PEARSON

2007 results

3 March 2008

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.

Record results

£m	2007	2006	Headline growth	Underlying growth
Sales*	**4,218**	4,051	*4%*	*6%*
Operating profit*	**631**	565	*12%*	*14%*
Margin*	**15.0%**	13.9%	*1.1 ppts*	
Adjusted eps	**46.7p**	43.1p	*8%*	*15%***
Operating cash flow	**684**	575	*19%*	
ROIC	**8.2%**	8.0%	*0.2 ppts*	
Dividend	**31.6p**	29.3p	*7.8%*	

*Includes Data Management (Scanners). Excludes Government Solutions and Les Echos
**At constant currency

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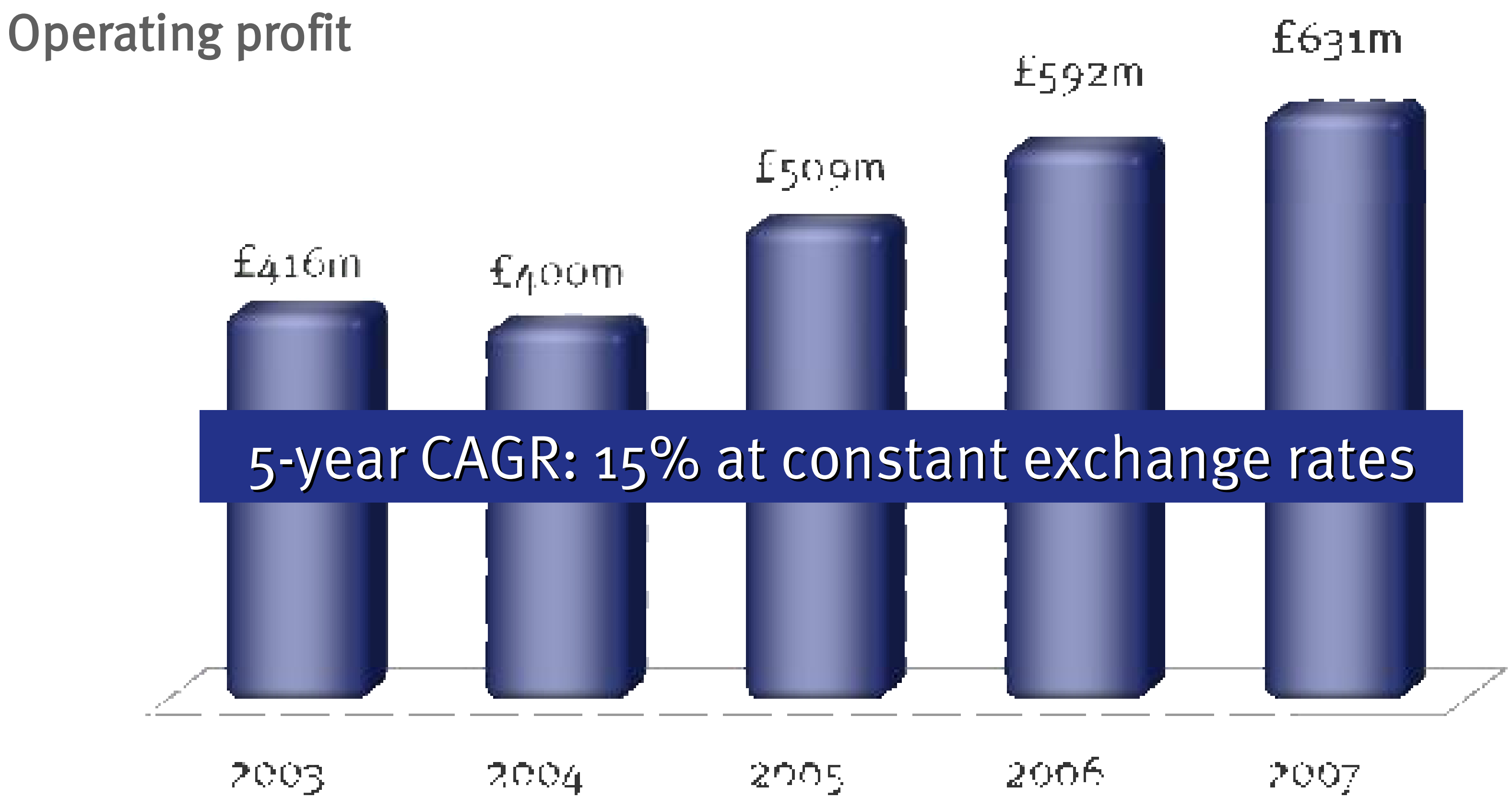
Sustained financial progress



	2003	2004	2005	2006	2007
Margin	10.8%	10.8%	12.4%	13.4%	15.0%
£/$	1.63	1.83	1.81	1.84	2.00

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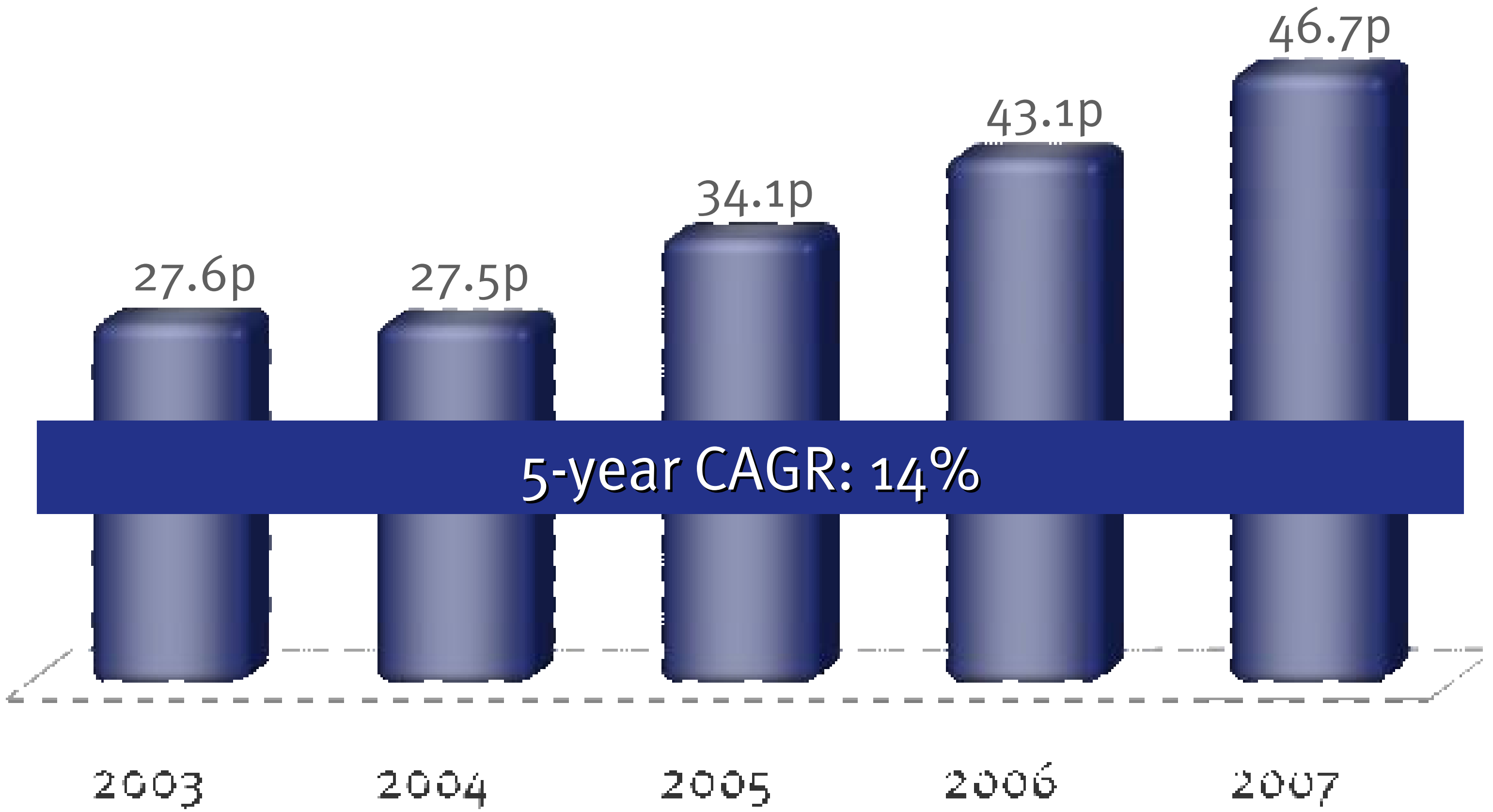
Sustained financial progress

Adjusted EPS



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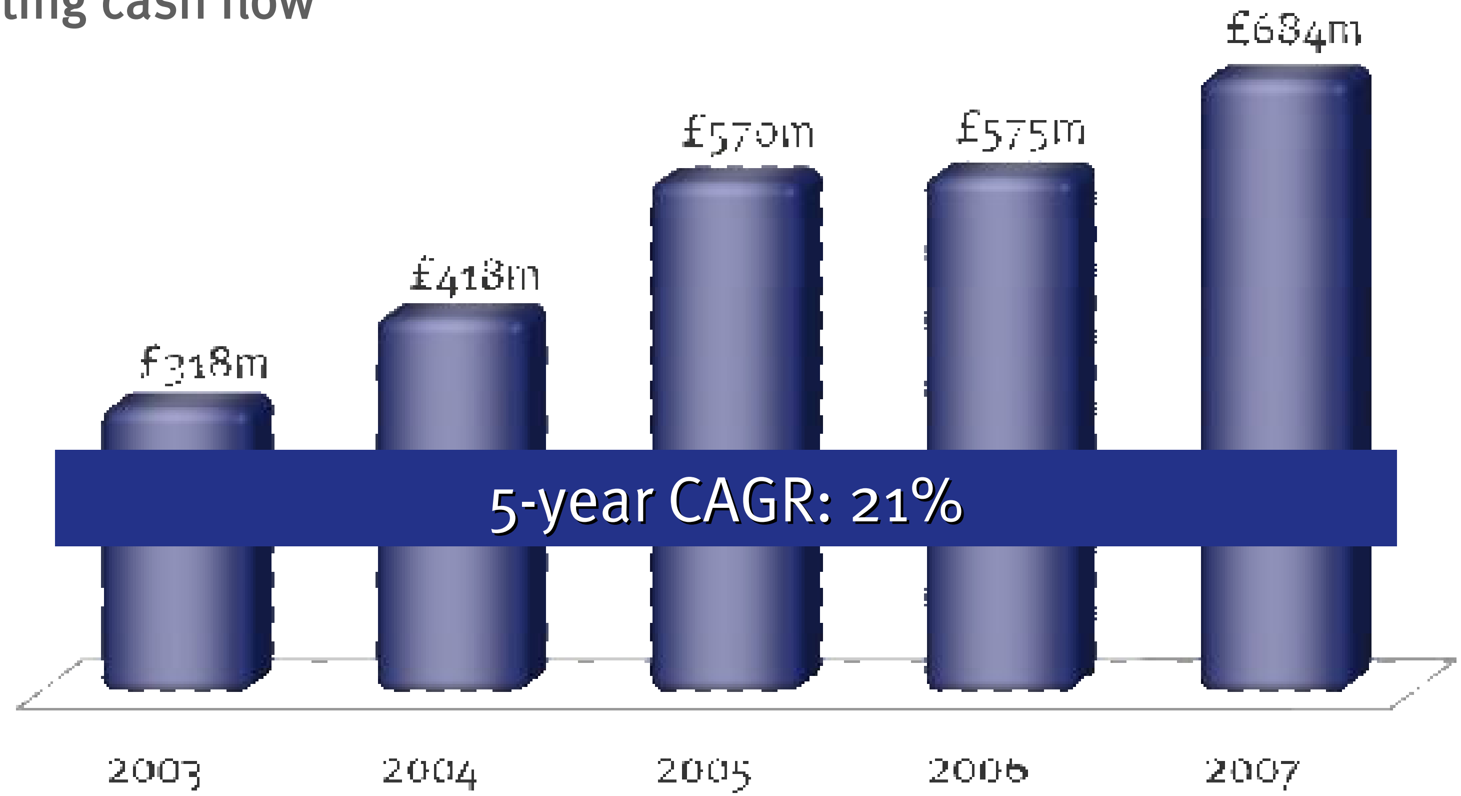
Sustained financial progress

