

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended March 31, 2005

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Transition Period From _____ to _____
Commission File Number 0-14278

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

Delaware
(State or other jurisdiction of
incorporation or organization)

22-1467904
(I.R.S. Employer
Identification No.)

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

Registrant's telephone number, including area code: (973) 974-5000

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 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares outstanding of the registrant's common stock as of April 28, 2005 was 583,343,711.

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)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>March 31,</u>		<u>March 31,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
REVENUES:				
Revenues, other than interest on funds held for Employer Services clients and PEO revenues	\$2,060,301	\$1,894,672	\$5,473,928	\$5,063,394
Interest on funds held for Employer Services clients	124,425	96,531	300,217	261,667
PEO revenues (A)	<u>164,237</u>	<u>130,232</u>	<u>423,084</u>	<u>344,051</u>
TOTAL REVENUES	<u>2,348,963</u>	<u>2,121,435</u>	<u>6,197,229</u>	<u>5,669,112</u>
EXPENSES:				
Operating expenses	1,068,073	944,373	2,850,812	2,548,914
Selling, general, and administrative expenses	512,886	487,410	1,424,407	1,373,581
Systems development and programming costs	154,362	144,824	453,156	409,703
Depreciation and amortization	77,757	77,185	228,339	225,520
Other income, net	<u>(2,065)</u>	<u>(11,997)</u>	<u>(25,995)</u>	<u>(44,656)</u>
TOTAL EXPENSES	<u>1,811,013</u>	<u>1,641,795</u>	<u>4,930,719</u>	<u>4,513,062</u>
EARNINGS BEFORE INCOME TAXES	537,950	479,640	1,266,510	1,156,050
Provision for income taxes	<u>199,579</u>	<u>179,390</u>	<u>469,875</u>	<u>432,370</u>
NET EARNINGS	<u>\$ 338,371</u>	<u>\$ 300,250</u>	<u>\$ 796,635</u>	<u>\$ 723,680</u>
BASIC EARNINGS PER SHARE	<u>\$ 0.58</u>	<u>\$ 0.51</u>	<u>\$ 1.37</u>	<u>\$ 1.22</u>
DILUTED EARNINGS PER SHARE	<u>\$ 0.57</u>	<u>\$ 0.50</u>	<u>\$ 1.35</u>	<u>\$ 1.21</u>
Basic weighted average shares outstanding	<u>583,991</u>	<u>591,210</u>	<u>583,578</u>	<u>592,575</u>
Diluted weighted average shares outstanding	<u>590,512</u>	<u>599,479</u>	<u>590,503</u>	<u>599,127</u>
Dividends per common share	<u>\$ 0.1550</u>	<u>\$ 0.1400</u>	<u>\$ 0.4500</u>	<u>\$ 0.4000</u>

(A) Net of pass-through costs of \$1,531,884 and \$1,136,832 for the three months ended March 31, 2005 and 2004, respectively, and \$4,033,375 and \$3,086,265 for the nine months ended March 31, 2005 and 2004, respectively.

See notes to the consolidated financial statements.

Automatic Data Processing, Inc. and Subsidiaries
Consolidated Balance Sheets

(In thousands, except per share amounts)
(Unaudited)

<u>Assets</u>	March 31, 2005	June 30, 2004
<u>Current assets:</u>		
Cash and cash equivalents	\$ 1,069,191	\$ 712,998
Short-term marketable securities	492,825	416,077
Accounts receivable, net	1,258,468	1,057,938
Securities clearing and outsourcing receivables	1,109,088	-
Other current assets	559,768	574,576
Total current assets	4,489,340	2,761,589
Long-term marketable securities	422,950	963,501
Long-term receivables, net	193,190	196,828
Property, plant and equipment, net	658,203	642,353
Other assets	820,934	720,936
Goodwill	2,401,472	2,195,539
Intangible assets, net	762,311	736,281
Total assets before funds held for clients	9,748,400	8,217,027
Funds held for clients	23,024,327	12,903,532
Total assets	\$32,772,727	\$21,120,559
 <u>Liabilities and Stockholders' Equity</u>		
<u>Current liabilities:</u>		
Accounts payable	\$ 177,523	\$ 175,175
Accrued expenses and other liabilities	1,541,412	1,482,703
Securities clearing and outsourcing payables	818,585	-
Income taxes payable	216,757	110,546
Total current liabilities	2,754,277	1,768,424
Long-term debt	75,937	76,200
Other liabilities	360,942	319,495
Deferred income taxes	252,842	283,781
Deferred revenues	463,574	414,764
Total liabilities before client funds obligations	3,907,572	2,862,664
Client funds obligations	23,095,513	12,840,225
Total liabilities	27,003,085	15,702,889
 <u>Stockholders' equity:</u>		
Preferred stock, \$1.00 par value: authorized 300 shares, issued, none		
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	-	96,608
Retained earnings	7,821,010	7,326,918
Deferred compensation	(16,844)	(16,962)
Treasury stock, at cost: 55,251 and 51,587 shares, respectively	(2,112,422)	(2,033,254)
Accumulated other comprehensive income (loss)	14,028	(19,510)
Total stockholders' equity	5,769,642	5,417,670
Total liabilities and stockholders' equity	\$32,772,727	\$21,120,559

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,	
	2005	2004
<u>Cash Flows from Operating Activities:</u>		
Net earnings	\$ 796,635	\$ 723,680
Adjustments to reconcile net earnings to net cash flows provided by operating activities:		
Depreciation and amortization	228,339	225,520
Deferred income taxes	31,660	34,068
Amortization of premiums and discounts on available-for-sale securities	93,421	93,916
Other	92,793	97,286
Changes in operating assets and liabilities, net of effects from acquisitions of businesses:		
Increase in accounts receivable and other assets	(225,112)	(179,843)
Net change in securities clearing and outsourcing receivables and payables	(131,246)	-
Increase in accounts payable and accrued expenses	<u>160,876</u>	<u>137,339</u>
Net cash flows provided by operating activities	<u>1,047,366</u>	<u>1,131,966</u>
<u>Cash Flows from Investing Activities:</u>		
Purchases of marketable securities	(5,492,232)	(5,978,737)
Proceeds from the sales or maturities of marketable securities	5,067,456	3,762,755
Net change in client funds money market securities	(9,456,746)	(3,867,491)
Net change in client funds obligations	10,255,288	5,394,417
Capital expenditures	(132,893)	(125,028)
Additions to intangibles	(71,146)	(111,036)
Acquisitions of businesses, net of cash acquired	(346,227)	(228,823)
Proceeds from sale of businesses	17,234	5,294
Other	<u>5,410</u>	<u>7,726</u>
Net cash flows used in investing activities	<u>(153,856)</u>	<u>(1,140,923)</u>
<u>Cash Flows from Financing Activities:</u>		
Payments of debt	(954)	(1,201)
Proceeds from issuance of notes	358	325
Repurchases of common stock	(430,647)	(435,113)
Proceeds from stock purchase plan and exercises of stock options	148,501	116,116
Dividends paid	<u>(254,575)</u>	<u>(225,460)</u>
Net cash flows used in financing activities	<u>(537,317)</u>	<u>(545,333)</u>
Net change in cash and cash equivalents	356,193	(554,290)
Cash and cash equivalents, beginning of period	<u>712,998</u>	<u>1,410,218</u>
Cash and cash equivalents, end of period	<u>\$1,069,191</u>	<u>\$ 855,928</u>

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, 2004. The results of operations for the three and nine months ended March 31, 2005 may not be indicative of the results to be expected for the fiscal year ending June 30, 2005.

