

UCS GROUP LIMITED

(Incorporated in the Republic of South Africa)

(Registration number 1993/002253/06)

Share code: UCS

ISIN: ZAE000016150

("UCS")

PROPOSED DELISTING OF UCS, POSSIBLE ANCILLARY TRANSACTIONS AND CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

The purpose of this announcement is to provide UCS shareholders ("Shareholders") with a strategic update regarding the considerations pertaining to the continued listing of UCS on the exchange operated by JSE Limited ("the JSE") and possible ancillary transactions.

Following the successful disposal of the majority of the business operations of UCS to Business Connexion Group Limited ("BCG") ("the BCG Disposal"), as more fully set out in the circular to Shareholders dated 9 March 2011, and thereafter the unbundling of the BCG consideration shares received pursuant to the BCG Disposal to Shareholders ("the Unbundling"), the board of directors of UCS ("the Board") has considered the viability of continuing the listing of UCS on the JSE.

The Board considered, *inter alia*, the following factors:

- the size of the remaining businesses held by UCS ("Remaining Businesses), relative to the continued costs of remaining listed on the JSE;
- the relative size and market capitalisation of UCS (post the Unbundling), relative to other listed companies in the Software and Computer Services sector of the JSE;
- the future capital requirements of the Remaining Businesses; and
- the development and/or maturity profile of the Remaining Businesses and whether a listing would suit the stage of development and/or maturity of these businesses.

Having considered the above and other relevant factors, the Board resolved, in principle, to proceed towards seeking the delisting of UCS ("Proposed Delisting"). The Board appointed One Capital as corporate advisors and Glyn Marais Incorporated as legal advisors to advise the Board on the most appropriate delisting strategy and the implementation thereof.

The Board furthermore appointed KPMG Services (Proprietary) Limited ("KPMG") as independent expert ("Independent Expert") to provide the Board with an independent indicative valuation in respect of the Remaining Businesses, as more fully set out in paragraph 3.2 below.

2. PRINCIPLES PERTAINING TO THE PROPOSED DELISTING

The Board determined that the key principles influencing the Proposed Delisting are as follows:

- ensuring that all Shareholders are treated fairly, equitably and transparently;
- ensuring that all Shareholders have a choice between exiting their investment in UCS prior to or at the time of the Proposed Delisting ("Exit Option"), alternatively, to allow Shareholders to remain invested in UCS post the Proposed Delisting ("Continuation Option");
- ensuring that the Remaining Businesses are appropriately capitalised, *inter alia*, to protect the interests of Shareholders that elect the Continuation Option ("Capitalisation of UCS");
- ensuring that the Capitalisation of UCS, if applicable and implemented, is clearly separated from the position of Shareholders that may elect the Exit Option and, therefore, that the Capitalisation of UCS (if implemented) would not affect the value that Shareholders stand to receive from the Exit Option; and
- executing an efficient implementation process to combine, *inter alia*, the Exit Option, the Continuation Option, and, if applicable, the Capitalisation of UCS and the Proposed Delisting (collectively referred to as the "Delisting Implementation").

3. PRELIMINARY VALUATION CONSIDERATIONS

3.1 Introduction

Various events and factors could impact upon the value of UCS at the time of presenting the Delisting Implementation to Shareholders.

The most recent of such events relates to UCS' potential sharing in the upside of the proposed disposal by BCG of its interests in Destiny Electronic Commerce (Proprietary) Limited to VeriFone Singapore PTE Limited ("the VeriFone Transaction"), as more fully set out in the UCS announcement dated 24 May 2011.

3.2 Preliminary value range of the Remaining Businesses

In the interest of providing Shareholders with a better preliminary understanding of the current and potential future value of UCS at the time of the Delisting Implementation, the Board has requested the Independent Expert to provide an indicative, preliminary valuation range in respect of the current position of UCS, i.e. in respect of the Remaining Businesses, but specifically excluding certain contingent events which may materially affect the future value of UCS ("Upside Events"), such as whether or not UCS receives the upside from the VeriFone Transaction.

The Upside Events and the indicative, preliminary value range implications pertaining to same are set out in more detail in paragraph 3.3 below.

The midpoint of the preliminary value range arrived at by the Independent Expert equates to approximately R62.3 million (approximately 21.1 cents per UCS share), excluding any Upside Events ("Preliminary Value"). The Preliminary Value was arrived at by the Independent Expert in terms of a signed opinion letter addressed to the Board, dated 27 May 2011, with a valuation date of 30 April 2011 (for the avoidance of doubt, although the BCG Disposal was not yet unconditional as at 30 April 2011, the Independent Expert assumed that this transaction was fully implemented at the valuation date).

Shareholders are cautioned that the Preliminary Value is disclosed for illustrative purposes only and the Board emphasises that the Preliminary Value may differ materially from the final value at the time of announcing the Delisting Implementation, including as a result of the outcome of the Upside Events.

The Board will request the Independent Expert to update its indicative valuation opinion (and at such time to include the possible impact of the Upside Events) and such valuation will be disclosed and be open to inspection by Shareholders at the time of UCS proceeding with the Delisting Implementation, in accordance with the Listings Requirements of the JSE and any other statutory and regulatory requirements.

3.3 Indicative value range implications of Upside Events on the potential total value of UCS

In estimating the potential total value of UCS at the time of the Delisting Implementation, the Board has estimated the potential outcome of the Upside Events ("Maximum Upside") for purposes of this announcement. The potential total value of UCS, as estimated in this announcement, is the sum of the Preliminary Value and the Maximum Upside ("Total Value").

