



Pearson announces proposed acquisition of National Computer Systems (NCS), the USA's leading commercial testing and educational services company.* NCS will combine with Pearson Education to create a world-leading integrated education company



Pearson Education performing strongly with underlying sales up by 10% and seasonal first-half losses cut by 27%



Penguin operating profits up by 16% and Dorling Kindersley acquisition completed in May

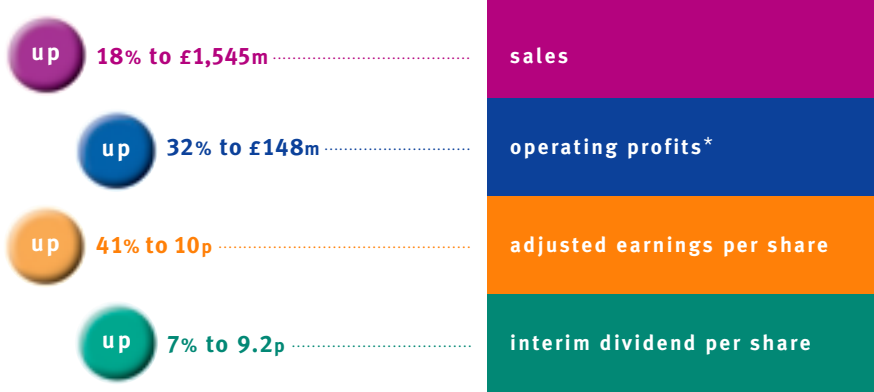


The FT Group operating profit up by 29% and Internet enterprises on schedule to break even in 2002 - two years ahead of target



Pearson Television's merger with CLT-Ufa completed creating Europe's largest integrated broadcasting and content company

**See enclosed documentation for full details*



**Continuing operations before goodwill, exceptional items and internet enterprises*

“These results demonstrate both consistency and growth. We are achieving strong organic growth in revenues and profits across all our businesses. At the same time we’re accelerating investment in new businesses so that they can more quickly become an integral, and profitable, part of a stronger Pearson. Our proposed acquisition of National Computer Services marks another big strategic step for us. The combination of NCS and Pearson Education, enriched by the assets and capabilities of our other media businesses, puts us at the heart of the knowledge and service economy that is changing our world.”

marjorie scardino
 chief executive
 august 2000



: overview :

In the first six months of 2000, total sales increased by 18% to £1,545m. Underlying sales growth (excluding portfolio changes and exchange rate movements) was 12%. Operating profits from continuing operations, before goodwill, exceptional items and the net costs of developing Pearson's internet enterprises, increased by 32% to £148m. On an underlying basis, operating profits increased by 33%. Adjusted earnings per share (pre internet enterprises) increased by 41% to 10.0p. Pre-tax profits of £123m (compared to a loss of £20m in the first six months of 1999) reflect the completion of the sale, early in the year, of Pearson's stakes in the Lazards investment houses. In addition to making online developments an integral part of all our businesses, we are stepping up investment in developing internet enterprises, which capitalise on the power of our brands and content and generate new and distinct revenue streams. In the first half of the year, the net cost of developing these enterprises was £84m.



Pearson Education's US School business has made a very strong start to the year, with underlying sales increasing by 15%. Our new reading programmes, in English and Spanish, gained substantial market share in both state adoptions and open territories. New science and literature programmes are also performing well, and our best-selling math programmes continue to win new business and generate strong backlist sales. Both Computer Curriculum Corporation and Pearson Electronic Education, capitalising on growing investment in educational and online software, are scoring major sales across the USA.

Our Higher Education & Professional business is on track for another good year, posting first-half underlying revenue growth of some 6%. Buoyed by a successful spring sales campaign, our US college publishing operation is extending its market leadership with the launch of its own online course management system. The system supports some 250 on-line courses and combines easy-to-use technology with Pearson Education content. Our professional and technology publishing business is also performing well, with its titles consistently leading the Information Technology (IT) best-seller lists and helping to drive traffic to Informat, our Information Technology portal.

With the Addison Wesley Longman (AWL) and Simon & Schuster publishing programmes and distribution and marketing networks now fully integrated, our International business is in very good shape to capitalise on stronger growth in Latin American and Asian markets. In Latin America, our expanded programme of higher education and professional titles is performing particularly well while, in Asia, growth is being driven by the strength of our school and IT publishing. In the rapidly growing business-publishing market, we are seeing the first benefits of an alliance between Pearson Education and the Financial Times group. Worldwide, our market-leading English Language Teaching enterprise continues to expand rapidly. At constant exchange rates, the International business increased first half revenues by some 13%. The integration of the Simon & Schuster and AWL businesses is substantially completed, and will deliver, as expected, some \$130m in annual cost savings by the end of the year.