Note 2. New Accounting Pronouncement

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 123R, "Share-Based Payment" (SFAS No. 123R). SFAS No. 123R is effective for the Company's fiscal year beginning July 1, 2005. Among other things, SFAS No. 123R requires that compensation cost relating to share-based payment transactions be recognized in the consolidated financial statements. Note 5, Fair Value Accounting for Stock-Based Compensation, of the Notes to the Consolidated Financial Statements of this Quarterly Report on Form 10-Q, contains pro forma disclosures regarding the effect on net earnings and earnings per share as if the Company had applied the fair value method of accounting for stock-based compensation under SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123). The Company changed its fair value option pricing model from the Black-Scholes model to a binomial model for all options granted after January 1, 2005. The Company believes that the binomial model is more indicative of the stock option's fair value because it considers characteristics that are not available under the Black-Scholes model. SFAS No. 123R may be adopted either prospectively or using a retrospective method. The Company has not yet determined which method it will use to adopt SFAS No. 123R and is assessing the anticipated impact of the adoption.

Note 3. Acquisitions

The Company acquired five businesses during the nine months ended March 31, 2005 for approximately \$337 million, net of cash acquired. These acquisitions resulted in approximately \$142 million of goodwill. Intangible assets acquired, which total approximately \$44 million, consisted primarily of software, and customer contracts and lists that are being amortized over a weighted average life of 13 years. The Company also made \$9 million of contingent payments relating to previously consummated acquisitions. These acquisitions did not have a material impact, either individually or in the aggregate, on the Company's results of operations, financial position or cash flows.

The largest acquisition during the nine months ended March 31, 2005 was the acquisition, on November 1, 2004, of the U.S. Clearing and BrokerDealer Services divisions of Bank of America Corporation (U.S. Clearing and BrokerDealer Business), which provide third-party clearing operations. The acquisition of the U.S. Clearing and BrokerDealer Business enables the Company to offer traditional clearing services to retail and institutional broker-dealers in the United States that want to outsource their entire back-office and clearing operations while maintaining their status as clearing brokers.

Note 4. Earnings Per Share (EPS)

	For the periods ended March 31, 2005					
	Three Months Ended			Nine Months Ended		
	Net Earnings	Average Shares	EPS	Net Earnings	Average Shares	EPS
Basic	\$338,371	583,991	\$0.58	\$796,635	583,578	\$1.37
Effect of zero coupon subordinated notes	262	1,189		791	1,211	
Effect of stock options	-	5,332		-	5,714	
Diluted	<u>\$338,633</u>	<u>590,512</u>	<u>\$0.57</u>	<u>\$797,426</u>	<u>590,503</u>	<u>\$1.35</u>
	For the periods ended March 31, 2004					
	Three Months Ended			Nine Months Ended		
	Net Earnings	Average Shares	EPS	Net Earnings	Average Shares	EPS
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	-	6,721		-	4,967	
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>

Options to purchase 35.0 million and 32.5 million shares of common stock for the three months ended March 31, 2005 and 2004, respectively, and 35.0 million and 32.8 million shares of common stock for the nine months ended March 31, 2005 and 2004, 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 each respective period.

Note 5. Fair Value Accounting for Stock-Based Compensation

The Company accounts for its stock options 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 SFAS No. 123. No stock-based employee compensation expense related to the Company's stock options and employee 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 employee 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. The fair value of each stock option issued prior to January 1, 2005 was estimated on the date of grant using a Black-Scholes option-pricing model. For stock options issued on or after January 1, 2005, the fair value of each stock option was estimated on the date of grant using a binomial option-pricing model.

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2005	2004	2005	2004
Net earnings, as reported	\$338,371	\$300,250	\$796,635	\$723,680
Add: Stock-based employee compensation expense for restricted stock included in reported net earnings, net of related tax effects	2,163	1,947	6,777	6,005
Deduct: Total stock-based employee compensation expense determined using the fair value-based method for all awards, net of related tax effects	(28,607)	(31,094)	(93,736)	(87,334)
Pro forma net earnings	<u>\$311,927</u>	<u>\$271,103</u>	<u>\$709,676</u>	<u>\$642,351</u>
Earnings per share:				
Basic - as reported	<u>\$0.58</u>	<u>\$0.51</u>	<u>\$1.37</u>	<u>\$1.22</u>
Basic - pro forma	<u>\$0.53</u>	<u>\$0.46</u>	<u>\$1.22</u>	<u>\$1.08</u>
Diluted - as reported	<u>\$0.57</u>	<u>\$0.50</u>	<u>\$1.35</u>	<u>\$1.21</u>
Diluted - pro forma	<u>\$0.53</u>	<u>\$0.45</u>	<u>\$1.20</u>	<u>\$1.07</u>

Note 6. Other Income, net

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2005	2004	2005	2004
Interest income on corporate funds	\$ (15,976)	\$ (13,521)	\$ (67,960)	\$ (59,263)
Interest expense	3,569	1,965	22,476	11,966
Realized gains on available-for-sale securities	(805)	(1,775)	(9,466)	(7,216)
Realized losses on available-for-sale securities	<u>11,147</u>	<u>1,334</u>	<u>28,955</u>	<u>9,857</u>
Other income, net	<u>\$ (2,065)</u>	<u>\$ (11,997)</u>	<u>\$ (25,995)</u>	<u>\$ (44,656)</u>

Proceeds from the sales or maturities of marketable securities were \$1.5 billion and \$1.0 billion for the three months ended March 31, 2005 and 2004, respectively, and \$5.1 billion and \$3.8 billion for the nine months ended March 31, 2005 and 2004, respectively.

Note 7. Comprehensive Income

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2005	2004	2005	2004
Net earnings	\$338,371	\$300,250	\$796,635	\$723,680
Other comprehensive income:				
Foreign currency translation adjustments	(8,142)	27,667	121,385	53,457
Unrealized net (loss) gain on available-for-sale securities, net of tax	<u>(89,014)</u>	<u>28,004</u>	<u>(87,847)</u>	<u>(54,811)</u>
Comprehensive income	<u>\$241,215</u>	<u>\$355,921</u>	<u>\$830,173</u>	<u>\$722,326</u>

Note 8. Interim Financial Data by Segment

As discussed in Note 3, the Company acquired the U.S. Clearing and BrokerDealer Business on November 1, 2004. The Company has determined that the acquired operations constitute a separate reportable segment in accordance with SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information." The Company established a reportable segment called Securities Clearing and Outsourcing Services as of November 1, 2004 to report the results of this acquired business.

Employer Services, Brokerage Services, Dealer Services, and Securities Clearing and Outsourcing Services are the Company's reportable segments. The primary components of "Other" are Claims Services, miscellaneous processing services, and corporate allocations and expenses.