Operating cash flow



Cash Conversion	71%	98%	113%	97%	108%

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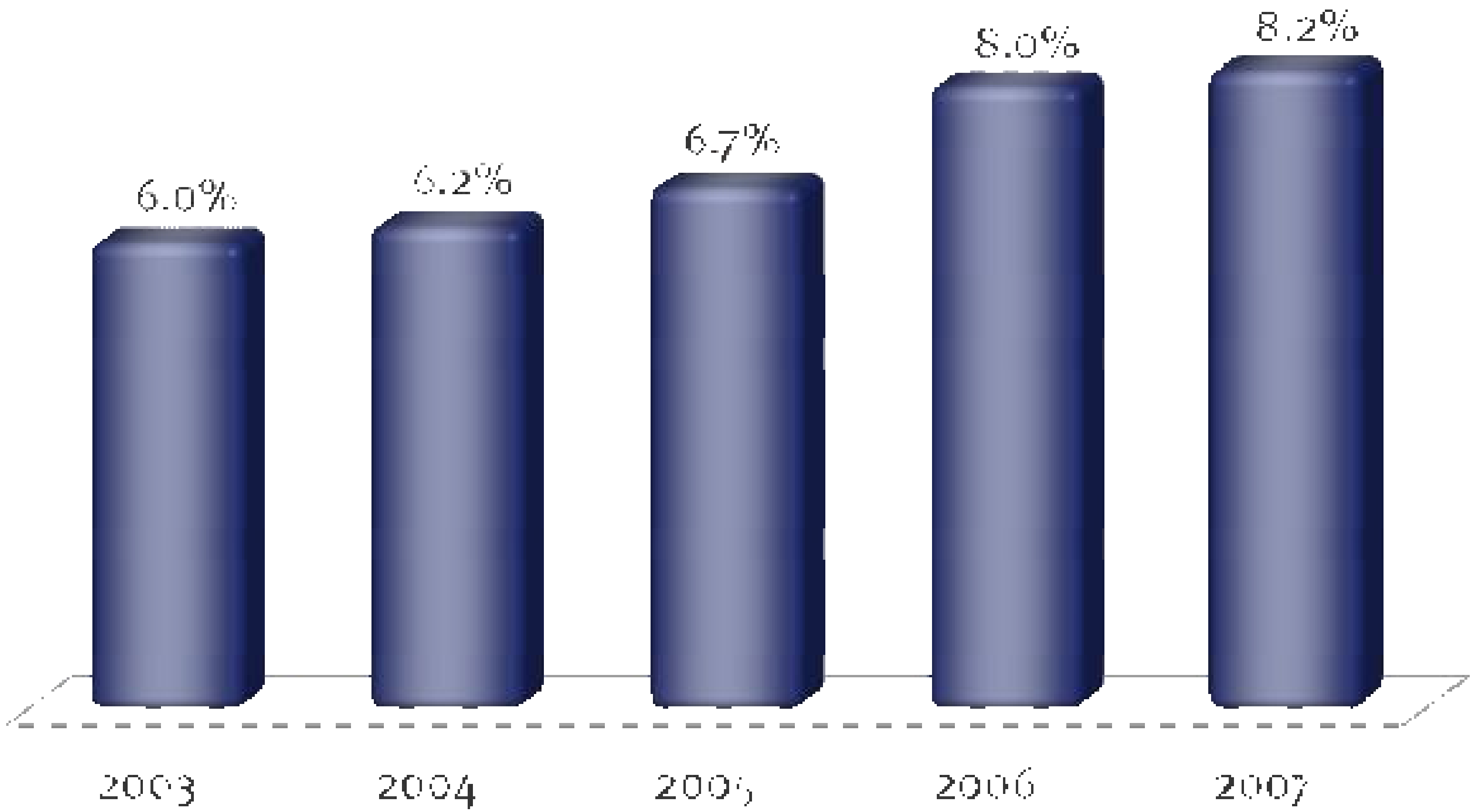
Sustained financial progress

Return on invested capital



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Strong, sustainable growth

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Financial performance

Sales growth

£m	2007	2006	Underlying growth
School	1,537	1,455	6%
Higher Education	793	795	5%
Professional*	354	341	9%
Pearson Education	2,684	2,591	6%
FT Publishing	344	280	12%
Interactive Data	344	332	8%
FT Group	688	612	10%
Penguin	846	848	3%
Total	4,218	4,051	6%

*Includes Data Management (Scanners)

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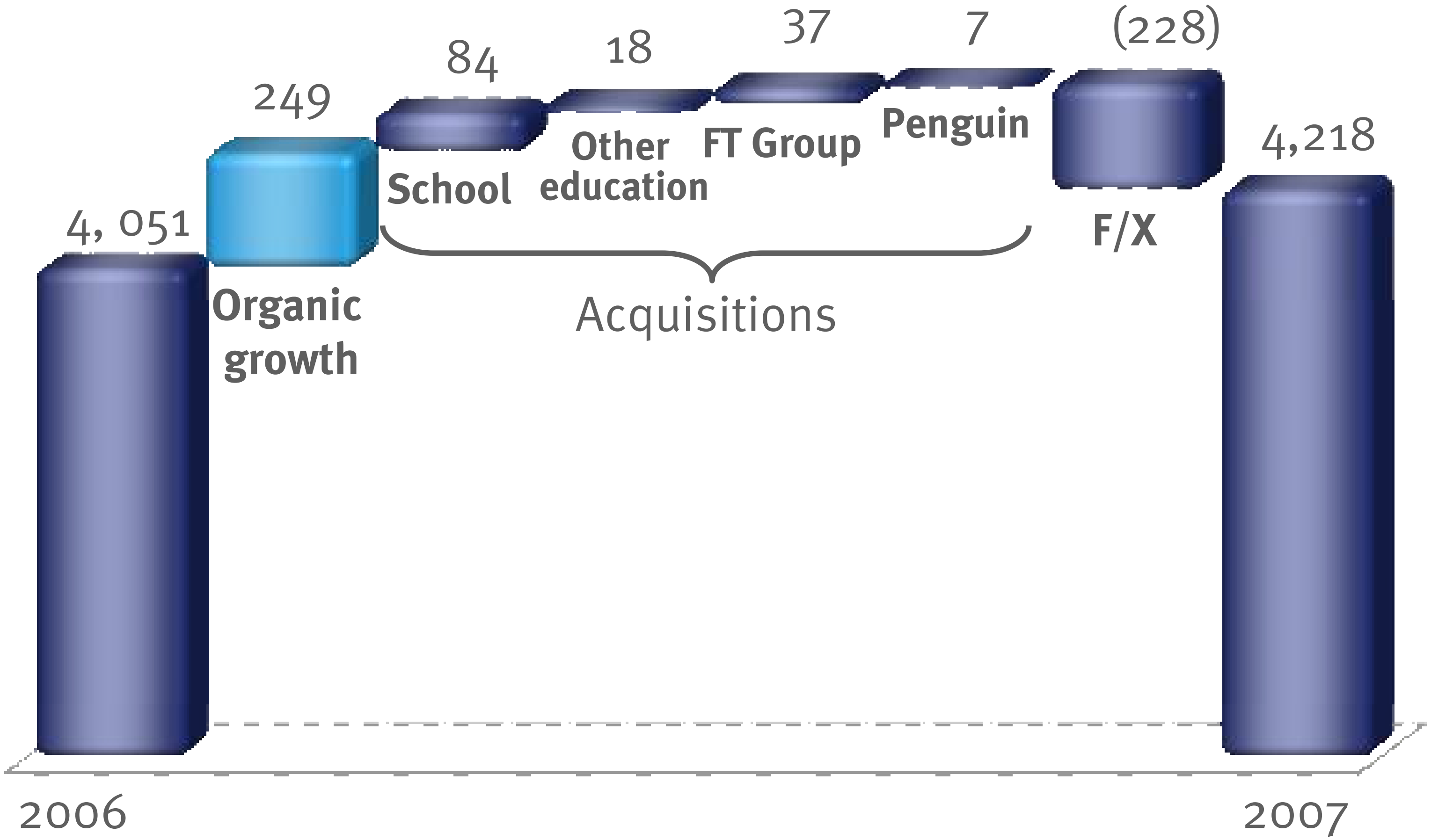
Sales growth, £m



Includes Data Management (Scanners)

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Profit growth

£m	2007	2006	Underlying growth
School	**203**	184	*11%*
Higher Education	**161**	161	*5%*
Professional*	**40**	38	*11%*
Pearson Education	**404**	383	9%
FT Publishing	**56**	27	*85%*
Interactive Data	**97**	89	*13%*
FT Group	**153**	116	30%
Penguin	**74**	66	20%
Total	**631**	565	14%

*Includes Data Management (Scanners)

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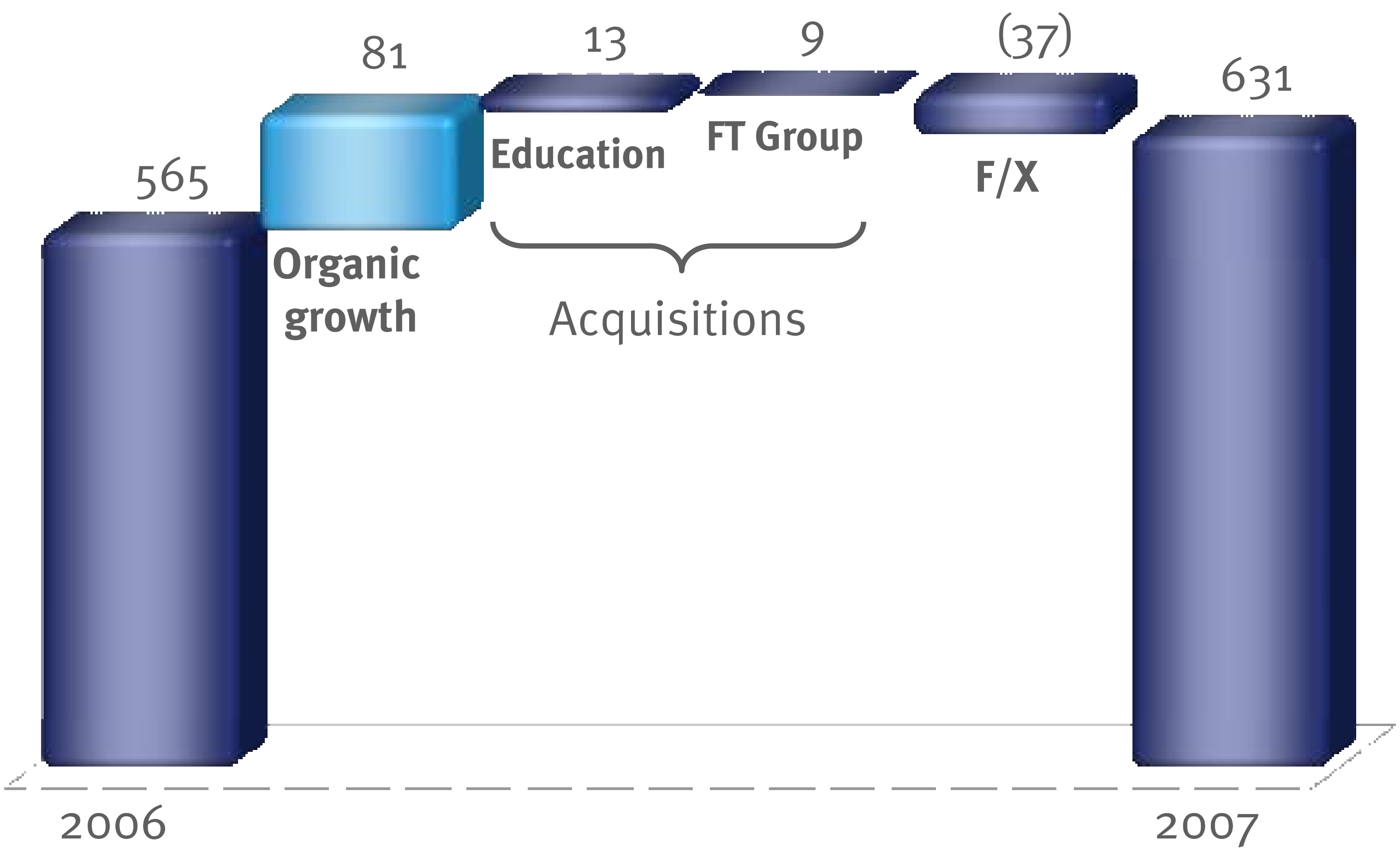
Profit growth, £m



Includes Data Management (Scanners)

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Margin improvement

£m	Margins 2007	2006	2005	2004
School	**13.2%**	12.6%	11.4%	9.9%
Higher Education	**20.3%**	20.3%	20.0%	17.7%
Professional	**11.3%**	9.6%	7.6%	7.9%
FT Publishing	**16.3%**	8.7%	6.3%	1.3%
Interactive Data	**28.2%**	26.8%	26.9%	24.9%
Penguin	**8.7%**	7.8%	7.5%	6.6%
Pearson	**15.0%**	13.4%	12.4%	10.8%

Reported margins

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Adjusted EPS

£m	2007	2006	Headline growth
Operating profit	634	592	7%
Interest	(85)	(90)	6%
Taxation	(145)	(130)	(12)%
Tax rate	*26.4%*	*25.9%**	
Profit after tax	404	372	9%
Minorities	(32)	(28)	(14)%
Adjusted earnings	372	344	8%
Shares in issue	*796.8*	*798.4*	
Adjusted EPS	46.7p	43.1p	8%

*Restated for tax treatment of goodwill amortisation

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Statutory P&L

£m	2007	2006	Headline growth
Operating profit	**574**	522	*10%*
Interest	**(85)**	(90)	*6%*
Finance costs – IAS39 / IAS21	**(21)**	16	-
Profit before tax	**468**	448	*4%*
Taxation	**(131)**	(4)	-
Profit after tax	**337**	444	*(24)%*
Discontinued operations	**(27)**	25	-
Profit for the period	**310**	469	*(34)%*
Basic EPS (total)	**35.6p**	55.9p	*(36)%*
Basic EPS (continuing)	**39.0p**	52.7p	*(26)%*

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Operating cash flow

£m	2007	2006	var
Operating profit	**634**	592	*42*
Working capital	**36**	(25)	*61*
Net capital expenditure	**(100)**	(92)	*(8)*
Depreciation	**93**	100	*(7)*
Dividends from associates	**32**	45	*(13)*
Exchange and other movements	**(11)**	(45)	*34*
Operating cash flow	**684**	575	*109*
Cash conversion %	***108%***	*97%*	