FT Knowledge, our business and management education division, made losses of some £5m as it invested, in partnerships with a number of the world's leading business schools, in bringing to market interactive, online learning programmes aimed at the international business community. The acquisition of The Forum Corporation, one of America's top corporate training companies, announced earlier this month, enables it to create an innovative corporate training and e-Learning company.

Development of the Learning Network, which aims to build on Pearson Education's strengths in curricular content to create the internet's premier education source, has progressed rapidly and the network will be launched in September. We have formed a strategic alliance with



£m	2 0 0 0 half year	1 9 9 9 half year	% change	1 9 9 9 full year
Sales				
US School	222	187	19%	575
Higher Education & Professional	215	178	21%	666
International	197	169	17%	446
Discontinued	2	12	--	19
<hr/>				
Pearson Education	636	546	16%	1,706
FT Knowledge	11	8	38%	19
<hr/>				
	647	554	17%	1,725
<hr/>				
Operating (loss)/profit				
Pearson Education	(21)	(35)	40%	265
FT Knowledge	(5)	(3)	--	(8)
<hr/>				
	(26)	(38)	32%	257
Internet enterprises	(19)	--	--	(3)

America Online, the world's leading interactive services company, which positions the network as a premier supplier of educational content and online learning tools. We have recently acquired Family Education Network, the leading online K-12 network for parents, teachers and students, which will form an integral part of the Learning Network. Its development has also been accelerated by the announcement of a number of additional strategic investments and alliances in online education businesses including Classroom Connect, Score! Learning, Edgate.com and Blackboard.




The Financial Times Group's business newspapers continue to deliver very strong circulation and advertising growth. In June, average daily worldwide sales of the *Financial Times* newspaper increased to 462,000, an increase of 17%. For the first six months of the year, advertising revenues increased by 40%. In France, *Les Echos* increased average daily circulation by 6% to 157,000, while, in Spain, average daily sales of *Expansion* grew 7% to 67,100. At *Les Echos*, advertising revenues grew by 20% and they increased by 30% at *Expansion*. Average daily sales of *Financial Times Deutschland*, the German-language business newspaper launched earlier this year in a joint venture with Gruner + Jahr, are running at 50,000, well ahead of our first year target. It is also beating its initial advertising target.

Our integrated network of finance and business websites and our online services are also generating strong traffic and revenue growth. Our business portals, which build on our newspapers and are targeted at international business executives, are developing rapidly. FT.com, benefiting from its launch as a business portal and a major marketing push, now attracts some 1.2 million unique monthly users and around 30 million monthly page views, a 45% increase since January this year. Pages consumed per user per day – a key measure of a site's 'stickiness' – have increased from five to eight since its transformation into a business portal, reflecting the rich content of the site. Lesechos.fr and expansiondirecto.com are also sustaining strong traffic growth and building their market leading positions in France and Spain, while FT.de has quickly established itself as one of Germany's leading business and financial websites. Building on the strength of the Financial Times brand, we have launched a number of new online services targeted at individual investors and savers. FTYourMoney.com and mesfinances.fr are quickly establishing themselves as leading personal finance websites in the UK and French markets. FTMarketWatch.com, our joint venture with MarketWatch.com, operator of America's leading financial website and one of the 50 most visited sites in the world, launched last month. The site, which aims to become the leading online

source of real-time news and interactive data for European private investors, has made a strong start in attracting both visitors and revenues. Pearson now owns 60% of *FT Interactive Data*, following its merger, completed earlier this year, with *Data Broadcasting Corporation*. The integration of the two businesses is going well and delivering significant revenue and cost synergies.

Recoletos, our Spanish media group, delivered strong growth across both its print titles and online services, increasing advertising revenues by some 30%. In June, average daily sales of *Marca*, Spain's leading sports newspaper, increased by 8% with other *Recoletos* titles - *Telva* and *Actualidad Economica* – achieving similar sales growth. *Recoletos* continues to develop its position as Spain's leading online media group, with its sites generating total page views of some 65 million in June 2000, up from 9 million in June last year. Taking into account the online presence of *El Mundo* (the leading Spanish daily newspaper in which we own a 30% stake), *Recoletos* is now the second most visited portal in Spain.

