



We're the Business Behind BusinessSM



ADP is...

one of the largest providers of computerized transaction processing, data communication, and information services.

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The people pictured in this year's Annual Report are ADP associates.
They represent 41,000 ADP colleagues worldwide.

Financial Highlights

Automatic Data Processing, Inc. 2001 Annual Report

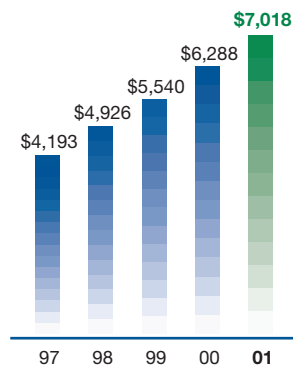
(In thousands, except per share amounts)
Years ended June 30,

	2001	2000	% Increase
Total revenues	\$ 7,017,570	\$ 6,287,512	12%
Net earnings	\$ 978,720	\$ 840,800	16%
Basic earnings per share	\$ 1.56	\$ 1.34	16%
Diluted earnings per share	\$ 1.52	\$ 1.31	16%
Cash dividends	\$ 248,453	\$ 212,578	17%
Cash dividends per share	\$.395	\$.33875	17%
Basic shares outstanding	629,035	626,766	
Diluted shares outstanding	645,989	646,098	
Return on equity	19.9%	19.7%	
At year end:			
Cash, cash equivalents and marketable securities	\$ 2,596,964	\$ 2,452,549	
Working capital	\$ 1,747,187	\$ 1,767,784	
Total assets before funds held for clients	\$ 6,549,980	\$ 6,429,927	
Long-term debt	\$ 110,227	\$ 132,017	
Shareholders' equity	\$ 4,700,997	\$ 4,582,818	
Number of employees	41,000	40,000	

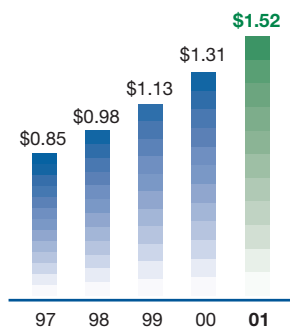
2001 data excludes a \$90 million (\$54 million after-tax) non-cash, non-recurring write-off of the Company's investment in Bridge Information Systems, Inc.

1999 data excludes non-recurring charges totaling approximately \$17 million (after-tax), associated with certain acquisitions and dispositions.

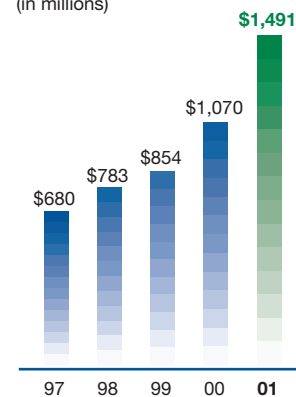
Total Revenues
(in millions)



Diluted EPS
(in millions)



Operating Cash Flow
(in millions)





“Consolidated revenues for the year grew 12% to over \$7 billion.”

Dear Shareholders,

Changing Times

Fiscal 2001 was an unusual year. After a strong start, the U.S. economy slowed markedly and the economic environment changed faster than at any time in the last 20 years.

The slowdown impacted us in three primary areas: Brokerage trades fell behind the prior year's record high levels with a significant reduction in individual investor trading activity; our Employer Services new business sales results slowed sharply; and fed funds rates dropped 275

basis points in a series of 6 decreases. Since our average daily investable balances are over \$10 billion, this interest rate decline is significant.

During '01, we also wrote off our \$90 million investment in Bridge Information Systems. This investment arose from the sale of our Brokerage Services front-office, market data business to Bridge in 1999. While this is a non-cash write-off and has no effect on our ongoing business, we do not treat these so-called “one-time” write-offs lightly.

client retention

“We are succeeding with the best quality ratings from our clients and... the highest client retention we have ever had.”

Despite these macroeconomic changes and the Bridge write-off, **ADP had a strong year:**

- **Consolidated revenues for the year grew 12% to over \$7 billion.**
- **Pre-tax earnings increased 25%, net earnings were up 16% to almost \$1 billion, and earnings per share rose 16% (before the previously mentioned write-off of our investment in Bridge).**
- **Our cash flow from operations was an exceptional \$1.4 billion.**
- **We invested over \$900 million by acquiring over 16 million shares of ADP stock.**
- **Our cash balances are over \$2.5 billion, we have a very low debt-to-equity ratio of 2%, and our return on shareholders' equity is about 20%.**
- **Our Board increased our dividend for the 27th consecutive year, by 17% to an annual rate of \$.41 per share.**
- **We had an unprecedented level of client satisfaction across ADP and record client retention in Employer Services.**
- **Our associate satisfaction scores increased, and associate productivity and retention ended the year at improved levels over last year.**
- **Our product positioning is very strong with important new Web-based products coming to market in the year ahead.**
- **As the economy slowed, we instituted a series of cost containment activities enabling us to reduce our expense run rate by about \$150 million from where it would have been as we entered fiscal 2002.**

How did we achieve such excellent results in today's troubled economy? The answer lies at the heart of ADP's uniquely consistent performance over the years. While there are many factors (including knowledgeable, focused leadership in our business units and a growth- and results-oriented corporate culture), the single most impor-

tant reason is the strength of our recurring revenue model. We have long-term relationships with virtually all of our clients and receive revenue each month for the high quality, value-added services we provide. We do not have to resell our clients to grow. Our growth comes from continuing to add more clients and more services. Because of the recurring nature of our revenues, we can also anticipate the costs needed to support our clients and keep our cost structure in line with revenues. It is a powerful model that has served us well through many economic cycles.

Major Initiatives

All of us at ADP are focused on three major initiatives:

World Class Service We have committed ourselves to providing world class service to our clients. Over the last four years, we have made sizable investments in service in the belief that service quality is the ultimate competitive advantage for our businesses. We are succeeding with the best quality ratings from our clients and, most importantly, the highest client retention we have ever had. While we are proud of these results, we recognize world class service is an ongoing journey. We must ever intensify our efforts to earn market superiority in the eyes of our clients.

Employer of Choice We also realize that we cannot succeed as a world class service company unless we attract and retain knowledgeable and committed associates. Three years ago, we embarked on an Employer of Choice initiative to make ADP an increasingly attractive work environment. So far this year, associate retention and associate satisfaction have improved (excellent results). Clearly, becoming an Employer of Choice is important, and we are committed to making ADP a place where people want – and are proud – to work.

Product Leadership This year, we added a third, very important building block to our strategy – product leadership. Product leadership means delivering the best products to market ahead of the competition on a consistent basis. Similar to world class service, this also is a journey, a continuous process. It is not about getting any single

growth

“ADP is well positioned for long-term growth and profitability.”

product to market. While this initiative is still relatively new, our product offerings today and our expectations for exciting new product introductions in '02 give us confidence that we are ahead of our competition in most areas. We are working to extend that advantage.

Our Associates

Perhaps there is nothing that differentiates ADP as much as our associates. We have a team of 41,000 associates who, through their caring, commitment and hard work, provide world class service every day to our over 500,000 clients.

When times get tough, as they did this year, and we need to tighten our cost structure, we ask a lot of our associates. They have responded with a renewed spirit of teamwork and helped to make ADP stronger than ever. We are very proud and fortunate to attract and retain such exceptional individuals. Our associates are ADP's face to our prospects and clients, and make our success happen every day through their actions.

This year, Jan Colby joined ADP as Corporate Vice President in charge of our Employer Services (ES) Emerging Business Services (EBS) division, and Peter Op de Beeck, Vince Coppola, Andoni Iturrioz and Jay Rising were promoted to Corporate Vice President in recognition of their significant contributions to ADP's success and assumption of increased responsibilities.

