

Strong Start to Tax Season Leads to Profitable Third Quarter

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KANSAS CITY, Mo., Feb. 27 /PRNewswire/ -- H&R Block Inc. (NYSE: HRB) today reported earnings for the third quarter ended Jan. 31, 2001, of \$5.6 million, or 6 cents per basic and diluted share, compared with a net loss of \$7.1 million, or 7 cents per basic and diluted share, last year. Cash earnings improved \$21.1 million over the prior year's quarter to \$27.1 million, or 30 cents per basic share and 29 cents per diluted share, compared with earnings of \$5.9 million, or 6 cents per basic and diluted share. The company defines cash earnings as net earnings from operations excluding the after-tax effect of amortization expense of acquired intangible assets.

"For the first time in our company's history, H&R Block's U.S. tax operations has reported a profit outside of the fourth quarter," said Mark A. Ernst, president and chief executive officer. "A surprising early start to the tax filing season, disciplined expense control, and strong improvements in our e-commerce business, along with strength in our mortgage business, contributed to these outstanding financial results.

"We effectively managed the early tax season surge, quickly mobilizing thousands of field staff and readily adapting to the increased business," Ernst added. "While this early tax filing growth has shifted some revenue from the fourth quarter to the third quarter, overall trends indicate that we are on track to deliver results for the full year that we believe will meet our previously announced revenue and earnings targets."

The company also experienced a strong start in its e-solutions business. Executing on its software and online tax strategy to profitably build unit sales, retail shipment of software grew 56 percent to 2.3 million units, while registered online tax users increased nearly three-fold during the quarter.

"We're pleased with our e-commerce results thus far," said Ernst. "Americans are finding that no matter how they wish to be served, H&R Block provides the most comprehensive array of tax products and services."

All domestic lines of business reported double-digit revenue growth for the quarter, led by U.S. tax operations' 37.6 percent increase over last year's third quarter. H&R Block's revenues for the quarter climbed 29 percent to \$661.4 million, compared with \$512.5 million for the same period last year.

The company's performance as measured by earnings before interest (including interest expense on acquisition debt, investment income and interest allocated to operating business units), taxes, depreciation and amortization (EBITDA), improved by \$48.3 million to \$88.7 million, a gain of 119 percent over the prior year's quarter. The pretax amortization expense of acquired intangible assets increased in the third quarter to \$26.3 million from \$17 million during the same period last year.

U.S. Tax Operations

H&R Block's U.S. tax operations reported revenues of \$327.3 million, an increase of \$89.5 million, or 37.6 percent, compared with \$237.9 million in the same quarter a year ago. Pretax earnings for the segment improved \$36.9 million to \$7.4 million, compared to a pretax loss of \$29.4 million last year. The segment's better than expected results were due to increases in both numbers of clients and average fees per client, strict cost management, and year-over-year improvements in e-commerce and participations in refund anticipation loans (RALs).

From Jan. 1 through Jan. 31, 2001, tax preparation and related fees from company-owned and franchised offices increased 36.8 percent compared with the same period last year, while the number of clients served by company-owned and franchised operations increased 25 percent. As of Jan. 31, 2001, H&R Block had filed 3.3 million federal returns electronically, representing a 27.5 percent increase over the prior year. Through the first month of tax season, 94.4 percent of returns processed by the company were filed electronically. The number of RALs processed by Block increased 18.9 percent to 1.7 million, compared with 1.4 million for the same period in 2000.

For the period Jan. 1 through Feb. 15, 2001, company-owned operations served 5.4 million clients, an increase of 7.5 percent over the same period ended Feb. 15, 2000. For the same period, tax preparation and related fees in company-owned tax offices increased 17.1 percent to \$548.6 million.

Outlook for Remainder of Tax Season

"While we are very encouraged by our strong start this tax season, it's important to keep several points in mind when looking ahead to the fourth quarter," Ernst said. "Our analysis of early season data indicates the growth is attributable in part to a slight shift in the filing pattern from the first two weeks of February into late January. As a result, we do not expect to sustain the significant level of growth recorded in the third quarter during the remainder of the tax season. Our results for company-owned operations through Feb. 15 are more in line with our expectations for the start of the tax season and a better indicator of our overall tax season performance to date.

