

## **H&R Block Reports Interim Tax Season Data Through March 15**

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### **Affirms Full Year Earnings Guidance**

KANSAS CITY, Mo., Apr 2, 2003 /PRNewswire-FirstCall via COMTEX/ -- H&R Block Inc. (NYSE: HRB) said interim results for the current tax season through March 15 indicate the continuation of a later-in-season filing trend in tax offices, offset by strength in the mix of office clients and growth in online and software tax filers.

H&R Block reported \$1.5 billion in fees from retail office tax preparation and related services from Jan. 1 through March 15, up 4.4 percent from the same period last year. Total clients served increased 0.2 percent to 13.2 million. The average fee per client served rose 7.9 percent to \$126.31. The average fee per tax return rose 9.4 percent to \$112.42.

"In a challenging environment, we're pleased to see better-than- anticipated revenues per client due to an increase in clients with more complex tax situations. Also, our strategy to offer clients a range of filing options, including software and online solutions, is attracting new clients to the H&R Block brand," said Mark A. Ernst, chairman and chief executive officer. "While we are not likely to reach our target for growth in tax office clients, the mix of clients that we are serving represents a more complex filer, resulting in revenues per client that are above our previous expectation."

Through March 15, tax professionals in H&R Block offices prepared 11.7 million returns, a decrease of 2.9 percent compared to the same period last year. Growth in online and software clients increased 45.2 percent. During this period, H&R Block electronically filed 92.7 percent of returns processed by the company.

H&R Block reaffirmed its earnings guidance range of \$3.10 to \$3.25 per diluted share, up 34 to 41 percent from fiscal 2002, when H&R Block earned \$2.31 per diluted share. The company expects that growth in revenues per client and growth in online and software clients, combined with cost controls, will offset weakness in tax office client growth. Consolidated company-wide revenues will likely exceed the target growth range of 10-to-15 percent for the year, the company said.

The company's guidance range of \$3.10 to \$3.25 per diluted share includes a total of 27 cents in charges for both a litigation settlement and goodwill impairment charges recorded earlier in the company's fiscal year. The analysts' earnings estimates on First Call exclude the charges, which are included in the company's expected GAAP results. Excluding these charges, the guidance range would be \$3.37 to \$3.52 per diluted share compared to First Call consensus estimates of \$3.46 per diluted share.

The litigation settlement was for Haese v. H&R Block, Inc. et al., a case pending in Texas. H&R Block recorded a charge for this settlement in the second quarter of fiscal year 2003. On March 31, 2003, the trial court granted preliminary approval of the settlement, ordered that notice of the settlement be provided to the plaintiff class, and scheduled the final fairness hearing for the settlement on June 24, 2003.

The company also announced that Mark A. Ernst, chairman and chief executive officer, will discuss H&R Block's business strategy, as well as short and long-term financial targets for the company, at the SunTrust Robinson Humphrey Institutional Conference, on April 7, 10:00 a.m. (EDT), in Atlanta, GA.

A listen-only audio webcast of the conference will be available on [www.hrblock.com/about/investor](http://www.hrblock.com/about/investor) . To participate, click on the "SunTrust Robinson Presentation Webcast" icon and follow the instructions. Webcast participants are encouraged to log on 15 to 20 minutes in advance to ensure a good connection and software compatibility.

Replays of the audio webcast, including presentation, will be available until April 30, 2003 on the company's Web site at [www.hrblock.com/about/investor](http://www.hrblock.com/about/investor) .

Except for historical information contained herein, the matters set forth in this press release are forward-looking statements based upon current information and expectations. Such statements speak only as of the date on which they are made, are not guarantees of future performance, and involve certain risks, uncertainties and assumptions that could cause actual results to differ materially from what is expressed, implied or forecast in such forward-looking statements. Such differences could be caused by a number of factors, including, but not limited to, the uncertainties that the company will achieve its revenue, earnings and earnings per share

goals for fiscal year 2003, that the level of growth in fees, average fee, clients served and online and software clients, and level of decline in tax returns prepared at tax offices experienced in U.S. tax operations through March 15, 2003 will continue throughout the remainder of the tax season and fiscal year, and that actual financial results for fiscal year 2003 will fall within the guidance provided by the company; litigation involving the company and its subsidiaries; changes in economic, political or regulatory environments; and risks described from time to time in reports and registration statements filed by H&R Block Inc. and its subsidiaries with the Securities and Exchange Commission. Readers should take these factors into account in evaluating such forward-looking statements.

