

PENGUIN DELIVERS STRONG 2006 RESULTS

Sales up 3% to £848m
Profits up 22% to £66m

London, 26 February 2007, Penguin Group announced today a full year of excellent results across all territories and divisions. Underlying operating profits were up a notable 22 % to £66m, while underlying revenues were up 3% compared with 1% in 2005.

Penguin's increased profitability was due to the successful publishing of a record number of bestsellers, particularly of high volume paperbacks and increased sales of higher margin backlist titles, confident pricing strategies across the board, as well as improved efficiencies in the back office, an increased level of out-sourcing of pre-production and design work to India in the travel businesses and improved print costs.

2006 was a year of outstanding progress for Penguin in the UK, with sales growth well ahead of the market. This was fuelled by a record number of bestsellers - 59 titles in the BookScan top ten bestseller list in 2006 versus 54 in 2005. In 2006, Penguin books enjoyed a total of 361 weeks in the charts as against 319 weeks in the previous year. It was also a great year for fiction, as Penguin's share of the fiction market grew by 19% (while the overall fiction market grew by only 3%) led by *A Short History of Tractors in Ukrainian* by Marina Lewycka as well as some very strong hardcover fiction performances by key repeating authors Marian Keyes, Clive Cussler, Lesley Pearse, PJ Tracy and Dick Francis.

Penguin's paperback publishing led the BookScan/*Guardian* top 100 paperbacks of the year chart, with a total of 16 titles. The top selling Penguin paperback of 2006 was *A Short History of Tractors in Ukrainian* (more than 813,000 copies sold, BookScan's third-ranked bestselling paperback of the year), followed by Nick Hornby's *A Long Way Down*, Zadie Smith's *On Beauty* and Ali Smith's *The Accidental*. Paperback non-fiction lists were dominated throughout the year by Jeremy Clarkson, whose two books *The World According to Clarkson* and *I Know You Got Soul* spent a total of 74 weeks in the top ten and 16 weeks at number one. *Freakonomics* by Steven Levitt and Stephen Dubner was another long-running hit, notching up 23 weeks in the charts.

Strong backlist sales were underpinned by the 60th Anniversary of Penguin Classics, with promotions, new formats, eye-catching repackaging and special editions driving Penguin Classics' best ever year for sales across all markets. UK and European sales of Classics were up 20% year on year.

On the children's side, the group retained its market leading position and saw its market share grow to 16% - an increase of 2% - whilst the children's market decreased by 2.4%. Successes included Puffin's number one bestselling authors Charlie Higson and Eoin Colfer, whose books *Young Bond: Blood Fever* and *Artemis Fowl and the Lost Colony* were in the number one spots for 5 and 4 weeks respectively. The increasingly successful *Charlie and Lola* franchise provided strong picture book sales throughout the year and Puffin's largest backlist author, Roald Dahl, saw a big boost in sales due to the launch of the first annual 'Dahl Day' celebration, resulting in 12% backlist growth for this perennial children's favourite. From the pre-school division, *The Dr Who Annual* was the UK's number one children's book for the whole of 2006.

2006 was also a stellar year for book awards. Titles from the Hamish Hamilton imprint alone won the UK's three biggest literary prizes: The Whitbread Book of the Year – *Matisse the Master* by Hilary Spurling; The Orange Prize for Fiction – *On Beauty* by Zadie Smith and The Man Booker Prize – *The Inheritance of Loss* by Kiran Desai.

DK had a year of growth in all markets thanks to a very strong publishing program. Highlights included *Pick Me Up*, a new kind of reference book, inspired by the Internet, styled like a video game, and informed by pop culture, which hit number 8 on *The New York Times* bestseller list in the US and number one in the Children's Reference category in the UK; *Rainforest*, *DIY*, *Weapon*, *Shipwreck Detective* and the Marvel Encyclopedia were also big sellers in the second half. DK won a host of awards including The James Beard Award for *The Cook's Book* and The Practical Preschool Award for Miriam Stoppard's Toddler series. DK's International licensing division put in a particularly strong performance in Central and Eastern Europe and Mexico while BradyGames, publishers of the world's leading video strategy guides, and now part of DK, saw big sales around the globe from the *World of Warcraft* franchise and other games

In the UK, both Penguin and DK websites saw significant year-on-year sales growth. www.Penguin.co.uk saw its year-on-year sales grow by 62% with more than 2.1 million different visitors during 2006. The monthly newsletter now has 67,000 subscribers – 12% up on the previous year. Year-on-year sales on the DK website were up 66%, almost 1.5 million people visited www.dk.com and the monthly newsletter now has 50,000 subscribers, up 32% on the previous year.