"Average fee increases will also level off in the fourth quarter, as our pricing increases were more heavily weighted toward the beginning of the tax season," Ernst explained. "However, we are benefiting from a mix of returns that includes slightly more complexity and a reduction in discounts. We expect some level of continuing benefit from fewer discounts.

"Finally, our strong start has not led us to lose sight of the fact that this year we have adopted a two-season marketing focus, which is directed at increasing the overall complexity of the clients we serve during the second half of the tax season," Ernst said. "While we are currently on track to realize our previously stated full year goals, our ultimate results from the tax season will depend heavily on the success of these marketing efforts."

International Tax Operations

International tax operations, which include Canada, Australia and the United Kingdom, generated revenues of \$7.9 million, down 7.3 percent over last year partially due to the continued strength of the U.S. dollar. The pretax loss improved \$1 million, or 13.9 percent, to \$6.1 million, compared with \$7.1 million a year ago. Careful cost control, particularly in Canadian operations, drove the improved results.

Financial Services

The financial services segment, comprised of mortgage and investment services operations, reported a 2.2 percent increase in pretax earnings over last year to \$44.9 million, due primarily to strong results from mortgage operations, offset by lower earnings from investment services operations. Revenues rose 27.4 percent to \$232.3 million, due in part to the inclusion of three months of operations from H&R Block Financial Advisors for the quarter, versus only two months last year.

Mortgage operations, which include Option One Mortgage Corporation and H&R Block Mortgage Corporation, reported pretax earnings of \$38.3 million, a 53.3 percent increase over the prior year. Revenues rose \$28.5 million, or 33.3 percent, to \$114.2 million. The improved results are attributable to the volume and quality of loans originated and serviced by Option One, the pricing those loans generated, a positive interest rate environment, and continued cost control. These items as well as third-party off-balance sheet financing arrangements contributed to the 437 basis point year-over-year pretax operating margin improvement.

Option One and H&R Block Mortgage originated \$1.6 billion in loans in the third quarter, an increase of 12.5 percent over the same period last year. At the end of the third quarter, Option One's servicing portfolio was approximately \$17.5 billion, an increase of \$7.1 billion, or 68 percent, over last year and an increase of \$0.9 billion, or 5.4 percent over the second quarter of fiscal 2001.

Block's investment services operations, which consists primarily of H&R Block Financial Advisors Inc., contributed \$118.1 million in revenues and \$6.6 million in pretax earnings, a 22.1 percent increase and 65.2 percent decrease compared to the prior year, respectively. Pretax earnings include \$1.1 million in one-time charges associated with staff reductions, as H&R Block Financial Advisors has actively managed its cost structure in the industry's slow trading environment.

The average commission rate per trade of \$68.61 represents a 14.1 percent increase from \$60.13 in the prior year's quarter and a 2.7 percent decrease compared with the last quarter's rate of \$70.52. Total customer trades and customer daily average trades were consistent with the sequential second quarter results and declined approximately 40 percent over the prior year's very active levels.

The financial services segment reported solid cash flows. EBITDA increased \$9.1 million to \$65.8 million, or 16.1 percent over the prior year. Higher earnings primarily drove the increase.

Business Services

Business services, which primarily includes RSM McGladrey Inc., reported pretax earnings of \$1.1 million compared to \$3.1 million last year. Revenues rose 12 percent to \$92.7 million, driven by increased consulting and financial service fees. Business services reported a 3.2 percent improvement in EBITDA to \$11.1 million, compared with \$10.7 million last year.

Other

Interest expense on acquisition debt increased \$4.5 million to \$24 million versus a year ago, due to higher interest rates and the full quarter inclusion of the financing costs associated with the acquisition of H&R Block Financial Advisors on Dec. 1, 1999.