Bud Angelus, President of our ES EBS business; Tim Lamb, President of our ES National Accounts business; Philippe Gluntz, President of ES Europe; and Rich Haviland, ADP's Chief Financial Officer, elected to retire, each after many years of service. Their contributions were immense. We will miss them and we wish them well in retirement.

Additionally, we are honored to welcome back one of ADP's founders, Frank Lautenberg, as an honorary director. Frank joined ADP in 1952, rose to chief executive officer in 1975 and, after a 30-year ADP career, left in 1983 to start a distinguished 18-year tenure as a U.S. Senator from New Jersey.

Future Forecast

We are very confident that ADP is well positioned for long-term growth and profitability. In fiscal year 2002, despite macroeconomic changes that are slowing revenue growth, we anticipate our 41st consecutive year of double-digit growth in earnings per share.

These are the times when the ADP business model shines. It is an exciting time for ADP. We look to the future with great confidence.

Results like these are earned by many ADP associates pulling in the same direction at the same time. Our thanks to each and every associate for their contributions.



Arthur F. Weinbach
Chairman and
Chief Executive Officer



Gary C. Butler
President and
Chief Operating Officer

August 13, 2001

ADP serves...

over 500,000 clients worldwide with outsourcing solutions that help them improve their performance. These include traditional products and services and Internet-based solutions, supported by expert sales and service capabilities, that enable us to serve businesses we were never before able to economically reach.

We are the people of ADP.

We're the Business Behind BusinessSM

**In just the past 10 years,
ADP's client base has doubled.**



Reliability

our services generate
steady and predictable
revenue streams



Over 50 years ago, ADP began with a business model that remains sound today – providing transaction-based information processing and other services that are mission-critical to a client’s business. Since virtually all of the transactions we perform are repetitive in nature, they also generate reliable and predictable streams of revenue.

ADP provides many important services to clients worldwide. In fiscal ‘01, we paid over 30 million of our clients’ employees on payday; processed an average of over 1.3 million daily trades on the major security exchanges; empowered 16,000 auto retailers with profit-making business solutions; and helped insurance companies process over \$25 billion in claims-related losses...The fundamental economic principle is one and the same across all ADP businesses: Every client is a valuable source of recurring revenue.

Our business model has performed well throughout virtually every economic cycle over the past five decades, and most recently during the unexpected downturn in the U.S. economy in the second half of fiscal ‘01. The inherent strength of the outsourcing trend and the predictability of our recurring revenue enabled us to avoid many of the difficulties experienced by other companies.



ADP's Proven Business Model

consistently helps us succeed through
virtually all economic cycles.

We consistently renew the strength of our proven business model by cultivating long-term client relationships. As clients stay with us longer, we not only enjoy an ongoing flow of revenue from existing business, but also earn opportunities to serve them with additional products and services, gaining valuable referrals that, in turn, spawn new relationships – and a new generation of incremental growth.

One of ADP's most basic beliefs – that each client counts – is central to everything we do. Our very successful business model thrives on that ageless business credo, and we have every reason to believe it will perform equally well into the future.



Our company-wide commitment to

World Class Service

is at the heart of every client relationship.

Client service remains the major competitive differentiator in almost every industry, and World Class Service is the prevailing high bar by which market leaders measure their success.

World Class Service is unlike other strategic business goals. Measured neither in time nor distance, it is a continuous journey that perpetually resets the high bar of service levels reflecting the ever-increasing demands and expectations of the marketplace.

ADP's commitment to World Class Service has become an intrinsic part of our business culture. We view the ongoing commitment of resources to increasingly higher levels of service not simply as an out-of-pocket expense, but as a discerning, long-term investment. For us, World Class Service is paramount. It begins with the first sales call and actively resonates throughout the entire client life cycle.

Two of the key metrics that help us measure the success of our commitment to World Class Service are client satisfaction scores and client retention rates. Both measures continue to trend upward in our business to record levels.

This year, client satisfaction scores improved in all of our major business units. In Employer Services and Brokerage Services – which account for better than 80% of all ADP revenue – satisfaction scores were the highest ever, eclipsing even last year's record quality ratings.

Quality

more clients
are staying
with us longer



Fiscal '01 was also another year of record client retention. Employer Services, our largest business, increased its traditional retention rate significantly for a third straight year. Brokerage Services realized record-high retention rates in each of its major operating units with no major competitive client losses. Dealer Services retained better than 90% of its clients worldwide for a fourth consecutive year. And, most importantly, the average ADP client is staying with us longer than ever before.

While our investment in tools, processing, training, and staffing – well over \$100 million during the past several years – makes World Class Service possible, ADP associates make World Class Service happen. They personify our commitment to this critical business concept and bring it alive through the service offerings they sell and the clients they serve each and every day. As our associates succeed, so does ADP.

Satisfaction

associate retention
keeps improving



ADP is confidently making steady progress toward becoming an Employer of Choice (EOC).

Our EOC goal is a progressive journey toward creating a culture of ever-increasing associate satisfaction levels. We want to increase our capacity to attract and retain associates who have the skills, shared beliefs, and dedication to service excellence that can help us compete – and win – in the ever-more-demanding markets we serve. In today's tech-savvy business environment, the embedded role of technology in modern business solutions makes the retention and recruitment of associates with specialized, high-tech skills even more important.

Four years ago, we announced our EOC initiative and made substantial initial investments in state-of-the-art training, improved communications programs, and more competitive pay and reward systems. In each successive year, we made further investments, and in fiscal '00 our efforts began to show some early results. This year, the results are even better.

Annualized associate turnover is lower than in each of the prior two years. Revenue per associate continued a multiple year upward trend. We made substantial progress toward realizing our company-wide goal of providing 40 hours of training each year per associate, with a large part of ADP already at that goal. Furthermore, associate satisfaction scores showed overall positive movement.



Nothing influences ADP's success more than the
Collective Talents
and inspired performance of our associates.

At ADP, the relationship between associate retention and client satisfaction is unmistakable.

As trained and highly motivated associates stay with us longer, so do the clients we serve. Favorable associate morale leads to longer associate tenure yielding increased productivity. Consequently, the clients we serve have a longer average life cycle and generate higher margins.

We are funding our EOC initiative with the same vitality as we do other strategically important initiatives, such as World Class Service and Product Leadership, which shape the character of our business. Highly motivated associates have always made a difference at ADP, and the investment we make in their futures – from training to career development – is a fundamental investment in the future of ADP.



Product Leadership

creates a powerful competitive advantage.
It helps us attract new clients and energize
existing relationships.

This year, every ADP business made significant investments in new products and services. We enhanced the power and performance of existing offerings and developed entirely new, state-of-the-art platforms to support the future challenges and requirements of an increasingly robust marketplace. Our investments signal the beginning of a long-term initiative that will help us continually renew our position as the unsurpassed product leader in all the markets we serve.

Realizing the profound and far-reaching influence of Internet technology, ADP remains committed to a strategy that leverages the Internet to deliver solutions to an ever-expanding range of prospects. Already, our progress is notable.

Employer Services has introduced Web-based products in every market segment. EasyPayNetSM provides an Internet payroll service to a rapidly increasing number of small business clients. Our eXpert ServicesSM suite of HR, payroll and benefits administration products, designed to serve the particular needs of mid-range employers, incorporates the added dimension of employer and employee self-service features. Up-market, ADP's Enterprise Payroll is rapidly becoming a preferred solutions platform for the market's largest employers.

Brokerage Services, which launched its Global Processing SolutionSM last year, has signed several major institutions, including Bank of America and Instinet Clearing Services, as Global Processing Solution clients. The Global Processing Solution is an integrated platform that is designed to enable a user to trade any financial instrument, in any market or currency, at any time.

