

PEARSON

Always learning

2009 results

1 March 2010

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.

Financial highlights

£m	2009	2008	Headline growth	CER growth
Sales	5,624	4,811	17%	4%
Operating profit	858	762	13%	4%
Adjusted eps	65.4p	57.7p	13%	-
Operating cash flow	913	796	15%	-
Dividend	35.5p	33.8p	5%	-

The story of 2009

1. Significant share gains

2. Rapid growth in digital, services, emerging markets
3. Sustained organic investment

Significant share gains

5 year record

North American education

School



Growth vs. rest
of industry

Higher Ed



Growth vs. rest
of industry

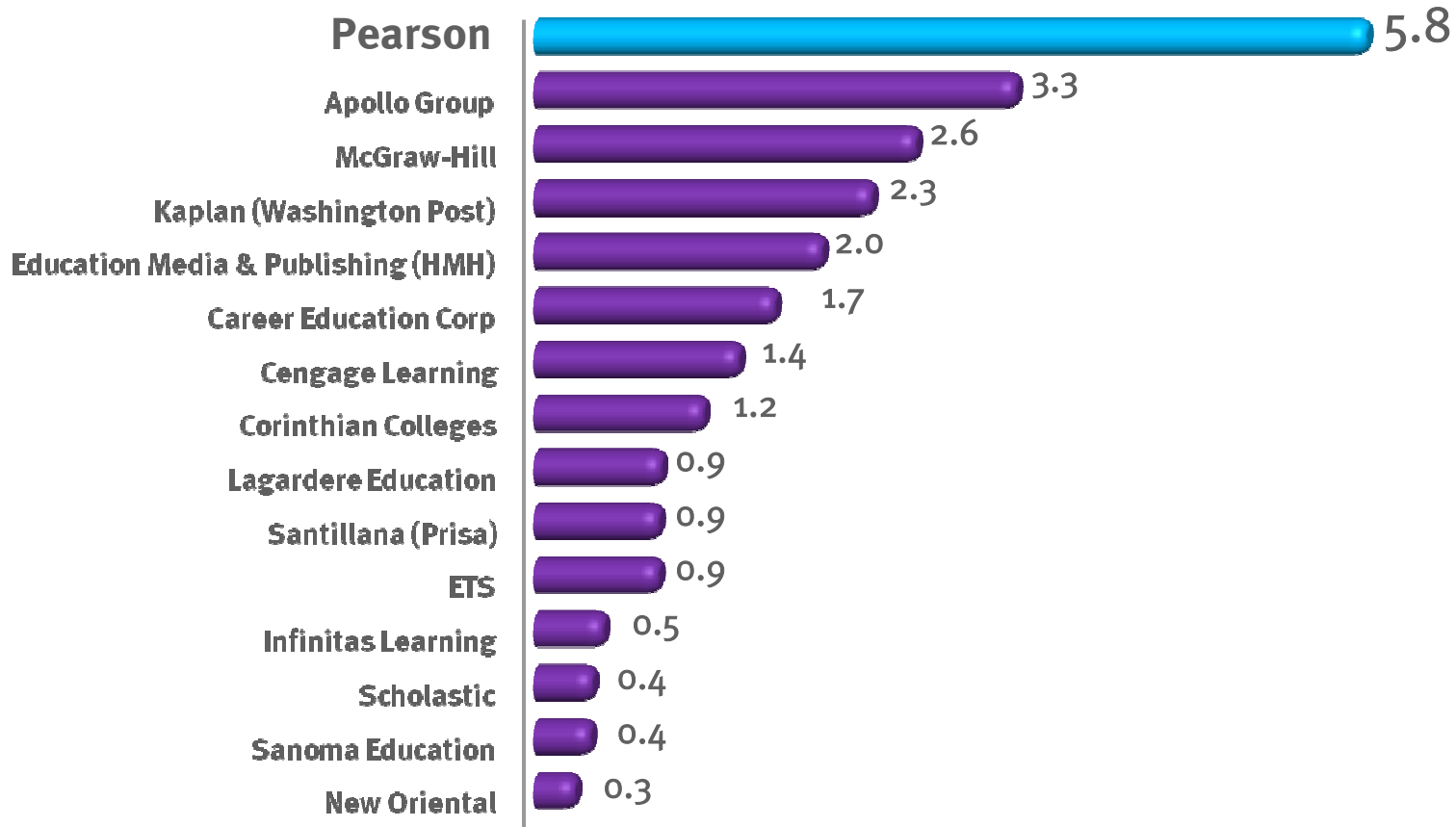
State &
National Assessment



