



PENGUIN GROUP ANNOUNCES 2005 RESULTS

New York, New York, February 27, 2006.... Penguin Group [all companies around the world, including DK] today reported its operating results for the year ending December 31, 2005. Underlying operating profits were up 4 percent, while underlying revenues were up 1 percent, compared with the previous year. Penguin Group is part of Pearson (FTSE: PSON; NYSE: PSO), the international media company.

In the U.S., Penguin Group (USA):

- Earned an impressive number of prestigious national literary awards throughout the year, including a Pulitzer Prize and National Book Award.
- Published 160 authors new to the house, many of which with *New York Times* bestsellers.
- Delivered unparalleled coverage in national magazines and newspapers in 2005.
- Continued to produce multi-million copy bestsellers.
- Furthered its investment in imprint growth, which yielded record bestseller achievements for The Penguin Press.
- Extended G. P. Putnam's Sons' decade-long reign as the hardcover *New York Times* bestseller leader, while Viking and Riverhead both had record years in 2005.
- Launched several successful mass market programs.
- Established a new all-time high for *New York Times* bestsellers in the Penguin Young Readers Group division.
- Delivered a 35 percent increase in Audio sales.
- More than doubled its Online sales performance in 2005.

Looking Ahead

In 2006, the 60th Anniversary of Penguin Classics, the company is currently ahead of 2005's pace.

To date, Penguin Group (USA) is up in all *New York Times* bestseller categories. Looking ahead to the rest of the year, upcoming major titles include *Mayflower* by bestselling, National Book Award-winning author Nathaniel Philbrick; two books from #1 *New York Times* bestselling author Patricia Cornwell; *America Back on Track* by Senator Edward M. Kennedy; *Tough Choices* by former Hewlett-Packard Chairman and CEO Carly Fiorina; *Greatest Story Ever Sold* by highly regarded and widely read *New York Times* columnist Frank Rich; and *Virgil's Aeneid*, translated by Robert Fagles, who has won many prestigious awards, including the PEN/Manheim Medal for Translation.

David Shanks, CEO of Penguin Group (USA), said, "In 2005, the corporation delivered ahead of expectations despite ongoing marketplace challenges. We continued to leverage and build on our core strengths: an unsurpassed list of brands, multi-million-copy bestsellers, exceptional imprint performance, innovative paperback programs and development of new talent. It was particularly gratifying to see our continuing commitment to our writers result in many significant achievements last year, including record bestseller performances and the winning of some of the top awards in our industry.



“Looking at 2006, we are off to a strong start. In addition to our year-long celebration of the 60th Anniversary of Penguin Classics, we are very excited about the quality and depth of our lists of bestselling, award-winning fiction and nonfiction books that we are publishing across the house throughout the year. We are also going to continue to invest in new digital formats and new technology strategies.”

John Makinson, Chairman and CEO of Penguin Group, stated, “The market for consumer books is both challenging and exciting. Last year we rose to the challenge, delivering more sales for our authors and more profits for our shareholders.”

Penguin Group (USA) Earns Many Prestigious Awards and Honors

It was a year filled with numerous awards and honors that were presented to Penguin Group (USA) authors and their books. **The winner of the 2005 Pulitzer Prize in General Nonfiction was *Ghost Wars* by Steve Coll. The 2005 National Book Award for Fiction went to William T. Vollmann’s *Europe Central*.** Penguin Group (USA) also won two of the top honors at the 2005 National Book Critics Circle Awards: the general nonfiction award – *The Reformation: A History* by Diarmaid MacCulloch – and the criticism award – *Where You’re At: Notes From the Frontline of a Hip-Hop Planet* by Patrick Neate.

The Harmony Silk Factory by Tash Aw was the winner of the Whitbread Book Award’s First Novel Award and a Borders’ Original Voices selection, and *A Short History of Tractors in Ukrainian* by Marina Lewycka was an Orange Prize finalist. Alexandra Fuller’s *Scribbling the Cat: Travels with an African Soldier* won the 2005 Lettre Ulysses Award, the only world prize for literary reportage. Sue Monk Kidd’s *The Mermaid Chair* won the Quill Award for General Fiction. And PEN Center USA’s 2005 Literary Award in the Fiction category went to *The Daydreaming Boy* by Micheline Aharonian Marcom. PEN Center USA’s 2005 Literary Award in the Research Nonfiction category went to Evan Wright’s *Generation Kill: Devil Dogs, Iceman, Captain America and the New Face of American War*, which also won the 2005 J. Anthony Lukas Book Prize, awarded by the Columbia Graduate School of Journalism and the Nieman Foundation at Harvard University. Also, Pattiann Rogers, whose most recent book, *Generations*, was published in 2004 as part of the Penguin Poets series, won the Lannan Literary Award for Poetry – a highly regarded lifetime achievement award.