First half losses of £9m in Financial Times Joint Ventures reflect our share of the start-up costs of the Financial Times Deutschland and Financial Times MarketWatch. In Associates a strong underlying performance from BDFM, our South African business publishing operation, and *The Economist Group* were offset by one-off restructuring charges.



£m	2 0 0 0 half year	1 9 9 9 half year	% change	1 9 9 9 full year
Sales	392	328	20%	680
Internet enterprises	16	2	--	7
Operating profit/(loss)				
FT Newspaper	50	34	47%	56
FT Interactive Data	26	15	73%	31
FT Business	3	(1)	--	1
Les Echos	16	13	23%	18
FT Businesses sold	--	(1)	--	(2)
Recoletos	19	18	6%	34
FT Joint Ventures	(9)	--	--	--
Associates	4	8	(50%)	12
	109	86	27%	150
Internet enterprises				
FT	(60)	(7)	--	(36)
Associates	(4)	--	--	--



Investment by **The Penguin Group** in building a stronger front-list of new and established authors is paying dividends. In the year to date, we have notched up 58 titles on the New York Times best-sellers list (up from 34 in 1999) and 31 titles on the Sunday Times best-sellers list (up from 22 in 1999). Our best-seller performance in the second half of 2000 is projected to be strong, as we publish new titles from some of our brand-name authors. We are also benefiting from further steps to improve our supply chain and business processes. In the USA, warehousing consolidation, a new web-enabled order shipping and tracking system and continuing growth in online sales are all helping to improve the economics of our publishing business.

We are also stepping up the digitisation of our titles, expanding our E-Book publishing programme and using the internet to promote our authors and build more direct relationships with our customers. We continue to build and broaden the visibility of the Penguin brand. We launched the next phase of our UK brand campaign, revitalised our Viking imprint in the USA and acquired worldwide author rights. On 10 May, we completed the acquisition of Dorling Kindersley, the leading illustrated reference publisher. The Dorling Kindersley integration is on track, delivering scope for significant margin improvements and creating new publishing opportunities across all media. Its attractive, wholly owned digital content, also creates new opportunities across all our companies.

£m	2000 half year	1999 half year	% change	1999 full year
Sales				
Penguin	294	263	12%	565
Dorling Kindersley	32	--	--	--
	326	263	--	565
Operating Profit				
Penguin	37	31	19%	65
Dorling Kindersley	(4)	--	--	--
	33	31	--	65





Pearson Television increased sales by 3%, with its stable of serial dramas and game shows continuing to deliver good peak-time audiences, particularly across Europe. Operating profits dipped slightly as it increased investment in developing the new shows and formats that will refresh its television production business. For the first time, we can report a profit from our stake in Channel 5, which continues to grow audience and advertising share ahead of budget.

Last week, we completed the merger of Pearson Television and CLT-Ufa to create Europe’s leading pan-European integrated broadcast and content company. The RTL Group, in which Pearson will have a 22% stake, is now listed on the London Stock Exchange and is valued at some £16bn.

£m	2 0 0 0 half year	1 9 9 9 half year	% change	1 9 9 9 full year
Sales	164	159	3%	355
Operating profit/(loss)				
Pearson TV	31	35	--	74
Channel 5	1	(3)	--	(7)
BSkyB	--	1	--	1
	32	33	--	68

: outlook :

Our business operations have made a strong start to the second half of the year and are trading in line with our expectations. We continue to step up our investment in developing the internet enterprises that will secure Pearson’s longer-term growth.

