business [dot]

2000 Annual Report

Contents

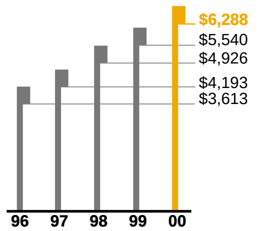
financial highlights

(In thousands, except per share amounts and number of employees) Years ended June 30,	**2000**	**1999**	**% Increase**
Total revenues	**$ 6,287,512**	$ 5,540,141	13%
Net earnings	**$ 840,800**	$ 714,172*	18%
Basic earnings per share	**$ 1.34**	$ 1.16*	16%
Diluted earnings per share	**$ 1.31**	$ 1.13*	16%
Cash dividends	**$ 212,578**	$ 181,133	17%
Cash dividends per share	**$ .33875**	$ .295	15%
Basic shares outstanding	**626,766**	615,630	
Diluted shares outstanding	**646,098**	636,892	
Return on equity	**19.7%**	18.7%	
At year end:			
Cash, cash equivalents and marketable securities	**$ 2,452,549**	$ 2,169,040	
Working capital	**$ 1,767,784**	$ 907,864	
Total assets**	**$ 6,429,927**	$ 5,824,820	
Long-term debt	**$ 132,017**	$ 145,765	
Shareholders' equity	**$ 4,582,818**	$ 4,007,941	
Number of employees	**40,000**	37,000	

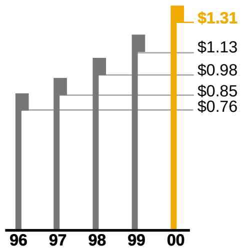
* Excludes non-recurring charges in 1999 totaling approximately $17 million (after-tax) associated with certain acquisitions and dispositions. Including these non-recurring charges, 1999 net earnings were $697 million and diluted earnings per share were $1.10. See Note 3 to the consolidated financial statements.

** Before funds held for clients.

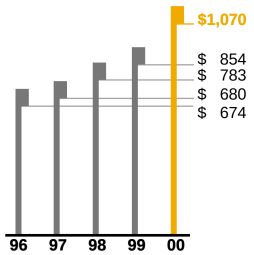
Total Revenues
(In millions)



Diluted EPS



Operating Cash Flow
(In millions)



letter to our shareholders

Arthur F. Weinbach (left)
Gary C. Butler (right)

2000! What a way for ADP to start the 21st century.

We had excellent financial results, built on a solid foundation of improved service quality, improved associate and client retention, and significantly expanded investments in our future growth with emphasis on our "clicks and mortar" strategy. That's a lot of words for an introductory statement, but the message is clear. We are strong in our core businesses. And with the addition of the burgeoning opportunities created by the Internet, we expect continued strength in the future.

Excellent Financial Results

In fiscal '00, we had our best results relative to our expectations in many years. There were three major reasons for this strength: (1) despite our concerns about potential Y2K slowdowns, Employer Services had almost 20% new business growth over the previous year and a 1% client retention improvement – both excellent results; (2) Brokerage Services trades processed for our clients grew at an amazing 54%; and (3) average daily balances on funds held for clients and internal funds increased by a robust 20% to over $9 billion while the Fed funds rate increased by 175 basis points.

> **"ADP continues to operate from a position of solid financial results and liquidity. Standard & Poor's includes ADP among only 10 companies to which it gives its highest AAA rating."**

For '00, consolidated revenues grew 13% to almost $6.3 billion. Pre-tax earnings increased 21%, net earnings were up 18% and earnings per share rose 16% to $1.31 from $1.13 last year. This was ADP's strongest EPS growth rate since 1995.

But those results tell only part of the story. Because of the confluence of positive events, we were able to invest an additional $45 million in our future growth. More on this later…

In recognition of these strong operating results, our Board increased our dividend for the 26th consecutive year, by 15% to an annual rate of $.35 per share, effective January 1, 2000.

ADP continues to operate from a position of solid financial results and liquidity. Standard & Poor's includes ADP among only 10 companies to which it gives its highest AAA rating. Cash flow from operations was approximately $1.1 billion, and year-end cash and marketable security balances were almost $2.5 billion, after spending of $201 million in '00 to acquire 4.6 million ADP shares on the open market to fund employee equity plans.

Our long-term debt is a very low $132 million, or 3%, of our $4.6 billion of shareholders' equity. Our return on shareholders' equity is about 20%.

Capital expenditures were a modest $166 million in '00.

Improved Service Quality

Over three years ago, we committed ourselves to becoming a World Class Service company. We did this with the belief that providing world class service is a requirement, not an option. The ultimate differentiator for service organizations in the future will be the quality of service they provide to their clients. In the last few years, we invested over $100 million in tools, processes, training and staffing. This year our clients gave us our highest service quality ratings ever.

Improved Associate Retention

Two years ago, we started an Employer of Choice initiative to make ADP a more attractive environment for our associates (our name for employees, reflecting their importance to our success). Among other things, we have improved benefits and increased investments in training and communications. This initiative is a key enabler in retaining our current associates and in attracting qualified candidates. It is also of critical importance in improving service quality. Most importantly, we have now improved associate retention each of the last two years.

> **"Overall client retention across ADP's businesses showed excellent results."**

Improved Client Retention

The results of providing world class service and being an employer of choice are improved client retention (and increased sales as a result of the positive references received from existing clients who are happy with our service). We are pleased to report that in '00, ADP began to receive the benefits of these investments. Overall client retention across ADP's businesses showed excellent results. The highlight was a 1% increase in client retention in the core business of Employer Services. While this may not sound like a lot, it represents a 7% reduction in client losses which translates to over $20 million annually in additional high-margin recurring revenue. Over the last three years, client retention is up about 1-1/2% and we are proud of that result. Nevertheless, we are far from realizing our client service and associate retention objectives, and fully recognizing meaningful economic benefit from the improvements. Our commitment and investments in these areas will remain high.

Expanded Investments In Our Future Growth

ADP has always invested in future growth. Otherwise, we couldn't maintain our growth records. However, '00 was an unusual year. Our strong financial results enabled us to increase our investments by more than $45 million over what we had planned entering the year. Each of these investments was made for the primary objective of accelerating future growth. The majority of these investments were directed at new business and Internet-related opportunities, and building our infrastructure to better handle the extraordinary growth in brokerage transactions.

> **"The majority of these investments were directed at new business and Internet-related opportunities, and building our infrastructure…"**

ADP also completed the acquisition of Cunningham Graphics in June 2000. Cunningham, with annual revenues of $150 million, is a leading provider of time-sensitive printing to the financial services industry specializing in printing and distribution of complex research reports. Cunningham's services are a natural extension of the print and distribution services of our Brokerage Services Investor Communications business and should be an important growth vehicle for that business in the years ahead.

Clicks and Mortar Strategy

We believe that the winning strategy for ADP is to link our enormous infrastructure strengths in sales and client service with client ease of access and increased client control through Internet offerings. We call it clicks and mortar. The clicks are the significant Internet usage and the mortar is our infrastructure support. It is mortar, not bricks, because it isn't ADP's physical assets, it is ADP's people and processes that make it work. Linking these strengths in an increasingly outsourced world, enhanced by Web technology, puts ADP in a unique position to grow and succeed as the Internet becomes increasingly ubiquitous.

> **"…the winning strategy for ADP is to link our enormous infrastructure strengths in sales and client service with…Internet offerings."**

Importance of People

The most critical element to our success is our team of 40,000 associates who continually strive to provide world class service to our nearly 500,000 clients. Fortunately, we attract exceptionally client-oriented individuals who are highly motivated and dedicated. They are ADP and they are why ADP wins in the marketplace.

This year, Bob Schifellite was promoted to Corporate Vice President in recognition of his level of responsibility and important contributions to our success.

In addition, Ray Marlinga, most recently President of our Tax Filing business in Employer Services, and Mike Reece, Corporate Vice President–Corporate Development, elected to retire. We will miss their contributions.

Forecast For the Future

We remain very confident that ADP is well positioned for long-term growth and profitability. In fiscal '00, we completed our 39th consecutive year of double-digit growth in earnings per share. In '01, we expect to extend that record while we continue to invest in our future.

This is an exciting time for ADP and for us. I hope you share our enthusiasm about the future.

Arthur F. Weinbach Chairman and Chief Executive Officer	**Gary C. Butler** President and Chief Operating Officer

August 14, 2000

who we are... what we do

ADP (Automatic Data Processing, Inc.) is one of the largest providers of computerized transaction processing, data communication, and information services in the world.

We serve nearly 500,000 clients worldwide with an outstanding set of outsourcing solutions. These include Web-based versions of our premier core products–supported by expert sales and service capabilities–that enable us to serve businesses we were never before able to economically reach.

