

## **H&R Block Reports Preliminary Tax Season Results; Fiscal Year Earnings Per Share Expected at High End of Guidance Range**

April 30, 2004 8:31 AM ET

KANSAS CITY, Mo.--(BUSINESS WIRE)--April 30, 2004--Reporting preliminary results through April 15, H&R Block Inc. (NYSE:HRB) said fees from tax preparation and related services increased 4.8 percent to \$2.2 billion.

The company said it expected earnings to increase more than 20 percent for the fiscal year ending April 30, at the high end of -- and possibly above -- its earnings per share guidance range of \$3.65 to \$3.85.

Chairman and Chief Executive Officer Mark A. Ernst attributed the anticipated earnings growth to strong earnings from offices in former major franchise territories, solid performance in the digital tax solutions business, excellent cost management in the U.S. tax segment, and continued solid performance in the mortgage segment.

For the tax season, total clients served decreased 0.9 percent to 18.8 million in tax season 2004. Clients served by the company's digital tax solutions business increased 11.1 percent. Clients served in all retail tax offices declined 3.1 percent to 15.6 million. The average fee per client served rose 8.1 percent to \$139.96.

"While our U.S. tax business showed strength in many key areas, the decline in office clients served is disappointing. We're now engaged in an in-depth analysis of the tax season. We'll share key conclusions from this analysis when we announce our fourth quarter and year-end financial results on June 9," Ernst said.

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 2004 and that actual financial results for fiscal year 2004 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: H&R Block Inc. ([www.hrblock.com](http://www.hrblock.com)) is a diversified company with subsidiaries that deliver tax, financial, mortgage and business products and services. It is the only major company with subsidiaries offering a full range of software, online and in-office tax solutions, combined with personalized financial advice about retirement savings, home ownership, and other opportunities to help clients build a better financial future. As the world's largest tax services company, H&R Block served nearly 21 million clients in the U.S. and 11 countries in 2003. H&R Block Financial Advisors Inc. offers investment services and securities products. With more than 1,000 financial advisors serving clients at more than 600 offices, H&R Block Financial Advisors Inc. is a member NYSE, SIPC, a registered broker-dealer and a registered 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 products. Option One Mortgage Corp. provides mortgage services and offers wholesale mortgage products through large financial institutions and a network of 24,000 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, Inc.

Preliminary U.S. Tax Operating Data

Amounts in thousands, except average fee and number of offices

Period

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	1/1-1/31	2/1-2/15	2/16-2/29	3/1-3/15
Tax preparation & related fees (1)				
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Fiscal year 2004				
Company-owned offices (2)	\$309,034	\$364,345	\$180,131	\$142,323
Former major franchise territories (3)	21,889	27,146	11,846	12,661
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Total company-owned offices	330,923	391,491	191,977	154,984
Franchise offices (4)	169,338	182,173	86,199	64,612
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	\$500,261	\$573,664	\$278,176	\$219,596
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Fiscal year 2003 (5)				
Company-owned offices (2)	\$288,175	\$365,196	\$151,759	\$141,083
Former major franchise territories (3)	18,714	28,246	11,742	11,206
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Total company-owned offices	306,889	393,442	163,501	152,289
Franchise offices (4)	153,725	180,043	76,308	62,102
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	\$460,614	\$573,485	\$239,809	\$214,391
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Percent change				
Company-owned offices	7.2%	-0.2%	18.7%	0.9%
Former major franchise territories	17.0%	-3.9%	0.9%	13.0%
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Total company-owned offices	7.8%	-0.5%	17.4%	1.8%
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Franchise offices	10.2%	1.2%	13.0%	4.0%
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Total retail offices	8.6%	0.0%	16.0%	2.4%
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Total clients served

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Fiscal year 2004				
Company-owned offices (2)	2,191	2,553	1,263	976
Former major franchise territories (3)	168	208	89	94
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Total company-owned offices	2,359	2,761	1,352	1,070
Franchise offices (4)	1,347	1,460	692	509
Digital tax solutions (6)	1,268	737	337	234
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	4,974	4,958	2,381	1,813
=====				
Fiscal year 2003 (5)				
Company-owned offices (2)	2,228	2,734	1,153	1,038
Former major franchise territories (3)	157	233	98	93
-----				
Total company-owned offices	2,385	2,967	1,251	1,131
Franchise offices (4)	1,330	1,565	663	541
Digital tax solutions (6)	1,042	634	333	227
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	4,757	5,166	2,247	1,899