## About H&R Block

H&R Block Inc. ( [www.hrblock.com](http://www.hrblock.com) ) is a diversified company with subsidiaries that deliver tax services and financial advice, investment and mortgage products and services, and business accounting and consulting services. As the world's largest tax services company, H&R Block served nearly 23 million clients during fiscal year 2002. Clients were served at the approximately 10,400 H&R Block retail offices worldwide and through the company's award-winning software, TaxCut(R), and its online tax services. H&R Block is the only major tax and financial services company that focuses primarily on helping middle-income taxpayers achieve their financial goals. Investment services and securities products are offered through H&R Block Financial Advisors Inc., member NYSE, SIPC. H&R Block Inc. is not a registered broker-dealer. H&R Block Mortgage Corp. offers retail mortgage products. Option One Mortgage Corp. offers wholesale mortgage products and a wide range of mortgage services. RSM McGladrey Inc. serves mid-sized businesses with accounting, tax and consulting services.

H&R Block, Inc.  
Preliminary U.S. Tax Operating Data  
Amounts in thousands, except average fee and number of offices

	Period				
	1/1-1/31	2/1-2/15	2/16-2/28	3/1-3/15	YTD 3/15
Tax preparation & related fees					
Fiscal year 2003					
Company owned offices	\$287,698	\$366,075	\$151,434	\$142,736	\$947,943
Franchised offices	173,731	209,522	89,938	73,474	546,665
	\$461,429	\$575,597	\$241,372	\$216,210	\$1,494,608
Fiscal year 2002 (A)					
Company owned offices	\$260,155	\$356,120	\$157,205	\$146,190	\$919,670
Franchised offices	148,706	199,176	91,062	72,841	511,785
	\$408,861	\$555,296	\$248,267	\$219,031	\$1,431,455
Percent change					
Company owned offices	10.6%	2.8%	-3.7%	-2.4%	3.1%
Franchised offices	16.8%	5.2%	-1.2%	0.9%	6.8%
Total	12.9%	3.7%	-2.8%	-1.3%	4.4%
Tax returns prepared					
Fiscal year 2003					
Company owned offices	2,202	2,702	1,129	1,033	7,066
Franchised offices	1,460	1,764	762	619	4,605
	3,662	4,466	1,891	1,652	11,671
Fiscal year 2002 (A)					
Company owned offices	2,133	2,877	1,255	1,097	7,362
Franchised offices	1,350	1,811	835	658	4,654
	3,483	4,688	2,090	1,755	12,016
Percent change					
Company owned					

offices	3.2%	-6.1%	-10.0%	-5.8%	-4.0%
Franchised offices	8.2%	-2.6%	-8.7%	-5.9%	-1.1%
Total	5.1%	-4.7%	-9.5%	-5.9%	-2.9%
Total clients served					
Fiscal year 2003					
Company owned					
offices	2,218	2,725	1,137	1,039	7,119
Franchised					
offices	1,497	1,808	777	632	4,714
E-commerce (B)	239	596	315	228	1,378
	3,954	5,129	2,229	1,899	13,211
Fiscal year 2002 (A)					
Company owned					
offices	2,152	2,907	1,267	1,105	7,431
Franchised					
offices	1,403	1,872	857	669	4,801
E-commerce (B)	143	414	219	173	949
	3,698	5,193	2,343	1,947	13,181
Percent change					
Company owned					
offices	3.1%	-6.3%	-10.3%	-6.0%	-4.2%
Franchised					
offices	6.7%	-3.4%	-9.3%	-5.5%	-1.8%
E-commerce (B)	67.1%	44.0%	43.8%	31.8%	45.2%
Total	6.9%	-1.2%	-4.9%	-2.5%	0.2%
Tax returns filed electronically (C)					
Fiscal year 2003					
Company owned					
offices	2,159	2,599	1,027	895	6,680
Franchised					
offices	1,441	1,671	656	490	4,258
E-commerce (B)	167	610	290	237	1,304
	3,767	4,880	1,973	1,622	12,242
Fiscal year 2002 (A)					
Company owned					
offices	2,084	2,730	1,111	913	6,838
Franchised					
offices	1,330	1,671	691	478	4,170
E-commerce (B)	119	382	214	165	880
	3,533	4,783	2,016	1,556	11,888
Percent change					
Company owned					
offices	3.6%	-4.8%	-7.6%	-2.0%	-2.3%
Franchised					
offices	8.4%	0.0%	-5.1%	2.5%	2.1%
E-commerce (B)	40.3%	59.7%	35.5%	43.6%	48.2%
Total	6.6%	2.0%	-2.1%	4.2%	3.0%
Percent filed electronically (D)					
Fiscal year 2003					
Company owned					
offices	97.3%	95.4%	90.3%	86.1%	93.8%
Franchised					
offices	96.3%	92.4%	84.4%	77.5%	90.3%
E-commerce (B)	69.9%	102.3%	92.1%	103.9%	94.6%
	95.3%	95.1%	88.5%	85.4%	92.7%
Fiscal year 2002 (A)					
Company owned					
offices	96.8%	93.9%	87.7%	82.6%	92.0%
Franchised					