For the nine months ended Jan. 31, 2001, H&R Block's revenues were \$1.3 billion, up 54.4 percent from the same period a year ago. The net loss was \$95.8 million, or \$1.04 per share, compared with a net loss of \$88.9 million, or 91 cents per share for the same nine-month period last year. Cash earnings improved 48.6 percent over the prior year's nine-month period with a loss of \$32.7 million, or 35 cents per share, compared with a loss of \$63.6 million, or 65 cents per share. EBITDA improved by \$103.7 million to \$55.6 million, compared with a loss of \$48.1 million for the prior year's nine-month period.

The Board of Directors of H&R Block declared a quarterly dividend of 30 cents per share, payable April 2, 2001, to shareholders of record on March 12, 2001.

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 or exceed its revenue, earnings, client and pricing growth goals for fiscal year 2001, that the level of growth experienced in the third quarter and early tax season will continue throughout the remainder of the tax season and fiscal year, that average fees will continue at current levels or increase during the remainder of fiscal year 2001, of the success of the company's marketing efforts, of the continued strong performance of the company's mortgage operations, that the performance of the company's e-commerce initiatives will continue to improve, changes in economic, political or regulatory environments, 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. is a diversified company with subsidiaries providing a wide range of financial products and services. In 2000, H&R Block served 19.2 million taxpayers -- more than any tax or accounting firm -- through its more than 10,000 offices located in the United States, Canada, Australia and the United Kingdom. H&R Block served another 1.8 million tax clients through its award-winning software program, Kiplinger TaxCut(R), and through its new online tax preparation services. Investment services and securities products are offered through H&R Block Financial Advisors Inc., member NYSE, SIPC. H&R Block Inc. is not a registered broker-dealer. H&R Block Mortgage Corporation and Option One Mortgage Corporation offer a full range of home mortgage products. RSM McGladrey Inc. is a national accounting, tax and consulting firm with 100 offices nationwide, as well as an affiliation with 550 offices in 75 countries as the U.S. member of RSM International. Quarterly results and other information are available on the company's Web site at www.hrblock.com.

H&R BLOCK, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
Unaudited, amounts in thousands, except per share data

	Three months ended January 31,		
	2001	2000	1999
Revenues	\$661,354	\$512,507	\$291,482
Earnings (loss) from continuing operations before income taxes (benefit)	9,816	(13,523)	(4,588)

Net earnings (loss) from continuing operations	5,645	(7,075)	(2,845)
Net loss from discontinued operations (less applicable income tax benefit of (\$175))	-	-	(273)
Net loss on sale of discontinued operations (less applicable income tax benefit of (\$12,773))	-	-	(19,978)
Net earnings (loss)	\$5,645	\$(7,075)	\$(23,096)
Basic net earnings (loss) per share:			
Net earnings (loss) from continuing operations	\$0.06	\$(0.07)	\$(0.03)
Net earnings (loss)	\$0.06	\$(0.07)	\$(0.24)
Basic shares outstanding	91,299	98,358	97,481
Diluted net earnings (loss) per share:			
Net earnings (loss) from continuing operations	\$0.06	\$(0.07)	\$(0.03)
Net earnings (loss)	\$0.06	\$(0.07)	\$(0.24)
Diluted shares outstanding	92,036	98,358	97,481
	Nine months ended January 31,		
	2001 2000 1999		
Revenues	\$1,302,938	\$844,013	\$447,668
Loss from continuing operations before income tax benefit	(166,533)	(145,477)	(97,612)
Net loss from continuing operations	(95,756)	(88,886)	(60,540)
Net loss from discontinued operations (less applicable income tax benefit of (\$953))	-	-	(1,490)
Net loss on sale of discontinued operations (less applicable income tax benefit of (\$12,773))	-	-	(19,978)
Net loss	\$(95,756)	\$(88,886)	\$(82,008)
Basic net loss per share:			
Net loss from continuing operations	\$(1.04)	\$(0.91)	\$(0.60)
Net loss	\$(1.04)	\$(0.91)	\$(0.82)
Basic shares outstanding	91,988	97,962	100,526

Notes to Consolidated Statements of Operations

Basic and diluted net earnings per share is based on the weighted average number of shares outstanding during each period.