Working capital includes pre-publication

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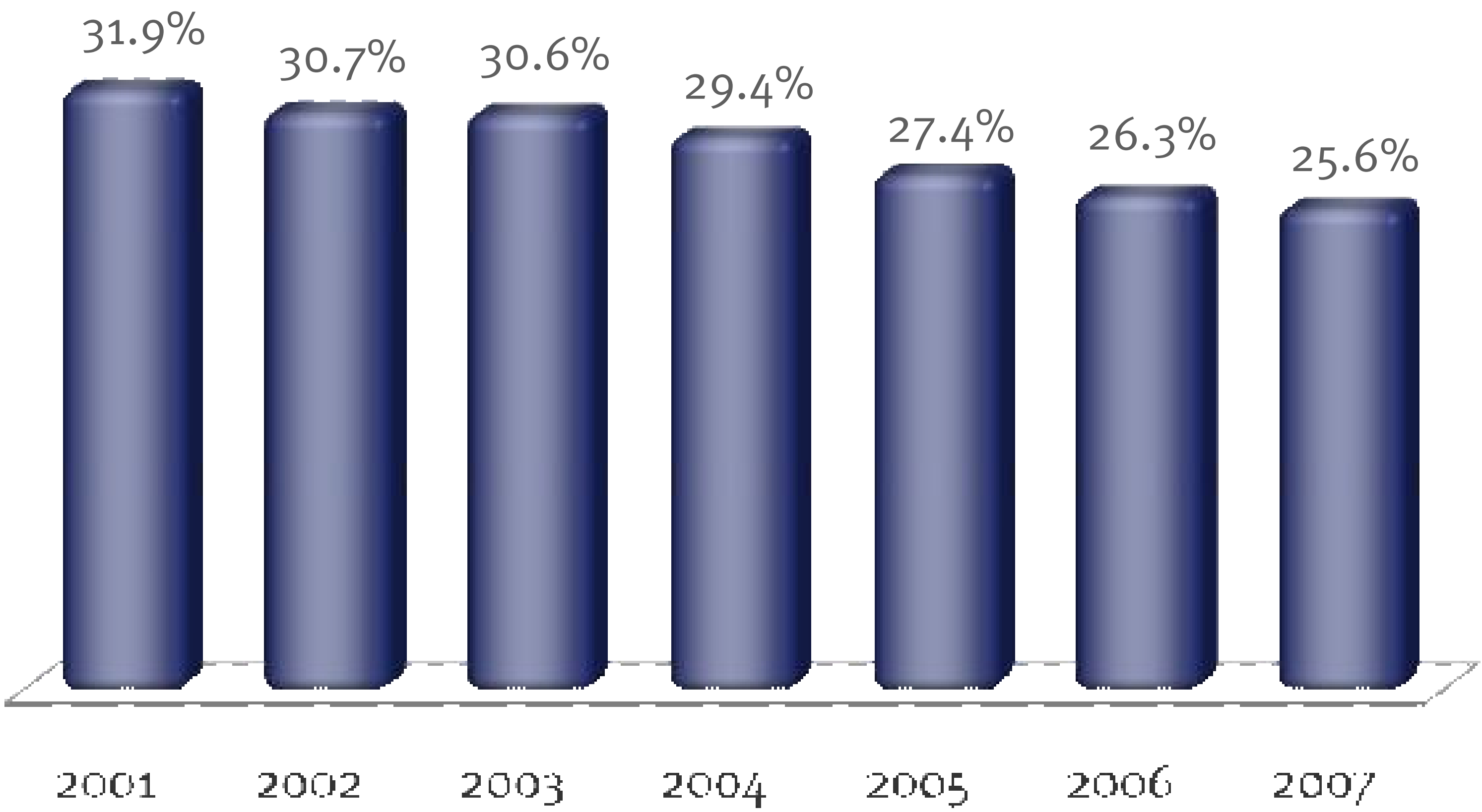
Cash and working capital discipline

Average working capital/sales



Includes capitalised pre-publication costs and author advances

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Free cash flow

£m	2007	2006	var
Operating cash flow	**684**	575	*109*
Operating tax paid	**(61)**	(59)	*(2)*
Cash tax %	**9%**	*10%*	
Operating finance charges	**(90)**	(82)	*(8)*
Operating free cash flow	**533**	434	*99*
Special pension contribution	**(100)**	-	*(100)*
Other non operating	**(26)**	(1)	*(25)*
Total free cash flow	**407**	433	*(26)*
Operating free cash flow per share	**67p**	54p	*13p*
Free cash flow / share	**51p**	54p	*(3p)*

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Balance sheet – total business

£m	2007	2006	var
Goodwill / intangible assets	**3,910**	3,809	*101*
Tangible fixed assets	**362**	357	*5*
Pre-publication	**452**	402	*50*
Working capital	**239**	323	*(84)*
Other net liabilities	**(57)**	(58)	*1*
Net trading assets	**4,906**	4,833	*73*
Shareholders' funds	**3,694**	3,476	*218*
Deferred tax asset	**(41)**	(172)	*131*
Provisions	**101**	302	*(201)*
Minorities	**179**	168	*11*
Net debt	**973**	1,059	*(86)*
Capital employed	**4,906**	4,833	*73*

All balances include Data Management (Scanners) held for resale

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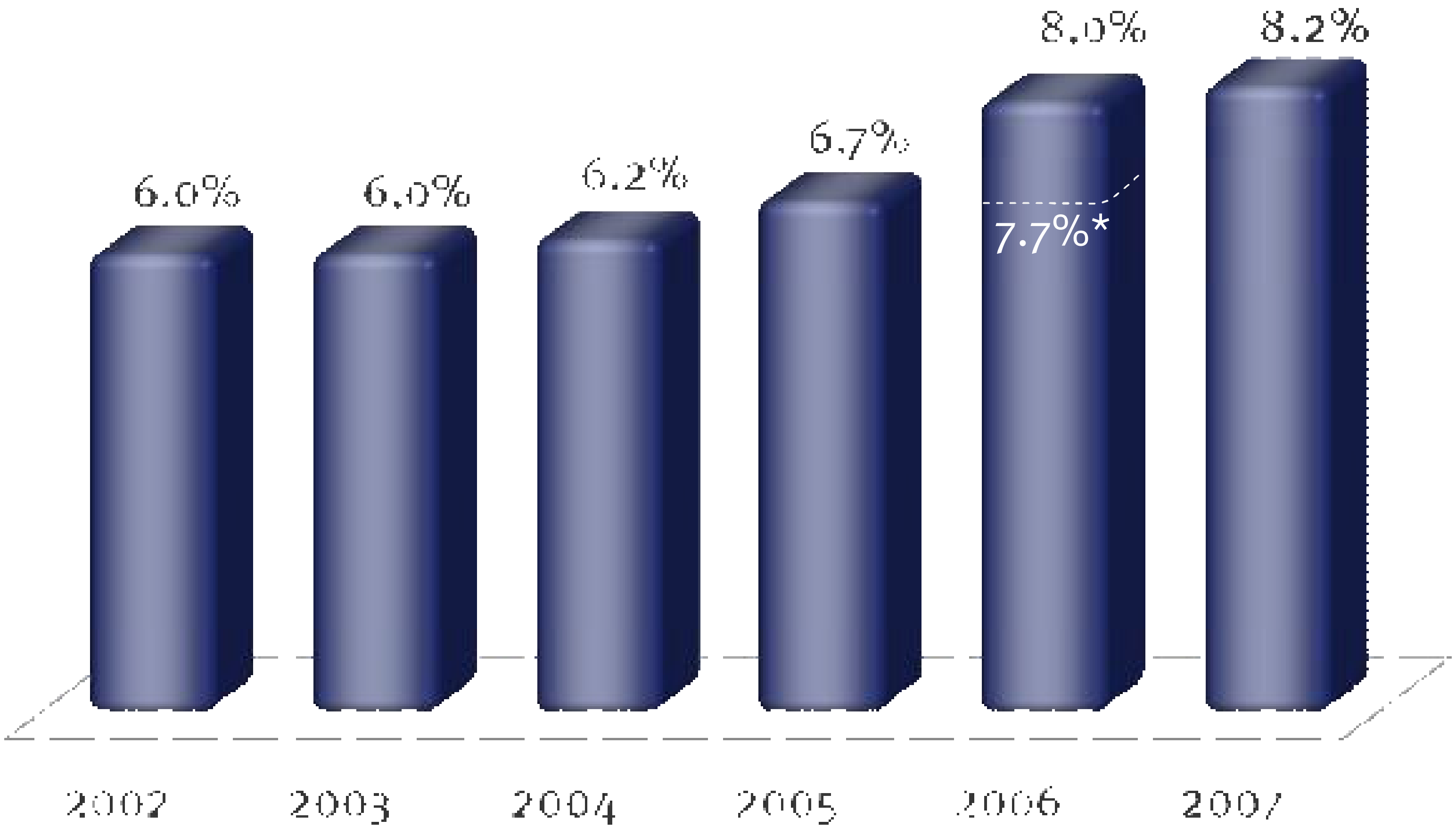
Return on invested capital



*At 2007 rates

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2008 outlook

Sustained growth; more uncertain economic environment

Significant integration activity; all costs expensed

Underlying profit growth in all businesses

Further progress on earnings, working capital and returns

Strong cash conversion

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Strong, sustainable growth

Changing Pearson

Content +

Technology and services

International expansion

Efficiency

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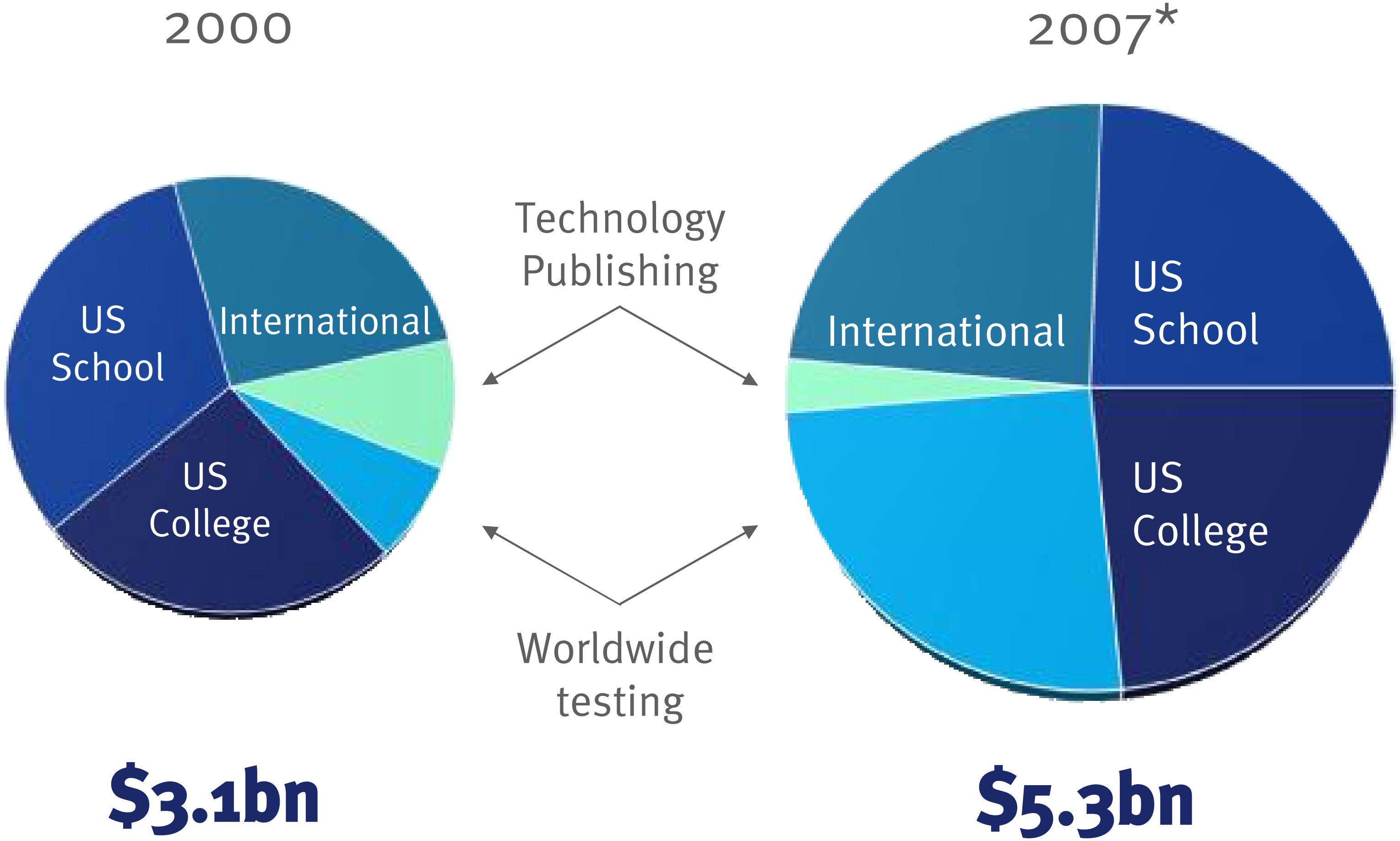
Change in Education
Revenue mix



*Continuing businesses

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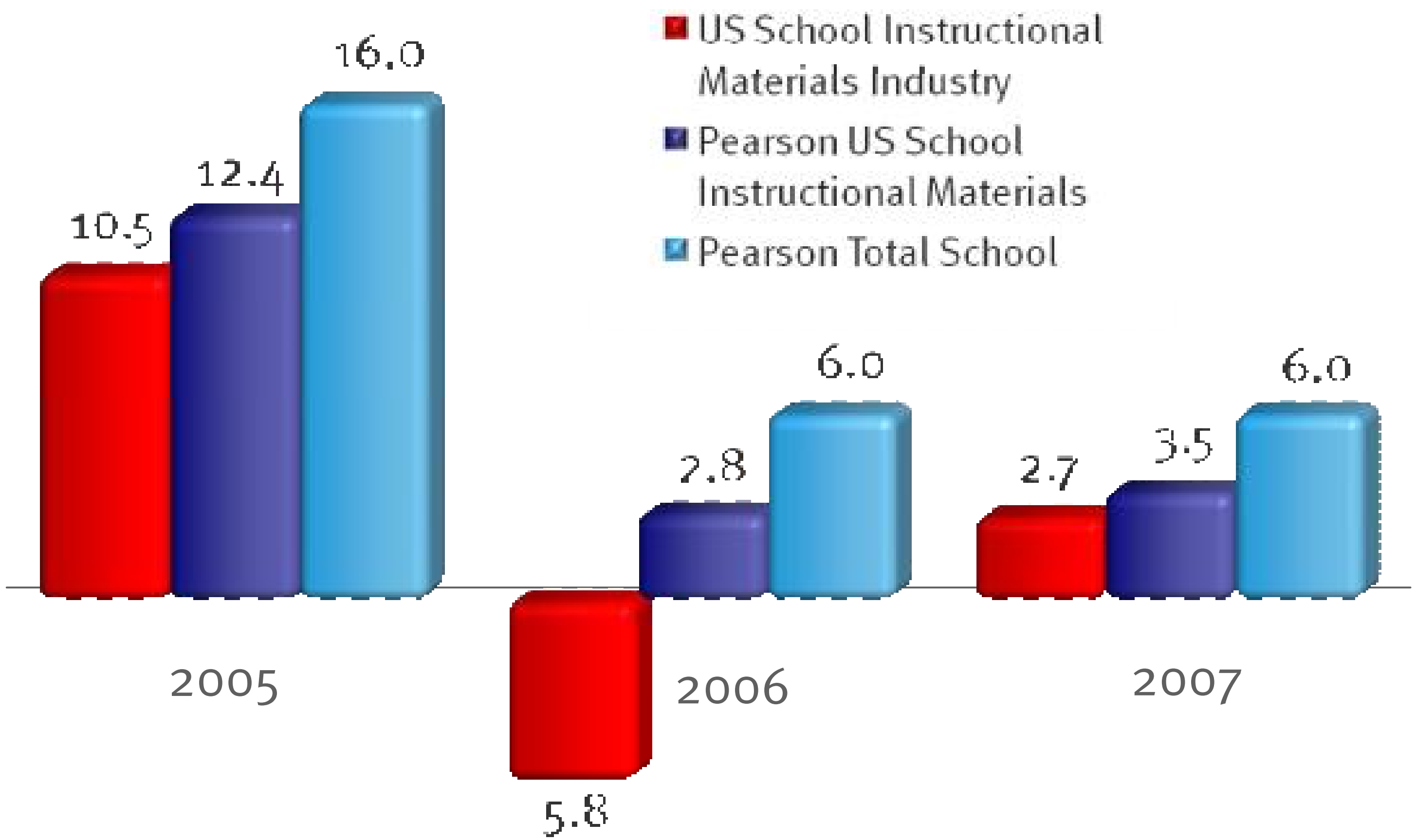
Sustained growth in School