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Percent change				
Company-owned offices	-1.7%	-6.6%	9.5%	-6.0%
Former major franchise territories	7.0%	-10.7%	-9.2%	1.1%
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Total company-owned offices	-1.1%	-6.9%	8.1%	-5.4%
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Franchise offices	1.3%	-6.7%	4.4%	-5.9%
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Total retail offices	-0.2%	-6.9%	6.8%	-5.6%
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Digital tax solutions	21.7%	16.3%	1.2%	3.1%
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Total	4.6%	-4.0%	6.0%	-4.5%
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Average fee per client served (7)

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Fiscal year 2004				
Company-owned offices (2)	\$141.05	\$142.71	\$142.62	\$145.82
Former major franchise territories (3)	130.29	130.51	133.10	134.69
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Total company-owned offices	140.28	141.79	141.99	144.84
Franchise offices (4)	125.71	124.78	124.57	126.94
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	\$134.99	\$135.91	\$136.09	\$139.07
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Fiscal year 2003 (5)				
Company-owned offices (2)	\$129.34	\$133.58	\$131.62	\$135.92
Former major franchise territories (3)	119.20	121.23	119.82	120.49
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Total company-owned offices	128.67	132.61	130.70	134.65
Franchise offices (4)	115.58	115.04	115.10	114.79
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	\$123.99	\$126.54	\$125.29	\$128.22
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Percent change				
Company-owned offices	9.1%	6.8%	8.4%	7.3%
Former major franchise territories	9.3%	7.7%	11.1%	11.8%
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Total company-owned offices	9.0%	6.9%	8.6%	7.6%
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Franchise offices	8.8%	8.5%	8.2%	10.6%
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Total retail offices	8.9%	7.4%	8.6%	8.5%
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Refund anticipation loans

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Fiscal year 2004				
Company-owned offices (2)	1,106	1,013	197	89
Former major franchise territories (3)	80	75	15	7
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Total company-owned offices	1,186	1,088	212	96
Franchise offices (4)	708	594	104	44

Digital tax solutions (6)	20	24	7	4
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	1,914	1,706	323	144
	=====	=====	=====	=====
Fiscal year 2003 (5)				
Company-owned offices (2)	1,146	1,148	211	121
Former major franchise territories (3)	81	74	16	8
	-----	-----	-----	-----
Total company-owned offices	1,227	1,222	227	129
Franchise offices (4)	703	653	122	58
Digital tax solutions (6)	19	29	9	6
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	1,949	1,904	358	193
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Percent change				
Company-owned offices	-3.5%	-11.8%	-6.6%	-26.5%
Former major franchise territories	-1.2%	1.4%	-6.3%	-12.5%
	-----	-----	-----	-----
Total company-owned offices	-3.3%	-11.0%	-6.6%	-25.6%
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Franchise offices	0.7%	-9.0%	-14.8%	-24.1%
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Total retail offices	-1.9%	-10.3%	-9.5%	-25.1%
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Digital tax solutions	5.3%	-17.2%	-22.2%	-33.3%
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Total	-1.8%	-10.4%	-9.8%	-25.4%
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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)			
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Fiscal year 2004			
Company-owned offices (2)	\$145,732	\$267,121	\$1,408,686
Former major franchise territories (3)	10,809	19,470	103,821
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Total company-owned offices	156,541	286,591	1,512,507
Franchise offices (4)	61,204	109,837	673,363
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	\$217,745	\$396,428	\$2,185,870
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Fiscal year 2003 (5)			
Company-owned offices (2)	\$137,640	\$266,974	\$1,350,827
Former major franchise territories (3)	10,004	18,703	98,615
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Total company-owned offices	147,644	285,677	1,449,442
Franchise offices (4)	56,966	107,997	637,141
	-----	-----	-----
	\$204,610	\$393,674	\$2,086,583
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Percent change			
Company-owned offices	5.9%	0.1%	4.3%
Former major franchise territories	8.1%	4.1%	5.3%
	-----	-----	-----
Total company-owned offices	6.0%	0.3%	4.4%
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Franchise offices	7.4%	1.7%	5.7%
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Total retail offices	6.4%	0.7%	4.8%
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Total clients served