Among Penguin Young Readers awards: *Show Way*, written by Jacqueline Woodson and illustrated by Hudson Talbott, was named a Newbery Honor Book for outstanding contribution to children's literature. Jacqueline Woodson was also a winner of the Margaret A. Edwards Award, which is given for lifetime achievement in writing for young adults. *Looking for Alaska* by John Green won the Michael L. Printz Award for excellence in literature for young adults.

Unparalleled Media Coverage for Penguin Group Includes National Cover Stories

Penguin Group (USA) authors and books graced the covers of many publications in 2005. In October, Maureen Dowd was on the cover of *The New York Times Sunday Magazine* and *New York* magazine, with the cover features focusing on her *New York Times* bestseller, *Are Men Necessary? When Sexes Collide*. Earlier in the year, we landed two national magazine



covers, *Time* and *Newsweek*, within a month's time. *The End of Poverty* by Jeffrey D. Sachs was featured on the cover of *Time* magazine in early March while *Perfect Madness* by Judith Warner was the featured cover story in *Newsweek* in mid February (when it was also on the cover of *The New York Times Book Review*).

In 2005, the "Penguin Classics Library Complete Collection" (1,082 separate titles) was made available, for the first time ever, to individual consumer buyers and the publicity campaign launched by Penguin attracted national media coverage, including major features in *The New York Times* and *The Wall Street Journal*. *The New York Times* piece focused on a former librarian, who lost her personal library in a fire that destroyed her New Mexico home and was given the complete collection as a birthday present – arriving from Amazon.com in 25 boxes, weighing 700 pounds! Penguin's Great Ideas series, featuring pocket-sized editions of groundbreaking works by some of history's most prodigious thinkers, also garnered glowing national coverage.

Published 160 Authors New to the House in 2005, Including More Than 40 Debut Novelists and Five Nonfiction *New York Times* Bestsellers

Supporting and developing new and emerging writing talent continues to be an important part of Penguin Group (USA)'s business strategy. In 2005, the company published titles by more than 160 authors new to the house – including more than 40 fiction and more than 120 nonfiction titles. Among the most notable 2005 debuts were these *New York Times* nonfiction bestsellers: *The Last True Story I'll Ever Tell* by John Crawford, *Oh The Glory of It All* by Sean Wilsey, *Smashed* by Koren Zailckas and *Nightmare in Wichita* by Robert Beattie. Among Penguin Group (USA)'s most notable fiction debuts were *The Harmony Silk Factory* by Tash Aw, *A Short History of Tractors in Ukrainian* by Marina Lewycka and the imaginative humor title, *The Areas of My Expertise* by John Hodgman.

Multi-Million Copy and *New York Times* Bestsellers

- **#1 *New York Times* bestseller *The Mermaid Chair* by Sue Monk Kidd**, was on *The New York Times* hardcover nonfiction bestseller list for 24 weeks, while her mega-success, *The Secret Life of Bees*, has been a *New York Times* bestseller for 101 weeks, with more than 4 million copies in print.
- **Patricia Cornwell** had two #1 *New York Times* bestsellers in 2005, *Predator* in hardcover and *Trace* in paperback. Cornwell's books are #1 in many significant markets around the world and have been translated into more than 32 languages in more than 35 countries, and she is regarded as one of the major international bestselling authors.
- **Nora Roberts** had nine *New York Times* bestsellers for Penguin Group (USA) in 2005, including five bestsellers writing as Nora Roberts (*Blue Smoke*, *Northern Lights*, *Red Lily*, *Black Rose* and *Blue Dahlia*) and four bestsellers writing as **J. D. Robb** (*Origin in Death*, *Visions in Death*, *Survivor in Death* – the latter in both hardcover and paperback in the same year). Through 2005, Nora Roberts achieved 133 *New York Times* bestsellers and has more than 280 million copies of her books in print.