Average contract
win ratio

The world's leading education companies

Education revenues, \$bn



The story of 2009

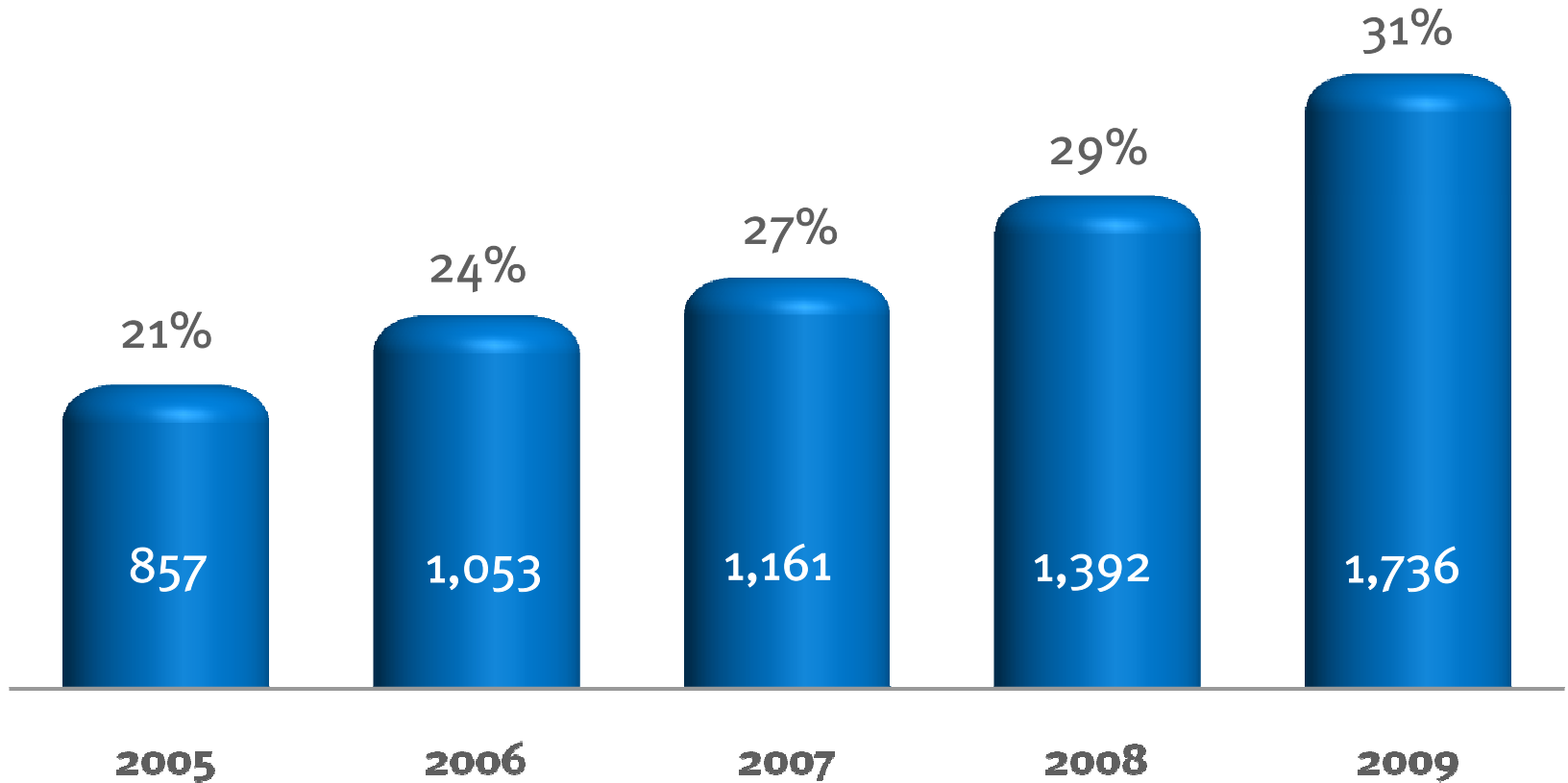
1. Significant share gains

2. Rapid growth in digital, services, emerging markets

3. Sustained organic investment

Rapid growth in digital businesses

Pearson's digital revenues, £m/% of sales

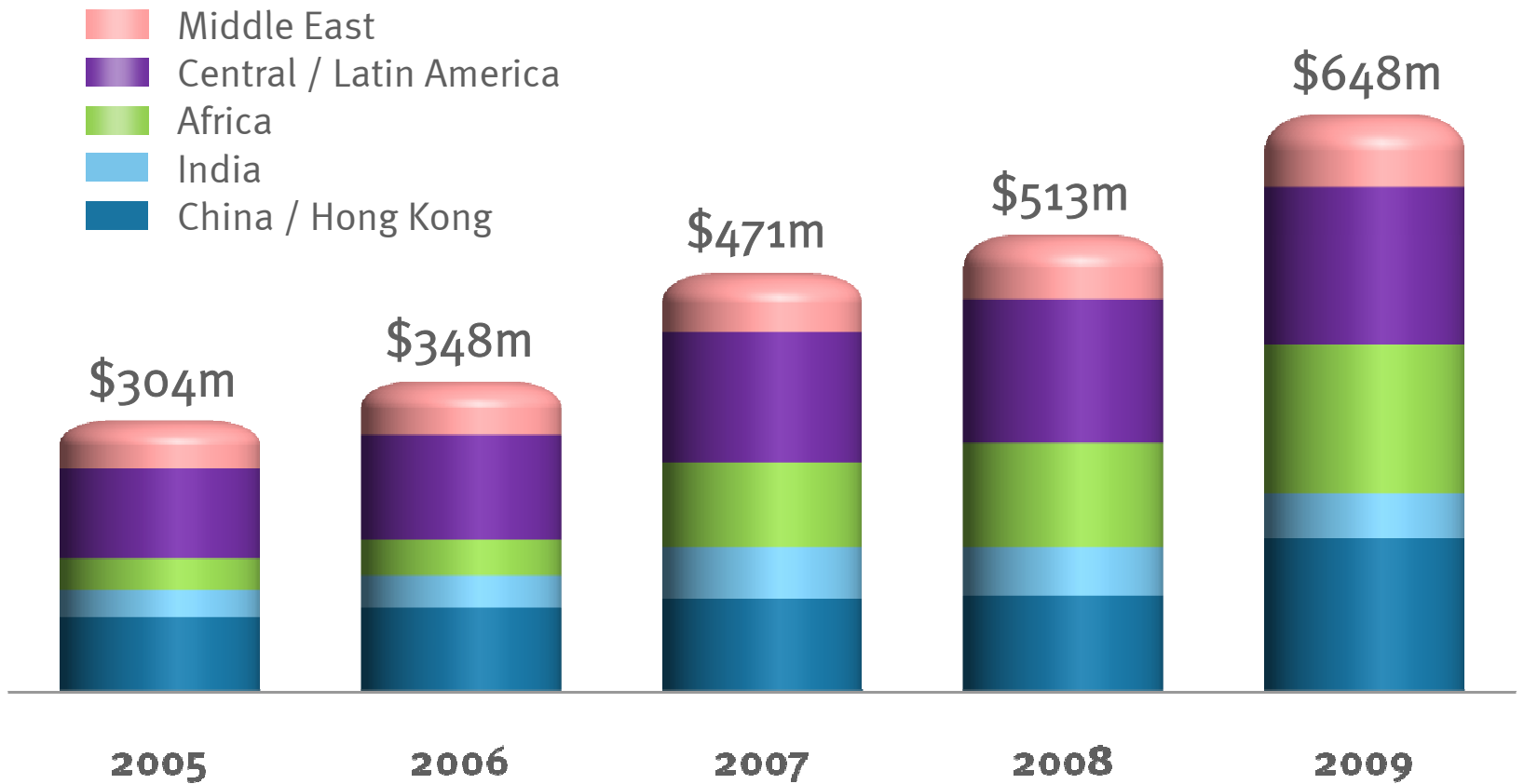


At constant exchange rate

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Rapid growth in emerging markets

Pearson revenues



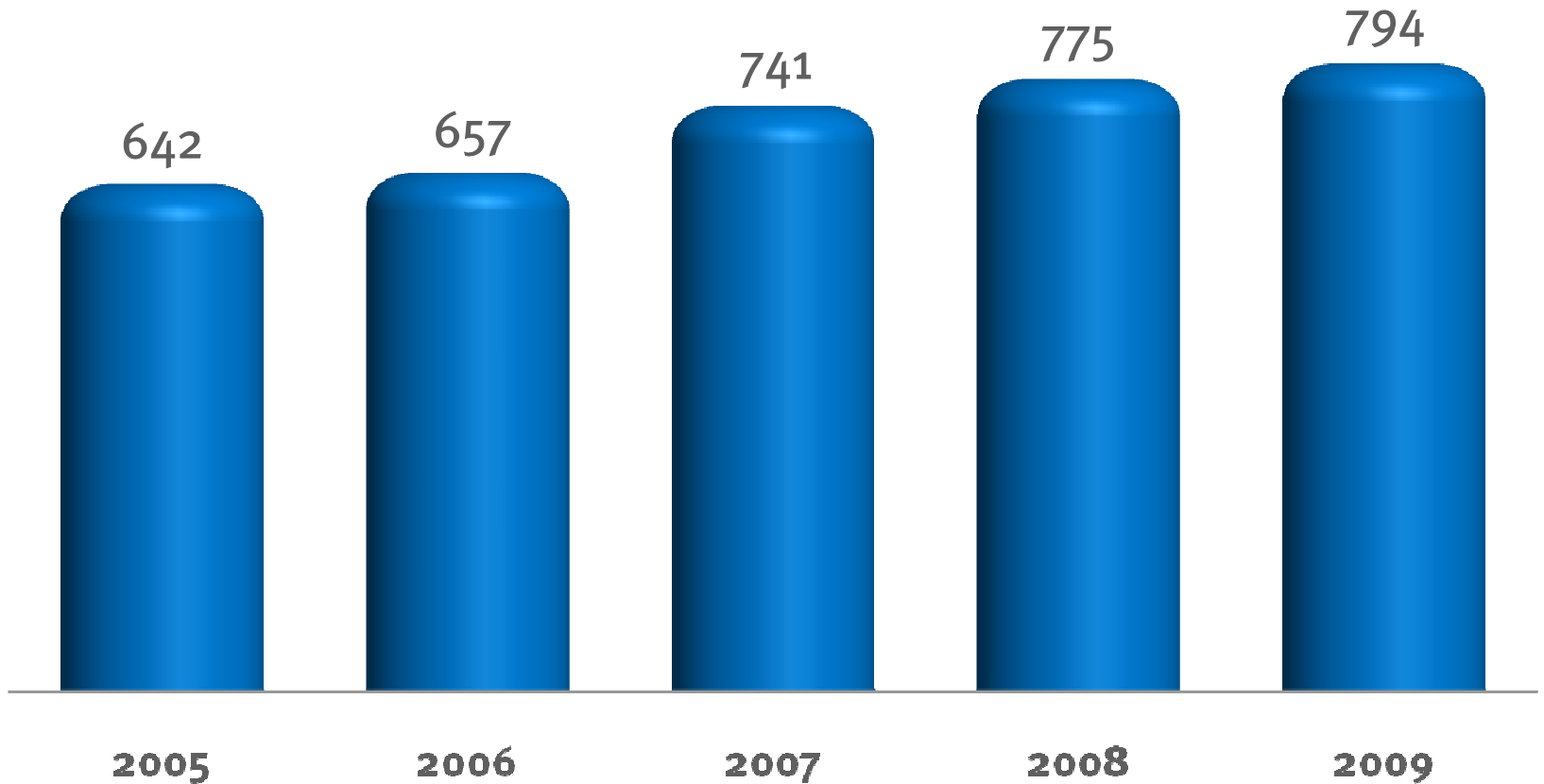
The story of 2009

1. Significant share gains
2. Rapid growth in digital, services, emerging markets

3. Sustained organic investment

Sustained organic investment

Pre-publication expenditure & authors' advances
\$m



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Financial review

2009 financial highlights

Strength in global education

Healthy margins in FT Group and Penguin

Significant currency impact

Stronger balance sheet; steady cash returns

Sales growth

£m	2009	2008	CER growth	Underlying growth
North American Education	2,470	2,002	5%	5%
International Education	1,035	866	13%	4%
Professional	275	244	(1)%	(1)%
Education	3,780	3,112	7%	4%
FT Publishing	358	390	(12)%	(12)%
Interactive Data	484	406	5%	2%
FT Group	842	796	(3)%	(5)%
Penguin	1,002	903	(1)%	(2)%
Total	5,624	4,811	4%	2%