The Company evaluates the performance of its segments based on operating results before interest on corporate funds, foreign currency gains and losses, and income taxes. Certain revenues and expenses are charged to segments at a standard rate for management reasons. Other costs are charged to segments based on management's responsibility for the applicable costs. The prior year's segment revenues and earnings before income taxes have been adjusted to reflect updated fiscal year 2005 budgeted foreign exchange rates. Reconciling items include foreign exchange differences between the actual foreign exchange rates and the fiscal year 2005 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%. Both of these adjustments are eliminated in consolidation and as such represent a reconciling item to revenues and earnings before income taxes. The segment 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,	
	2005	2004	2005	2004
Employer Services	\$1,494	\$1,367	\$3,906	\$3,638
Brokerage Services	475	452	1,161	1,107
Dealer Services	246	226	727	655
Securities Clearing and Outsourcing Services	22	-	37	-
Other	100	99	356	334
Reconciling items:				
Foreign exchange	51	28	108	33
Client fund interest	(39)	(51)	(98)	(98)
Total revenues	<u>\$2,349</u>	<u>\$2,121</u>	<u>\$6,197</u>	<u>\$5,669</u>

	Earnings Before Income Taxes			
	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2005	2004	2005	2004
Employer Services	\$ 449	\$ 386	\$ 954	\$ 856
Brokerage Services	70	68	158	121
Dealer Services	36	39	108	108
Securities Clearing and Outsourcing Services	(9)	-	(14)	-
Other	(16)	-	29	64
Reconciling items:				
Foreign exchange	12	4	23	6
Client fund interest	(39)	(51)	(98)	(98)
Cost of capital charge	35	34	107	99
Total earnings before income taxes	<u>\$ 538</u>	<u>\$ 480</u>	<u>\$1,267</u>	<u>\$1,156</u>

Note 9. Corporate Investments and Funds Held for Clients

Type of issue:	<u>March 31, 2005</u>		<u>June 30, 2004</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Money market securities and other cash equivalents	\$12,573,381	\$12,573,381	\$ 2,903,284	\$ 2,903,284
Trading securities: U.S. Treasury and direct obligations of U.S. government agencies	26,613	26,613	-	-
Available-for-sale securities:				
U.S. Treasury and direct obligations of U.S. government agencies	6,084,988	6,039,160	5,449,694	5,485,632
Asset backed securities	2,055,010	2,040,900	2,570,424	2,580,609
Corporate bonds	2,475,046	2,449,708	2,342,017	2,341,015
Canadian government obligations and Canadian government agency obligations	919,584	929,840	765,908	774,877
Other debt securities	953,255	948,742	899,216	900,550
Other equity securities	1,465	949	5,696	10,141
Total available-for-sale securities	<u>12,489,348</u>	<u>12,409,299</u>	<u>12,032,955</u>	<u>12,092,824</u>
Total corporate investments and funds held for clients	<u>\$25,089,342</u>	<u>\$25,009,293</u>	<u>\$14,936,239</u>	<u>\$14,996,108</u>
Classification of investments on the Consolidated Balance Sheets:				
Corporate investments	\$ 1,993,829	\$ 1,984,966	\$ 2,096,014	\$ 2,092,576
Funds held for clients	<u>23,095,513</u>	<u>23,024,327</u>	<u>12,840,225</u>	<u>12,903,532</u>
Total corporate investments and funds held for clients	<u>\$25,089,342</u>	<u>\$25,009,293</u>	<u>\$14,936,239</u>	<u>\$14,996,108</u>

The Company's "trading" securities have been pledged as collateral to exchanges and clearinghouses for security transactions of the Securities Clearing and Outsourcing Services segment. These investments are recorded at fair value with the resulting net unrealized gains and losses reflected in "Revenues, Other Than Interest on Funds Held for Employer Services Clients and PEO revenues" in the Consolidated Statements of Earnings.

Gross unrealized gains and losses on the available-for-sale securities are as follows:

	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Unrealized (losses) gains, net</u>
March 31, 2005	\$ 58,032	\$(138,081)	\$(80,049)
June 30, 2004	\$125,585	\$(65,716)	\$ 59,869

The Company's "available-for-sale" securities are carried on the Consolidated Balance Sheets at fair value at March 31, 2005 and June 30, 2004. The Company believes that the available-for-sale securities that have fair values that are below cost are not other-than-temporarily impaired since it is probable that principal and interest will be collected in accordance with the applicable contractual terms and the Company has the ability and intent to

hold the available-for-sale securities until maturity.

Expected maturities of available-for-sale securities at March 31, 2005 are as follows:

Due in one year or less	\$ 2,832,680
Due after one year through two years	3,187,806
Due after two years through three years	2,094,228
Due after three years through four years	1,752,522
Due after four years through ten years	<u>2,542,063</u>
 Total available-for-sale securities	 \$12,409,299

Note 10. Securities Clearing and Outsourcing Services

As discussed in Note 3, the Company acquired the U.S. Clearing and BrokerDealer Business on November 1, 2004. The operations of the acquired business are reported in the Securities Clearing and Outsourcing Services segment. The summary of the significant accounting policies associated with the Securities Clearing and Outsourcing Services segment are as follows:

Receivables from and Payables to Clearing Customers

Receivables from and payables to clearing customers represent the amounts receivable from and payable to clearing customers in connection with cash and margin securities transactions. Clearing customer receivables are included in "Securities Clearing and Outsourcing Receivables" and clearing customer payables are included in "Securities Clearing and Outsourcing Payables" on the Consolidated Balance Sheets. Receivables from customers are collateralized by securities that are not reflected in the Consolidated Balance Sheets.

Securities Borrowed and Securities Loaned

Securities borrowed and loaned represent deposits made to or received from other broker-dealers. Securities borrowed and securities loaned are recorded on the settlement date based upon the amount of cash advanced or received. Securities borrowed are included in "Securities Clearing and Outsourcing Receivables" and securities loaned are included in "Securities Clearing and Outsourcing Payables" on the Consolidated Balance Sheets. The Company takes possession of securities borrowed, monitors the market value of securities loaned and obtains additional collateral as appropriate.

Revenue Recognition

Customer clearing security transactions and the related revenues, primarily consisting of customer margin interest, and expenses, primarily consisting of brokerage clearing expenses and interest expense, are recorded on a settlement date basis. Revenues for the fees charged to an introducing broker-dealer to process trades in clearing accounts are recorded on a trade date basis.

Securities clearing and outsourcing receivables and payables consist of the following as of March 31, 2005:

<u>Receivables</u>	
Clearing customers	\$ 831,527
Securities borrowed	81,008
Broker-dealers and other	17,840
Clearing organizations	8,115
Securities failed to deliver	<u>170,598</u>
Total	<u>\$1,109,088</u>
<u>Payables</u>	
Clearing customers	\$ 395,057
Securities loaned	280,526
Broker-dealers and other	71,341
Securities failed to receive	<u>71,661</u>
Total	<u>\$ 818,585</u>

Securities failed to deliver and failed to receive represent the contract value of securities that have not been delivered or received as of the settlement date.

As of March 31, 2005, the Company has received collateral, primarily in connection with securities borrowed and customer margin loans, with a market value of approximately \$2.0 billion which it can sell or repledge. Of this amount, approximately \$0.3 billion has been pledged or sold as of March 31, 2005 in connection with securities loaned and deposits with clearing organizations.

Note 11. Goodwill and Intangible Assets, net

Changes in goodwill for the nine months ended March 31, 2005 are as follows:

	<u>Employer Services</u>	<u>Brokerage Services</u>	<u>Dealer Services</u>	<u>Securities Clearing and Outsourcing Services</u>	<u>Other</u>	<u>Total</u>
Balance as of June 30, 2004	\$1,314,579	\$366,299	\$324,111	\$ -	\$190,550	\$2,195,539
Additions	8,970	515	33,655	110,142	2,859	156,141
Sale of business	(140)	-	(1,445)	-	-	(1,585)
Cumulative translation adjustments	<u>35,590</u>	<u>2,253</u>	<u>2,080</u>	<u>-</u>	<u>11,454</u>	<u>51,377</u>
Balance as of March 31, 2005	<u>\$1,358,999</u>	<u>\$369,067</u>	<u>\$358,401</u>	<u>\$110,142</u>	<u>\$204,863</u>	<u>\$2,401,472</u>

Components of intangible assets are as follows:

	<u>March 31, 2005</u>	<u>June 30, 2004</u>
Intangible assets:		
Software and software licenses	\$ 824,340	\$ 729,399
Customer contracts and lists	695,789	594,841
Other intangibles	<u>347,897</u>	<u>391,906</u>
	1,868,026	1,716,146
Less accumulated amortization	<u>(1,105,715)</u>	<u>(979,865)</u>
Intangible assets, net	<u>\$ 762,311</u>	<u>\$ 736,281</u>

Other intangibles 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 and software licenses, 13 years for customer contracts and lists and 11 years for other). Amortization of intangibles totaled \$38.9 million and \$36.5 million for the three months ended March 31, 2005 and 2004, respectively, and totaled \$112.0 million and \$104.6 million for the nine months ended March 31, 2005 and 2004, respectively. Estimated amortization expense of the Company's existing intangible assets for the remaining three months of fiscal year 2005 and the succeeding five fiscal years is as follows:

	<u>Amount</u>
2005	\$ 38,012
2006	140,975
2007	117,471
2008	86,262
2009	49,022
2010	42,876

Note 12. Short-term Financing

In June 2004, the Company entered into two new unsecured revolving credit agreements, each for \$2.25 billion, with certain financial institutions, replacing a previous \$4.5 billion credit agreement. The two unsecured revolving credit agreements expire in June 2005 and June 2009, respectively. 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 facility fees on the credit agreements. The primary uses of the credit facilities are to provide liquidity to the unsecured commercial paper program and to provide funding for general corporate purposes, if necessary. The Company had no borrowings through March 31, 2005 under the two new credit agreements.

The Company maintains a U.S. short-term commercial paper program providing for the issuance of up to \$4.5 billion in aggregate maturity value of commercial paper at the Company's discretion. 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 commercial paper securities. Maturities of commercial paper can range from overnight to 270 days. At March 31, 2005 and 2004, there was no commercial paper outstanding. For the three months ended March 31, 2005 and 2004, the Company had average borrowings of \$0.3 billion and \$0.2 billion, respectively, at an effective weighted average interest rate of 2.3% and 1.0%, respectively. For the nine months ended March 31, 2005 and 2004, the Company had average borrowings of \$1.1 billion and \$0.9 billion, respectively, at an effective weighted average interest rate of 1.8% and 1.0%, respectively. The weighted average maturity of the Company's commercial paper during the three and nine months ended March 31, 2005 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 five business days. At March 31, 2005 and 2004, there were no outstanding repurchase agreements. For the three months ended March 31, 2005 and 2004, the Company had an average outstanding balance for repurchase agreements of \$152.2 million and \$35.2 million, respectively, at a weighted average interest rate of 2.1% and 1.9%,

respectively. For the nine months ended March 31, 2005 and 2004, the Company had an average outstanding balance for repurchase agreements of \$313.8 million and \$20.8 million, respectively, at a weighted average interest rate of 1.7% and 2.1%, respectively.

Note 13. Pension Plans

The components of net pension expense were as follows:

	Three months ended		Nine months ended	
	March 31		March 31	
	2005	2004	2005	2004
Service cost- benefits earned during the period	\$ 7,444	\$ 5,743	\$ 22,333	\$ 17,230
Interest cost on projected benefits	9,451	8,422	28,353	25,267
Expected return on plan assets	(13,058)	(12,624)	(39,174)	(37,873)
Net amortization and deferral	<u>2,779</u>	<u>2,549</u>	<u>8,335</u>	<u>7,646</u>
Net pension expense	<u>\$ 6,616</u>	<u>\$ 4,090</u>	<u>\$ 19,847</u>	<u>\$ 12,270</u>

The minimum required contribution to the Company's pension plans is \$0 in fiscal year 2005. For the nine months ending March 31, 2005, the Company contributed \$44 million to the pension plans. The Company does not expect to make any additional contributions to the pension plans during fiscal year 2005.

Note 14. 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 guarantees the performance of the Company's products and services. In addition, the securities transactions of the Securities Clearing and Outsourcing Services segment involve collateral arrangements required by various regulatory and internal guidelines, which are monitored daily. The Company does not expect any material losses related to such guarantees or collateral arrangements.

The Company is a member of numerous exchanges and clearinghouses. Under the membership agreements, members are generally required to guarantee the performance of other members. Additionally, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet these shortfalls. To mitigate these performance risks, the exchanges and clearinghouses often require members to post collateral. The Company's maximum potential liability under these arrangements cannot be quantified. However, the Company believes that it is unlikely that the Company will be required to make payments under these arrangements. Accordingly, no contingent liability is recorded in the consolidated financial statements for these arrangements.

A subsidiary of the Company, included in the Securities Clearing and Outsourcing Services segment, is subject to the Uniform Net Capital Rule of the Securities and Exchange Commission. At March 31, 2005, the aggregate net capital of such subsidiary was \$229.4 million, exceeding the net capital requirement by \$207.8 million. This subsidiary has secured unlimited Securities Industry Protection Corporation (SIPC) insurance coverage for its customers. Under the terms of this program, this subsidiary is required to maintain an aggregate net capital of \$200 million.

Note 15. Income Taxes

On October 22, 2004, the American Jobs Creation Act (the AJCA) was signed into law. The AJCA includes a deduction of 85% of certain foreign earnings that are repatriated, as defined in the AJCA. The Company may elect to apply this provision to qualifying earnings repatriations in either the balance of fiscal year 2005 or in fiscal year 2006. The Company has started an evaluation of the effects of the repatriation provision; however, the Company does not expect to be able to complete this evaluation until Congress acts on the pending Technical Corrections Bill and the Treasury Department provides additional clarifying language on key elements of the provision. The Company expects to complete its evaluation of the effects of the repatriation provision within a reasonable period of time following these actions. The range of possible amounts that the Company could repatriate under this provision is between zero and \$500 million. The related potential range of income tax is between zero and \$35 million. The actual cost to the Company is dependent on the factors discussed above.

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, payroll 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 or number of trades). 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, as the collection, holding and remittance of these funds are critical components of providing these services.

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-customer support, revenues are recognized ratably over the software license term as vendor-specific objective evidence of the fair values of the individual elements in the sales arrangement does not exist. Changes to the elements in an arrangement and the ability to establish vendor-specific objective evidence for those elements could affect the timing of the revenue recognition.

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.

We assess collectibility of our revenues based primarily on the creditworthiness of the customer as determined by credit checks and analysis, as well as the customer's payment history. We do not believe that a change in our assumptions utilized in the collectibility determination would result in a material change to revenues as no single customer accounts for a significant portion of our revenues.

Goodwill. We review the carrying value of all our goodwill in accordance with Statement of Financial Accounting Standards (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 a discounted future cash flow approach using various assumptions, including projections of revenues based on assumed long-term growth rates, estimated costs, and appropriate discount rates based on the particular businesses' weighted average cost of capital. Our estimates of long-term growth and costs are based on historical data, various internal estimates and a variety of external sources, and are developed as part of our routine long-range planning process. The estimated fair value of the Company's reporting units exceeds the carrying value of the reporting units. We had approximately \$2.4 billion of goodwill as of March 31, 2005. 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 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, changes in tax laws or interpretations thereof). In addition, we are subject to the continuous examination of our income tax returns by the Internal Revenue Service and other tax authorities. A change in the assessment of the outcomes of such matters could materially impact our consolidated financial statements.