offices	94.8%	89.3%	80.6%	71.4%	86.9%
E-commerce (B)	83.2%	92.3%	97.7%	95.4%	92.7%
	95.5%	92.1%	86.0%	79.9%	90.2%
Average fee per client served					
Fiscal year 2003					
Company owned offices	\$129.71	\$134.34	\$133.19	\$137.38	\$133.16
Franchised offices	116.05	115.89	115.75	116.26	115.97
	\$124.21	\$126.98	\$126.11	\$129.39	\$126.31
Fiscal year 2002 (A)					
Company owned offices	\$120.89	\$122.50	\$124.08	\$132.30	\$123.76
Franchised offices	105.99	106.40	106.26	108.88	106.60
	\$115.01	\$116.20	\$116.89	\$123.47	\$117.03
Percent change					
Company owned offices	7.3%	9.7%	7.3%	3.8%	7.6%
Franchised offices	9.5%	8.9%	8.9%	6.8%	8.8%
Total	8.0%	9.3%	7.9%	4.8%	7.9%
Average fee per tax return (F)					
Fiscal year 2003					
Company owned offices	\$106.94	\$118.98	\$124.95	\$132.38	\$118.14
Franchised offices	97.30	103.24	109.25	112.81	103.64
	\$103.09	\$112.76	\$118.63	\$125.04	\$112.42
Fiscal year 2002 (A)					
Company owned offices	\$97.48	\$106.34	\$115.12	\$126.59	\$108.29
Franchised offices	87.03	93.16	98.85	104.29	93.97
	\$93.43	\$101.24	\$108.62	\$118.23	\$102.74
Percent change					
Company owned offices	9.7%	11.9%	8.5%	4.6%	9.1%
Franchised offices	11.8%	10.8%	10.5%	8.2%	10.3%
Total	10.4%	11.4%	9.2%	5.8%	9.4%
Refund anticipation loans (E)					
Fiscal year 2003					
Company owned offices	1,146	1,148	223	124	2,641
Franchised offices	784	742	133	68	1,727
E-commerce (B)	19	29	9	6	63
	1,949	1,919	365	198	4,431
Fiscal year 2002 (A)					
Company owned offices	1,092	1,193	258	138	2,681
Franchised offices	709	753	151	75	1,688
E-commerce (B)	8	16	6	5	35
	1,809	1,962	415	218	4,404
Percent change					
Company owned offices	5.0%	-3.8%	-13.6%	-10.1%	-1.5%
Franchised					

offices	10.6%	-1.5%	-11.9%	-9.3%	2.3%
E-commerce (B)	137.5%	81.3%	50.0%	20.0%	80.0%
Total	7.7%	-2.2%	-12.1%	-9.2%	0.6%

Offices	FY 2003	FY 2002	% Change
Company owned			
offices	5,279	5,017	5.2%
Franchised			
offices	4,022	3,998	0.6%
	9,301	9,015	3.2%

- (A) Prior year numbers have been reclassified between company-owned and franchise offices for franchise offices acquired during the year.
- (B) Includes on-line completed and paid returns and e-filings for software clients. Excludes returns completed for no fee.
- (C) Includes Federal only. State returns also electronically filed are not included in this total.
- (D) Clients served are based on payment date. Returns filed electronically are based on IRS acceptance date. As such, percent filed electronically may exceed 100% in an interim period.
- (E) Prior year numbers have been restated to include only refund anticipation loans processed and funded.
- (F) Includes tax preparation fees only.

#### SOURCE H&R Block Inc.

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