



# Crawford®

## Press Release

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

**FOR IMMEDIATE RELEASE**

**Date: July 26, 2004**  
**From: Marshall G. Long**  
**Chief Executive Officer**

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### Crawford Reports Second Quarter 2004 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 second quarter ended June 30, 2004.

Second quarter 2004 revenues before reimbursements totaled \$172.0 million compared with \$176.3 million in the 2003 second quarter. Second quarter 2004 net income was \$5.5 million compared to \$6.1 million for the 2003 second quarter. Second quarter 2004 net income per share was \$0.11 per share compared to \$0.12 in the prior-year quarter. During the 2004 second quarter, the Company settled a tax credit refund claim with the Internal Revenue Service which increased net income by \$2.8 million, or \$0.06 per share. Operating earnings (earnings before net corporate interest and taxes) in the 2004 second quarter totaled \$5.7 million compared with \$10.7 million in the prior year quarter.

U.S. revenues before reimbursements were \$109.6 million in the second quarter of 2004 compared with \$121.9 million in the 2003 second quarter. Revenues from the insurance company market were \$48.4 million in the 2004 second quarter compared with \$62.2 million in the 2003 period, 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 \$40.4 million in the 2004 second quarter compared with \$42.1 million in the 2003 quarter, primarily reflecting declines in U.S. employment levels and associated injury rates which have contributed to a reduction in workers' compensation claims. Recently reported gains in U.S. employment levels should benefit future revenues from self-insured clients. Class action services revenues were \$20.9 million for the 2004 second quarter, compared with \$17.6 million in the comparable year-ago quarter. This increase is primarily the result of work commenced on several new projects awarded during 2004.



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Second quarter 2004 international revenues grew to \$62.4 million from \$54.5 million for the same period in 2003. This growth is largely due to foreign currency fluctuations. During the 2004 second quarter, 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 \$56.2 million in the 2004 second quarter, reflecting growth in revenues on a constant dollar basis of 3.4%. In addition, during the 2004 second quarter, international operating expenses increased by \$6.6 million in U.S. dollars, a 12.2% increase, and by 1.4% on a constant dollar basis.

Mr. Marshall G. Long, chief executive officer of Crawford & Company, stated, "Our second quarter results reflect the ongoing industry-wide contraction in U.S. claims frequency, as we experienced volume declines in both the insurance company and self-insured markets. These declines more than offset the growth we enjoyed in our class action services unit during the current quarter."

"While we continue to endure challenging industry circumstances, we were pleased that we successfully reduced our U.S. operating expenses, excluding severance costs, by 6.4% in the current quarter as compared to the prior year period in response to the decline in claims volume and improved our U.S. operating margin to 3.5% as compared to 2.6% for the 2004 first quarter. Excluding severance costs of \$1.2 million recognized in the 2004 second quarter, our U.S. operating margin would have been 4.6%. The second quarter 2004 operating margin in our international operations of 3.1% declined as compared to the 2004 first quarter, but has grown significantly over the operating margin of 1.0% in the 2003 second quarter. Our expectations for the insurance industry in 2004 remain cautious, but we believe we are well positioned to grow our margins, both in the U.S. and internationally, when claim frequencies begin to grow."

Total revenues before reimbursements for the six months ended June 30, 2004 were \$341.9 million compared with \$343.6 million in 2003. Operating earnings totaled \$10.8 million compared with \$17.1 million in 2003. Net income for the current six-month period totaled \$7.9 million, or \$0.16 per share, compared with \$9.3 million, or \$0.19 per share, reported in the prior year.

U.S. revenues before reimbursements for the 2004 six-month period were \$218.9 million compared with \$236.9 million in 2003. International revenues before reimbursements were \$123.0 million in the 2004 year-to-date period compared with \$106.6 million during 2003. Excluding the benefit of exchange rate fluctuations, international revenues would have been \$109.3 million in the current year-to-date period, reflecting growth in revenues on a constant dollar basis of 2.6%. In addition, during the 2004 six-month period, international operating expenses increased by \$15.1 million in U.S. dollars, a 14.7% increase, and by 2.0% on a constant dollar basis.



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Mr. Long concluded, “We are pleased with the growth in our class action services business this year. We benefited from the award of several new contracts during the second quarter and have a strong backlog of cases, which will contribute to revenues during the balance of the year. In addition, we have signed a letter of intent to sell an undeveloped parcel of real estate for a sales price of \$10.4 million in cash. This sale is subject to certain contingencies but we expect to close this transaction in the third quarter, recognizing a gain of approximately \$9.4 million.”