Profit growth

£m	2009	2008	CER growth	Underlying growth
North American Education	403	303	13%	13%
International Education	141	135	19%	14%
Professional	43	36	8%	8%
Education	587	474	14%	13%
FT Publishing	39	74	(42)%	(42)%
Interactive Data	148	121	7%	2%
FT Group	187	195	(12)%	(14)%
Penguin	84	93	(17)%	(19)%
Total	858	762	4%	2%

Healthy margins

	Margins					
	2004	2005	2006	2007	2008	2009
NA Education	15.4%	16.5%	16.7%	16.4%	15.1%	16.3%
Int'l Education	5.6%	9.1%	11.4%	12.5%	15.6%	13.6%
Professional	(3.0)%	1.1%	8.1%	11.9%	14.8%	15.6%
FT Publishing	(0.9)%	6.8%	9.6%	16.3%	19.0%	10.9%
Interactive Data	24.9%	26.9%	26.8%	28.2%	29.8%	30.6%
Penguin	6.6%	7.5%	7.8%	8.7%	10.3%	8.4%
Pearson	10.6%	12.8%	13.8%	14.9%	15.8%	15.3%

Continuing operations

Currency effects

P&L average	2009	2008
\$/£	1.57	1.85
€/£	1.12	1.25

Sensitivity

Translation: Ave \$ +/- 5c = eps +/- 1.3p

Transaction (2009 vs. 2008)

International Education	£(17)m
Penguin	£(6)m
FT Group	£(5)m
Other	£1m
Total	£(27)m

Adjusted EPS

£m	2009	2008	Headline growth
Operating profit	858	762	13%
Interest	(97)	(88)	(10)%
Taxation	(194)	(178)	(9)%
<i>Tax rate</i>	<i>25.5%</i>	<i>26.4%</i>	
Profit after tax	567	496	14%
Minorities	(44)	(36)	(22)%
Adjusted earnings	523	460	14%
<i>Shares in issue</i>	<i>799.3</i>	<i>797.0</i>	
Adjusted EPS	65.4p	57.7p	13%

Statutory P&L

£m	2009	2008	Headline growth
Operating profit	755	676	12%
Interest	(97)	(88)	(10)%
Finance costs – IAS39 / IAS21	2	(3)	-
Profit before tax	660	585	13%
Taxation	(198)	(172)	(15)%
Profit after tax	462	413	12%
Discontinued operations	-	(90)	-
Profit for the year	462	323	43%
Basic EPS (total)	53.2p	36.6p	45%
Basic EPS (continuing)	53.2p	47.9p	11%

Operating cash flow

£m	2009	2008	var
Operating profit	858	762	96
Working capital	105	(69)	174
Net capital expenditure	(121)	(121)	--
Depreciation	129	110	19
Dividends from associates	22	23	(1)
Exchange and other movements	(80)	91	(171)
Operating cash flow	913	796	117
<i>Cash conversion %</i>	106%	104%	

