

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**QUARTERLY REPORT UNDER SECTION 13 or 15 (d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**

For Quarter Ended March 31, 2004 Commission File Number 1-5397

**Automatic Data Processing, Inc.**  
 (Exact name of registrant as specified in its charter)

Delaware 22-1467904  
 (State or other jurisdiction of (I.R.S. Employer  
 incorporation or organization) Identification Number)

One ADP Boulevard, Roseland, New Jersey 07068  
 (Address of principal executive offices) (Zip Code)

Registrant's Telephone Number, Including Area Code (973) 974-5000

No change  
 Former name, former address & former fiscal year, if changed since  
 last report.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days.

    X     Yes                      No

Indicate by check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).

    X     Yes                      No

As of March 31, 2004 there were 590,468,033 common shares outstanding.

**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****Automatic Data Processing, Inc. and Subsidiaries****Consolidated Statements of Earnings**

(In thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
REVENUES:				
Revenues, other than interest on funds held for clients and PEO revenues	\$1,894,672	\$1,704,454	\$5,063,394	\$4,691,274
Interest on funds held for clients	96,531	99,108	261,667	276,735
PEO revenues (A)	<u>130,232</u>	<u>102,216</u>	<u>344,051</u>	<u>267,449</u>
TOTAL REVENUES	<u>2,121,435</u>	<u>1,905,778</u>	<u>5,669,112</u>	<u>5,235,458</u>
EXPENSES:				
Operating expenses	944,373	796,580	2,548,914	2,207,764
Selling, general, and administrative expenses	487,410	412,793	1,373,581	1,262,751
Systems development and programming costs	144,824	123,401	409,703	364,679
Depreciation and amortization	77,185	67,503	225,520	203,886
Other income, net	<u>(11,997)</u>	<u>(27,499)</u>	<u>(44,656)</u>	<u>(100,472)</u>
TOTAL EXPENSES	<u>1,641,795</u>	<u>1,372,778</u>	<u>4,513,062</u>	<u>3,938,608</u>
EARNINGS BEFORE INCOME TAXES	479,640	533,000	1,156,050	1,296,850
Provision for income taxes	<u>179,390</u>	<u>203,610</u>	<u>432,370</u>	<u>495,370</u>
NET EARNINGS	<u>\$ 300,250</u>	<u>\$ 329,390</u>	<u>\$ 723,680</u>	<u>\$ 801,480</u>
BASIC EARNINGS PER SHARE	<u>\$ 0.51</u>	<u>\$ 0.55</u>	<u>\$ 1.22</u>	<u>\$ 1.33</u>
DILUTED EARNINGS PER SHARE	<u>\$ 0.50</u>	<u>\$ 0.54</u>	<u>\$ 1.21</u>	<u>\$ 1.32</u>
Basic average shares outstanding	<u>591,210</u>	<u>600,217</u>	<u>592,575</u>	<u>601,737</u>
Diluted average shares outstanding	<u>599,479</u>	<u>605,340</u>	<u>599,127</u>	<u>607,911</u>
Dividends per common share	<u>\$ 0.1400</u>	<u>\$ 0.1200</u>	<u>\$ 0.4000</u>	<u>\$ 0.3550</u>

(A) Net of pass-through costs of \$1,136,832 and \$904,391 for the three months ended March 31, 2004 and 2003, respectively, and \$3,086,265 and \$2,541,258 for the nine months ended March 31, 2004 and 2003, respectively.

See notes to the consolidated financial statements.

**Automatic Data Processing, Inc. and Subsidiaries**  
**Consolidated Balance Sheets**

(In thousands, except per share amounts)

	(Unaudited) March 31, 2004	June 30, 2003
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 855,928	\$ 1,410,218
Short-term marketable securities	369,930	595,166
Accounts receivable, net	1,086,229	1,005,833
Other current assets	524,484	664,284
Total current assets	<u>2,836,571</u>	<u>3,675,501</u>
Long-term marketable securities	1,070,971	338,959
Long-term receivables	170,299	180,354
Property, plant and equipment, net	615,314	614,701
Other assets	710,695	565,385
Goodwill	2,161,301	1,981,131
Intangible assets, net	730,703	669,891
Total assets before funds held for clients	<u>8,295,854</u>	<u>8,025,922</u>
Funds held for clients	17,129,627	11,807,749
Total assets	<u>\$25,425,481</u>	<u>\$19,833,671</u>
<u>Liabilities and Shareholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 165,001	\$ 173,988
Accrued expenses and other liabilities	1,412,001	1,609,665
Income taxes payable	250,079	215,130
Total current liabilities	<u>1,827,081</u>	<u>1,998,783</u>
Long-term debt	82,049	84,674
Other liabilities	309,551	270,267
Deferred income taxes	295,289	320,796
Deferred revenue	426,482	338,763
Total liabilities before client funds obligations	<u>2,940,452</u>	<u>3,013,283</u>
Client funds obligations	16,860,331	11,448,915
Total liabilities	<u>19,800,783</u>	<u>14,462,198</u>
Shareholders' equity:		
Common stock, \$0.10 par value:		
authorized 1,000,000 shares; issued 638,702 shares	63,870	63,870
Capital in excess of par value	93,662	211,339
Retained earnings	7,197,543	6,710,863
Treasury stock, at cost: 48,235 and 43,863 shares, respectively	(1,887,842)	(1,773,418)
Accumulated other comprehensive income	157,465	158,819
Total shareholders' equity	<u>5,624,698</u>	<u>5,371,473</u>
Total liabilities and shareholders' equity	<u>\$25,425,481</u>	<u>\$19,833,671</u>

See notes to the consolidated financial statements.

