

Automatic Data Processing, Inc.
Segment Information

Employer Services and Professional Employer Organization ("PEO") Services are ADP's two reportable segments. Certain revenues and expenses are charged to the segments at a standard rate for management reasons. Other costs are recorded based on management responsibility. Client fund interest is a reconciling item which reflects the adjustment for the difference between actual interest income earned on invested funds held for clients and interest credited to Employer Services and PEO at a standard rate of 4.5%.

The tables attached show the quarterly segment revenues and earnings from continuing operations before income taxes and the reconciling item for client fund interest for fiscal 2016, 2017, and the first and second quarter of fiscal 2018, as well as the percentage difference between each period indicated and the same respective prior year period. The tables also show the adjustments management considers when evaluating our operating performance in the absence of certain items. Lastly, included are the details of the first and second quarter of fiscal 2018 results from the client funds extended investment strategy. We believe these adjusted results provide relevant and useful information for investors because it allows investors to view performance in a manner similar to the method used by us.

Beginning with the first quarter of fiscal 2017, the Company's chief operating decision maker began reviewing the Company's results with stock based compensation included in the Company's operating segments. This change, as well as changes to the allocation methodology for certain allocations, has been adjusted in both the current period and prior periods, and did not materially affect reportable segment results.

Automatic Data Processing, Inc. and Subsidiaries
Revenues from Continuing Operations by Reportable Segment
(\$ in millions)
(Unaudited)

Fiscal Year		Employer Services		PEO Services		Other	Client Fund Interest	Total	
		\$	%	\$	%	\$	\$	\$	%
'16	Q1	2,130.8	3 %	701.5	18 %	10.7	(129.0)	2,714.0	6 %
	Q2	2,212.6	3 %	737.4	18 %	(2.9)	(140.1)	2,807.0	6 %
	Q3	2,576.7	5 %	866.3	16 %	(2.8)	(191.6)	3,248.6	7 %
	Q4	2,291.8	6 %	768.0	13 %	(3.2)	(158.4)	2,898.2	8 %
	Year	<u>9,211.9</u>	<u>5 %</u>	<u>3,073.1</u>	<u>16 %</u>	<u>1.9</u>	<u>(619.1)</u>	<u>11,667.8</u>	<u>7 %</u>
'17	Q1	2,261.2	6 %	794.7	13 %	(3.6)	(135.4)	2,916.9	7 %
	Q2	2,309.3	4 %	822.9	12 %	(2.3)	(142.6)	2,987.3	6 %
	Q3	2,627.2	2 %	974.4	12 %	(2.1)	(188.7)	3,410.8	5 %
	Q4	2,337.4	2 %	891.6	16 %	(2.6)	(161.6)	3,064.8	6 %
	Year	<u>9,535.2</u>	<u>4 %</u>	<u>3,483.6</u>	<u>13 %</u>	<u>(10.6)</u>	<u>(628.4)</u>	<u>12,379.8</u>	<u>6 %</u>
'18	Q1	2,316.3	2 %	903.6	14 %	(2.0)	(139.1)	3,078.8	6 %
	Q2	2,437.6	6 %	945.3	15 %	(1.9)	(145.6)	3,235.4	8 %
	Year	<u>4,754.0</u>	<u>4 %</u>	<u>1,848.8</u>	<u>14 %</u>	<u>(3.9)</u>	<u>(284.7)</u>	<u>6,314.2</u>	<u>7 %</u>

Note: Numbers may not foot due to rounding.

Automatic Data Processing, Inc. and Subsidiaries
Earnings from Continuing Operations by Reportable Segment
(\$ in millions)
(Unaudited)

