange rate changes on cash and cash equivalents	972	(841)
Increase (Decrease) in Cash and Cash Equivalents	9,125	(170)
Cash and Cash Equivalents at Beginning of Period	21,966	22,136
Cash and Cash Equivalents at End of Period	<u>\$31,091</u>	<u>\$21,966</u>