

PEARSON



# 2009 half-year results

27 July 2009

# Forward-looking statements

Except for the historical information contained herein, the matters discussed in this presentation include forward-looking statements. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of interest or exchange rates, the availability of financing, anticipated costs savings and synergies and the execution of Pearson's strategy, are forward looking statements. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in future.

There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by these forward looking statements, including a number of factors outside Pearson's control. These include international, national and local conditions, as well as competition. They also include other risks detailed from time to time in the company's publicly-filed documents.

Any forward looking statements speak only as of the date they are made, and Pearson gives no undertaking to update forward-looking statements to reflect any changes in its expectations with regard thereto or any changes to events, conditions or circumstances on which any such statement is based.

# Agenda

- How we're doing
- What we're seeing
- Where we're heading

Robin

CEOs

Marjorie

## First-half financial highlights

- Sales up 1%\*
- Operating profit up 25%\*
- Adjusted EPS up to 7.9p
- Dividend up 3.4%

\*Growth rates at constant exchange

# Highlights

- Strategy
- Market share
- Investment and innovation
- Durability and growth

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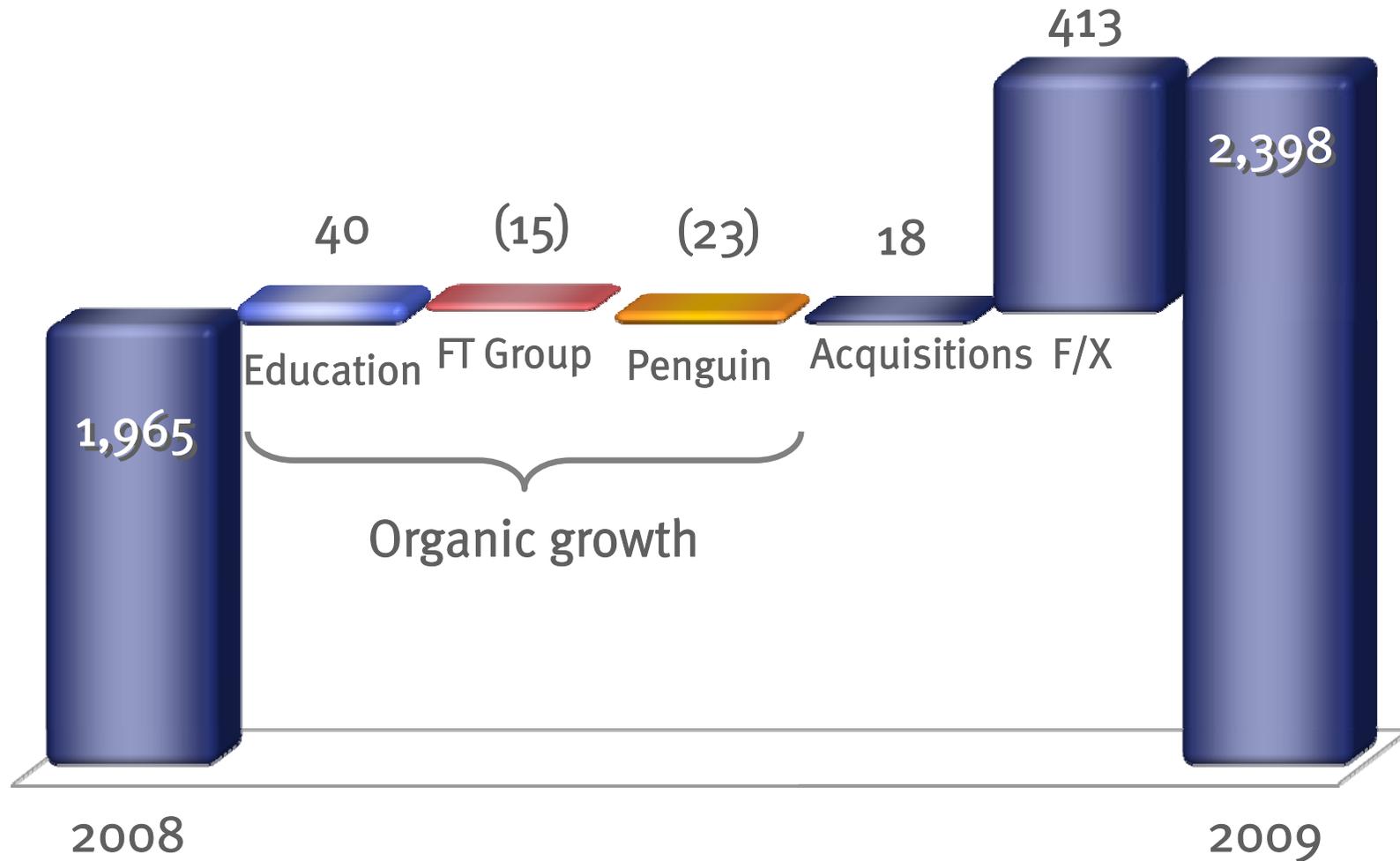


**How we're doing**

# Sales growth

£m	H1 2009	H1 2008	Headline Growth	CER Growth
North American Education	<b>943</b>	<b>713</b>	32%	1%
International Education	<b>446</b>	<b>365</b>	22%	13%
Professional	<b>132</b>	<b>105</b>	26%	2%
<b>Pearson Education</b>	<b>1,521</b>	<b>1,183</b>	29%	5%
FT Publishing	<b>176</b>	<b>188</b>	(6)%	(13)%
Interactive Data	<b>249</b>	<b>186</b>	34%	9%
<b>FT Group</b>	<b>425</b>	<b>374</b>	14%	(2)%
<b>Penguin</b>	<b>452</b>	<b>408</b>	11%	(8)%
<b>Total</b>	<b>2,398</b>	<b>1,965</b>	<b>22%</b>	<b>1%</b>

