

## **H&R Block Reports Preliminary Tax Season Results; Company Sees Solid Season, Increase in Client Satisfaction**

May 6, 2005 8:31 AM ET

KANSAS CITY, Mo.--(BUSINESS WIRE)--May 6, 2005--H&R Block Inc. (NYSE:HRB) today said that it wrapped up a solid tax season in its U.S. retail operations, delivering a 7.3 percent increase in total tax preparation and related fees from Jan. 1 through April 15. Reporting its preliminary tax season results, H&R Block said total tax fees were \$2.4 billion, while total clients served in its U.S. retail offices were essentially flat to the prior year.

Average fees per client increased 7.4 percent to \$150, reflecting a greater than planned level of tax complexity. An increase in online tax clients served was offset by a decline in software clients, resulting in a 5.9 percent drop in the total number of digital tax solutions clients.

"Our associates executed well on strategies that are improving our overall market position, despite slower than expected industry and paid preparation growth and increased competition," said Mark A. Ernst, chairman and chief executive officer. "Our office expansion and client service enhancements had measurable impact in their first year, which gives us increased confidence in our growth for the future.

"In addition, our client survey results indicate another year of significant improvements in client satisfaction across all measures, demonstrating the value that H&R Block associates are delivering," Ernst said.

The company expects its full-year earnings (excluding any potential special items) to be near the low end of its range of \$3.50 to \$4 per share. An analysis of the recently completed tax season will be shared June 8 when the company announces its fourth quarter and year-end financial results.

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 uncertainty that the company will achieve or exceed its revenue, earnings, and earnings-per-share growth goals or expectations for fiscal year 2005, and that actual financial results for fiscal year 2005 will fall within the guidance provided by the company; the uncertainty of the company's ability to purchase shares of its common stock; the uncertainty of the effect of any share repurchases upon the company and its shareholders; the uncertainty as to the effect on financial results of the adoption of accounting pronouncements; changes in interest rates; changes in economic, political or regulatory environments; the uncertainty of assumptions utilized to estimate cash flows from residual interests in mortgage securitizations and mortgage servicing rights; risks associated with sources of liquidity for each of the lines of business of the company; changes in competition; litigation involving the company and its subsidiaries; 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:

Celebrating its 50th anniversary in 2005, H&R Block is the world's largest tax services provider, having served more than 400 million clients since 1955. The sixth largest retailer in the world, H&R Block has more than 12,000 locations serving taxpayers primarily in the United States, Canada and Australia.

H&R Block's subsidiaries deliver tax services and financial advice, investment and mortgage services, and business accounting and consulting services. H&R Block Financial Advisors Inc. offers investment services and securities products. With approximately 1,000 financial advisors serving clients at approximately 270 locations, H&R Block Financial Advisors is a member NYSE, SIPC, a registered broker-dealer and investment advisor. H&R Block Inc. is not a registered broker-dealer and is not a registered investment advisor. H&R Block Mortgage Corp. offers a full range of retail mortgage services. Option One Mortgage Corp. provides mortgage services and offers wholesale mortgages through large financial institutions and a network of approximately 25,000 independent mortgage brokers. RSM McGladrey Business Services Inc. and its subsidiaries serve mid-sized businesses and their owners with tax, accounting and business consulting services, as well as personal wealth management services. H&R Block Small Business Resources is a new business currently operating in 14 U.S. cities that serves the tax, financial

and business needs of small business owners. H&R Block Small Business Resources is not a licensed CPA firm. For more information about the company, visit our Online Press Center at [www.hrblock.com](http://www.hrblock.com).

H&R BLOCK  
Preliminary U.S. Tax Operating Data

(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
Tax preparation & related fees: (1)				
Fiscal year 2005				
Company-owned offices	\$ 366,912	\$ 436,168	\$ 184,854	\$ 160,245
Franchise offices	183,938	203,196	82,574	65,735
	\$ 550,850	\$ 639,364	\$ 267,428	\$ 225,980
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Fiscal year 2004 (2)				
Company-owned offices	\$ 331,913	\$ 393,539	\$ 193,200	\$ 155,995
Franchise offices	169,183	181,782	86,521	64,637
	\$ 501,096	\$ 575,321	\$ 279,721	\$ 220,632
=====				
Percent change				
Company-owned offices	10.5%	10.8%	-4.3%	2.7%
Franchise offices	8.7%	11.8%	-4.6%	1.7%
Total retail offices	9.9%	11.1%	-4.4%	2.4%
Total clients served:				
Fiscal year 2005				
Company-owned offices	2,447	2,870	1,217	1,018
Franchise offices	1,406	1,548	618	481
Digital tax solutions (3)	1,129	694	322	226
	4,982	5,112	2,157	1,725
=====				
Fiscal year 2004 (2)				
Company-owned offices	2,368	2,780	1,364	1,079
Franchise offices	1,346	1,456	695	509
Digital tax solutions (3)	1,268	737	337	234
	4,982	4,973	2,396	1,822
=====				
Percent change				
Company-owned offices	3.3%	3.2%	-10.8%	-5.7%
Franchise offices	4.5%	6.3%	-11.1%	-5.5%
Total retail offices	3.7%	4.3%	-10.9%	-5.6%
Digital tax solutions (3)	-11.0%	-5.8%	-4.5%	-3.4%
Total	0.0%	2.8%	-10.0%	-5.3%
Average fee per client served: (4)				
Fiscal year 2005				
Company-owned offices	\$ 149.94	\$ 151.97	\$ 151.89	\$ 157.41
Franchise offices	130.82	131.26	133.61	136.66
	\$ 142.97	\$ 144.72	\$ 145.74	\$ 150.75
=====				
Fiscal year 2004 (2)				
Company-owned offices	\$ 140.17	\$ 141.56	\$ 141.64	\$ 144.57
Franchise offices	125.69	124.85	124.49	126.99
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	\$ 134.92	\$ 135.82	\$ 135.85	\$ 138.94
	=====	=====	=====	=====
Percent change				
Company-owned offices	7.0%	7.4%	7.2%	8.9%
Franchise offices	4.1%	5.1%	7.3%	7.6%
Total retail offices	6.0%	6.6%	7.3%	8.5%

