

Lehman Brothers

David Shanks
CEO, Penguin Group (US)

15 June 2005

Our shape

Pearson

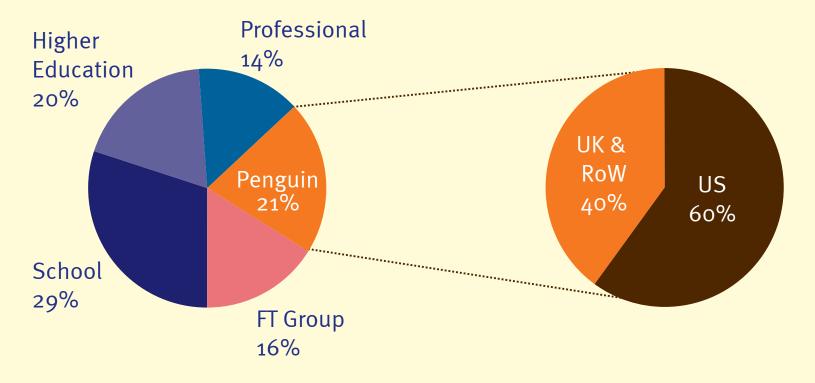
Sales: \$7,096m

Profits: \$758m

Penguin Group

Sales: \$1,509m

Profits: \$100m

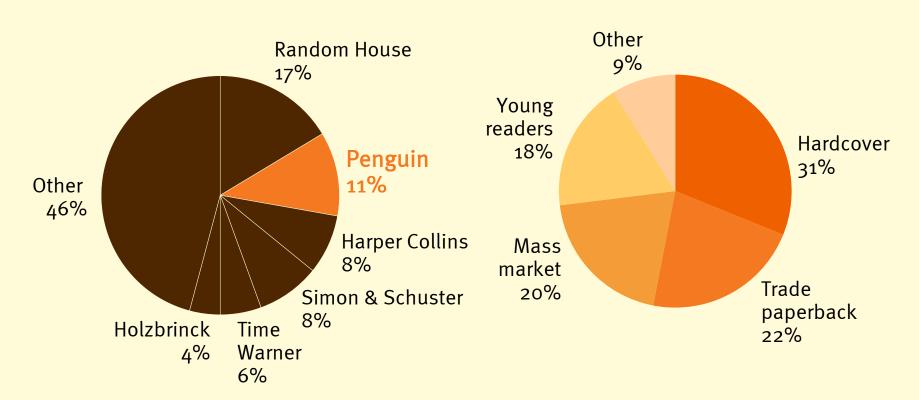


2004 results under IFRS translated at year end rate of £1: \$1.92

The US consumer publishing market



By category



Source: Nielsen Bookscan, AAP

A US publishing powerhouse



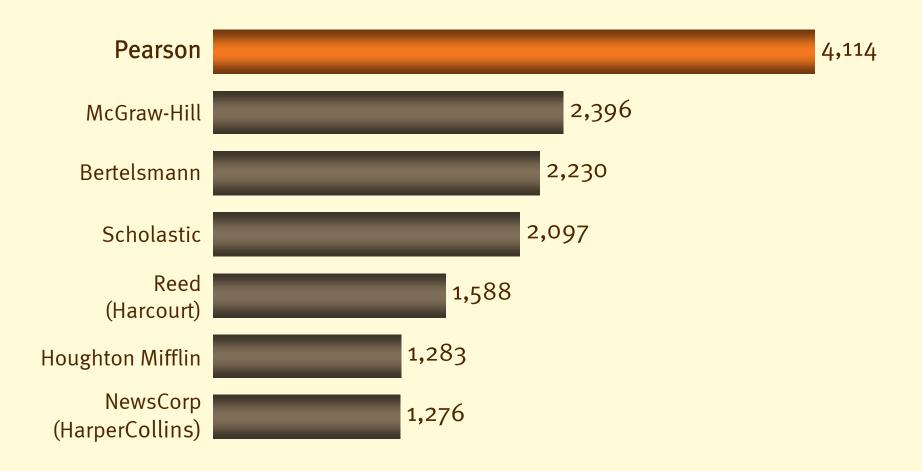
Strength of brand and backlist



#1 imprint in US

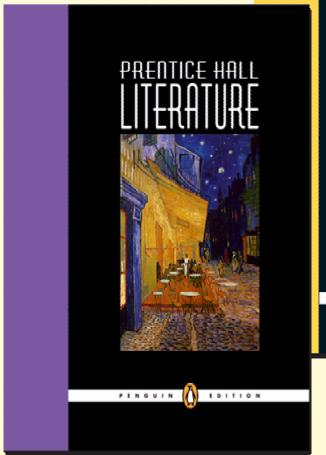
- Breadth of publishing
- A leader in every major English language book market
- Part of the world's largest book company

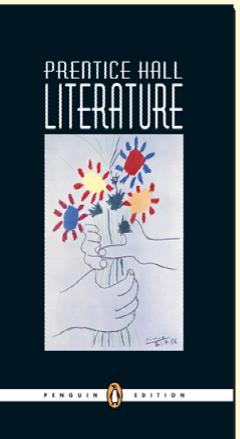
The world's leading book company Book revenues, \$m

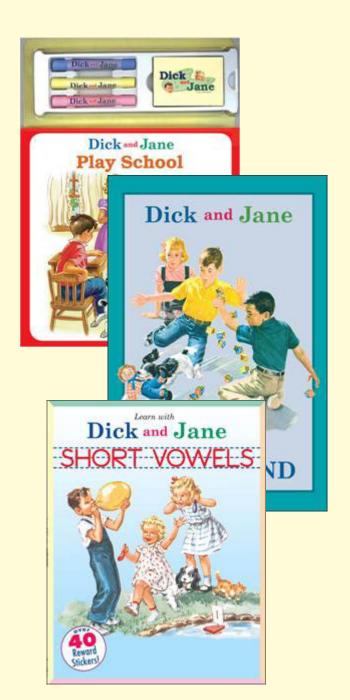


Source: 2004 results

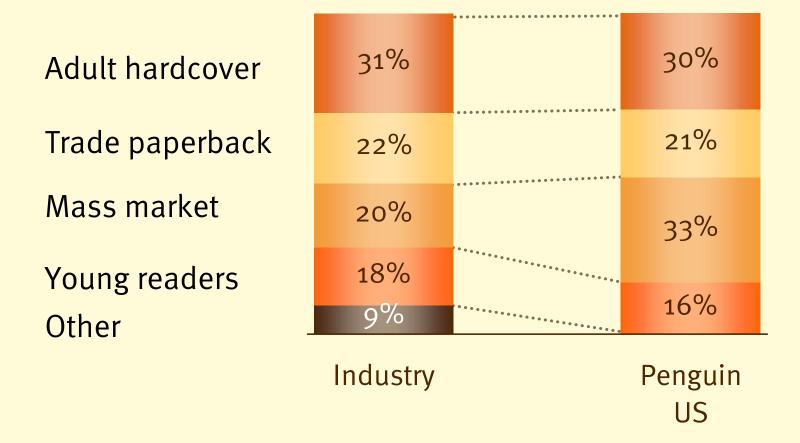
Note: 2004 FY average £1:\$1.83; €1:\$1.25.