Year-on-year growth, %



Sources: Pearson, AAP

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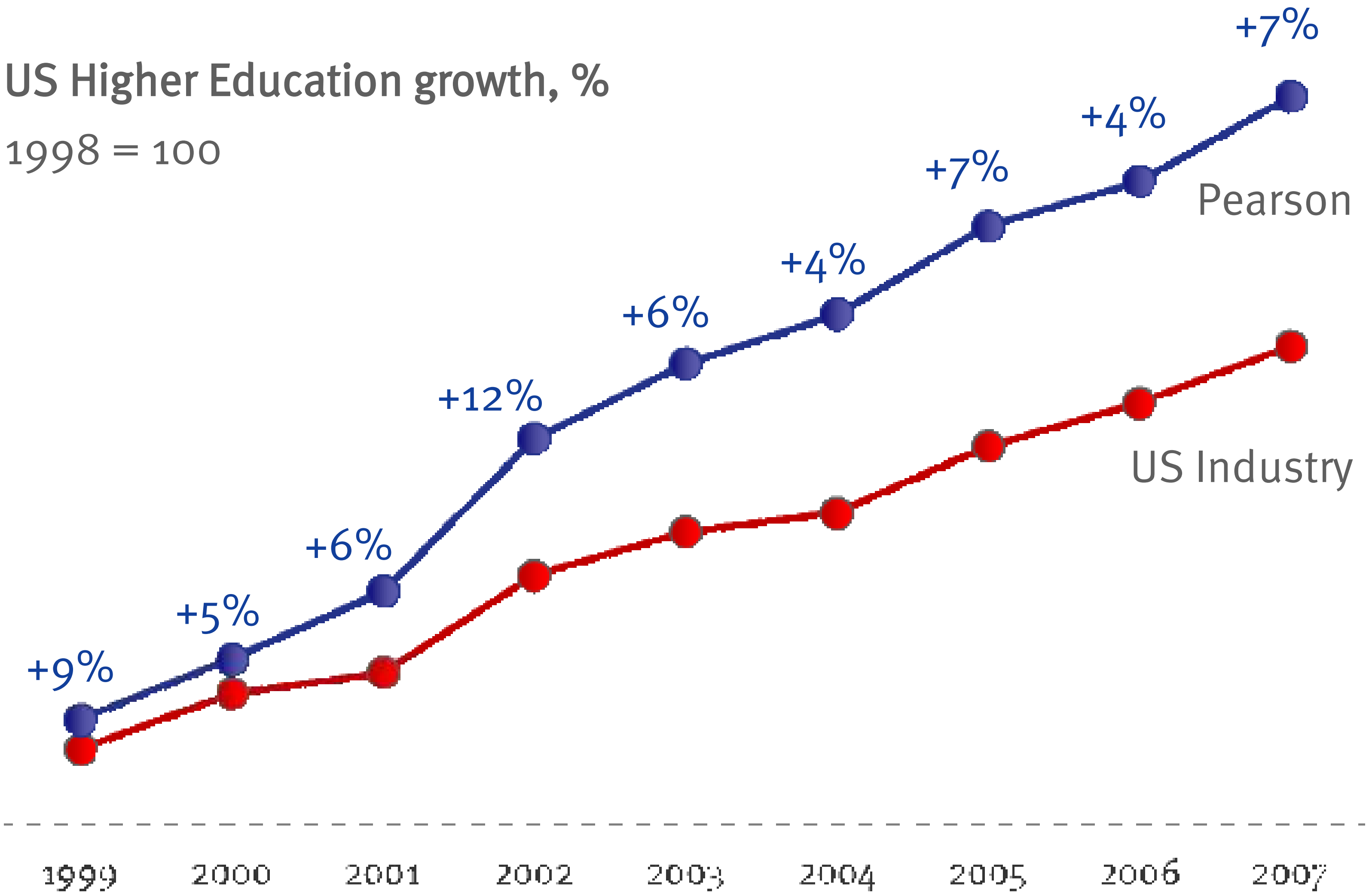
Sustained growth in Higher Education



Sources: Pearson, AAP

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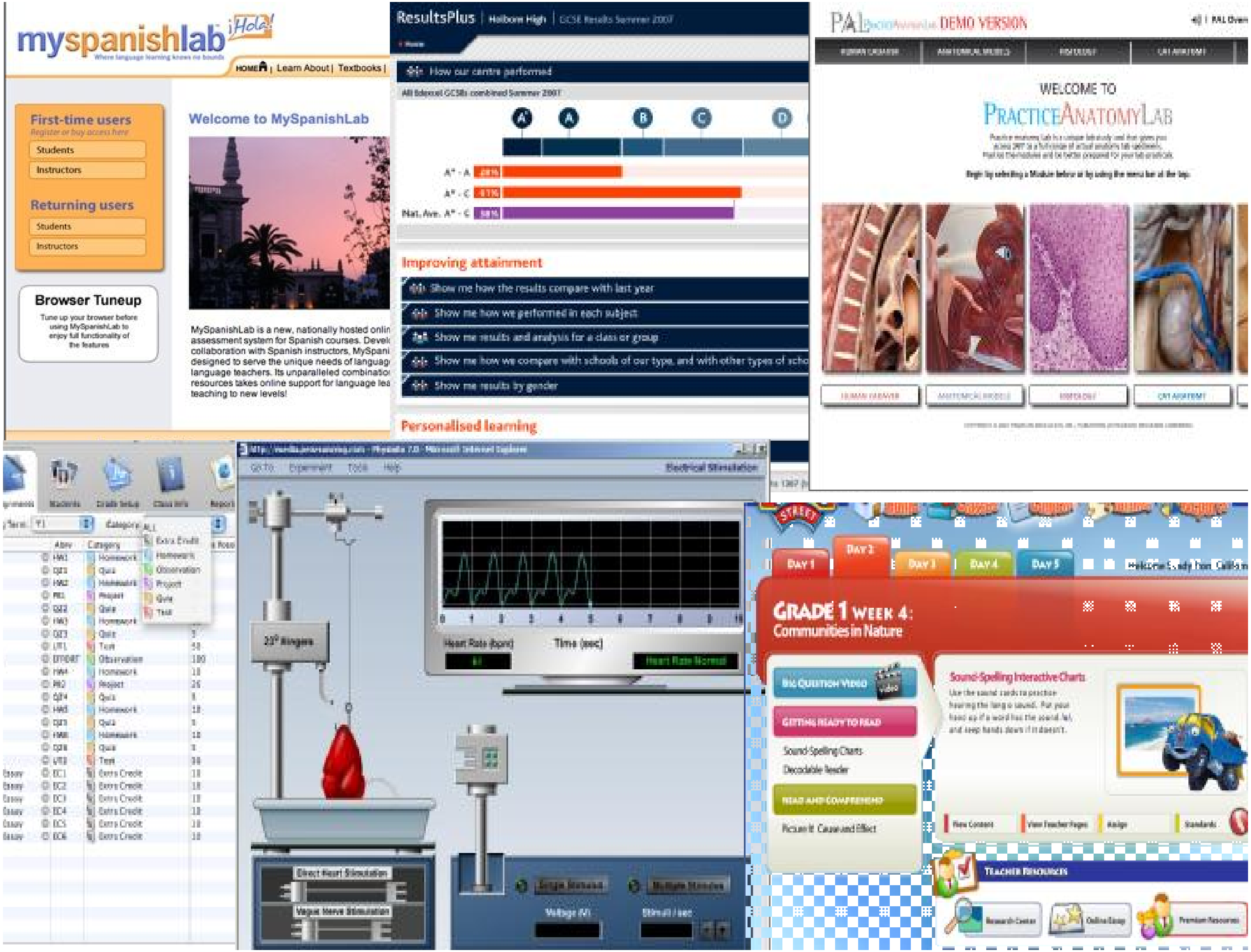

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Instructors
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Students
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How our centre performed
Improving attainment
Show me how the results compare with last year
Show me how we performed in each subject
Show me results and analysis for a class or group
Show me results by gender
Personalised learning
DEMO VERSION
WELCOME TO
PRACTICEANATOMYLAB
Heart Rate (bpm)
Time (sec)
Heart Rate Normal
Direct Heart Stimulation
Vagus Nerve Stimulation
Single Stimulus
Multiple Stimulus
DAY 1
DAY 2
DAY 3
DAY 4
DAY 5
GRADE 1 WEEK 4:
Communities in Nature
Sound-Spelling Interactive Charts
Sound-Spelling Charts
Decodable Reader
TEACHER RESOURCES


Scott Foresman-Addison Wesley
enVisionMATH™

mystratlab
mybusinesslab
mycrimelab
mydevelopmentlab
mycomplab
mypoliscilab
myeducationlab
myfoundationslab
mywritinglab · mymathlab · myreadinglab
myfamilylab
myhealthlab
myanthrolab
myhistorylab
myMISlab
mypsychlab
myspeechlab
mymasscommlab
myspanishlab ¡Hola!
myliteraturelab
mymarketinglab
mylogiclab
mycommunicationlab
myreadinglab
mymanagementlab
mysoclab
mynutritionlab

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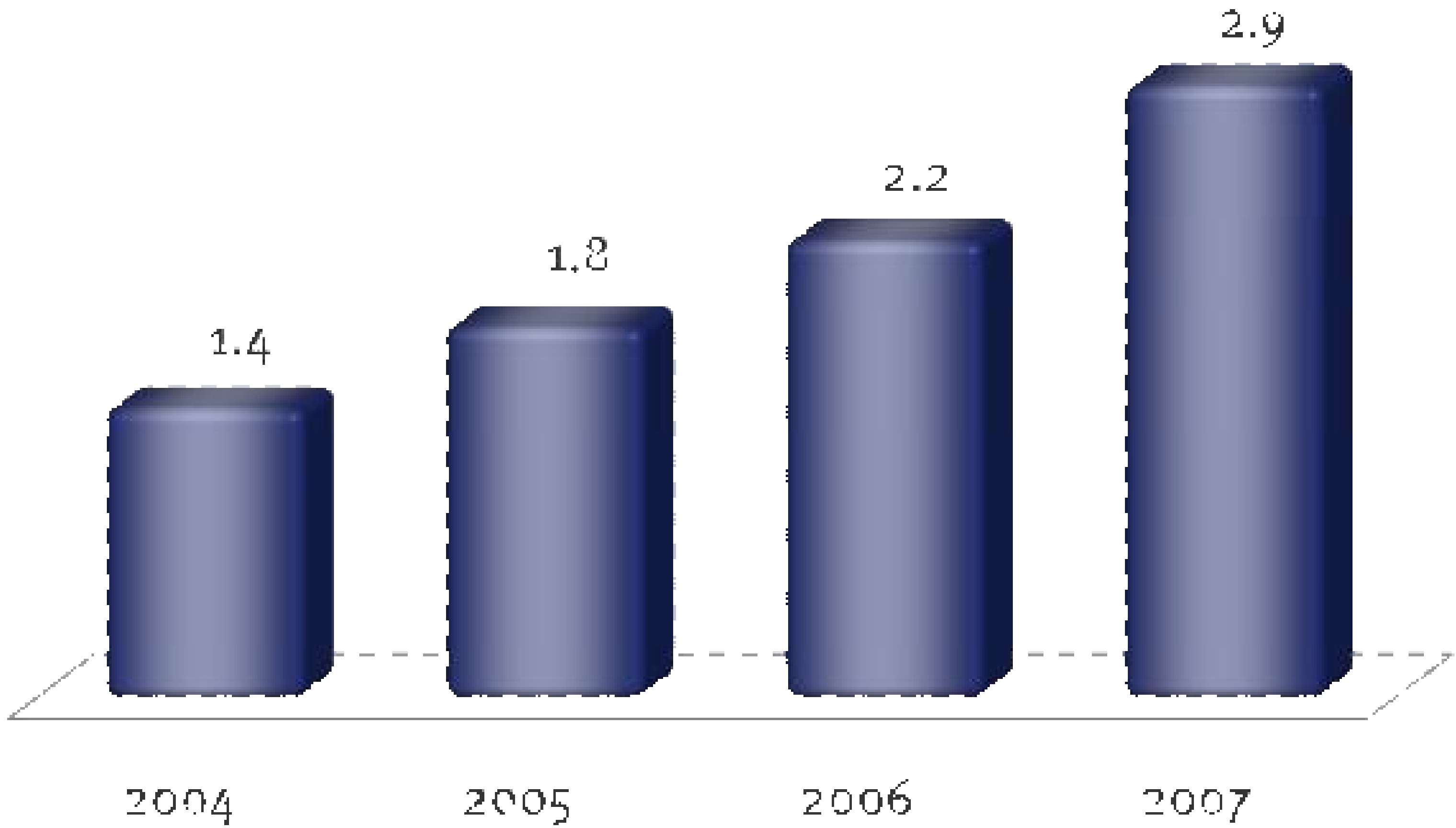
Change in education: more technology