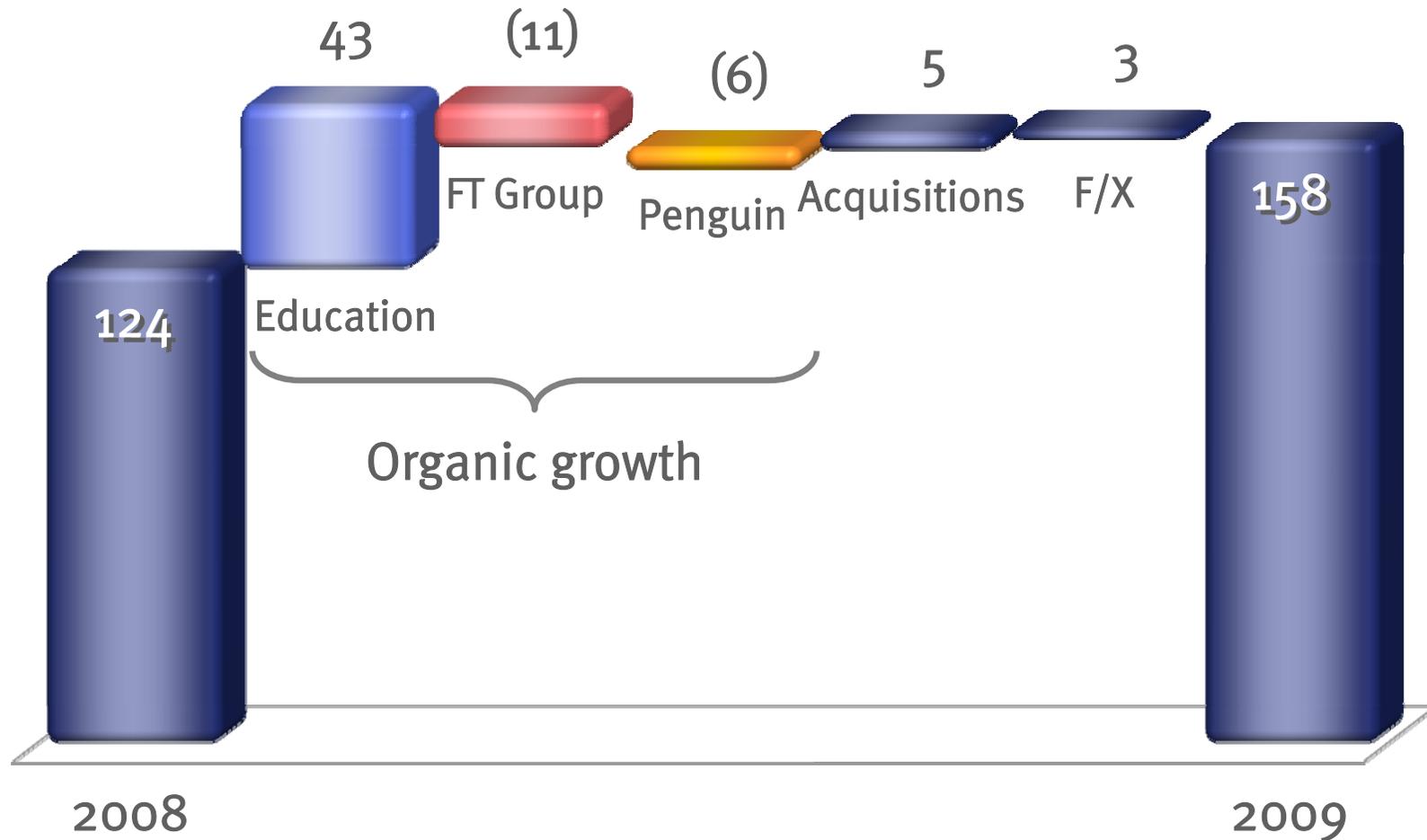
# Sales growth, £m



# Operating profit

£m	H1 2009	H1 2008	Headline Growth	CER Growth
North American Education	<b>12</b>	<b>(16)</b>	--	--
International Education	<b>23</b>	<b>20</b>	15%	80%
Professional	<b>14</b>	<b>10</b>	40%	10%
<b>Pearson Education</b>	<b>49</b>	<b>14</b>	--	--
FT Publishing	<b>14</b>	<b>30</b>	(53)%	(40)%
Interactive Data	<b>74</b>	<b>54</b>	37%	7%
<b>FT Group</b>	<b>88</b>	<b>84</b>	5%	(10)%
Penguin	<b>21</b>	<b>26</b>	(19)%	(23)%
<b>Total</b>	<b>158</b>	<b>124</b>	27%	25%

# Profit growth, £m



# Adjusted earnings per share

£m	H1 2009	H1 2008
Adjusted operating profit	<b>158</b>	<b>124</b>
Finance costs – Pensions	<b>(6)</b>	<b>5</b>
Finance costs – Traditional	<b>(41)</b>	<b>(45)</b>
Adjusted profit before tax	<b>111</b>	<b>84</b>
Taxation	<b>(30)</b>	<b>(24)</b>
Adjusted profit after tax	<b>81</b>	<b>60</b>
Minorities	<b>(18)</b>	<b>(15)</b>
Adjusted earnings	<b>63</b>	<b>45</b>
Adjusted EPS	<b>7.9p</b>	<b>5.6p</b>

## P&L – statutory

£m	H1 2009	H1 2008
Adjusted operating profit	<b>158</b>	<b>124</b>
Intangible amortisation	<b>(49)</b>	<b>(29)</b>
Statutory operating profit	<b>109</b>	<b>95</b>
Finance costs	<b>(47)</b>	<b>(40)</b>
Profit before tax	<b>62</b>	<b>55</b>
Taxation	<b>(18)</b>	<b>(16)</b>
Profit after tax (continuing)	<b>44</b>	<b>39</b>
Discontinued	<b>-</b>	<b>(88)</b>
Profit/(loss) for the period	<b>44</b>	<b>(49)</b>
EPS (statutory)	<b>3.5p</b>	<b>(7.8)p</b>

## Free cash flow

£m	H1 2009	H1 2008	Var
Adjusted operating profit	<b>158</b>	<b>124</b>	<i>34</i>
Working capital	<b>(332)</b>	<b>(316)</b>	<i>(16)</i>
Fixed asset purchases	<b>(63)</b>	<b>(46)</b>	<i>(17)</i>
Depreciation and amortisation	<b>65</b>	<b>54</b>	<i>11</i>
Other movements	<b>(34)</b>	<b>(7)</b>	<i>(27)</i>
Operating cash flow	<b>(206)</b>	<b>(191)</b>	<i>(15)</i>
Operating tax paid	<b>(43)</b>	<b>(48)</b>	<i>5</i>
Operating finance charges	<b>(35)</b>	<b>(35)</b>	<i>-</i>
Free cashflow	<b>(284)</b>	<b>(274)</b>	<i>(10)</i>

# Balance sheet

£m	H1 2009	H1 2008
Goodwill & intangible assets	<b>4,935</b>	<b>4,118</b>
Tangible fixed assets	<b>386</b>	<b>349</b>
Operating working capital	<b>1,215</b>	<b>1,062</b>
Other net liabilities	<b>(50)</b>	<b>(34)</b>
Net assets	<b>6,486</b>	<b>5,495</b>
Shareholders' funds	<b>4,033</b>	<b>3,509</b>
Pension provisions	<b>233</b>	<b>58</b>
Other provisions	<b>98</b>	<b>91</b>
Minorities	<b>261</b>	<b>191</b>
Deferred tax	<b>1</b>	<b>(36)</b>
Net debt	<b>1,860</b>	<b>1,682</b>
Capital employed	<b>6,486</b>	<b>5,495</b>

Total business basis

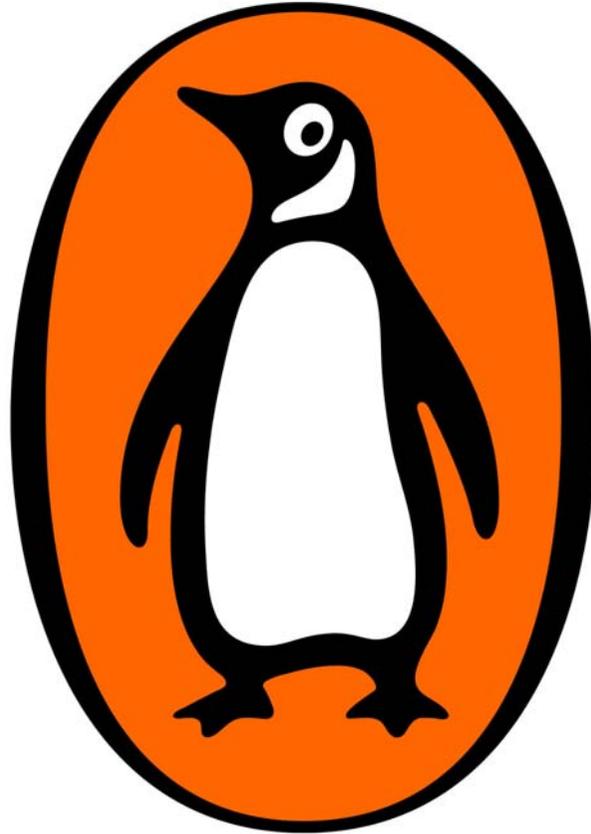
# Highlights

- Trading ahead
- Business resilient
- Acquisitions, integrations paying off
- Strong balance sheet; steady cash returns

PEARSON



**What we're seeing**



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**FINANCIAL  
TIMES  
GROUP**

**PEARSON**

A thin, dark blue curved line positioned below the word 'PEARSON'.