**Automatic Data Processing, Inc. and Subsidiaries**  
**Consolidated Statements of Cash Flows**

(In thousands)

(Unaudited)

	Nine Months Ended March 31,	
	2004	2003
<u>Cash Flows From Operating Activities:</u>		
Net earnings	\$ 723,680	\$ 801,480
Adjustments to reconcile net earnings to net cash flows provided by operating activities:		
Expenses not requiring outlay of cash	427,663	276,464
Changes in operating net assets	(19,377)	88,448
Net cash flows provided by operating activities	1,131,966	1,166,392
<u>Cash Flows From Investing Activities:</u>		
Purchases of marketable securities	(5,978,737)	(2,828,261)
Proceeds from sale of marketable securities	3,762,755	3,012,380
Net purchases of client fund money market securities	(3,867,491)	(1,310,516)
Net change in client funds obligations	5,394,417	1,554,373
Capital expenditures	(125,028)	(85,164)
Additions to intangibles	(111,036)	(64,916)
Acquisitions of businesses, net of cash acquired	(228,823)	(99,759)
Proceeds from sale of businesses	5,294	-
Other	7,726	4,394
Net cash flows (used in) provided by investing activities	(1,140,923)	182,531
<u>Cash Flows From Financing Activities:</u>		
Proceeds from short-term borrowings	325	864
Payments of debt	(1,201)	(1,254)
Proceeds from stock purchase plan and exercises of stock options	116,116	71,649
Repurchases of common stock	(435,113)	(817,104)
Dividends paid	(225,460)	(213,228)
Net cash flows used in financing activities	(545,333)	(959,073)
Net change in cash and cash equivalents	(554,290)	389,850
Cash and cash equivalents, beginning of period	1,410,218	798,810
Cash and cash equivalents, end of period	\$ 855,928	\$1,188,660

See notes to the consolidated financial statements.

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

(Unless otherwise noted, amounts in thousands, except per share amounts)  
(Unaudited)

Note 1. Basis of Presentation

The accompanying unaudited Consolidated Financial Statements reflect all adjustments which, in the opinion of management, are necessary for a fair presentation of the results for the interim periods. Adjustments are of a normal recurring nature. These unaudited Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and related notes of Automatic Data Processing, Inc. and Subsidiaries (ADP or the Company) as of and for the year ended June 30, 2003. The results of operations for the three and nine months ended March 31, 2004 may not be indicative of the results to be expected for the year ending June 30, 2004.

Note 2. Adoption of New Accounting Pronouncements

In March 2003, the Emerging Issues Task Force (EITF) published Issue No. 00-21 "Accounting for Revenue Arrangements with Multiple Deliverables" (EITF 00-21). EITF 00-21 addresses certain aspects of the accounting by a vendor for arrangements under which it performs multiple revenue-generating activities and how to determine whether such an arrangement involving multiple deliverables contains more than one unit of accounting for purposes of revenue recognition. The guidance in this Issue is effective for revenue arrangements entered in fiscal periods beginning after June 15, 2003. Accordingly, the Company has adopted EITF 00-21 effective July 1, 2003. EITF 00-21 did not have a material impact on the Consolidated Financial Statements.

In December 2003, the Financial Accounting Standards Board (FASB) revised Statement of Financial Accounting Standards No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits" (SFAS 132). SFAS 132 (revised) retains the disclosure requirements of the original statement and requires additional disclosures about the assets, obligations, cash flows and net periodic benefit cost of defined benefit plans and other defined benefit postretirement plans. The interim period disclosures required by SFAS 132 are effective for the Company for the third quarter ended March 31, 2004 and are included in Note 11, herein. The annual financial statement disclosures will be effective for the Company for the fiscal year ended June 30, 2004.

Note 3. Earnings Per Share (EPS)

	<u>For the periods ended March 31, 2004</u>					
	<u>Three Months Ended</u>			<u>Nine Months Ended</u>		
	<u>Net</u>	<u>Average</u>		<u>Net</u>	<u>Average</u>	
	<u>Earnings</u>	<u>Shares</u>	<u>EPS</u>	<u>Earnings</u>	<u>Shares</u>	<u>EPS</u>
Basic	\$300,250	591,210	\$0.51	\$723,680	592,575	\$1.22
Effect of zero coupon subordinated notes	322	1,548		1,140	1,585	
Effect of stock options	<u>-</u>	<u>6,721</u>		<u>-</u>	<u>4,967</u>	
Diluted	<u>\$300,572</u>	<u>599,479</u>	<u>\$0.50</u>	<u>\$724,820</u>	<u>599,127</u>	<u>\$1.21</u>

## For the periods ended March 31, 2003

	Three Months Ended			Nine Months Ended		
	<u>Net Earnings</u>	<u>Average Shares</u>	<u>EPS</u>	<u>Net Earnings</u>	<u>Average Shares</u>	<u>EPS</u>
Basic	\$329,390	600,217	\$0.55	\$801,480	601,737	\$1.33
Effect of zero coupon subordinated notes	293	1,639		908	1,718	
Effect of stock options	<u>-</u>	<u>3,484</u>		<u>-</u>	<u>4,456</u>	
Diluted	<u>\$329,683</u>	<u>605,340</u>	<u>\$0.54</u>	<u>\$802,388</u>	<u>607,911</u>	<u>\$1.32</u>

Options to purchase 32.5 million and 41.1 million shares of common stock for the three months ended March 31, 2004 and 2003, respectively, and 32.8 million and 40.5 million shares of common stock for the nine months ended March 31, 2004 and 2003, respectively, were excluded from the calculation of diluted earnings per share because their exercise prices exceeded the average market price of outstanding common shares for the period.

## Note 4. Fair Value Accounting for Stock-Based Compensation

The Company accounts for its stock option and employee stock purchase plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations, as permitted by Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123). No stock-based employee compensation expense related to the Company's stock option and stock purchase plans is reflected in net earnings, as all options granted under the stock option plans had an exercise price equal to the market value of the underlying common stock on the date of grant, and for the stock purchase plans the discount does not exceed fifteen percent.

The following table illustrates the effect on net earnings and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation.