- **Jan Karon's** beloved Mitford series concluded last year with a ninth and final title, *Light From Heaven*, a *New York Times* bestseller. Karon plans to continue to write about one of the central characters in the series, Father Tim – who will be featured in three new books, the first of which will be published by Viking in the fall of 2007. Over the course of her phenomenal career, Karon has achieved six *New York Times* bestsellers and there are 25 million copies of her books in print.
- *Collapse: How Societies Choose to Fail or Succeed* by **Jared Diamond**, the follow-up to Diamond's Pulitzer prize-winning, million-copy selling last book, *Guns, Germs and Steel*, was on *The New York Times* hardcover nonfiction bestseller list for 33 weeks in 2005.
- *The Kite Runner* by **Khaled Hosseini** was on *The New York Times* paperback fiction list for all of 2005, returning to the #1 spot nearly a year after it reached that position for the first time in 2004, logging more than 75 weeks on the list to date, with more than 3 million copies in print.

Inside Penguin Group (USA)'s *New York Times* Bestseller Success Stories

Penguin Group (USA) placed 129 books on *The New York Times* bestseller list in 2005 for a total of 687 weeks, including 14 #1 bestsellers, with 61 hardcover, 43 paperback and 25 Young Readers titles – a new record for Penguin Young Readers Group.

The coveted # 1 spots on *The New York Times* hardcover, paperback and/or young readers bestseller lists were held by at least two Penguin Group (USA) titles, simultaneously, in 14 different weeks in 2005.

Penguin Group (USA) is home to a prestigious list of perennial brand name, award-winning, bestselling authors. In 2005, the following writers achieved #1 *New York Times* bestsellers: Patricia Cornwell, Nora Roberts, Sue Monk Kidd, Sue Grafton, Al Franken, John Berendt, Clive Cussler and Catherine Coulter. Additionally, Jan Karon, Amy Tan, Harlan Coben, John Sandford, Terry McMillan, Ken Follett, Robert B. Parker, Daniel Silva, Sara Paretsky, Eric Jerome Dickey, W.E.B. Griffin, Robin Cook and Stuart Woods also recorded *New York Times* bestsellers.

G.P. Putnam's Sons led the publishing industry once again with 29 hardcover fiction and nonfiction *New York Times* bestsellers, more than any other single imprint in the publishing world. Putnam has been the hardcover *New York Times* bestseller leader each year for more than a decade.

The Penguin Press published *Ghost Wars* by Steve Coll, winner of the 2005 Pulitzer Prize in General Nonfiction, and reached a new high with seven 2005 *New York Times* bestsellers, including the imprint's first #1 *New York Times* bestseller, *The City of Falling Angels* by John Berendt, and the brilliant Zadie Smith's *On Beauty*, shortlisted for the Man Booker Prize. Other Penguin Press 2005 bestsellers included books by Ruth Reichl and Jeffrey D. Sachs. More than 40 percent of the books published by The Penguin Press in 2005 were on *The New York Times* printed or extended bestseller list.



Viking published the winner of the 2005 National Book Award for fiction, William T. Vollmann's *Europe Central* and had books on *The New York Times* bestseller list for an impressive total of 72 weeks – 33 weeks longer than the imprint's cumulative total for 2004, including the #1 *New York Times* bestseller *The Mermaid Chair* by Sue Monk Kidd, *Light From Heaven*, the final book in *New York Times* bestselling author Jan Karon's beloved Mitford Years series, *Collapse* by Jared Diamond and *The Interruption of Everything* by Terry McMillan. Other successful 2005 Viking titles included new books from Nobel Prize-winning author JM Coetzee and Dava Sobel as well as a breakout *New York Times* bestseller, *Smashed*, from first-time author Koren Zailckas.

Dutton placed one out of every four books it published in 2005 on *The New York Times* bestseller list and achieved a #1 *New York Times* bestseller with Al Franken's *The Truth (with jokes)*. Additionally, Dutton had *New York Times* bestsellers from Harlan Coben, Ken Follett, Eric Jerome Dickey, Jenny McCarthy, Stephen White and Sylvia Browne.

Riverhead Books delivered a record nine *New York Times* bestsellers last year, including books by Nick Hornby, Anne Lamott, and Suze Orman. *What You Wear Can Change Your Life* by Trinny Woodall and Susannah Constantine, a Riverhead Trade paperback original, reached #1 on the highly competitive paperback *New York Times* "Advice, How-To" bestseller list.

Jove achieved 12 *New York Times* bestsellers, including four #1s, with three from Nora Roberts, including *Red Lily*, the conclusion of her "In the Garden" trilogy, all of which hit #1 on *The New York Times* bestseller list, and Catherine Coulter's *Blowout*. **Berkley's** 13 *New York Times* bestsellers included a #1 with Patricia Cornwell's *Trace*.