Innovation

new products help us to
grow the business



Dealer Services continues to provide the auto retail market with advanced solutions to enhance customer relations, grow revenue, and improve employee productivity and profitability. In early fiscal '02, we will introduce our next-generation dealer management system. Its open architecture and Web-native design enables users to rapidly transform data into knowledge, effectively connecting a dealership with its suppliers, manufacturers, business partners and customer base. Additionally, ADP's e-business alliance with IBM (myautogarage.comSM) links dealers and manufacturers with vehicle owners to reinforce brand loyalty relationships, and schedule authorized dealership maintenance and warranty services online.

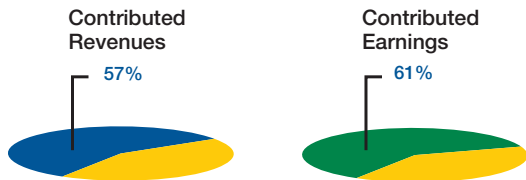
Claims Services enables clients in the insurance industry to compute fair and accurate settlements faster than ever before. By employing ADP's Claimsflo[®] solutions, clients can appreciably streamline their workflow, reduce internal redundancies, prevent fraud and accelerate the claim settlement process.

Product Leadership is a major keystone of ADP's future success. Like World Class Service, it requires sustained commitment and serious investment, but we believe with a clear return for the future.

Employer Services

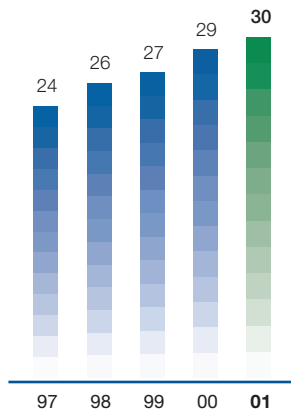
ADP Employer Services is the leading full-service provider of a comprehensive range of human resource services, including traditional and Internet-based outsourcing solutions, that help over 455,000 employers worldwide staff, manage, pay, and retain their employees.

We paid more than
30 million
people worldwide
each payday.



Workers Paid Worldwide

(in millions)



Products & Services

- Human resource information management.
- Benefits administration.
- Payroll processing.
- Payroll tax filing.
- Regulatory compliance management services (i.e., new hire reporting, wage garnishment processing, COBRA administration).
- Retirement plan services.
- Professional Employer Organization (PEO) – providing client companies with comprehensive employment administration outsourcing solutions; including payroll, human resources, 401(k), benefits administration and workers' compensation insurance.
- Time and labor management.
- Unemployment compensation management.
- Full departmental outsourcing of payroll services (predominantly in Europe and Brazil).

Major Markets

Employer Services focuses on client needs in 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 which focus on companies with 250 or fewer employees.

Major geographical markets include: **United States, Canada, Europe, Latin America, Australia and the Pacific Rim.**

For a 5th consecutive year, we grew new business sales of our TotalPaySM product.

FY01 Employer Services Highlights

- Earned record-breaking client satisfaction and retention scores, and had an outstanding year-end processing season.
- Accelerated our development of Internet-enabled payroll, human resource, benefits administration and related products and services across all market segments.
- Intensified our commitment to expand our offerings in selected major markets around the globe.
- Completed the acquisition of Australia-based PayConnect, Ltd., our initial footprint in the Pacific Rim employer services market.
- Grew revenue in Canada 14%; ADP is the largest provider of employer services to Canadian employers.

FY01 Payroll Highlights

- Paid more than 30 million people worldwide each payday.
- Printed and delivered over 43 million year-end tax statements in North America, and had substantial growth in our stand-alone tax and print services.
- Delivered our EasyPayNet Web-based payroll service to a record 5,000 small business clients.
- Launched our robust, Internet-based Pay eXpert[®] solution for mid-sized employers.
- Grew new sales of our Web-based Enterprise Payroll system for large employers.
- Increased payroll sales to multi-national employers throughout Europe nearly 50% over last year.

FY01 Beyond Payroll Highlights

- Grew new business sales of TotalPaySM, our direct deposit and payroll check product, for a 5th consecutive year, making ADP the largest private originator of direct deposit transactions in the U.S.
- Moved over \$500 billion in client funds to tax authorities and our clients' employees via electronic transfers, direct deposits, and ADP Check.

- Expanded our time and labor management business by over 20%.
- Introduced our Enterprise HRMS integrated HR, payroll and benefits solution for large employers, featuring Internet-based employer self-service capabilities.
- Continued our steady penetration of the multi-billion dollar retirement plan and benefits administration markets.
- Became the 10th largest provider of 401(k) Retirement Plans.
- Partnered with AtWork Technologies, Inc. to launch Benefits eXpertSM, an Internet-based benefits administration and employee self-service solution that allows mid-market companies to more efficiently manage their employees' health and welfare benefits.
- Acquired and integrated the U.K.-based BMS organization, enabling us to access its "thin client" Internet platform for future products and services.
- Initiated a key new partnership with Exult, Inc. to expand our services for large enterprises to the Global 500 market using a new technology outsourcing model.
- Announced the acquisition of Avert, Inc., a leading provider of customizable pre-employment screening solutions serving companies across all market segments.
- Grew our COBRA Services business over 30% this year and introduced a Web-based version of our COBRA product.
- Enabled more of our largest clients this year to interface their enterprise resource planning (ERP) applications with our outsourced payroll service by using ADP Connection[®].
- Realized strong growth in our TotalSource[®] PEO business, with overall revenue increasing 12% over last year. As the 2nd largest PEO in the U.S., we serve over three thousand PEO clients and support over 70,000 worksite employees throughout the country.

Moved over

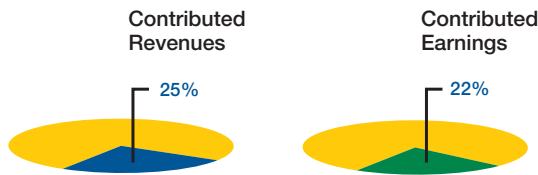
\$500
billion

to tax authorities and
direct deposit accounts.

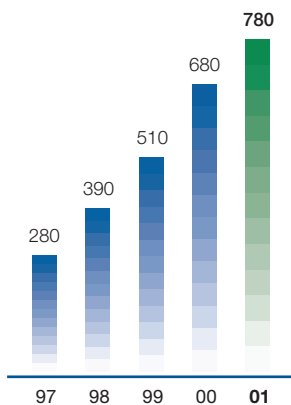
Brokerage Services

ADP Brokerage Services is a leading provider of transaction processing systems, desktop productivity applications, and investor communications services to the financial services industry worldwide. Our clients include: full-service, discount, and online brokerage firms; global banks; mutual funds; institutional investors; specialty trading firms; clearing firms; as well as publicly owned corporations.

We processed an average of more than **1.3 million** trades a day.



Number of Shareholder Communications Distributed (in millions)



Products & Services

- Global order entry, trade processing and settlement systems including automated inquiry, reporting and record keeping services for trading virtually all financial instruments such as equities, fixed income, foreign currency, commodities and derivatives.
- Full-service investor communications services including state-of-the-art electronic delivery and Internet solutions, new account services, financial printing, proxy distribution and processing, regulatory mailings, fulfillment services, statements and confirmations, and document management.
- Real-time order entry, trading and processing services for Web-based brokerage firms.
- Automated, browser-based, desktop productivity tools for financial consultants, institutional investors and corporate secretaries.
- Integrated delivery of multiple products and services through our Global Processing SolutionSM.

Major Markets

Brokerage Services provides securities transaction processing, printing and electronic distribution of investor communications, and other services to clients in: **North America, Europe, Asia, South America, and Australia.**

FY01 Brokerage Services Highlights

- Grew revenues 19% over last year.
- Increased overall client satisfaction and retention.
- Improved associate retention by more than 22% year to year.
- Web-enabled many of our traditional core products and services.
- Served clients in more than 25 countries.

