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PENGUIN GROUP ANNOUNCES 2004 RESULTS

- Underlying revenues flat and profits down from £91m to £54m year on year -

London, 28 February 2005, The Penguin Group today reported its operating results for the year ending December 31, 2004. Sales were flat and profits down on the previous year. Sales for the group were £786m versus £840m last year, with the underlying figure flat on the previous year and profits were £54m as against £91m in 2003. The largest single factor for the drop in profit was the weakness of the US dollar, which accounted for £14m of the shortfall. Other reasons include the disruption to the UK distribution centre from April and the industry downturn in the US in the second half of the year.

In the UK, by mid-December the warehouse backlog had been eliminated and the new management team began implementation of the plan for full automation in January 2005, ahead of a strong publishing programme for the year in which Penguin celebrates its 70th Anniversary.

Penguin's sales in the UK last year held up well in spite of the distribution difficulties. There was a strong performance from frontlist titles and an increase in bestsellers, with 49 titles making it into the top ten (source: Nielsen Bookscan) versus 42 last year. Penguin Group maintained its number one position in the non-fiction market* and had the bestselling non-fiction book of the year with *You Are What You Eat* by Dr Gillian McKeith, which spent 27 weeks in the charts, Jamie Oliver's *Jamie's Dinners*, which was the largest hardback seller at Christmas, notching up 85,000 copies through Bookscan in the final Christmas week, and other top ten Christmas bestsellers *No Room for Secrets* by Joanna Lumley, Jeremy Clarkson's *I Know You Got Soul* and Alastair Cook's *Letter from America*. With their first ever Christmas, new imprint Penguin Ireland dominated the Irish bestseller lists with the official Christmas number one, Micheál O'Muircheartaigh's *Autobiography: From Dun Sion to Croke Park*. This was joined by two other top ten bestselling memoirs by feminist trailblazer Nell McCafferty and political insider Frank Dunlop. In Edinburgh, Penguin Scotland had a top ten Scottish bestseller with *The Wee Book of Calvin*. In fiction, bestsellers included Marian Keyes' *The Other Side of the Story*, which was number one for two weeks, Sue Townsend's *Adrian Mole and the Weapons of Mass Destruction*, three titles by Clive Cussler and two debut thrillers: *Retribution* by Jilliane Hoffman and *Want to Play?* by PJ Tracy. Penguin remained the number one imprint in the market (source: Nielsen Bookscan) and paperback bestsellers of the year included, *The Kid* by Kevin Lewis, *Dude Where's My Country* by Michael Moore, *Empire* by Niall Fergusson, *Remember Me* by Lesley Pearse and *Notes on a Scandal* by Zoe Heller.



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At Puffin, there were some exceptionally strong performances particularly the debut, *How I Live Now* by Meg Rosoff which won the Guardian Children's Prize, was shortlisted for the Whitbread Children's Prize, attracted enormous press coverage and has sold strongly in hardback. On the picture book list, new Angelina Ballerina books sold over 200,000 copies and *Harry and the Dinosaurs* and *the Christmas Wish* was another Christmas bestseller.

At DK, highlights included some strong Christmas season reference titles such as *Human* by Professor Robert Winston, and Judith Miller's *Antique Price Guide* and *Collectables Price Guide*. In the US, DK's strongest sellers in what was acknowledged to be a disappointing retail environment, were the titles based on established brands, licensed characters and well-known names: *The DC Comics Encyclopedia*, *The Incredibles Essential Guides*, *The Beatles: 10 Years that Shook the World* and *Sinatra* all performed well in the holiday season. On the children's side, core DK illustrated reference books like the *Merriam-Webster Illustrated Children's Dictionary* and the *DK Children's Cookbook* sold well in the US and in the UK, *Stars at Bedtime*, the treasury of children's stories chosen by celebrities in aid of St George's Hospital attracted huge media attention. The travel category has fully recovered from the post - 9/11 downturn in the U.S, and DK's Eyewitness Travel business (including both the Eyewitness Travel Guides and the Eyewitness Top 10 series) grew by 9% between 2003 and 2004. In the UK market, sales of DK travel guides increased sales value by almost 25% year on year. DK Licensing saw co-editions sales grow 15% over the previous year. Big sellers around the world were *Earth* and *e-Encyclopedia*. DK Verlag had a good 2004, with growth in both the Adult (9%) and Children's (32%) segments of the business.