Crawford & Company’s management will host a conference call with analysts on Monday, July 26, 2004 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 2, 2004. You may dial 1-800-428-6051 (973-709-2089 international) to listen to the replay. The access code is 366662. 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, 2004 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 margins as a percentage of revenues before reimbursements for all periods presented:

	Quarter ended				Six months ended			
	June 30, 2004	% Margin	June 30, 2003	% Margin	June 30, 2004	% Margin	June 30, 2003	% Margin
Net income	\$ 5,540	3.2%	\$ 6,051	3.4%	\$ 7,929	2.3%	\$ 9,300	2.7%
Add/(deduct):								
Net corporate interest	(534)	(0.3)	1,179	0.7	803	0.3	2,458	0.7
Income taxes	<u>725</u>	<u>0.4</u>	<u>3,463</u>	<u>2.0</u>	<u>2,093</u>	<u>0.6</u>	<u>5,322</u>	<u>1.6</u>
Operating earnings	<u>\$5,731</u>	<u>3.3%</u>	<u>\$10,693</u>	<u>6.1%</u>	<u>\$10,825</u>	<u>3.2%</u>	<u>\$17,080</u>	<u>5.0%</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 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 ended June 30, 2004 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, 2003 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>2004</u>	<u>2003</u>	<u>% Change</u>
Revenues:			
Revenues Before Reimbursements	\$341,871	\$343,568	0%
Reimbursements	<u>29,398</u>	<u>28,602</u>	3%
Total Revenues	<u>371,269</u>	<u>372,170</u>	0%
Costs and Expenses:			
Cost of Services Before Reimbursements	263,260	261,314	1%
Reimbursements	<u>29,398</u>	<u>28,602</u>	3%
Cost of Services	<u>292,658</u>	<u>289,916</u>	1%
Selling, General, and Administrative	67,786	65,174	4%
Corporate Interest, Net	<u>803</u>	<u>2,458</u>	-67%
Total Costs and Expenses	<u>361,247</u>	<u>357,548</u>	1%
Income Before Income Taxes	10,022	14,622	-31%
Income Taxes	<u>2,093</u>	<u>5,322</u>	-61%
Net Income	<u>\$7,929</u>	<u>\$9,300</u>	-15%
Net Income Per Share:			
Basic	<u>\$0.16</u>	<u>\$0.19</u>	-16%
Diluted	<u>\$0.16</u>	<u>\$0.19</u>	-16%
Weighted Average Shares Outstanding:			
Basic	<u>48,724</u>	<u>48,623</u>	
Diluted	<u>48,836</u>	<u>48,670</u>	



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COMPARATIVE STATEMENTS OF INCOME**

*(In Thousands Except Per Share Data)*

<u>Quarter Ended June 30</u>	<u>2004</u>	<u>2003</u>	<u>% Change</u>
Revenues:			
Revenues Before Reimbursements	\$172,016	\$176,310	-2%
Reimbursements	14,517	13,895	4%
Total Revenues	<u>186,533</u>	<u>190,205</u>	-2%
Costs and Expenses:			
Cost of Services Before Reimbursements	132,135	133,522	-1%
Reimbursements	14,517	13,895	4%
Cost of Services	<u>146,652</u>	<u>147,417</u>	-1%
Selling, General, and Administrative	34,150	32,095	6%
Corporate Interest, Net	(534)	1,179	-145%
Total Costs and Expenses	<u>180,268</u>	<u>180,691</u>	0%
Income Before Income Taxes	6,265	9,514	-34%
Income Taxes	725	3,463	-79%
Net Income	<u>\$5,540</u>	<u>\$6,051</u>	-8%
Net Income Per Share:			
Basic	<u>\$0.11</u>	<u>\$0.12</u>	-8%
Diluted	<u>\$0.11</u>	<u>\$0.12</u>	-8%
Weighted Average Shares Outstanding:			
Basic	<u>48,724</u>	<u>48,623</u>	
Diluted	<u>48,796</u>	<u>48,671</u>	



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### CRAWFORD & COMPANY SUMMARY RESULTS BY OPERATING SEGMENT Six Months Ended June 30, 2004

(In Thousands Except Percentages)

	U.S.		International		Total	
	2004	2003	2004	2003	2004	2003
Revenues Before Reimbursements	\$218,906	\$236,931	\$122,965	\$106,637	\$341,871	\$343,568
Compensation & Benefits	137,201	149,646	85,269	73,817	222,470	223,463
<i>% of Revenues</i>	62.6%	63.1%	69.4%	69.2%	65.0%	65.0%
Expenses Other than Reimbursements, Compensation & Benefits	74,987	73,105	33,589	29,920	108,576	103,025
<i>% of Revenues</i>	34.3%	30.9%	27.3%	28.1%	31.8%	30.0%
Operating Earnings (1)	\$6,718	\$14,180	\$4,107	\$2,900	\$10,825	\$17,080
<i>% of Revenues</i>	3.1%	6.0%	3.3%	2.7%	3.2%	5.0%

### Quarter Ended June 30, 2004

(In Thousands Except Percentages)

	U.S.		International		Total	
	2004	2003	2004	2003	2004	2003
Revenues Before Reimbursements	\$109,593	\$121,858	\$62,423	\$54,452	\$172,016	\$176,310
Compensation & Benefits	67,834	75,302	42,849	38,324	110,683	113,626
<i>% of Revenues</i>	61.9%	61.8%	68.6%	70.4%	64.4%	64.4%
Expenses Other than Reimbursements, Compensation & Benefits	37,933	36,425	17,669	15,566	55,602	51,991
<i>% of Revenues</i>	34.6%	29.9%	28.3%	28.6%	32.3%	29.5%
Operating Earnings (1)	\$3,826	\$10,131	\$1,905	\$562	\$5,731	\$10,693
<i>% of Revenues</i>	3.5%	8.3%	3.1%	1.0%	3.3%	6.1%

(1) Earnings net corporate interest, and taxes.