Reclassifications have been made to prior years to conform with current period presentation.

On December 1, 1999, the Company completed the acquisition of the outstanding capital stock of Olde Financial Corporation and Financial Marketing Services, Inc. (collectively, OLDE). The purchase price was \$850 million in cash plus net tangible book value payments of \$48.5 million. The acquisition was accounted for as a purchase and, accordingly, OLDE's results are included since the date of the acquisition. The acquisition was funded with short-term borrowings and the issuance of \$500 million in Senior Notes in the fourth quarter of fiscal 2000.

On August 2, 1999, the Company, through a subsidiary, RSM McGladrey, Inc., completed the purchase of substantially all of the non-attest assets of McGladrey & Pullen, LLP. The purchase price was \$240 million in cash payments over four years and the assumption of certain pension liabilities with a present value of \$52.7 million. The acquisition was accounted for as a purchase, and accordingly, results are included since the date of acquisition.

On January 29, 1999, the Company completed the sale of its WebCard Visa portfolio. The Company ultimately recorded a \$20.9 million loss, net of taxes, on the transaction. The Consolidated Statements of Operations for the three and nine months ended January 31, 1999 reflect the Company's Credit Card Operations segment as discontinued operations. Revenues from discontinued operations for the three and nine months ended January 31, 1999 were \$7.8 million and \$24.1 million, respectively.

During the nine months ended January 31, 2001, 2000 and 1999, the Company issued shares of its common stock pursuant to provisions for exercise of the Company's stock option plans as follows: 2001-106,775 shares;

2000-953,865 shares; 1999-1,996,012 shares. During the same periods, the

Company reacquired shares of its common stock as follows:

2001-6,816,098 shares at an aggregate cost of \$222,894,000; 2000-721,800

shares at an aggregate cost of \$32,366,000; 1999-11,792,500 shares at an

aggregate cost of \$490,868,000.

H&R BLOCK, INC.

SELECTED OPERATIONAL INFORMATION

Unaudited, amounts in thousands

	Three months ended January 31,			
	Revenues		Earnings (loss)	
	2001	2000	2001	2000
U.S. tax operations	\$327,310	\$237,851	\$7,438	\$(29,427)
International tax operations	7,857	8,478	(6,141)	(7,134)
Financial services	232,333	182,419	44,926	43,976
Business services	92,729	82,806	1,063	3,135
Unallocated corporate	1,125	953	(11,418)	(6,671)
Interest expense on acquisition debt	-	-	(23,988)	(19,451)
	\$661,354	\$512,507	11,880	(15,572)
Investment income, net			1,099	1,517
Intercompany interest*			(3,163)	532
			9,816	(13,523)
Income taxes (benefit)			4,171	(6,448)
Net earnings (loss)			\$5,645	\$(7,075)

	Nine months ended January 31,			
	Revenues		Earnings (loss)	
	2001	2000	2001	2000
U.S. tax operations	\$365,063	\$270,649	\$(167,635)	\$(184,160)
International tax operations	27,655	27,259	(12,531)	(15,299)
Financial services	659,863	353,376	112,292	83,733
Business services	247,093	190,165	(2,731)	1,795
Unallocated corporate	3,264	2,564	(22,758)	(13,448)
Interest expense on acquisition debt	-	-	(75,760)	(31,916)
	\$1,302,938	\$844,013	(169,123)	(159,295)
Investment income, net			6,354	6,570
Intercompany interest*			(3,764)	7,248
			(166,533)	(145,477)
Income tax benefit			(70,777)	(56,591)
Net loss			\$(95,756)	\$(88,886)

- Intercompany interest represents net interest expense charged to financial related businesses for corporate cash that was borrowed to fund their operating activities and, in fiscal 2001, it also includes net unallocated interest expense attributable to commitment fees on the unused portion of the Company's \$1.9 billion credit facility.

H&R Block, Inc.

