



PETER W. OLSON
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

September 7, 2005

Dear Colleagues,

As we seek to help those who fell victim to Hurricane Katrina, we have very cheering news today in the accompanying press release from our parent company about our half-year operating results. For the first six months of the 2005 fiscal year, Random House's profits worldwide increased substantially over the comparable period in 2004. We continue to be a major contributor to Bertelsmann's overall profitability.

Our midpoint numbers reflect the good year each of our Random House companies around the world is having thus far, even as they cope with a tough marketplace in their respective territories. Our London-based Random House Group had an outstanding half year, posting the largest increases of all our divisions in sales and profits for the first six months.

Here in North America, our half-year results have benefited from a particularly favorable development. We can all take pride in our publishing and sales divisions' having pulled together to reduce our companywide returns by several percentage points over the same period a year ago. If we can sustain this terrific accomplishment in the months ahead, it will give a considerable boost to our year-end bottom line as we make our business more efficient.

At the heart of this strong financial performance have been great publishing achievements from each of our publishing divisions. It began in the first days of January with the publication of Mireille Guiliano's *FRENCH WOMEN DON'T GET FAT*, now with more than one million hardcovers in print, and continued through June with Oprah's Book Club "A Summer of Faulkner" selection. Among our thirteen #1 *New York Times* bestsellers for the period are the two-million-copy *THE BROKER* by John Grisham; the multimillion-copy *THE SISTERHOOD OF THE TRAVELING PANTS* franchise by Ann Brashares; *MY LIFE SO FAR* by Jane Fonda; *30-MINUTE GET REAL MEALS* by Rachael Ray; *THE TAKING* in mass market by Dean Koontz; and *DREAMS FROM MY FATHER* by Barack Obama and *READING LOLITA IN TEHRAN* by Azar Nafisi in trade paperback. And, of course, *THE DA VINCI CODE* by Dan Brown, with an amazing 1.2 million copies in reprints in its third hardcover year, bringing the total in print to more than ten million books just in North America.

We kept our bestseller momentum strong through July and August with two landmark publications: Christopher Paolini's *ELDEST* and the audio edition of J. K. Rowling's *HARRY POTTER AND THE HALF-BLOOD PRINCE* read by Jim Dale. The latter became the fastest seller in audiobook history. The former is also a phenomenon: the summer's second-biggest-selling title, soon to be well past two million copies in print, as *ERAGON*, the predecessor volume in the trilogy, joins the hardcover at #1. Another of our summer #1s has been the season's big sleeper hit. *WHY DO MEN HAVE NIPPLES?* by Mark Leyner and Billy Goldberg, M.D. went on sale in late July with a 15,000-copy initial printing and now has more than a half million copies in print.

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While our great publishing successes of the first eight months have positioned us well, we need a solid sell-through from our fall frontlists to reach our ambitious full-year corporate financial targets. Those lists are filled with highly salable books and backed by motivating marketing and publicity campaigns. But in North America we face some serious uncertainties ahead. Will consumers pull back on their book spending because of the skyrocketing gasoline and heating oil prices? What will be the ongoing effects of Hurricane Katrina on the mid-South and national book marketplace? These unknowns will only make us determined to work harder on behalf of our books and our authors.

Our terrific half-year results and our concerns about the fall season pale beside the Gulf Coast catastrophe, which has touched all of us profoundly. A number of our colleagues have family and friends there who have lost everything. We have authors and booksellers who have suffered. Helping them goes to the heart of who we are as a publishing company.

Random House will make a \$500,000 donation to the American Red Cross's Hurricane Katrina Relief Fund. In addition, we will match every contribution dollar for dollar our employees in the U.S. and Canada make to qualified relief aid organizations of their choice. Details will be posted later today. Also, Random House Children's Books is donating 250,000 copies of their titles to First Book, the great organization which is distributing reading to kids in the hardest-hit areas.

Thank you for helping our Gulf neighbors. Congratulations on a tremendous first half year. Here's to a successful fall and a brilliant finish to 2005.

All best,

A handwritten signature in black ink, appearing to be "Bill Clinton", written in a cursive style.