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Radio Jamaica Limited

RADIO JAMAICA LIMITED – TRANSACTION UPDATE

Radio Jamaica Limited has endeavoured to be as responsive as possible to requests for information on the proposed transaction between Radio Jamaica Limited and The Gleaner Company Limited. We respect the need to share as much information as possible and make a further attempt to be responsive in sharing additional information.

Some of it may reflect some of what has already been provided but clarity on all aspects is targeted herein.

1.0 Benefits of the Transaction

The main benefits of the proposed transaction are the strengthening of Radio Jamaica Limited and the Media Businesses of The Gleaner Company Limited. It is well known that globally the media industry is going through significant changes, facing new business and economic pressures and challenges, facing increased competition and having to execute substantial operational changes. Our company is involved with this transaction to grow our business and strengthen it to be able to earn enough to provide investors with improved returns on investment.

a. This transaction raises \$665.5M for RJR targeted to be used in the mandatory transition of television services in the Group from their current operations to digital operations before older analogue equipment goes out of production in a few years in a Digital Switch Over process (DSO).

b. Under DSO the company also benefits from new digital business units and streams opening up to the company, in engineering services, on additional television channels that become available, through new data services that may be possible, through interactive services that become available, among other potential.

c. The transaction will also allow Radio Jamaica to share its radio distribution and transmission network with additional stations, thereby reducing operating cost per station in radio and hopefully return profitability to some of the loss-making radio stations at present;

d. It also has the potential to assist Television Jamaica to undertake the overseas marketing and distribution now needed for its 1SPOTMEDIA technology to garner services in the Diaspora and the wider global market. This will be enhanced by access to the Gleaner (Canada), Gleaner (USA), and Gleaner (United Kingdom) as strong, reliable and already established channels in key Diaspora markets from which RJR and TVJ can earn hard-currency advertising and subscription revenues.

e. Another benefit is RJR having access to the 181 year old archive of the Gleaner company to continue our strong production of local television content for the local and export markets which have been a part of the growth in earnings we have been seeing in television, but which needs more unique content to exploit.

f. There are significant benefits to be gained in sharing infrastructure and operational facilities that will reduce expenses significantly and contribute more to the bottom-line.

g. There are also benefits to be gained from a more formidable company expanding regionally and into the Diaspora, as well as benefits in online media development, staff training and developments for the industry as a whole.

2.0 Whether the transaction will be accretive to shareholders on a diluted basis

- a. The transaction will be accretive to RJR shareholders on a diluted basis commencing in year two post transaction.
- b. The attached statement on the Accretive nature of the transaction is attached for further review.

3.0 In what year does the company expect accretion to occur post-merger

Please note the response covering this area in 2.0 (a) above.

Additional Information to address other matters raised regarding the Transaction
We wish to share some additional information on Digital Switch Over (DSO), which has been a point of discussion regarding the transaction:

4.0 Financial Impact of Digital Switch Over

DSO is a must for Jamaica. At present analogue (non-digital) equipment will cease to be manufactured in a few years. All TV stations, including TVJ must transition and unlike in more developed countries, the government has advised that it cannot offer assistance in this regard. It must therefore be funded by RJR at our cost. This will require all transmitters island wide to be changed, additional ones to be established and all cameras and related equipment to be replaced. Independent proposals have been received to make these changes and the cost ranges from US\$7m to US\$ 9M more than we have done already.

DSO will however bring some benefits in reducing power consumption and power costs, increase efficiency in workflows, open new business streams and earning opportunities.

A crucial aspect of DSO is what format the country decides to adopt. There are different formats – American, European, Japanese, Chinese and Brazilian. Depending on the format and generation chosen by the country services can range from merely improving picture quality to increasing interactive services, having multiple channels, having premium television services and even telephony services, among others. Until Jamaica decides, we cannot say what the full impact and potential are.

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