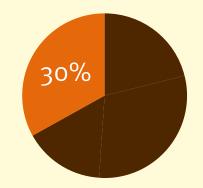


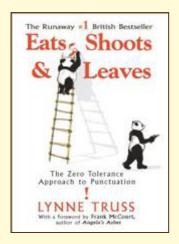
US gross sales by format, 2004

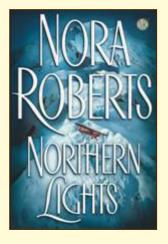


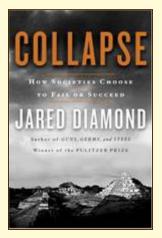
Source: AAP/ Penguin

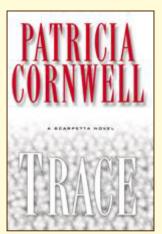
Adult hardcover



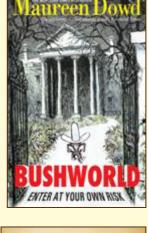


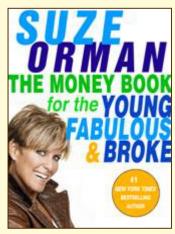


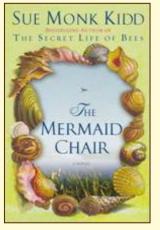


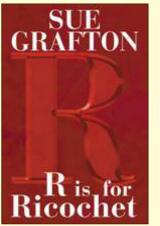


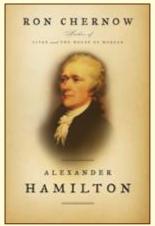


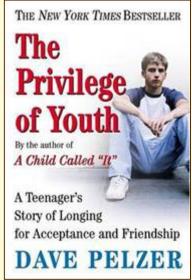


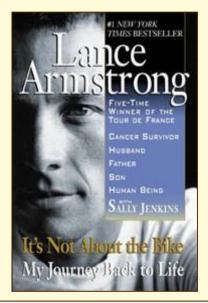




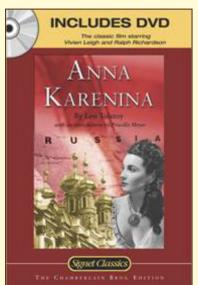


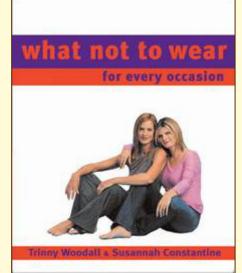


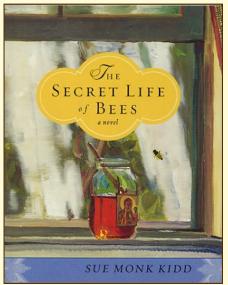


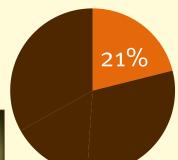






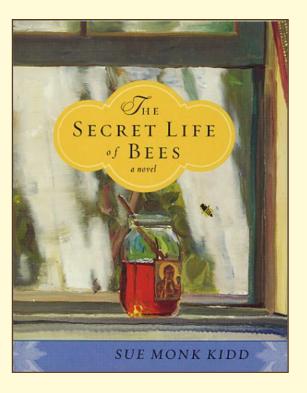


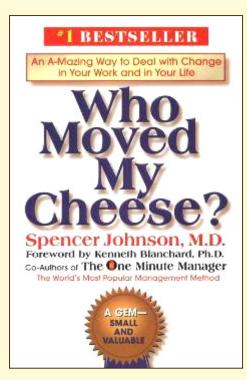




Emergence of multi-million bestsellers







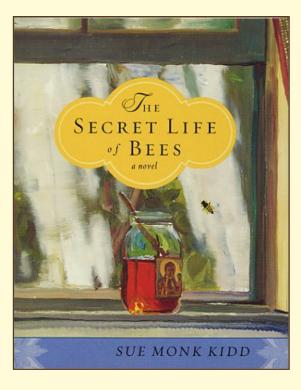
2.2m

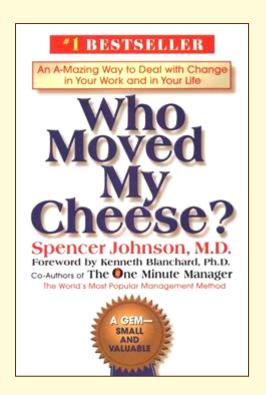
3.7m

7.2m

Emergence of multi-million bestsellers





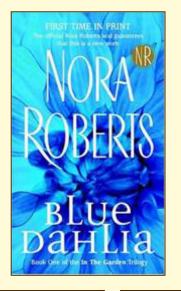


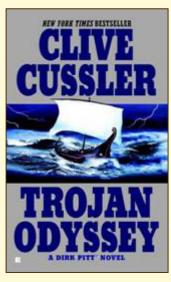
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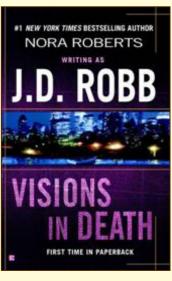
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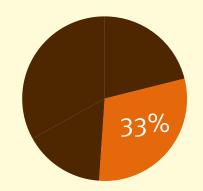
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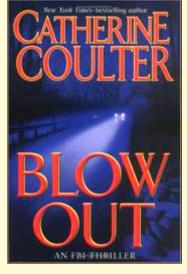
Mass market