Consolidated Balance Sheets

Unaudited, amounts in thousands, except share data

	January 31,	
	2001	2000
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$380,918	\$275,740
Marketable securities -- available-for-sale	8,288	33,074
Marketable securities -- trading	42,690	45,872
Receivables from customers, brokers, dealers and clearing organizations, less allowance for doubtful accounts of \$878 and \$744	1,913,319	2,385,785
Receivables, less allowance for doubtful accounts of \$37,042 and \$37,474	1,072,466	1,248,065
Prepaid expenses and other current assets	182,149	163,121
TOTAL CURRENT ASSETS	3,599,830	4,151,657
INVESTMENTS AND OTHER ASSETS:		
Investments in available-for- sale marketable securities	273,385	221,670
Excess of cost over fair value of net tangible assets acquired, net of amortization	1,069,302	1,149,546
Other	354,947	178,903
	1,697,634	1,550,119
PROPERTY AND EQUIPMENT, at cost less accumulated depreciation and amortization	245,059	219,594
	\$5,542,523	\$5,921,370
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	\$1,626,806	\$2,094,939
Accounts payable to customers, brokers and dealers	1,626,612	2,106,142
Accounts payable, accrued expenses and deposits	297,252	182,842
Accrued salaries, wages and payroll taxes	141,744	80,558
Accrued taxes on earnings	8,145	6,784
Current portion of long-term debt	50,419	60,207
TOTAL CURRENT LIABILITIES	3,750,978	4,531,472
LONG-TERM DEBT	869,249	356,283
OTHER NONCURRENT LIABILITIES	100,328	108,342
STOCKHOLDERS' EQUITY:		
Common stock, no par, stated value \$.01 per share	1,089	1,089
Additional paid-in capital	419,517	417,311
Accumulated other comprehensive income (loss)	(26,798)	(17,229)
Retained earnings	1,101,135	963,212
	1,494,943	1,364,383
Less cost of 17,647,006 and 10,600,900 shares of common stock in treasury	672,975	439,110
	821,968	925,273

\$5,542,523 \$5,921,370

H&R Block, Inc.

Consolidated Statements of Cash Flows

Unaudited, amounts in thousands

	Nine months ended	January 31,
	2001	2000
Cash flows from operating activities:		
Net loss	\$(95,756)	\$(88,886)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	148,990	79,270
Net gain on sale of subsidiary	(2,040)	-
Provision for bad debt	43,448	26,058
Accretion of acquisition liabilities	8,766	7,266
Changes in:		
Receivables from customers, brokers, dealers and clearing organizations	942,791	(423,288)
Receivables	(836,004)	(519,942)
Marketable securities - trading	2,713	7,413
Prepaid expenses and other current assets	(53,877)	(54,171)
Accounts payable to customers, brokers and dealers	(943,588)	403,954
Accounts payable, accrued expenses and deposits	74,541	(56,815)
Accrued salaries, wages and payroll taxes	(31,185)	(81,032)
Accrued taxes on earnings	(204,753)	(144,933)
Other, net	(2,396)	(7,771)
Net cash used in operating activities	(948,350)	(852,877)
Cash flows from investing activities:		
Purchases of available-for-sale securities	(5,413)	(3,797)
Maturities of available-for-sale securities	32,375	33,003
Purchases of property and equipment, net	(44,669)	(68,855)
Payments made for business acquisitions, net of cash acquired	(13,285)	(960,518)
Proceeds from sale of subsidiary	23,200	-
Other, net	(19,007)	(9,837)
Net cash used in investing activities	(26,799)	(1,010,004)
Cash flows from financing activities:		
Repayments of notes payable	(11,864,855)	(31,187,422)
Proceeds from issuance of notes payable	13,207,864	33,210,422
Payments on acquisition debt	(67,643)	(3,278)
Dividends paid	(80,433)	(78,811)
Payments to acquire treasury shares	(222,894)	(32,366)
Proceeds from stock options exercised	3,019	36,178
Other, net	1,108	658
Net cash provided by financing activities	976,166	1,945,381
Net increase in cash and cash equivalents	1,017	82,500
Cash and cash equivalents at beginning of the period	379,901	193,240

Cash and cash equivalents at end of the period	\$380,918	\$275,740
Supplementary cash flow data:		
Income taxes paid	\$123,296	\$87,168
Interest paid	173,137	79,672

H&R Block, Inc.

