

For the third quarter ended February 28, 2001, operating income for the Payroll segment increased 21% to \$94.3 million from \$77.7 million for the third quarter last year. Total payroll service revenues were \$203.7 million, an increase of 19% over \$171.8 million for the prior year period.

For the nine months ended February 28, 2001, operating income for the Payroll segment increased 22% to \$272.1 million from \$222.4 million for the same period last year. Total payroll service revenues were \$570.2 million, an increase of 19% over \$477.6 million for the same period last year.

The increases in total payroll service revenues and operating income were primarily the result of continued growth in the Payroll client base, increased utilization of ancillary services, higher rates of return and net realized gains on ENS investments (funds held for clients).

As of February 28, 2001, 83% of Paychex clients utilized Taxpay (Registered Trademark), the Company's tax filing and payment feature. The Company's Employee Pay Services, which includes Direct Deposit, Readychex and Access Card products, was utilized by 52% of its clients. Major Market Services revenue increased 65% and 59% for the third quarter and nine-month periods to \$13.7 million and \$34.0 million, respectively.

HRS-PEO SEGMENT

For the third quarter ended February 28, 2001, operating income for the HRS-PEO segment increased 37% from \$6.8 million to \$9.3 million. HRS-PEO service revenue was \$25.5 million, an increase of 25% over \$20.4 million for the third quarter last year. For the nine months ended February 28, 2001, operating income for the HRS-PEO segment increased 58% from \$17.1 million to \$26.9 million. HRS-PEO service revenue was \$71.1 million, an increase of 33% over \$53.3 million for the same period last year.

The increases in service revenue and operating income are primarily related to increases in 401(k) recordkeeping, workers' compensation insurance and section 125 clients. 401(k) recordkeeping revenue increased 34% and 41% in the third quarter and nine-month periods to \$11.4 million and \$31.5 million, respectively.

CORPORATE EXPENSES

Corporate expenses are primarily related to the Information Technology, Organizational Development, Finance, Marketing and Senior Management functions of the Company. For the third quarter ended February 28, 2001, corporate expenses increased .7% to \$16.7 million from \$16.6 million. For the nine months ended February 28, 2001, corporate expenses decreased .9% from \$50.4 million to \$49.9 million. The relatively flat year-over-year comparisons reflect additional expenditures to support the growth of the company offset by lower spending on national marketing efforts and other areas in fiscal 2001. Looking forward, the Company expects the growth in corporate expenses to be flat in the fourth quarter and up less than 10% in fiscal 2002.

INVESTMENT INCOME

Investment income from corporate investments for the quarter ended February 28, 2001 increased 80% to \$7.2 million from \$4.0 million for the third quarter last year. Investment income for the nine-month period increased 62% to \$18.7 million from \$11.6 million in the prior year period. The increases are due to higher comparable rates of return, higher balances of investments and net realized gains on the sale of available-for-sale securities.

INCOME TAXES

The income tax rate for the third quarter and nine months ended February 28, 2001 was 29.5% and 30.1%, respectively, as compared to 31.0% for the same periods last year. The Company expects the income tax rate to approximate 29.5% and 30.0% for the fourth quarter and full year fiscal 2001, respectively.

B. Thomas Golisano, Chairman, President and Chief Executive Officer of Paychex, said, "We are pleased with our financial results for the first nine months of fiscal 2001 and look forward to completing another successful fiscal year, as we continue to generate revenue and profit growth from expansion of our client base, increased client utilization of ancillary products and leveraging of our infrastructure."

"SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain written and oral statements made by Paychex, Inc., (the "Company") management may constitute "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements are identified by such words and phrases as "we expect", "expects", "expected to", "we look forward to", "we believe", "could be" and other similar phrases. Because they are forward-looking, they should be evaluated in light of important risk factors. These risk factors include, but are not limited to,

general market and economic conditions, including demand for the Company's products and services, availability of internal and external resources, executing expansion plans, competition, and price levels; changes in the laws regulating collection and payment of payroll taxes, professional employer organizations, and employee benefits, including 401(k) plans, workers' compensation, state unemployment, and section 125 plans; delays in the development, timing of the introduction, and marketing of new products and services; changes in technology including the use of the Internet; the possibility of catastrophic events that could impact the Company's operating facilities, computer technology and communication systems; and changes in short- and long-term interest rates and the credit rating of cash, cash equivalents, and securities held in the Company's investment portfolios, all of which could cause actual results to differ materially from anticipated results. The information provided in this document is based upon the facts and circumstances known at this time. The Company assumes no obligation to update this document for new information subsequent to its issuance.