2006 was also strong for Penguin everywhere in the world. In the US, **Penguin Group (USA)** delivered a record *New York Times* bestseller performance, strong paperback sales in both trade and mass market including three multi-million copy trade paperback bestsellers (*The Kite Runner*, *The Secret Life of Bees* and *The Memory Keeper's Daughter*) and further strengthened backlist sales, including 25% growth of Penguin Classics in the 60th Anniversary year. The US company also enjoyed prize success, winning a Pulitzer Prize for Fiction for the second year running as well as The Orange Prize. **Penguin Australia**, following its record year in 2005, continued to perform well in 2006. Penguin's total market share was nearly 17 %, more than 6.7% ahead of its nearest competitor. Five of the country's top ten bestsellers for the year came from Penguin. 2006 was also the year Penguin expanded its leadership positions in emerging markets such as India, China and South Africa. **Penguin India**, which celebrates its 20th Anniversary this year, once again was the market-share leader, with 23 %, more than twice its closest competitor. Penguin India was the first international publisher in India to develop a sustained publishing program in a language other than English and its local publishing program in 2006 was 21% ahead of 2005.

2007 has begun strongly for the Group, with publishing and licensing deals to tie in with two of the biggest film releases of the season, *Miss Potter* and *Notes on a Scandal*. Puffin has had a number one bestseller with the latest in the Young Bond series – *Double or Die* by Charlie Higson. Penguin's fiction continues to perform well with Marian Keyes paperback *Anybody Out There?* going straight to number one on publication and the successful launch of a major new women's writing talent, Jane Fallon. Her debut novel, *Getting Rid of Matthew* went straight into the charts at number 7 on publication. In non-fiction both Jamie Oliver and Jeremy Clarkson are back in the number one slots.

Looking ahead, there is an exciting publishing programme for later in the year. Penguin's strong programme of fiction titles continues with: *Two Caravans* by Marina Lewycka, the second novel by the author of *A Short History of Tractors in Ukrainian* coming in April. There are new novels by bestselling authors, Zoe Heller, Pat Barker, Jonathan Coe and Jane Green all coming in the second half. In the crime/thriller area, there are new books scheduled from Jillianne Hoffman; Clive Cussler and Jonathan Kellerman.

In non-fiction, the Christmas list is shaping up well with a big new cookery title from Jamie Oliver – *Jamie at Home*, which will have a Channel 4 eight-part television series attached; another guaranteed bestseller by Jeremy Clarkson called, *Don't Stop Me Now; Tribe* by Bruce Parry, a big book about the author's time spent living with some of the remotest tribes in the world – accompanied by a six-part BBC television series and *Mountains* by Griff Rhys Jones, which ties in with a BBC series starting in August.

At Penguin Press, highlights include: *The Age of Turbulence* by Alan Greenspan, a new book by Naomi Klein, *The Shock Doctrine*; a big new history of Stalinist Russia, *The Whisperers* by Orlando Figes and Steven Pinker's new book *The Stuff of Thought* - an entertaining and original book about language by the brilliant science writer.

At Puffin, highlights include the new Young Bond from Charlie Higson, a full programme of Charlie and Lola publishing, including an Annual and stationery range, and bestselling author Nick Hornby will publish his first teenage novel. And from BBC Children's Books *The Dr Who Annual 2007* is destined to repeat last year's bestselling performance.

At DK, 2007 marks the publication of their strongest adult and children's lists ever with *History*, a follow-up to our category-killing reference series such as *Earth; Reef*, an amazing photographic journey and *Dinosaurium*, a unique format with ten books nestled inside one big monster Dinosaur book.

The Travel Division, building on a successful 2006, celebrates the 25th anniversary of Rough Guides with a year long celebration starting with the publication of *Rough Guide to World Party* and with the launch in May of 25 *Rough Guide Experiences*.

DK will continue to sell its content in other formats: DK Travel content is now available on MSN and Rough Guides content is available on Motorola mobile phones. This month, DK have launched www.travel.dk.com, a new website which integrates user-generated content with DK Eyewitness content and allows the user to create, print and share a personalized travel guide.

Penguin will continue to invest in digital strategies in 2007. Following last year's two awards in this area - The Revolution Award for Best Brand Building using Digital Channels and the Nielsen Nibbie for Innovation in the Book Business - Penguin has continued to lead the industry in digital innovation, most recently with the launch of the acclaimed Penguin Blog, Penguin's presence in Second Life and the wiki-novel, A Million Penguins, which launched earlier this month and hosted 60,000 unique visitors in its first week.

Peter Field, Chief Executive of Penguin in the UK said, "Penguin had a record year for prizes and bestseller success. The outstanding growth in fiction is a testament to the team's commitment to this area for the last few years and to the work of the publishing team to build strong, repeating author brands for the future. The children's publishing across the business saw more bestsellers than ever and our domination of the paperback charts year long also helped

to contribute to our overall performance. Judging by the strong start to this year and the great lists for the second half, we are set to make 2007 every bit as successful.”

Penguin Group Chairman and Chief Executive, John Makinson commented,

“These excellent results reflect outstanding contributions from every corner of our company. In 2006 we published more bestsellers than ever before, carried home the world's most prestigious literary prizes, and reinvigorated the heart of our backlist - Penguin Classics. Our underlying profits increased by almost a quarter, tangible reward for a company-wide focus on margin improvement and cash generation. We continue to extend our leadership positions in emerging markets and are implementing a digital strategy that will help us take full advantage of a market brimming with challenge and opportunity. We are confident of continued profit growth in 2007.”

[Ends]