

Penguin

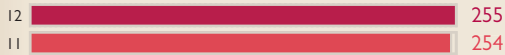
KEY PERFORMANCE INDICATORS

Penguin is one of the most famous brands in book publishing, known around the world for the quality of its publishing and its consistent record of innovation.

Sales		Adjusted operating profit	
2012	£1,053m	2012	£98m
2011	£1,045m	2011	£111m
Headline growth	1%	Headline growth	(12)%
CER growth	1%	CER growth	(11)%
Underlying growth	(2)%	Underlying growth	(14)%

CASE STUDY

US bestsellers No.



The number of Penguin books entering the Top Ten bestseller lists in the US (*New York Times*).

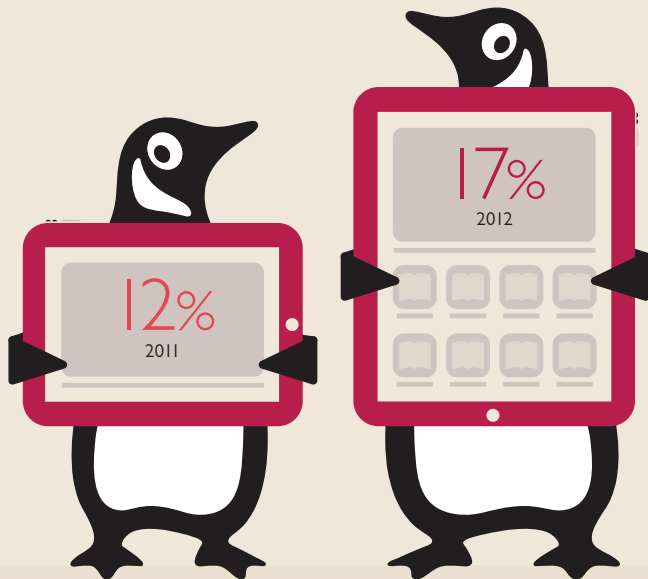
UK bestsellers No.



The number of Penguin books entering the Top Ten bestseller lists in the UK (Nielsen Bookscan Top Ten).

eBook sales % of sales

eBook revenue grew strongly in 2012 and accounted for 17% of Penguin's global revenue



In October 2012, Pearson and Bertelsmann announced an agreement to create the world's leading consumer publishing company by combining Penguin and Random House. Pearson will own 47% of the combined organisation, which is subject to regulatory approval and is expected to complete in the second half of 2013. We believe that the combined organisation will have a stronger platform and greater resources to invest in rich content, new digital publishing models and high-growth emerging markets.

In market conditions that remained challenging, Penguin had a solid year with momentum and share improving in the second half of the year. It also made several moves to offer a broader range of services to more authors across more platforms in more markets.

Key highlights in 2012 include:

- › In the United States, we published 255 *New York Times* bestsellers (254 in 2011) including *No Easy Day: The Firsthand Account of the Mission that Killed Osama bin Laden* by 'Mark Owen', *Bared to You* by Sylvia Day and Nate Silver's *The Signal and the Noise* as well as new titles from bestselling authors including Ken Follett, Nora Roberts, Tom Clancy and Harlan Coben.

- › In the UK, we published 90 Bookscan bestsellers, our best year on record (and compared to 78 in 2011) including Sylvia Day's *Bared to You*; Jamie Oliver's *15 Minute Meals*; Clare Balding's *My Animals and Other Family* and Daniel Kahneman's *Thinking, Fast and Slow*.
- › eBook revenue grew strongly in 2012 and accounted for 17% of Penguin's global revenue (12% in 2011), and almost 30% in the US (20% in 2011). We continued to invest in digital publishing programmes, making eBooks available in new markets including Australia, India, Brazil and China; launching a number of digital-only imprints around the world and expanding our eSpecials list. Global app sales grew by more than 200% driven by brands including Wreck this App, Mad Libs, Moshi Monsters and LEGO®. DK was Apple's only trade publisher launch partner for the January launch of the eBooks Author 2 platform and now has more than 50 interactive titles available.

CASE STUDY

Strong publishing list for 2013

Penguin has a strong publishing list for 2013 with major new books from authors including Khaled Hosseini, Elizabeth Gilbert, Sylvia Day, Nora Roberts, Nathaniel Philbrick and Sarah Dessen in the US, and Jamie Oliver, John Le Carré, Jennifer Saunders, Malcolm Gladwell, Steven D Levitt & Stephen J Dubner, Jeremy Paxman, Jonathan Coe and John Green in the UK. DK will launch more LEGO® titles, including the LEGO® Play book, and *Mary Berry's Cookery Course*. New apps for 2013 include *Anne Frank: The Diary of a Young Girl*, *I'm Ready to Spell* and *Poems by Heart*.



Penguin
continued

- › In Brazil, we acquired 45% of Companhia das Letras, a leading trade book publisher. In India, we launched a local eBook programme and enjoyed considerable success in commercial fiction with bestselling authors including Ravinder Singh and Shobhaa De. In China, we expanded our local publishing programmes in both Chinese and English with more than 100 titles now available, including a first local language top ten title, tennis player Li Na's autobiography, and we launched our first list of eBooks.
- › DK performed strongly and grew share globally led by our LEGO® publishing list. In the UK, DK celebrated a number one bestseller with *Mary Berry's Complete Cookbook*, which has sold more than one million copies worldwide. BradyGames had bestsellers with *Borderlands 2*, *Skylanders Giants* and *Call of Duty: Black Ops II*.
- › Author Solutions, which we acquired in July 2012 for \$116m, had a good start. It is the world's leading provider of professional self-publishing services and broadens our expertise in online marketing, consumer analytics, professional services and user-generated content. In February 2013 Penguin India launched Partridge, a new self-publishing imprint, in partnership with Author Solutions.

CASE STUDY

Pick of the year

In 2012, Penguin enjoyed bestseller success around the world, including publishing 255 *New York Times* bestsellers and 90 top ten bestsellers in the UK. Here's a taste of the highlights:

