

H&R Block Provides Update on Refund Loan Program and Clarifies Earnings Expectations

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KANSAS CITY, Mo., Jan. 8 /PRNewswire-FirstCall/ -- H&R Block (NYSE: HRB) announced that it is making a change regarding refund anticipation loan participations this year due to a change in the bank originating the loans.

Under an agreement signed this week between Block Financial Corporation, a subsidiary of H&R Block, and Household Tax Masters Inc., the company servicing the loans, Block said it would waive its contractual rights to participate in refund anticipation loans (RALs) in exchange for direct payments from Household Tax Masters that will be received over the course of the tax season, subject to certain adjustments.

The change is not expected to have an effect on Block's earnings results for the year and does not affect the company's earnings guidance. The payments from Household Tax Masters will reduce revenues that would have been received by participating in RALs by approximately \$50 million from 2002 levels.

Block said this change also would have no effect on clients. "We've already begun providing RALs to our tax clients this year, and the transition has been seamless," said Jeff Yabuki, H&R Block's executive vice president and chief operating officer.

In a separate matter, the company provided an update on the Maryland class action litigation, Green, et al vs. H&R Block, Inc., et al. Yesterday the judge ruled that she would stay the case until a Chicago trial court has ruled on the fairness of a pending nationwide settlement in another RAL class action case and all appeals were completed. The trial in the Maryland case had been scheduled to begin Jan. 7. Briefs in the Chicago case were filed in December.

The company also clarified that its earnings guidance for its current fiscal year is consistent with the consensus estimate of analysts as reported by First Call, when factoring differing treatments of non-disclosure items in the First Call consensus estimates.

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, earnings per share and margin goals for fiscal year 2003 and that actual financial results for fiscal year 2003 will fall within the guidance provided by the company; the uncertainty of the exact effect of the waiver agreement with Household Tax Masters Inc. on financial results; the uncertainties relating to 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. SOURCE H&R Block

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