Fiscal Year	Employer Services			PEO Services			Other	Client Fund Interest	Total as Reported			Non-GAAP Adjustments (a)	Total as Adjusted		
	Segment			Segment					Pretax				Adjusted		
	\$	%	Margin	\$	%	Margin	\$	\$	\$	%	Margin	\$	\$	%	Margin
'16 Q1	569.9	3 %	26.7%	88.3	32 %	12.6%	(24.2)	(129.0)	505.0	12 %	18.6%	28.1 (b)	476.9	6 %	17.6%
Q2	619.3	4 %	28.0%	93.7	19 %	12.7%	(65.0)	(140.1)	507.9	2 %	18.1%	1.8 (c)	506.1	2 %	18.0%
Q3	955.6	5 %	37.1%	97.9	22 %	11.3%	(67.1)	(191.6)	794.8	7 %	24.5%	(10.8)	805.6	9 %	24.8%
Q4	653.6	22 %	28.5%	91.3	20 %	11.9%	(159.5)	(158.4)	427.0	12 %	14.7%	(58.5) (d)	485.5	28 %	16.8%
Year	<u>2,798.4</u>	<u>8 %</u>	<u>30.4%</u>	<u>371.2</u>	<u>23 %</u>	<u>12.1%</u>	<u>(315.8)</u>	<u>(619.1)</u>	<u>2,234.7</u>	<u>8 %</u>	<u>19.2%</u>	<u>(39.5)</u>	<u>2,274.2</u>	<u>10 %</u>	<u>19.5%</u>
'17 Q1	656.0	15 %	29.0%	107.1	21 %	13.5%	(99.0)	(135.4)	528.7	5 %	18.1%	(50.1) (e)	578.8	21 %	19.8%
Q2	681.1	10 %	29.5%	114.5	22 %	13.9%	133.2	(142.6)	786.2	55 %	26.3%	193.7 (f)	592.5	17 %	19.8%
Q3	963.0	1 %	36.7%	120.0	23 %	12.3%	(66.4)	(188.7)	827.9	4 %	24.3%	(10) (g)	837.9	4 %	24.6%
Q4	618.3	(5)%	26.5%	107.1	17 %	12.0%	(175.4)	(161.6)	388.4	(9)%	12.7%	(50.2) (h)	438.6	(10)%	14.3%
Year	<u>2,918.5</u>	<u>4 %</u>	<u>30.6%</u>	<u>448.6</u>	<u>21 %</u>	<u>12.9%</u>	<u>(207.6)</u>	<u>(628.4)</u>	<u>2,531.1</u>	<u>13 %</u>	<u>20.4%</u>	<u>83.5</u>	<u>2,447.6</u>	<u>8 %</u>	<u>19.8%</u>
'18 Q1	646.6	(1)%	27.9%	116.8	9 %	12.9%	(76.1)	(139.1)	548.2	4 %	17.8%	(15.9) (i)	564.1	(3)%	18.3%
Q2	706.4	4 %	29.0%	128.2	12 %	13.6%	(123.3)	(145.6)	565.7	(28)%	17.5%	(36.8) (j)	602.5	2 %	18.6%
Year	<u>1,353.0</u>	<u>1 %</u>	<u>28.5%</u>	<u>245.0</u>	<u>11 %</u>	<u>13.3%</u>	<u>(199.4)</u>	<u>(284.7)</u>	<u>1,113.9</u>	<u>(15)%</u>	<u>17.6%</u>	<u>(52.7)</u>	<u>1,166.6</u>	<u>— %</u>	<u>18.5%</u>

Note: Numbers may not foot due to rounding.

(a) Non-GAAP adjustments for each quarterly period include certain interest income and interest expense amounts (primarily included in "Other") and for certain quarterly periods, include additional transactions as detailed further within the footnotes below. This interest expense, interest income, and these additional transactions are excluded from our evaluation of operating performance and for the planning and forecasting of future periods. We believe that the exclusion of these items helps us reflect the fundamentals of our underlying business model and analyze results against our expectations, against prior period, and to plan for future periods by focusing on our underlying operations. We do not include interest income earned on investments associated with our client funds investment strategy and interest expense on borrowings related to our client funds extended investment strategy as Non-GAAP adjustments as we believe these amounts to be fundamental to the underlying operations of our business model.

(b) The three months ended September 30, 2015 include a \$29.1 million gain on the sale of a business. This gain is included in "Other."

(c) The three months ended December 31, 2015 include a \$13.9 million gain on the sale of a building. This gain is included in "Other."

(d) The three months ended June 30, 2016 include a \$48.2 million charge related to our Workforce Optimization Effort. This charge is included in "Other."

(e) The three months ended September 30, 2016, include a \$39.9 million charge related to our Service Alignment Initiative. This charge is included in "Other."

(f) The three months ended December 31, 2016, include a \$205.4 million gain on the sale of a business and a \$1.2 million charge related to our Service Alignment Initiative. These amounts are included in "Other."

(g) The three months ended March 31, 2017, include a \$0.6 million charge related to our Service Alignment Initiative. This charge is included in "Other."

(h) The three months ended June 30, 2017, include a \$48.5 million charge related to our Service Alignment Initiative and a \$5.0 million reversal of a charge related to our Workforce Optimization Effort. These amounts are included in "Other."

(i) The three months ended September 30, 2017, include a \$10.5 million charge which represents certain non-operational costs relating to proxy contest matters and \$3.3 million of reversals of charges related to our Service Alignment Initiative.

(j) The three months ended December 31, 2017, include a \$22.9 million charge which represents certain non-operational costs relating to proxy contest matters and \$3.3 million of charges related to our Service Alignment Initiative.