PAYCHEX, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per share amounts)

<TABLE>
<CAPTION>

	For the three months ended		For the nine months ended	
	February 28, February 29,		February 28, February 29,	
	2001	2000 (B)	2001	2000 (B)
<S>	<C>	<C>	<C>	<C>
Service revenues:				
Payroll	\$177,842	\$155,466	\$509,496	\$437,044
ENS investment revenue	25,905	16,355	60,671	40,595
	-----	-----	-----	-----
Total payroll service revenues	203,747	171,821	570,167	477,639
HRS-PEO	25,509	20,362	71,070	53,294
	-----	-----	-----	-----
Total service revenues	229,256	192,183	641,237	530,933
Operating costs	54,376	45,964	147,398	126,686
Selling, general and administrative expenses	87,998	78,316	244,706	215,152
	-----	-----	-----	-----
Operating income	86,882	67,903	249,133	189,095
Investment income	7,234	4,012	18,733	11,554
	-----	-----	-----	-----
Income before income taxes	94,116	71,915	267,866	200,649
Income taxes	27,764	22,294	80,758	62,201
	-----	-----	-----	-----
Net income	\$ 66,352	\$ 49,621	\$187,108	\$138,448
	=====	=====	=====	=====
Basic earnings per share (A)	\$.18	\$.13	\$.50	\$.37
	=====	=====	=====	=====
Diluted earnings per share (A)	\$.18	\$.13	\$.50	\$.37
	=====	=====	=====	=====
Weighted-average common shares outstanding (A)	373,057	370,973	372,560	370,284
	=====	=====	=====	=====
Weighted-average shares assuming dilution (A)	377,681	377,723	377,558	375,309
	=====	=====	=====	=====
Cash dividends per common share (A)	\$.09	\$.06	\$.24	\$.16
	=====	=====	=====	=====

</TABLE>

(A) Financial information for the periods ended February 29, 2000, have been adjusted for a three-for-two stock split distributed in May 2000.

(B) Certain amounts from the prior year are reclassified to conform to the current year presentation.

PAYCHEX, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

<TABLE>
<CAPTION>

	February 28,	May 31,
	2001	2000
<S>	<C>	<C>

ASSETS		
Cash and cash equivalents	\$ 106,796	\$ 47,136
Corporate investments	506,273	412,357
Interest receivable	20,173	22,436
Accounts receivable	89,898	87,608
Deferred income taxes	--	9,539
Prepaid expenses and other current assets	8,185	6,531
	-----	-----
Current assets before ENS investments	731,325	585,607
ENS investments	1,833,417	1,776,968
	-----	-----
Total current assets	2,564,742	2,362,575
Property and equipment - net	86,291	75,375
Goodwill and intangible assets - net	8,843	5,584
Deferred income taxes	2,294	2,494
Other assets	8,961	9,549
	-----	-----
Total assets	\$2,671,131	\$2,455,577
	=====	=====
LIABILITIES		
Accounts payable	\$ 14,116	\$ 17,086
Accrued compensation and related items	59,246	52,631
Deferred revenue	6,093	4,719
Accrued income taxes	21,963	2,969
Deferred income taxes	1,190	--
Other current liabilities	22,305	24,400
	-----	-----
Current liabilities before ENS client deposits	124,913	101,805
ENS client deposits	1,823,693	1,785,140
	-----	-----
Total current liabilities	1,948,606	1,886,945
Long-term liabilities	5,134	5,200
	-----	-----
Total liabilities	1,953,740	1,892,145
	-----	-----
STOCKHOLDERS' EQUITY		
Common stock, \$.01 par value, 600,000 authorized shares Issued: 373,323/February 28, 2001 and 371,769/May 31, 2000	3,733	3,718
Additional paid-in capital	133,434	98,904
Retained earnings	566,993	469,385
Accumulated other comprehensive income/(loss)	13,231	(8,575)
	-----	-----
Total stockholders' equity	717,391	563,432
	-----	-----
Total liabilities and stockholders' equity	\$2,671,131	\$2,455,577
	=====	=====

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PAYCHEX, INC.
BUSINESS SEGMENT INFORMATION
(In thousands)

The Company has two business segments: Payroll and Human Resource Services-Professional Employer Organization (HRS-PEO). The Payroll segment is engaged in the preparation of payroll checks, internal accounting records, federal, state and local payroll tax returns, and collection and remittance of payroll obligations for small- to medium-sized businesses. The HRS-PEO segment specializes in providing small- to medium-sized businesses with cost-effective outsourcing solutions for their employee benefits. HRS-PEO products include 401(k) plan recordkeeping, workers' compensation insurance administration, section 125 plan administration, group benefits, state unemployment insurance, employee handbooks and management services, Paychex Administrative Services and Professional Employer Organization (PEO) services. Corporate expenses are primarily related to the Information Technology, Organizational Development, Finance, Marketing and Senior Management functions of the Company.

<TABLE>

<CAPTION>

	For the three months ended		For the nine months ended	
	February 28, 2001	February 29, 2000	February 28, 2001	February 29, 2000
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Service revenues:				
Payroll	\$177,842	\$155,466	\$509,496	\$437,044
ENS investment revenue	25,905	16,355	60,671	40,595
	-----	-----	-----	-----
Total payroll service revenues	203,747	171,821	570,167	477,639
HRS-PEO	25,509	20,362	71,070	53,294

Total service revenues	----- \$229,256 =====	----- \$192,183 =====	----- \$641,237 =====	----- \$530,933 =====
Operating income:				
Payroll	\$ 94,259	\$ 77,683	\$272,121	\$222,434
HRS-PEO	9,349	6,831	26,942	17,064
	-----	-----	-----	-----
Segment operating income	103,608	84,514	299,063	239,498
Corporate expenses	16,726	16,611	49,930	50,403
	-----	-----	-----	-----
Total operating income	86,882	67,903	249,133	189,095
Investment income	7,234	4,012	18,733	11,554
	-----	-----	-----	-----
Income before income taxes	\$ 94,116 =====	\$ 71,915 =====	\$267,866 =====	\$200,649 =====

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