Consolidated Statements of Operations

Unaudited, amounts in thousands, except per share data

	Three Months Ended January 31,	
	2001	2000
Revenues:		
Service revenues	\$503,733	\$406,564
Product sales	117,360	81,941
Royalties	28,633	16,124
Other income	11,628	7,878
	661,354	512,507
Operating expenses:		
Employee compensation and benefits	305,404	230,943
Occupancy and equipment	63,717	63,842
Interest	68,048	50,271
Depreciation and amortization	52,848	36,539
Marketing and advertising	37,598	39,221
Supplies, freight and postage	19,539	26,755
Bad debt	29,194	15,937
Other	78,349	64,148
	654,697	527,656
Operating earnings (loss)	6,657	(15,149)
Other income:		
Investment income, net	1,099	1,517
Other, net	2,060	109
	3,159	1,626
Earnings (loss) before income taxes (benefit)	9,816	(13,523)
Income taxes (benefit)	4,171	(6,448)
Net earnings (loss)	\$5,645	\$(7,075)
Basic net earnings (loss) per share:		
Net earnings (loss)	\$0.06	\$(0.07)
Basic shares outstanding	91,299	98,358
Diluted net earnings (loss) per share:		
Net earnings (loss)	\$0.06	\$(0.07)
Diluted shares outstanding	92,036	98,358

H&R Block, Inc.

Consolidated Statements of Operations

Unaudited, amounts in thousands, except per share data

	Nine Months Ended January 31,	
	2001	2000
Revenues:		
Service revenues	\$1,009,831	\$632,766
Product sales	225,429	176,182
Royalties	33,791	20,264
Other income	33,887	14,801
	1,302,938	844,013
Operating expenses:		
Employee compensation and benefits	624,844	424,601
Occupancy and equipment	180,175	152,036
Interest	195,219	85,089
Depreciation and amortization	148,990	79,270
Marketing and advertising	62,100	59,076
Supplies, freight and postage	37,123	39,646
Bad debt	43,448	26,058
Other	185,983	130,643
	1,477,882	996,419
Operating loss	(174,944)	(152,406)
Other income:		
Investment income, net	6,354	6,570
Other, net	2,057	359
	8,411	6,929
Loss before income tax benefit	(166,533)	(145,477)
Income tax benefit	(70,777)	(56,591)
Net loss	\$(95,756)	\$(88,886)
Basic net loss per share:		
Net loss	\$(1.04)	\$(0.91)
Basic shares outstanding	91,988	97,962

H&R Block, Inc.
Financial Services Operating Data

H&R Block Financial Advisors, Inc. (Formerly Olde) *

	For the three months ended			
	01/26/2001	01/28/2000	% Change	10/27/2000
Customer trades (000's)	599	1,013	-40.9%	626
Customer daily average trades	9,816	16,338	-39.9%	9,788
Average commission per trade	\$68.61	\$60.13	14.1%	\$70.52
Number of active accounts (000's)	605	632	-4.2%	623
Average trades per active account per quarter	0.99	1.60	-38.3%	1.01
Average trades per active account per year (annualized)	3.96	6.41	-38.3%	4.02
Ending balance of assets under				

administration (\$ bn's)	\$36.3	\$41.2	-11.8%	\$39.0
Average assets per active account	\$60,028	\$65,171	-7.9%	\$62,545
Ending debit balances (\$ bn's)	\$1.9	\$2.4	-19.4%	\$2.6
Ending credit balances (\$ bn's)	\$0.9	\$1.2	-19.8%	\$0.8
Ending balance of assets under management (\$ bn's)	\$3.6	\$3.5	4.0%	\$3.5

(principally money

market funds)