MyLab registrations, m



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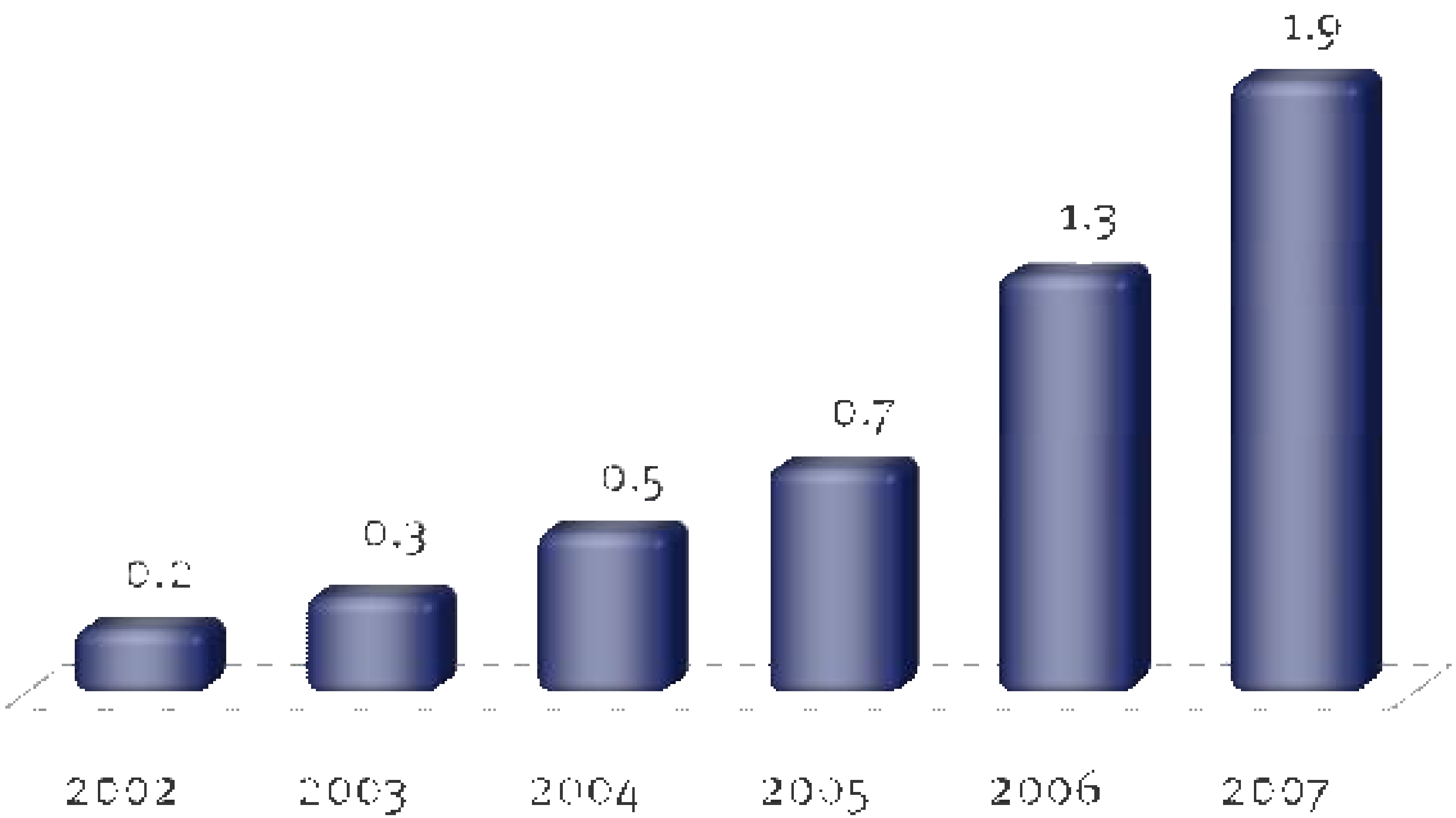
Change in education: online distance learning

eCollege enrolments, m



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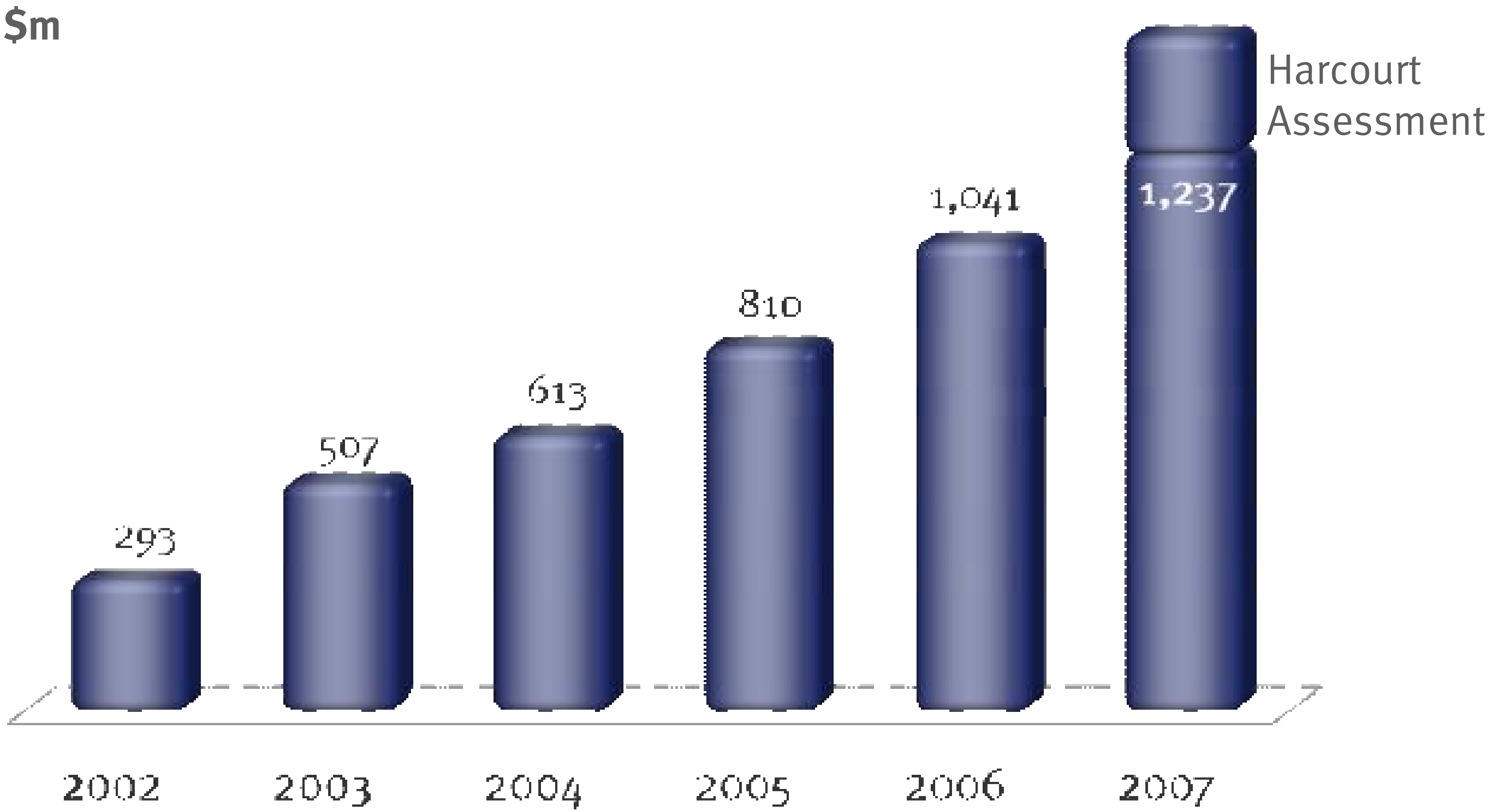
Change in education: more services

Worldwide School & Professional testing revenues



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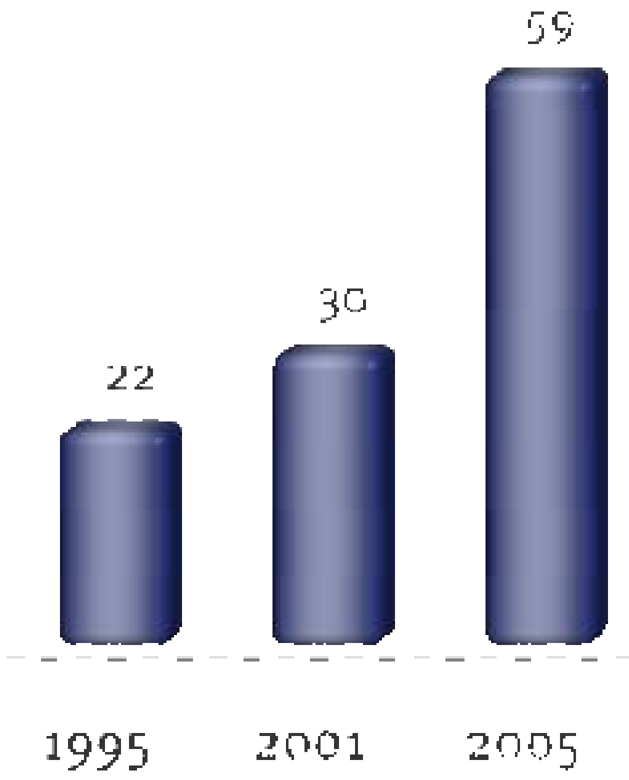
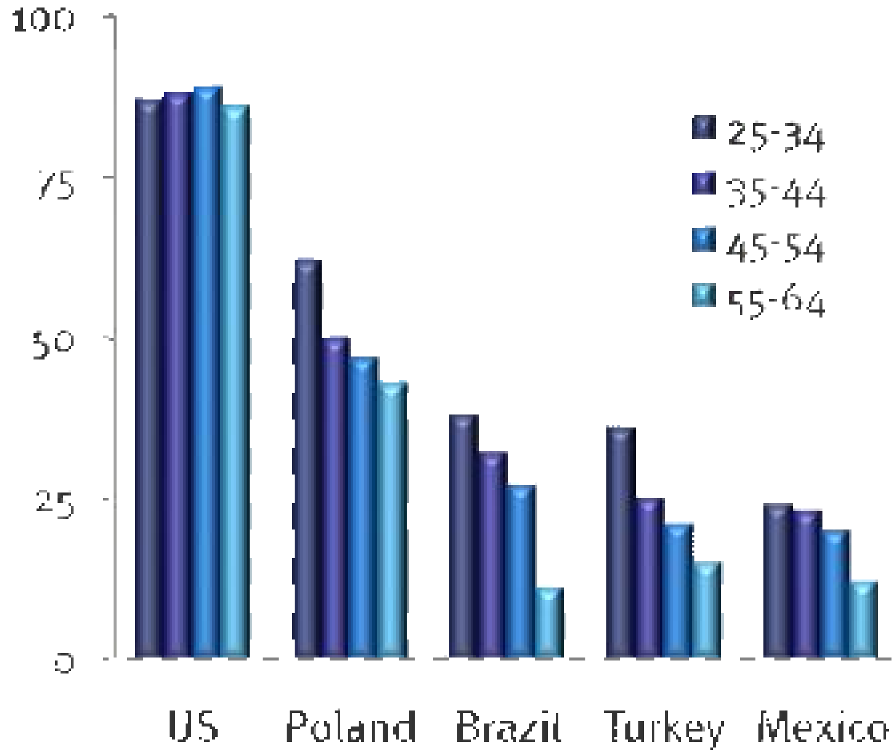
Change in education: professional opportunity

US adults taking work-related courses, %



Source: NCES

Adults attaining secondary education, %



Source: OECD, 2005

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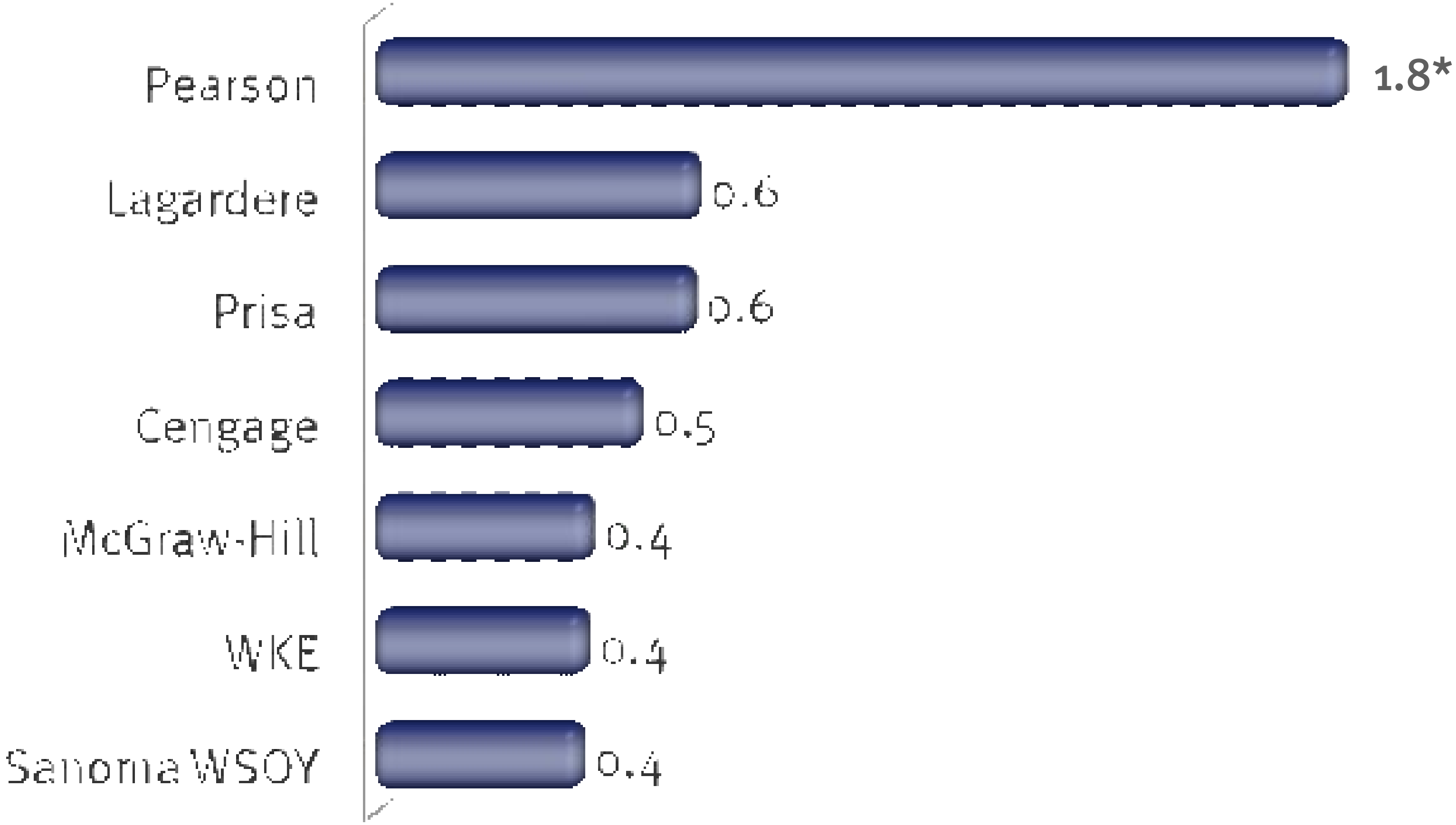
Change in education: more international

