



# Press Release

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

**FOR IMMEDIATE RELEASE**

**Date: July 21, 2003**  
**From: Grover L. Davis**  
**Chairman and**  
**Chief Executive Officer**

## Crawford Reports 24% Increase in Second Quarter Net Income

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, 2003.

Second quarter 2003 revenues before reimbursements totaled \$176.3 million compared with \$178.0 million in the 2002 second quarter. Second quarter 2003 net income was \$6.1 million, growing from \$4.9 million for the 2002 second quarter. Second quarter 2003 net income per share was \$0.12 per share, up 20% from \$0.10 in the prior-year quarter.

Operating earnings (earnings before special credit, net corporate interest and taxes) in the 2003 second quarter totaled \$10.7 million compared with \$8.8 million in the comparable 2002 quarter. Operating earnings in the 2003 six-month period totaled \$17.1 million compared with \$16.8 million in the comparable 2002 period. 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 margins as a percentage of revenues before reimbursements for all periods presented:

	Quarter ended				Six months ended			
	June 30, 2003	% Margin	June 30, 2002	% Margin	June 30, 2003	% Margin	June 30, 2002	% Margin
Net income	\$ 6,051	3.4%	\$ 4,867	2.7%	\$ 9,300	2.7%	\$ 13,034	3.7%
Add/(deduct):								
Special credit	-	-	-	-	-	-	(6,000)	(1.7)
Net corporate interest	1,179	0.7	1,141	0.6	2,458	0.7	2,319	0.7
Income taxes	<u>3,463</u>	<u>2.0</u>	<u>2,786</u>	<u>1.6</u>	<u>5,322</u>	<u>1.6</u>	<u>7,460</u>	<u>2.1</u>
Operating earnings	<u>\$10,693</u>	<u>6.1%</u>	<u>\$ 8,794</u>	<u>4.9%</u>	<u>\$17,080</u>	<u>5.0%</u>	<u>\$ 16,813</u>	<u>4.8%</u>



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U.S. revenues before reimbursements were \$121.9 million in the second quarter of 2003 compared with \$131.7 million in the 2002 second quarter. Revenues from the insurance company market were \$62.2 million in the 2003 second quarter compared with \$68.3 million in the 2002 period, reflecting a continued softening in the Company's U.S. insurance company referrals for high-frequency, low-severity claims in the current quarter. Lower medical bill auditing revenues associated with the previously reported non-renewal of a contract with a major domestic insurer contributed \$2.8 million of this decline. Revenues from self-insured clients were \$42.1 million in the 2003 second quarter compared with \$49.1 million in the 2002 quarter, primarily reflecting declines in U.S. employment levels and associated injury rates which have contributed to a reduction in workers' compensation claims. Class action services revenues were \$17.6 million for the 2003 second quarter, compared with \$14.3 million in the comparable year-ago quarter, up 23% due to the award of a new class action settlement in the quarter.

Second quarter 2003 international revenues grew to \$54.5 million from \$46.3 million for the same period in 2002. This growth is partly due to the Company's third quarter 2002 acquisition of the loss adjusting business of Robertson and Company in Australia. During the 2003 second 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 \$48.8 million in the 2003 second quarter.

Mr. Grover L. Davis, chief executive officer of Crawford & Company, stated, "Our second quarter results reflect a continued industry-wide decline in property and casualty claims frequency. Conservative underwriting by our insurance company clients, including significant increases in policy deductibles, has contributed to a decline in property and casualty claims frequency, resulting in an overall 17% decline in claims referred to Crawford in the U.S. In addition, our self-insured market revenues in the U.S. were negatively impacted by a reduction in workers' compensation claims frequency, as the U.S. unemployment rate is at its highest point in a decade, private sector workplace injuries have declined significantly, and employee absentee rates are at their lowest levels since 1991."