FY01 Brokerage Processing Highlights

- Processed an average of more than 1.3 million trades a day.
- Served the North American transaction processing needs of most large global banks.
- Received ISO 9000 certification for our brokerage processing system – an international standard for the highest quality.
- Converted Lehman Brothers to Brokerage Processing Services, completing the first phase of implementation to our Global Processing Solution.
- Signed agreements to provide our Global Processing Solution to Bank of America and several other large institutions.
- Expanded our Wilco International global trade processing and settlement services for international securities to Australia with the acquisition of SUMMIT from Computershare Ltd.
- Extended ADP's reach into the global retail securities markets with Wilco International's acquisition of TCA Synergo in the U.K.
- Doubled our global product development and outsourced client services operations in India.

Distributed over
50% more
investor communica-
tions than we did just
two years ago.

Earned
record
high client
satisfaction scores.

FY01 Investor Communication Highlights

- Distributed more than 780 million investor communications – over 50% more than we did just two years ago.
- Served approximately 14,000 publicly traded companies and 450 mutual funds on behalf of more than 800 brokerage firms and banks.
- Reduced investor communication costs for publicly held companies by more than \$1.3 billion over the last 5 years.
- Earned Arthur Andersen's prestigious "Best Practices Award" for 2000.
- Signed an agreement with HSBC Bank plc to provide shareowner communication services in the United Kingdom to the clients of HSBC's global custody division.
- Integrated the acquisition of Cunningham Graphics, a leading provider of time-sensitive graphic communication services to the financial services industry and many Fortune 500 corporations. Cunningham prints more than three billion pages of investment materials annually.
- Electronically delivered 5.3 million investor communications via the Internet – 132% more than last year.

Dealer Services

ADP Dealer Services is a leading provider of integrated dealer management systems (DMS) and business performance solutions for automotive (car and heavy truck) retailers and their manufacturers.

Products & Services

- Networking and telecommunications systems that link automotive retailers with manufacturers, business partners, and consumers.
- Solutions that enable retailers to manage relationships with consumers and business partners by leveraging the Internet.
- Integrated information systems that help dealerships gather, manage, and use information more effectively.
- Business performance (consulting and training) services to help retailers improve their profitability.
- Marketing and technology solutions for manufacturers.

Major Markets

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

Client retention was
90%
or greater for a 4th
consecutive year.



FY01 Highlights

- Served more than 16,000 automobile and truck dealers throughout North America and Europe.
- Provided over 30 vehicle manufacturers with networking solutions, data integration, consulting, and marketing services.
- Achieved a client retention rate of 95%, the highest in the last four years.
- Raised client satisfaction scores to record levels for a second consecutive year.
- Completed fiscal '01 with our best associate retention in 7 years – over 90%.
- Increased major application installations by 7% over last year.
- Completed development of our next-generation, Web-based DMS product.
- Launched our Application Service Provider DMS service, adding over 100 dealership locations and 4,500 users the first year, including enterprise agreements with Sonic Automotive, Inc. and Volvo Trucks North America, Inc.
- Grew our myautogarage.comSM Internet initiative (that enables customers to schedule service appointments with dealers over the Web), adding dealerships through an enterprise agreement with Mercedes Benz USA, LLC.
- Acquired Traver Technologies, a leading provider of dealer front-end training, consulting, and software.
- Created the ADP ProfitPoint Group (Performance Inc., Mike Nicholes Inc., ASC Retail Consulting, and Traver Technologies – all leaders in auto retail consulting) to help dealers improve their profitability.
- Formed a strategic alliance with Automotive Directions to enhance Customer Relationship Management solutions for auto retailers.
- Launched our e-Support Web initiative at 2,700 client sites, enabling clients to report and resolve problems via ADP's dealersuite.com Internet site.
- Signed a multi-year agreement with Porsche Cars North America to support their Extranet-based, PCNA e-DCS Dealer Communications initiative.

Claims Services

ADP Claims Services is a leading international provider of automated information tools to the property and casualty insurance, auto collision repair and auto parts recycling industries. Our products help clients improve their performance by increasing our clients' efficiency, accelerating the claim review and settlement process, and streamlining workflow.

Products & Services

- Repair estimating applications and total loss vehicle valuation applications and databases.
- Auto casualty and workers' compensation medical cost management applications and services.
- Parts locator and body shop management systems.
- Other applications, databases and services that enhance and optimize the claims process.

Major Markets

Claims Services focuses on seven market segments: auto insurance claims; auto insurance assessors; auto collision repair centers; auto recyclers; auto accident medical cost management; workers' compensation medical cost management; other claims-related businesses. We serve the following geographical markets: **North America, Europe, Brazil, Israel, Japan, and South Africa.**



Processed more than
14 million
auto damage claim
estimates worldwide.

FY01 Highlights

- Served over one-third of all property and casualty insurance companies in North America and Europe.
- Processed more than 14 million auto damage claim estimates for clients in 22 countries.
- Helped our clients process over \$25 billion in claims-related losses.
- Continued the expansion of our Audatex global claims business into selected markets worldwide.
- Provided our services to about 35% of the automated collision repair centers and 60% of the automated parts recyclers in the markets we serve.
- Processed 13 million recycled parts inquiries through our ADP Hollander business.
- Increased our total loss valuation business (Autosource®) to approximately 50% market share, growing transactions 21% over last year.
- Introduced new claims process-optimizing applications in Germany (AIDA), the United Kingdom (Audit), and the U.S. (Claimsflo® Passport).
- Launched our next-generation, auto-related medical bill audit application (Impact), and our third-party medical cost containment tool for auto injury claims (Impact with ICE®).
- Outperformed our competition in the traditional collision estimating business.
- Improved our associate satisfaction scores significantly over last year.

Selected Financial Data

Automatic Data Processing, Inc. and Subsidiaries

(In thousands, except per share amounts) Years ended June 30,	2001	2000	1999	1998	1997
Total revenues	\$ 7,017,570	\$ 6,287,512	\$ 5,540,141	\$ 4,925,956	\$ 4,193,447
Earnings before income taxes	\$ 1,525,010	\$ 1,289,600	\$ 1,084,500	\$ 890,717	\$ 726,439
Net earnings	\$ 924,720	\$ 840,800	\$ 696,840	\$ 608,262	\$ 515,244
Basic earnings per share	\$ 1.47	\$ 1.34	\$ 1.13	\$ 1.01	\$.88
Diluted earnings per share	\$ 1.44	\$ 1.31	\$ 1.10	\$.98	\$.85
Basic shares outstanding	629,035	626,766	615,630	600,803	588,112
Diluted shares outstanding	645,989	646,098	636,892	628,196	620,117
Cash dividends per share	\$.395	\$.33875	\$.295	\$.25625	\$.2225
Return on equity	19.9%	19.7%	18.7%	20.0%	20.6%
At year end:					
Cash, cash equivalents and marketable securities	\$ 2,596,964	\$ 2,452,549	\$ 2,169,040	\$ 1,673,271	\$ 1,516,450
Working capital	\$ 1,747,187	\$ 1,767,784	\$ 907,864	\$ 626,063	\$ 805,797
Total assets before funds held for clients	\$ 6,549,980	\$ 6,429,927	\$ 5,824,820	\$ 5,242,867	\$ 4,439,293
Total assets	\$17,889,090	\$16,850,816	\$12,839,553	\$11,787,685	\$10,249,089
Long-term debt	\$ 110,227	\$ 132,017	\$ 145,765	\$ 192,063	\$ 402,088
Shareholders' equity	\$ 4,700,997	\$ 4,582,818	\$ 4,007,941	\$ 3,439,447	\$ 2,689,415

2001 data includes a \$90 million (\$54 million after-tax) non-cash, non-recurring write-off of the Company's investment in Bridge Information Systems, Inc.