International education revenues, 2006 ($bn)



Source: Pearson, Company Accounts, Analysts estimates
*Proforma to include Harcourt

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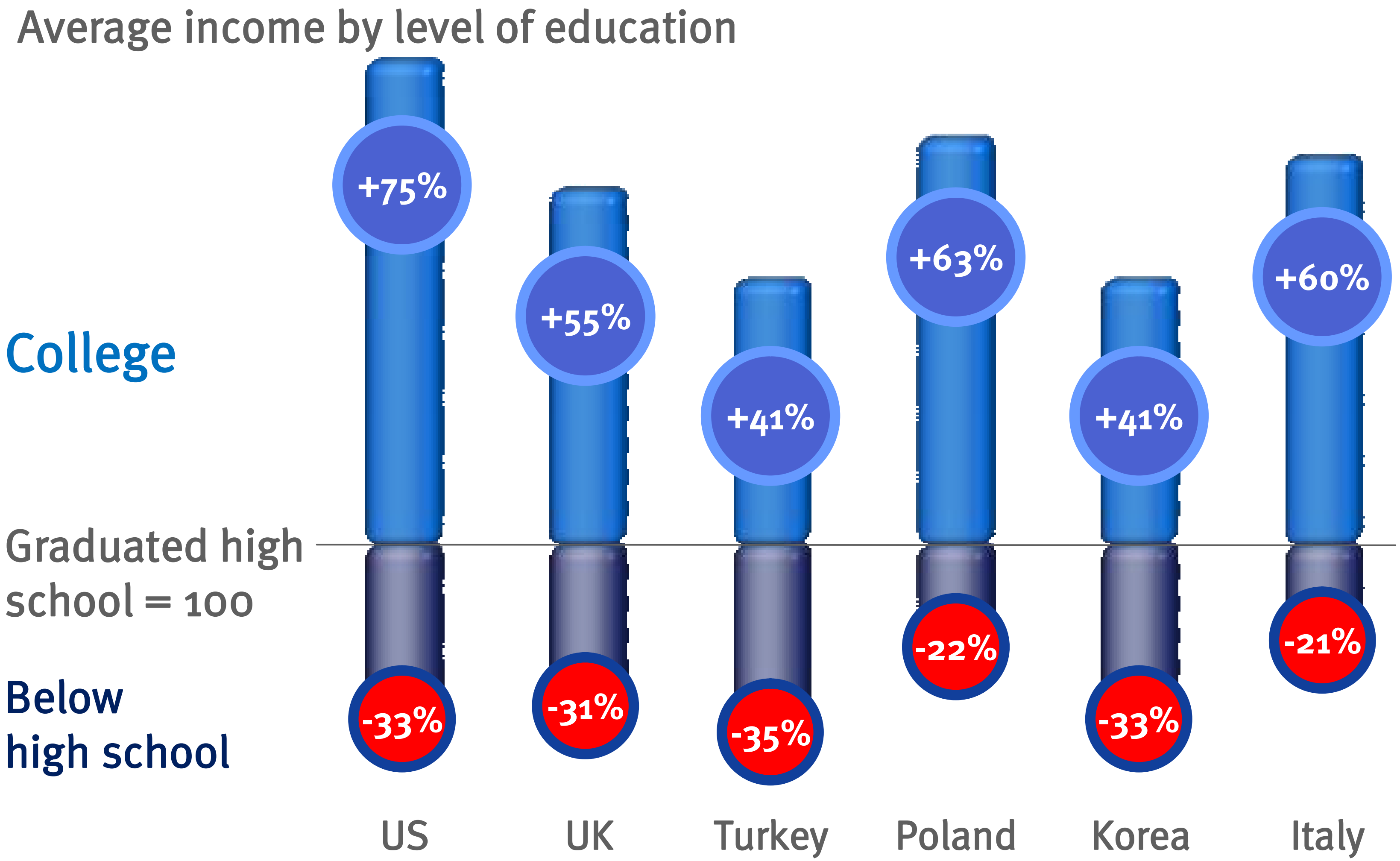
Education pays



Source: OECD

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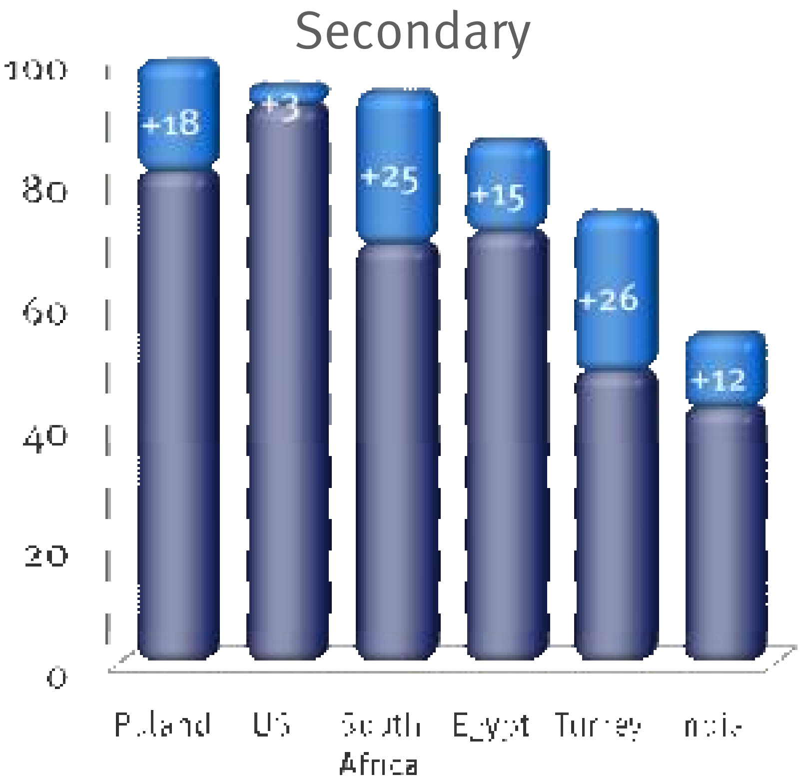
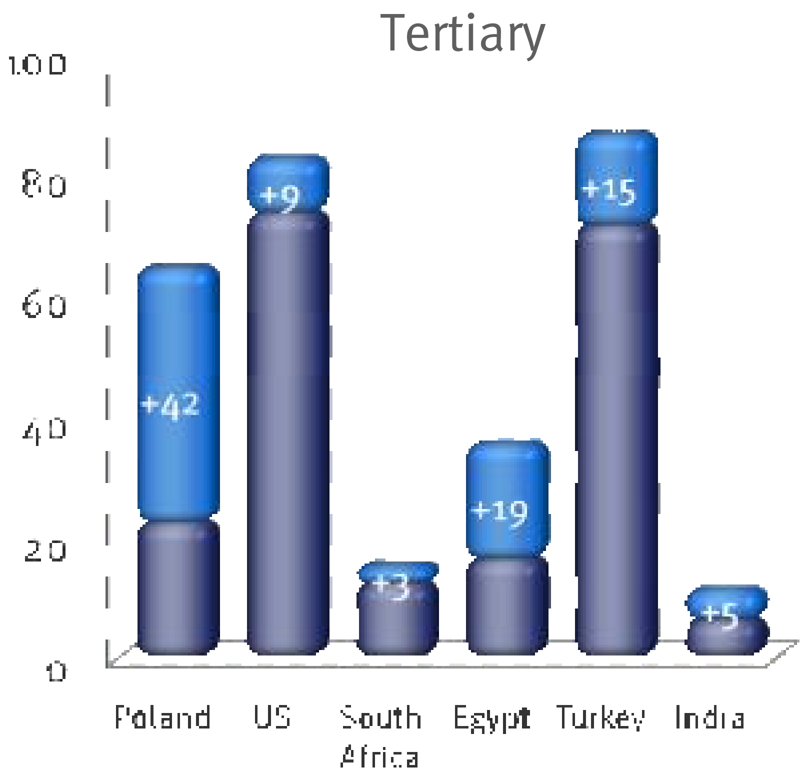
Change in education: international opportunity

Change in participation rates 1991-2005

Increase 1991-2005
1991 enrolment rate





Source: OECD

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Sustained growth in education

Pearson Education operating profit

Margin	12.1%	11.9%	13.1%	14.1%	15.1%

As reported

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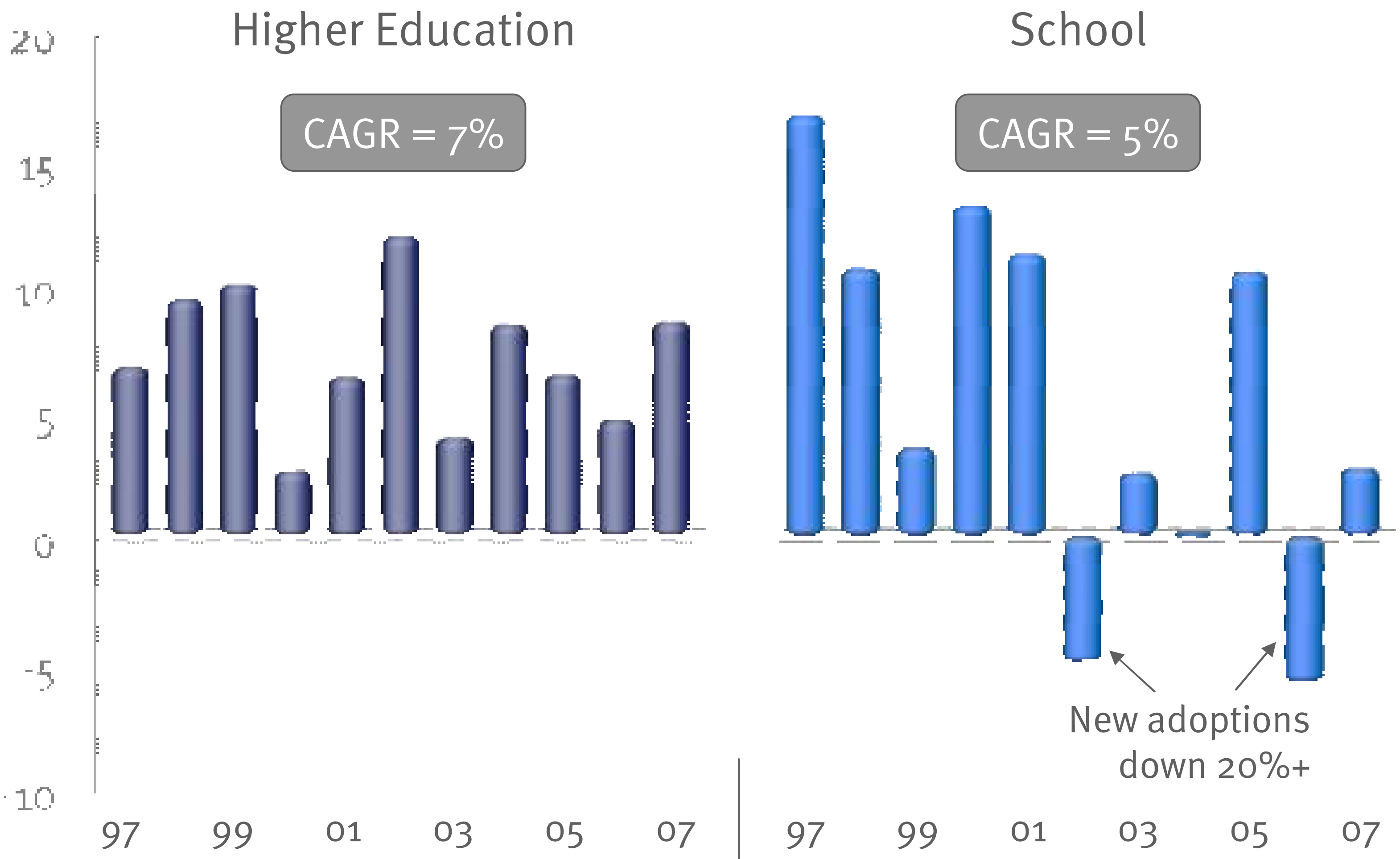
Sustained growth in US education publishing

Year-on-year industry sales growth



Sources: Pearson, AAP

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Education: change in 2008

School
Harcourt integration
Double digit sales growth at constant currency
Stable margins in ’08, climbing to 15% in ’09

Higher Education
Rapid expansion of MyLabs, eCollege
Mid single-digit underlying sales growth, stable margins

Professional
New professional / vocational markets
Low single digit sales growth, margins improving