"While we continue to endure challenging industry circumstances, we were pleased that we successfully reduced our U.S. operating expenses over 11% in the current quarter in response to the decline in claims volume and improved our operating margin to better than 8% as compared to 4.5% in the 2002 second quarter and 3.5% for the 2003 first quarter. The operating margins in our international operations were disappointing in the second quarter, declining to 1% from just over 6% in the prior year, primarily due to declining volume in our Canadian and U.K. operations. We are particularly disappointed in the results of our U.K. operations where we experienced a loss in the 2003 second quarter after posting profitable results in this year's first quarter. We have entered into several new client service agreements and the claims associated with those programs have been slow to develop. We believe that new claims associated with these programs will be reported to us and our existing



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cost base is appropriate for the projected level of claims activity. Further, once our claim volumes from these new arrangements stabilize, we believe our U.K. operations should be profitable beginning in this year's fourth quarter."

Total revenues before reimbursements for the year-to-date period ended June 30, 2003 were \$343.6 million compared with \$349.8 million in 2002. Operating earnings through June 2003 totaled \$17.1 million compared with \$16.8 million in 2002. Net income for the current year-to-date period totaled \$9.3 million, or \$0.19 per share, compared with \$13.0 million, or \$0.27 per share, reported in the prior year. Net income in the 2002 first quarter included a payment received from a former vendor in full settlement of a business dispute of \$3.8 million, net of related income tax expense, or \$0.08 per share.

U.S. revenues before reimbursements for the 2003 six-month period were \$236.9 million compared with \$258.3 million in 2002. International revenues before reimbursements were \$106.6 million in 2003 compared with \$91.5 million during 2002. Excluding the benefit of exchange rate fluctuations, international revenues would have been \$96.9 million in the current year-to-date period.

Mr. Davis concluded, "We are pleased with the growth in our class action services business this year. We benefited from the award of a significant new contract during the second quarter and are aggressively pursuing other opportunities which should contribute to future revenue growth in this business. In addition, our cash flows from operating activities were \$24.6 million for the year-to-date 2003 period, up from \$21.6 million in the comparable prior-year period. Overall, our cash and cash equivalents at June 30, 2003 have grown \$10.2 million from the end of 2002 and are \$23.1 million greater than the balances at June 30, 2002."

"We remain committed to preserving our profitability and are closely monitoring our U.S. and international operating expenses to ensure that we achieve a consolidated operating margin of 6% to 7% for 2003. By managing our costs, we believe that we will be able to preserve our current level of dividends, which is important to us in delivering shareholder value and building investor confidence."

"As focused as we are on aggressively managing our cost structure, we are also equally focused on growing our top line in everything we do. Significant progress was made on all of our technology initiatives during the first six months of the year. These projects impact every area of our business and share a common element: to make it easier for our clients to do business with us, which in turn should help drive revenue growth. Another ongoing initiative that is producing tangible benefits is our Six Sigma project, which is identifying process and quality improvements that will result in more consistent, responsive and cost-effective service delivery by our branch operations. This project is focused on ensuring that we consistently meet our clients' desired service levels, which should lead to increased market penetration with both existing and new clients."



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Crawford & Company's management will host a conference call with analysts on Monday, July 21, 2003 at 3:00 P.M. EDT, to discuss its quarterly earnings and other developments. The call will be recorded and available for replay through July 28, 2003. You may dial 1-800-428-6051 (973-709-2089 international) to listen to the replay. The access code is 300341. 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, 2003 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.

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, 2003 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, 2002 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>Six Months Ended June 30</u>	<u>2003</u>	<u>2002</u>	<u>% Change</u>
Revenues:			
Revenues Before Reimbursements	\$343,568	\$349,756	-2%
Reimbursements	19,932	17,501	14%
Total Revenues	<u>363,500</u>	<u>367,257</u>	-1%
Costs and Expenses:			
Cost of Services Before Reimbursements	261,314	265,695	-2%
Reimbursements	19,932	17,501	14%
Cost of Services	<u>281,246</u>	<u>283,196</u>	-1%
Selling, General, and Administrative	65,174	67,248	-3%
Special Credit (1)	-	(6,000)	nm
Corporate Interest, Net	2,458	2,319	6%
Total Costs and Expenses	<u>348,878</u>	<u>346,763</u>	1%
Income Before Income Taxes	14,622	20,494	-29%
Income Taxes	5,322	7,460	-29%
Net Income	<u>\$9,300</u>	<u>\$13,034</u>	-29%
Net Income Per Share:			
Basic	<u>\$0.19</u>	<u>\$0.27</u>	-30%
Diluted	<u>\$0.19</u>	<u>\$0.27</u>	-30%
Weighted Average Shares Outstanding:			
Basic	<u>48,623</u>	<u>48,544</u>	
Diluted	<u>48,670</u>	<u>48,700</u>	