: consolidated profit and loss account : *for the six months to 30 june 2000*

all figures in £ millions	2 0 0 0 half year	1 9 9 9 half year restated	1 9 9 9 full year restated	note
Sales				2
Continuing operations	1,490	1,306	3,332	
Acquisitions	55	—	—	
Total sales	1,545	1,306	3,332	
Operating profit				2
Continuing operations – group	(13)	13	247	
Acquisitions – group	(6)	—	—	
Total operating (loss)/profit – group	(19)	13	247	
Share of operating profit of associates and joint ventures:				
Continuing operations	5	12	23	
Acquisitions	(5)	—	—	
	—	12	23	
Discontinued operations	8	21	48	
Total share of operating profit of associates and joint ventures	8	33	71	
Total operating profit analysed between:				
Operating profit before internet enterprises, goodwill amortisation and other items	156	133	588	
Internet enterprises	(84)	(7)	(39)	
Goodwill amortisation	(72)	(63)	(131)	
Other items	(11)	(17)	(100)	
Total operating (loss)/profit	(11)	46	318	
Continuing operations:				
Profit on sale of fixed assets and investments	2	22	349	3
(Loss) on sale of businesses and associates	(15)	(17)	(44)	4
Discontinued operations:				
Profit on sale of businesses and associates	231	—	—	4
	218	5	305	
Profit on sale of businesses and associates by an associate – continuing operations	—	—	1	
Profit before interest	207	51	624	
Net finance costs				
Net interest payable – group	(67)	(70)	(145)	
Net interest payable – associates and joint ventures	(1)	(1)	(2)	
Arrangement fee	(16)	—	—	5
	(84)	(71)	(147)	
Profit/(loss) before taxation	123	(20)	477	
Taxation	(32)	(18)	(177)	7
Profit/(loss) after taxation	91	(38)	300	
Equity minority interests	(3)	(3)	(6)	
Profit/(loss) for the financial period	88	(41)	294	
Dividends on equity shares	(58)	(54)	(138)	
Profit/(deficit) retained	30	(95)	156	
Adjusted earnings per equity share before internet enterprises	10.0p	7.1p	53.3p	6
Adjusted (loss)/earnings per equity share after internet enterprises	(0.6)p	6.3p	48.5p	6
Earnings/(loss) per equity share	14.2p	(6.6)p	48.2p	6
Diluted earnings/(loss) per equity share	13.8p	(6.5)p	47.5p	6
Dividends per equity share	9.2p	8.6p	22.5p	8

1999 has been restated to reflect the adoption of FRS16 'Current Tax'.

The results for the 1999 full year are an abridged version of the full accounts which have received an unqualified audit report from the auditors and have been filed with the Registrar of Companies. First half figures are neither audited nor reviewed.

: consolidated balance sheet : as at 30 june 2000

all figures in £ millions	2 0 0 0 half year	1 9 9 9 half year	1 9 9 9 full year
Fixed assets			
Intangible assets	3,018	2,340	2,457
Tangible assets	453	435	405
Investments:			
Associates	289	208	234
Other	191	291	99
	3,951	3,274	3,195
Current assets			
Stocks	945	724	691
Debtors	1,233	1,093	1,132
Investments	3	5	4
Cash at bank and in hand	369	351	328
	2,550	2,173	2,155
Creditors – amounts falling due within one year			
Short-term borrowing	(902)	(594)	(47)
Other creditors	(1,356)	(1,162)	(1,441)
	(2,258)	(1,756)	(1,488)
Net current assets	292	417	667
Total assets less current liabilities	4,243	3,691	3,862
Creditors – amounts falling due after more than one year			
Medium and long-term borrowing	(2,011)	(2,297)	(2,276)
Other creditors	(58)	(43)	(32)
	(2,069)	(2,340)	(2,308)
Provisions for liabilities and charges			
Deferred taxation	(17)	(22)	(21)
Other provisions for liabilities and charges	(213)	(222)	(206)
Net assets	1,944	1,107	1,327
Capital and reserves			
Called up share capital	156	153	153
Share premium account	774	504	517
Profit and loss account	901	413	651
Equity shareholders' funds	1,831	1,070	1,321
Equity minority interests	113	37	6
	1,944	1,107	1,327

: statement of total recognised gains and losses :*for the six months to 30 june 2000*

all figures in £ millions	2 0 0 0 half year	1 9 9 9 half year	1 9 9 9 full year
Profit/(loss) for the financial period	88	(41)	294
Other net gains and losses recognised in reserves:			
Currency translation differences	97	71	36
Total recognised gains relating to the period	185	30	330

: reconciliation of movements in equity shareholders' funds :*for the six months to 30 june 2000*

all figures in £ millions	2 0 0 0 half year	1 9 9 9 half year	1 9 9 9 full year
Profit/(loss) for the financial period	88	(41)	294
Dividends on equity shares	(58)	(54)	(138)
	30	(95)	156
Currency translation differences	97	71	36
Goodwill written back	126	40	63
Shares issued	257	6	18
Net movement for the period	510	22	273
Equity shareholders' funds at beginning of the period	1,321	1,048	1,048
Equity shareholders' funds at end of the period	1,831	1,070	1,321