Fiscal year 2004

Company-owned offices (2)	944	1,665	9,592
Former major franchise territories (3)	76	131	766
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Total company-owned offices	1,020	1,796	10,358
Franchise offices (4)	460	792	5,260
Digital tax solutions (6)	193	404	3,173
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	1,673	2,992	18,791
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Fiscal year 2003 (5)

Company-owned offices (2)	973	1,763	9,889
Former major franchise territories (3)	78	143	802
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Total company-owned offices	1,051	1,906	10,691
Franchise offices (4)	477	847	5,423
Digital tax solutions (6)	197	422	2,855
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	1,725	3,175	18,969
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Percent change

Company-owned offices	-3.0%	-5.6%	-3.0%
Former major franchise territories	-2.6%	-8.4%	-4.5%
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Total company-owned offices	-3.0%	-5.8%	-3.1%
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Franchise offices	-3.6%	-6.5%	-3.0%
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Total retail offices	-3.1%	-6.0%	-3.1%
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Digital tax solutions	-2.0%	-4.3%	11.1%
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Total	-3.0%	-5.8%	-0.9%
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Average fee per client served (7)

Fiscal year 2004

Company-owned offices (2)	\$154.38	\$160.43	\$146.86
Former major franchise territories (3)	142.22	148.63	135.54
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Total company-owned offices	153.47	159.57	146.02
Franchise offices (4)	133.05	138.68	128.02
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	\$147.13	\$153.18	\$139.96
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Fiscal year 2003 (5)

Company-owned offices (2)	\$141.46	\$151.43	\$136.60
Former major franchise territories (3)	128.26	130.79	122.96
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Total company-owned offices	140.48	149.88	135.58
Franchise offices (4)	119.43	127.51	117.49
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	\$133.91	\$143.00	\$129.49
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Percent change			
Company-owned offices	9.1%	5.9%	7.5%
Former major franchise territories	10.9%	13.6%	10.2%
-----			
Total company-owned offices	9.3%	6.5%	7.7%
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Franchise offices	11.4%	8.8%	9.0%
-----			
Total retail offices	9.9%	7.1%	8.1%
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Refund anticipation loans

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Fiscal year 2004			
Company-owned offices (2)	54	51	2,510
Former major franchise territories (3)	4	3	184
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Total company-owned offices	58	54	2,694
Franchise offices (4)	25	21	1,496
Digital tax solutions (6)	2	3	60
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	85	78	4,250
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Fiscal year 2003 (5)			
Company-owned offices (2)	62	59	2,747
Former major franchise territories (3)	4	4	187
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Total company-owned offices	66	63	2,934
Franchise offices (4)	28	27	1,591
Digital tax solutions (6)	4	6	73
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	98	96	4,598
=====			
Percent change			
Company-owned offices	-12.9%	-13.6%	-8.6%
Former major franchise territories	0.0%	-25.0%	-1.6%
-----			
Total company-owned offices	-12.1%	-14.3%	-8.2%
-----			
Franchise offices	-10.7%	-22.2%	-6.0%
-----			
Total retail offices	-11.7%	-16.7%	-7.4%
-----			
Digital tax solutions	-50.0%	-50.0%	-17.8%
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Total	-13.3%	-18.8%	-7.6%
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Offices	FY 2004	FY 2003
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Company-owned offices (2)	4,746	4,672
Former major franchise territories (3)	459	--
Company-owned shared office locations (8)	947	607
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Total company-owned offices	6,152	5,279
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Franchise offices (4)	3,374	3,398
Former major franchise territories (3)	--	529
Franchise shared office locations (8)	325	95
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Total franchise offices	3,699	4,022
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	9,851	9,301

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- (1) Includes fees received for tax return preparation services and system administration fees.
- (2) Excludes company-owned offices in former major franchise territories which commenced operations during fiscal year 2004.
- (3) Impact of company-owned offices in former major franchise territories which commenced operations during fiscal year 2004.
- (4) Represents remaining major franchise territories and other franchises.
- (5) Prior year numbers have been reclassified between company-owned and franchise offices for offices in former franchise territories which commenced company-owned operations during fiscal year 2004.
- (6) Includes on-line completed and paid returns and federal software units sold.
- (7) Calculated as tax preparation and related fees divided by clients served.
- (8) Shared locations include offices located within Wal-Mart, Sears and other third-party businesses.

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