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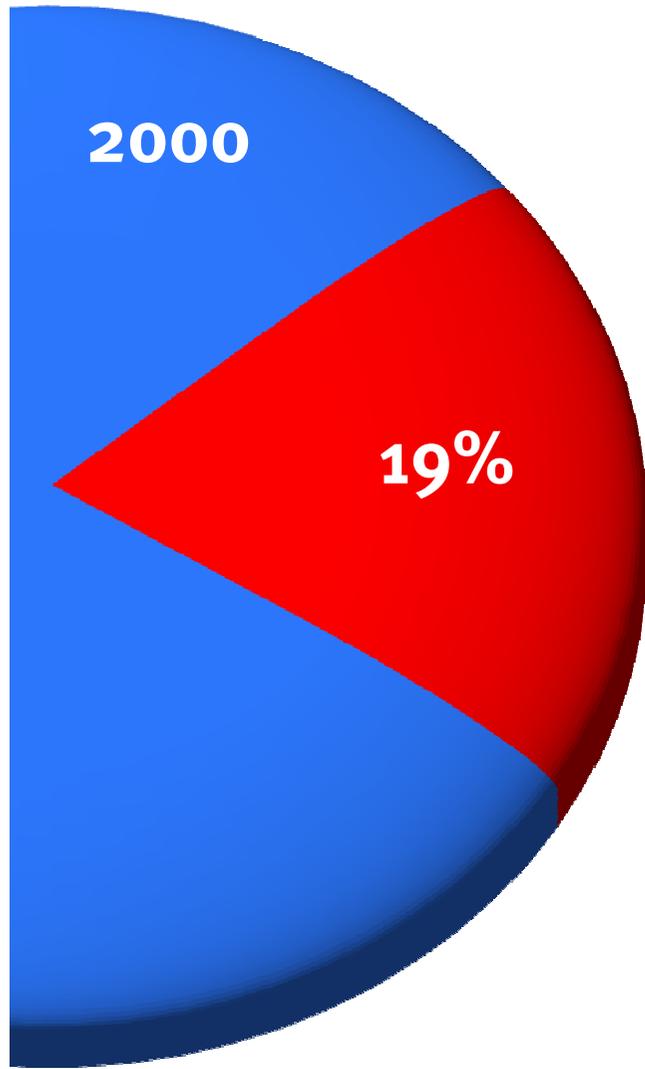
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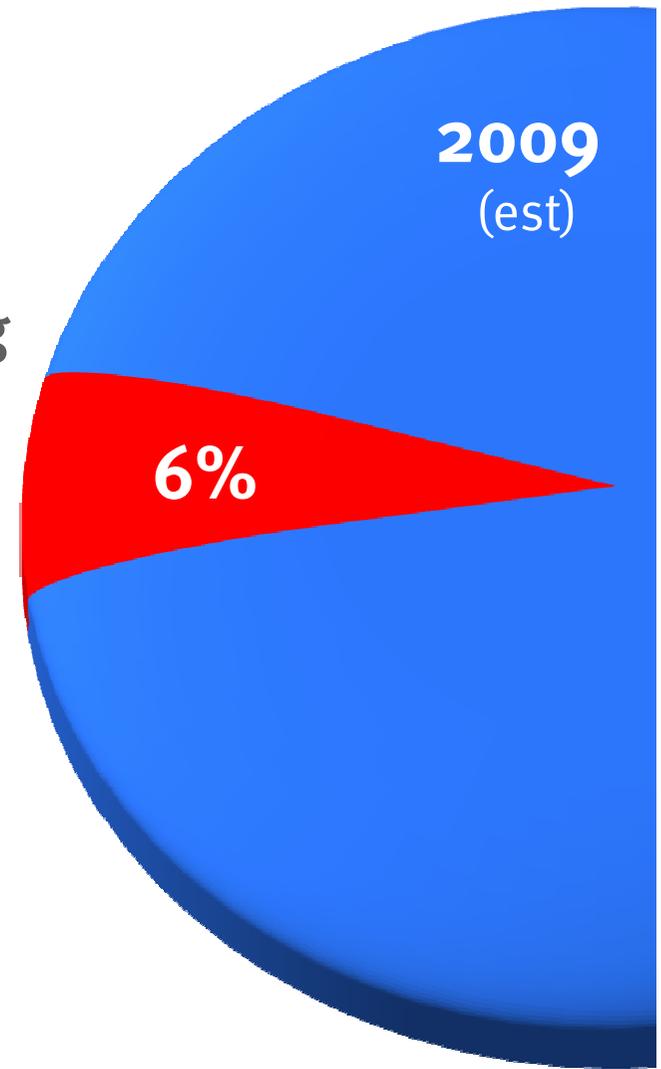
**Where we're heading**

# A durable company

## Pearson revenue analysis

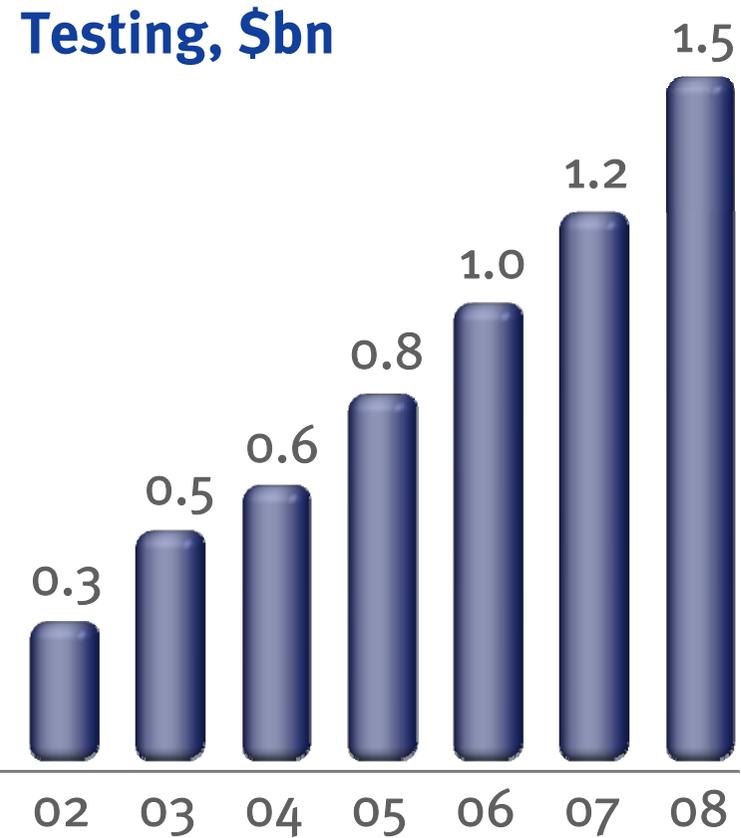
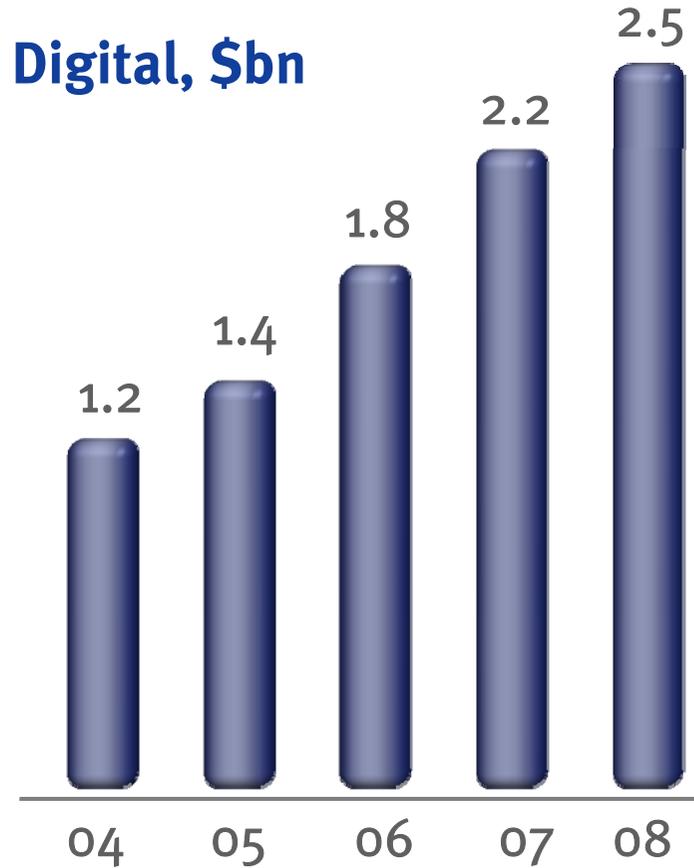