RESULTS OF OPERATIONS**Analysis of Consolidated Operations**

(In millions, except per share amounts)

	Three Months Ended			Nine Months Ended		
	March 31,			March 31,		
	2005	2004	Change	2005	2004	Change
Total revenues	\$2,349	\$2,121	11%	\$6,197	\$5,669	9%
Total expenses	\$1,811	\$1,641	10%	\$4,930	\$4,513	9%
Earnings before income taxes	\$ 538	\$ 480	12%	\$1,267	\$1,156	10%
Margin	22.9%	22.6%		20.4%	20.4%	
Provision for income taxes	\$ 200	\$ 180	11%	\$ 470	\$ 432	9%
Effective tax rate	37.1%	37.4%		37.1%	37.4%	
Net earnings	\$ 338	\$ 300	13%	\$ 797	\$ 724	10%
Diluted earnings per share	\$ 0.57	\$ 0.50	14%	\$ 1.35	\$ 1.21	12%
Revenues						

Our consolidated revenues for the quarter ended March 31, 2005 grew 11% to \$2.3 billion primarily due to increases in Employer Services of 9%, or \$127 million, to \$1.5 billion, Brokerage Services of 5%, or \$23 million, to \$475 million, Dealer Services of 9%, or \$20 million, to \$246 million as well as \$22 million from the Securities Clearing and Outsourcing Services segment. Our consolidated revenues, excluding the impact of acquisitions and divestitures, grew 10% in the quarter ending March 31, 2005 as compared with the prior year.

Our consolidated revenues for the quarter ending March 31, 2005 includes interest on funds held for Employer Services clients of \$124 million as compared to \$97 million in the prior year. The increase in the consolidated interest earned on funds held for Employer Services clients primarily resulted from the increase of 11% in our average client fund balances to \$14.8 billion for the quarter. The difference between the 4.5% standard rate allocation in Employer Services and the actual interest earned is a reconciling item that is eliminated in consolidation and reduces revenues by \$39 million and \$51 million in the quarters ending March 31, 2005 and 2004, respectively.

Our consolidated revenues for the year-to-date period ended March 31, 2005 grew 9% to \$6.2 billion primarily due to increases in Employer Services of 7%, or \$268 million, to \$3.9 billion, Brokerage Services of 5%, or \$54 million, to \$1.2 billion, Dealer Services of 11%, or \$72 million, to \$727 million, as well as \$37 million from the Securities Clearing and Outsourcing Services segment. Our consolidated revenues, excluding the impact of acquisitions and divestitures, grew 9% in the year-to-date period ending March 31, 2005 as compared with the prior year. Revenue growth for the year-to-date period was also favorably impacted by \$70 million, or 1.2%, due to fluctuations in foreign currency exchange rates.

Our consolidated revenues for the year-to-date period ending March 31, 2005 includes interest on funds held for Employer Services clients of \$300 million, as compared to \$262 million in the prior year. The increase in the

consolidated interest earned on funds held for Employer Services clients resulted from the increase of 10% in our average client fund balances to \$11.9 billion for the year-to-date period. The difference between the 4.5% standard rate allocation in Employer Services and the actual interest earned is a reconciling item that is eliminated in consolidation and reduces revenues by \$98 million in both year-to-date periods ending March 31, 2005 and 2004.

Expenses

Our consolidated expenses for the quarter ending March 31, 2005 increased by \$169 million, from \$1.6 billion to \$1.8 billion. The increase in our consolidated expenses is primarily due to our increase in revenues, including the additional expenses associated with acquisitions. Operating expenses increased by \$124 million, or 13%, primarily due to the increase in revenues, including the increases in the Professional Employer Organization (PEO) business and investor communications activity, which both have pass-through costs. Selling, general and administrative expenses increased by \$25 million to \$513 million primarily due to the additional sales force to generate the revenue growth. Systems development and programming costs increased by \$10 million to \$154 million due to continued investments in sustaining our products, primarily in our Employer Services business, and the maintenance of our existing technology throughout all of our businesses. In addition, other income, net, decreased \$10 million primarily due to the net realized loss of \$10 million as compared to the net realized gain of \$0.4 million in the prior year on our available-for-sale securities.

Our consolidated expenses for the year-to-date period increased by \$418 million, from \$4.5 billion to \$4.9 billion. The increase in our consolidated expenses is primarily due to our increase in revenues, including the additional expenses associated with acquisitions. In addition, consolidated expenses increased by \$49 million, or 1.1%, due to fluctuations in foreign currency exchange rates. Operating expenses increased by \$302 million, or 12%, primarily due to the increase in revenues, primarily in the PEO business and investor communications activity, which both have pass-through costs. Selling, general and administrative expenses increased by \$51 million to \$1.4 billion primarily due to the additional sales force to generate the revenue growth. Systems development and programming costs increased by \$43 million to \$453 million due to continued investments in sustaining our products, primarily in our Employer Services business, and the maintenance of our existing technology throughout all of our businesses. In addition, other income, net, decreased \$19 million due to the increase in interest expense of \$11 million due to the increase in the interest rates on our short-term financing arrangements and an increase of \$17 million in net realized losses on our available-for-sale securities.

Earnings Before Income Taxes

Earnings before income taxes increased by \$58 million, or 12%, to \$538 million for the quarter ending March 31, 2005 and \$110 million, or 10%, to \$1.3 billion during the year-to-date period ending March 31, 2005 due to the increase in revenues and expenses discussed above.

Provision for Income Taxes

Our effective tax rate for both the quarter and year-to-date period ending March 31, 2005 was 37.1% as compared to 37.4% for the comparable period of the prior year. The decrease in the effective tax rate for both periods is attributable to a favorable mix in income among tax jurisdictions.

Net Earnings

Net earnings for the quarter increased 13% to \$338 million from \$300 million and the related diluted earnings per share increased 14% to \$0.57. Net earnings for the year-to-date period increased 10% to \$797 million from \$724 million and the related diluted earnings per share increased 12% to \$1.35. The increase in net earnings for both the quarter and year-to-date period reflects the increase in earnings before income taxes and the impact of the lower effective tax rate. The increase in diluted earnings per share for both the quarter and year-to-date period reflects the increase in net earnings and the impact of fewer shares outstanding due to the repurchase of 10.0 million shares during the year-to-date period and 15.8 million shares in fiscal year 2004.

Analysis of Business Segments**Revenues**

(In millions)

	Three Months Ended			Nine Months Ended		
	March 31,			March 31,		
	<u>2005</u>	<u>2004</u>	<u>Change</u>	<u>2005</u>	<u>2004</u>	<u>Change</u>
Employer Services	\$1,494	\$1,367	9%	\$3,906	\$3,638	7%
Brokerage Services	475	452	5	1,161	1,107	5
Dealer Services	246	226	9	727	655	11
Securities Clearing and Outsourcing Services	22	-	-	37	-	-
Other	100	99	1	356	334	7
Reconciling items:						
Foreign exchange	51	28		108	33	
Client fund interest	(39)	(51)		(98)	(98)	
Total revenues	<u>\$2,349</u>	<u>\$2,121</u>	11%	<u>\$6,197</u>	<u>\$5,669</u>	9%

Earnings Before Income Taxes

(In millions)

	Three Months Ended			Nine Months Ended		
	March 31,			March 31,		
	<u>2005</u>	<u>2004</u>	<u>Change</u>	<u>2005</u>	<u>2004</u>	<u>Change</u>
Employer Services	\$449	\$386	16%	\$ 954	\$ 856	12%
Brokerage Services	70	68	4	158	121	32
Dealer Services	36	39	(7)	108	108	-
Securities Clearing and Outsourcing Services	(9)	-	-	(14)	-	-
Other	(16)	-	-	29	64	(55)
Reconciling items:						
Foreign exchange	12	4		23	6	
Client fund interest	(39)	(51)		(98)	(98)	
Cost of capital charge	<u>35</u>	<u>34</u>		<u>107</u>	<u>99</u>	
Total earnings before income taxes	<u>\$538</u>	<u>\$480</u>	12%	<u>\$1,267</u>	<u>\$1,156</u>	10%

Revenues

Employer Services' revenues increased 9% for the quarter and 7% for the year-to-date period ended March 31, 2005 as compared to the prior year primarily due to new business started in the period, the number of employees on our clients' payrolls, strong client retention, price increases and an increase in interest earned on client fund balances. Internal revenue growth, which represents revenue growth excluding the impact of acquisitions and divestitures, was approximately 9% for the quarter and 7% for the year-to-date period. New business sales grew 16% for the quarter and 13% for the

year-to-date period due to the increased growth in the salesforce and productivity. The number of employees on our clients' payrolls, "pays per control," increased 1.8% for the quarter and 1.9% for the year-to-date period in the United States. This employment metric represents over 125 thousand payrolls across a broad range of U.S. geographies ranging from small to very large businesses. Our client retention in the United States improved by 1.1 percentage points in the quarter and 0.8 percentage points for the year-to-date period from record retention levels in fiscal year 2004 due to our continued investment and commitment to client service.