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

Management's Discussion and Analysis

Operating Results

Revenues and earnings reached record levels during each of the past three fiscal years. Despite a difficult economic environment, fiscal '01 revenues increased 12% to \$7.0 billion. Prior to the non-cash, non-recurring charge in '01, pre-tax earnings increased 25% and diluted earnings per share increased 16% to \$1.52. In fiscal '00, pre-tax earnings increased 21% and diluted earnings per share increased 16% to \$1.31 (prior to the non-recurring charges in '99). Fiscal '01 was ADP's 40th 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:

(In millions)	Revenues			Revenue Growth		
	Years Ended June 30,			Years Ended June 30,		
	2001	2000	1999	2001	2000	1999
Employer Services	\$4,018	\$3,579	\$3,232	12%	11%	16%
Brokerage Services	1,756	1,477	1,147	19	29	5
Dealer Services	691	725	723	(5)	—	7
Other	553	507	438	9	16	23
Consolidated	\$7,018	\$6,288	\$5,540	12%	13%	12%

Consolidated revenues grew 12% in fiscal '01 primarily from increased market penetration, from an expanded array of products and services, with relatively minor contributions from price increases. Prior to acquisitions and dispositions, revenues increased approximately 11%.

As a result of the weaker economic conditions and the decreases in interest rates during fiscal '01, we instituted a series of initiatives in the latter part of the year to bring our expense structure in line with lower revenue expectations. These actions have resulted in approximately \$150 million of lower annual expense run rate as of June 30, 2001 than would otherwise have been the case.

The consolidated pre-tax margin was 23.0% in '01 (prior to the non-recurring charge), 20.5% in '00, and 19.3% in '99 (prior to non-recurring charges). Pre-tax margin improved over the previous year as continued automation and operating efficiencies enabled the Company to offset accelerated investments in new products, and increased spending on systems development and programming. The impact of transitioning the investment portfolio from tax-exempt to taxable instruments also contributed to the margin improvement.

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 2001 budgeted foreign exchange rates.

Employer Services

Employer Services' revenues grew 12% in fiscal '01, and in the absence of acquisitions and dispositions revenue growth would have been about 11% in '01, 12% in '00, and 15% in '99.

Employer Services' operating margin was 23.3% in '01, 21.4% in '00, and 20.6% in '99. Employer Services' operating margin improved due to operating efficiencies, cost containment initiatives and also improvements in Europe, 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 was 19%. In the absence of acquisitions and dispositions, revenue growth would have been about 7% in '01, compared to 31% in '00 and 21% in '99.

Brokerage Services' operating margin was 19% in '01 compared to 23% in '00 and 19% in '99. The lower margins in fiscal '01 resulted from the prior year fourth quarter acquisition of Cunningham Graphics, investments made in data center capacity to support higher trading volumes and the extraordinarily high level of trading activity in '00.

Dealer Services

Dealer Services' revenues decreased 5% in '01. In the absence of acquisitions and dispositions, '01 revenues would have decreased 3%, compared to flat revenues in '00 and 7% revenue growth in '99. Dealer Services' operating margin was 15% in fiscal '01 compared to 16% in '00 and 15% in '99. Dealer Services' operating margin declined due to investments in new products and acquisitions.

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 \$164 million, \$119 million, and

Management's Discussion and Analysis (continued)

\$84 million in '01, '00, and '99, 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 '01 the Company recorded a \$90 million (\$54 million net of tax) write-off of its investment in Bridge Information Systems, Inc. (Bridge), which is reflected in "realized (gains)/losses on investments."

This non-cash, non-recurring write-off represented the Company's total recorded investment in Bridge.

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.

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 (\$14 million after-tax) of transaction costs and other adjustments in general, administrative and selling expenses, 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 transitioned to the Euro as a new common legal currency. The costs of this transition have not had a material effect on ADP.

In '01 the Company's effective tax rate was 39.4%. Excluding the impact of non-recurring charges associated with certain acquisitions, dispositions and other activities, the effective tax rate was 34.8% in '00 and 33.2% in '99. The increased rate in '01 is primarily a result of the transition, referred to above, of a portion of the Company's investment portfolio to taxable investments.

For '02 ADP is planning another record year with revenue growth in the high single digits. In '02 the Company will adopt Statement of Financial Accounting Standard (SFAS) No. 142 "Goodwill and Intangible Assets," which will eliminate goodwill amortization and will require pro forma footnote disclosure of fiscal 2001 results. ADP is also planning diluted earnings per share growth of 13% to 15% over the pro forma fiscal '01 results prior to the non-cash, non-recurring item.

Financial Condition

ADP's financial condition and balance sheet remain exceptionally strong. At June 30, 2001, cash and marketable securities approximated \$2.6 billion. Shareholders' equity was approximately \$4.7 billion, and return on average equity for the year was approximately 20%. The ratio of long-term debt to equity at June 30, 2001 was 2%.

Cash flow from operating activities approximated \$1.5 billion in '01 with another excellent year expected in '02.

In '01 16.6 million shares of common stock were purchased at an average price of approximately \$56. The Board of Directors has authorized the purchase of up to 53 million additional shares.

In '01 zero coupon convertible subordinated notes were converted to 1.3 million shares of common stock.

In '01 the Company entered into an unsecured revolving credit agreement with certain financial institutions, which provides for borrowings up to \$2.5 billion. Borrowings under the agreement bear interest tied to LIBOR or prime rate depending on the number of days the borrowings are outstanding. The agreement, which expires in October 2001, has no borrowings to date.

During '01 the Company purchased several businesses for approximately \$75 million in cash. The cost of acquisitions in '00 and '99 aggregated \$200 million and \$107 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) in pooling of interests transactions in exchange for approximately 4 million shares of common stock. The Company's consolidated financial statements were not restated because in the aggregate these transactions were not material.

Capital expenditures during '01 were \$185 million following investments of \$166 million in '00 and \$178 million in '99. Capital spending in fiscal '02 should approximate \$200 million.

Approximately forty-percent 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 sixty-percent of the Company's investment portfolio is invested in fixed-income securities, with maturities up to ten years. 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.

The earnings impact of future rate changes is not precisely predictable because many factors influence the return on the Company's portfolio. These factors include, among others, the overall portfolio mix between short-term and long-term investments. This mix varies during the year and is impacted by daily interest rate changes. A hypothetical change in interest rates of 25 basis points applied to the June 30, 2001 balances would result in a \$12 million pre-tax earnings impact over the following twelve-month period.

Market Price, Dividend Data and Other

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

	Price Per Share		Dividends Per Share
	High	Low	
Fiscal 2001 quarter ended			
June 30	\$57.1500	\$49.5700	\$.10250
March 31	63.5625	48.4700	.10250
December 31	69.9375	58.5000	.10250
September 30	67.8750	49.5000	.08750
Fiscal 2000 quarter ended			
June 30	\$57.9375	\$44.6875	\$.08750
March 31	55.4375	40.0000	.08750
December 31	54.8125	43.0000	.08750
September 30	44.8750	37.3750	.07625

As of June 30, 2001 there were approximately 34,000 holders of record of the Company's common stock. Approximately 271,000 additional holders have their stock in "street name."

New Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued SFAS No. 141, "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets," which revise the standards for accounting for business combinations and goodwill and other intangible assets acquired in a business combination. The Company intends to adopt SFAS No. 141 and SFAS No. 142 in fiscal 2002. The pro forma basic and diluted earnings per share for fiscal 2001 will increase by \$.07 per share from \$1.47 to \$1.54 and \$1.44 to \$1.51, respectively.