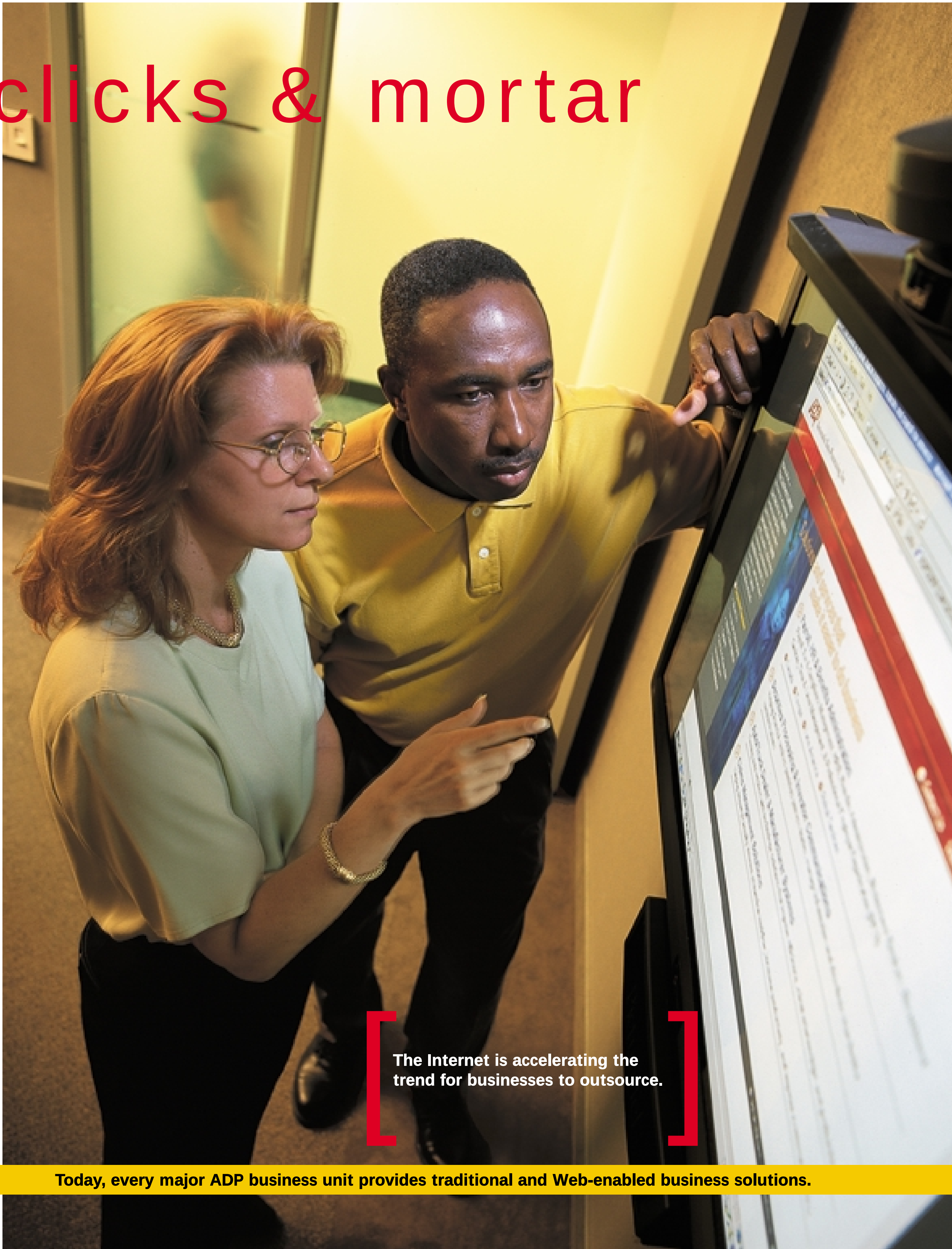
ADP has a unique record of consistent and continuous growth as a public company–156 consecutive quarters of record revenues and earnings per share, and 39 consecutive years of double-digit increases in EPS.

Our services include: a full suite of human resource administrative services (payroll, employer tax filing, time and labor management, compliance services, and benefits administration); integrated securities transaction processing, investor communications services for the financial services industry; computing solutions for auto and truck dealers and vehicle manufacturers; and computer-assisted auto damage repair estimating, parts availability, and fee and utilization audits of bodily injury claims from auto accidents and workers' compensation.

ADP's four largest businesses–Employer Services, Brokerage Services, Dealer Services, and Claims Services–represent over 95% of our total revenues. Each is a market leader and a key strategic element of ADP's future growth.

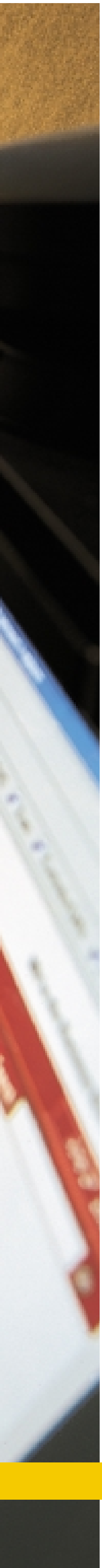
The collective skills, motivation, and dedication of our 40,000 associates around the world are ADP's greatest strength. Our people make a difference everyday. They embody our company's commitment to World Class Service, and help to clearly differentiate ADP in an increasingly competitive marketplace.

clicks & mortar



The Internet is accelerating the trend for businesses to outsource.

Today, every major ADP business unit provides traditional and Web-enabled business solutions.



The Web gives ADP the ability to connect with thousands of businesses we could not normally reach through our traditional business model.

The Internet is creating remarkable change in the marketplace. By effectively embracing its concepts, mastering its capabilities, and providing innovative Web-based solutions, we believe the Internet can be a powerful engine for client retention and new business growth that complements our traditional business model.

ADP is vigorously leveraging the Internet to deliver more value in the markets we serve. Our strategy includes Web-enabling existing products and services as we create new ones that are expressly designed for the Internet; providing service via the Internet; and allowing prospects and clients to order via the Internet. Additionally, we're further increasing the value of our core products by offering them in combination with those of our strategic partners, whose Internet products and services complement ours.

Employer Services (ES), our largest business, is developing and deploying Internet products and services in all market segments. Eventually, all of our conventional ES products will be Internet-enabled. Here are some examples of what we have already achieved…This year, we launched our eBusiness Services unit to provide online payroll, HR, 401(k) and other services to small employers that use the Internet to staff, manage, pay, and retain their employees. We introduced ADP Enterprise Payroll, a Web-based system with self-service features for large businesses. Our clients can now use ADP Connection™ to interface ADP's payroll and tax filing solutions with major enterprise resource planning applications from Oracle®, SAP, and PeopleSoft®. Additionally, we're developing a Web-based payroll, benefits, and HR management system with self-service features for the middle market.

Brokerage Services already is a leading North American resource for firms offering traditional and online brokerage trading and investor communications services. This year, we processed over 25% of all Internet trades, and over 60% of all shares related to proxies were voted electronically. We also launched initiatives to continue serving emerging online brokerage markets internationally, developing a new, Internet-enabled trading solution for the European market.

Dealer Services is using the Internet to add more value to its onsite products and to assist vehicle retailers and manufacturers in connecting with their customers in unprecedented ways. This year, we launched DealerSuite.com℠, a business-to-business portal that links our industry-related services with those of our partners. We also introduced myautogarage.com℠, an alliance with IBM, that lets vehicle owners, among other things, track and schedule repair services over the Internet.

Claims Services is creating Web versions of their products that serve the property and casualty insurance, automotive recycling, parts, and auto collision repair industries. And together, both Dealer and Claims Services are partnering with other leading vendors in ChoiceParts, LLC, a unique venture that aims to create an online environment for the procurement of auto replacement parts.

The Internet is a significant, strategic opportunity for ADP, because it adds incremental value and another dimension to our entire range of products and services. That's why we are focusing so energetically on Internet-based solutions. And as we do, we are reaching and empowering our clients like never before.

internet

In FY 2000, ADP significantly grew both its Internet-based and traditional businesses.

Through the Internet, we are building relationships with a whole new generation of clients.

world class service

Service levels will increasingly differentiate even the best competitors.

Every interaction with a client is an opportunity for us to demonstrate our capabilities and commitment.

Our company-wide commitment to World Class Service is a foundation for long-term success.

ADP strives to attract talented and motivated associates who really care about our clients and our company.

For ADP, our commitment to World Class Service isn't just another business goal. It's a perpetual journey toward constantly improved performance and increasingly higher levels of service excellence. We believe there is no level of service today that cannot be improved tomorrow.

In the ever-competitive global marketplace, World Class Service is no longer an option. It's an essential and relevant business requirement–the yardstick by which service providers are able to differentiate themselves from competitors. At ADP, we embrace our World Class Service journey as an ongoing opportunity to demonstrate our capabilities and commitment to our clients.

World Class Service begins well before a service representative responds to a client inquiry. It's the first impression we make on a sales call…how we strive to overdeliver on client expectations…how smoothly we install our systems…how effectively our products work. It's a combination of everything we do to create a client relationship–and then make it flourish.

World Class Service is succeeding at ADP because we work hard at it everyday and have made it part of our business culture. In FY 2000, we added net new clients. In many areas, client satisfaction scores are higher and the client retention rate is improving. As new clients are joining the client base, existing ones are staying longer.

ADP associates are at the very heart of our World Class Service initiative. They are talented, well trained, and empowered to make a difference. To our clients they *are* ADP. They put a human face on this crucial business concept, and make World Class Service a worthy endeavor that we, as a company, are proud to measure.

talented

We empower our associates to provide highly responsive service–and to make a difference.

talent to succeed

Labor-scarce markets are compelling employers to aggressively compete for the most qualified candidates.

Motivated associates help us to retain existing clients longer and attract new ones.

ADP's Employer of Choice initiative is helping us to attract and retain outstanding associates. Through their skills and commitment, we will continue to win in the marketplace.

Over the past several years we have recognized an emerging, long-term shift in worldwide labor markets: for the foreseeable future, there will be a shortage of qualified candidates entering the job market.

We responded to these labor trends with a paradigm shift of our own: ADP's Employer of Choice (EOC) initiative. The goal of our initiative is to improve ADP's ability to attract and retain associates who have the skills, shared beliefs and commitment to creating, and delivering, top-tier service solutions. ADP's challenging business culture, improved training and communications, and more competitive pay, benefit and reward systems represent the cornerstones of our effort.

The early results of our EOC initiative are positive. This year, for example, productivity (both revenue per associate and NOI per associate) was up significantly, sustaining a steadily upward trend. Annualized associate turnover is lower than last year (difficult to achieve in a tight labor market) and trending downward over the past two years. In addition, our Associate Satisfaction Index, which measures how associates feel about their jobs and the company, is improving in many areas. And, on average, our client satisfaction scores are at record levels.

ADP views associate retention as a vital part of what we call our *service profit chain:* Associate satisfaction leads to greater client satisfaction and to higher associate productivity, resulting in greater client loyalty which, in turn, creates higher margins over time. Retaining associates involves a careful mix of compensation, training and development, programs that deal with work and family issues, and effective employee communications. Clearly, ADP has no greater resource than our associates, because as they succeed day in and day out, so do we.