Technology publishing  
Advertising  
New adoptions



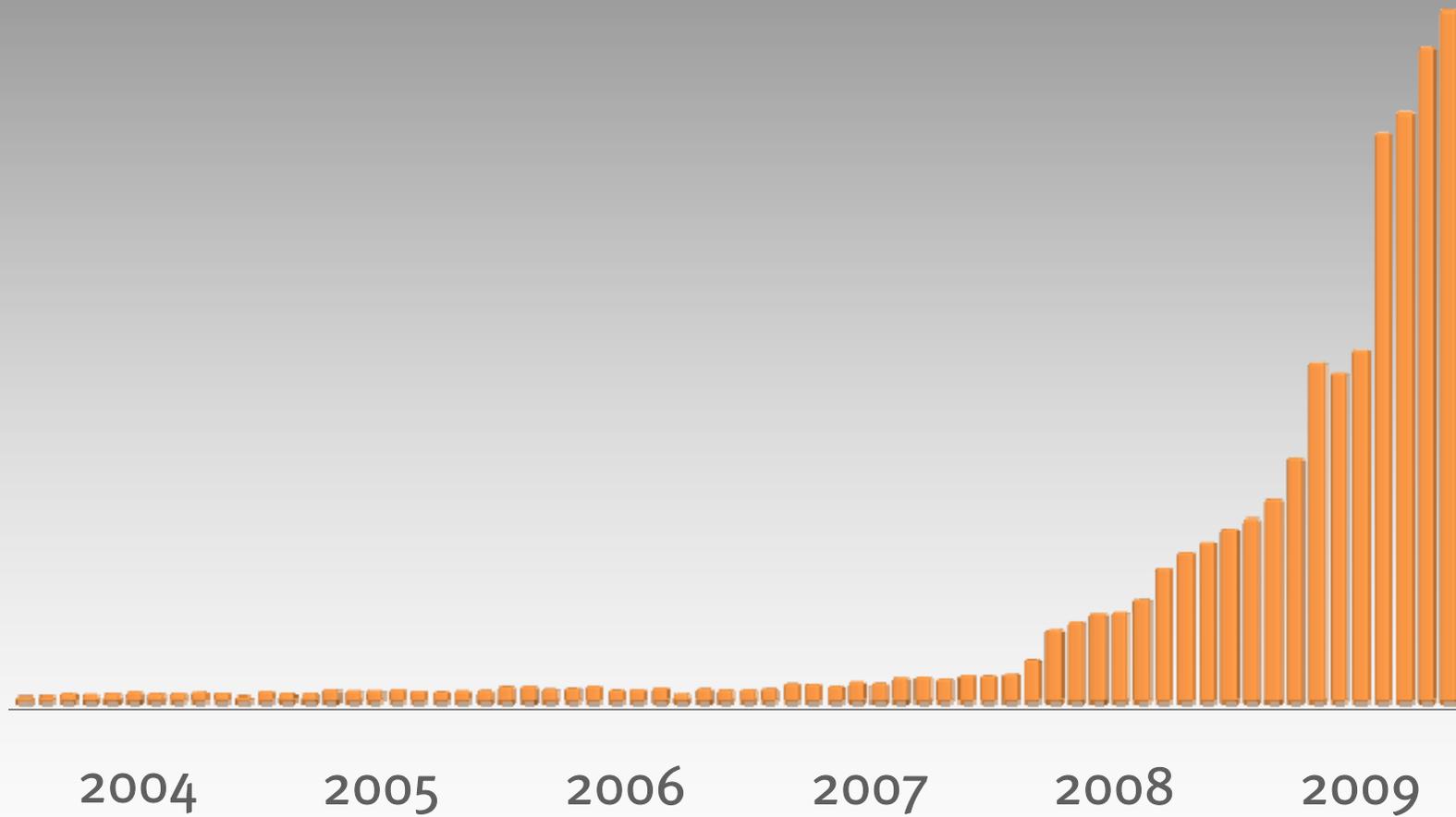
# A growth company

## Pearson revenues



# eBook sales

## Penguin US monthly volumes





# 10 Cell Growth and Division

**Big idea** Growth, Development, and Reproduction  
Q: How does a cell produce a new cell?

## INSIDE:

- 10.1 Cell Growth, Division, and Reproduction
- 10.2 The Process of Cell Division
- 10.3 Regulating the Cell Cycle
- 10.4 Cell Differentiation

THE MYSTERY

MYSTERY CLUES

SOLVE THE MYSTERY

EXPLORE WITH UNTAMED SCIENCE

→ Chapter Mystery

## CHAPTER MYSTERY The Pet Shop Accident



Consider the role of the cell cycle in wound healing.



How might the cell cycles of the cells surrounding the salamander's wound be affected?

Why do you think the cell cycles change in the cells surrounding a wound?

4 of 6

## solve the CHAPTER MYSTERY



### PET SHOP ACCIDENT

Julia kept a close eye on the injured salamander. About a month after the accident, Julia realized that a new limb was growing to replace the lost one! Salamanders are one of only a few vertebrates that can regenerate a complete limb. Examine the illustrations that show how a new limb develops. Then answer the questions.



#### Week 1: Dedifferentiation

At first, cells in the injured limb undergo dedifferentiation. During this process, cells such as muscle cells and nerve cells lose the characteristics that make them specialized.



#### Week 3: Blastema Formation

The dedifferentiated cells migrate to the wounded area and form a blastema—a growing mass of undifferentiated cells.



#### Week 5:

##### Redifferentiation

Cells in the blastema then redifferentiate and form the tissues needed for a mature limb. The limb will continue to grow until it is full size.

1. **Relate Cause and Effect** Why is dedifferentiation of the salamander's limb cells necessary before regeneration can occur?
2. **Classify** What type of cells do you think are contained in the blastema? Explain.
3. **Connect to the Big idea**  
Unlike salamanders, planarians contain undifferentiated cells throughout their adult bodies. How might the regeneration process in salamanders and planarians differ?

