

FOR IMMEDIATE RELEASE

PENGUIN GROUP ANNOUNCES 2004 RESULTS

New York, New York, February 28, 2005.... Penguin Group [all companies around the world, including DK] today reported its operating results for the year ending December 31, 2004. Underlying revenues were flat and underlying operating profits down, compared with the previous year. The Group reports its results in sterling, and the single largest factor in the decline in reported operating profits was the weak dollar. Among the factors affecting the decline in underlying operating profits was the disruption to the company's UK distribution and weakness in the US consumer publishing marketplace in the second half of the year. Penguin Group is part of Pearson (FTSE: PSON; NYSE: PSO), the international media company.

In the U.S., Penguin Group (USA) profits remained high while revenues showed only a slight increase over the previous year as a result of the significant market weakness in the third and fourth quarters. Market shortfalls and soft sales in the U.S. were being blamed on the distractions caused by the U.S. presidential election and the news coverage of the war in Iraq. By year end, Penguin Group (USA), like almost everyone else in the industry, felt the effects of a downturn in the market.

David Shanks, CEO of Penguin Group (USA), said, "In 2004, the corporation's record *New York Times* bestseller performance was up across all categories, including hardcover, paperback and young readers. The Group delivered 132 bestsellers--an all time high. We placed 20 first-time authors on *The New York Times* bestseller list and launched more than 35 new careers in fiction. Our Young Readers division delivered a record 18 *New York Times* bestsellers. We also had a 40 percent increase in the number of nonfiction bestsellers and delivered a profit on our investment in new imprints.

"However, there has been a sea change in the book publishing industry. Despite our great bestseller performance, the fact still remains that the market conditions affecting the business have changed. I can't remember a more challenging period of time in our industry than the one we face right now. In the short term, we have taken steps to better align our business so that we can manage our way through the current period of slow growth. This will undoubtedly help increase our competitive edge in the marketplace and better position the company for challenges going forward."

John Makinson, Chairman and CEO of Penguin Group, stated, "The record number of entries on the bestsellers 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 took action already 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."

Penguin Group (USA) Achieves Many Success Stories in 2004

Penguin Group (USA)'s 2004 successes were driven by several key elements, including a record number of *New York Times* bestsellers, the continuing development of new author talent, a record increase in Young Readers bestsellers, the debut of one of the Group's strongest nonfiction lists, and the company's ongoing successful new imprint strategy.

A Record *New York Times* Bestseller Performance

Penguin Group (USA) set a house record of 132 titles on *The New York Times* bestseller list. The corporation's bestseller numbers were up across all categories – 65 adult hardcover, 49 adult paperback and 18 young readers titles – surpassing last year's full-year total (110) by 22 bestsellers.

G.P. Putnam's Sons led the publishing industry once again with an unprecedented 32 hardcover fiction and nonfiction *New York Times* bestsellers, more than any other single imprint in the consumer trade book publishing world, besting last year's single-year record. Putnam has been the hardcover bestseller leader for more than a decade.

Twenty First-Time Authors on *New York Times* Bestseller List

The Group placed 20 first-time authors of fiction and non-fiction on *The New York Times* bestseller list and launched the careers of more than 35 new first fiction writers in 2004. The company continued to develop fresh writing talent and produced new “homegrown bestsellers” throughout the year. They included *Eats, Shoots & Leaves* by Lynne Truss; *The Jane Austen Book Club* by Karen Joy Fowler; *American Dynasty* by Kevin Phillips; *Bushworld* by Maureen Dowd; *Blue Blood* by Edward Conlon; *Ghost Wars* by Steve Coll; *The Great Influenza* by John Barry; *The Faith of George W. Bush* by Stephen Mansfield; *Perfectly Legal* by David Cay Johnston; *Shadowmancer* by G.P. Taylor; *The Pentagon's New Map* by Thomas P.M. Barnett; *Rise of the Vulcans* by James Mann; *What Not to Wear* by Trinny Woodall and Susannah Constantine; *Incubus Dreams* by Laurell K. Hamilton; and *Shem Creek* by Dorothea Benton Frank.

Critically acclaimed 2004 first fiction debuts included *The Shadow of the Wind* by Carlos Ruiz Zafón, *Crossing California* by Adam Langer and *Amagansett* by Mark Mills.

Nonfiction Category Gains Strength

The Group placed 41 nonfiction books on *The New York Times* bestseller list (25 hardcover and 16 paperback titles). This represents a 40 percent increase over 2003. This was by far one of Penguin's strongest nonfiction lists ever. Among the books that drove Penguin Group (USA)'s nonfiction success last year were *Eats, Shoots & Leaves* by Lynne Truss, *Alexander Hamilton* by Ron Chernow, *Ten Minutes From Normal* by Karen Hughes, *Bushworld* by Maureen Dowd, *American Dynasty* by Kevin Phillips, *Battle Ready* by Tom Clancy, with Gen. Tony Zinni (Ret.), and *The Last Season* by Phil Jackson.