Option One Mortgage Corporation

	For the three months ended			
	01/31/2001	01/31/2000	% Change	10/31/2000
Number of loans originated				
Wholesale	12,443	12,310	1.1%	11,900
Retail	2,424	1,376	76.2%	2,155
Total	14,867	13,686	8.6%	14,055
Volume of loans originated (000's)				
Wholesale	\$1,297,435	\$1,252,236	3.6%	\$1,252,710
Retail	294,241	162,901	80.6%	247,424
Total	\$1,591,676	\$1,415,137	12.5%	\$1,500,135
Loan sales	\$1,547,169	\$1,416,999	9.2%	\$1,487,601
Servicing portfolio				
Number of loans serviced (000's)	172.6	104.2	65.6%	162.2
Servicing portfolio (\$ bn's)	\$17.5	\$10.4	68.0%	\$16.6

- Data is provided for comparative purposes only; Olde was acquired on December 1, 1999.

H&R Block, Inc.

Preliminary U.S. Tax Operating Data

Period January 1 through January 31 and February 15

Amounts in thousands, except average charge and number of offices

	For the period ended		
	01/31/2001	01/31/2000	% change
Tax preparation & related fees			
Company owned offices	\$226,806	\$169,088	34.1%
Franchised offices	124,140	87,385	42.1%
	\$350,946	\$256,473	36.8%

Tax returns prepared			
Company owned offices	2,029	1,704	19.2%
Franchised offices	1,214	917	32.4%
	3,243	2,621	23.7%
Total clients served			
Company owned offices	2,069	1,755	17.9%
Franchised offices	1,303	1,004	29.8%
E-commerce *	123	37	232.4%
	3,495	2,796	25.0%
Tax returns filed electronically**			
Company owned offices	1,977	1,654	19.5%
Franchised offices	1,204	896	34.4%
E-commerce *	117	37	216.2%
	3,298	2,587	27.5%
Percent filed electronically			
Company owned offices	95.6%	94.2%	
Franchised offices	92.4%	89.2%	
E-commerce *	95.1%	100.0%	
	94.4%	92.5%	
Average fee per client served			
Company owned offices	\$109.62	\$96.35	13.8%
Franchised offices	95.27	87.04	9.5%
	\$104.08	\$92.96	12.0%
Refund anticipation loans			
Company owned offices	1,020	861	18.5%
Franchised offices	647	542	19.6%
E-commerce *	5	3	66.9%
	1,672	1,406	18.9%
Offices			
Company owned offices	5,060	5,162	-2.0%
Franchised offices	4,012	4,048	-0.9%
	9,072	9,210	-1.5%

For the period ended
02/15/2001 02/15/2000 % change

Tax preparation & related fees			
Company owned offices	\$548,630	\$468,391	17.1%
Franchised offices			
Tax returns prepared			
Company owned offices	4,824	4,594	5.1%
Franchised offices			
Total clients served			
Company owned offices	4,920	4,746	3.7%
Franchised offices			
E-commerce *	501	298	68.1%
Tax returns filed electronically**			
Company owned offices	4,591	4,335	5.9%
Franchised offices			
E-commerce *	492	298	65.1%

Percent filed electronically			
Company owned offices	93.3%	91.3%	
Franchised offices			
E-commerce *	98.2%	100.0%	
Average fee per client served			
Company owned offices	\$111.51	\$98.69	13.0%
Franchised offices			
Refund anticipation loans			
Company owned offices	2,197	2,212	-0.7%
Franchised offices	1,351	1,335	1.4%
E-commerce *	22	15	46.9%
	3,570	3,562	0.2%
Offices			
Company owned offices	5,060	5,162	-2.0%
Franchised offices	4,012	4,048	-0.9%
	9,072	9,210	-1.5%

- Includes on-line completed and paid returns and e-filings for software clients

** Includes Federal only. State returns also electronically filed are not

included in this total. SOURCE H&R Block Inc.

CONTACT: Media, Linda McDougall, 816-932-7542, Investors, Mark Barnett, 816-701-4443, both of H&R Block Inc./