Working capital includes pre-publication

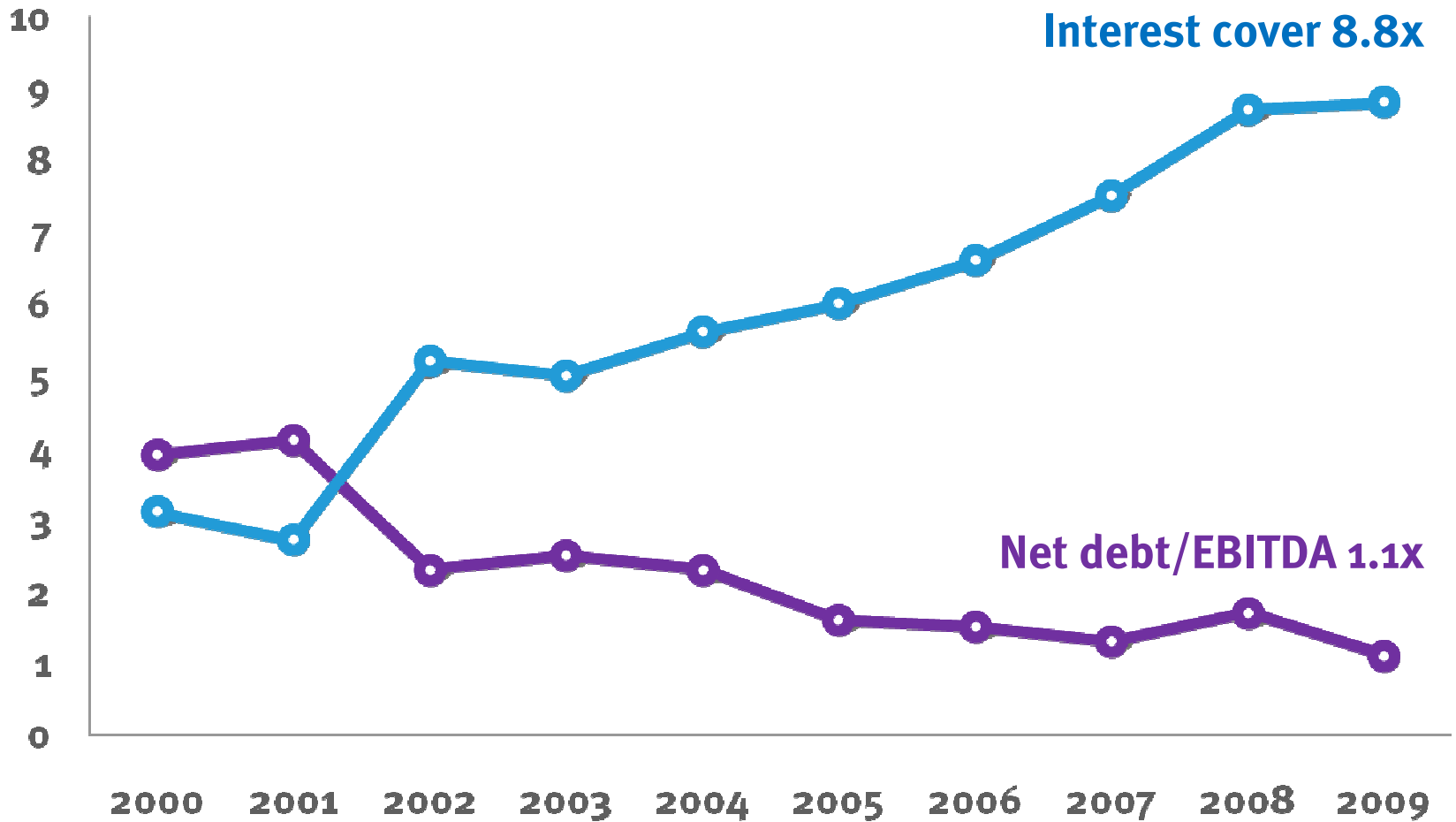
Free cash flow

£m	2009	2008	var
Operating cash flow	913	796	117
Tax paid	(103)	(89)	(14)
<i>Cash tax %</i>	<i>12%</i>	<i>12%</i>	
Net interest paid	(87)	(76)	(11)
Operating free cash flow	723	631	92
Other non operating	-	-	-
Total free cash flow	723	631	92
Free cash flow / share	90.5p	79.2p	11.3p

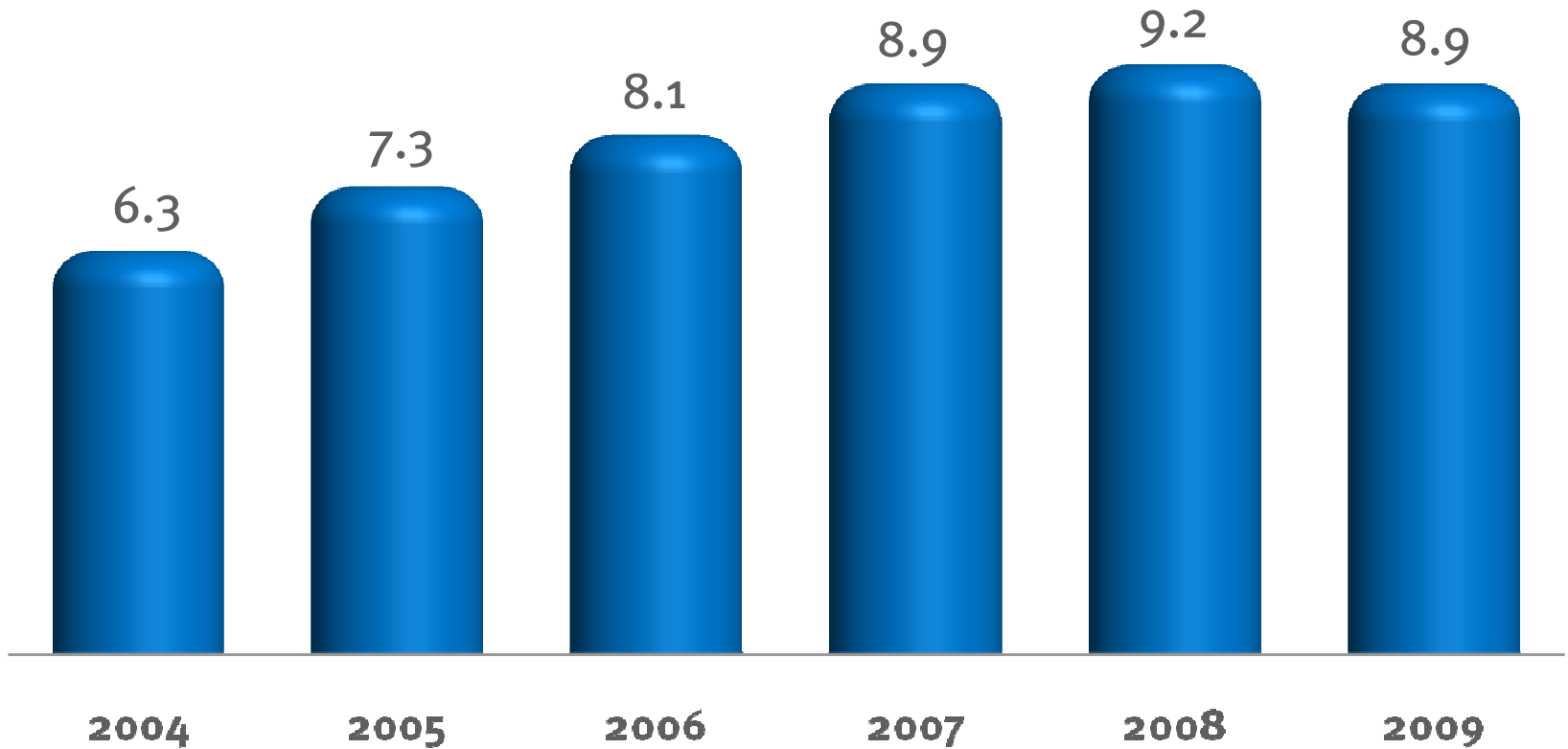
Balance sheet

£m	2009	2008	var
Goodwill / intangible assets	5,129	5,353	(224)
Tangible fixed assets	388	423	(35)
Pre-publication	650	695	(45)
Deferred revenue	(487)	(444)	(43)
Working capital	648	817	(169)
Other net liabilities	(107)	(78)	(29)
Net trading assets	6,221	6,766	(545)
Shareholders' funds	4,345	4,750	(405)
Deferred tax	86	75	11
Pensions	339	118	221
Other provisions	68	89	(21)
Minorities	291	274	17
Net debt	1,092	1,460	(368)
Capital employed	6,221	6,766	(545)
\$/£	1.61	1.44	