Refund anticipation loans:

Fiscal year 2005

Company-owned offices	1,197	1,057	191	100
Franchise offices	714	593	94	47
Digital tax solutions	12	14	3	2
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	1,923	1,664	288	149
	=====	=====	=====	=====

Fiscal year 2004 (2)

Company-owned offices	1,184	1,092	216	96
Franchise offices	709	597	106	43
Digital tax solutions	20	24	7	4
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	1,913	1,713	329	143
	=====	=====	=====	=====

Percent change

Company-owned offices	1.1%	-3.2%	-11.6%	4.2%
Franchise offices	0.7%	-0.7%	-11.3%	9.3%
Total retail offices	1.0%	-2.3%	-11.5%	5.8%
Digital tax solutions	-40.0%	-41.7%	-57.1%	-50.0%
Total	0.5%	-2.9%	-12.5%	4.2%

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Period  
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3/16-3/31    4/1-4/15    YTD 4/15  
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Tax preparation & related fees: (1)

Fiscal year 2005

Company-owned offices	\$ 164,397	\$ 323,212	\$1,635,788
Franchise offices	62,744	119,476	717,663
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	\$ 227,141	\$ 442,688	\$2,353,451
	=====	=====	=====

Fiscal year 2004 (2)

Company-owned offices	\$ 157,462	\$ 287,777	\$1,519,886
Franchise offices	61,146	109,582	672,851
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	\$ 218,608	\$ 397,359	\$2,192,737
	=====	=====	=====

Percent change

Company-owned offices	4.4%	12.3%	7.6%
Franchise offices	2.6%	9.0%	6.7%
Total retail offices	3.9%	11.4%	7.3%

Total clients served:

Fiscal year 2005

Company-owned offices	983	1,849	10,384
Franchise offices	438	801	5,292
Digital tax solutions (3)	230	384	2,985
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	1,651	3,034	18,661
	=====	=====	=====

Fiscal year 2004 (2)

Company-owned offices	1,030	1,807	10,428
Franchise offices	459	790	5,255
Digital tax solutions (3)	193	404	3,173

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	1,682	3,001	18,856
	=====	=====	=====
Percent change			
Company-owned offices	-4.6%	2.3%	-0.4%
Franchise offices	-4.6%	1.4%	0.7%
Total retail offices	-4.6%	2.0%	0.0%
Digital tax solutions (3)	19.2%	-5.0%	-5.9%
Total	-1.8%	1.1%	-1.0%
Average fee per client served: (4)			
Fiscal year 2005			
Company-owned offices	\$ 167.24	\$ 174.80	\$ 157.53
Franchise offices	143.25	149.16	135.61
	-----	-----	-----
	\$ 159.85	\$ 167.05	\$ 150.13
	=====	=====	=====
Fiscal year 2004 (2)			
Company-owned offices	\$ 152.88	\$ 159.26	\$ 145.75
Franchise offices	133.22	138.71	128.04
	-----	-----	-----
	\$ 146.82	\$ 153.01	\$ 139.82
	=====	=====	=====
Percent change			
Company-owned offices	9.4%	9.8%	8.1%
Franchise offices	7.5%	7.5%	5.9%
Total retail offices	8.9%	9.2%	7.4%
Refund anticipation loans:			
Fiscal year 2005			
Company-owned offices	57	56	2,658
Franchise offices	24	23	1,495
Digital tax solutions	1	2	34
	-----	-----	-----
	82	81	4,187
	=====	=====	=====
Fiscal year 2004 (2)			
Company-owned offices	59	54	2,701
Franchise offices	26	22	1,503
Digital tax solutions	2	3	60
	-----	-----	-----
	87	79	4,264
	=====	=====	=====
Percent change			
Company-owned offices	-3.4%	3.7%	-1.6%
Franchise offices	-7.7%	4.5%	-0.5%
Total retail offices	-4.7%	3.9%	-1.2%
Digital tax solutions	-50.0%	-33.3%	-43.3%
Total	-5.7%	2.5%	-1.8%

Offices:	-----	-----
	FY 2005	FY 2004
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Company-owned offices	5,811	5,172
Company-owned shared office locations (5)	1,296	996
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Total company-owned offices	7,107	6,168
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Franchise offices	3,528	3,418
Franchise shared office locations (5)	526	323
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Total franchise offices	4,054	3,741

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11,161      9,909  
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- (1) Includes fees received for tax return preparation services and system administration fees in fiscal year 2004.
- (2) Prior year numbers have been reclassified between company-owned and franchise offices for offices which commenced company-owned operations during fiscal year 2005.
- (3) Includes federal Taxcut software units sold, online completed and paid federal returns and online state returns only when no payment was made for a federal return.
- (4) Calculated as gross tax preparation and related fees divided by clients served.
- (5) Shared office locations include offices located within Wal-Mart, Sears and other third-party businesses.

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SOURCE: H&R Block Inc.