Another good year in 2008

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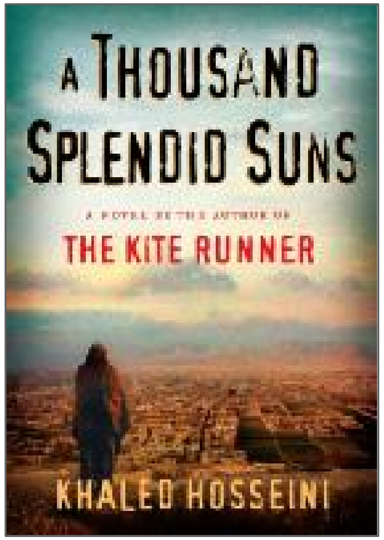
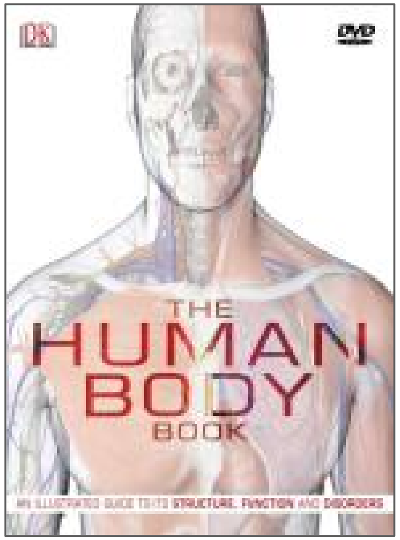
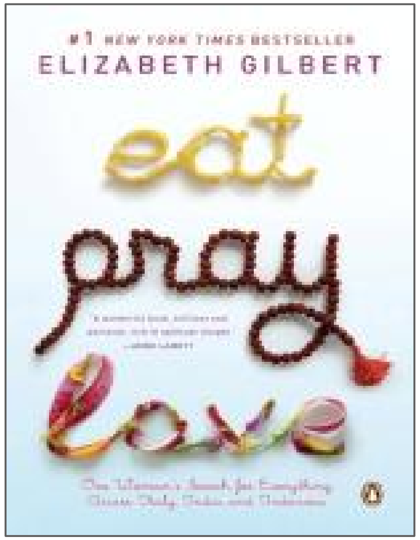
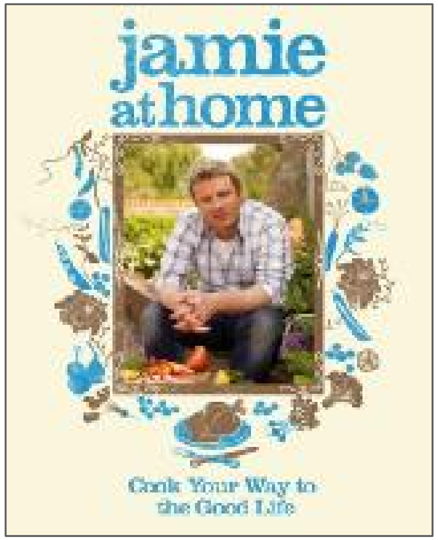
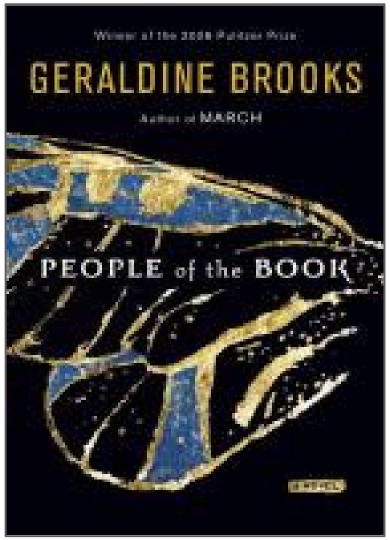
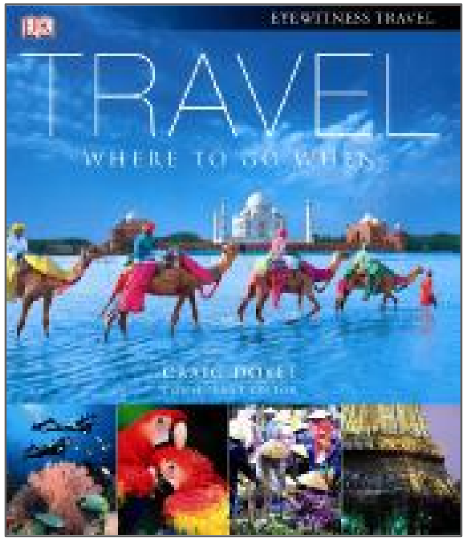
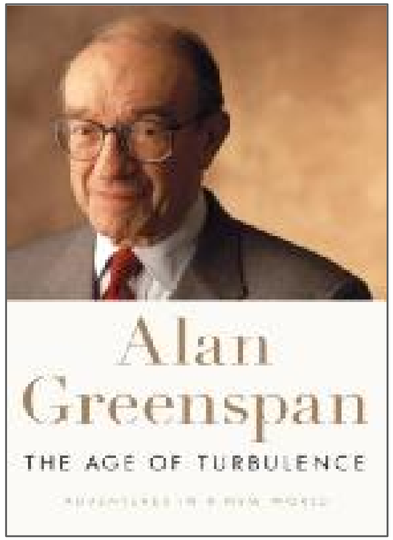

A THOUSAND SPLENDID SUNS
THE KITE RUNNER
KHALED HOSSEINI

DK
DVD
THE HUMAN BODY BOOK

#1 NEW YORK TIMES BESTSELLER
ELIZABETH GILBERT
eat pray love

jamie at home
Cook Your Way to the Good Life

GERALDINE BROOKS
Author of MARCH
PEOPLE of the BOOK

狼图腾

DK
EYEWITNESS TRAVEL
TRAVEL

Alan Greenspan
THE AGE OF TURBULENCE

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penguin group (usa)
browse penguin
SCARPETTA IS BACK 10/23/07
PATRICIA CORNWELL
BOOK OF THE DEAD
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African-American Interest
The Eiffel Tower
Restaurants
THE ROUGH GUIDE to Eating & drinking in Paris
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企鹅(中国) Penguin Group (China)
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spine breakers
Spinebreaker (n)
Any story-surfing, web-exploring, word-loving, day-dreaming, reader/ writer/ artist/ thinker aged 13-18
play video
top contributors
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WIN one of 160 exclusive SLAM posters signed by Nick Hornby.
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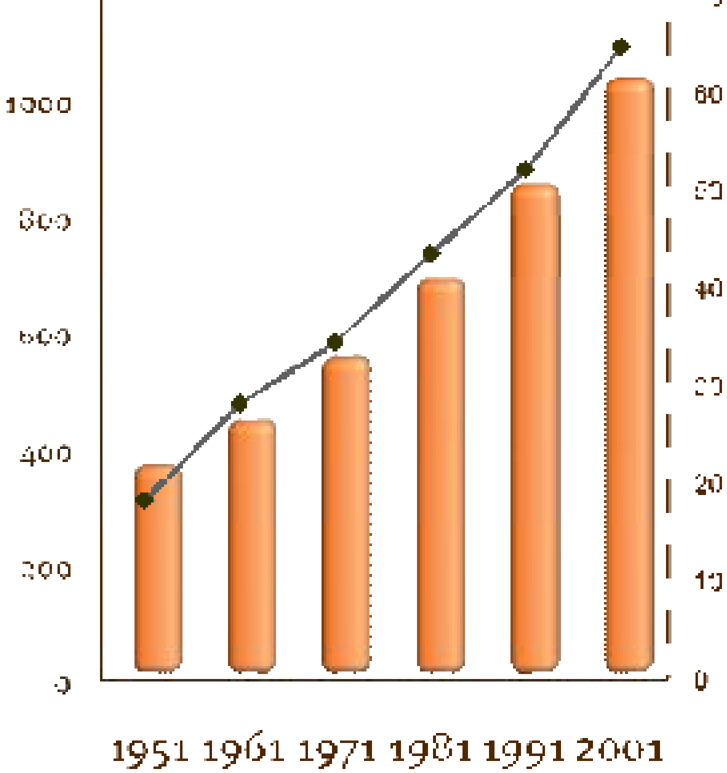
Change in Penguin: international opportunity

Rising literacy in India

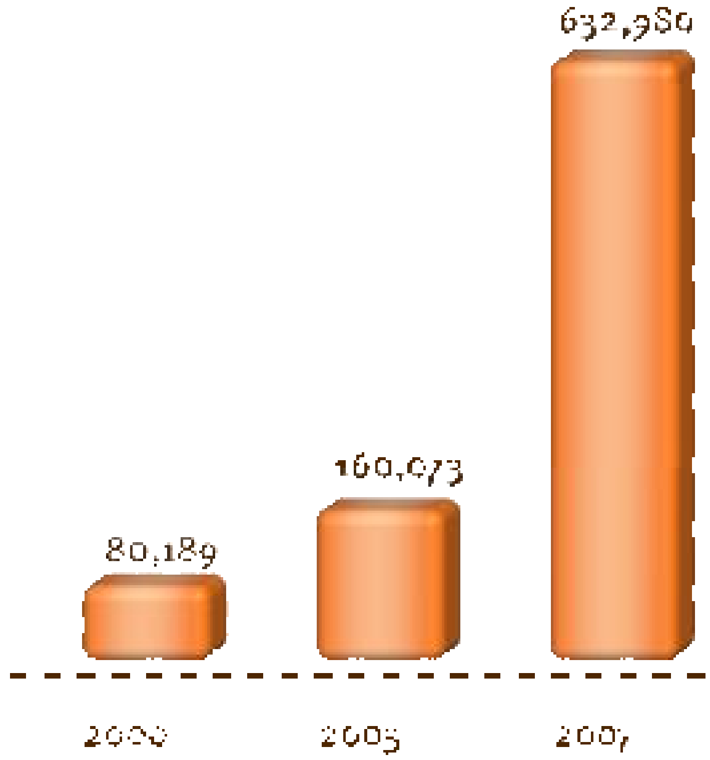
Population (m); Literacy rate (%)



Sources: Ministry of Home Affairs, Office of the Registrar General

Rising book retail space in India

Sq ft (top 3 book stores)



Source: Pearson

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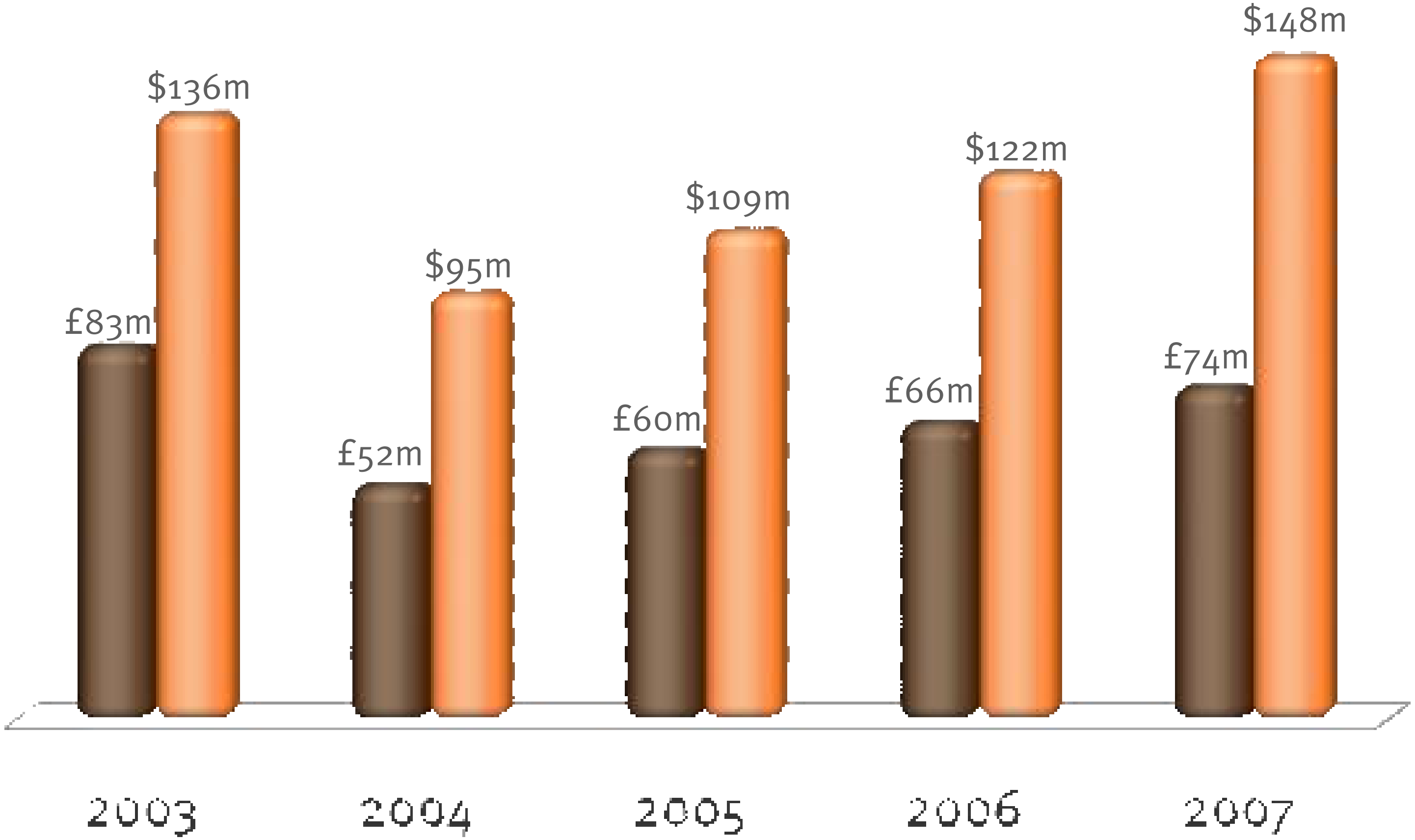
Sustained growth at Penguin