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**CRAWFORD & COMPANY**  
**CONSOLIDATED COMPARATIVE BALANCE SHEETS**  
**June 30, 2004 and December 31, 2003**  
*(In Thousands)*

<u>Assets</u>	<u>June 30</u> <u>2004</u>	<u>December 31</u> <u>2003</u>
Current Assets:		
Cash and Cash Equivalents	\$23,090	\$45,805
Accounts Receivable, Net	154,806	142,273
Unbilled Revenues	105,494	101,557
Prepaid Expenses and Other Current Assets	13,761	13,028
Total Current Assets	<u>297,151</u>	<u>302,663</u>
Property and Equipment, at Cost	152,705	154,786
Less Accumulated Depreciation	(117,099)	(117,618)
Net Property and Equipment	<u>35,606</u>	<u>37,168</u>
Other Assets:		
Intangible Assets Arising from Acquisitions, Net	106,383	104,523
Capitalized Software Costs, Net	31,753	31,540
Deferred Income Tax Asset	28,736	28,505
Other	12,083	12,840
Total Other Assets	<u>178,955</u>	<u>177,408</u>
Total Assets	<u>\$511,712</u>	<u>\$517,239</u>
<b>Liabilities and Shareholders' Investment</b>		
Current Liabilities:		
Short-Term Borrowings	\$41,546	\$43,007
Accounts Payable	32,924	36,685
Accrued Liabilities	79,564	85,734
Deferred Revenues	22,131	19,172
Current Installments of Long-Term Debt	2,620	3,106
Total Current Liabilities	<u>178,785</u>	<u>187,704</u>
Noncurrent Liabilities:		
Long-Term Debt, Less Current Installments	50,841	50,664
Deferred Revenues	10,403	10,559
Self-Insured Risks	10,780	11,920
Postretirement Medical Benefit Obligation	6,077	6,077
Minimum Pension Liability	70,159	67,846
Other	10,377	9,875
Total Noncurrent Liabilities	<u>158,637</u>	<u>156,941</u>
Shareholders' Investment:		
Class A Common Stock, \$1.00 Par Value	24,027	24,027
Class B Common Stock, \$1.00 Par Value	24,697	24,697
Additional Paid-in Capital	840	840
Retained Earnings	189,829	187,747
Accumulated Other Comprehensive Loss	(65,103)	(64,717)
Total Shareholders' Investment	<u>174,290</u>	<u>172,594</u>
Total Liabilities and Shareholders' Investment	<u>\$511,712</u>	<u>\$517,239</u>



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**CRAWFORD & COMPANY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Six Months Ended June 30, 2004 and June 30, 2003**

*(In Thousands)*

	<u>2004</u>	<u>2003</u>
<b>Cash Flows From Operating Activities:</b>		
Net Income	\$7,929	\$9,300
Reconciliation of Net Income to Net Cash (Used in) Provided by Operating Activities:		
Depreciation and Amortization	9,044	8,123
Deferred Income Taxes	(90)	245
Loss on Sales of Property and Equipment	40	76
Changes in Operating Assets and Liabilities, Net of Effects of Acquisitions:		
Accounts Receivable, Net	(11,716)	(7,215)
Unbilled Revenues	(4,118)	(1,658)
Accrued or Prepaid Income Taxes	(86)	1,226
Accounts Payable and Accrued Liabilities	(9,324)	(64)
Deferred Revenues	2,626	4,830
Prepaid and Accrued Pension Costs	(1,403)	7,884
Prepaid Expenses and Other Assets	2,167	2,456
Net Cash (Used in) Provided by Operating Activities	<u>(4,931)</u>	<u>25,203</u>
<b>Cash Flows From Investing Activities:</b>		
Acquisitions of Property and Equipment, Net	(4,600)	(5,204)
Capitalization of Computer Software Costs	(3,652)	(6,458)
Acquisitions of Businesses, Net of Cash Acquired	(479)	(166)
Net Cash Used in Investing Activities	<u>(8,731)</u>	<u>(11,828)</u>
<b>Cash Flows From Financing Activities:</b>		
Dividends Paid	(5,847)	(5,835)
(Decrease) Increase in Short-Term Borrowings	(3,403)	301
Decrease in Long-Term Debt	(300)	(403)
Capitalized Loan Costs	61	-
Net Cash Used in Financing Activities	<u>(9,489)</u>	<u>(5,937)</u>
Effect of Exchange Rate Changes on Cash and Cash Equivalents	436	921
(Decrease) Increase in Cash and Cash Equivalents	(22,715)	8,359
Cash and Cash Equivalents at Beginning of Period	45,805	34,934
Cash and Cash Equivalents at End of Period	<u>\$23,090</u>	<u>\$43,293</u>