Interest income is credited to Employer Services at a standard rate of 4.5%. Interest income increased for the quarter and year-to-date periods due to the increase in the average client funds balance as compared to the prior year. The average client funds balance was \$14.8 billion during the quarter as compared to \$13.3 billion in the third quarter of fiscal year 2004 and \$11.9 billion during the year-to-date period as compared to \$10.8 billion for the prior year, representing an increase of 11% for the quarter and 10% for the year-to-date period.

Revenues from our "beyond payroll" products continued to grow at a faster rate than the traditional payroll and payroll tax revenues. Our PEO revenues grew 26%, to \$164 million, during the quarter and 23%, to \$423 million, for the year-to-date period primarily due to 20% growth in the number of PEO worksite employees and additional pass-through benefits. In addition, "beyond payroll" revenues increased due to increased number of clients utilizing services such as Time and Labor Management and TotalPay Services.

Earnings Before Income Taxes

Earnings before income taxes increased 16%, from \$386 million to \$449 million, for the quarter and 12%, from \$856 million to \$954 million, for the year-to-date period, primarily due to the increase in revenues in the respective periods. Operating expenses, selling, general and administrative expenses and systems development and programming costs increased 8% for the quarter and year-to-date period due to the increase in operating and sales personnel, and the maintenance of our products and services to support the revenue growth. Our expenses at Employer Services did not increase comparably with our revenue primarily due to the leveraging of our increasing revenues. In addition, earnings before income taxes increased approximately \$3 million during the quarter and \$13 million during the year-to-date period as a result of the completion of the integration of certain acquisitions, primarily ProBusiness Services, Inc., in the prior year.

Brokerage Services

Revenues

Brokerage Services' revenues increased 5% for the quarter and the year-to-date period ended March 31, 2005 due to the increase in certain investor communications activity, offset by the decrease in our back-office services revenue. Revenues from investor communications increased by 11%, to \$361 million, for the quarter and by 10%, to \$831 million, for the year-to-date period primarily due to increases in the volume of our proxy and interim communications services, as well as increases in our distribution services revenues for post-sale mutual fund documents and statements, and new business sales. Our proxy and interim communication pieces delivered increased 25% for the quarter, from 204 million to 254 million, and 22% for the year-to-date period, from 516 million to 626 million. The increase in the quarterly and year-to-date proxy and interim communication activity resulted from more holders of equities, increased activity related to additional mutual fund meetings, and more mutual fund special communications. Our back-office trade processing revenues decreased by 5%, to \$88 million, for the quarter and by 2%, to \$254 million, for the year-to-date period due to a number of offsetting items. The average revenue per trade declined 8% for the quarter and 13% for the year-to-date period primarily due to the volume processed under tiered pricing agreements and the retail/institution mix, due to the increase in electronic retail trades. In addition, the acquisition of the U.S. Clearing and BrokerDealer Services Divisions of Bank of America, which was previously a customer of Brokerage Services, reduced revenues slightly, as the back-office services previously provided to such third-party became an internal (intercompany) service. These decreases were offset by an increase in the average trades per day of 5%, from 1.52 million to 1.59 million, for the quarter and 11%, from 1.36 million to 1.50 million, for the year-to-date period. Average trades per day increased primarily due to net new business sales and growth in our existing client base.

Earnings Before Income Taxes

Earnings before income taxes increased \$2 million, to \$70 million, for the quarter primarily due to the increased revenues in our investor communication activities. This increase was offset by the 8% increase in operating expenses, primarily due to increase in the pass-through costs associated with the investor communications activity. Earnings before income taxes increased \$37 million, to \$158 million, for the year-to-date period primarily due to increased revenues in our investor communication activities. Selling, general and administrative expenses decreased by 9% for the year-to-date period due to the reduction in professional fees and collections of receivables which were previously reserved. In addition, earnings before income taxes increased approximately \$1 million during the quarter and \$9 million during the year-to-date period as a result of the elimination of unprofitable business lines and alignment of our cost structure in our underperforming businesses that occurred during fiscal year 2004.

Dealer Services

Revenues

Dealer Services' revenues increased 9% for the quarter and 11% for the year-to-date period ended March 31, 2005 when compared to the prior year. Internal revenue growth was approximately 4% for the quarter and 6% for the year-to-date period. Revenues increased for our dealer business systems in North America by \$24 million, to \$205 million, for the quarter and by \$77 million, to \$603 million, for the year-to-date period primarily due to growth in our key products and the effect of acquisitions. The growth in our key

products was primarily driven by the increased users for Application Service Provider (ASP) managed services, increased new site Credit Check installations, new network installations and increased market penetration of our Customer Relationship Management (CRM) product.

Earnings Before Income Taxes

Earnings before income taxes declined \$3 million, to \$36 million, for the quarter and remained flat for the year-to-date period primarily due to the additional sales expenses relating to headcount additions to generate the current revenue growth and additional implementation expenses to support the new sales contracts awarded for two of the largest dealership groups in the United States. In addition, earnings before income taxes was negatively impacted by the integration costs of acquisitions that occurred during the fourth quarter of fiscal year 2004.

Securities Clearing and Outsourcing Services

On November 1, 2004, the Company acquired the U.S. Clearing and BrokerDealer Services divisions of Bank of America Corporation (U.S. Clearing and BrokerDealer Business), which provides third-party clearing operations. The results of the acquired business are reported in the Securities Clearing and Outsourcing Services segment.

The Securities Clearing and Outsourcing Services segment provides execution, clearing, margin lending and securities borrowing to facilitate customer short sales to clearing clients. Our clients engage in either the retail or institutional brokerage business.

As part of the integration of the U.S. Clearing and BrokerDealer Business, we will be deconverting two correspondent clearing clients, Bank of America Investments (previously Quick and Reilly) and Strong, as contemplated by the acquisition agreement. These clients are expected to be deconverted by June 30, 2005.

Revenues

Revenues for Securities Clearing and Outsourcing Services was \$22 million for the quarter and \$37 million for the year-to-date period ended March 31, 2005 as compared to \$0 in the prior year due to the acquisition of the business on November 1, 2004. Average customer margin balances were \$1.0 billion during the quarter and the year-to-date period. The average number of trades that were cleared per day was 24 thousand for the quarter and 25 thousand for the year-to-date period.

Loss Before Income Taxes

Loss before income taxes was \$9 million for the quarter and \$14 million for the year-to-date period due to the current alignment of the cost structure associated with the revenues of the business as well as the integration costs incurred since the acquisition of the business on November 1, 2004.