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2004	2003	2004	2003
Net earnings, as reported	\$300,250	\$329,390	\$723,680	\$801,480
Deduct: Total stock-based employee compensation expense determined using the fair value based method for all awards, net of related tax effects	(29,147)	(28,851)	(81,329)	(93,722)
Pro forma net earnings	<u>\$271,103</u>	<u>\$300,539</u>	<u>\$642,351</u>	<u>\$707,758</u>
Earnings per share:				
Basic - as reported	<u>\$0.51</u>	<u>\$0.55</u>	<u>\$1.22</u>	<u>\$1.33</u>
Basic - pro forma	<u>\$0.46</u>	<u>\$0.50</u>	<u>\$1.08</u>	<u>\$1.18</u>
Diluted - as reported	<u>\$0.50</u>	<u>\$0.54</u>	<u>\$1.21</u>	<u>\$1.32</u>
Diluted - pro forma	<u>\$0.45</u>	<u>\$0.50</u>	<u>\$1.07</u>	<u>\$1.17</u>

## Note 5. Other Income, net

	Three Months Ended March 31,		Nine Months Ended March 31,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Interest income on corporate funds	\$ (13,521)	\$ (21,529)	\$ (59,263)	\$ (95,581)
Interest expense	1,965	2,198	11,966	17,652
Realized gains on available-for-sale securities	(1,775)	(9,365)	(7,216)	(25,957)
Realized losses on available-for-sale securities	<u>1,334</u>	<u>1,197</u>	<u>9,857</u>	<u>3,414</u>
Other income, net	<u>\$ (11,997)</u>	<u>\$ (27,499)</u>	<u>\$ (44,656)</u>	<u>\$ (100,472)</u>

Proceeds from sales of available-for-sale securities were \$1.0 billion and \$0.9 billion for the three months ended March 31, 2004 and 2003, respectively, and \$3.8 billion and \$3.0 billion for the nine months ended March 31, 2004 and 2003, respectively.

## Note 6. Comprehensive Income

	Three Months Ended March 31,		Nine Months Ended March 31,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Net earnings	\$300,250	\$329,390	\$723,680	\$801,480
Other comprehensive income:				
Foreign currency translation adjustments	27,667	42,691	53,457	82,364
Unrealized gains(losses) on available-for-sale securities, net	<u>28,004</u>	<u>(4,182)</u>	<u>(54,811)</u>	<u>92,186</u>
Total comprehensive income	<u>\$355,921</u>	<u>\$367,899</u>	<u>\$722,326</u>	<u>\$976,030</u>

## Note 7. Interim Financial Data by Segment

Employer Services, Brokerage Services and Dealer Services are the Company's largest business units. ADP evaluates the performance of its business units based on recurring operating results before interest on corporate funds, foreign currency gains and losses and income taxes. 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. Prior year's business unit revenues and earnings before income taxes have been adjusted to reflect updated fiscal year 2004 budgeted foreign exchange rates. In addition, Employer Services' prior year's revenues and earnings before income taxes were adjusted to include interest earned on client funds credited at 4.5%. Prior to fiscal year 2004, Employer Services was credited with interest earned on client funds at 6.0%. Given the decline in interest rates over recent years, the standard rate has been changed to 4.5%. "Other" consists primarily of Claims Services, miscellaneous processing services and corporate. Reconciling items for revenues and earnings before income taxes include foreign exchange differences between the actual foreign exchange rates and the fiscal year 2004 budgeted foreign exchange rates, and the adjustment for the difference between actual interest income earned on invested funds held for clients and interest credited to Employer Services at a standard rate of 4.5%. The business unit results also include an internal cost of capital charge related to the funding of acquisitions and other investments. This charge is eliminated in

consolidation and as such represents a reconciling item to earnings before income taxes.

Segment Results (In millions):

	Revenues			
	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2004	2003	2004	2003
Employer Services	\$1,366	\$1,240	\$3,635	\$3,312
Brokerage Services	452	401	1,105	1,078
Dealer Services	226	209	655	605
Other	99	96	335	348
Reconciling items:				
Foreign exchange	29	(21)	37	(86)
Client fund interest	(51)	(19)	(98)	(22)
Total revenues	<u>\$2,121</u>	<u>\$1,906</u>	<u>\$5,669</u>	<u>\$5,235</u>
	Earnings Before Income Taxes			
	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2004	2003	2004	2003
Employer Services	\$ 385	\$ 411	\$ 854	\$ 892
Brokerage Services	68	45	121	134
Dealer Services	39	36	108	101
Other	2	40	67	123
Reconciling items:				
Foreign exchange	3	(6)	5	(15)
Client fund interest	(51)	(19)	(98)	(22)
Cost of capital charge	34	26	99	84
Total earnings before income taxes	<u>\$ 480</u>	<u>\$ 533</u>	<u>\$1,156</u>	<u>\$1,297</u>

Note 8. Corporate Investments and Funds Held for Clients

	March 31, 2004		June 30, 2003	
	Cost	Fair Value	Cost	Fair Value
Money market securities and other cash equivalents:				
Corporate investments	\$ 855,928	\$ 855,928	\$ 1,410,218	\$ 1,410,218
Funds held for clients	<u>6,592,536</u>	<u>6,592,536</u>	<u>2,865,957</u>	<u>2,865,957</u>
Total money market securities and other cash equivalents	<u>7,448,464</u>	<u>7,448,464</u>	<u>4,276,175</u>	<u>4,276,175</u>
Available-for-sale securities:				
Corporate investments	1,424,225	1,440,901	917,026	934,125
Funds held for clients	<u>10,267,795</u>	<u>10,537,091</u>	<u>8,582,958</u>	<u>8,941,792</u>
Total available-for-sale securities	<u>11,692,020</u>	<u>11,977,992</u>	<u>9,499,984</u>	<u>9,875,917</u>
Total corporate investments and funds held for clients	<u>\$19,140,484</u>	<u>\$19,426,456</u>	<u>\$13,776,159</u>	<u>\$14,152,092</u>

All of the Company's marketable securities are considered to be "available-for-sale" at March 31, 2004 and June 30, 2003 and accordingly, are carried on the Consolidated Balance Sheets at fair value.

