

FOR IMMEDIATE RELEASE

PENGUIN GROUP WORLDWIDE REPORTS
RECORD SALES AND OPERATING PROFITS IN 2003

**-- Underlying Profit Up 2 Percent; Underlying Revenue Up 2 Percent
Versus a Year Ago --**

New York, New York, March 1, 2004 Penguin Group worldwide today reported its operating results for the year ending December 31, 2003, with underlying operating profits up 2% and underlying revenues up 2% over the previous year. Penguin Group is part of Pearson (FTSE: PSON; NYSE: PSO), the international media company.

This overall profit increase was once again driven by strong frontlist performance worldwide, improved operating efficiencies and increased investment in new authors, new books and new publishing programs.

John Makinson, Chairman and CEO of Penguin Group, stated, "The Penguin Group achieved record sales and profits once again in 2003. Every one of our publishing businesses around the world contributed to this performance, which was achieved in very tight and competitive markets through the simple but challenging strategy of publishing the right books, and publishing them well."

David Shanks, CEO of Penguin Group (USA), said, "While we achieved all of our operating targets in 2003, we also continued to focus on our future growth opportunities with the very successful launch of two new imprints, Portfolio and Gotham Books, and the announcement of more new imprints launching in 2004, including The Penguin Press and Sentinel. The company also excelled in its efforts to publish fresh new literary and commercial voices last year. As we strive to continue to enhance our leadership position in the book publishing world, the powerhouse talent among our authors and the publishing teams across the company are key to our continued financial health in 2004 and beyond."

Penguin Group (USA) Author List Represents Prestige, Depth and Perennial Bestsellers

Penguin Group (USA) is renowned for its deep and wide-ranging list of award winning literary and *New York Times* bestselling authors, many achieving new heights in 2003. Viking Penguin author J.M. Coetzee won the prestigious 2003 Nobel Prize for Literature. The National Book

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Foundation's 20 finalists for 2003 National Book Awards included T.C. Boyle's *Drop City*, Richard Peck's *The River Between Us* and Jacqueline Woodson's *Locomotion*.

Among Penguin Group's other 2003 author honors: two MacArthur Grant recipients, three ALA Adult Notable Books winners, four National Book Critics Circle Awards finalists, two "Editors' Choice: Best Books of 2003" picks by *The New York Times Book Review* and 28 *New York Times Book Review* "Notable Books" selections. PGI also had two Edgar Award winners.

In 2003, Penguin Group (USA) placed 110 titles on *The New York Times* bestseller lists, for a combined total of 561 weeks, with 57 hardcover titles, 41 paperbacks and 12 Young Readers titles. The company made publishing history when titles by Nora Roberts and Patricia Cornwell held the #1 spots on *The New York Times* paperback fiction and nonfiction bestseller lists simultaneously for seven consecutive weeks last fall. No other publishing house had achieved this feat for longer than three weeks.

Among Penguin Group (USA)'s other repeat bestselling authors with *New York Times* hardcover fiction bestsellers in 2003 were Harlan Coben, Tom Clancy, Clive Cussler, Eric Jerome Dickey, Ken Follett, Sue Grafton, Jan Karon, Garrison Keillor, Jayne Ann Krentz, John Lescroat, Steve Martini, Robert B Parker, John Sandford and Daniel Silva.

Pace-Setting Performances

In 2003, Penguin Group (USA) clearly demonstrated its pace-setting ability to turn defining moments into remarkable, long-term successes. The company is uniquely able to capitalize on flash-point events and sustain breakout momentum. John Steinbeck's *East of Eden*, known as "the book that brought Oprah's book club back," was the biggest and most successful "Oprah pick" ever. *East of Eden* debuted at #1 on *The New York Times* paperback fiction list, a position it held for seven straight weeks, and tripled its initial print run, with 1.8 million currently in print. *The Secret Life of Bees*, a remarkable debut novel by Sue Monk Kidd, was a solid success as a hardcover in 2002, before the paperback edition caught fire in 2003. Its initial paperback print run of 165,000 was multiplied more than 12 times in 2003. *The Secret Life of Bees*, in its 17th printing, now has 2.5 million copies in print, and has been on *The New York Times* paperback fiction bestseller list for 56 consecutive weeks.