The EOC initiative is an important, long-term strategic commitment for ADP, and we will pursue our EOC-related goals as we do World Class Service–with unrelenting vigor and dedication.

best-qualified

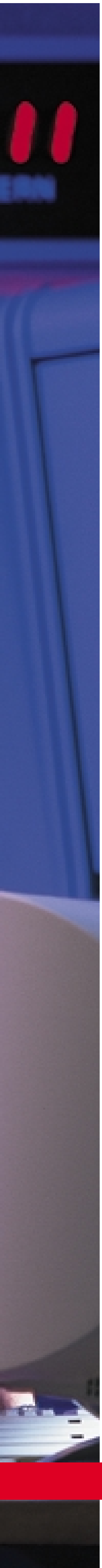
Our aim is to be the Employer of Choice for the best-qualified people who seek a career in our industry.

Stronger client relationships create opportunities to sell additional business.

a market leader in growing markets

[By far, the best growth for any business is sustained growth in expanding markets.]

ADP always aims to be the market leader in every business we enter.



[All of ADP's major businesses are industry leaders – competing in robust markets that offer excellent growth opportunities.]

One of ADP's strategic strengths is the market leadership position of our four core businesses: Employer Services, Brokerage Services, Dealer Services, and Claims Services. The markets we serve continue to offer significant new opportunities. Here are some reasons why we are confident about the future…

Employer Services, our oldest business, is the leading provider of outsourced payroll and HR services. However, enormous potential remains in every ES market segment as the outsourcing trend continues to gain momentum. For instance, our business that provides payroll and other services to small companies in North America has over 370,000 clients; yet they represent only a fraction of the 11 million companies plus 24 million home-based businesses in the U.S. market that could potentially use our services. About 60% of middle-market companies still have not yet chosen to outsource payroll and HR. And while our National Accounts business in North America has grown to over $800 million annually, the market potential among our existing large employer clients is over $11 billion. Additionally, we pay only 4 million employees outside of North America.

Brokerage Services is the leading provider in the online brokerage services market, yet processes only about 25% of the online trades in North America – a market that has grown 100% annually in each of the past two years and promises to continue growing at an incredible pace. In addition, this year we announced our global securities processing platform, opening the door to significant incremental revenue opportunities from both our existing base and brand new global relationships.

Dealer Services, with about a 40% share of the $2 billion North American automotive retail market, is actively engaged in developing new opportunities in the much larger, auto-related e-business market, through innovative services and new business alliances.

Claims Services, an international leader in computerized claims settlement services, still serves only a third of the 33,000 automated body shops in the market, and is just beginning to penetrate the very large medical cost containment arena.

…These are just *some* of our opportunities.

opportunities

We use technology to create innovative business solutions, which we back up with highly responsive client service.

We look for opportunities that can logically help us extend our core markets.

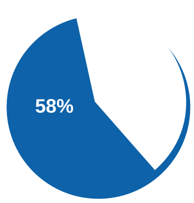
employer services

ADP Employer Services provides a comprehensive range of traditional and Internet-based outsourcing solutions to help 450,000 employers staff, manage, pay, and retain their employees in the United States, Canada, Europe, and Latin America.

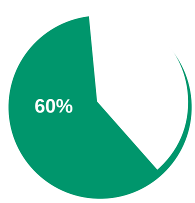
Products & Services

- Payroll and time & labor management processing.
- Human resource information management.
- Benefits administration.
- Payroll tax filing.
- Professional Employer Organization (our PEO business provides client companies with a comprehensive outsourcing solution to meet their employment administration needs, including payroll, HR and benefits administration, and workers' compensation insurance).
- Compliance management services (new hire reporting and wage garnishment processing).
- Retirement plan services.
- Full departmental outsourcing of payroll services (predominantly in Europe and Brazil).

Contributed Revenues



Contributed Earnings



FY 2000 Highlights

- Posted record client satisfaction and retention scores, and had the best year-end processing ever.
- Completed our 3rd straight year of 20% new business growth in North America and our 6th consecutive year of double-digit new business growth.
- Recorded strong revenue performance in all market segments.
- Paid nearly 29 million people each payday.
- Electronically moved over $450 billion to tax authorities and direct deposit accounts.
- Printed and delivered over 44 million year-end tax statements in North America.
- Grew sales of TotalPay℠, our direct deposit and payroll check product, for a 4th consecutive year, making ADP one of the largest private originators of direct deposit transactions in the U.S.
- Dramatically increased investment levels in the Internet with Web products and services.
- Created a dedicated eBusiness Services unit to deliver EasyPayNet℠ and a suite of Internet-based solutions to small and emerging companies.
- Formed strategic alliances that will help introduce us to millions of Microsoft, America Online, and EarthLink subscribers.
- Presented our Enterprise Payroll Web-based solution for large employers.
- Introduced ADP Connection™, which interfaces our payroll and tax filing solutions with major enterprise resource planning applications from Oracle®, SAP, and PeopleSoft®.
- Began Global Services to help multinational companies manage their payroll and human resource administration on a global basis.
- Added new strategic alliance partners whose Internet products complement ours.
- Increased our penetration of the multi-billion dollar benefits administration and retirement plan service markets.
- Grew annual revenues in our TotalSource® PEO business by more than 30%.
- Executed our Y2K plan with optimum results, making Y2K virtually a nonevent.

Major Markets

ES focuses on three distinct market segments: National Account Services (for clients with 1,000 or more employees); Major Accounts (100-999 employees); and Emerging Business Services℠ (under 100 employees).

ADP also enters into PEO relationships with small-to-medium-sized companies (which average 250 or fewer employees).

Major geographical markets include: **United States, Canada, Europe, and Latin America.** ADP serves employers in **South America** and certain **Pacific Rim** markets both directly and through strategic partner alliances.

brokerage services

ADP Brokerage Services is a leading provider of securities transaction processing, broker productivity applications, and investor communications services to the financial services industry. We serve a diverse client base including full-service, discount, and online brokerage firms; global banks; corporations; mutual funds; institutional investors; and specialty trading firms.

Products & Services

- Automated inquiry, reporting and record-keeping services for trading virtually all financial instruments including foreign currency, fixed income, equities, commodities and derivatives.
- Computerized proxy vote tabulation and shareholder communication, distribution and fulfillment services, including Internet-enabled products and services.
- Global trade processing and settlement systems for international securities in multiple currencies.
- Real-time order entry, trading and processing services for Internet-based brokerage firms.
- Automated, browser-based, desktop productivity tools for brokers.
- Integrated delivery of multiple products and services through our Global Processing Solution.

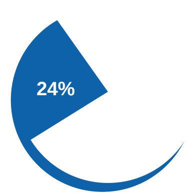
FY 2000 Highlights

- Averaged more than 1.2 million trades per day – up over 50% from last year.
- Handled over 680 million shareholder communications on behalf of our clients worldwide – nearly 35% more than FY 1999.
- Maintained ISO 9002 certification for shareholder information processing, an international standard for the highest quality.
- Served the North American transaction processing needs of most large global banks.
- Processed over 25% of all online trades in North America, and expanded our presence as a leading service provider of Internet-based brokerage services.
- Launched an initiative to serve the emerging online retail brokerage industry in Europe with an Internet front-end to our robust suite of global processing capabilities.
- Created the IRexpress.com[sm] Internet platform suite of services that offers a single-source solution for investor relations professionals to manage their process.
- Processed transactions for clients in 25 countries.
- More than doubled Internet distribution of shareholder communications in FY 2000.
- Signed Lehman Brothers to a multi-year agreement for integrated global securities processing and Morgan Stanley Dean Witter to a multi-year investor communications services contract.
- Initiated new relationships with Web Street Securities and Millennium Clearing Company LLC, a subsidiary of National Discount Brokers Group, Inc.
- Raised client satisfaction to record levels.
- Grew revenues 29% over last year.

Major Markets

ADP Brokerage Services provides securities transaction processing, investor communications, and other services to clients in: **North America, South America, Europe, and the Far East.**

Contributed Revenues



Contributed Earnings

dealer services

ADP Dealer Services is a leading provider of e-business and integrated computing solutions for automotive (car and heavy truck) retailers and their manufacturers worldwide.

Products & Services

- Networking and telecommunications systems that link automotive retailers with manufacturers, business partners, and consumers.
- Internet solutions that enable retailers to manage profitable relationships with consumers and business partners.
- Integrated information systems that help dealerships of every size to gather, manage and use information more effectively.
- Business performance (consulting and training) services to help retailers operate more efficiently.
- Marketing, training, and custom technology solutions for vehicle manufacturers.

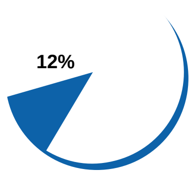
FY 2000 Highlights

- Served about 40% of the automotive retailers in North America (about 20% globally) and more than 30 vehicle manufacturers with over 200,000 installed applications.
- Earned a North American client retention rate that exceeded 90% and a global rate that exceeded 85%.
- Launched DealerSuite.com℠, an e-business portal that provides dealers with quick access to a wide range of Internet-based products, services and tools, including consumer finance sources, online training, and ADP customer service.
- Introduced myautogarage.com℠, ADP's Web initiative with IBM that links dealers and manufacturers with vehicle owners to create unique brand loyalty relationships.
- Formed ChoiceParts, LLC with ADP Claims Services and other partners to establish an efficient parts procurement marketplace for auto retailers and collision repair centers.
- Allied with Standard Register to create DOX℠ Dealer Office Xpress, a "clicks and mortar" solution for forms and office supply management utilizing both Internet tools and face-to-face service representatives.
- Selected as a Tier One provider of Web solutions for Freightliner LLC, and a Tier One provider of data integration, equipment and support services for Toyota.
- Exclusively used by Mercedes-Benz Canada Inc. as the centralized systems solution for their corporate retail facilities.
- Increased installations of onsite systems–11% more Elite systems this year among the largest automotive retailers, and 35% more Alliance systems in the smaller retailer market.