Balance sheet strength



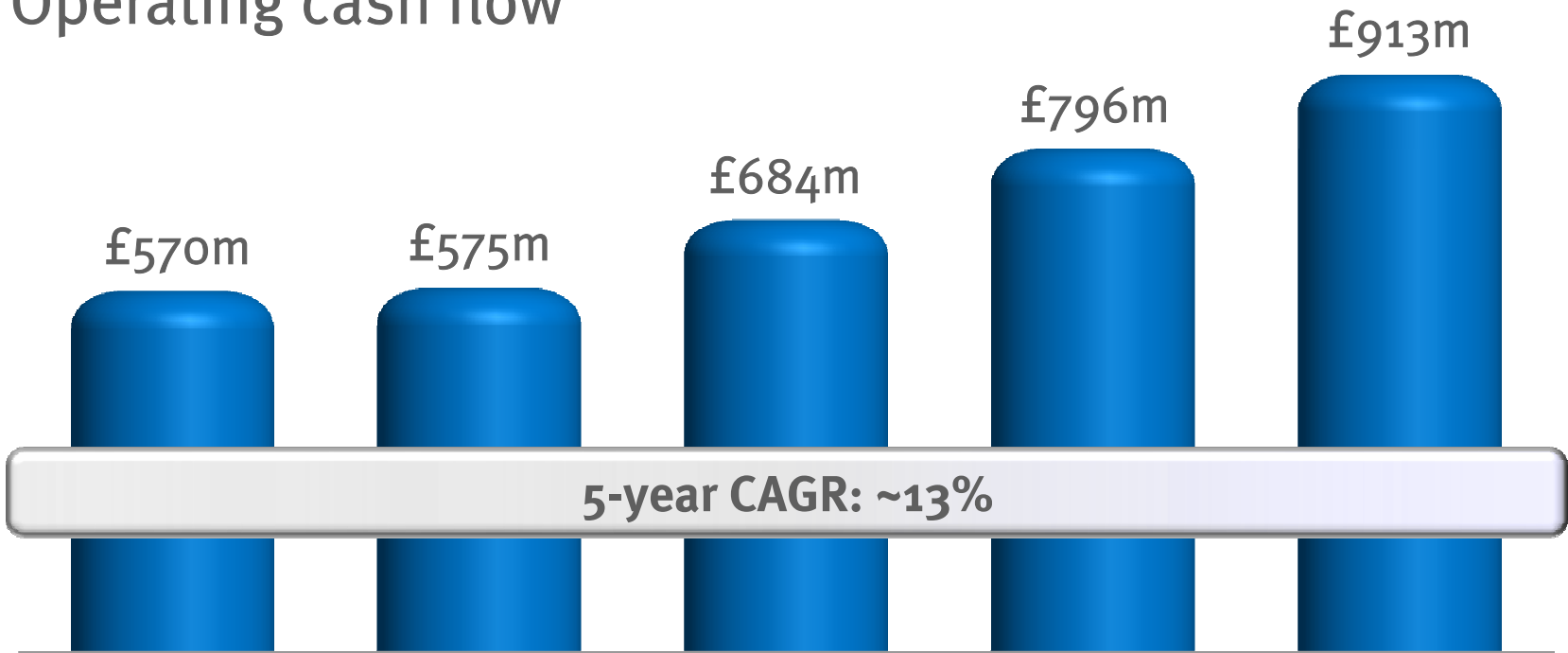
Return on invested capital (%)



Average capital/actual cash tax

Strong cash generation

Operating cash flow



2005	2006	2007	2008	2009
113%	97%	Cash conversion 108%	104%	106%
54.0	54.2	FCF per share (p) 51.1	79.2	90.5

