



RANDOM HOUSE

BERTELSMANN

PETER W. OLSON
CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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Dear North American Colleagues,

This week we complete a year in which we have asked more of you than ever before. The demands of our business and the pressures of the book marketplace these past twelve months have been relentless. The overall economic slowdown in North America, with the ongoing uncertainty over jobs and the cost of living, has had a considerable impact on consumer book purchasing. But thanks to our books and their authors, and to your hard work, your creativity, and your dedication and commitment, Random House has consistently outperformed the marketplace in 2006.

We have had a strong year, bolstered by a record number of #1 *New York Times* bestsellers, an impressive array of literary prizes, and an increase in sales over previous years. With the superb support of our Sales Group and our Distribution Centers colleagues, all of our publishing divisions can look back on some notable successes, with Children's Books, and the Crown and Knopf Groups enjoying an especially excellent fiscal year.

Companywide, for the eighth straight year we placed the most titles of any U.S. publishing group on the (nonextended) *New York Times* hardcover and paperback national bestseller lists: 200 so far, with one week to go, which is just shy of our all-time high of 203 three years ago. Thirty-seven of them were #1, substantially ahead of our previous record of twenty-two, set last year.

This year's Nobel Prize for Literature winner, Orhan Pamuk, whom we publish in the U.S., Canada, Spain, and Latin America, is the newest of the more than fifty Nobel literary laureates Random House imprints have published in this and the previous century around the world.

Prestigious prizes and citations for Random House, Inc. books and audios were plentiful this year, including the Pulitzer in biography for *AMERICAN PROMETHEUS* by Kai Bird and Martin J. Sherwin; the PEN/Faulkner for *THE MARCH* by E. L. Doctorow; National Book Critics Circle Awards for the two aforementioned in biography and fiction respectively, and for *REFUSING HEAVEN* by Jack Gilbert in poetry; a Newbery Honor for *WHITTINGTON* by Alan Armstrong; and the Best Spoken Word Grammy for *DREAMS FROM MY FATHER*, written and read by Barack Obama.

Twenty-nine of the 100 Notable Books of the Year selected by the *New York Times Book Review* editors earlier this month are ours. In addition, *THE LAY OF THE LAND* by Richard Ford, *THE EMPEROR'S CHILDREN* by Claire Messud, *ABSURDISTAN* by Gary Shteyngart, and *THE LOOMING TOWER* by Lawrence Wright are four of the 10 Best Books of 2006, as once again we led all publishing groups in both of these accolades. *THE RED LEMON*, written and illustrated by Bob Staake, is the *Book Review's* choice as one of the 10 Best Illustrated Children's Books of 2006.

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Random House of Canada flourished culturally and commercially this year, continuing to publish innumerable bestsellers as the market leaders. Their **BLOODLETTING & MIRACULOUS CURES** by Vincent Lam won the Giller, the nation's most coveted fiction prize. They published twenty-six of the *Toronto Globe and Mail's* 100 Best Books of the Year.

These are publishing accomplishments we all can be quite proud of. I wish I could tell you that maintaining, if not exceeding, this level of achievement will get easier next year. It won't. Our upcoming publishing frontlists are shaping up excellently but we are going to have to work very hard in this marketplace and competitive environment for every sale to enable us to continue to achieve growth in sales and operating results. Expectations will be greater than ever from our internal and client publishers, our authors and their agents, our retailers, and our readers.

These realities are invigorating, not daunting, for me and I hope also for you. There is no team in our industry better than ours in taking challenges and risks—publishing, financial, operational, technological—and turning them into triumphs. We will make the appropriate investments in people, author development, marketing, corporate acquisitions, infrastructure, and online and digital initiatives to stay on top. Our parent company, Bertelsmann, is more committed than ever to supporting our long-term growth.

But let us focus on 2007 in detail in the weeks ahead. For now, thank you for all you have done for our publishing and for Random House in 2006. May you and your family have a safe, restful holiday. Enjoy your well-earned year-end break.

I look forward to welcoming you back in January and to rolling up our sleeves together to make the coming year our greatest.

All best,

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