#### Note 9. Goodwill and Intangible Assets, net

Changes in goodwill for the nine months ended March 31, 2004 are as follows:

	<u>Employer Services</u>	<u>Brokerage Services</u>	<u>Dealer Services</u>	<u>Other</u>	<u>Total</u>
Balance as of June 30, 2003	\$1,287,128	\$366,775	\$215,134	\$112,094	\$1,981,131
Additions	8,804	1,514	78,747	81,975	171,040
Sales of businesses	(1,315)	-	-	(1,088)	(2,403)
Cumulative translation adjustments	20,626	1,952	187	792	23,557
Other	<u>(5,569)</u>	<u>(6,455)</u>	<u>-</u>	<u>-</u>	<u>(12,024)</u>
Balance as of March 31, 2004	<u>\$1,309,674</u>	<u>\$363,786</u>	<u>\$294,068</u>	<u>\$193,773</u>	<u>\$2,161,301</u>

Components of intangible assets are as follows:

	<u>March 31, 2004</u>	<u>June 30, 2003</u>
Intangible assets:		
Software licenses	\$ 706,723	\$ 575,440
Customer contracts and lists	581,859	538,673
Other intangibles	391,728	415,986
	<u>1,680,310</u>	<u>1,530,099</u>
Less accumulated amortization	(949,607)	(860,208)
Intangible assets, net	<u>\$ 730,703</u>	<u>\$ 669,891</u>

Other intangible assets consist primarily of purchased rights, covenants, patents and trademarks (acquired directly or through acquisitions). All of the intangible assets have finite lives and as such are subject to amortization. The weighted-average remaining useful life of the intangible assets is 10 years (3 years for software licenses, 14 years for customer contracts and lists and 12 years for other). Amortization of intangibles totaled \$36.5 million and \$28.1 million for the three months ended March 31, 2004 and 2003, respectively, and totaled \$104.6 million and \$82.8 million for the nine months ended March 31, 2004 and 2003, respectively. Estimated amortization expenses of the Company's existing intangible assets over the remaining three months of fiscal year 2004 and the succeeding five fiscal years is as follows:

	<u>Amount</u>
2004	\$ 38,639
2005	139,386
2006	102,583
2007	81,386
2008	74,013
2009	48,506

## Note 10. Short-term Financing

In September 2003, the Company entered into a new \$4.5 billion, unsecured revolving credit agreement with certain financial institutions, replacing an existing \$4.0 billion credit agreement. The interest rate applicable to the borrowings is tied to LIBOR or prime rate depending on the notification provided by the Company to the syndicated financial institutions prior to borrowing. The Company is also required to pay a facility fee on the credit agreement. The primary uses of the credit facility are to provide liquidity to the unsecured commercial paper program and to provide funding for general corporate purposes, if necessary. The Company has had no borrowings through March 31, 2004 under the credit agreement. The new \$4.5 billion credit agreement expires in September 2004.

In April 2002, the Company initiated a U.S. short-term commercial paper program providing for the issuance of up to \$4.0 billion in aggregate maturity value of commercial paper at the Company's discretion. In November 2003, the Company increased the aggregate maturity value of commercial paper available under the program to \$4.5 billion. The Company's commercial paper program is rated A-1+ by Standard and Poor's and Prime 1 by Moody's. These ratings denote the highest quality investment grade securities. Maturities of commercial paper can range from overnight to 270 days. The Company uses the commercial paper issuances as a primary instrument to meet short-term funding requirements related to client funds obligations. At March 31, 2004 and 2003, there was no commercial paper outstanding. For the three months ended March 31, 2004 and 2003, the Company had average borrowings of \$0.2 billion and \$0.3 billion, respectively, at an effective weighted average interest rate of 1.0% and 1.3%, respectively. For the nine months ended March 31, 2004 and 2003, the Company had average borrowings of \$0.9 billion for both periods, at an effective weighted average interest rate of 1.0% and 1.6%, respectively. The weighted average maturity of the Company's commercial paper during the quarter and nine months ended March 31, 2004 was less than two days for both periods.

The Company's U.S. and Canadian short-term funding requirements related to client funds obligations are sometimes obtained on a secured basis through the use of repurchase agreements, which are collateralized principally by government and government agency securities. These agreements generally have terms ranging from overnight to up to ten days. At March 31, 2004 and 2003, there were no outstanding repurchase agreements. For the three months ended March 31, 2004 and 2003, the Company had an average outstanding balance of \$35.2 million and \$3.4 million, respectively, at an average interest rate of 1.9% and 3.0%, respectively. For the nine months ended March 31, 2004 and 2003, the Company had an average outstanding balance of \$20.8 million and \$5.5 million, respectively, at an average interest rate of 2.1% and 2.8%, respectively.

## Note 11. Pension Plans

The components of net pension expense were as follows:

	Three months ended		Nine months ended	
	March 31		March 31	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Service Cost- benefits earned during the period	\$ 5,743	\$ 6,373	\$ 17,230	\$ 19,118
Interest cost on projected benefits	8,422	7,803	25,267	23,408
Expected return on plan assets	(12,624)	(12,628)	(37,873)	(37,882)
Net amortization and deferral	<u>2,549</u>	<u>307</u>	<u>7,646</u>	<u>922</u>
Net pension expense	<u>\$ 4,090</u>	<u>\$ 1,855</u>	<u>\$ 12,270</u>	<u>\$ 5,566</u>

For the nine months ending March 31, 2004, the Company made contributions of \$56.3 million to the pension plans.