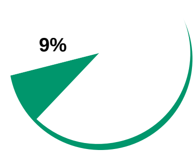
Major Markets

ADP Dealer Services focuses on the following markets: **new vehicle franchise retailers; heavy truck retailers and service centers; and automotive and heavy truck manufacturers.**

Contributed Revenues



Contributed Earnings



claims services

ADP Claims Services is an international leader in automated business solutions for the property and casualty insurance, automotive recycling, and auto collision repair industries. We provide a critical link for these interdependent groups through our products and services that deliver effective information solutions and enhance workflow.

Products & Services

- Repair estimating applications and databases for the property and casualty, and collision repair industries, including wireless-enabled, digital imaging, and complete workflow services.
- Total loss vehicle valuations.
- Body shop management systems.
- Parts locator systems.
- Medical cost containment applications and services for the auto injury and workers' compensation markets.

FY 2000 Highlights

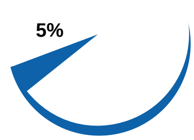
- Served most property and casualty insurance companies in North America and Europe.
- Processed more than 13 million auto damage claim estimates for clients in 20 countries.
- Provided our services to about 35% of the automated collision repair centers and 60% of the automated parts recyclers in the markets we serve.
- Increased Autosource® (our total loss valuation business) to nearly 50% market share.
- Expanded our Audatex global claims business into Italy and Brazil.
- Grew Integrated Medical Solutions (IMS) over 50%–its 6th consecutive year of 20% or greater revenue growth.
- Became a stakeholder with ADP Dealer Services and other industry leaders in the ChoiceParts, LLC online parts procurement business.
- Continued our penetration of the medical case management and workers' compensation markets.
- Grew revenues 18% over last year.

Major Markets

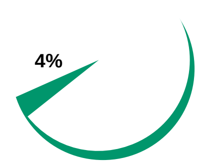
ADP Claims Services focuses on four market segments: auto and property insurance claims; auto collision repair centers; auto recyclers; and auto accident/workers' compensation medical cost containment.

We serve the following geographical markets: **North America, Europe, Brazil, Israel and South Africa.**

Contributed Revenues



Contributed Earnings



(In thousands, except per share amounts) Years ended June 30,	2000	1999	1998	1997	1996
Total revenues	**$ 6,287,512**	$ 5,540,141	$ 4,925,956	$ 4,193,447	$3,613,014
Earnings before income taxes	**$ 1,289,600**	$ 1,084,500	$ 890,717	$ 726,439	$ 635,321
Net earnings	**$ 840,800**	$ 696,840	$ 608,262	$ 515,244	$ 454,747
Basic earnings per share	**$ 1.34**	$ 1.13	$ 1.01	$ .88	$ .78
Diluted earnings per share	**$ 1.31**	$ 1.10	$ .98	$ .85	$ .76
Basic shares outstanding	**626,766**	615,630	600,803	588,112	582,861
Diluted shares outstanding	**646,098**	636,892	628,196	620,117	615,898
Cash dividends per share	**$ .33875**	$ .295	$ .25625	$ .2225	$ .19375
Return on equity	**19.7%**	18.7%	20.0%	20.6%	20.3%
At year end:					
Cash, cash equivalents and marketable securities	**$ 2,452,549**	$ 2,169,040	$ 1,673,271	$ 1,516,450	$1,107,323
Working capital	**$ 1,767,784**	$ 907,864	$ 626,063	$ 805,797	$ 618,409
Total assets before funds held for clients	**$ 6,429,927**	$ 5,824,820	$ 5,242,867	$ 4,439,293	$3,862,009
Total assets*	**$16,850,816**	$12,839,553	$11,787,685	$10,249,089	$8,884,138
Long-term debt	**$ 132,017**	$ 145,765	$ 192,063	$ 402,088	$ 405,157
Shareholders' equity	**$ 4,582,818**	$ 4,007,941	$ 3,439,447	$ 2,689,415	$2,309,468

1999 data includes non-recurring charges totaling approximately $17 million (after-tax), or $.03 per share, associated with certain acquisitions and dispositions.

*Prior years' data has been restated.

[operating results]

Revenues and earnings reached record levels during each of the past three fiscal years. During fiscal '00 revenues increased 13% to almost $6.3 billion. Prior to non-recurring charges in '99, pre-tax earnings increased 21% and diluted earnings per share increased 16% to $1.31. During fiscal '99 the Company sold several businesses and decided to exit several other businesses and contracts. The Company also recorded transaction costs and other adjustments related to Employer Services' acquisition of Vincam. The combination of these transactions resulted in non-recurring charges of $0.03 in fiscal '99. Fiscal '00 was ADP's 39th consecutive year of double-digit earnings per share growth since becoming a public company in 1961.

Revenues and revenue growth by ADP's major business units are shown below:

	Revenues Years Ended June 30,			Revenue Growth Years Ended June 30,		
(In millions)	2000	1999	1998	2000	1999	1998
Employer Services	**$3,620**	$3,269	$2,830	**11%**	16%	21%
Brokerage Services	**1,479**	1,150	1,096	**29**	5	23
Dealer Services	**736**	733	688	**—**	7	10
Other	**453**	388	312	**17**	24	(9)
Consolidated	**$6,288**	$5,540	$4,926	**13%**	12%	17%

Consolidated revenues grew 13% in fiscal '00 primarily from increased market penetration, from an expanded array of products and services, and from increased transaction volume, with relatively minor contributions from price increases. Prior to acquisitions and dispositions, revenues increased approximately 15%.

The consolidated pre-tax margin was 20.5% in '00, 19.3% in '99 (prior to non-recurring charges) and 18.1% in '98. Pre-tax margin improved over the previous year as continued automation and operating efficiencies enabled the Company to offset accelerated investments in new products, increased spending on systems development and programming, and the impact of transitioning the investment portfolio from tax-exempt to taxable instruments.

Certain revenues and expenses are charged to business units at a standard rate for management and motivation reasons. Other costs are recorded based on management responsibility. As a result, various income and expense items, including certain non-recurring gains and losses, are recorded at the corporate level and certain shared costs are not allocated. The prior years' business unit revenues and pre-tax earnings have been restated to reflect fiscal year 2000 budgeted foreign exchange rates.

[employer services]

Employer Services' revenues grew 11% in fiscal '00, and in the absence of acquisitions and dispositions revenue growth would have been about 12% in '00, and 15% in both '99 and '98.

Employer Services' operating margin was 21.4% in '00, 20.6% in '99 and 20.2% in '98. Employer Services' operating margin improved due to operating efficiencies and the prior year dispositions of several businesses, slightly offset by investments in new products and acquisitions.

Employer Services' revenues shown above include interest earned on collected but not yet remitted funds held for clients at a standard rate of 6%.

[brokerage services]

Brokerage Services' revenue growth of 29% was impacted by the prior year dispositions of the front-office business and several other small, non-strategic businesses. In the absence of acquisitions and dispositions, revenue growth would have been about 31% in '00 aided by record brokerage trade volumes, compared to 21% in '99 and 22% in '98.

Brokerage Services' operating margin was 23% in '00 compared to 19% in '99 and 15% in '98. The improved margin resulted from the prior year dispositions of several unprofitable businesses and strong trade processing activity.

In '99 the Company divested the $150 million revenue front-office "market data" business and as part of the agreement took a minority investment in the acquiring company.

[dealer services]

Dealer Services' revenues were roughly flat in '00. In the absence of acquisitions and dispositions, '00 revenue growth would have been 3%, compared to 7% in '99 and 8% in '98. Dealer Services' operating margin increased to 16% in fiscal '00 compared to 15% in '99 and 14% in '98. Dealer Services' operating margin improved primarily from operating efficiencies in North America and the dispositions of several small businesses in '00 and '99.

[other]

The primary components of "Other" revenues are Claims Services, foreign exchange differences, and miscellaneous processing services. "Other" also includes interest on corporate investments of $119 million, $84 million, and $82 million in '00, '99 and '98, respectively. In addition, "Other" revenues have been adjusted for the difference between actual interest earned on invested funds held for clients and interest credited to Employer Services at a standard rate of 6%.

During fiscal '00 the Company transitioned a portion of its corporate and client fund investments from tax-exempt to taxable instruments in order to increase liquidity of the overall portfolio. Approximately $2.6 billion of tax-exempt investments were sold prior to maturity at a pre-tax loss of approximately $32 million ($10 million corporate funds, $22 million funds held for clients), and the proceeds were reinvested at higher prevailing interest rates, which will benefit future periods.

During fiscal '99 the Company sold its Peachtree Software and Brokerage Services front-office businesses, and decided to exit several other businesses and contracts. The combination of these transactions and certain other charges resulted in an approximately $37 million reduction in general, administrative and selling expenses and a $40 million provision for income taxes.

Additionally, '99 includes approximately $21 million of transaction costs and other adjustments in general, administrative and selling expenses, ($14 million after-tax) recorded by Vincam prior to the March 1999 pooling transaction.

In each of the past three years, investments in systems development and programming have increased to accelerate automation, migrate to new computing technologies, and develop new products.

Certain member countries of the European Union have agreed to transition to the Euro as a new common legal currency. The costs of this transition are not expected to have a material effect on ADP.

In '00 the Company's effective tax rate was 34.8%. Excluding the impact of non-recurring charges associated with certain acquisitions, dispositions and other activities, the effective tax rate was 33.2% in '99, and 31.7% in '98. The increased rate is primarily a result of non-taxable investment income declining as a percentage of pre-tax income. The transition, referred to above, of a portion of the Company's investment portfolio to taxable investments will continue to increase the Company's effective tax rate in fiscal '01.

For '01 ADP is planning another record year with revenue growth of about 13% to 15% and diluted earnings per share growth of 16% to 18% over '00 results.