The following events constitute Upside Events that the Board are aware of at the time of this announcement:

- the potential upside pertaining to the VeriFone Transaction ("VeriFone Upside");
- the potential upside pertaining to the disposal of the enterprise services business ("Enterprise Services Business") to HCL Axon (Proprietary) Limited and UCS' on-going interest in this transaction ("HCL Axon Upside"), which transaction was announced on 16 July 2009; and

- the potential upside pertaining to the disposal of UCS' shareholding in TSS Managed Services (Proprietary) Limited ("TSS Managed Services") and UCS' on-going interest in this transaction ("TSS MS Upside"), which transaction was announced on 23 September 2009 and a circular to Shareholders was issued on 19 October 2009.

To the extent that the Board becomes aware of material developments affecting any one of the Upside Events, the Board will publish an announcement to inform Shareholders of such developments, which announcement may include a revised estimation of the Maximum Upside and, therefore, the Total Value.

3.3.1 VeriFone Upside

In terms of the VeriFone Transaction, UCS could receive an estimated upside participation amounting to approximately R67.6 million, which equates to approximately 22.9 cents per UCS share.

Shareholders are referred to the UCS announcement dated 24 May 2011, which sets out the terms and conditions pertaining to the VeriFone Transaction. Shareholders are specifically referred to the various conditions precedent to the VeriFone Transaction set out in the aforementioned announcement.

3.3.2 HCL Axon Upside

Shareholders are referred to the UCS announcement dated 16 July 2009. A copy of this announcement is available on the UCS website home page at the following link: www.ucs.co.za.

At the date of this announcement, the Board has calculated the maximum potential HCL Axon Upside to be R19 million, which equates to approximately 6.4 cents per UCS share.

The key driver of the HCL Axon Upside is the revenue achieved by the Enterprise Services Business for the twelve months ending 31 July 2011 and the abovementioned potential HCL Axon Upside amount is based upon information available as at 17 March 2011.

3.3.3 TSS MS Upside

Shareholders are referred to the UCS announcement dated 23 September 2009 and the circular to Shareholders dated 19 October 2009. A copy of this announcement is available on the UCS website home page at the following link: www.ucs.co.za.

At the date of this announcement, the Board has calculated the maximum potential TSS MS Upside to be approximately R25.8 million, which equates to approximately 8.7 cents per UCS share.

The key driver of the TSS MS Upside is a combination of a profit and/or revenue threshold achieved by TSS Managed Services during the financial years ending 30 September 2012, 2013 and 2014, or an earlier elected settlement (at the election of Tactical Software Systems (Proprietary) Limited, the parent company of TSS Managed Services).

3.3.4 Maximum Upside

The estimated potential Maximum Upside that may arise from the Upside Events is illustrated in the table below.

Upside Event ¹	Rand (million)	Cents per UCS share ²
VeriFone Upside ³	67.6	22.9
HCL Axon Upside	19.0	6.4
TSS MS Upside	25.8	8.7
Costs relating to the Delisting Implementation ⁴	(2.9)	(1.0)
Maximum Upside	109.5	37.0

Notes:

- 1 All calculations were performed as at 27 May 2011 and are net of estimated taxes and costs specifically relating to the transactions.
- 2 Assuming 295 038 376 UCS shares in issue.
- 3 Assuming an exchange rate R6.98 per US\$ and a closing price of US\$ 47.23 per VeriFone share on the New York Stock Exchange at 26 May 2011.
- 4 Assumed total costs excluding value-added tax of R4 million after accounting for the related reduction in tax at the marginal rate of 28%.

3.4 Illustrative Total Value range

Assuming that none of the Upside Events materialise, then the estimated potential Total Value equates to approximately R62.3 million (21.1 cents per UCS share) pre costs relating to the delisting estimated at R2.9 million net of tax (1 cent per UCS share), assuming the Independent Expert arrives at the same value at the time of the Delisting Implementation.

Assuming the Maximum Upside materialises, the estimated potential Total Value equates to approximately R171.8 million (58.1 cents per UCS share), assuming the Independent Expert arrives at the same value at the time of the Delisting Implementation.

4. PROCESS PRECEDING THE DELISTING IMPLEMENTATION

The Board is in the process of taking and considering advice from its corporate and legal advisors and finalising its understanding of and, to the extent practical, accelerating the outstanding Upside Events in order to arrive at a final value range in order to proceed with the Delisting Implementation.

As soon as the Board is in a position to proceed with the Delisting Implementation, it will make a public announcement to this effect.

The Board will provide further detail regarding the value of UCS and how this has been arrived at the time of presenting the Delisting Implementation to Shareholders, as well as an updated valuation from the Independent Expert (including in respect of the Upside Events), as more fully referred to in paragraph 3.3 above.

5. DISCLAIMER

This announcement does not constitute an offer or an undertaking to make an offer to Shareholders by any party, including by UCS. The value ranges disclosed in this announcement and statements relating thereto have been disclosed on the basis that these

are indicative and preliminary and may change. Furthermore, these values are dependent on a variety of contingent factors, the outcome of which remains uncertain at the date of this announcement and which may materially affect the values and/or value ranges referred to in this announcement or in future announcements.

The information contained in this announcement has not been reviewed or reported on by UCS' auditors.

The Independent Expert provided its written consent to the disclosure of the Preliminary Value and the reference to the opinion letter dated 27 May 2011, as referred to in paragraph 3.2 above.

6. CAUTIONARY ANNOUNCEMENT

Shareholders are advised to exercise caution when dealing in their UCS shares until the Board announces the Delisting Implementation and/or provides further clarity in regard to Upside Events and/or withdraws this cautionary announcement.

30 May 2011

Corporate Advisor and Sponsor

One Capital

Legal Advisor

Glyn Marais

Independent Expert

KPMG Services (Pty) Limited