

H&R Block Early Tax Season Results Consistent with Expectations

March 17, 2005 8:31 AM ET

KANSAS CITY, Mo., Mar 17, 2005 (BUSINESS WIRE) -- H&R Block Inc. (NYSE:HRB) today reported that tax filing results through Feb. 28, 2005, show a 1 percent increase in the number of clients served in the company's retail operations, which is consistent with management's expectations for the period. The comparable period last year included one extra day, ending on Feb. 29, 2004.

Digital tax solutions clients served through Feb. 28 declined 8.4 percent, resulting in a 0.8 percent decrease in total clients served.

Tax preparation and related fees increased 7.5 percent to \$1.5 billion from Jan. 1 through Feb. 28, while the average fee per client rose 6.5 percent to \$144.24.

H&R Block plans to release additional business results for its U.S. tax operations before market opening on March 31, April 15 and 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.

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

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

Period

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	1/1-1/31	2/1-2/15	2/16-2/28	YTD 2/28
Tax preparation & related fees: (1)				
Fiscal year 2005				
Company-owned offices	\$366,912	\$436,168	\$184,854	\$987,934
Franchise offices	183,938	203,196	82,574	469,708
	\$550,850	\$639,364	\$267,428	\$1,457,642
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Fiscal year 2004 (2)				
Company-owned offices	\$331,913	\$393,539	\$193,200	\$918,652
Franchise offices	169,183	181,782	86,521	437,486
	\$501,096	\$575,321	\$279,721	\$1,356,138
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Percent change				
Company-owned offices	10.5%	10.8%	-4.3%	7.5%
Franchise offices	8.7%	11.8%	-4.6%	7.4%
Total retail offices	9.9%	11.1%	-4.4%	7.5%
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Total clients served:				
Fiscal year 2005				
Company-owned offices	2,447	2,870	1,217	6,534
Franchise offices	1,406	1,548	618	3,572
Digital tax solutions (3)	1,129	694	322	2,145
	4,982	5,112	2,157	12,251
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Fiscal year 2004 (2)				
Company-owned offices	2,368	2,780	1,364	6,512
Franchise offices	1,346	1,456	695	3,497
Digital tax solutions (3)	1,268	737	337	2,342
	4,982	4,973	2,396	12,351
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Percent change				
Company-owned offices	3.3%	3.2%	-10.8%	0.3%
Franchise offices	4.5%	6.3%	-11.1%	2.1%
Total retail offices	3.7%	4.3%	-10.9%	1.0%
Digital tax solutions (3)	-11.0%	-5.8%	-4.5%	-8.4%
Total	0.0%	2.8%	-10.0%	-0.8%
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Average fee per client served: (4)				
Fiscal year 2005				
Company-owned offices	\$149.94	\$151.97	\$151.89	\$151.20
Franchise offices	130.82	131.26	133.61	131.50
	\$142.97	\$144.72	\$145.74	\$144.24
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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	YTD 2/28
Fiscal year 2004 (2)				
Company-owned offices	\$140.17	\$141.56	\$141.64	\$141.07
Franchise offices	125.69	124.85	124.49	125.10
	\$134.92	\$135.82	\$135.85	\$135.49
Percent change				
Company-owned offices	7.0%	7.4%	7.2%	7.2%
Franchise offices	4.1%	5.1%	7.3%	5.1%
Total retail offices	6.0%	6.6%	7.3%	6.5%
Refund anticipation loans:				
Fiscal year 2005				
Company-owned offices	1,197	1,057	191	2,445
Franchise offices	714	593	94	1,401
Digital tax solutions	12	14	3	29
	1,923	1,664	288	3,875
Fiscal year 2004 (2)				
Company-owned offices	1,184	1,092	216	2,492
Franchise offices	709	597	106	1,412
Digital tax solutions	20	24	7	51
	1,913	1,713	329	3,955
Percent change				
Company-owned offices	1.1%	-3.2%	-11.6%	-1.9%
Franchise offices	0.7%	-0.7%	-11.3%	-0.8%
Total retail offices	1.0%	-2.3%	-11.5%	-1.5%
Digital tax solutions	-40.0%	-41.7%	-57.1%	-43.1%
Total	0.5%	-2.9%	-12.5%	-2.0%

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
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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.

SOURCE: H&R Block Inc.

H&R Block Inc.

Media Relations:

Linda McDougall, 816-932-7542

lmcDougall@hrblock.com

or

Investor Relations:

Pam Kearney, 816-932-1967

pkearney@hrblock.com