Additional comments and operating results are included in the Letter to Shareholders on pages 2 through 4 and in the business descriptions presented on pages 5 through 17.

financial condition

ADP's financial condition and balance sheet remain exceptionally strong. At June 30, 2000, cash and marketable securities approximated $2.5 billion. Shareholders' equity was almost $4.6 billion, and return on average equity for the year was about 20%. The ratio of long-term debt to equity at June 30, 2000 was 3%.

Cash flow from operating activities approximated $1.1 billion in '00 with another excellent year expected in '01.

In '00 4.6 million shares of common stock were purchased at an average price of approximately $43 as part of an ongoing program to fund equity-related employee benefits. The Board of Directors has authorized the purchase of up to 19.9 million additional shares.

In '00 zero coupon convertible subordinated notes were converted to about 0.8 million shares of common stock.

During '00 the Company purchased several businesses for approximately $200 million in cash and common stock. The cost of acquisitions in '99 and '98 aggregated $107 million and $351 million, respectively.

During '99 the Company issued 7.2 million shares of common stock to acquire Vincam in a pooling of interests transaction, and the Company's results were restated accordingly. The Company also acquired several businesses in fiscal '99 (subsequent to the Vincam merger) and '98 in pooling of interests transactions in exchange for approximately 4 million and 1 million shares of common stock, respectively. The Company's consolidated financial statements were not restated because in the aggregate these transactions were not material.

Capital expenditures during '00 were $166 million following investments of $178 million in '99 and $202 million in '98. Capital spending in fiscal '01 should approximate $225 million.

Approximately half of the Company's overall investment portfolio is invested in overnight interest-bearing instruments, which are therefore impacted immediately by changes in interest rates. The other half of the Company's investment portfolio is invested in fixed-income securities, with maturities up to five and a half years, which are also subject to interest rate risk, including reinvestment risk. The Company has historically had the ability to hold these investments until maturity, and therefore this has not had an adverse impact on income or cash flows.

market price, dividend data and other

The market price of the Company's common stock (symbol: AUD) based on New York Stock Exchange composite transactions and cash dividends per share declared during the past two years have been:

	Price Per Share High	Price Per Share Low	Dividends Per Share
Fiscal 2000 quarter ended			
June 30	$57 15/16	$44 11/16	$.08750
March 31	55 7/16	40	.08750
December 31	54 13/16	43	.08750
September 30	44 7/8	37 3/8	.07625
Fiscal 1999 quarter ended			
June 30	$46 7/8	$39 1/16	$.07625
March 31	42 5/8	36 1/4	.07625
December 31	42 5/32	32 23/32	.07625
September 30	40 7/32	31 3/4	.06625

As of June 30, 2000 there were approximately 34,000 holders of record of the Company's common stock. Approximately 257,000 additional holders have their stock in "street name."

This report contains "forward-looking statements" based on management's expectations and assumptions and are subject to risks and uncertainties that may cause actual results to differ from those expressed. Factors that could cause differences include: ADP's success in obtaining, retaining and selling additional services to clients; the pricing of products and services; overall economic trends, including interest rate and foreign currency trends; stock market activity; auto sales and related industry changes; employment levels; changes in technology; availability of skilled technical associates; and the impact of new acquisitions.

(In thousands, except per share amounts) Years ended June 30,	2000	1999	1998
Revenues other than interest on funds held for clients and PEO revenues	**$5,729,042**	$5,110,262	$4,543,335
Interest on funds held for clients	**348,596**	269,496	245,901
PEO revenues (net of pass-through costs of $2,197,323, $1,748,841 and $1,293,866, respectively)	**209,874**	160,383	136,720
Total revenues	**6,287,512**	5,540,141	4,925,956
Operating expenses	**2,564,496**	2,376,172	2,149,343
General, administrative and selling expenses	**1,643,360**	1,379,026	1,239,464
Systems development and programming costs	**460,275**	412,380	376,485
Depreciation and amortization	**284,282**	272,807	247,625
Interest expense	**13,140**	19,090	24,383
Realized (gains)/losses on sale of investments	**32,359**	(3,834)	(2,061)
	4,997,912	4,455,641	4,035,239
Earnings before income taxes	**1,289,600**	1,084,500	890,717
Provision for income taxes	**448,800**	387,660	282,455
Net earnings	**$ 840,800**	$ 696,840	$ 608,262
Basic earnings per share	**$ 1.34**	$ 1.13	$ 1.01
Diluted earnings per share	**$ 1.31**	$ 1.10	$ .98
Basic shares outstanding	**626,766**	615,630	600,803
Diluted shares outstanding	**646,098**	636,892	628,196

See notes to consolidated financial statements.

(In thousands, except per share amounts) Years ended June 30,	2000	1999
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,227,637**	$ 861,280
Short-term marketable securities	**596,792**	231,214
Accounts receivable	**899,314**	860,836
Other current assets	**340,709**	240,927
Total current assets	**3,064,452**	2,194,257
Long-term marketable securities	**628,120**	1,076,546
Long-term receivables	**245,249**	213,413
Property, plant and equipment:		
Land and buildings	**439,022**	400,189
Data processing equipment	**612,608**	550,757
Furniture, leaseholds and other	**498,354**	449,862
	1,549,984	1,400,808
Less accumulated depreciation	**(952,715)**	(821,514)
	597,269	579,294
Other assets	**271,136**	228,936
Intangibles	**1,623,701**	1,532,374
Total assets before funds held for clients	**6,429,927**	5,824,820
Funds held for clients	**10,420,889**	7,014,733
Total assets	**$16,850,816**	$12,839,553
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	**$ 21,523**	$ 66,952
Accounts payable	**129,436**	130,456
Accrued expenses and other current liabilities	**1,044,002**	952,326
Income taxes	**101,707**	136,659
Total current liabilities	**1,296,668**	1,286,393
Long-term debt	**132,017**	145,765
Other liabilities	**171,843**	132,081
Deferred income taxes	**151,337**	138,236
Deferred revenue	**95,361**	114,404
Total liabilities before client funds obligations	**1,847,226**	1,816,879
Client funds obligations	**10,420,772**	7,014,733
Total liabilities	**12,267,998**	8,831,612
Shareholders' equity:		
Preferred stock, $1.00 par value:		
Authorized, 300 shares; issued, none	**—**	—
Common stock, $.10 par value:		
Authorized, 1,000,000 shares; issued, 631,443 shares at June 30, 2000 and 628,576 at June 30, 1999	**63,144**	62,858
Capital in excess of par value	**402,767**	421,333
Retained earnings	**4,477,141**	3,848,421
Treasury stock—at cost 2,697 and 4,949 shares, respectively	**(130,800)**	(189,204)
Accumulated other comprehensive income	**(229,434)**	(135,467)
Total shareholders' equity	**4,582,818**	4,007,941
Total liabilities and shareholders' equity	**$16,850,816**	$12,839,553

See notes to consolidated financial statements.

(In thousands, except per share amounts)	Common Stock Shares	Common Stock Amount	Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Comprehensive Income	Accumulated Other Comprehensive Income
Balance, July 1, 1997	628,576	$62,858	$359,345	$2,917,915	$(577,164)		$ (73,539)
Net earnings	—	—	—	608,262	—	$608,262	—
Currency translation						(26,531)	(26,531)
Unrealized loss on securities						(1,550)	(1,550)
Comprehensive income						$580,181	
Employee stock plans and related tax benefits	—	—	68,050	—	61,714		
Treasury stock acquired (1,792 shares)	—	—	—	—	(40,907)		
Acquisitions (1,911 shares)	—	—	(15,841)	(1,004)	29,431		
Debt conversion (11,850 shares)	—	—	64,583	—	156,202		
Dividends ($.25625 per share)	—	—	—	(152,888)	—		
Other transactions	—	—	549	(38)	—		
Balance, June 30, 1998	628,576	62,858	476,686	3,372,247	(370,724)		(101,620)
Net earnings	—	—	—	696,840	—	$696,840	—
Currency translation						(47,674)	(47,674)
Unrealized gain on securities						13,827	13,827
Comprehensive income						$662,993	
Employee stock plans and related tax benefits	—	—	44,163	—	95,086		
Treasury stock acquired (2,550 shares)	—	—	—	—	(85,365)		
Acquisitions (4,316 shares)	—	—	(97,594)	(39,533)	119,583		
Debt conversion (2,623 shares)	—	—	(1,922)	—	52,216		
Dividends ($.295 per share)	—	—	—	(181,133)	—		
Balance, June 30, 1999	628,576	62,858	421,333	3,848,421	(189,204)		(135,467)
Net earnings	**—**	**—**	**—**	**840,800**	**—**	**$840,800**	**—**
Currency translation						**(86,277)**	**(86,277)**
Unrealized loss on securities						**(7,690)**	**(7,690)**
Comprehensive income						**$746,833**	
Employee stock plans and related tax benefits	**2,867**	**286**	**(7,841)**	**498**	**207,322**		
Treasury stock acquired (4,648 shares)	**—**	**—**	**—**	**—**	**(201,007)**		
Acquisitions (478 shares)	**—**	**—**	**4,359**	**—**	**20,122**		
Debt conversion (808 shares)	**—**	**—**	**(15,084)**	**—**	**31,967**		
Dividends ($.33875 per share)	**—**	**—**	**—**	**(212,578)**	**—**		
Balance, June 30, 2000	**631,443**	**$63,144**	**$402,767**	**$4,477,141**	**$(130,800)**		**$(229,434)**

See notes to consolidated financial statements.