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; changes in laws regulating payroll taxes and employee benefits; 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. ADP disclaims any obligations to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Statements of Consolidated Earnings

Automatic Data Processing, Inc. and Subsidiaries

(In thousands, except per share amounts)

Years ended June 30,	2001	2000	1999
Revenues other than interest on funds held for clients and PEO revenues	\$6,264,030	\$5,729,042	\$5,110,262
Interest on funds held for clients	518,956	348,596	269,496
PEO revenues (A)	234,584	209,874	160,383
Total revenues	7,017,570	6,287,512	5,540,141
Operating expenses	2,900,124	2,564,496	2,376,172
General, administrative and selling expenses	1,665,447	1,643,360	1,379,026
Systems development and programming costs	514,279	460,275	412,380
Depreciation and amortization	320,856	284,282	272,807
Interest expense	14,260	13,140	19,090
Realized (gains)/losses on investments	77,594	32,359	(3,834)
	5,492,560	4,997,912	4,455,641
Earnings before income taxes	1,525,010	1,289,600	1,084,500
Provision for income taxes	600,290	448,800	387,660
Net earnings	\$ 924,720	\$ 840,800	\$ 696,840
Basic earnings per share	\$ 1.47	\$ 1.34	\$ 1.13
Diluted earnings per share	\$ 1.44	\$ 1.31	\$ 1.10
Basic shares outstanding	629,035	626,766	615,630
Diluted shares outstanding	645,989	646,098	636,892

(A) Net of pass-through costs of \$2,446,768, \$2,197,323, and \$1,748,841 respectively.

See notes to consolidated financial statements.

Consolidated Balance Sheets

Automatic Data Processing, Inc. and Subsidiaries

(In thousands, except per share amounts)
Years ended June 30,

	2001	2000
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,275,356	\$ 1,227,637
Short-term marketable securities	515,245	596,792
Accounts receivable	976,638	899,314
Other current assets	316,221	340,709
Total current assets	3,083,460	3,064,452
Long-term marketable securities	806,363	628,120
Long-term receivables	224,964	245,249
Property, plant and equipment:		
Land and buildings	457,110	439,022
Data processing equipment	653,641	612,608
Furniture, leaseholds and other	533,883	498,354
Less accumulated depreciation	1,644,634 (1,029,984)	1,549,984 (952,715)
Other assets	614,650	597,269
Intangibles	219,133	271,136
Total assets before funds held for clients	1,601,410	1,623,701
Funds held for clients	6,549,980	6,429,927
Total assets	11,339,110	10,420,889
Liabilities and Shareholders' Equity		
Current liabilities:		
Notes payable	\$ —	\$ 21,523
Accounts payable	156,324	129,436
Accrued expenses and other current liabilities	1,032,273	1,044,002
Income taxes	147,676	101,707
Total current liabilities	1,336,273	1,296,668
Long-term debt	110,227	132,017
Other liabilities	208,880	171,843
Deferred income taxes	207,928	151,337
Deferred revenue	85,931	95,361
Total liabilities before client funds obligations	1,949,239	1,847,226
Client funds obligations	11,238,854	10,420,772
Total liabilities	13,188,093	12,267,998
Shareholders' equity:		
Preferred stock, \$1.00 par value:		
Authorized, 300 shares; issued, none	—	—
Common stock, \$.10 par value:		
Authorized, 1,000,000 shares; issued, 638,702 and 631,443 shares, respectively	63,870	63,144
Capital in excess of par value	553,927	402,767
Retained earnings	5,153,408	4,477,141
Treasury stock — at cost 14,766 and 2,697 shares, respectively	(837,244)	(130,800)
Accumulated other comprehensive income	(232,964)	(229,434)
Total shareholders' equity	4,700,997	4,582,818
Total liabilities and shareholders' equity	\$17,889,090	\$16,850,816

See notes to consolidated financial statements.

Statements of Consolidated Shareholders' Equity

Automatic Data Processing, Inc. and Subsidiaries

(In thousands, except per share amounts)	Common Stock		Capital in Excess of Par Value	Retained Earnings	Treasury Stock	Comprehensive Income	Accumulated Other Comprehensive Income
	Shares	Amount					
Balance, July 1, 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						<u>\$662,993</u>	
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						<u>\$746,833</u>	
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)
Net earnings	—	—	—	924,720	—	\$924,720	—
Currency translation						(80,816)	(80,816)
Unrealized gain on securities						77,286	77,286
Comprehensive income						<u>\$921,190</u>	
Employee stock plans and related tax benefits	6,878	688	163,464	—	187,058		
Treasury stock acquired (16,558 shares)	—	—	—	—	(935,064)		
Acquisitions (22 shares)	—	—	234	—	839		
Debt conversion (1,303 shares)	381	38	(12,538)	—	40,723		
Dividends (\$.395 per share)	—	—	—	(248,453)	—		
Balance, June 30, 2001	638,702	\$63,870	\$553,927	\$5,153,408	\$(837,244)		\$(232,964)

See notes to consolidated financial statements.

Statements of Consolidated Cash Flows

Automatic Data Processing, Inc. and Subsidiaries

(In thousands) Years ended June 30,	2001	2000	1999
Cash Flows From Operating Activities			
Net earnings	\$ 924,720	\$ 840,800	\$ 696,840
Adjustments to reconcile net earnings to net cash flows provided by operating activities:			
Depreciation and amortization	320,856	284,282	272,807
Write-off of investment in Bridge	90,000	—	—
Deferred income taxes	29,450	8,885	(23,235)
Increase in receivables and other assets	(70,699)	(149,913)	(155,132)
Increase in accounts payable and accrued expenses	182,634	39,339	100,057
Other	14,063	46,708	(37,476)
Net cash flows provided by operating activities	1,491,024	1,070,101	853,861
Cash Flows From Investing Activities			
Purchases of marketable securities	(3,973,434)	(7,372,892)	(1,882,411)
Proceeds from sale of marketable securities	3,087,406	4,001,848	1,064,810
Net change in client fund obligations	818,082	3,406,039	486,293
Capital expenditures	(185,406)	(166,012)	(177,700)
Additions to intangibles	(97,448)	(67,303)	(62,360)
Acquisitions of businesses, net of cash acquired	(73,667)	(175,248)	(107,317)
Disposals of businesses	900	14,634	276,035
Other	(32,267)	(11,664)	10,590
Net cash flows used in investing activities	(455,834)	(370,598)	(392,060)
Cash Flows From Financing Activities			
Payments of debt	(48,567)	(106,090)	(289,141)
Proceeds from issuance of notes	26,435	13,940	91,696
Repurchases of common stock	(935,064)	(201,007)	(85,365)
Proceeds from issuance of common stock	218,178	172,589	100,359
Dividends paid	(248,453)	(212,578)	(181,133)
Net cash flows used in financing activities	(987,471)	(333,146)	(363,584)
Net change in cash and cash equivalents	47,719	366,357	98,217
Cash and cash equivalents, at beginning of period	1,227,637	861,280	763,063
Cash and cash equivalents, at end of period	\$ 1,275,356	\$ 1,227,637	\$ 861,280

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements Automatic Data Processing, Inc. and Subsidiaries

Years ended June 30, 2001, 2000 and 1999

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. In December 1999, the Securities and Exchange Commission released Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition." Adherence to this SAB has not had a material impact on the Company's consolidated financial statements.

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 \$6,408 million of funds held for clients, are considered to be "available-for-sale" at June 30, 2001 and, accordingly, are carried on the balance sheet at fair market value. The remainder of the funds held for clients are cash equivalents. Approximately \$2,561 million of the "available-for-sale" investments mature in less than one year, \$2,660 million in 1-2 years, \$1,057 million in 2-3 years, \$479 million in 3-4 years, and \$973 million in 5-10 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 over their estimated useful lives. Goodwill is amortized over periods ranging 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 recorded.

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 accumulated 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)	Effect of Zero Coupon Subordinated Notes		Effect of Stock Options	Diluted
	Basic	Notes		
2001				
Net earnings	\$924,720	\$2,340	\$ —	\$927,060
Average shares	629,035	3,472	13,482	645,989
EPS	\$ 1.47			\$ 1.44
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

I. Reclassification of Prior Financial Statements. Certain reclassifications have been made to previous years' financial statements to conform to the 2001 presentation.