Uses of cash

Organic investment

Bolt-on acquisitions

Dividends

Uses of cash: bolt-on acquisitions

2002-2009

Disposal proceeds

\$3.6bn

Investment in acquisitions

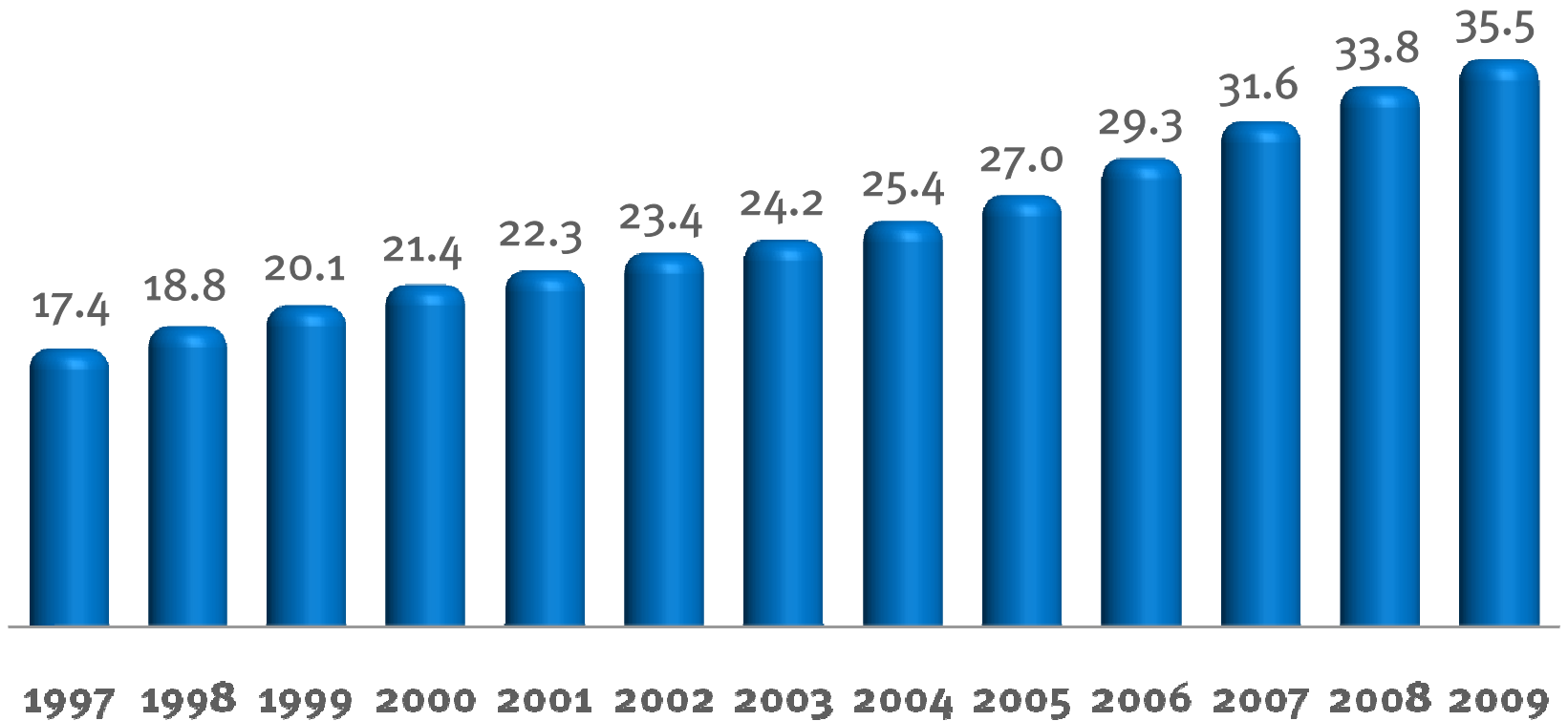
\$3.3bn

ROIC on acquisitions

~1.5X
WACC

Uses of cash: dividend growth

Pence per share



2010 outlook

North American Education

- school funding pressure/larger adoption opportunity
- federal reform: standards, teachers, data, school improvement
- college enrolments firm

International Education

- public funding pressure in some developed markets
- sustained demand for testing, qualifications & higher education
- strong secular growth trends

2010 outlook

FT Group

- healthy demand for premium content and services
- advertising volatile
- subscription businesses resilient