: consolidated statement of cash flows :

for the six months to 30 june 2000

all figures in £ millions	2 0 0 0 half year	1 9 9 9 half year	1 9 9 9 full year	note
Net cash (outflow)/inflow from operating activities	(200)	(52)	433	9
Dividends from associates and joint ventures	43	31	44	
Interest received	23	30	41	
Interest paid	(105)	(98)	(182)	
Debt issue costs	--	--	(5)	
Dividends paid to minority interests	--	--	(1)	
Returns on investments and servicing of finance	(82)	(68)	(147)	
Taxation	(30)	(33)	(156)	
Purchase of tangible fixed assets	(65)	(41)	(102)	
Sale of tangible fixed assets	8	10	36	
Purchase of investments	(90)	(19)	(24)	
Sale of investments	3	108	624	
Capital expenditure and financial investment	(144)	58	534	
Purchase of subsidiary undertakings	(482)	(17)	(249)	
Net debt acquired with subsidiary undertakings	(19)	--	--	
Purchase of associates and joint ventures	(88)	(48)	(54)	
Sale of subsidiary undertakings	3	31	44	
Net cash disposed with subsidiary undertakings	--	(3)	(3)	
Sale of associates and joint ventures	394	12	12	
Acquisitions and disposals	(192)	(25)	(250)	
Equity dividends paid	(87)	(79)	(132)	
Net cash (outflow)/inflow before management of liquid resources and financing	(692)	(168)	326	
Liquid resources acquired	(49)	(9)	(9)	
Liquid resources disposed	44	10	10	
Collateral deposit placed	(61)	--	--	
Management of liquid resources	(66)	1	1	
Issue of equity share capital	257	6	18	
Capital element of finance lease rentals	(4)	(5)	(11)	
Loan facility repaid	(676)	(326)	(1,112)	
4.625% Euro Bonds 2004 advanced	--	--	358	
7% Sterling Bonds 2014 advanced	--	--	250	
6.125% Euro Bonds 2007 advanced	368	--	--	
Loan notes advanced	131	--	--	
Net movement in other borrowings	597	525	202	
Financing	673	200	(295)	
(Decrease)/increase in cash in the period	(85)	33	32	

1 Basis of preparation

The interim results for the six months to 30 June 2000 have been prepared in accordance with the accounting policies set out in the 1999 Annual Report. FRS15 'Tangible Fixed Assets' has been adopted. FRS16 'Current Tax' has also been adopted and comparative figures have been restated to reflect that UK dividend income is now presented net of UK tax credits.

2 Sector analysis

all figures in £ millions

	2 0 0 0 half year	1 9 9 9 half year	1 9 9 9 full year
Sales			
Pearson Education	647	554	1,725
FT Group	408	330	687
The Penguin Group	326	263	565
Pearson Television	164	159	355
Continuing operations	1,545	1,306	3,332

Sales in respect of internet enterprises, the Group's discrete internet operations, are included within the FT Group £16m (1999 half year: £2m; 1999 full year: £7m).

all figures in £ millions	before internet enterprises, goodwill amortisation and other items			after internet enterprises, goodwill amortisation and other items		
	2 0 0 0 half year	1 9 9 9 half year	1 9 9 9 full year	2 0 0 0 half year	1 9 9 9 half year	1 9 9 9 full year
Operating profit						
Pearson Education	(26)	(38)	257	(108)	(116)	36
FT Group	109	86	150	35	77	103
The Penguin Group	33	31	65	25	31	64
Pearson Television	32	33	68	29	33	67
Continuing operations	148	112	540	(19)	25	270
Discontinued operations	8	21	48	8	21	48
	156	133	588	(11)	46	318

The results of internet enterprises are included within Pearson Education £19m (1999 half year: £nil; 1999 full year: £3m), within FT Group £64m (1999 half year: £7m; 1999 full year: £36m) and within Pearson Television £1m (1999 half year: £nil; 1999 full year: £nil).

Other items comprise exceptional items of £11m (1999 half year £15m; 1999 full year £95m) and Year 2000 compliance costs of £nil (1999 half year £2m; 1999 full year £5m). Exceptional items comprise integration costs of £8m (1999 half year £15m; 1999 full year £95m) following the acquisition of Simon & Schuster in 1998 which all relate to the Pearson Education business sector and integration costs of £3m following the acquisition of Dorling Kindersley in May 2000 which all relate to the Penguin Group business sector. Discontinued operations relate to the withdrawal of the Group from the banking business following its disposal of Lazard on 3 March 2000.