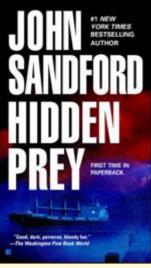


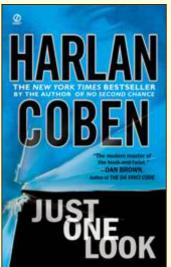


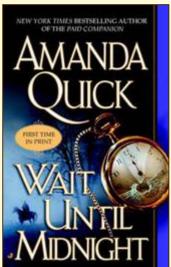












Consumer attitudes to mass market

- 60% of readers over 50 have not bought a book because of legibility
- 82% of readers prefer new premium format to traditional mass market
- 70% of readers over 50 would spend \$2 more on new format

The premium paperback

ACTUAL PREMIUM FORMAT PAGE

leaped from the table disappeared down a

Jimmy felt disgusted and relieved at the same time. He hated rats, but he also hated hiding in a funeral home. The place gave him the willies and reminded him of all the horror comic books he'd read as a child. His imagination had conjured up all sorts of explanations for the noises he'd been hearing. So seeing a rat was far better than seeing one of the embalmed corpses stalking around the room like Tales From the Crypt.

Stepping out into to a large metal box the floor, he used it t peared. With that as

room. But he didn't get far. He heard another slight thump through the door to the supply room.

Thinking the rat had surfaced in the supply room, Jimmy grabbed the broom that he'd been using on his clean-up chores. Planning on beating the crap out of the rat, he threw open the supply room door. He even took a step forward before he froze. Blood drained from his face. In front of him was an unright figure whose feature

A muffled scream staggered back. The the tiled floor with a

a reality. One of the corpses had come alive.

"Hi, Jimmy," said the figure.

Panic could not overcome paralysis in Jimmy's brain. He stood rooted to the floor as the figure in front of him stepped from the shadows of the supply room along with a cold breez from an open windo

"You look a little his gun, but it was p better climb up on the

pointed with his free hand toward the embalming table.

"They made me do it," Jimmy slobbered when he comprehended he was not dealing with a supernatural creature but rather a live human being obviously associated with Cerino's organization.

"Yeah, sure," Tor "But get on the table As Jimmy stepped

BETTER PAPER

BIGGER TRIM SIZE

well of course you sould be. It's just that I wanted to tell you about this accident . . . No, I wasn't hurt . . . No, I wasn't on the boat." A long silence. "Right, Dad, give my love to Mum, won't you. No, tell her there's nothing definite about when I'm coming back."

RAIN AND STARS

LARGER TEXT FONT

one seemed to let her talk about it. It was, as ad predicted, some kind of plea to come home. "I defend another slight thump are supply room, Jimmy on his clean-up chores.

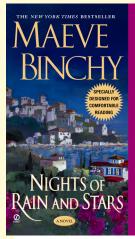
one seemed to let her talk about it. It was, as ad predicted, some kind of plea to come home. "I million times. Where he goes I go, Mam, and you must make your own plans for that—it would be much better that way."

Elsa left two messages on answering machines. Andreas spoke German and he understood perfectly. The first was warm: "Hannah, it's Elsa. I am in this glorious place in Greece called Aghia Anna, and there was a terrible accident today. People died in a boat tragedy. In front of our eyes. I can't tell you how sad it was. But in case you wondered if I was involved in it, I wanted to tell you I'm one of the lucky ones. Oh, Hannah, I do miss you and your kind shoulder to weep on. But I weep a lot less now, so possibly I did the right thing to come away. As usual, I'd prefer you not say that you heard from me. You're such a friend, I don't deserve you. I'll get in touch soon, I promise."

Then she made a second call, and this time her voice was ice-cold. "I wasn't killed on that boat. But you know that there are times I would not mind if I had been. I don't pick up e-mails, so save your energy. There is nothing you can say, nothing you can do. You've done and said it all. I only

Standard Mass Market Size Shown Above

The premium paperback

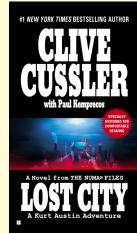


N AND STARS 15

Oh, Dad, you're at home, yes,
It's just that I wanted to tell
, I wasn't hurt ... No, I wasn't
"Right, Dad, give my love to
there's nothing definite about

hardly at all about the boat et her talk about it. It was, as ind of plea to come home. "I m, we've been through this a go, Mam, and you must make buld be much better that way."

