

## H&R Block Reports Tax Season Data Through March 31

April 18, 2005 8:31 AM ET

KANSAS CITY, Mo.--(BUSINESS WIRE)--April 18, 2005--H&R Block Inc. (NYSE:HRB) today reported that tax preparation and related fees from its U.S. retail operations increased 6.4 percent to \$1.9 billion through March 31, 2005. The average fee per client served in company-owned and franchised offices rose 6.9 percent to \$146.69.

The number of clients served in the company's U.S. retail operations declined slightly by 0.5 percent through March 31. Digital tax solutions clients served declined 6.1 percent through the same period.

"These results are consistent with retail client growth at the low end of our expected range," said Mark A. Ernst, chairman and chief executive officer. "The continued increase in more complex tax returns is yielding a higher average fee per client."

The company is maintaining its earnings guidance at the low end of the \$3.50 to \$4 per share range, as previously communicated.

H&R Block plans to release preliminary business results for the final two weeks of the U.S. tax season before market opening on May 6.

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 32,000 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).

(in thousands, except average fee and number of offices)

	Period		
	1/1-1/31	2/1-2/15	2/16-2/28
Tax preparation & related fees: (1)			
Fiscal year 2005			
Company-owned offices	\$366,912	\$436,168	\$184,854
Franchise offices	183,938	203,196	82,574
	-----	-----	-----
	\$550,850	\$639,364	\$267,428
	=====	=====	=====
Fiscal year 2004 (2)			
Company-owned offices	\$331,913	\$393,539	\$193,200
Franchise offices	169,183	181,782	86,521
	-----	-----	-----
	\$501,096	\$575,321	\$279,721
	=====	=====	=====
Percent change			
Company-owned offices	10.5%	10.8%	-4.3%
Franchise offices	8.7%	11.8%	-4.6%
Total retail offices	9.9%	11.1%	-4.4%
-----			
Total clients served:			
Fiscal year 2005			
Company-owned offices	2,447	2,870	1,217
Franchise offices	1,406	1,548	618
Digital tax solutions (3)	1,129	694	322
	-----	-----	-----
	4,982	5,112	2,157
	=====	=====	=====
Fiscal year 2004 (2)			
Company-owned offices	2,368	2,780	1,364
Franchise offices	1,346	1,456	695
Digital tax solutions (3)	1,268	737	337
	-----	-----	-----
	4,982	4,973	2,396
	=====	=====	=====
Percent change			
Company-owned offices	3.3%	3.2%	-10.8%
Franchise offices	4.5%	6.3%	-11.1%
Total retail offices	3.7%	4.3%	-10.9%
Digital tax solutions (3)	-11.0%	-5.8%	-4.5%
Total	0.0%	2.8%	-10.0%
-----			
Average fee per client served: (4)			
Fiscal year 2005			
Company-owned offices	\$149.94	\$151.97	\$151.89
Franchise offices	130.82	131.26	133.61
	-----	-----	-----
	\$142.97	\$144.72	\$145.74
	=====	=====	=====
Fiscal year 2004 (2)			
Company-owned offices	\$140.17	\$141.56	\$141.64
Franchise offices	125.69	124.85	124.49
	-----	-----	-----

	\$134.92	\$135.82	\$135.85
	=====	=====	=====

Percent change

Company-owned offices	7.0%	7.4%	7.2%
Franchise offices	4.1%	5.1%	7.3%
Total retail offices	6.0%	6.6%	7.3%

Refund anticipation loans:

Fiscal year 2005

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

Fiscal year 2004 (2)

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

Percent change

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

H&R BLOCK

Preliminary U.S. Tax Operating Data

(in thousands, except average fee and number of offices)

	-----		
	Period		
	-----		
	3/1-3/15	3/16-3/31	YTD 3/31
	-----		

Tax preparation & related fees: (1)

Fiscal year 2005

Company-owned offices	\$160,245	\$164,397	\$1,312,576
Franchise offices	65,735	62,744	598,187
	-----	-----	-----
	\$225,980	\$227,141	\$1,910,763
	=====	=====	=====

Fiscal year 2004 (2)

Company-owned offices	\$155,995	\$157,462	\$1,232,109
Franchise offices	64,637	61,146	563,269
	-----	-----	-----
	\$220,632	\$218,608	\$1,795,378
	=====	=====	=====

Percent change

Company-owned offices	2.7%	4.4%	6.5%
Franchise offices	1.7%	2.6%	6.2%

Total retail offices	2.4%	3.9%	6.4%
----------------------	------	------	------

Total clients served:

Fiscal year 2005

Company-owned offices	1,018	983	8,535
Franchise offices	481	438	4,491
Digital tax solutions (3)	226	230	2,601
	1,725	1,651	15,627

Fiscal year 2004 (2)

Company-owned offices	1,079	1,030	8,621
Franchise offices	509	459	4,465
Digital tax solutions (3)	234	193	2,769
	1,822	1,682	15,855

Percent change

Company-owned offices	-5.7%	-4.6%	-1.0%
Franchise offices	-5.5%	-4.6%	0.6%
Total retail offices	-5.6%	-4.6%	-0.5%
Digital tax solutions (3)	-3.4%	19.2%	-6.1%
Total	-5.3%	-1.8%	-1.4%

Average fee per client served: (4)

Fiscal year 2005

Company-owned offices	\$157.41	\$167.24	\$153.79
Franchise offices	136.66	143.25	133.20
	\$150.75	\$159.85	\$146.69

Fiscal year 2004 (2)

Company-owned offices	\$144.57	\$152.88	\$142.92
Franchise offices	126.99	133.22	126.15
	\$138.94	\$146.82	\$137.20

Percent change

Company-owned offices	8.9%	9.4%	7.6%
Franchise offices	7.6%	7.5%	5.6%
Total retail offices	8.5%	8.9%	6.9%

Refund anticipation loans:

Fiscal year 2005

Company-owned offices	100	57	2,602
Franchise offices	47	24	1,472
Digital tax solutions	2	1	32
	149	82	4,106

Fiscal year 2004 (2)

Company-owned offices	96	59	2,647
Franchise offices	43	26	1,481
Digital tax solutions	4	2	57

	143	87	4,185
	=====	=====	=====
Percent change			
Company-owned offices	4.2%	-3.4%	-1.7%
Franchise offices	9.3%	-7.7%	-0.6%
-----			
Total retail offices	5.8%	-4.7%	-1.3%
-----			
Digital tax solutions	-50.0%	-50.0%	-43.9%
-----			
Total	4.2%	-5.7%	-1.9%
-----			

Offices:		
	FY 2005	FY 2004
	-----	-----
Company-owned offices	5,811	5,172
Company-owned shared office locations (5)	1,296	996
	-----	-----
Total company-owned offices	7,107	6,168
	-----	-----
Franchise offices	3,528	3,418
Franchise shared office locations (5)	526	323
	-----	-----
Total franchise offices	4,054	3,741
	-----	-----
	11,161	9,909
	=====	=====

- (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.

CONTACT: H&R Block Linda McDougall, 816-932-7542 (Media Relations) [lmcdougall@hrblock.com](mailto:lmcdougall@hrblock.com) Pam Kearney, 816-932-1967 (Investor Relations) [pkearney@hrblock.com](mailto:pkearney@hrblock.com) SOURCE: H&R Block