2 Sector analysis (continued)

Included in the analysis of operating profit above are the following amounts in respect of associates and joint ventures:

all figures in £ millions	2 0 0 0 half year	1 9 9 9 half year	1 9 9 9 full year
Pearson Education	4	4	6
FT Group	(8)	7	14
Pearson Television	4	1	3
Continuing operations	--	12	23
Discontinued operations	8	21	48
	8	33	71

3 Profit on sale of fixed assets and investments

all figures in £ millions	2 0 0 0 half year	1 9 9 9 half year	1 9 9 9 full year
Profit on disposal of interest in BSB Holdings Ltd	--	16	345
Loss on sale of fixed assets relating to the Simon & Schuster acquisition	--	--	(3)
Net profit on sale of other investments and property interests	2	6	7
Continuing operations	2	22	349
Taxation	--	(3)	(90)

4 (Loss)/profit on sale of businesses and associates

all figures in £ millions	2 0 0 0 half year	1 9 9 9 half year	1 9 9 9 full year
Loss on sale of Extel research products business	--	(16)	(19)
Loss on closure of Simon & Schuster businesses	--	(3)	(12)
Net (loss)/profit on sale of other businesses	(15)	2	(13)
Continuing operations	(15)	(17)	(44)
Profit on sale of Lazard – discontinued operations	231	--	--
Taxation	(31)	(3)	5

5 Arrangement fee

The amortisation of an arrangement fee in respect of a borrowing facility has been accelerated due to the early redemption of the facility.

6

Earnings and adjusted earnings per equity share

In order to show results from operating activities on a comparable basis two adjusted earnings per equity share are presented. Firstly, an adjusted earnings per equity share is presented which excludes profits or losses on the sale of fixed assets and investments, businesses and associates (see notes 3 and 4), Year 2000 compliance costs, integration costs in respect of the acquisitions of Simon & Schuster and Dorling Kindersley and the accelerated amortisation of a financing arrangement fee. Goodwill amortisation has also been excluded from the adjusted earnings calculation following the prospective implementation of FRS10 'Goodwill and Intangible Assets' in 1998. Due to a significant level of expenditure on new internet enterprises, a second adjusted earnings per equity share is presented in which the results of these are also excluded from earnings.

all figures in £ millions

	2 0 0 0 half year	1 9 9 9 half year	1 9 9 9 full year
Profit/(loss) for the financial period	88	(41)	294
Adjustments:			
(Profit) on sale of fixed assets and investments: continuing operations	(2)	(22)	(349)
Loss on sale of businesses and associates: continuing operations	15	17	44
(Profit) on sale of businesses and associates: discontinued operations	(231)	--	--
(Profit) on sale of businesses and associates by an associate: continuing operations	--	--	(1)
Internet enterprises	84	7	39
Interest on internet enterprises	2	--	--
Minority share of internet enterprises	(2)	--	--
Goodwill amortisation	72	63	131
Simon & Schuster integration costs	8	15	95
Dorling Kindersley integration costs	3	--	--
Arrangement fee	16	--	--
Year 2000 compliance costs	--	2	5
Taxation on above items	9	2	67
Adjusted earnings before internet enterprises	62	43	325
Internet enterprises	(84)	(7)	(39)
Interest on internet enterprises	(2)	--	--
Minority share of internet enterprises	2	--	--
Taxation on internet enterprises	18	2	10
Adjusted (loss)/earnings after internet enterprises	(4)	38	296
Profit/(loss) for the financial period	88	(41)	294
Tax on the conversion of ordinary shares	(1)	--	(1)
Diluted earnings	87	(41)	293
Weighted average number of equity shares (millions) – for earnings and adjusted earnings	620.4	609.7	610.2
Effect of dilutive share options	8.2	6.8	7.0
Weighted average number of equity shares (millions) – for diluted earnings	628.6	616.5	617.2
Adjusted earnings per equity share before internet enterprises	10.0p	7.1p	53.3p
Adjusted (loss)/earnings per equity share after internet enterprises	(0.6)p	6.3p	48.5p
Earnings/(loss) per equity share	14.2p	(6.6)p	48.2p
Diluted earnings/(loss) per equity share	13.8p	(6.5)p	47.5p