The company's hardcover nonfiction success was led by Al Franken's *Lies: And The Lying Liars Who Tell Them ... A Fair and Balanced Look at the Right*, which more than tripled its first printing of 270,000 copies, rising to its current total of 1.15 million copies in print to date. Arguably the U.S. media story of the year in book publishing, *Lies: And The Lying Liars Who Tell Them ... A Fair and Balanced Look at the Right* hit #1 on *The New York Times* hardcover nonfiction bestseller list and is still on the list, 27 weeks and counting.

Penguin Group also published two of the publishing industry's most talked about and highly sought after nonfiction books: *Kate Remembered*, the loving tribute and tender farewell to

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Katharine Hepburn by Pulitzer Prize-winning author A. Scott Berg, and *A Royal Duty*, an exclusive view of Princess Diana's life by Paul Burrell. These two books both hit #1 on *The New York Times* hardcover nonfiction list and shipped more than 1.5 million copies.

Penguin Group is known for its ability to take established authors to new levels of commercial performance. In 2003, Harlan Coben, Daniel Silva, Jayne Ann Krentz, Elizabeth Buchan and Laurell K. Hamilton were among the authors who achieved personal bests.

Imprint Excellence and Commitment

For the seventh consecutive year, the G. P. Putnam's Sons imprint led the industry in hardcover bestsellers. G.P. Putnam's Sons had an unprecedented, record-breaking year in 2003, placing 31 hardcover fiction and nonfiction titles on *The New York Times* bestseller list – a 94 percent lead over its closest competitor. With this accomplishment, Putnam recorded more hardcover bestsellers than any other single imprint in any single year in at least the past decade. Putnam's 31 bestsellers in 2003 reflects a 20 percent rise over the 2002 total and represents the most bestsellers the imprint has ever had in one year. Seven of the titles were #1 *New York Times* bestsellers – also a publishing industry best for hardcover in 2003.

As part of its ongoing commitment to developing new business and generating new bestsellers, Penguin Group (USA) launched two new imprints in 2003. Portfolio had a remarkably successful first year publishing business books. The imprint landed six titles on *The Wall Street Journal's* business book bestseller list, including *Perfect Enough* by reporter George Anders, which also became Portfolio's first mainstream *New York Times* bestseller. Portfolio began 2004 with another *New York Times* bestseller, *Perfectly Legal* by David Cay Johnson. Gotham Books also made a solid debut with such titles as *The Official E-Bay(tm) Bible* by Jim "Griff" Griffith and *The Lucky Shopping Manual: Building and Improving Your Wardrobe Piece by Piece* by Kim France and Andrea Linett.

Penguin Group (USA) announced the creation of two new adult imprints and one new juvenile imprint last year. The Penguin Press, founded by Ann Godoff, introduced its first titles in Winter 2004. Sentinel, headed by Portfolio publisher Adrian Zackheim and dedicated to the publication of books with a conservative perspective, will debut its first list with five titles in Fall 2004. Razorbill, a new Penguin Young Readers Group imprint, led by Eloise Flood, will primarily publish series fiction and media-based trend books aimed at teens, with first titles coming in Fall 2004.

Introducing New and Emerging Writers

In 2003, Penguin Group (USA) published more than 30 first fiction titles, including ZZ Packer's *Drinking Coffee Elsewhere*, chosen as May's "Today Book Club" selection by Pulitzer Prize-winning author John Updike on NBC's "Today Show" and Khaled Hosseini's *The Kite Runner*, winner of the Borders Original Voices award and a finalist for The Stephen Crane First Fiction

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award. Penguin Group's other new and emerging writers include Meghan Daum and Adam Johnson.

Penguin Young Readers Group Scores Major Achievements

Penguin Young Readers Group scored several major highlights in 2003. Madonna enjoyed enormous success with the publication of the first two titles in her series of five children's books: *The English Roses* and *Mr. Peabody's Apples*, which sold a combined 1.2 million copies worldwide in 2003. Both books debuted at #1 on *The New York Times* children's picture book bestseller list. *The English Roses* secured its place in publishing history in September when it was released simultaneously in 30 languages in more than 100 countries. No other book has ever been simultaneously released in as many countries or languages.