BIOLOGY.com

Search

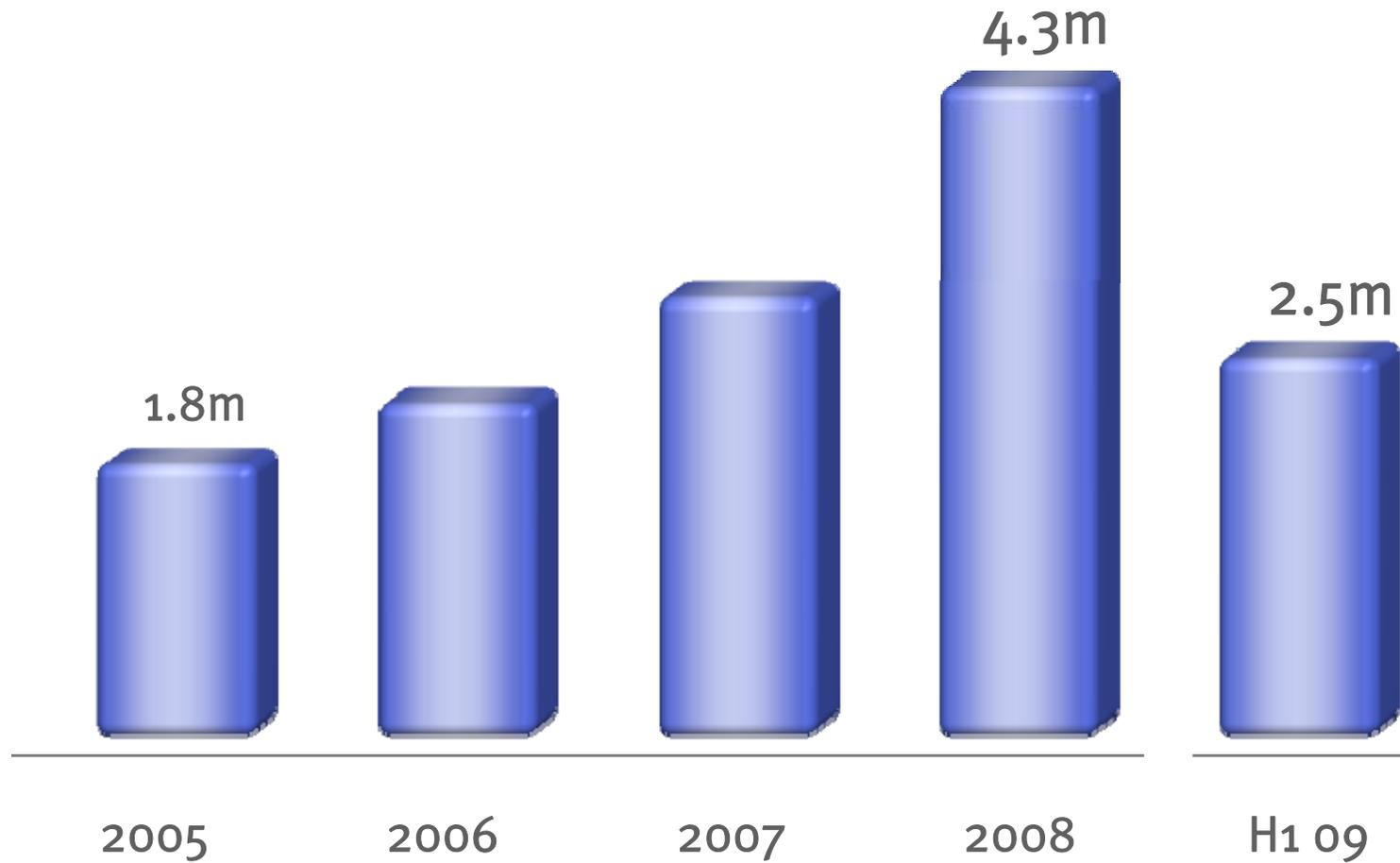
Chapter 10

GO

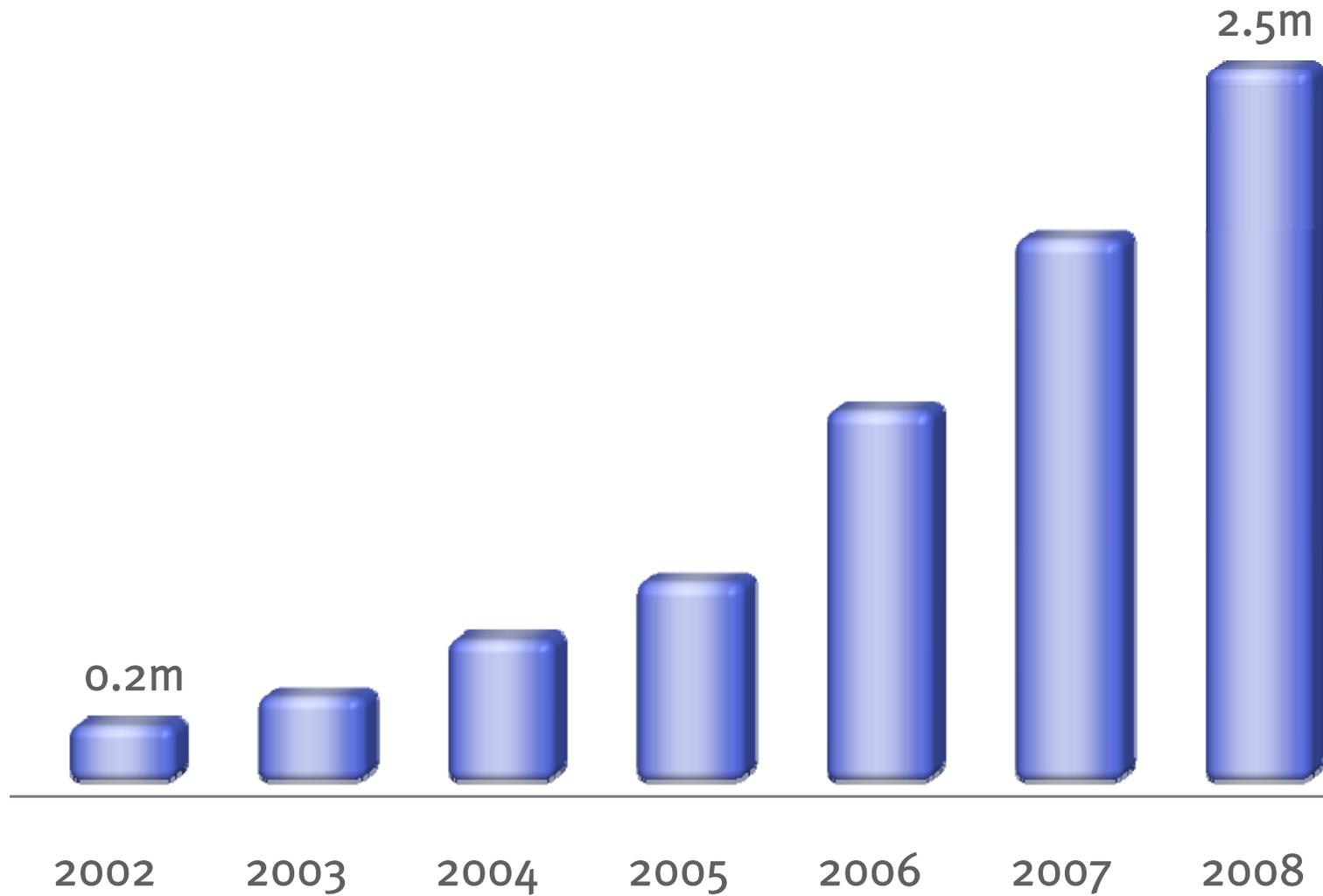
Flash Cards

Untamed Science Video Chapter Mystery

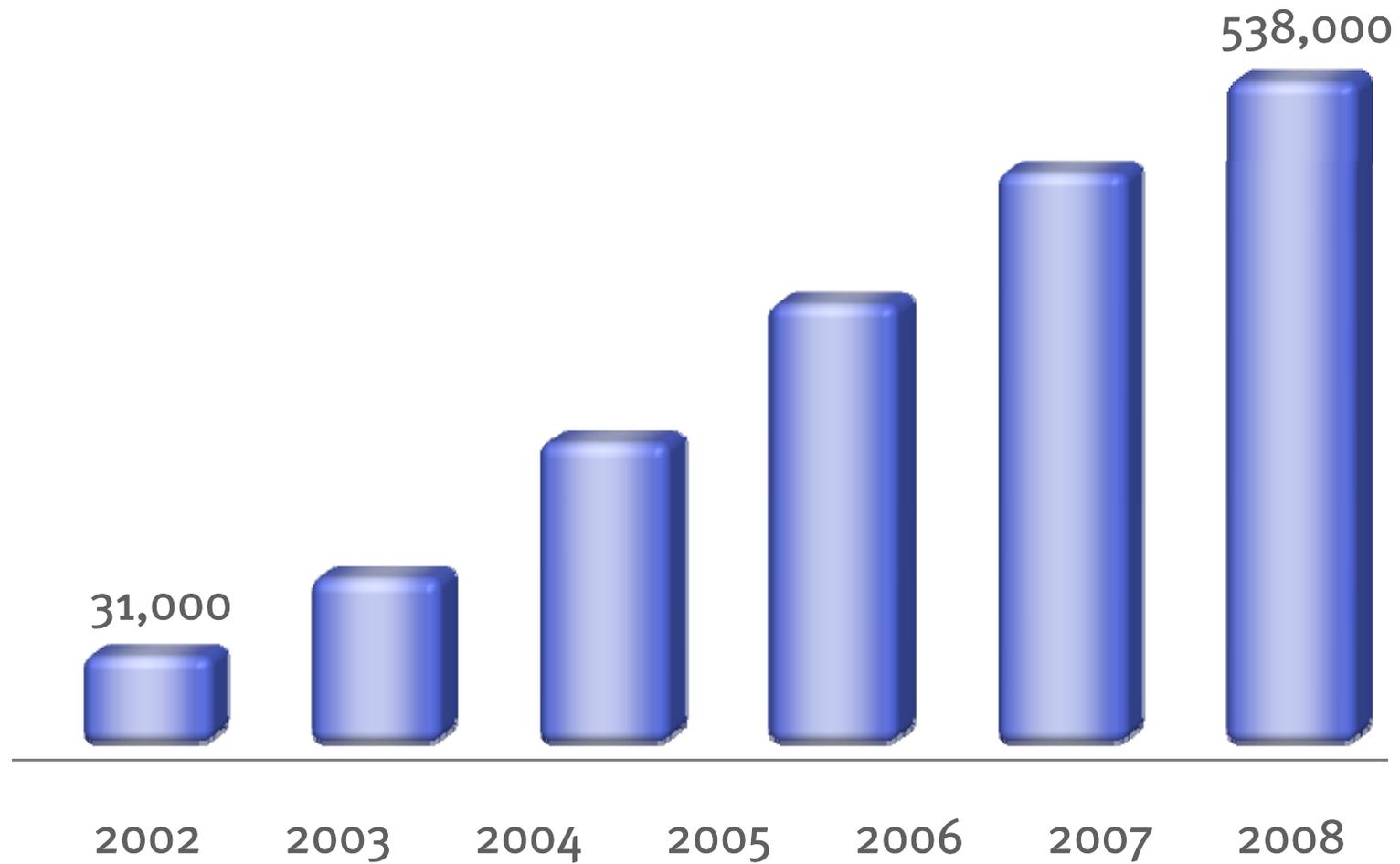
# MyLab student registrations

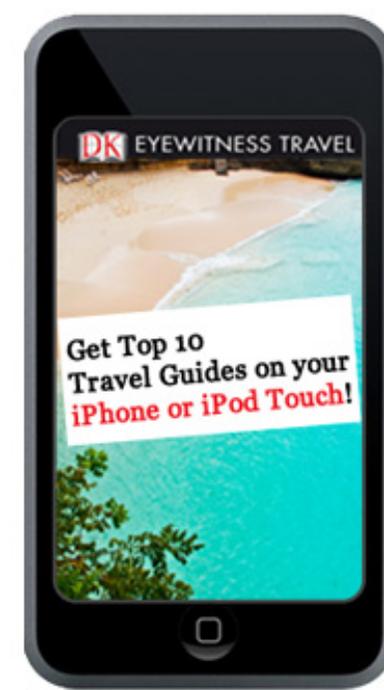
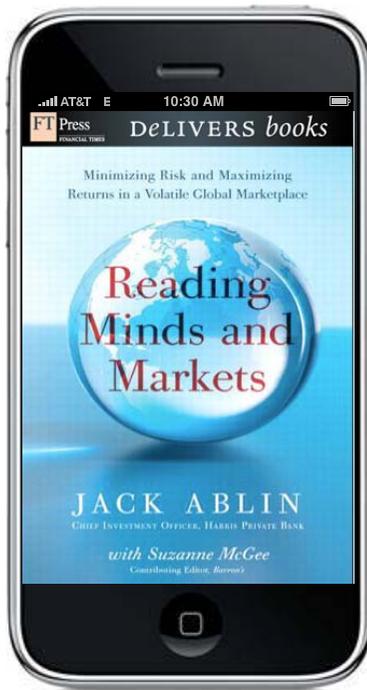
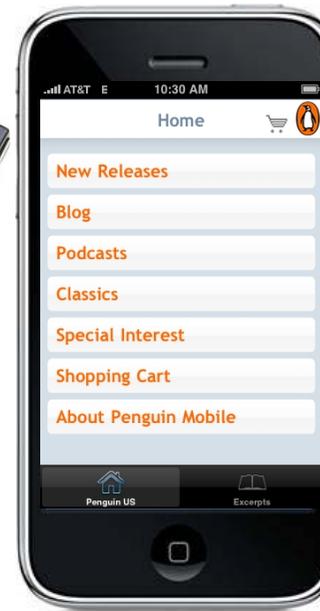
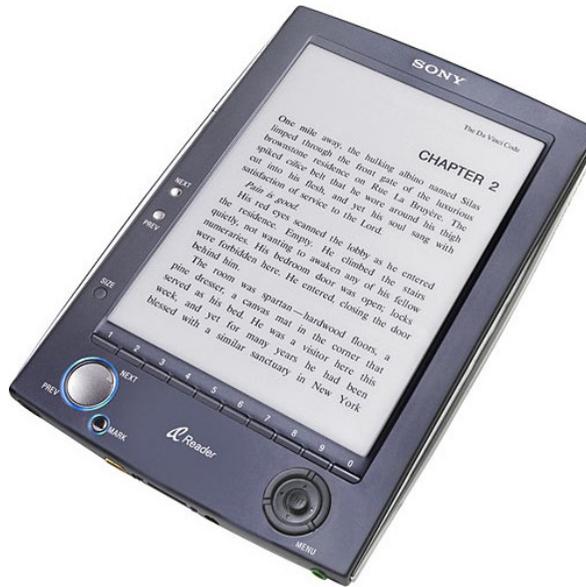


# eCollege enrolments



## Frontier users







"I read the Financial Times before other people. Now everybody carries around a Financial Times."  
Barack Obama

- North America
- Europe
- Asia-Pacific
- Latin America

Company Search  
 Go

- Personalisation
- My Details

Get mergermarket Intelligence direct to your BlackBerry in real time.  
mobile.mergermarket.com



## Main Headlines

### Energy

[Due diligence increasingly focusing on antitrust risk as competition fines are on the rise – analysis](#)

**Proprietary Intelligence**

### Internet / ecommerce

[Bol.com sees NPM Capital acquire 45% holding from Cyrte](#)

### Media

[Bertelsmann eyeing minority stake acquisitions in China's multimedia companies, source says](#)

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[Liberty Media could invest in Weinstein Co. - report](#)

[Santillana: Prisa retains BNP; process to kick-start in Q409 - source](#)

**Proprietary Intelligence**

[Bloomsbury has not been approached by Pearson, no talks taking place, spokesperson says](#)

**Proprietary Intelligence**

[Springer hosts bilateral discussions with bidders; lenders approached to negotiate refinancing terms](#)

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[Virgin Media inserts clause to prevent sale of TV arm to NewsCorp, sources say](#)