J. New Accounting Pronouncements. In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 141, "Business Combinations" and SFAS No. 142 "Goodwill and Other Intangible Assets," which revise the standards for accounting for business combinations and goodwill and other intangible assets acquired in a business combination. The Company intends to adopt SFAS No. 141 and SFAS No. 142 in fiscal 2002. The pro forma basic and diluted earnings per share for fiscal 2001 will increase by \$.07 per share from \$1.47 to \$1.54 and \$1.44 to \$1.51, respectively.

Note 2. Acquisitions and Dispositions

The Company purchased several businesses for approximately \$75 million in fiscal 2001, \$200 million (including \$25 million in common stock) in 2000 and \$107 million in 1999, net of cash acquired. The results of these acquired businesses are included from the dates 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.

Additionally, in fiscal 2000 and 1999, the Company sold several businesses with annual revenues of approximately \$27 million and \$270 million, respectively.

Note 3. Non-recurring Items

In fiscal 1999 the Company divested its Brokerage front-office business to Bridge Information Systems, Inc. (Bridge), and received \$90 million of Bridge convertible preferred stock as part of the proceeds. In fiscal 2001 Bridge filed for bankruptcy and the Company recorded a \$90 million (\$54 million net of tax) write-off of its investment, reflected in "realized (gains)/losses on investments."

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 \$42 million and \$48 million at June 30, 2001 and 2000, 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,	2001		2000	
	Current	Long-term	Current	Long-term
Receivables	\$189,079	\$267,394	\$171,415	\$293,489
Less:				
Allowance for doubtful accounts	(9,717)	(16,666)	(13,063)	(16,946)
Unearned income	(28,603)	(25,764)	(29,980)	(31,294)
	\$150,759	\$224,964	\$128,372	\$245,249

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, 2001 mature as follows:

(In thousands)	
2003	\$138,942
2004	77,482
2005	38,397
2006	11,374
2007	1,146
Thereafter	53
	\$267,394

Note 5. Intangible Assets

Components of intangible assets are as follows:

(In thousands)		
June 30,	2001	2000
Goodwill	\$1,405,493	\$1,378,265
Other	1,086,487	1,025,610
	2,491,980	2,403,875
Less accumulated amortization	(890,570)	(780,174)
	\$1,601,410	\$1,623,701

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

Notes to Consolidated Financial Statements (continued)

software (amortized over periods from 3 to 10 years). Amortization of intangibles totaled \$157 million for fiscal 2001, \$133 million for 2000 and \$126 million for 1999.

Note 6. Short-term Financing

In October 2000, the Company entered into an unsecured revolving credit agreement with certain financial institutions, which provides for borrowings up to \$2.5 billion. Borrowings under the agreement bear interest tied to LIBOR or prime rate depending on the number of days the borrowings are outstanding. The agreement, which expires in October 2001, has no borrowings to date.

The Company's short-term financing is sometimes obtained on a secured basis through the use of repurchase agreements, which are collateralized principally by U.S. government securities. These agreements generally have terms ranging from overnight to up to three days. There were no outstanding repurchase agreements at June 30, 2001 and 2000. For the fiscal year ended June 30, 2001, the Company had an average outstanding balance of \$41 million at an average interest rate of 4.3%.

Note 7. Debt

Components of long-term debt are as follows:

<small>(In thousands)</small>	2001	2000
Zero coupon convertible subordinated notes (5.25% yield)	\$ 62,312	\$ 86,639
Industrial revenue bonds (with fixed and variable interest rates from 2.85% to 3.5%)	36,449	36,858
Other	12,681	11,713
	111,442	135,210
Less current portion	(1,215)	(3,193)
	\$110,227	\$132,017

The zero coupon convertible subordinated notes have a face value of approximately \$108 million at June 30, 2001 and mature February 20, 2012, unless converted or redeemed earlier. At June 30, 2001, the notes were convertible into approximately 2.8 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 certain years. During fiscal 2001 and 2000, approximately \$50 million and \$31 million face value of notes were converted, respectively. As of June 30, 2001 and 2000, the quoted market prices for the zero coupon notes were approximately \$139 million and \$208 million, respectively.

The fair value of the other debt, included above, approximates its carrying value.

Long-term debt repayments at June 30, 2001 are due as follows:

<small>(In thousands)</small>	
2003	\$ 1,485
2004	290
2005	281
2006	822
2007	173
Thereafter	107,176
	\$110,227

During fiscal 2001 and 2000, the average interest rate for notes payable was 5.9% and 5.0%, respectively.

Interest payments were approximately \$10 million in fiscal 2001, \$10 million in fiscal 2000 and \$12 million in fiscal 1999.

Note 8. 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 351,000 clients; files annually over 18 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 \$8.2 billion in fiscal 2001, \$6.9 billion in fiscal 2000, and \$5.9 billion in fiscal 1999.

Note 9. 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, 2001 there were 10,817 participants in the plans. The aggregate purchase price for options outstanding at June 30, 2001 was approximately \$1.7 billion. The options expire at various points between 2001 and 2011.

A summary of changes in the stock option plans for the three years ended June 30, 2001 is as follows:

(In thousands, except per share amounts)	Number of Options			Weighted Average Price		
	2001	2000	1999	2001	2000	1999
Years ended June 30,						
Options outstanding, beginning of year	46,694	47,467	45,596	\$29	\$24	\$18
Options granted	10,740	9,646	11,616	\$57	\$46	\$38
Options exercised	(7,956)	(6,736)	(6,154)	\$18	\$16	\$12
Options canceled	(1,982)	(3,683)	(3,591)	\$38	\$32	\$24
Options outstanding, end of year	47,496	46,694	47,467	\$37	\$29	\$24
Options exercisable, end of year	19,929	18,719	16,898	\$25	\$19	\$15
Shares available for future grants, end of year	1,720	10,478	1,691			
Shares reserved for issuance under stock option plans	49,216	57,172	49,158			

Summarized information about stock options outstanding as of June 30, 2001 is as follows:

Exercise Price Range	Outstanding			Exercisable		
	Number of Options (In thousands)	Remaining Life (In years)	Average Exercise Price	Number of Options (In thousands)	Average Exercise Price	
Under \$15	5,077	2.4	\$12	5,020	\$12	
\$15 to \$25	8,645	4.9	\$20	6,671	\$20	
\$25 to \$35	7,017	6.5	\$29	3,673	\$29	
\$35 to \$45	13,231	7.8	\$41	3,805	\$41	
\$45 to \$55	6,459	9.3	\$52	607	\$51	
Over \$55	7,067	9.2	\$60	153	\$59	

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 2.4 million and 2.2 million shares are scheduled for issuance on December 31, 2002 and 2001, respectively. Approximately 2.5 million and 3.1 million shares were issued during the years ended June 30, 2001 and 2000, respectively. At June 30, 2001 and 2000, there were approximately 5.7 million and 7.2 million shares, respectively, reserved for purchase under the plans. Included in liabilities as of June 30, 2001 and 2000 are employee stock purchase plan withholdings of approximately \$94 million and \$86 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,	2001	2000	1999
Risk-free interest rate	5.3-6.0%	6.0-6.7%	4.5-5.7%
Dividend yield	.7-.8%	.8-.9%	1.0%
Volatility factor	27.9-28.2%	22.0-26.7%	19.7-21.8%
Expected life:			
Options	6.3	6.4	6.3
Purchase rights	2.0	2.0	2.0
Weighted average fair value:			
Options	\$21.31	\$16.89	\$11.63
Purchase rights	\$20.58	\$19.73	\$12.29

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)	2001	2000	1999
Years ended June 30,			
Pro forma net earnings	\$ 818	\$ 762	\$ 638
Pro forma basic earnings per share	\$1.30	\$1.22	\$1.04
Pro forma diluted earnings per share	\$1.27	\$1.18	\$1.01