Elsewhere in the Group, Rough Guides had success with the launch of *Directions*, a new travel series offering unique additional content in e-book format for download to handheld devices and PCs and with its *Rough Guide to the Da Vinci Code*. In the Pre-school division, the relaunch of Ladybird's Key Words reading scheme in its 40th year was a notable success and the tie-in publishing for properties such as *Scooby Doo* and Disney's *The Incredibles* were highlights in the second half. The setting up of a new joint venture with BBC Worldwide for the BBC's children's publishing established a partnership with the UK's most powerful broadcaster and content generator which will begin to bear fruit in 2005, offering a new range of books from top brands *Bob the Builder*, *Teletubbies* and *Tweenies* and new properties *Dick and Dom in Da Bungalow* and *Dr Who*.

2005 has started well for Penguin UK. The Distribution Centre is functioning reliably and the move towards full automation is on schedule for the summer. January saw continuing bestseller success, particularly with paperbacks, with *The Jane Austen Bookclub* by Karen Joy Fowler selected for the Richard and Judy Bookclub, Dave Pelzer's memoir *The Privilege of Youth* and Alain de Botton's *Status Anxiety* all in the top ten. Puffin has begun the year well with *Angelina Ballerina's Comic Relief* book at number one in the children's charts and Eoin Colfer's *The Supernaturalist* at number 3 in the children's paperback list. Looking ahead, there is *You are What you Eat Cookbook* by Gillian McKeith in March, a new novel by Nick Hornby coming in May, *A Long Way Down* and later in the year new books from Jamie Oliver, Zadie Smith, Ellen McArthur and the autobiography of Ryan Giggs. In May, to celebrate the company's 70th birthday, seventy A-format "Pocket Penguins" are to be published, with enormous media support. At Puffin, there is the fourth Artemis Fowl novel, *The Opal Deception* by Eoin Colfer in the summer and the hugely talented writer and illustrator, Lauren Child joins the list with several new projects in the autumn.



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At DK in the UK, *The Food Doctor Everyday Diet* was a top ten bestseller at the start of the year. Travel launched the first four titles *London, New York, Paris, and Rome* in the new *e-guides* series, making DK the second largest travel publisher in the UK by value. DK continues to be the UK's No. 1 gardening publisher and is publishing a new RHS beginner's guide *Learn to Garden* in March. Other forthcoming titles include *20th Century Roadshow* by Judith Miller to tie into a new BBC TV series, and a series of Star Wars publishing to tie-in with the launch of the new film, *Star Wars Episode III: Return of the Sith*, in April. A lavishly illustrated fully authorized book on James Dean by George Perry will be launched in both the UK and the US as the world commemorates the 50th anniversary of the film icon's death.

2005 has started well for Ladybird. Its backlist "Five for a Fiver" promotion, together with the continuing sell-on of *The Incredibles* books, dominates the children's bestseller lists. Highlights for the rest of the year include the 25th Anniversary of Eric Hill's best-selling *Spot*, which has sold over 60 million books since 1980 and tie-in publishing for the new Wallace and Gromit movie from Aardman and Dreamworks, *The Curse of the Wererabbit*, in October.

Penguin Group Chairman and CEO, John Makinson said, "The record number of entries on the best sellers lists in New York and London tells the Penguin publishing story of 2004. We achieved outstanding results in all of our markets but inevitably this publishing success was overshadowed by the weakness of the dollar, which depressed the sterling value of our profits, by the impact in the UK of start-up difficulties at the new warehouse in Rugby, and a slow-down in US demand for books in the closing months of the year. We have taken action to address structural issues that continue to challenge the US consumer trade publishing industry and the worldwide market for illustrated books. These actions will have some short-term impact on profit but leave us much more strongly placed in the longer term. And there will be plenty to cheer about this year. We have prepared a terrific publishing schedule for this, our 70th anniversary year."

[Ends]

* Penguin was number one in non-fiction prior to the acquisition of Hodder Headline by the Hachette Group, which happened only in the final quarter of the year.