## Note 12. Commitments and Contingencies

It is not the Company's practice to enter into off-balance sheet arrangements. However, in the normal course of business, the Company does enter into contracts in which it makes representations and warranties that guarantee the performance of the Company's products and services as well as other indemnification arrangements entered into in the normal course of business. Historically, there have been no material losses related to such guarantees or indemnification arrangements.

## **Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations**

(Tabular dollars are presented in millions, except per share amounts)

### **CRITICAL ACCOUNTING POLICIES**

Our Consolidated Financial Statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates, judgments and assumptions that affect reported amounts of assets, liabilities, revenues and expenses. We continually evaluate the accounting policies and estimates used to prepare the consolidated financial statements. The estimates are based on historical experience and assumptions believed to be reasonable under current facts and circumstances. Actual amounts and results could differ from these estimates made by management. Certain accounting policies that require significant management estimates and are deemed critical to our results of operations or financial position are discussed below.

*Revenue Recognition.* Our revenues are primarily attributable to fees for providing services (e.g., Employer Services' payroll processing fees and Brokerage Services' trade processing fees) as well as investment income on payroll funds, tax filing funds and other Employer Services client-related funds. We typically enter into agreements for a fixed fee per transaction (e.g., number of payees). Fees associated with services are recognized in the period services are rendered and earned under service arrangements with

clients where service fees are fixed or determinable and collectibility is reasonably assured. Interest income on collected but not yet remitted funds held for clients is recognized in revenues as earned.

We also recognize revenues associated with the sale of software systems and associated software licenses. For a majority of our software sales arrangements, which provide hardware, software licenses, installation and post contract customer support, revenues are recognized ratably over the software license term as objective evidence of the fair values of the individual elements in the sales arrangement does not exist.

The majority of our revenues are generated from a fee for service model (e.g., fixed-fee per transaction processed) in which revenue is recognized when the related services have been rendered under written price quotations or service agreements having stipulated terms and conditions which do not require management to make any significant judgments or assumptions regarding any potential uncertainties.

*Goodwill.* We review the carrying value of all our goodwill in accordance with Statement of Financial Accounting Standard (SFAS) No. 142, "Goodwill and Other Intangible Assets," by comparing the carrying value of our reporting units to their fair values. We are required to perform this comparison at least annually or more frequently if circumstances indicate possible impairment. When determining fair value, we utilize various assumptions, including projections of future cash flows, our weighted average cost of capital and long-term growth rates for our business. Any significant adverse changes in key assumptions about our businesses and their prospects or an adverse change in market conditions may cause a change in the estimation of fair value and could result in an impairment charge. We have approximately \$2.2 billion of goodwill as of March 31, 2004. Given the significance of our goodwill, an adverse change to the fair value could result in an impairment charge, which could be material to our consolidated results of earnings.

*Income taxes.* We account for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes," which establishes financial accounting and reporting standards for the effect of income taxes. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Judgment is required in addressing the future tax consequences of events that have been recognized in our financial statements or tax returns (e.g., realization of deferred tax assets, results of IRS and other tax authorities' examinations of our tax returns). Fluctuations in the actual outcome of these future tax consequences could materially impact our consolidated financial statements.

**RESULTS OF OPERATIONS****Analysis of Consolidated Operations**

	Three Months Ended March 31,			Nine Months Ended March 31,		
	<u>2004</u>	<u>2003</u>	<u>Change</u>	<u>2004</u>	<u>2003</u>	<u>Change</u>
Total revenues	\$2,121	\$1,906	11%	\$5,669	\$5,235	8%
Total expenses	\$1,641	\$1,373	20%	\$4,513	\$3,938	15%
Earnings before income taxes	\$ 480	\$ 533	(10%)	\$1,156	\$1,297	(11%)
Margin	22.6%	28.0%		20.4%	24.8%	
Provision for income taxes	\$ 180	\$ 204	(12%)	\$ 432	\$ 496	(13%)
Effective tax rate	37.4%	38.2%		37.4%	38.2%	
Net earnings	\$ 300	\$ 329	(9%)	\$ 724	\$ 801	(10%)
Diluted earnings per share	\$ 0.50	\$ 0.54	(7%)	\$ 1.21	\$ 1.32	(8%)

Our consolidated revenues for the quarter ended March 31, 2004 increased 11% to \$2.1 billion, primarily due to an increase in Employer Services of 10% to \$1.4 billion, an increase in Brokerage Services of 13% to \$452 million and an increase in Dealer Services of 8% to \$226 million. Revenue growth for the quarter was also favorably impacted by the fluctuations in the foreign currency exchange rates. Interest income from funds held for clients decreased 3%, due to lower investment yields, despite higher average client fund balances during the period. Our average daily client fund balances were approximately \$13.3 billion, compared with \$10.4 billion for the same quarter last year. Our revenues excluding the impact of acquisitions, primarily ProBusiness Services, Inc., grew 8% compared with the third quarter last year.

Year-to-date consolidated revenues increased 8% to \$5.7 billion primarily due to increases in Employer Services of 10% to \$3.6 billion, Dealer Services of 8% to \$655 million and Brokerage Services of 2% to \$1.1 billion. Revenue growth for the year-to-date period was also favorably impacted by the fluctuations in the foreign currency exchange rates. These increases were offset by a decrease in interest income from funds held for clients of 5%, or \$15 million, compared to the prior year, due to lower investment yields.