statements of consolidated cash flows

(In thousands) Years ended June 30,	2000	1999	1998
Cash Flows From Operating Activities			
Net earnings	**$ 840,800**	$ 696,840	$ 608,262
Adjustments to reconcile net earnings to net cash flows			
provided by operating activities:			
Depreciation and amortization	**284,282**	272,807	247,625
Deferred income taxes	**8,885**	(23,235)	(3,020)
Increase in receivables and other assets	**(149,913)**	(155,132)	(207,819)
Increase in accounts payable and accrued expenses	**39,339**	100,057	103,028
Other	**46,708**	(37,476)	35,277
Net cash flows provided by operating activities	**1,070,101**	853,861	783,353
Cash Flows From Investing Activities			
Purchases of marketable securities	**(7,372,892)**	(1,882,411)	(2,622,477)
Proceeds from sale of marketable securities	**4,001,848**	1,064,810	1,836,569
Net changes in client funds obligations	**3,406,039**	486,293	718,644
Capital expenditures	**(166,012)**	(177,700)	(202,169)
Additions to intangibles	**(67,303)**	(62,360)	(95,797)
Acquisitions of businesses, net of cash acquired	**(175,248)**	(107,317)	(338,436)
Disposals of businesses	**14,634**	276,035	59,171
Other	**(11,664)**	10,590	13,634
Net cash flows used in investing activities	**(370,598)**	(392,060)	(630,861)
Cash Flows From Financing Activities			
Payments of debt	**(106,090)**	(289,141)	(7,681)
Proceeds from issuance of notes	**13,940**	91,696	120,986
Repurchases of common stock	**(201,007)**	(85,365)	(40,907)
Proceeds from issuance of common stock	**172,589**	100,359	81,111
Dividends paid	**(212,578)**	(181,133)	(152,888)
Other	**—**	—	(1,845)
Net cash flows used in financing activities	**(333,146)**	(363,584)	(1,224)
Net change in cash and cash equivalents	**366,357**	98,217	151,268
Cash and cash equivalents, at beginning of period	**861,280**	763,063	611,795
Cash and cash equivalents, at end of period	**$ 1,227,637**	$ 861,280	$ 763,063

See notes to consolidated financial statements.

note 1 Summary of Significant Accounting Policies

A. Consolidation and Basis of Preparation. The consolidated financial statements include the financial results of Automatic Data Processing, Inc. and its majority-owned subsidiaries. Intercompany balances and transactions have been eliminated in consolidation.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from these estimates.

B. Revenue Recognition. Service revenues, including monthly license, maintenance and other fees, are recognized as services are provided. Prepaid software licenses and the gross profit on the sale of hardware is recognized in revenue primarily at installation and client acceptance with a portion deferred and recognized on the straight-line basis over the initial contract period. Interest earnings on collected but not yet remitted funds held for clients are an integral part of certain of the Employer Services' product offerings and are recognized in revenues as earned. Professional Employer Organization (PEO) revenues are net of pass-through costs, which include wages and taxes.

C. Cash and Cash Equivalents. Highly-liquid investments with a maturity of ninety days or less at the time of purchase are considered cash equivalents.

D. Investments. Short-term and long-term marketable securities, and funds held for clients are primarily invested in high-grade fixed-income instruments. All of the Company's marketable securities, including $3,363 million of funds held for clients, are considered to be "available-for-sale" at June 30, 2000 and, accordingly, are carried on the balance sheet at fair market value. The remainder of the funds held for clients are cash equivalents. Approximately $1,702 million of the "available-for-sale" investments mature in less than one year, $1,058 million in 1–2 years, $1,060 million in 2–3 years, $284 million in 3–4 years, and $484 million in 5–6 years.

E. Property, Plant and Equipment. Property, plant and equipment is stated at cost and depreciated over the estimated useful lives of the assets by the straight-line method. Leasehold improvements are amortized over the shorter of the term of the lease or the estimated useful lives of the improvements.

The estimated useful lives of assets are primarily as follows:

Data processing equipment	2 to 3 years
Buildings	20 to 40 years
Furniture and fixtures	3 to 7 years

F. Intangibles. Intangible assets are recorded at cost and are amortized primarily on the straight-line basis. Goodwill is amortized over periods from 10 to 40 years, and is periodically reviewed for impairment by comparing carrying value to undiscounted expected future cash flows. If impairment is indicated, a write-down to fair value (normally measured by discounting estimated future cash flows) is taken.

G. Foreign Currency Translation. The net assets of the Company's foreign subsidiaries are translated into U.S. dollars based on exchange rates in effect at the end of each period, and revenues and expenses are translated at average exchange rates during the periods. Currency transaction gains or losses, which are included in the results of operations, are immaterial for all periods presented. Gains or losses from balance sheet translation are included in other comprehensive income on the balance sheet.

H. Earnings Per Share (EPS). The calculation of basic and diluted EPS is as follows:

(In thousands, except EPS)	Basic	Effect of Zero Coupon Subordinated Notes	Effect of Stock Options	Diluted
2000				
Net earnings	**$840,800**	**$ 2,912**	**$ —**	**$843,712**
Average shares	**626,766**	**4,509**	**14,823**	**646,098**
EPS	**$ 1.34**			**$ 1.31**
1999				
Net earnings	$696,840	$ 3,607	$ –	$700,447
Average shares	615,630	5,956	15,306	636,892
EPS	$ 1.13			$ 1.10
1998				
Net earnings	$608,262	$ 7,833	$ –	$616,095
Average shares	600,803	14,030	13,363	628,196
EPS	$ 1.01			$ .98

I. Restatement of Prior Financial Statements. Certain reclassifications and restatements, including the inclusion of funds held for clients and client funds obligations on the Consolidated Balance Sheets, have been made to previous years' financial statements to conform to current presentation.

[note 2] Acquisitions and Dispositions

During fiscal 2000, 1999, and 1998, the Company purchased several businesses for approximately $200 million (including $25 million in common stock), $107 million and $351 million (including $13 million in common stock), respectively, net of cash acquired. The results of these acquired businesses are included from the date of acquisition.

In March 1999 the Company issued 7.2 million shares of common stock to acquire The Vincam Group (Vincam), a leading PEO providing a suite of human resource functions to small- and medium-sized employers on an outsourced basis, in a pooling of interests transaction. The Company also acquired several other businesses in fiscal 1999 (subsequent to the Vincam acquisition) and 1998 in pooling of interests transactions in exchange for approximately 4.3 million and 0.9 million shares of common stock, respectively.

Additionally, in fiscal 2000 and 1999, the Company sold several businesses with annual revenues of approximately $27 million and $270 million, respectively. As part of the 1999 business dispositions, the Company received $90 million of convertible preferred stock which is included in other assets. The $90 million approximates fair value.

[note 3] Non-recurring Items

During fiscal 1999 the Company sold its Peachtree Software and Brokerage Services front-office "market data" businesses and decided to exit several other businesses and contracts. The combination of these transactions and certain other non-recurring charges resulted in a net pre-tax gain of approximately $37 million and a $40 million provision for income taxes.

Additionally, 1999 also includes approximately $21 million of transaction costs and other non-recurring adjustments ($14 million after-tax) recorded by Vincam prior to the March 1999 pooling transaction.

[note 4] Receivables

Accounts receivable is net of an allowance for doubtful accounts of $48 million and $46 million at June 30, 2000 and 1999, respectively.

The Company finances the sale of computer systems to certain of its clients. These finance receivables, most of which are due from automobile and truck dealerships, are reflected in the consolidated balance sheets as follows:

(In thousands) June 30,	2000		1999	
	Current	**Long-term**	**Current**	**Long-term**
Receivables	**$171,415**	**$293,489**	$147,274	$259,585
Less:				
Allowance for doubtful accounts	**(13,063)**	**(16,946)**	(14,196)	(16,556)
Unearned income	**(29,980)**	**(31,294)**	(26,776)	(29,616)
	$128,372	**$245,249**	$106,302	$213,413

Unearned income from finance receivables represents the excess of gross receivables over the sales price of the computer systems financed. Unearned income is amortized using the interest method to maintain a constant rate of return on the net investment over the term of each contract.

Long-term receivables at June 30, 2000 mature as follows:

(In thousands)	
2002	**$136,319**
2003	**91,997**
2004	**48,800**
2005	**15,280**
2006	**972**
Thereafter	**121**
	$293,489

[note 5] Intangible Assets

Components of intangible assets are as follows:

(In thousands) June 30,	2000	1999
Goodwill	**$1,378,265**	$1,215,179
Other	**1,025,610**	978,240
	2,403,875	2,193,419
Less accumulated amortization	**(780,174)**	(661,045)
	$1,623,701	$1,532,374

Other intangibles consist primarily of purchased rights (acquired directly or through acquisitions) to provide data processing services to various groups of clients (amortized over periods from 5 to 36 years) and purchased software (amortized over periods from 3 to 10 years). Amortization of intangibles totaled $133 million for fiscal 2000, $126 million for 1999 and $103 million for 1998.

[note 6] Debt

Components of long-term debt are as follows:

(In thousands) June 30,	2000	1999
Zero coupon convertible subordinated notes ($5\frac{1}{4}$% yield)	**$ 86,639**	$ 97,705
Industrial revenue bonds (with fixed and variable interest rates from 3.3% to 6.3%)	**36,858**	37,267
Other	**11,713**	11,876
	135,210	146,848
Less current portion	**(3,193)**	(1,083)
	$132,017	$145,765

The zero coupon convertible subordinated notes have a face value of approximately $159 million at June 30, 2000 and mature February 20, 2012, unless converted or redeemed earlier. At June 30, 2000, the notes were convertible into approximately 4.1 million shares of the Company's common stock. The notes are callable at the option of the Company, and the holders of the notes can convert into common stock at any time or require redemption in 2002 and 2007. During fiscal 2000 and 1999, approximately $31 million and $101 million face value of notes were converted or redeemed. As of June 30, 2000 and 1999, the quoted market prices for the zero coupon notes were approximately $208 million and $197 million, respectively. The fair value of the other debt, included above, approximates its carrying value.

Long-term debt repayments at June 30, 2000 are due as follows:

(In thousands)	
2002	**$ 245**
2003	**248**
2004	**268**
2005	**763**
2006	**165**
Thereafter	**130,328**
	$132,017

During fiscal 2000 and 1999, the average interest rate for notes payable was 5.0% and 4.3%, respectively.