Other

The primary components of "Other" are Claims Services, miscellaneous processing services, and corporate allocations and expenses.

Reconciling Items

The prior year's business unit revenues and earnings before income taxes have been adjusted to reflect updated fiscal year 2005 budgeted foreign exchange rates. Reconciling items include foreign exchange differences between the actual foreign exchange rates and the fiscal year 2005 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%. Both of these adjustments are eliminated in consolidation and as such represent a reconciling item to revenues and earnings before income taxes. 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.

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

Our financial condition and balance sheet remain strong. At March 31, 2005, cash and marketable securities were \$2.0 billion. Stockholders' equity was \$5.8 billion and the ratio of long-term debt-to-equity was 1.3% at March 31, 2005.

At March 31, 2005, working capital was \$1.7 billion compared to \$1.0 billion at June 30, 2004. The increase in the Company's working capital arose primarily as a result of the acquisition of the U.S. Clearing and BrokerDealer Business.

Our principal sources of liquidity are derived from cash generated through operations and our cash and marketable securities on hand. We also have the ability to generate cash through our financing arrangements under our U.S. short-term commercial paper program and our U.S. and Canadian short-term repurchase agreements. In addition, we have two unsecured revolving credit agreements that allow us to borrow up to \$4.5 billion in the aggregate. Our short-term commercial paper program and repurchase agreements are utilized as the primary instruments to meet short-term funding requirements related to client funds obligations. Our revolving credit agreements, totaling \$4.5 billion, are in place to provide additional liquidity, if needed. We have never had borrowings under the current or previous revolving credit agreements. The Company believes that the internally generated cash flows and financing arrangements are adequate to support business operations and capital expenditures.

Cash flows generated from operations were \$1.0 billion for the nine months ended March 31, 2005. This amount compares to cash flows from operations of \$1.1 billion in the comparable period for the prior fiscal year. The decrease in cash flow from operations was primarily due to the net change of \$131 million in securities clearing and outsourcing receivables and payables due to the increased activity of security clearing transactions, and the change in accounts receivable and other assets of \$45 million primarily due to the increase in accounts receivable as a result of the increase in billings. These decreases in cash generated from operations were offset by the increase in net earnings of \$73 million and the change in accounts payable and accrued expenses primarily due to the timing of income tax payments made during the current year.

Cash flows used in investing activities in the nine months ended March 31, 2005 totaled \$154 million compared to \$1.1 billion in the comparable period for the prior fiscal year. The fluctuation between periods was primarily due to the timing of purchases and proceeds of marketable securities and the net change in client funds obligations, offset by the increase in cash paid for acquisitions in the current year-to-date period.

Cash flows used in financing activities in the nine months ended March 31, 2005 totaled \$537 million compared to \$545 million in the comparable period for the prior fiscal year. The decrease in cash used in financing activities was primarily due to the increase in proceeds received from the stock purchase plan and exercises of stock options, offset by the increase in dividends paid due to the increase in the amount of dividends per common share. We purchased 10.0 million shares of our common stock at an average price per share of \$41.65 during the year-to-date period. As of March 31, 2005, we had remaining Board of Directors' authorization to purchase up to 17.6 million additional shares.

In June 2004, we entered into two new unsecured revolving credit agreements, each for \$2.25 billion, with certain financial institutions, replacing a previous \$4.5 billion credit agreement. The two unsecured revolving credit agreements expire in June 2005 and June 2009, respectively. 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 facility fees on the credit agreements. The primary uses of the credit facilities are to provide liquidity to the unsecured commercial paper program and to provide funding for general corporate purposes, if necessary. We had no borrowings through March 31, 2005 under the two new credit agreements.

We maintain a U.S. short-term commercial paper program providing for the issuance of up to \$4.5 billion in aggregate maturity value of commercial paper at our discretion. Our commercial paper program is rated A-1+ by Standard & Poor's and Prime 1 by Moody's. These ratings denote the highest quality commercial paper 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 that occur as a result of our decision to extend maturities of our client fund marketable securities. We also use commercial paper issuances to fund general corporate purposes, if needed. This commercial paper program allows us to take advantage of higher extended term yields, rather than liquidating portions of our marketable securities, in order to provide more cost effective liquidity to the Company. At March 31, 2005 and 2004, there was no commercial paper outstanding. For the three months ended March 31, 2005 and 2004, the Company had average borrowings of \$0.3 billion and \$0.2 billion, respectively, at an effective weighted average interest rate of 2.3% and 1.0%, respectively. For the nine months ended March 31, 2005 and 2004, the Company had average borrowings of \$1.1 billion and \$0.9 billion, respectively, at an effective weighted average interest rate of 1.8% and 1.0%, respectively. The weighted average maturity of our commercial paper during the three and nine months ended March 31, 2005 was less than two days for both periods.

Our 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 five business days. At March 31, 2005 and 2004, there were no outstanding repurchase agreements. For the three months ended March 31, 2005 and 2004, the Company had an average outstanding balance of \$152.2 million and \$35.2 million, respectively, at a weighted average interest rate of 2.1% and 1.9%, respectively. For the nine months ended March 31, 2005 and 2004, the Company had an average outstanding

balance of \$313.8 million and \$20.8 million, respectively, at an average interest rate of 1.7% and 2.1%, respectively.

For the nine months ended March 31, 2005, capital expenditures were \$133 million. Capital expenditures for fiscal year 2005 are expected to be approximately \$200 to \$230 million compared to \$204 million in fiscal year 2004.

It is not our business practice to enter into off-balance sheet arrangements. However, in the normal course of business, we do enter into contracts in which we guarantee the performance of our products and services. In addition, the securities transactions of the Securities Clearing and Outsourcing Services segment involve collateral arrangements required by various regulatory and internal guidelines, which are monitored daily. We do not expect any material losses related to such guarantees or collateral arrangements.

We are a member of numerous exchanges and clearinghouses. Under the membership agreements, members are generally required to guarantee the performance of other members. Additionally, if a member becomes unable to satisfy its obligations to the clearinghouse, other members would be required to meet these shortfalls. To mitigate these performance risks, the exchanges and clearinghouses often require members to post collateral. Our maximum potential liability under these arrangements cannot be quantified. However, we believe that it is unlikely that the Company will be required to make payments under these arrangements.

Accordingly, no contingent liability is recorded in the consolidated financial statements for these arrangements.

Quantitative and Qualitative Disclosures about Market Risk

During the nine months ended March 31, 2005, approximately twenty percent of our overall investment portfolio was invested in cash and cash equivalents, and therefore was impacted almost immediately by changes in short-term interest rates. The other eighty percent of our investment portfolio was invested in fixed-income securities, with varying maturities of less than ten years, which were also subject to interest rate risk including reinvestment risk. We have historically had the ability and intent to hold these investments until maturity.

