



Bertelsmann and KKR Join Forces in the Music Rights Business

- **A significant investment to build a global music rights management business**
- **Hartwig Masuch continues as CEO, Bertelsmann CFO Thomas Rabe to be appointed Chairman**

Gütersloh / London, July 8, 2009 – Bertelsmann AG and Kohlberg Kravis Roberts & Co. L.P. (“KKR”) announced today that they have agreed to create a joint venture to develop a global music rights management business to which Bertelsmann AG will contribute its BMG Rights Management music rights unit. Upon funding of the transaction, Bertelsmann will own 49% in the joint venture and KKR will own 51%. Bertelsmann AG's Hartwig Masuch, currently CEO of BMG Rights Management, will continue as CEO of the new company.

The new company will benefit from BMG Rights Management's know-how in licensing and administrating music rights, its large number of music catalogues and artists, the established BMG brand and its experienced management team. KKR will significantly enhance BMG Right Management's financial position and create new growth potential by providing access to its global network. The partners envisage building a major music rights management business over the medium term through organic growth and acquisitions. KKR expects to contribute to BMG's development by providing substantial equity investments through its European private equity funds.

“KKR shares our views on future business models for the music industry. I am excited to work with such a partner. With many high-visibility contracts and the foundation of an international organisation in six European countries, it has taken BMG Rights Management only nine months to position itself successfully in the market. Songwriters and performers respond very well to our service oriented approach,” said Hartwig Masuch, CEO of BMG Rights Management and CEO of the joint venture. When BMG Rights Management started its business in October 2008, its rights catalogue consisted of about 200 artists; since then, another 100 contracts with songwriters and other rights owners have been signed.

“With access to meaningful investment capital, we expect the partnership with KKR to contribute significantly to accelerating the development of the business. We complement each other perfectly for this venture. We both want to broaden BMG's global reach faster than originally anticipated. In this way we will be able to actively participate in the expected market consolidation,” said Thomas Rabe, Bertelsmann CFO and Chairman of the joint venture.

With the music industry at an important turning point, the market for licensing and administration of music rights presents attractive growth opportunities. Among other things, it is driven by the increasing importance of music in the licensing of other areas beyond the recording business, such as broadcast and live performances as well as the synchronization of broadcasting, commercial and movie productions.

“The music rights sector offers opportunities for significant growth across the globe. BMG has proven leadership and a strong track record of organic growth. Our financial strength combined with BMG's sector expertise will create a unique platform for building up a global music rights management business,” said Johannes Huth, European Head of KKR.

In the context of this transaction, BMG Rights Management will be integrated into the equity fund Bertelsmann set up two years ago. The company will be developed from this platform. KKR's funds will invest into a new holding company of BMG Rights Management. The foundation of the new joint venture is subject to approval under applicable competition laws. The parties expect to complete the transaction within a few months.

About BMG Rights Management

BMG Rights Management focuses on comprehensive and competent management of music rights. The company covers the entire range of rights administration and places the needs of songwriters and performing artists at the core of its business model. Since its founding in October 2008, the company has signed a number of prominent acts, including 2Raumwohnung, Peter Fox, Nena and Sasha. The recent signing of international artists and writers such as A-ha, Jim Beanz and Toby Gad confirms the worldwide acceptance of the company's approach.

About KKR

Established in 1976, KKR is a leading global alternative asset manager. KKR's franchise is sponsoring and managing funds that make investments in private equity, fixed income and other assets in North America, Europe, Asia and the Middle East. Throughout its history, KKR has brought a long-term investment approach, focusing on working in partnership with management teams of its portfolio companies and investing for future competitiveness and growth. KKR has more than \$35 billion in private equity assets under management and more than \$12 billion in credit assets under management as of March 31, 2009 through various private and publicly traded funds and separately managed accounts. KKR also carries out capital

markets activities through its broker dealer subsidiaries. KKR has offices in New York, Menlo Park, San Francisco, Houston, Washington D.C., London, Paris, Hong Kong, Tokyo, Beijing, Mumbai, Dubai and Sydney. More information about KKR is available at: www.kkr.com.

About Bertelsmann AG

Bertelsmann is an international media company encompassing television (RTL Group), book publishing (Random House), magazine publishing (Gruner + Jahr), media services (Arvato), and media clubs (Direct Group) in more than 50 countries. Bertelsmann's claim is to inspire people around the world with first-class media and communications offerings – entertainment, information and services – and occupy leading positions in its respective markets. The foundation of Bertelsmann's success is a corporate culture based on partnership, entrepreneurial spirit, creativity, and corporate responsibility. The company strives to bring creative new ideas to market and create value.

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