Earnings before income taxes decreased 10% to \$479 million for the quarter primarily due to a decrease in earnings before incomes taxes at Employer Services and a decrease in investment yields during the period, offset by an increase in earnings before income taxes at Brokerage Services. Earnings before income taxes decreased 11% to \$1.2 billion for the year-to-date period primarily due to decreases in Employer Services and Brokerage Services and a decrease in investment yields during the period. Employer Services' earnings before income taxes declined 6% for the quarter and 4% for the year-to-date period due to previously announced incremental investments in our products and services and employer of choice initiatives and the integration of acquisitions completed during fiscal year 2003, specifically ProBusiness

Services Inc., which was acquired in June 2003. Brokerage Services earnings before income taxes increased 50% to \$68 million for the quarter on higher revenues driven by increased investor communications activity, higher trade volume and higher retail versus institutional mix. Brokerage Services earnings before income taxes decreased 10% to \$121 million for the year-to-date period due to the year-to-date decline in revenues in the trade processing business, caused primarily by continued industry consolidation. Other income declined \$16 million during the quarter and \$56 million for the year-to-date period due to lower interest rates on corporate funds and a decrease in the amount of realized gains on our available-for-sale securities during the current periods.

For the quarter and year-to-date, the effective income tax rate decreased from 38.2% to 37.4%, primarily due to a favorable mix in income among foreign and state tax jurisdictions.

Net earnings for the quarter decreased 9% to \$300 million from \$329 million and decreased 10% to \$724 million from \$801 million for the year-to-date period, reflecting the decrease in earnings before income taxes, slightly offset by a lower effective tax rate, during the current periods. Diluted earnings per share for the quarter decreased 7% to \$0.50 per share from \$0.54 per share and decreased 8% to \$1.21 per share from \$1.32 per share for the year-to-date period. The decrease in diluted earnings per share in both periods reflects the decrease in net earnings, partially offset by fewer shares outstanding due to share repurchases throughout fiscal year 2003 which continued into the third quarter of 2004.

**Analysis of Business Segments****Revenues**

	Three Months Ended			Nine Months Ended		
	March 31,			March 31,		
	<u>2004</u>	<u>2003</u>	<u>Change</u>	<u>2004</u>	<u>2003</u>	<u>Change</u>
Employer Services	\$1,366	\$1,240	10%	\$3,635	\$3,312	10%
Brokerage Services	452	401	13%	1,105	1,078	2%
Dealer Services	226	209	8%	655	605	8%
Other	99	96	4%	335	348	(4%)
Reconciling items:						
Foreign exchange	29	(21)		37	(86)	
Client fund interest	(51)	(19)		(98)	(22)	
Total revenues	<u>\$2,121</u>	<u>\$1,906</u>	11%	<u>\$5,669</u>	<u>\$5,235</u>	8%

**Earnings Before Income Taxes**

	Three Months Ended			Nine Months Ended		
	March 31,			March 31,		
	<u>2004</u>	<u>2003</u>	<u>Change</u>	<u>2004</u>	<u>2003</u>	<u>Change</u>
Employer Services	\$385	\$411	(6%)	\$ 854	\$ 892	(4%)
Brokerage Services	68	45	50%	121	134	(10%)
Dealer Services	39	36	10%	108	101	8%
Other	2	40	(95%)	67	123	(45%)
Reconciling items:						
Foreign exchange	3	(6)		5	(15)	
Client fund interest	(51)	(19)		(98)	(22)	
Cost of capital charge	<u>34</u>	<u>26</u>		<u>99</u>	<u>84</u>	
Total earnings before income taxes	<u>\$480</u>	<u>\$533</u>	(10%)	<u>\$1,156</u>	<u>\$1,297</u>	(11%)

Revenues in our Employer Services business increased 10% for both the quarter and the year-to-date period as compared to the prior year. Internal revenue growth was approximately 6% for the quarter and 5% for the year-to-date period. Employer Services continues to grow primarily due to increases in our traditional U.S. payroll and tax businesses of approximately 11% for the quarter and 9% for the year-to-date period, and strong growth of approximately 16% for the quarter and 17% year-to-date in our beyond payroll products, including our Professional Employer Organization business. Client retention continues to be strong, improving more than 1.5% for the quarter over last year's record retention levels, and 1.0% for the year-to-date period. Pays per control, which represents the number of employees on our clients' payrolls, increased 0.6% for the quarter and 0.1% for the year-to-date period in the United States. Pays per control in our European businesses is still declining, with individual countries ranging from flat to down 2% compared to last year. New business sales, which represents the annualized revenues anticipated from new sales orders, increased 10% for the quarter, which is our first double-digit quarterly increase in three years. Earnings before income taxes in Employer Services decreased 6% for the quarter and 4% year-to-date due primarily to our previously announced incremental investments in our products and services and employer of choice initiatives, and the integration of acquisitions, primarily ProBusiness Services, Inc., completed during fiscal 2003.

Brokerage Services revenues increased 13% for the quarter and 2% for the

year-to-date period ended March 31, 2004. The increase in revenues for the quarter and year-to-date period ended March 31, 2004 is primarily due to an increase in certain investor communication activity, higher trade volume and higher retail versus institutional mix of trades, offset by the decline in the average revenue per trade. Year-to-date revenue growth was also impacted by industry consolidation. Investor communications pieces delivered increased 25% in the quarter from 217 million to 271 million and 14% for the year-to-date period from 505 million to 577 million. The increase in the quarterly and year-to-date investor communication activity primarily relates to the increase in the amount of non-proxy mutual fund mailings related to the recent mutual fund industry regulatory oversight. For the quarter, the average trades per day increased 22% from 1.24 million to 1.52 million and the average revenue per trade decreased 9%. For the year-to-date period, the average trades per day increased 3% from 1.33 million to 1.36 million and the average revenue per trade decreased 10%. The average revenue per trade is generally impacted by our client mix and volume processed under tier pricing agreements. Earnings before income taxes increased 50% for the quarter due to the increased scale on higher volumes in our back office trading business. Earnings before income taxes for the year-to-date period declined 10% primarily due to the year-to-date decline in revenues of our back office business mainly due to the effects of industry consolidation.

Dealer Services' revenues increased 8% for both the quarter and year-to-date periods ended March 31, 2004. Growth has been generated by strong client retention and increased revenues in the traditional core business from strong system sales as well as from new products, primarily application services provider (ASP) managed services, networking, and customer relationship management. Earnings before income taxes for the quarter and year-to-date period grew 10% and 8%, respectively, primarily due to the increased revenues.