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

nm = not meaningful



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COMPARATIVE STATEMENTS OF INCOME**

*(In Thousands Except Per Share Data)*

<u>Quarter Ended June 30</u>	<u>2003</u>	<u>2002</u>	<u>% Change</u>
Revenues:			
Revenues Before Reimbursements	\$176,310	\$177,989	-1%
Reimbursements	<u>10,317</u>	<u>8,867</u>	16%
Total Revenues	<u>186,627</u>	<u>186,856</u>	0%
Costs and Expenses:			
Cost of Services Before Reimbursements	133,522	135,104	-1%
Reimbursements	<u>10,317</u>	<u>8,867</u>	16%
Cost of Services	<u>143,839</u>	<u>143,971</u>	0%
Selling, General, and Administrative	32,095	34,091	-6%
Corporate Interest, Net	<u>1,179</u>	<u>1,141</u>	3%
Total Costs and Expenses	<u>177,113</u>	<u>179,203</u>	-1%
Income Before Income Taxes	9,514	7,653	24%
Income Taxes	<u>3,463</u>	<u>2,786</u>	24%
Net Income	<u>\$6,051</u>	<u>\$4,867</u>	24%
Net Income Per Share:			
Basic	<u>\$0.12</u>	<u>\$0.10</u>	20%
Diluted	<u>\$0.12</u>	<u>\$0.10</u>	20%
Weighted Average Shares Outstanding:			
Basic	<u>48,623</u>	<u>48,547</u>	
Diluted	<u>48,671</u>	<u>48,725</u>	

nm = not meaningful



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**CRAWFORD & COMPANY**  
**SUMMARY RESULTS BY OPERATING SEGMENT**  
**Six Months Ended June 30, 2003**  
*(In Thousands Except Percentages)*

	U.S.		International		Total	
	2003	2002	2003	2002	2003	2002
Revenues Before Reimbursements	\$236,931	\$258,279	\$106,637	\$91,477	\$343,568	\$349,756
Compensation & Benefits	149,646	166,360	73,817	63,007	223,463	229,367
<i>% of Revenues</i>	63.1%	64.4%	69.2%	68.9%	65.0%	65.6%
Expenses Other than Reimbursements,						
Compensation & Benefits	73,105	79,736	29,920	23,840	103,025	103,576
<i>% of Revenues</i>	30.9%	30.9%	28.1%	26.0%	30.0%	29.6%
Operating Earnings (1)	\$14,180	\$12,183	\$2,900	\$4,630	\$17,080	\$16,813
<i>% of Revenues</i>	6.0%	4.7%	2.7%	5.1%	5.0%	4.8%

**Quarter Ended June 30, 2003**

*(In Thousands Except Percentages)*

	U.S.		International		Total	
	2003	2002	2003	2002	2003	2002
Revenues Before Reimbursements	\$121,858	\$131,669	\$54,452	\$46,320	\$176,310	\$177,989
Compensation & Benefits	75,302	84,602	38,324	31,606	113,626	116,208
<i>% of Revenues</i>	61.8%	64.2%	70.4%	68.3%	64.4%	65.3%
Expenses Other than Reimbursements,						
Compensation & Benefits	36,425	41,164	15,566	11,823	51,991	52,987
<i>% of Revenues</i>	29.9%	31.3%	28.6%	25.5%	29.5%	29.8%
Operating Earnings (1)	\$10,131	\$5,903	\$562	\$2,891	\$10,693	\$8,794
<i>% of Revenues</i>	8.3%	4.5%	1.0%	6.2%	6.1%	4.9%

(1) Earnings before special credit, net corporate interest, and taxes.