Jan Karon's *The Trellis and The Seed* hit #1 on *The New York Times* children's picture book bestseller list and was on the list for a total of 18 weeks. Jan Brett's *On Noah's Ark* debuted at #3 on that list and remained there for 8 weeks. Brian Jacques' *Loamhedge* was on the children's chapter book bestseller list for ten weeks in 2003. In the less traditional area of license publishing, Penguin Young Readers' mass merchandise group sold over 7 million copies of *Strawberry Shortcake* and *Dick & Jane* books in 2003.

Penguin Young Readers Group had a strong showing at the 2003 ALA Awards. Eric Carle was the recipient of the Laura Ingalls Wilder Award, given to an author or illustrator whose books have made a substantial and lasting contribution to literature for children. *Postcards From No Man's Land* by Aidan Chambers won the Michael L. Printz Award for excellence in young adult literature. *Bronx Masquerade* by Nikki Grimes won the Coretta Scott King Author Award, which honors African-American authors and illustrators of outstanding books for children and young adults. *The Red Rose Box* by Brenda Woods won the Coretta Scott King Author Award Honor.

Penguin Group (USA) Outlook

Penguin Group (USA) is off to another impressive start this year. Thus far, the company has produced a total of 37 *New York Times* bestsellers as of Sunday, February 29, 2004 as compared to 31 for the same number of weeks in 2003. The company has four more hardcover bestsellers and two more paperback bestsellers than last year at this time.

There were many highlights across Penguin Group globally in 2003.

In the UK, the Penguin Group sales through the General Retail Market in 2003 increased by 2.6% year on year, moving the group into second position behind The Random House Group. The Penguin Group held its market leading position in non-fiction (the largest of the market sectors) in 2003, with 11.6% of share by value. Sales growth came from a substantial increase in bestsellers, sixty titles in the Nielsen BookScan top 15 (as printed in *The Bookseller*) as opposed to forty-five last year. Some of the bestselling non-fiction titles in hardback in 2003 were *A Royal Duty* by Paul Burrell, *How Clean is Your House?* by TV's cleaning ladies Kim Woodburn

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and Aggie MacKenzie, *Dude, Where's my Country?* by Michael Moore, *The Kid* by Kevin Lewis, and *JKF: An Unfinished Life* by Robert Dallek. In fiction, *Spellbound* by Jane Green went to number one in hardback and there were other strong hardback performances from *Land of the Living* by Nicci French, *Remember Me* by Lesley Pearse and *Trojan Odyssey* by Clive Cussler. In paperback, Penguin had thirteen titles on the *Guardian* Fastsellers list, which did not include the 2002 published *Stupid White Men*, which racked up sales of over a million copies in the year. Other top paperback titles included *First Light* by Geoffrey Wellum, *Samuel Pepys: The Unequalled Self* by Claire Tomalin, *31 Songs* by Nick Hornby, *Globalization and its Discontents* by Joseph Stiglitz, and in fiction, *The Autograph Man* by Zadie Smith and *Angels* by Marian Keyes. At Puffin, picture books sold very strongly at Christmas, led by Madonna's *The English Roses*, which was the fastest selling picture book ever in the UK in its first week of publication, supported by *Mr. Peabody's Apples*, *Angelina Ballerina's Invitation to the Ballet* and *Harry and the Dinosaurs make a Christmas Wish*. Puffin fiction once again enjoyed success with Eoin Colfer's *Artemis Fowl – The Eternity Code* and great acclaim for the debut *Lionboy* by Zizou Corder.

