



Ultimate Software

HRMS/Payroll. *It's all we do.* **ULTIPRO**[®]

THE ULTIMATE SOFTWARE GROUP, INC.
2000 ULTIMATE WAY
WESTON, FLORIDA 33326
PHONE: 800/432-1729
FAX: 954/331-7300
WWW.ULTIMATESOFTWARE.COM

FOR IMMEDIATE RELEASE

Ultimate Software Reports Fourth Quarter and Year-End 2002 Results

Weston, FL, February 12, 2003– The Ultimate Software Group, Inc. (Nasdaq: ULTI), a leading provider of Web-based payroll and workforce management solutions, today announced financial results for its fourth quarter and year ended December 31, 2002. For the quarter ended December 31, 2002, the Company reported total revenues of \$16.5 million and a net loss per share of \$0.11. For the year ended December 31, 2002, the Company reported total revenues of \$55.1 million and a net loss per share of \$0.90.

“We finished 2002 strong in the fourth quarter increasing revenues by 9% and cutting our operating loss in half from \$0.22 to \$0.11 over the previous year’s quarter. We signed 63 contracts, 23 of them for Intersourcing, our hosted service for UltiPro,” said Scott Scherr, CEO, president and founder of Ultimate Software.

“Delivering UltiPro with a new Web Services architecture last year was a transformational milestone for us. It gives our sales team the ability to sell UltiPro not only as an in-house license but as a service through our hosted program Intersourcing and price it on a per-employee-per-month basis. The new architecture also takes our co-branding program for business service providers to a new level by giving them the ability to manage thousands of companies’ payroll and HR needs,” added Scherr.

“We have focused, and executed, on increasing the percentage of recurring revenues and managing expenses. With our latest Internet technology and value proposition, Ultimate Software is well positioned for the future.”

Total revenues for the fourth quarter of 2002 increased 9% to \$16.5 million versus \$15.1 million for the same period of 2001. Recurring revenues of \$6.4 million increased 67% for the fourth quarter of 2002 as compared to \$3.9 million for 2001. Services revenues of \$7.2 million for the fourth quarter of 2002 were consistent with the same period of 2001. Net loss and net loss per share were \$1.9 million and \$0.11, respectively, as compared to a net loss and net loss per share of \$3.5 million and \$0.22, respectively, for 2001.

Cash and cash equivalents at December 31, 2002 increased to \$9.0 million from \$8.5 million as of December 31, 2001. Days sales outstanding at the end of 2002 were 58 days, a significant improvement from 88 days at the end of 2001. Deferred revenue at December 31, 2002 increased \$7.6 million to \$27.8 million from \$20.2 million at December 31, 2001.

For the year ended December 31, 2002, the Company’s total revenues decreased 7% to \$55.1 million from \$59.5 million for 2001. Recurring revenues for 2002 increased 35% to \$19.3 million from \$14.4 million for 2001. License revenues were \$12.2 million for 2002,

-more-

compared to \$16.8 million for 2001. Service revenues were \$23.6 million for 2002, compared to \$28.3 million for 2001. Net results for the year ended December 31, 2002 were a net loss of \$14.6 million and a net loss per share of \$0.90 as compared to a net loss of \$8.8 million and a net loss per share of \$0.55 for 2001. During 2001, the Company capitalized software costs totaling \$4.6 million. Such capitalized software costs were principally comprised of software development personnel costs associated with the development of certain major products which were available for general release in the third and fourth fiscal quarters of 2001. Capitalized software costs are amortized ratably to cost of license revenues and cost of recurring revenues, on a product-by-product basis over the estimated life (which is typically three years) following the general release of the underlying software products. During 2002, no software costs were capitalized.

Ultimate Software's financial results teleconference call will be audiocast live at 5:00 pm Eastern Time today via World Investor Link at <http://www.vcall.com/EventPage.asp?ID=83015> and available for replay at the same address beginning at 9:00 pm Eastern Time today.

