



RANDOM HOUSE

BERTELSMANN

MARKUS DOHLE
CHAIRMAN AND CHIEF EXECUTIVE OFFICER
MEMBER OF THE EXECUTIVE BOARD OF BERTELSMANN AG

August 31, 2009

Dear Random House Colleagues,

Today is an especially meaningful day on Random House's financial and publishing calendar: Our parent company has announced our results for the first six months of this fiscal year. It is the final day of our three summer-publishing months, which have been quite good ones for us. And today is also the unofficial first day of our fall season, during which each of our companies around the world will be publishing what many believe is our best list ever.

In this morning's press release Bertelsmann reports that Random House's operating revenues and profits decreased worldwide over this same period a year ago. Verlagsgruppe Random House and the Random House Group U.K. both once again had a solid start to their fiscal year, with ongoing dominance on the German and U.K. national bestseller lists. But, overall, this six-month period was very tough for us. With the decline in consumer spending we had to fight harder for every sale, as did our competitors. Our customers implemented tighter inventory controls, resulting in significantly higher returns and fewer copies ordered, on both initials and reorders, which hurt frontlist as well as backlist sales.

But our fiscal year is not all gloom and doom. Our six-month results only partially reflect the current big turn in the right direction for our business — our strong sales performance overall during June, July, and August in our territories. Our monthly numbers are rising, thanks to some of our biggest-selling titles of 2009.

Our Stieg Larsson books are a phenomenon on two continents. In the U.S. we have shipped close to two million copies in all formats of the first two volumes of his *Millennium* trilogy. *THE GIRL WHO PLAYED WITH FIRE* is the first novel in translation in over twenty-five years to become a number one *New York Times* hardcover fiction bestseller. In Germany all three of the Larsson volumes are runaway bestsellers in hardcover and paperback with more than three-million copies sold. Our Random House Group U.K. colleagues placed ten number one titles on the *Sunday Times* bestseller lists this June and July, including *SWIMSUIT* by James Patterson and Maxine Paetro, *GENESIS* by Karin Slaughter, and *SAPPHIRE* by Katie Price. In Spain Random House Mondadori sold 400,000 copies this summer of *LA MANO DE FÁTIMA* by Ildefonso Falcones.

In North America we are also benefiting from such hugely successful fiction trade paperbacks as *THE GUERNSEY LITERARY AND POTATO PEEL PIE SOCIETY* by Mary Ann Shaffer and Annie Barrows (nearly one million copies in print since May); the Pulitzer Prize-winning *OLIVE KITTERIDGE* by Elizabeth Strout; *THE BOOK THIEF* by Markus Zusak (back at #1); and, in Canada, *THE FLYING TROUTMANS* and *THE TIME TRAVELER'S WIFE* by Miriam Toews and Audrey Niffenegger, respectively. Jillian Michaels' *MASTER YOUR METABOLISM* continues as our longest-running 2009 *New York Times* hardcover bestseller. Pat Conroy's *SOUTH OF BROAD* has almost 700,000 copies in print since its publication three weeks ago. First published nearly fifty years ago, Julia Child's *MASTERING THE ART OF FRENCH COOKING* is selling out across North America, thanks to its presence in the movie *Julie & Julia*.

We have our authors to thank for these triumphs, but your publishing skills, your creativity, your focus, and your passion make their success a team achievement. In this financial crisis, the best news for me of our first half-year is how effective we have been in collaborating in each of our countries and on a worldwide basis to establish a set of corporate values, as well as a publishing and financial strategy, to make us stronger and ultimately more profitable. Your efforts over the past months to reduce costs have had a direct, positive impact on our half-year operating results.

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I deeply appreciate your hard work in managing all our resources carefully and in putting together a fall publishing list that our booksellers in all our countries can't wait to sell. I probably need an additional page to mention all our standout books worldwide, but here are just a very few of our authors:

Andre Agassi, Isabel Allende, Steve Berry, Libba Bray, Ken Burns, Deepak Chopra, Michael Crichton, Richard Dawkins, Jack Dee, E. L. Doctorow, Dominick Dunne, Sebastian Faulks, Diana Gabaldon, Julie Garwood, Joachim Gauck, Al Gore, John Grisham, Laurell K. Hamilton, Robert Harris, John Irving, Michael Jackson, Peter Kay, Charlotte Link, Jonathan Kellerman, Dean Koontz, Peter Mansbridge, Cesar Millan, Alice Munro, Audrey Niffenegger, Orhan Pamuk, Christopher Paolini, James Patterson, Terry Pratchett, Rachael Ray, Anne Rice, Philip Roth, Frank Schirrmacher, Jane Smiley, Delia Smith, Danielle Steel, Martha Stewart, and Jacqueline Wilson.

And, of course, we are the worldwide English-language publisher for the new Dan Brown, *THE LOST SYMBOL*, which goes on sale September 15 with a history-making 6.5-million-copy first printing.

But even with our retailers' tremendous support for these many great books of ours, and our bookselling momentum from this summer, we must face reality about the fall season: The competition in the marketplace from non-Random House titles will be more fierce and unrelenting than ever. And the impact of the ongoing recession on potential consumer book buying is still a big concern for all of us. In our efforts to maximize the selling power of each of our fall titles we can take nothing for granted.

Together we all have a lot of lost financial ground from the first six months we must cover over these next four months if we hope to turn this fiscal year around. I believe we have the right books to do this, and based on our accomplishments this summer we know we have the dedication, creativity, sales power, and teamwork to make them successful.

Thank you for keeping up your great work, and thank you for our great publishing. Here's to a fantastic fall!

Sincerely,

A handwritten signature in black ink, appearing to read "Crichton". The signature is fluid and cursive, with a large initial "C" and a long, sweeping underline.