At Dorling Kindersley highlights in 2003 included the ambitious natural history project, *Earth* (globally *Earth* sold 8% more than the 2002 bestseller, *Animal*, by volume) and Tom Peters' *Re-imagine!*, which was the number one business book in the UK at publication. In DK's largest market, the USA, the year finished well after a tough first three quarters. It started to see the return of significant re-orders for core backlist. On the frontlist, *America 24/7* featured on the *New York Times* Bestseller list after the glowing endorsement by Oprah Winfrey as her book of the year. In the UK, *The Big Read Book of Books* sold well on the back of the largest ever promotion for books on television. In Gardening, DK retained its position as the number one gardening publisher. Monty Don's beautiful *The Gardening Year* was a strong seller in the spring. In travel, DK grew sales by 21% year on year around the world as the acclaimed Eyewitness travel guide series celebrated ten years. On the children's side, DK maintained its position as leading children's reference publisher, showing real innovation in this category with the *e.encyclopedia*, which was number two in the children's reference bestseller chart. The two titles by Peter Ackroyd, *The Beginning* and *Space* also did well at Christmas. DK International Licensing has had a strong year with growth of 10% year on year due to strong sales with its international network of co-edition partners, special sales, and the launch of Eyewitness travel guides in China and Korea. Elsewhere in the world, DK Verlag has outperformed a market in recession, helped by Jamie Oliver (400,000 copies now in print in Germany).

Warne had a runaway success with the *Calendar Girls* tie-in calendar. In the pre-school division, the tie-in programme for the record-breaking movie *Finding Nemo*, sold over 800,000 units across 10 titles. Ladybird also did well with a new series *Start School* introduced in August, and with another pre-school series of *Boohbah* books, the new tie-in from Ragdoll, makers of the Teletubbies, which launched in the autumn. Rough Guides biggest selling title of the year was *The Rough Guide to The Lord of the Rings*, selling 50,000 units in the few weeks before Christmas. RG also launched the world's first rip-proof/tear-proof maps to critical acclaim.

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2004 has started strongly for the group, with Dave Pelzer's first book for Penguin *The Privilege of Youth* hitting the bestseller lists last month. In fiction, Penguin had three fiction titles in the bestseller lists in February: the debut thriller *Retribution* by Jilliane Hoffman and Robyn Sisman's *A Weekend in Paris* in hardback and Lesley's Pearse's *Remember Me* in paperback. Looking ahead, Rageh Omaar's *Revolution Day* is about to publish, Jeremy Clarkson comes to Penguin with two books in 2004, there's a new cookery book with television attached from Gordon Ramsay in May and then a brand new project from Jamie Oliver in the autumn. The "cleaning ladies" Kim and Aggie are back with a follow-up to *How Clean is Your House?* and there are new novels from top brand name authors Marian Keyes, Clive Cussler, Sue Townsend and Jonathan Coe. Michael Moore's *Dude, Where's my Country?* is likely to be one of the biggest paperbacks of the year. Non-fiction heavyweights in 2004 include books from some of our biggest history authors: Antony Beevor, Ian Kershaw and Richard Overy. In Puffin, there is the sequel to *Lionboy*, a new book by Eoin Colfer, more from Madonna and Angelina Ballerina as well as some strong debuts for readers of young fiction.

Following the success of *America 24/7* last year, DK will be publishing a remarkable new photographic project in September 2004. Each of the 50 States of America will have their own unique 24/7 title – all published on the same day. DK has some giant global projects scheduled for the second half of the year: *Flora Mundi*, a lavishly illustrated survey of flora worldwide, in association with The Royal Botanical Garden at Kew, *Ship*, published in collaboration with the National Maritime Museum and *Human*, fronted by television celebrity and bestselling author Robert Winston.

On the children's side, Robert Winston will be publishing his first children's book with DK called *What Makes Me Me?* plus more e-publishing with Google™ and more titles in the history series by Peter Ackroyd. In May, DK celebrates its thirtieth birthday with a trade-wide backlist promotion and also in the spring, there is a big gardening book from Diarmuid Gavin called *Design Your Garden* which will tie in with a six-part television series at the time of Chelsea. This year also marks the bicentenary of the RHS, and these branded titles will be promoted heavily throughout the summer months.

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Contact information: **Marilyn Duckworth, Penguin Group (USA) (212) 366-2564**
 Dave Zimmer, Penguin Group (USA) (212) 366-2687