Penguin Group (USA) Authors and Books Earn Prestigious Honors and Awards

From among the many translations available of Leo Tolstoy's *Anna Karenina*, the Penguin Classics Deluxe Edition was chosen to be the Summer Selection of Oprah's Book Club. Penguin Group (USA) earned many other prestigious honors and awards during the course of 2004. Here are some of the highlights: The National Book Foundation bestowed its 2004 Medal for Distinguished Contribution to American Letters upon Judy Blume, whose widely acclaimed *Fudge* series is published by the Penguin Young Reader's Group. Sue Monk Kidd's *The Secret Life of the Bees* won

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the 2004 Book Sense Book of the Year Award in the Paperback Category. Aleksandar Hemon, whose forthcoming novel, *The Lazarus Project*, will be published by Riverhead in 2006, was named among the twenty-three MacArthur Foundation Fellows for 2004. Rebecca Solnit's *River of Shadows: Eadweard Muybridge and the Technological Wild West* won the National Book Critics Circle Award in the Criticism Category. Riverhead author Khaled Hosseini won the Borders Original Voices Award in the fiction category for his book *The Kite Runner*. Legendary children's author Tomie dePaola, who turned 70 in 2004, marked his 40th year as a Penguin Group author and received *Child Magazine's* Lifetime Achievement Award.

Penguin Young Readers Group Delivers 18 *New York Times* Bestsellers – A Record for the Division

Penguin Young Readers Group earned a record 18 *New York Times* bestsellers, including five #1 bestsellers (*Shadowmancer* by G.P. Taylor, *Mister Seahorse* by Eric Carle, *Travel Team* by Mike Lupica, *The Umbrella* by Jan Brett and *Walter the Farting Dog: Trouble at the Yard Sale* by William Kotzwinkle and Glenn Murray). This performance is six books ahead of last year's Young Readers bestseller total. Other Penguin Young Readers titles to hit the list this year included: *Redwall* and *Rakkety Tam* by Brian Jacques, *The Great Tree of Avalon* by T.A. Barron, *Storybook Treasury of Dick & Jane and Friends*, *Eagle Strike* by Anthony Horowitz, *Wormwood* by G.P. Taylor, *The Easter Bonnet Parade* by Monique Z. Stephens, and three books by Madonna: *Yakov & the Seven Thieves*, *Mr. Peabody's Apples* and *The English Roses*.

Among Penguin Young Readers Group's significant deals announced in 2004: Razorbill Manga, which launches in Spring 2005, taps into the wildly popular form of Japanese graphic novel as part of a three-year co-publishing venture with Digital Manga Inc. Razorbill will publish children's and young adult titles. Adult books will be published by the Berkley Publishing Group. Penguin Group also forged new publishing deals with the Miss Spider and Nova the Robot series, created by David Kirk.

Puffin Graphics will feature a series of graphic novels based on Puffin Classics, which will remain true to the original texts while presenting the titles in a fully illustrated graphic format with a cinematic feel to appeal to young adult audience. Puffin Graphics will launch in Summer 2005.

Investment in New Imprints Delivers Profits

In its ongoing commitment to developing new business and generating new streams of revenue, Penguin Group (USA) continued its successful new imprint publishing programs. Among the 2004 new imprint highlights: The Penguin Press placed five books on *The New York Times* hardcover bestseller list, including *Alexander Hamilton* by Ron Chernow. Gotham Books published its first #1 *New York Times* bestseller, Lynne Truss' *Eats, Shoots & Leaves*, with more than 1 million copies in print to date. This great success story began in April 2004, when Gotham launched the book with a first printing of 133,000.

***The Kite Runner* and *The Secret Life of Bees* Continue Paperback Success Stories**

Currently sitting at #1 on *The New York Times* paperback fiction bestseller list one year after its paperback publication, *The Kite Runner* by Khaled Hosseini now has more than 1 million copies in print. Published by Riverhead as a hardcover in 2003, *The Kite Runner* garnered excellent reviews and won several literary awards. *The Kite Runner* was published in paperback in 2004 and has climbed on regional and national bestseller lists, stayed on them and now leads them, a tribute to a brilliant book and a tireless publishing team. It won the Borders Original Voices Award for Fiction in '04 (and in '05 that award has been won by another Penguin Group (USA) title, *The Shadow of*

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the Wind by Carlos Ruiz Zafón). *The Kite Runner* remains a favorite among reading groups all across the U.S.

Sue Monk Kidd's *The Secret Life of Bees* – now with more than 3.1 million copies in print – has proven to be a long-term bestseller, with more than 77 weeks on *The New York Times* adult paperback fiction list (more than 90 weeks including the extended list.) The book also won the Book Sense Award for Paperback of the Year and gained further notoriety as part of reading programs such as “Rhode Island Reads” and American Library Association’s “Get Caught Reading” program, which features a poster with Grammy Award-winning singer/Putnam author Alicia Keys reading *Bees*.

Penguin Group UK and DK Highlights

In the UK, Penguin’s sales in 2004 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 nonfiction market and had the bestselling nonfiction book of the year with *You Are What You Eat* by Dr Gillian McKeith, and Jamie Oliver’s *Jamie’s Dinners*, which was the largest hardback seller at Christmas. 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 UK 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.

At Puffin (UK), 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 during 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 and was a successful Christmas gift purchase. 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 Adult’s (9%) and Children’s (32%) segments of the business.

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Elsewhere in the Group, Rough Guides had great 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*.

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