**Proprietary Intelligence**

[Consolidated Media: Seven Network continues to buy shares – report](#)

[News Outdoor in talks to buy out debts of Gallery Media, may eye shares - report](#)

[Skyonn: 52% stake sold by PREGM for KRW 10.2bn](#)

[Kronen Zeitung: WAZ offers Dichand family to withdraw gradually; Dichand family asks for time](#)

[Dentsu joins fray for Razorfish – report](#)

[Abu Dhabi Media Company rumoured to be bidding for The Independent - report](#)

[News Outdoor denies talks with Gallery Media bondholders](#)

### Telecommunications: Carriers

[Vivendi makes non-binding offer for Zain Africa - report](#)



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## Father and son IFAs banned over guaranteed scheme

The directors of a UK-based financial firm have been banned from holding management positions and fined by the UK FSA for putting assets of almost £10m (€11.5m) owned by 53 clients at risk.

## BNY Mellon in French push, Miami sell-off

BNY Mellon Asset Management France says it plans to double its assets in the next three years and eventually acquire a French manager. This comes as BNY Mellon is expected to sell Mellon United National Bank to Banco Sabadell.

## Dexia AM shakes up client approach

Dexia Asset Management has changed its organisation in order to improve its delivery of products to clients.

## Russell seeks approval for four UK retail funds

American multi-manager Russell Investments says the range will include global growth and fixed-interest funds.

## Managers increase use of 'personality tests'

Asset managers are increasingly turning to psychometric testing to manage and coach their workforce.