The prior year's business unit revenues and earnings before income taxes have been adjusted to reflect updated fiscal year 2004 budgeted foreign exchange rates. In addition, Employer Services' prior year's revenues and earnings before income taxes were adjusted to include interest earned on client funds credited at 4.5%. Prior to fiscal year 2004, Employer Services was credited with interest earned on client funds at 6.0%. Given the decline in interest rates over recent years, the standard rate has been changed to 4.5%. "Other" consists primarily of Claims Services, miscellaneous processing services and corporate.

Reconciling items for revenues and earnings before income taxes include foreign exchange differences between the actual and the fiscal year 2004 budgeted foreign exchange rates, and the adjustment for the difference between actual interest income earned on invested funds held for clients and interest credited to Employer Services at a standard rate of 4.5%.

The business unit results also include a cost of capital charge related to the funding of acquisitions and other investments. This charge is eliminated in consolidation and as such represents a reconciling item to earnings before income taxes.

#### **FINANCIAL CONDITION**

Our financial condition and balance sheet remain strong. At March 31, 2004, we had cash and marketable securities of \$2.3 billion. Shareholders' equity was approximately \$5.6 billion and the ratio of long-term debt to equity was

approximately 1.5%.

Capital expenditures for fiscal year 2004 are expected to be approximately \$190 to \$200 million compared to \$134 million in fiscal year 2003. The expected amount of capital expenditures increased from the previous forecast of \$175 million due to the decision to acquire versus lease a building in the fourth quarter of fiscal 2004 for approximately \$20 million.

#### LIQUIDITY AND CAPITAL RESOURCES

The primary source of our liquidity is our net earnings of \$724 million for the nine months ended March 31, 2004. Cash flows generated from operations for the nine months ended March 31, 2004 decreased \$34 million from the prior year, primarily due to a decrease in net earnings and a decrease in working capital caused by the timing of certain cash funding activity.

Cash flows used in investing activities were \$1.1 billion for the nine months ended March 31, 2004 compared with cash flows provided by investing activities of \$0.2 billion for the prior year. The fluctuation between periods is primarily due to the timing of purchases and proceeds from sale of marketable securities, net purchases of client fund money market securities and the net change in client funds obligations. In addition, the Company acquired 5 businesses during the year-to-date period ending March 31, 2004 for approximately \$229 million, net of cash acquired.

Cash flows used in financing activities totaled \$545 million for the nine months ended March 31, 2004 compared to \$959 million in the prior year. The decrease in cash used in financing is primarily due to lower repurchases of common stock of approximately \$382 million. We purchased approximately 10.9 million shares of common stock at an average price per share of \$39.74 during the nine months ended March 31, 2004. As of March 31, 2004, we have remaining Board of Directors authorization to purchase up to 32.5 million additional shares.

During the nine months ended March 31, 2004, approximately twenty-five percent of our overall investment portfolio was invested in cash and cash equivalents, which are impacted almost immediately by changes in short-term interest rates. The other seventy-five percent of our investment portfolio was invested in fixed-income securities, with varying maturities of less than ten years, which are also subject to interest rate risk, including reinvestment risk. We have historically had the ability to hold most of these investments until maturity.

Details regarding our combined corporate investments and funds held for clients portfolios are as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Average investment balances at cost:				
Corporate investments	\$ 2,494	\$ 2,812	\$ 3,166	\$ 3,395
Funds held for clients	<u>13,316</u>	<u>10,445</u>	<u>10,766</u>	<u>8,692</u>
Total	<u>\$ 15,810</u>	<u>\$13,257</u>	<u>\$13,932</u>	<u>\$12,087</u>

Average interest rates earned exclusive of realized gains (losses) for the total combined corporate investments and funds held for clients' portfolios (pre-tax)	2.9%	3.7%	3.1%	4.1%
Realized gains on available-for-sale securities	\$ 1.8	\$ 9.4	\$ 7.2	\$ 26.0
Realized losses on available-for-sale securities	<u>(1.4)</u>	<u>(1.2)</u>	<u>(9.8)</u>	<u>(3.4)</u>
Net realized gains (losses)	<u>\$ 0.4</u>	<u>\$ 8.2</u>	<u>\$ (2.6)</u>	<u>\$ 22.6</u>

	<u>March 31,</u> <u>2004</u>	<u>June 30,</u> <u>2003</u>
Unrealized pre-tax gains on available-for-sale securities	\$ 286.0	\$ 375.9
Total available-for-sale securities	\$11,978.0	\$ 9,875.9

The earnings impact of future interest rate changes is based on many factors, which influence the return on our 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 estimated average investment balances for fiscal year 2004 would result in approximately an \$11.0 million impact to earnings before income taxes over the next twelve-month period.

In September 2003, we entered into a new \$4.5 billion unsecured revolving credit agreement with certain financial institutions, replacing an existing \$4.0 billion credit agreement. The interest rate applicable to the borrowings is tied to LIBOR or prime rate depending on the notification provided by the Company to the syndicated financial institutions prior to borrowing. We are also required to pay a facility fee on the credit agreement. The primary uses of the credit facility are to provide liquidity to the unsecured commercial paper program and to provide funding for general corporate purposes, if necessary. There have been no borrowings through March 31, 2004 under the credit agreement. The new \$4.5 billion credit agreement expires in September 2004.