Penguin operating profit



Margin	9.9%	6.6%	7.5%	7.8%	8.7%

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Penguin: change in 2008

Balanced publishing schedule

Further efficiencies & working capital improvement

Digital marketing, emerging markets

Strong start to the year

Double digit margins in 2008

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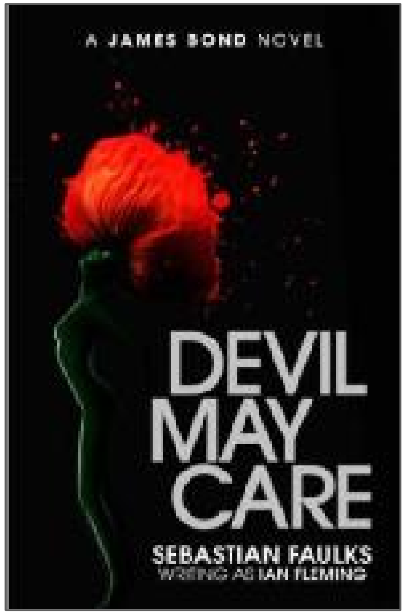
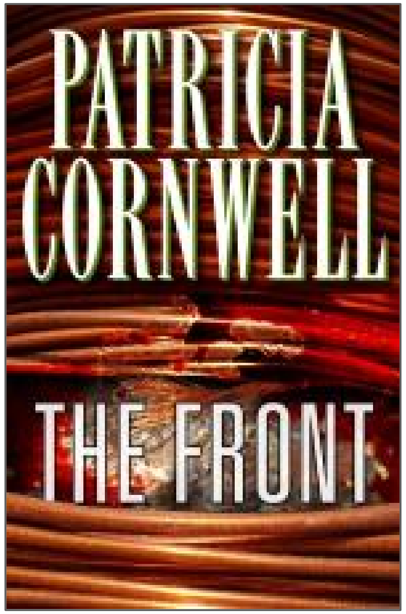
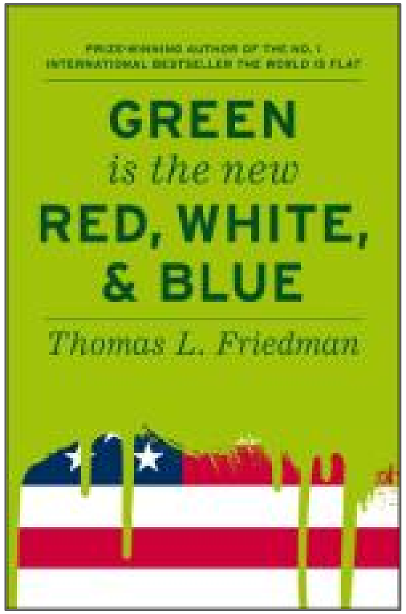
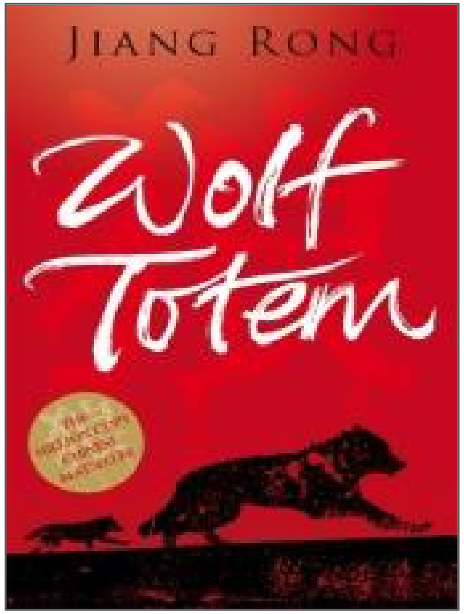
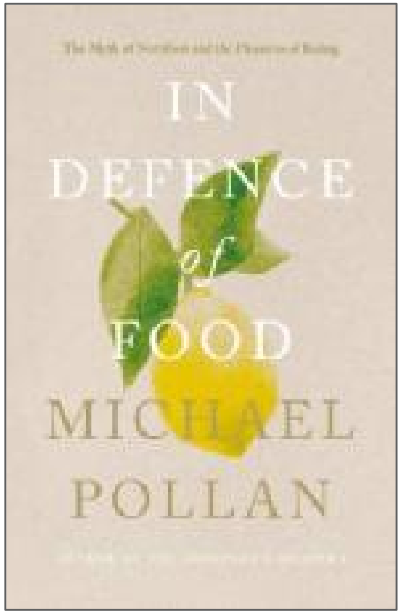
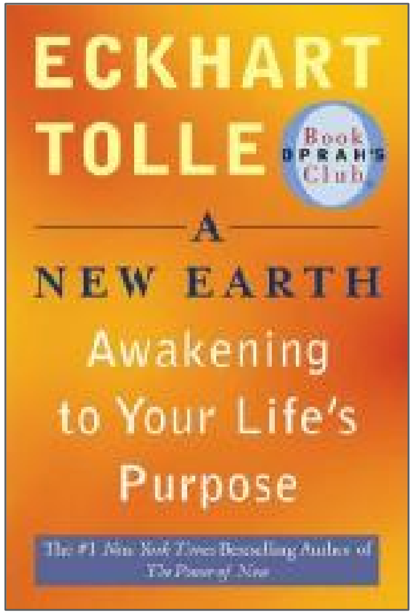

A JAMES BOND NOVEL
DEVIL MAY CARE
SEBASTIAN FAULKS
WRITING AS IAN FLEMING


PATRICIA CORNWELL
THE FRONT


GREEN
is the new
RED, WHITE,
& BLUE
Thomas L. Friedman


JIANG RONG
Wolf Totem


IN DEFENCE of FOOD
MICHAEL POLLAN


ECKHART TOLLE
OPRAH'S Book Club
A NEW EARTH
Awakening to Your Life's Purpose

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Hitachi will consider disposing its struggling US hard disk drive business if it underperforms next year, CFO says.

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FINANCIAL TIMES
Has the Fed done enough?
Fed slashes rates to halt sell-off
FINANCIAL TIMES
how to spend it
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Comment
Analysis
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Obituaries
Debates and polls
Ask the expert
Corrections
Technology
Video & Audio
Business Life
Economists' Forum
Undercover Economist
John Gapper
BlackBerry
Latest news
Fine plans reshuffle in effort to save job
Shipping costs rise on Chinese demand
Clashes increase pressure on Musharraf
Bear gloom drags markets down
Foot and mouth found at farm in Surrey
Bush will host rival climate talks in US
Transatlantic travellers on 48-hours notice
Facebook loses more ads in BNP row
vodafone
FT.com
FT VIDEO
View from the Top
View from the Top | View from the Top Archive
JOHN THAIN on
John Thain on
GEORGE SOROS on threats to the financial system
Part 2, Jan 24 George Soros on the moral hazard
The hedge fund manager discusses recent market crisis
RON PERELMAN on Fed, Treasury and investing in US
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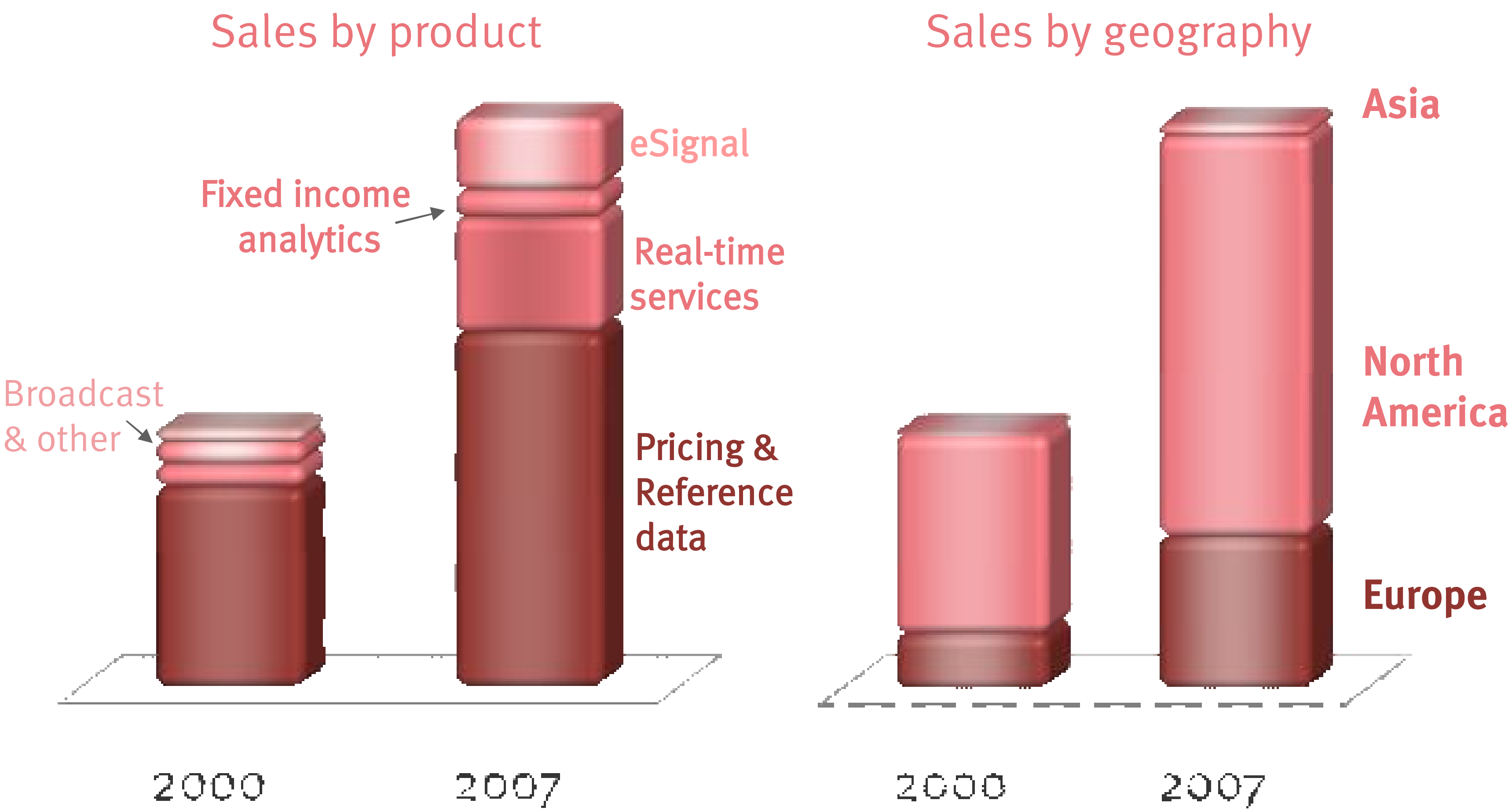
View from the Markets
Mergers and Acquisitions.
In-depth coverage
We live in FINANCIAL TIMES

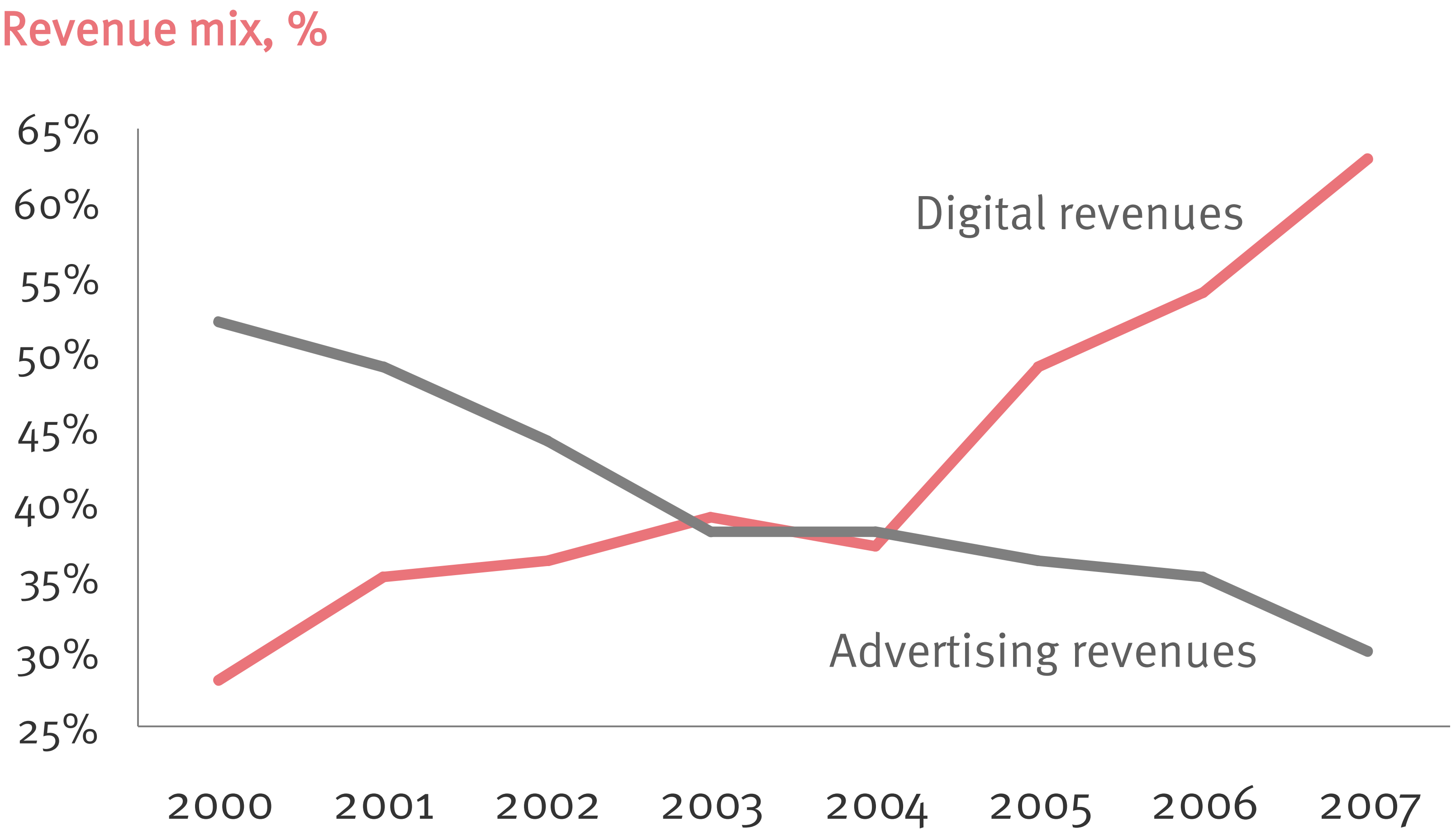
Change at Interactive Data



Source: Interactive Data

PEARSON

Change at the FT Group



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Sustained growth at the FT Group

FT Group operating profit, £m

Margin	7.0%	12.1%	16.1%	17.3%	22.2%

As reported

PEARSON

The FT Group: change in 2008

Healthy outlook at Interactive Data

Good growth at Mergermarket, Money-Media,
Exec Appointments

Sustained investment in international, online expansion

Focus on content, subscription and brand revenues

Further profit improvement,
even if no ad revenue growth

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Strong, sustainable growth