Interest payments were approximately $10 million in fiscal 2000 and $12 million in both fiscal 1999 and 1998.

[note 7] Funds Held for Clients and Client Funds Obligations

As part of its integrated payroll and payroll tax filing services, the Company impounds funds for federal, state and local employment taxes from approximately 350,000 clients, files annually over 17 million returns, handles all regulatory correspondence, amendments, and penalty and interest disputes, remits the funds to the appropriate tax agencies, and handles other employer-related services. In addition to fees paid by clients for these services, the Company receives interest during the interval between the receipt and disbursement of these funds by investing the funds primarily in fixed-income instruments. The amount of collected but not yet remitted funds for the Company's payroll and tax filing and certain other services varies significantly during the year and averaged approximately $6.9 billion in fiscal 2000, $5.9 billion in fiscal 1999, and $5.2 billion in fiscal 1998.

[note 8] Employee Benefit Plans

A. Stock Plans. The Company has stock option plans which provide for the issuance to eligible employees of incentive and non-qualified stock options, which may expire as much as 10 years from the date of grant, at prices not less than the fair market value on the date of grant. At June 30, 2000 there were 9,400 participants in the plans. The aggregate purchase price for options outstanding at June 30, 2000 was approximately $1.3 billion. The options expire at various points between 2000 and 2010.

A summary of changes in the stock option plans for the three years ended June 30, 2000 is as follows:

(In thousands, except per share amounts)	Number of Options			Weighted Average Price		
Years ended June 30,	2000	1999	1998	2000	1999	1998
Options outstanding, beginning of year	**47,467**	45,596	43,176	**$24**	$18	$15
Options granted	**9,646**	11,616	11,377	**$46**	$38	$29
Options exercised	**(6,736)**	(6,154)	(5,970)	**$16**	$12	$10
Options canceled	**(3,683)**	(3,591)	(2,987)	**$32**	$24	$18
Options outstanding, end of year	**46,694**	47,467	45,596	**$29**	$24	$18
Options exercisable, end of year	**18,719**	16,898	14,820	**$19**	$15	$11
Shares available for future grants, end of year	**10,478**	1,691	9,358			
Shares reserved for issuance under stock option plans	**57,172**	49,158	54,954			

Summarized information about stock options outstanding as of June 30, 2000 is as follows:

	Outstanding			Exercisable	
Exercise Price Range	Number of Options (In thousands)	Remaining Life (In years)	Average Exercise Price	Number of Options (In thousands)	Average Exercise Price
Under $15	**8,898**	**2.9**	**$11**	**7,820**	**$11**
$15 to $20	**6,670**	**5.3**	**$18**	**4,264**	**$18**
$20 to $25	**4,786**	**6.5**	**$23**	**1,921**	**$23**
$25 to $30	**5,595**	**7.4**	**$27**	**2,021**	**$27**
$30 to $35	**2,533**	**7.9**	**$32**	**757**	**$32**
$35 to $40	**6,573**	**8.3**	**$38**	**1,277**	**$38**
$40 to $45	**8,360**	**9.1**	**$44**	**526**	**$44**
Over $45	**3,279**	**9.7**	**$51**	**133**	**$51**

The Company has stock purchase plans under which eligible employees have the ability to purchase shares of common stock at 85% of the lower of market value as of the date of purchase election or as of the end of the plans. Approximately 2.8 million and 2.6 million shares are scheduled for issuance on December 31, 2001 and 2000, respectively. Approximately 3.1 million and 3.2 million shares were issued during the years ended June 30, 2000 and 1999, respectively. At June 30, 2000 and 1999, there were approximately 7.2 million and 9.5 million shares, respectively, reserved for purchase under the plans. Included in liabilities as of June 30, 2000 and 1999 are employee stock purchase plan withholdings of approximately $86 million and $72 million, respectively.

The Company follows APB 25 to account for its stock plans. The pro forma net income impact of options and stock purchase plan rights granted subsequent to July 1, 1995 is shown below. The fair value for these instruments was estimated at the date of grant using a Black-Scholes option pricing model with the following weighted average assumptions:

Years ended June 30,	2000	1999	1998
Risk-free interest rate	**6.0-6.7%**	4.5-5.7%	5.4-6.3%
Dividend yield	**.8-.9%**	1.0%	1.0%
Volatility factor	**22.0-26.7%**	19.7-21.8%	13.9-17.4%
Expected life:			
Options	**6.4**	6.3	6.2
Purchase rights	**2.0**	2.0	2.0
Weighted average fair value:			
Options	**$16.89**	$11.63	$ 7.99
Purchase rights	**$19.73**	$12.29	$10.72

The Company's pro forma information, amortizing the fair value of the stock options and stock purchase plan rights issued subsequent to July 1, 1995 over their vesting period, is as follows:

(In millions, except per share amounts) Years ended June 30,	2000	1999	1998
Pro forma net earnings	**$ 762**	$ 638	$569
Pro forma basic earnings per share	**$1.22**	$1.04	$ .95
Pro forma diluted earnings per share	**$1.18**	$1.01	$ .92

The Company has a restricted stock plan under which shares of common stock have been sold for nominal consideration to certain key employees. These shares are restricted as to transfer and in certain circumstances must be resold to the Company at the original purchase price. The restrictions lapse over periods of up to six years. During the years ended June 30, 2000, 1999 and 1998 the Company issued 171,900, 121,400 and 261,000 restricted shares, respectively.

B. Pension Plans. The Company has a defined benefit cash balance pension plan covering substantially all U.S. employees, under which employees are credited with a percentage of base pay plus 7% interest. Employees are fully vested on completion of five years' service. The Company's policy is to make contributions within the range determined by generally accepted actuarial principles. In addition, the Company has various retirement plans for its non-U.S. employees.

The plans' funded status as of June 30, 2000 and 1999 follows:

(In thousands) June 30,	2000	1999
Change in plan assets:		
Funded plan assets at market value at beginning of year	**$354,500**	$306,900
Plans of acquired employers	**17,300**	—
Actual return on plan assets	**78,300**	34,600
Employer contributions	**43,000**	19,200
Benefits paid	**(7,400)**	(6,200)
Funded plan assets at market value at end of year	**$485,700**	$354,500
Change in benefit obligation:		
Benefit obligation at beginning of year	**$256,400**	$231,300
Plans of acquired employers	**20,900**	—
Service cost	**29,600**	23,400
Interest cost	**20,000**	16,400
Actuarial and other gains	**(2,900)**	(8,500)
Benefits paid	**(7,400)**	(6,200)
Projected benefit obligation end of year	**$316,600**	$256,400
Plan assets in excess of projected benefits	**$169,100**	$ 98,100
Prior service cost	**—**	(700)
Transition obligation	**500**	700
Unrecognized net actuarial gains due to different experience than assumed	**(58,200)**	(14,900)
Prepaid pension cost	**$111,400**	$ 83,200

The components of net pension expense were as follows:

(In thousands) Years ended June 30,	2000	1999	1998
Service cost—benefits earned during the period	**$ 29,600**	$ 23,400	$ 18,000
Interest cost on projected benefits	**20,200**	16,400	14,500
Expected return on plan assets	**(32,900)**	(24,500)	(21,300)
Net amortization and deferral	**(100)**	(700)	(700)
	$ 16,800	$ 14,600	$ 10,500

Assumptions used to develop the actuarial present value of benefit obligations generally were:

Years ended June 30,	2000	1999
Discount rate	**7.75%**	7.50%
Expected long-term rate on assets	**8.75%**	8.75%
Increase in compensation levels	**6.0%**	6.0%

C. Retirement and Savings Plan. The Company has a 401(k) retirement and savings plan which allows eligible employees to contribute up to 16% of their compensation annually. The Company matches a portion of this contribution which amounted to approximately $27 million, $26 million and $22 million for calendar years 1999, 1998 and 1997, respectively.

[note 9] Income Taxes

The Company accounts for its income taxes using the asset and liability approach. Deferred taxes reflect the tax consequences on future years of differences between the financial reporting and tax bases of assets and liabilities.

The provision for income taxes consists of the following components:

(In thousands) Years ended June 30,	2000	1999	1998
Current:			
Federal	**$326,875**	$296,397	$198,932
Non-U.S.	**56,505**	66,440	41,209
State	**56,535**	48,058	45,334
Total current	**439,915**	410,895	285,475
Deferred:			
Federal	**5,750**	(6,045)	(4,145)
Non-U.S.	**1,220**	(15,175)	3,115
State	**1,915**	(2,015)	(1,990)
Total deferred	**8,885**	(23,235)	(3,020)
	$448,800	$387,660	$282,455

At June 30, 2000 and 1999, the Company had gross deferred tax assets of approximately $188 million and $168 million, respectively, consisting primarily of operating expenses not currently deductible for tax return purposes. Valuation allowances approximated $23 million as of June 30, 2000 and 1999. Gross deferred tax liabilities approximated $294 million and $277 million, as of June 30, 2000 and June 30, 1999, respectively, consisting primarily of differences in the accounting and tax values of certain fixed and intangible assets.

Income tax payments were approximately $375 million in 2000, $270 million in 1999, and $247 million in 1998.

A reconciliation between the Company's effective tax rate and the U.S. federal statutory rate is as follows:

(In thousands, except percentages) Years ended June 30,	2000	%	1999	%	1998	%
Provision for taxes at U.S. statutory rate	**$451,400**	**35.0**	$379,600	35.0	$311,800	35.0
Increase (decrease) in provision from:						
Investments in municipals	**(68,180)**	**(5.3)**	(68,360)	(6.3)	(68,670)	(7.7)
State taxes, net of federal tax benefit	**37,990**	**2.9**	29,930	2.8	28,119	3.2
Other*	**27,590**	**2.2**	46,490	4.2	11,206	1.2
	$448,800	**34.8**	$387,660	35.7	$282,455	31.7

*Includes impact of certain fiscal '99 acquisitions, dispositions and other non-recurring adjustments.