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, 2001, 2000 and 1999 the

Notes to Consolidated Financial Statements (continued)

Company issued 172,500, 171,900, and 121,400 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 interest. Effective January 1, 2001, the plan interest credit rate was changed from a fixed rate of 7% to a rate that will vary from year-to-year with the 10-year treasury constant. 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, 2001 and 2000 follows:

(In thousands) June 30,	2001	2000
Change in plan assets:		
Funded plan assets at market value at beginning of year	\$485,700	\$354,500
Plans of acquired employers	—	17,300
Actual return on plan assets	(44,700)	78,300
Employer contributions	36,100	43,000
Benefits paid	(7,800)	(7,400)
Funded plan assets at market value at end of year	\$469,300	\$485,700
Change in benefit obligation:		
Benefit obligation at beginning of year	\$316,600	\$256,400
Plans of acquired employers	—	20,900
Service cost	31,400	29,600
Interest cost	23,600	20,000
Actuarial and other (gains)/losses	18,700	(2,900)
Benefits paid	(7,800)	(7,400)
Projected benefit obligation end of year	\$382,500	\$316,600
Plan assets in excess of projected benefits	\$ 86,800	\$169,100
Transition obligation	300	500
Unrecognized net actuarial (gain)/loss due to different experience than assumed	46,200	(58,200)
Prepaid pension cost	\$133,300	\$111,400

The components of net pension expense were as follows:

(In thousands) Years ended June 30,	2001	2000	1999
Service cost—benefits earned during the period	\$ 31,400	\$ 29,600	\$ 23,400
Interest cost on projected benefits	23,600	20,200	16,400
Expected return on plan assets	(40,100)	(32,900)	(24,500)
Net amortization and deferral	200	(100)	(700)
	\$ 15,100	\$ 16,800	\$ 14,600

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

Years ended June 30,	2001	2000
Discount rate	7.25%	7.75%
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 \$31 million, \$27 million and \$26 million for calendar years 2000, 1999 and 1998, respectively.

Note 10. 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,	2001	2000	1999
Current:			
Federal	\$439,745	\$326,875	\$296,397
Non-U.S.	77,435	56,505	66,440
State	53,660	56,535	48,058
Total current	570,840	439,915	410,895
Deferred:			
Federal	24,895	5,750	(6,045)
Non-U.S.	(3,743)	1,220	(15,175)
State	8,298	1,915	(2,015)
Total deferred	29,450	8,885	(23,235)
	\$600,290	\$448,800	\$387,660

At June 30, 2001 and 2000, the Company had gross deferred tax assets of approximately \$206 million and \$188 million, respectively, consisting primarily of operating expenses not currently deductible for tax return purposes. Valuation allowances approximated \$14 million and \$23 million as of June 30, 2001 and 2000, respectively. Gross deferred tax liabilities approximated \$373 million and \$294 million, as of June 30, 2001 and June 30, 2000, respectively, consisting primarily of differences in the accounting and tax values of certain fixed and intangible assets.

Income tax payments were approximately \$437 million in 2001, \$375 million in 2000, and \$270 million in 1999.

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,	2001	%	2000	%	1999	%
Provision for taxes at U.S. statutory rate	\$533,800	35.0	\$451,400	35.0	\$379,600	35.0
Increase (decrease) in provision from:						
Investments in municipals	(5,700)	(0.4)	(68,180)	(5.3)	(68,360)	(6.3)
State taxes, net of federal tax benefit	40,270	2.6	37,990	2.9	29,930	2.8
Other*	31,920	2.2	27,590	2.2	46,490	4.2
	\$600,290	39.4	\$448,800	34.8	\$387,660	35.7

*2001 and 1999 data includes impact of certain acquisitions, dispositions and other non-recurring adjustments.

Note 11. Commitments and Contingencies

The Company has obligations under various facilities and equipment leases, and software license agreements. Total expense under these agreements was approximately \$269 million in 2001, \$243 million in 2000 and \$202 million in 1999, with minimum commitments at June 30, 2001 as follows:

(In millions)	
Years ending June 30,	
2002	\$257
2003	178
2004	107
2005	66
2006	38
Thereafter	87
	\$733

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 12. 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 2001 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.

Notes to Consolidated Financial Statements (continued)

(In millions)	Employer Services	Brokerage Services	Dealer Services	Other	Total
Year ended June 30, 2001					
Revenues	\$ 4,018	\$1,756	\$691	\$ 553	\$ 7,018
Pre-tax earnings	\$ 938	\$ 335	\$101	\$ 151	\$ 1,525
Assets	\$12,320	\$ 523	\$183	\$4,863	\$17,889
Capital expenditures	\$ 106	\$ 33	\$ 23	\$ 23	\$ 185
Depreciation and amortization	\$ 196	\$ 109	\$ 38	\$ (22)	\$ 321
Year ended June 30, 2000					
Revenues	\$ 3,579	\$1,477	\$725	\$ 507	\$ 6,288
Pre-tax earnings	\$ 775	\$ 335	\$114	\$ 66	\$ 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	\$ 3,232	\$1,147	\$723	\$ 438	\$ 5,540
Pre-tax earnings	\$ 674	\$ 222	\$106	\$ 83	\$ 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

Revenues and assets by geographic area are as follows:

(In millions)	United States	Europe	Canada	Other	Total
Year ended June 30, 2001					
Revenues	\$ 5,991	\$ 641	\$ 279	\$107	\$ 7,018
Assets	\$15,799	\$1,055	\$ 910	\$125	\$17,889
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

Note 13. Quarterly Financial Results

(Unaudited)

Summarized quarterly results of operations for the two years ended June 30, 2001 are as follows:

(In thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Year ended June 30, 2001*				
Revenues	\$1,586,523	\$1,683,639	\$1,894,320	\$1,853,088
Net earnings	\$ 173,400	\$ 207,440	\$ 288,880	\$ 255,000
Basic earnings per share	\$.28	\$.33	\$.46	\$.41
Diluted earnings per share	\$.27	\$.32	\$.45	\$.40
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

* After impact of non-cash, non-recurring item. 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*



Karen E. Dykstra
Vice President Finance

Roseland, New Jersey
August 13, 2001

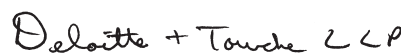
Independent Auditors' Report

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, 2001 and 2000, and the related consolidated statements of earnings, shareholders' equity, and cash flows for each of the three years in the period ended June 30, 2001. 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, 2001 and 2000, and the results of their operations and their cash flows for each of the three years in the period ended June 30, 2001, in conformity with accounting principles generally accepted in the United States of America.



New York, New York
August 13, 2001

Directors and Corporate Officers

Directors

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*Honorary Chairman of the Board
Chairman, ADP Executive Committee*

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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),(4)}
*Chairman and Chief Executive Officer
of Omega Advisors, Inc.*

George H. Heilmeier^{(2),(3),(4)}
Chairman Emeritus of Bellcore

Ann Dibble Jordan⁽¹⁾
*Consultant
Member of various boards*

Harvey M. Krueger^{(1),(3),(4)}
*Vice Chairman of Lehman Brothers
Chairman, ADP Audit Committee*

Frederic V. Malek^{(2),(3),(4)}
*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
(4) Nominating Committee

Honorary Director

Frank R. Lautenberg
Retired U.S. Senator

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Arthur F. Weinbach
*Chairman and
Chief Executive Officer*

Gary C. Butler
*President and
Chief Operating Officer*

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S. Michael Martone

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Dante F. Terzo
Thomas J. Tremba
Staff Vice President
Gary E. Tarino

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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>

Electronic Delivery

Enroll for electronic delivery of ADP shareholder communications at
<http://www.icsdelivery.com/adp>

Annual Meeting

This year's shareholders' meeting will be held at Automatic Data Processing, Inc., One ADP Boulevard, Roseland, New Jersey, on November 13, 2001 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 24, 2001.

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