**Having trouble hiring your next Superstar?**

Use  
**JobBlast**  
on

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RSS

Education Week: Teachers

7/20/09 7:07 PM

Education Week: News and Information  
about Issues in Education for Educators

Inform

Inform Dashboard



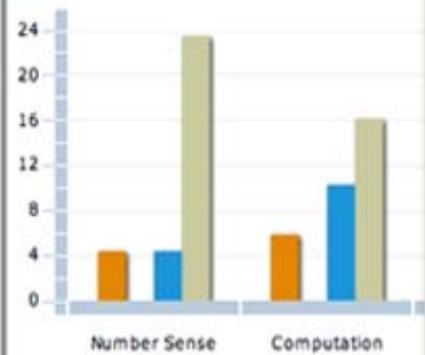
Assessment

Percentage of Students Performing 'At



Percentage of Students Perfo

Apple Grove High School (Te



Inform

Inform Dashboard



Student

Apple Grove High School (Terry, Greg)

S.	Student Name
1	3: Adams, Kerri
2	1: Allred, Arlen L
3	8: Almanza, Olivia C
4	8: Anderson, Cody N
5	1: Anderson, Henry S
6	1: Anderson, John
7	8: Anderson, Kristie C
8	8: Athmann, Ashley S
9	3: Avent, Joe
10	1: Babb, Julie H
11	8: Bashir, Haya S
12	1: Berg, Amanda D
13	8: Berg, Heather Sally

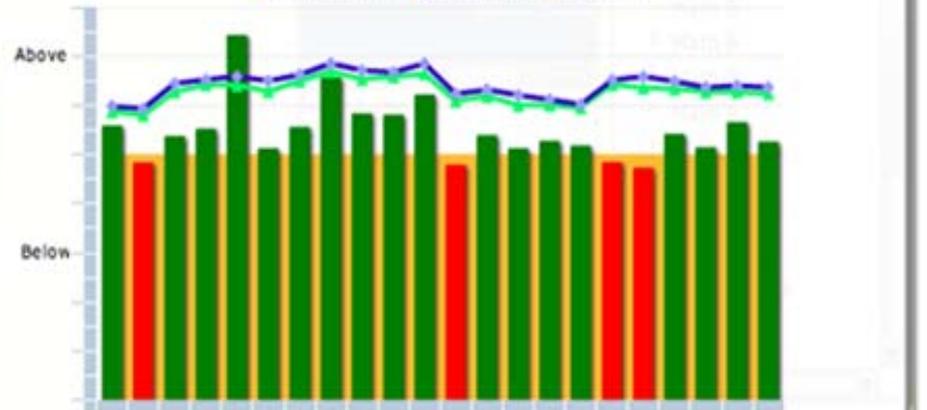
Almanza, Olivia C

Student Assessment Profile

Olivia Almanza

NOTE: All averages include only students with data loaded

Below Standard School Avg District Avg



Test Overview  
Speaking and Writing  
Reading  
**Listening**

[000-000]

You will hear a recording. Type the missing words in each blank.

Status: Playing

Volume

The Indonesian island of Sumatra is home to the country's fourth-largest city, Medan, a bustling  hub that's also a jumping-off point for those who want to see one of the world's richest, yet least-known, forests, the Leuser  in the north of the island, mostly in the province of Aceh; and the quickest way to see Leuser is by air. Mike Griffiths is a former oil company executive turned conservationist who sees Leuser as his second home, and he heads the conservation group The Leuser International Foundation. He rattles off the names of volcanoes, rivers and other  as our plane climbs from Medan over the  green jungle below.

Previous [P]    Next [N]    End Exam [E]

Main Menu  
Acknowledgements

# ★ Livemocha English: Grammar

Unit 1 > Lesson 2 > Grammar

Video Dialog

Grammar

Reading

Writing

Course Home

## Grammar: Activity 1 of 2

Click through the slides below to learn new material. When you have seen all of the slides, click the "Done" button to continue to the related exercise(s).

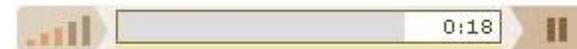
« PREVIOUS SLIDE



NEXT SLIDE »



### Names and Titles



Everyone has a first name and a family name. For example:  
Ana Pedroso.

*Ana* is her first name, or given name.

*Pedroso* is her family name, or last name.

In English, we give our first name, then our last name.

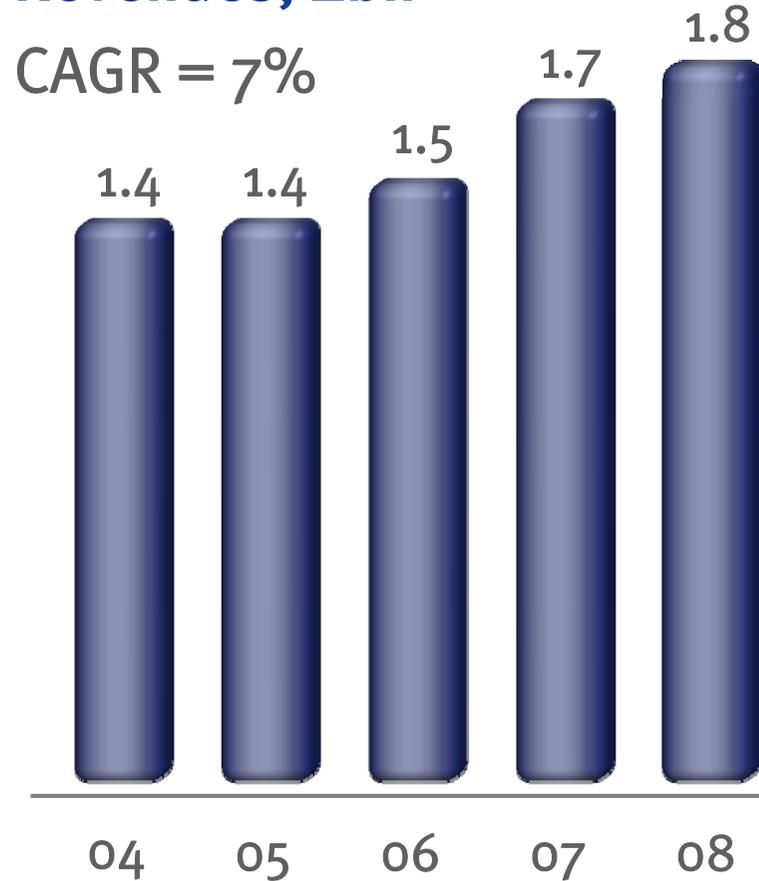
Hi, I'm Ana Pedroso.

Hello, I'm Emi Okada.

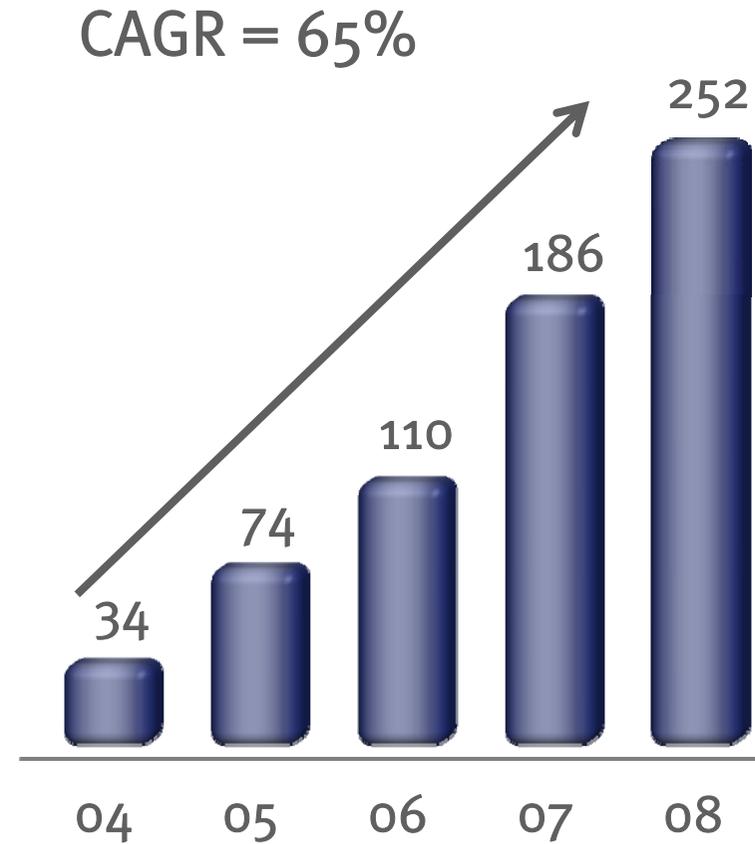
# A growth company

## Pearson International

### Revenues, £bn



### Profits, £m





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[美]马克·吐温/著 张万里/译



PENGUIN CLASSICS



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企鹅相伴 书香致远 始于1935年

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Over 2,000 photographs make this a must-have for sewers of any ability! The ultimate sewing bible for beginners, students and seasoned stitchers wanting to perfect their skills.