Details regarding our overall investment portfolio are as follows:

(In millions)	Three Months Ended		Nine Months Ended	
	March 31,		March 31	
	2005	2004	2005	2004
Average investment balances at cost:				
Corporate investments	\$ 2,272.2	\$ 2,493.8	\$ 3,269.7	\$ 3,165.7
Funds held for clients	<u>14,817.6</u>	<u>13,316.0</u>	<u>11,883.4</u>	<u>10,766.4</u>
Total	<u>\$17,089.8</u>	<u>\$15,809.8</u>	<u>\$15,153.1</u>	<u>\$13,932.1</u>
Average interest rates earned exclusive of realized gains/ (losses) on corporate investments and funds held for clients	3.4%	2.9%	3.3%	3.1%
Realized gains on available- for-sale securities	\$ 0.8	\$ 1.8	\$ 9.5	\$ 7.2
Realized losses on available- for-sale securities	<u>(11.1)</u>	<u>(1.4)</u>	<u>(29.0)</u>	<u>(9.8)</u>
Net realized (losses) gains	<u>\$ (10.3)</u>	<u>\$ 0.4</u>	<u>\$ (19.5)</u>	<u>\$ (2.6)</u>
	March 31,	June 30,		
	2005	2004		
Net unrealized pre-tax (losses) gains on available-for-sale securities	\$ (80.0)	\$ 59.9		
Total available-for-sale securities	\$12,409.3	\$12,092.8		

The return on our portfolio is impacted by interest rate changes. Factors that influence the earnings impact of the interest rate changes include, among others, the amount of invested funds and 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 both the short-term interest rates and the long-term interest rates of 25 basis points applied to the estimated fiscal year 2005 average investment balances and any related borrowings would result in approximately a \$12.0 million impact to interest revenues on funds held for Employer Services clients and approximately an \$8.0 million impact to earnings before income taxes over a twelve-month period. A hypothetical change in only short-term interest rates of 25 basis points applied to the estimated fiscal year 2005 average short-term investment balances and any related short-term borrowing would result in approximately a \$1.0 million impact to earnings before income taxes over a twelve-month period.

The Company is exposed to credit risk in connection with our available-for-sale securities through the possible inability of the borrowers to meet the terms of the bonds. The Company limits credit risk by investing primarily in AAA and AA rated securities, as rated by Moody's, Standard & Poor's, and Dominion Bond Rating Service, and by limiting amounts that can be invested in any single issuer. At March 31, 2005, approximately 95% of our available-for-sale securities held a AAA or AA rating.

In the normal course of business, the securities activities of the Securities Clearing and Outsourcing Services segment involve execution, settlement and financing of various securities transactions for a nationwide client base. These activities may expose the Company to risk in the event customers, other broker-dealers, banks, clearing organizations or depositories are unable to fulfill contractual obligations.

For securities activities of the Securities Clearing and Outsourcing Services segment in which the Company extends credit to customers and non-customers, we seek to control the risk associated with these activities by requiring customers and non-customers to maintain margin collateral in compliance with various regulatory and internal guidelines. We monitor margin levels and, pursuant to such guidelines, request the deposit of additional collateral or the reduction of securities positions, when necessary. In addition, broker-dealers may be required to maintain deposits relating to any security clearance activities we perform on their behalf.

We record customers' security clearing transactions on a settlement date basis, which is generally three business days after trade date. The Company is therefore exposed to off-balance sheet risk of loss on unsettled transactions in the event customers and other counterparties are unable to fulfill contractual obligations.

New Accounting Pronouncement

In December 2004, the Financial Accounting Standards Board issued SFAS No. 123R, "Share-Based Payment" (SFAS No. 123R). SFAS No. 123R is effective for the Company's fiscal year beginning July 1, 2005. Among other things, SFAS No. 123R requires that compensation cost relating to share-based payment transactions be recognized in the consolidated financial statements. Note 5, Fair Value Accounting for Stock-Based Compensation, of the Notes to the Consolidated Financial Statements of this Quarterly Report on Form 10-Q, contains pro forma disclosures regarding the effect on net earnings and earnings per share as if we had applied the fair value method of accounting for stock-based compensation under SFAS No. 123, "Accounting for Stock-Based Compensation" (SFAS No. 123). We changed our fair value option pricing model from the Black-Scholes model to a binomial model for all options granted after

January 1, 2005. We believe that the binomial model is more indicative of the stock option's fair value because it considers characteristics that are not available under the Black-Scholes model. SFAS No. 123R may be adopted either prospectively or using a retrospective method. We have not yet determined which method we will use to adopt SFAS No. 123R and we are assessing the anticipated impact of the adoption.

Income Taxes

On October 22, 2004, the American Jobs Creation Act (the AJCA) was signed into law. The AJCA includes a deduction of 85% of certain foreign earnings that are repatriated, as defined in the AJCA. We may elect to apply this provision to qualifying earnings repatriations in either the balance of fiscal year 2005 or in fiscal year 2006. We have started an evaluation of the effects of the repatriation provision; however, we do not expect to be able to complete this evaluation until Congress acts on the pending Technical Corrections Bill and the Treasury Department provides additional clarifying language on key elements of the provision. We expect to complete our evaluation of the effects of the repatriation provision within a reasonable period of time following these actions. The range of possible amounts that the Company could repatriate under this provision is between zero and \$500 million. The related potential range of income tax is between zero and \$35 million. The actual cost to the Company is dependent on the factors discussed above.

FORWARD-LOOKING INFORMATION

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," "assumes," "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, employee benefits and registered clearing agencies and broker-dealers; 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 3. Quantitative and Qualitative Disclosures About Market Risk.

The information called for by this item is provided under the caption "Quantitative and Qualitative Disclosures about Market Risk" under Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations.

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, 2005 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, 2005 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 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Issuer Purchases of Equity Securities

<u>Period</u>	(a) <u>Total Number of Shares Purchased</u>	(b) <u>Average Price Paid per Share (3)</u>	(c) <u>Total Number of Shares Purchased as Part of the Publicly Announced Common Stock Repurchase Plan (1)</u>	(d) <u>Maximum Number of Shares that may yet be Purchased under the Common Stock Repurchase Plan (1)</u>
January 1, 2005 to January 31, 2005	960,559	\$43.36	873,300	20,484,100
February 1, 2005 to February 28, 2005	1,722,805	\$42.72	1,710,000	18,774,100
March 1, 2005 to March 31, 2005	<u>1,130,931</u>	\$43.70	<u>1,125,300</u>	17,648,800
Total	3,814,295(2)		3,708,600	

(1) In March 2001, the Registrant received the Board of Directors' approval to repurchase up to 50 million shares of the Registrant's common stock. In November 2002, the Registrant received the Board of Directors' approval to repurchase an additional 35 million shares of the Registrant's common stock. There is no expiration date for the common stock repurchase program.

(2) During fiscal year 2005, pursuant to the terms of the Registrant's restricted stock plan, the Registrant (i) made repurchases of 63,259 shares during January 2005, 9,805 shares during February 2005 and 5,631 shares during March 2005 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 Registrant instead of cash and (ii) made purchases of 24,000 shares during January 2005 and 3,000 shares during February 2005 at a price of \$.10 per share under the terms of such program to repurchase stock granted to employees who have left the Registrant.

(3) The average price per share does not include the repurchases described in clause (ii) of the preceding footnote.

Item 6. Exhibits.

(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

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 6, 2005

/s/ Karen E. Dykstra
Karen E. Dykstra

Chief Financial Officer
(Title)

Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

I, Arthur F. Weinbach, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Automatic Data Processing, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2005

/s/ Arthur F. Weinbach

Arthur F. Weinbach

Chairman and Chief Executive Officer

Certification Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934

I, Karen E. Dykstra, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Automatic Data Processing, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 6, 2005

/s/ Karen E. Dykstra
Karen E. Dykstra
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Automatic Data Processing, Inc. (the "Company") on Form 10-Q for the fiscal quarter ending March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Arthur F. Weinbach, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Arthur F. Weinbach
Arthur F. Weinbach
Chairman and Chief Executive Officer
May 6, 2005

CERTIFICATION OF CHIEF FINANCIAL OFFICER

CERTIFICATION PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Automatic Data Processing, Inc. (the "Company") on Form 10-Q for the fiscal quarter ending March 31, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Karen E. Dykstra, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ Karen E. Dykstra
Karen E. Dykstra
Chief Financial Officer
May 6, 2005