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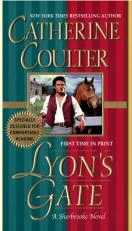


LOST CITY 3

ws shut with renewed deterfrost from his goggles and wling. The alpine air was as ven the most distant detail anks of saw-toothed mounrizon, and miniature villages t alpine valleys. Fluffy white piles of newly picked cotton. blue intensity. The summer immits was bathed in a soft ring sun.

mmed eyes with the magnif-

icent beauty, as he cocked his ear and listened to the exhaust sound produced by the eighty-horsepower, four-stroke Gnome rotary engine that powered the Morane-Saulnier N aircraft. All was well. The engine droned on as it had before his near-fatal nap. Fauchard



LYON'S GATE

hat's why she usually beats h skill."

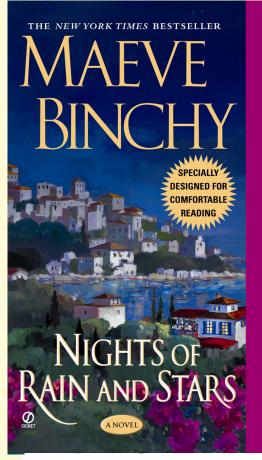
am said. "Both of you are ut the same tired old exyou have seen me ride e—we're like the wind, so your faces. All Jason can do se a slight breeze."

slap to the head, Jason

ır-old Constance said. "Al-

though, she acceed, rooking at her mother thoughtfully, "perhaps Mama does weigh a little bit more than I do. But Uncle Jason, you're just like Papa, you're too big to race, you nearly drag the horse down into the dirt. Jockeys have to be small. Even

The premium paperback



N AND STARS 15

Oh, Dad, you're at home, yes,
It's just that I wanted to tell
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"Right, Dad, give my love to
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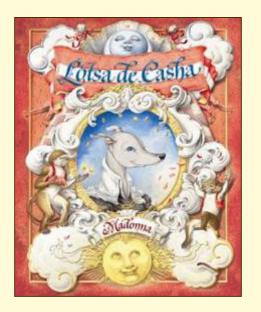
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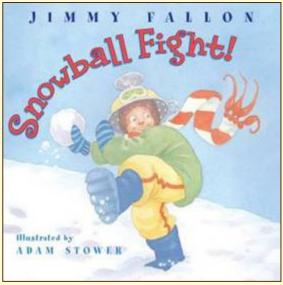
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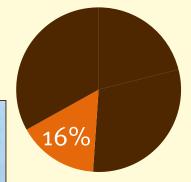
Young readers

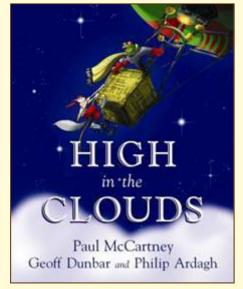


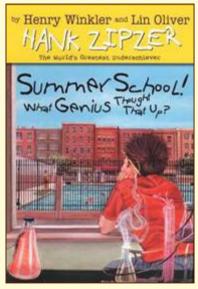
Young readers

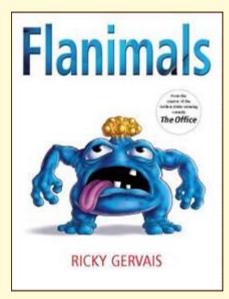












Our priorities

- Balancing our investment
- Innovation in formats / channels
- Further cost savings
- Efficiency gains with Pearson Education
- Publishing success

Hot Shots

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HOT SHOTS DISPLAYS: YOUR BEST BET FOR A HOT DEAL.