Forward-Looking Statement

Certain statements in this press release are forward-looking statements within the meaning thereof under the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are made only as of the date hereof. These statements involve known and unknown risks and uncertainties that may cause the Company's actual results to differ materially from those stated or implied by such forward-looking statements, including risks and uncertainties associated with fluctuations in the Company's quarterly operating results, concentration of the Company's product offerings, development risks involved with new products and technologies, competition and other factors disclosed in the Company's filings with the Securities and Exchange Commission. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

About Ultimate Software

Ultimate Software is a leading provider of Web-based payroll and workforce management solutions. Ultimate Software markets UltiPro solutions to businesses that want in-house control of their applications and offers Intersourcing, a hosted UltiPro solution, to businesses that prefer an outsourced, services approach without sacrificing control. The Company also markets a co-branded UltiPro solution to Business Service Providers (BSPs) that sell Internet payroll and workforce management services. UltiPro customers can empower their entire workforce – executives, managers, administrators and employees – and centralize collaborative information sharing through UltiPro's Web portal. Ultimate Software employs 415 professionals and its customers include The Arizona Diamondbacks/Phoenix Suns, Benihana Restaurants, The Container Store, Elizabeth Arden, Omni Hotels, Ruth's Chris Steak House and Trammell Crow Residential. More information on Ultimate Software's award-winning products and services can be found at www.ultimatesoftware.com.

UltiPro and Intersourcing are registered trademarks of The Ultimate Software Group, Inc. All other trademarks referenced are the property of their respective owners.

Contact:

Mitchell K. Dauerman
Chief Financial Officer and Investor Relations

Phone: 954-331-7369
Email: IR@ultimatesoftware.com

THE ULTIMATE SOFTWARE GROUP, INC. AND SUBSIDIARY
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	For the Three Months Ended December 31,		For the Twelve Months Ended December 31,	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Revenues, net:				
License	\$2,851	\$4,015	\$12,170	\$16,826
Recurring	6,434	3,861	19,345	14,364
Services	7,170	7,242	23,634	28,289
Total revenues, net	<u>16,455</u>	<u>15,118</u>	<u>55,149</u>	<u>59,479</u>
Cost of revenues:				
License	296	391	1,163	1,287
Recurring	2,167	1,656	8,098	5,789
Services	5,184	5,548	18,267	20,219
Total cost of revenues	<u>7,647</u>	<u>7,595</u>	<u>27,528</u>	<u>27,295</u>
Operating expenses:				
Sales and marketing	4,217	4,333	17,479	18,261
Research and development	4,325	3,845	17,675	12,775
General and administrative	2,095	2,837	6,890	10,065
Total operating expenses	<u>10,637</u>	<u>11,015</u>	<u>42,044</u>	<u>41,101</u>
Operating loss	(1,829)	(3,492)	(14,423)	(8,917)
Interest expense	(72)	(60)	(283)	(208)
Interest and other income	23	37	138	375
Net loss	<u>\$(1,878)</u>	<u>\$(3,515)</u>	<u>\$(14,568)</u>	<u>\$(8,750)</u>
Net loss per share – basic and diluted	<u>\$(0.11)</u>	<u>\$(0.22)</u>	<u>\$(0.90)</u>	<u>\$(0.55)</u>
Weighted average shares outstanding:				
Basic and diluted	<u>16,496</u>	<u>15,894</u>	<u>16,189</u>	<u>15,944</u>

THE ULTIMATE SOFTWARE GROUP, INC. AND SUBSIDIARY
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share data)

	As of December 31, 2002	As of December 31, 2001
	<u> </u>	<u> </u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$8,974	\$ 8,464
Accounts receivable, net	10,381	14,006
Prepaid expenses and other current assets	1,273	836
Total current assets	<u>20,628</u>	<u>23,306</u>
Property and equipment, net	7,233	5,786
Capitalized software, net	2,753	4,545
Other assets	529	614
Total assets	<u><u>\$31,143</u></u>	<u><u>\$34,251</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	\$2,693	\$1,901
Accrued expenses	5,529	5,548
Deferred revenue	20,874	12,162
Current portion of capital lease obligations	767	1,589
Current portion of long term debt	501	-
Total current liabilities	<u>30,364</u>	<u>21,200</u>
Deferred revenue	6,941	8,053
Capital lease obligations, net of current portion	361	408
Long term debt, net of current portion	845	-
Total liabilities	<u>38,511</u>	<u>29,661</u>
Stockholders' equity (deficit):		
Preferred Stock, \$.01 par value	-	-
Series A Junior Participating Preferred Stock, \$.01 par value	-	-
Common Stock, \$.01 par value	168	161
Additional paid-in capital	68,602	65,808
Accumulated deficit	(75,084)	(60,516)
	<u>(6,314)</u>	<u>5,453</u>
Treasury Stock, at cost	(1,054)	(863)
Total stockholders' equity (deficit)	<u>(7,368)</u>	<u>4,590</u>
Total liabilities and stockholders' equity (deficit)	<u><u>\$31,143</u></u>	<u><u>\$34,251</u></u>