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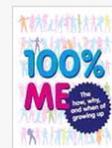
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- 被诅咒的手 Skeleton Crew
- 姐妹情 Girls
- 黑塔3——荒原的试炼
- 蓝色地带 The Blue Zone
- 善良的德国人 Good German
- 奥德兄弟 Brother Odd

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- Myths & Legends Explained
- Bird
- Wow!
- Decorative Arts
- 1001 Ways to Get in Shape
- Film
- I Can Draw Magical Creatures
- Greece, Athens & the Mainland
- Paris

#### 热门话题

### 亲爱的西餐:美食DIY

吃的乐趣用钱可以买到,做的乐趣有钱也买不到。做菜就像谈恋爱,不做就不会知道滋味……



Cookbook for Girls

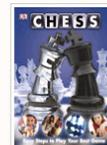
#### 推荐语

Girls will just love cooking up their favourite treats with this pretty and easy-to-follow cookbook!

#### 相关推荐

- One Perfect Ingredient, Three Ways to Cook It
- The Cooking book
- Eat Yourself Smart

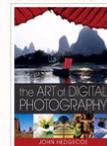
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Chess



Water



The Art of Digital Photography



Positive Thinking

A FINANCIAL TIMES PUBLICATION

A FINANCIAL TIMES PUBLICATION

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PREMIUM INVESTMENT INTELLIGENCE

**50bn**  
ESTIMATED SIZE IN US DOLLARS  
OF CHINA'S FOR-PROFIT  
EDUCATION SECTOR  
THIS YEAR

**MARCH 19  
2009**

**THE STIMULUS  
IS REAL**

**HEALTHCARE  
STIRS THE PULSE**

**POLITICS: A TEAM  
OF RIVALS**

**LIVING ON RMB  
100 A WEEK**

## **EDUCATION: MAKING A DEFENSIVE PLAY**



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PREMIUM INVESTMENT  
INTELLIGENCE

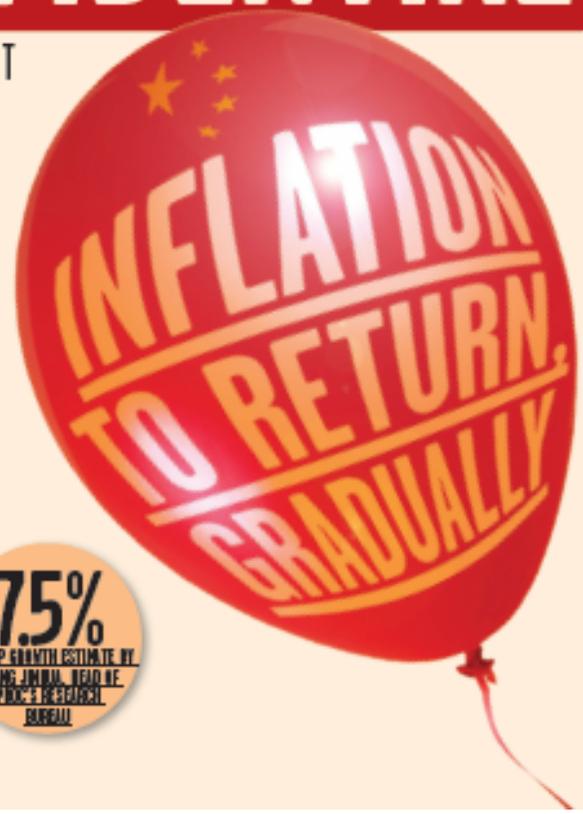
**JULY 9  
2009**

**TELECOMS:  
FORTUNES  
DIVERGE**

**RIOTS IN XINJIANG**

**IS THE STOCK  
RALLY OVER?**

**FUNDS STILL  
FLOWING TO CHINA**



**75%**  
Q2 GDP GROWTH ESTIMATE BY  
ZHONG JINQUAN, HEAD OF  
PRC'S NATIONAL  
BUREAU





## Our five-year record

- 10% annual sales growth
- 20% annual EPS growth
- 17% annual growth in operating cashflow
- ROIC from 6.3% to 9.2%
- 7% annual dividend growth

Headline growth rates

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**Appendices**

# Share gains in new school adoptions

2009 estimates

Subject	Total opportunity	Market share (where we compete)	Position
Science	\$25m	31%	#2
Social Studies	\$50m	24%	#3
Reading/literature	\$175m	33%	#2
Maths	\$175m	46%	#1
Other	\$20m	27%	#2
Total competed for	\$445m	37%	#1
Total – all adoptions	\$520m	32%	#2

# Reconciliation: statutory to adjusted earnings

## 2009

£m	Statutory	Other net gains / (losses)	Amortisation of acquired intangibles	Other net finance costs	Tax amortisation benefit	Adjusted earnings
<b>Operating profit</b>	<b>109</b>	-	<b>49</b>	-	-	<b>158</b>
Net finance costs	(47)	-	-	-	-	(47)
<b>Profit before tax</b>	<b>62</b>	-	<b>49</b>	-	-	<b>111</b>
Income tax	(18)	-	(14)	-	2	(30)
<b>Profit after tax</b>	<b>44</b>	-	<b>35</b>	-	<b>2</b>	<b>81</b>
Discontinued operations	-	-	-	-	-	-
<b>Profit for the period</b>	<b>44</b>	-	<b>35</b>	-	<b>2</b>	<b>81</b>
Minority Interest	(16)	-	(2)	-	-	(18)
<b>Earnings</b>	<b>28</b>	-	<b>33</b>	-	<b>2</b>	<b>63</b>

# Reconciliation: statutory to adjusted earnings

2008

£m	Statutory	Other net gains / (losses)	Amortisation of acquired intangibles	Other net finance costs	Tax amortisation benefit	Adjusted earnings
<b>Operating profit</b>	95	-	29	-	-	124
Net finance costs	(40)	-	-	-	-	(40)
<b>Profit before tax</b>	55	-	29	-	-	84
Income tax	(16)	-	(10)	-	2	(24)
<b>Profit after tax</b>	39	-	19	-	2	60
Discontinued operations	(88)	88	-	-	-	-
<b>Profit for the period</b>	(49)	88	19	-	2	60
Minority Interest	(13)	-	(2)	-	-	(15)
<b>Earnings</b>	(62)	88	17	-	2	45

## Reconciliation: pre-publication costs

£m	H1 2009	H1 2008
Opening balance	695	450
Exchange	(69)	2
New spend capitalised	158	128
Acquisitions (net)	3	34
Amortisation	(113)	(87)
Closing balance	674	527
Total education sales	1,521	1,183
Amortisation as a % of sales	7.4%	7.4%

## Reconciliation: half-year net debt

£m	2009	2008
Non current assets		
Derivative financial instruments	121	21
Current assets		
Derivative financial instruments	-	2
Marketable securities	60	19
Cash and cash equivalents	455	448
Non current liabilities		
Borrowings	(2,437)	(1,897)
Derivative financial instruments	(3)	(21)
Current liabilities		
Borrowings	(47)	(251)
Derivative financial instruments	(9)	(3)
<b>Net debt</b>	<b>(1,860)</b>	<b>(1,682)</b>

# Retirement benefit obligations

£m	H1 2009	H1 2008
<b>Income statement</b>		
Operating charge		
Defined benefit schemes	10	9
Defined contribution schemes	31	26
Post retirement medical benefit schemes	1	6
	<b>42</b>	<b>41</b>
Interest	6	(5)
<b>Total</b>	<b>48</b>	<b>36</b>
<b>Balance sheet</b>		
UK pension scheme asset/liabilities	(79)	36
Other pension scheme liabilities	(76)	(26)
Post retirement medical benefit liability	(61)	(50)
Other pension accruals	(17)	(18)
<b>Total</b>	<b>(233)</b>	<b>(58)</b>

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**2009 half-year results**