[note 10] Commitments and Contingencies

The Company has obligations under various facilities and equipment leases, and software license agreements. Total expense under these agreements was approximately $243 million in 2000, $202 million in 1999 and $174 million in 1998, with minimum commitments at June 30, 2000 as follows:

(In millions) Years ending June 30,	
2001	**$228**
2002	**179**
2003	**121**
2004	**69**
2005	**44**
Thereafter	**103**
	$744

In addition to fixed rentals, certain leases require payment of maintenance and real estate taxes and contain escalation provisions based on future adjustments in price indices.

In the normal course of business, the Company is subject to various claims and litigation. The Company does not believe that the resolution of these matters will have a material impact on the consolidated financial statements.

[note 11] Financial Data By Segment

Employer Services, Brokerage Services and Dealer Services are the Company's largest business units. ADP evaluates performance of its business units based on recurring operating results before interest on corporate funds, income taxes and foreign currency gains and losses. Certain revenues and expenses are charged to business units at a standard rate for management and motivation reasons. Other costs are recorded based on management responsibility. As a result, various income and expense items, including certain non-recurring gains and losses, are recorded at the corporate level and certain shared costs are not allocated. Goodwill amortization is charged to business units at an accelerated rate to act as a surrogate for the cost of capital for acquisitions. Interest on invested funds held for clients are recorded in Employer Services' revenues at a standard rate of 6%, with the adjustment to actual revenues included in "Other". Prior years' business unit revenues and pre-tax earnings have been restated to reflect fiscal year 2000 budgeted foreign exchange rates. Business unit assets include funds held for clients but exclude corporate cash, marketable securities and goodwill. "Other" consists primarily of Claims Services, corporate expenses, non-recurring items and the reconciling items referred to above.

(In millions)	Employer Services	Brokerage Services	Dealer Services	Other	Total
Year ended June 30, 2000					
Revenues	**$ 3,620**	**$1,479**	**$736**	**$ 453**	**$ 6,288**
Pre-tax earnings	**$ 776**	**$ 334**	**$115**	**$ 65**	**$ 1,290**
Assets	**$11,264**	**$ 522**	**$202**	**$4,863**	**$16,851**
Capital expenditures	**$ 94**	**$ 27**	**$ 24**	**$ 21**	**$ 166**
Depreciation and amortization	**$ 177**	**$ 81**	**$ 38**	**$ (12)**	**$ 284**
Year ended June 30, 1999					
Revenues	$ 3,269	$1,150	$733	$ 388	$ 5,540
Pre-tax earnings	$ 674	$ 222	$107	$ 82	$ 1,085
Assets	$ 7,813	$ 412	$242	$4,373	$12,840
Capital expenditures	$ 92	$ 35	$ 25	$ 26	$ 178
Depreciation and amortization	$ 175	$ 73	$ 40	$ (15)	$ 273
Year ended June 30, 1998					
Revenues	$ 2,830	$1,096	$688	$ 312	$ 4,926
Pre-tax earnings	$ 570	$ 163	$ 94	$ 64	$ 891
Assets	$ 7,333	$ 400	$224	$3,831	$11,788
Capital expenditures	$ 108	$ 49	$ 24	$ 21	$ 202
Depreciation and amortization	$ 158	$ 80	$ 39	$ (29)	$ 248

Revenues and assets by geographic area are as follows:

(In millions)	United States	Europe	Canada	Other	Total
Year ended June 30, 2000					
Revenues	**$ 5,330**	**$ 645**	**$ 259**	**$ 54**	**$ 6,288**
Assets	**$14,640**	**$1,126**	**$1,014**	**$ 71**	**$16,851**
Year ended June 30, 1999					
Revenues	$ 4,564	$ 704	$212	$ 60	$5,540
Assets	$10,498	$1,216	$1,043	$ 83	$12,840
Year ended June 30, 1998					
Revenues	$ 4,172	$ 493	$ 194	$ 67	$4,926
Assets	$ 9,670	$1,248	$ 794	$ 76	$11,788

[note 12] Quarterly Financial Results

(Unaudited)

Summarized quarterly results of operations for the two years ended June 30, 2000 are as follows:

(In thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year ended June 30, 2000				
Revenues	**$1,351,095**	**$1,492,486**	**$1,719,730**	**$1,724,201**
Net earnings	**$ 146,200**	**$ 199,500**	**$ 271,310**	**$ 223,790**
Basic earnings per share	**$ .23**	**$ .32**	**$ .43**	**$ .36**
Diluted earnings per share	**$ .23**	**$ .31**	**$ .42**	**$ .35**
Year ended June 30, 1999*				
Revenues	$1,245,126	$1,310,196	$1,514,132	$1,470,687
Net earnings	$ 125,424	$ 153,977	$ 225,650	$ 191,789
Basic earnings per share	$ .20	$ .25	$ .37	$ .31
Diluted earnings per share	$ .20	$ .24	$ .36	$ .30

* After impact of non-recurring items. See note 3 to the consolidated financial statements.

report of management

Management is responsible for the preparation of the accompanying financial statements. The financial statements, which include amounts based on the application of business judgments, have been prepared in conformity with generally accepted accounting principles. Deloitte & Touche LLP, independent certified public accountants, have audited our consolidated financial statements as described in their report.

The Company maintains financial control systems designed to provide reasonable assurance that assets are safeguarded and that transactions are executed and recorded in accordance with management authorization. The control systems are supported by written policies and the control environment is regularly evaluated by both the Company's internal auditors and Deloitte & Touche.

The Board of Directors has an Audit Committee comprised of four outside directors. The Audit Committee meets with both Deloitte & Touche and the internal auditors with and without management's presence. It monitors and reviews the Company's financial statements and internal controls, and the scope of the internal auditors' and Deloitte & Touche's audits. Deloitte & Touche and the internal auditors have free access to the Audit Committee.

Arthur F. Weinbach
Chairman and Chief Executive Officer

Richard J. Haviland
Chief Financial Officer

Karen E. Dykstra
Controller

Roseland, New Jersey
August 14, 2000

independent auditors' report

Board of Directors and Shareholders
Automatic Data Processing, Inc.
Roseland, New Jersey

We have audited the accompanying consolidated balance sheets of Automatic Data Processing, Inc. and subsidiaries as of June 30, 2000 and 1999, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2000. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Automatic Data Processing, Inc. and subsidiaries as of June 30, 2000 and 1999, and the results of its operations and its cash flows for each of the three years in the period ended June 30, 2000, in conformity with accounting principles generally accepted in the United States of America.

Deloitte + Touche LLP

New York, New York
August 14, 2000

automatic data processing, inc.

Corporate Headquarters
Automatic Data Processing, Inc.
One ADP Boulevard
Roseland, New Jersey 07068-1728
(973) 974-5000

Transfer Agent
ChaseMellon Shareholder Services
Overpeck Centre
85 Challenger Road
Ridgefield Park, New Jersey 07660

Corporate Counsel
Paul, Weiss, Rifkind
Wharton & Garrison

Auditors
Deloitte & Touche LLP

Additional Information
The Form 10-K Annual Report to the Securities and Exchange Commission provides certain additional information and is available upon request to James B. Benson, Secretary of the Company.

Internet Home Page
To obtain financial, product and other information, visit ADP's registered home page address: **http://www.adp.com**

Annual Meeting
This year's shareholders' meeting will be held at Automatic Data Processing, Inc., One ADP Boulevard, Roseland, New Jersey, on November 14, 2000 at 10:00 a.m. A notice of the meeting, proxy statement, and proxy voting card will be mailed to shareholders starting on or about September 21, 2000.

directors and corporate officers

Directors

Henry Taub[3]
Honorary Chairman of the Board
Chairman, ADP Executive Committee

Josh S. Weston[3]
Honorary Chairman of the Board

Arthur F. Weinbach[3]
Chairman and
Chief Executive Officer

Gary C. Butler
President and
Chief Operating Officer

Joseph A. Califano, Jr.[1]
Chairman of the Board and President, The National Center on Addiction and Substance Abuse at Columbia University (CASA)

Leon G. Cooperman[1,3]
Chairman and Chief Executive Officer of Omega Advisors, Inc.

George H. Heilmeier[2,3]
Chairman Emeritus of
Telcordia Technologies

Ann Dibble Jordan[1]
Consultant
Member of various boards

Harvey M. Krueger[1,3]
Vice Chairman of Lehman Brothers
Chairman, ADP Audit Committee

Frederic V. Malek[2,3]
Chairman, Thayer Capital Partners
Chairman, ADP Compensation Committee

Laurence A. Tisch[2]
Co-Chairman of Loews

(1) Audit Committee
(2) Compensation Committee
(3) Executive Committee

Corporate Officers

Arthur F. Weinbach
Chairman and
Chief Executive Officer

Gary C. Butler
President and
Chief Operating Officer

Group Presidents
Richard J. Daly
Russell P. Fradin
John P. Hogan
S. Michael Martone

Corporate Vice Presidents
Steven J. Anenen
Albert J. Angelus
John D. Barfitt
James B. Benson
Richard C. Berke
Raymond L. Colotti
Renato Crocetti
J. Russ DeLoach
Richard A. Douville
G. Harry Durity
Karen E. Dykstra
Philippe A. Gluntz
Eugene A. Hall, *Senior VP*
Richard J. Haviland
Timothy D. Lamb
Gordon R. Mettam
Robert Schifellite
Michael P. Rooney
George I. Stoeckert
Dante F. Terzo
Thomas J. Tremba

Staff Vice Presidents
Brian E. Heiser
Terri J. LeCamp
Gary E. Tarino

Design: The Graphic Expression, Inc., New York.

Automatic Data Processing, Inc.
One ADP Boulevard
Roseland, New Jersey 07068-1728
973•974•5000
www.adp.com