Penguin Young Readers Group Hits New Bestseller Level

Penguin Young Readers' 25 bestsellers in 2005 is a new all-time high for the Group (up over 2004's total of 19) and included the #1 bestseller *Charlie and the Chocolate Factory* by Roald Dahl as well as new titles from such authors as Jan Brett, Anthony Horowitz, Laurie Halse Anderson, Paul McCartney, Madonna, and The Three Doctors.

The Young Readers Group is well positioned to continue its strong bestseller performance in 2006, with #1 *New York Times* bestselling author Clive Cussler publishing his first book for young readers, *The Adventures of Vin Fiz*, and new books from *New York Times* bestselling authors Anthony Horowitz, Mike Lupica, Richard Peck, Tomie dePaola and G. P. Taylor.

New Mass Market Initiatives Deliver Results

In an effort to further invigorate the mass market category, Penguin Group (USA)'s paperback division successfully launched three new formats in 2005: Penguin Premium Editions, Hot Shots and Penguin Essential Editions.

Penguin Premium is an up-market paperback format that offers the reader hardcover and trade production values – higher quality paper, more white space both in the margins and between the lines of text, and a larger font size throughout; specially designed for a more comfortable reading experience – at a paperback price (\$9.99). In July 2005, the first official



Penguin Premium title, *Nights of Rain and Stars* by Maeve Binchy, was released and hit *The New York Times* paperback fiction bestseller list. Each of the subsequent titles released in this format, by authors such as Nora Roberts, Clive Cussler, Catherine Coulter and Stuart Woods, hit the *New York Times* list, with Nora Roberts' *Northern Lights* the first Penguin Premium title to hit #1 on *The New York Times* bestseller list. The first Penguin Premium paperback original, *Night Game* by Christine Feehan, debuted on *The New York Times* bestseller list in November – a good indicator of the potential of Premium as a future format for original titles. Approximately 12 titles are scheduled for 2006 in the Penguin Premium format, including books by Patricia Cornwell, John Sandford, Harlan Coben, Clive Cussler, Christine Feehan, Sara Paretsky and Stuart Woods.

Hot Shots is another Penguin Group (USA) mass market program, which Berkley introduced into the U.S. market in late September 2005. This new line of paperbacks (most around 100 pages in length) by such authors as Nora Roberts/J.D. Robb and Jack Higgins is aimed at enticing readers to sample new authors, offering great stories that can be read quickly and at a minimal cost (each Hot Shots title retails for \$2.99). The books are presented at retail in special Hot Shots displays and printed to order – there will be no reprints – making these editions collectibles. There are six more titles lined up for another Hot Shots promotion this year, tentatively set for Summer 2006.

In September and October of last year, Penguin Group (USA)'s paperback division rolled out **Essential Editions**, featuring such current bestsellers as *The Kite Runner* and *The Secret Life of Bees* as well as classics such as *The Bluest Eye* and *The Godfather* in a beautifully-crafted deluxe trade paperback format. The first ten titles available as Essential Editions, from various paperback imprints at Penguin Group (USA), were chosen based on their literary merit and enduring popularity with readers. All Essential Editions are thoughtfully crafted and handsomely packaged with French flaps, rough fronts, high-quality paper, and a distinctive cover look with embossed texturing that incorporates the original jacket design of each book. Each book also has a Readers Guide available online.

Penguin Audio Registers Sales Growth and Awards Recognition

Penguin Audio's gross sales were up 35 percent in 2005. The division's biggest audio title of the year was *Predator* by #1 *New York Times* bestselling author Patricia Cornwell, with more than 100,000 copies of *Predator* in the audio format in print last year. Penguin Audio won four *Publishers Weekly* 2005 Listen Up Awards. This represents the most Listen Up honors that Penguin Audio has received at one time. The Listen Up Awards recognize only three to five titles, from across the audio books industry, in each of nine categories. Three Penguin Audio titles were also finalists for the Audie Awards – considered the Academy Awards of the audio book industry. Looking forward, downloadable audio continues to be a significant growth area for this division.

Penguin Online Doubles Its Sales

Penguin Group (USA) online more than doubled its sales in 2005. Penguin Online's focus has been shifting from marketing to sales throughout the past year, with the repeat visitor levels growing, month-to-month. Penguin Online is also planning to improve the site's



search capability and forge further relationships with other external sites to have them link to Penguin Group (USA)'s site as we continue to grow our customer base and sales.

New Penguin Digital Initiatives in 2006

Exciting new digital initiatives are taking place in 2006, including the launch of a new design of the Penguin Classics Site, new dedicated category sections (including Mystery and Romance), a new membership program, pre-ordering incentives, a renewed commitment to eBooks and a new podcasting program.

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