7 Taxation

The tax rate provided in the profit and loss account for the half year is based on the estimated effective rate for the full year and is analysed as follows:

all figures in %	2 0 0 0 half year	1 9 9 9 half year	1 9 9 9 full year
UK tax rate	30.0	30.2	30.2
Effect of utilisation of tax losses in the USA	(4.5)	(10.6)	(7.7)
Other items	(0.5)	5.4	2.5
Tax rate reflected in adjusted earnings	25.0	25.0	25.0
Effect of profits/(losses) excluded from adjusted earnings	1.0	n/a	12.5
Tax rate reflected in earnings	26.0	n/a	37.5

Taxation is analysed as:

Parent and subsidiaries	28	10	162
Associates	4	8	15
	32	18	177

The Group continues to have substantial tax losses available in the USA which are not recognised in the accounts and hence the tax rate reflected in adjusted earnings is lower than the UK tax rate.

8 Dividends

The directors have declared an interim dividend of 9.2p per equity share, payable on 27 October 2000 to shareholders on the register at the close of business on 11 August 2000.

9

Note to consolidated statement of cash flows

all figures in £ millions

	2 0 0 0 half year	1 9 9 9 half year	1 9 9 9 full year
Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities			
Total operating (loss)/profit	(11)	46	318
Share of profit of associates and joint ventures	(8)	(33)	(71)
Depreciation charges	44	41	82
Goodwill amortisation	70	63	130
(Increase) in stocks	(137)	(69)	(57)
Decrease/(increase) in debtors	37	46	(71)
(Decrease)/increase in creditors	(199)	(114)	127
(Decrease) in operating provisions	(6)	(29)	(33)
Other and non-cash items	10	(3)	8
Net cash (outflow)/inflow from operating activities	(200)	(52)	433
Purchase of fixed assets and finance lease payments	(69)	(46)	(113)
Sale of operating tangible fixed assets	5	2	24
Dividends from associates and joint ventures	43	31	44
Other	3	4	8
Operating cash flow	(218)	(61)	396
Analysed between:			
Operating cash flow before internet enterprises and other items	(104)	(8)	540
Cash effect of other items	(26)	(49)	(110)
Cash effect of internet enterprises	(88)	(4)	(34)
Operating cash flow	(218)	(61)	396

10

Exchange rates

Pearson earns a significant proportion of its sales and profits in overseas currencies, the most prominent being the US dollar and the €uro. The relevant rates are as follows:

£ versus US\$	2 0 0 0 half year	1 9 9 9 half year	1 9 9 9 full year
Average for operating profits	1.56	1.61	1.61
Period end rate	1.51	1.58	1.61
£ versus €uro			
Average for operating profits	1.65	1.50	1.53
Period end rate	1.58	1.53	1.61



registered office : 3 Burlington Gardens : London W1S 3EP : UK
tel +44 (0)20 7411 2000 : **fax** +44 (0)20 7411 2390
e-mail firstname.lastname@pearson.com
registered number : 53723 : England

1330 Avenue of the Americas : New York City : NY 10019 : USA
tel +1 212 641 2400 : **fax** +1 212 641 2500
e-mail firstname.lastname@pearson-inc.com



One Lake Street : Upper Saddle River : NJ 07458 : USA
tel +1 201 236 7000 : **fax** +1 201 236 3381
e-mail firstname.lastname@pearsoned.com



375 Hudson Street : New York City : NY 10014 : USA
tel +1 212 366 2000 : **fax** +1 212 366 2666
e-mail initiallastname@penguin.com



1 Stephen Street : London W1P 1PJ : UK
tel +44 (0)20 7691 6000 : **fax** +44 (0)20 7691 6100
e-mail firstname.lastname@pearson.tv



Number One Southwark Bridge : London SE1 9HL : UK
tel +44 (0)20 7873 3000 : **fax** +44 (0)20 7407 5700
e-mail firstname.lastname@ft.com



46 Rue la Boétie : Paris 75008 : France
tel +33 149 53 6565 : **fax** +33 145 61 4892
e-mail initiallastname@lesechos.fr



Paseo de la Castellana 66 : 28046 Madrid : Spain
tel +34 91 337 3220 : **fax** +34 91 337 3834
e-mail initiallastname@recoletos.es



3 Burlington Gardens London W1S 3EP UK

www.pearson.com