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**CRAWFORD & COMPANY**  
**CONSOLIDATED COMPARATIVE BALANCE SHEETS**  
**June 30, 2003 and December 31, 2002**

(In Thousands)

<u>Assets</u>	<u>June 30</u> <u>2003</u>	<u>December 31</u> <u>2002</u>
Current Assets:		
Cash and Cash Equivalents	\$41,290	\$31,091
Accounts Receivable, Net	146,452	135,174
Unbilled Revenues	98,487	93,792
Prepaid Expenses and Other Current Assets	11,540	11,968
Total Current Assets	<u>297,769</u>	<u>272,025</u>
Property and Equipment, at Cost	149,589	144,706
Less Accumulated Depreciation	<u>(112,959)</u>	<u>(108,607)</u>
Net Property and Equipment	<u>36,630</u>	<u>36,099</u>
Other Assets:		
Intangible Assets Arising from Acquisitions, Net	101,879	97,798
Capitalized Software Costs, Net	27,823	23,977
Deferred Income Tax Asset	32,001	31,899
Other	13,256	12,978
Total Other Assets	<u>174,959</u>	<u>166,652</u>
Total Assets	<u><u>\$509,358</u></u>	<u><u>\$474,776</u></u>
 <b><u>Liabilities and Shareholders' Investment</u></b>		
Current Liabilities:		
Short-Term Borrowings	\$35,617	\$30,019
Accounts Payable	33,136	31,956
Accrued Liabilities	72,903	66,265
Deferred Revenues	23,478	18,516
Current Installments of Long-Term Debt	1,842	1,493
Total Current Liabilities	<u>166,976</u>	<u>148,249</u>
Noncurrent Liabilities:		
Long-Term Debt, Less Current Installments	51,132	49,976
Deferred Revenues	11,777	12,127
Self-Insured Risks	12,658	11,819
Postretirement Medical Benefit Obligation	6,201	6,289
Minimum Pension Liability	81,429	76,747
Other	9,501	10,138
Total Noncurrent Liabilities	<u>172,698</u>	<u>167,096</u>
Shareholders' Investment:		
Class A Common Stock, \$1.00 Par Value	23,925	23,925
Class B Common Stock, \$1.00 Par Value	24,697	24,697
Additional Paid-in Capital	523	523
Retained Earnings	195,232	191,767
Accumulated Other Comprehensive Loss	<u>(74,693)</u>	<u>(81,481)</u>
Total Shareholders' Investment	<u>169,684</u>	<u>159,431</u>
Total Liabilities and Shareholders' Investment	<u><u>\$509,358</u></u>	<u><u>\$474,776</u></u>



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**CRAWFORD & COMPANY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Six Months Ended June 30, 2003 and June 30, 2002**

*(In Thousands)*

	<u>2003</u>	<u>2002</u>
<b>Cash Flows From Operating Activities:</b>		
Net Income	\$9,300	\$13,034
Reconciliation of Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization	8,113	8,811
Deferred Income Taxes	245	(287)
Loss on Sales of Property and Equipment	76	0
Changes in Operating Assets and Liabilities, Net of Effects of Acquisitions:		
Accounts Receivable, Net	(7,215)	1,743
Unbilled Revenues	(2,190)	(9,083)
Accrued or Prepaid Income Taxes	1,226	1,721
Accounts Payable and Accrued Liabilities	(522)	1,497
Deferred Revenues	4,830	571
Prepaid and Accrued Pension Costs	7,884	6,690
Prepaid Expenses and Other Assets	2,832	(3,088)
Net Cash Provided by Operating Activities	<u>24,579</u>	<u>21,609</u>
<b>Cash Flows From Investing Activities:</b>		
Acquisitions of Property and Equipment, Net	(5,204)	(5,394)
Capitalization of Computer Software Costs	(6,458)	(6,771)
Acquisitions of Businesses, Net of Cash Acquired	-	(3,100)
Net Cash Used in Investing Activities	<u>(11,662)</u>	<u>(15,265)</u>
<b>Cash Flows From Financing Activities:</b>		
Dividends Paid	(5,835)	(13,592)
Proceeds from Exercise of Stock Options	-	62
Increase in Short-Term Borrowings	2,599	2,853
Decrease in Long-Term Debt	(403)	(90)
Net Cash Used in Financing Activities	<u>(3,639)</u>	<u>(10,767)</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	921	609
Increase (Decrease) in Cash and Cash Equivalents	<u>10,199</u>	<u>(3,814)</u>
Cash and Cash Equivalents at Beginning of Period	<u>31,091</u>	<u>21,966</u>
Cash and Cash Equivalents at End of Period	<u><u>\$41,290</u></u>	<u><u>\$18,152</u></u>