Automatic Data Processing, Inc. and Subsidiaries
Client Funds Extended Investment Strategy
1Q FY18
(Unaudited)

	<u>1Q18</u>		<u>1Q17</u>		<u>Change</u>	
	\$	Yield/ Rate	\$	Yield/ Rate	\$	Yield/ Rate
Balances:						
Average Client Short Portfolio Balance	\$ 3.4 B	0.9%	\$ 3.0 B	0.4%	\$ 0.4 B	0.5%
Average Client Extended Portfolio Balance	8.8 B	1.8%	7.9 B	1.6%	1.0 B	0.2%
Average Client Long Portfolio Balance	9.0 B	2.4%	9.2 B	2.4%	(0.2) B	—%
Average Client Funds Balance	\$ 21.2 B	1.9%	\$ 20.0 B	1.8%	\$ 1.2 B	0.1%
Average Corporate Extended Investment Balance	\$ 4.3 B	1.8%	\$ 4.4 B	1.6%	\$ (0.1) B	0.2%
Average U.S. Commercial Paper Borrowings	\$ 3.8 B	1.2%	\$ 4.1 B	0.4%	\$ (0.3) B	0.8%
Average U.S./Canadian Reverse Repurchase Borrowings	0.5 B	1.1%	0.4 B	0.6%	0.2 B	0.5%
Average Short-term Borrowings	\$ 4.3 B	1.2%	\$ 4.4 B	0.4%	\$ (0.1) B	0.7%
Pretax P&L Impact:						
Interest on Funds Held for Clients – Client Short	\$ 7 M		\$ 3 M		\$ 5 M	
Interest on Funds Held for Clients – Client Extended	39 M		32 M		8 M	
Interest on Funds Held for Clients – Client Long	53 M		55 M		(2) M	
Total Interest on Funds Held for Clients	\$ 99 M		\$ 89 M		\$ 10 M	
Corporate Extended Interest Income	\$ 20 M		\$ 18 M		\$ 1 M	
Corporate Interest Expense - Short-term	\$ (13) M		\$ (5) M		\$ (8) M	
Net Impact from Client Funds Strategy	\$ 106 M		\$ 102 M		\$ 4 M	

Note: Numbers may not foot due to rounding

Automatic Data Processing, Inc. and Subsidiaries
Client Funds Extended Investment Strategy
2Q FY18
(Unaudited)

	<u>2Q18</u>		<u>2Q17</u>		<u>Change</u>	
	\$	Yield/ Rate	\$	Yield/ Rate	\$	Yield/ Rate
Balances:						
Average Client Short Portfolio Balance	\$ 3.8 B	1.0%	\$ 3.3 B	0.4%	\$ 0.5 B	0.6%
Average Client Extended Portfolio Balance	9.6 B	1.8%	8.6 B	1.7%	1.0 B	0.2%
Average Client Long Portfolio Balance	9.0 B	2.4%	9.0 B	2.4%	— B	—
Average Client Funds Balance	<u>\$ 22.5 B</u>	<u>1.9%</u>	<u>\$ 20.9 B</u>	<u>1.8%</u>	<u>\$ 1.6 B</u>	<u>0.1%</u>
Average Corporate Extended Investment Balance	\$ 4.0 B	1.8%	\$ 4.5 B	1.5%	\$ (0.5) B	0.3%
Average U.S. Commercial Paper Borrowings	\$ 3.5 B	1.2%	\$ 4.2 B	0.5%	\$ (0.7) B	0.7%
Average U.S./Canadian Reverse Repurchase Borrowings	0.5 B	1.2%	0.3 B	0.5%	0.3 B	0.7%
Average Short-term Borrowings	<u>\$ 4.0 B</u>	<u>1.2%</u>	<u>\$ 4.5 B</u>	<u>0.5%</u>	<u>\$ (0.5) B</u>	<u>0.7%</u>
Pretax P&L Impact:						
Interest on Funds Held for Clients – Client Short	\$ 9 M		\$ 3 M		\$ 6 M	
Interest on Funds Held for Clients – Client Extended	44 M		36 M		9 M	
Interest on Funds Held for Clients – Client Long	53 M		53 M		— M	
Total Interest on Funds Held for Clients	<u>\$ 107 M</u>		<u>\$ 92 M</u>		<u>\$ 15 M</u>	
Corporate Extended Interest Income	\$ 18 M		\$ 17 M		\$ 1 M	
Corporate Interest Expense - Short-term	<u>\$ (12) M</u>		<u>\$ (6) M</u>		<u>\$ (7) M</u>	
Net Impact from Client Funds Strategy	\$ 113 M		\$ 103 M		\$ 9 M	

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