12-copy dipstrip

40-copy plastic sleeve strip

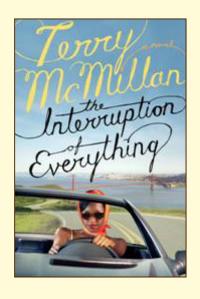
Both are perfect for cross merchandising in supermarkets, drug stores, and other venues with pre-existing features 60-copy floor display convertible into a power wing/side-kick

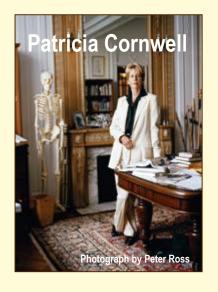
Can be used as a traditional floor display, or can be converted into a hanging rack—comes with hardware to hang on pre-existing flutures

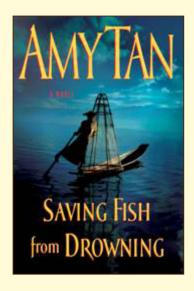


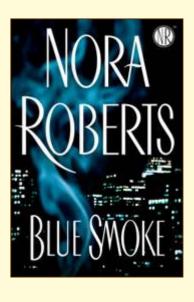
A September 2005 Special Event, On Sale August 30th

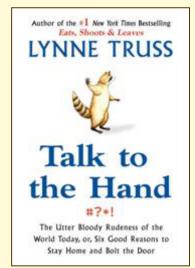
Our outlook

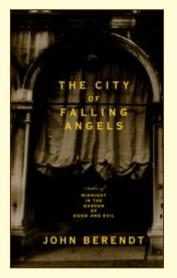


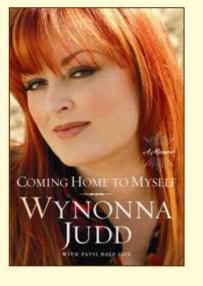


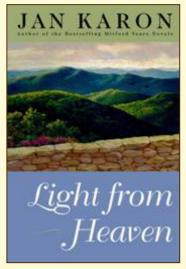




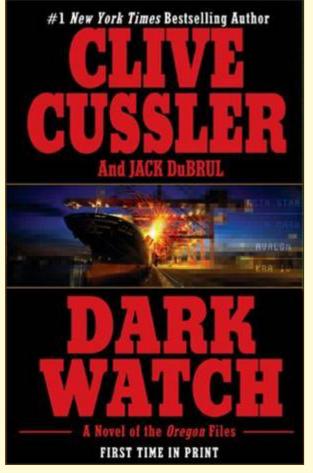


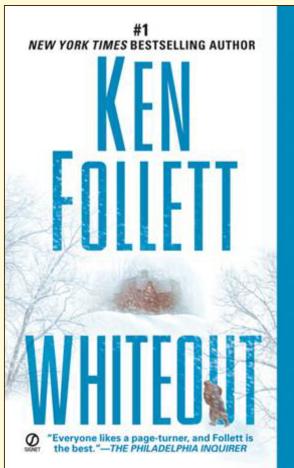


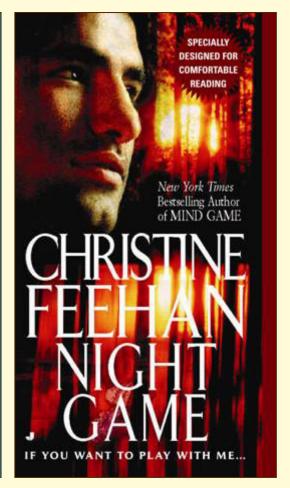




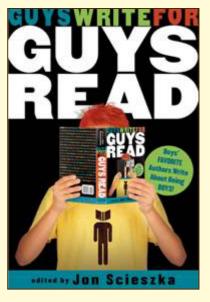
Our outlook

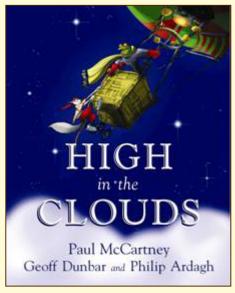


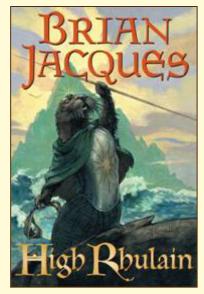


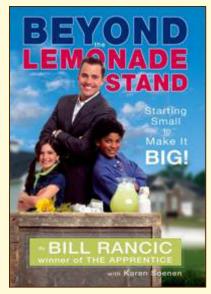


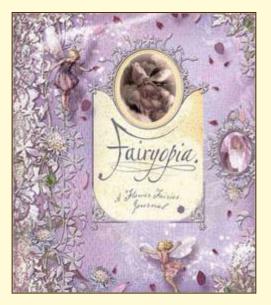
Our outlook











PEARSON