In April 2002, we initiated a U.S. short-term commercial paper program providing for the issuance of up to \$4.0 billion in aggregate maturity value of commercial paper at our discretion. In November 2003, the Company increased the aggregate maturity value of commercial paper available under the program to \$4.5 billion. Our commercial paper program is rated A-1+ by Standard and Poor's and Prime 1 by Moody's. These ratings denote the highest quality investment grade securities. Maturities of commercial paper can range from overnight to 270 days. We use the commercial paper issuances as a primary instrument to meet short-term funding requirements related to client funds obligations. At March 31, 2004 and 2003, there was no commercial paper outstanding. For the three months ended March 31, 2004 and 2003, the Company had average borrowings of \$0.2 billion and \$0.3 billion, respectively, at an effective weighted average interest rate of 1.0% and 1.3%, respectively. For the nine months ended March 31, 2004 and 2003, the Company had average borrowings of \$0.9 billion for both periods, at an effective weighted average interest rate of 1.0% and 1.6%, respectively. The weighted average maturity of the Company's commercial paper during the three and nine months ended

March 31, 2004 was less than two days for both periods.

The Company's U.S. and Canadian short-term funding requirements related to client funds obligations are sometimes obtained on a secured basis through the use of repurchase agreements, which are collateralized principally by government and government agency securities. These agreements generally have terms ranging from overnight to up to ten days. At March 31, 2004 and 2003, there were no outstanding repurchase agreements. For the three months ended March 31, 2004 and 2003, the Company had an average outstanding balance of \$35.2 million and \$3.4 million, respectively, at an average interest rate of 1.9% and 3.0%, respectively. For the nine months ended March 31, 2004 and 2003, the Company had an average outstanding balance of \$20.8 million and \$5.5 million, respectively, at an average interest rate of 2.1% and 2.8%, respectively.

#### **NEW ACCOUNTING PRONOUNCEMENT**

In December 2003, the Financial Accounting Standards Board (FASB) revised Statement of Financial Accounting Standards No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits" (SFAS 132). SFAS 132 (revised) retains the disclosure requirements of the original statement and requires additional disclosures about the assets, obligations, cash flows and net periodic benefit cost of defined benefit plans and other defined benefit postretirement plans. The interim period disclosures required by SFAS 132 are effective for the Company for the third quarter ended March 31, 2004 and are included in Note 11, herein. The annual financial statement disclosures will be effective for the Company for the fiscal year ended June 30, 2004.

#### **OTHER MATTERS**

This report and other written or oral statements made from time to time by ADP may contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Statements that are not historical in nature and which may be identified by the use of words like "expects," "projects," "anticipates," "estimates," "we believe," "could be" and other words of similar meaning, are forward-looking statements. These statements are based on management's expectations and assumptions and are subject to risks and uncertainties that may cause actual results to differ materially from those expressed. Factors that could cause actual results to differ materially from those contemplated by the forward-looking statements 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, professional employer organizations and employee benefits; overall market and economic conditions, including interest rate and foreign currency trends; competitive conditions; stock market activity; auto sales and related industry changes; employment and wage levels; changes in technology; availability of skilled technical associates and the impact of new acquisitions and divestitures. ADP disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

**Item 4. Controls and Procedures**

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Securities and Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures as of March 31, 2004 were effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission's rules and forms.

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended March 31, 2004 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II. OTHER INFORMATION**

Except as noted below, all other items are either inapplicable or would result in negative responses and, therefore, have been omitted.

**Item 1. Legal Proceedings**

Reference is made to the description in Item 3 of the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2003 of the litigation involving Universal Computer Systems, Inc., Universal Computer Consulting, Ltd., Universal Computer Services, Inc. and Dealer Computer Services, Inc. (collectively, "UCS"). On November 11, 2003, the arbitration panel appointed by the District Court entered an Award in favor of the Company and its co-defendants. The Award denied all relief to UCS. The Award has been affirmed and adopted by the District Court as a final judgment of the Court. On March 12, 2004, the plaintiffs filed an appeal of the final judgment, which appeal is now pending before the Texas Court of Appeals.

**Item 2. Changes in Securities and Use of Proceeds.**

## Issuer Purchases of Equity Securities (1)

Period	(a)	(b)	(c)	(d)
	Total number of shares purchased	Average price paid per share (3)	Total number of shares purchased as part of the publicly announced common stock repurchase plan	Maximum number of shares that may yet be purchased under the common stock repurchase plan
January 1, 2004 to January 31, 2004	1,063,638	\$41.80	1,000,000	35,404,700
February 1, 2004 to February 28, 2004	1,361,200	\$43.31	1,360,000	34,044,700
March 1, 2004 to March 31, 2004	<u>1,521,497</u>	\$41.86	<u>1,521,000</u>	32,523,700
Total	3,946,335 (2)		3,881,000	

- (1) In March 2001, the Company received the Board of Directors' approval to repurchase up to 50 million shares of the Company's common stock. In November 2002, the Company received the Board of Directors' approval to repurchase an additional 35 million shares of the Company's common stock. There is no expiration date for the common stock repurchase plan.
- (2) During 2004, pursuant to the terms of the Company's restricted stock program, the Company (i) made repurchases of 63,638 shares during January 2004 and 497 shares during March 2004 at the then market value of the shares in connection with the exercise by employees of their option under such program to satisfy certain tax withholding requirements through the delivery of shares to the Company instead of cash and (ii) made purchases of 1,200 shares during February 2004 at a price of \$.10 per share under the terms of such program to repurchase stock granted to employees who have left the Company.
- (3) The average price per share does not include the repurchases described in 2(ii) of the proceeding footnote.

**Item 6. Exhibits and Reports on Form 8-K.**

## (a) Exhibits

<u>Exhibit Number</u>	<u>Exhibit</u>
31.1	Certification by Arthur F. Weinbach pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
31.2	Certification by Karen E. Dykstra pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934
32.1	Certification by Arthur F. Weinbach pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification by Karen E. Dykstra pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

## (b) Reports on Form 8-K filed during the fiscal quarter ended March 31, 2004.

None.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

AUTOMATIC DATA PROCESSING, INC.  
(Registrant)

Date: May 10, 2004

/s/ Karen E. Dykstra  
Karen E. Dykstra

Chief Financial Officer  
(Title)