Penguin

- industry broadly flat
- good competitive performance
- rapid growth in eBooks



2010 priorities

Underlying operating profit growth

Strong cash conversion

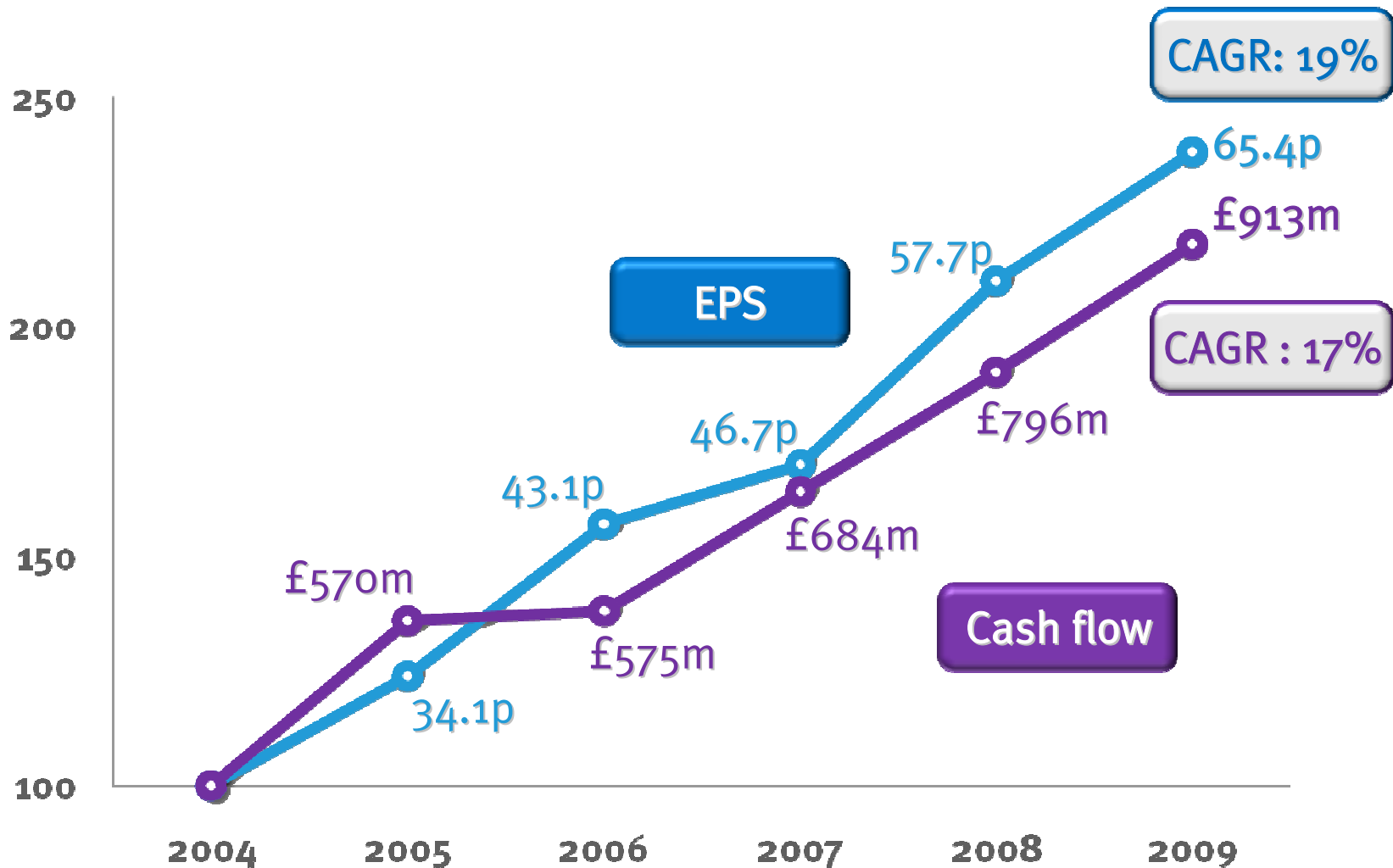
Continued investment

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Always learning

Durability and growth



2004=100

The next chapter

Next generation learning technologies

Services

Emerging markets

New consumer experiences

The leader in learning technologies

2009 growth

My Labs

6m registered users

eCollege

3.5m registered users

Powerschool

8.5m students

SuccessNet

4.4m student registrations

Online testing

9.3m online tests

Poptropica

70m unique visitors

ePen

206m scores assigned

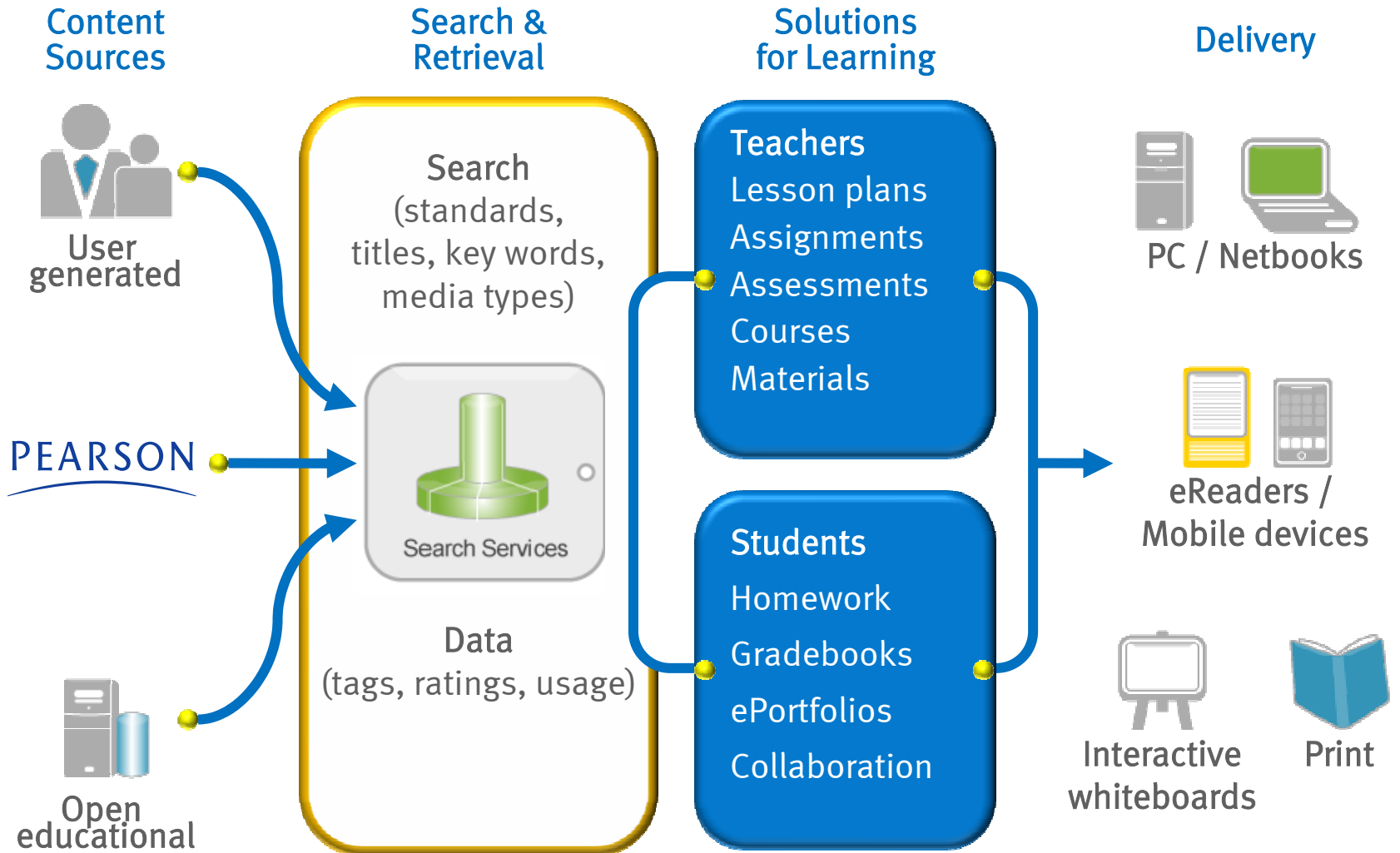
Edustructures

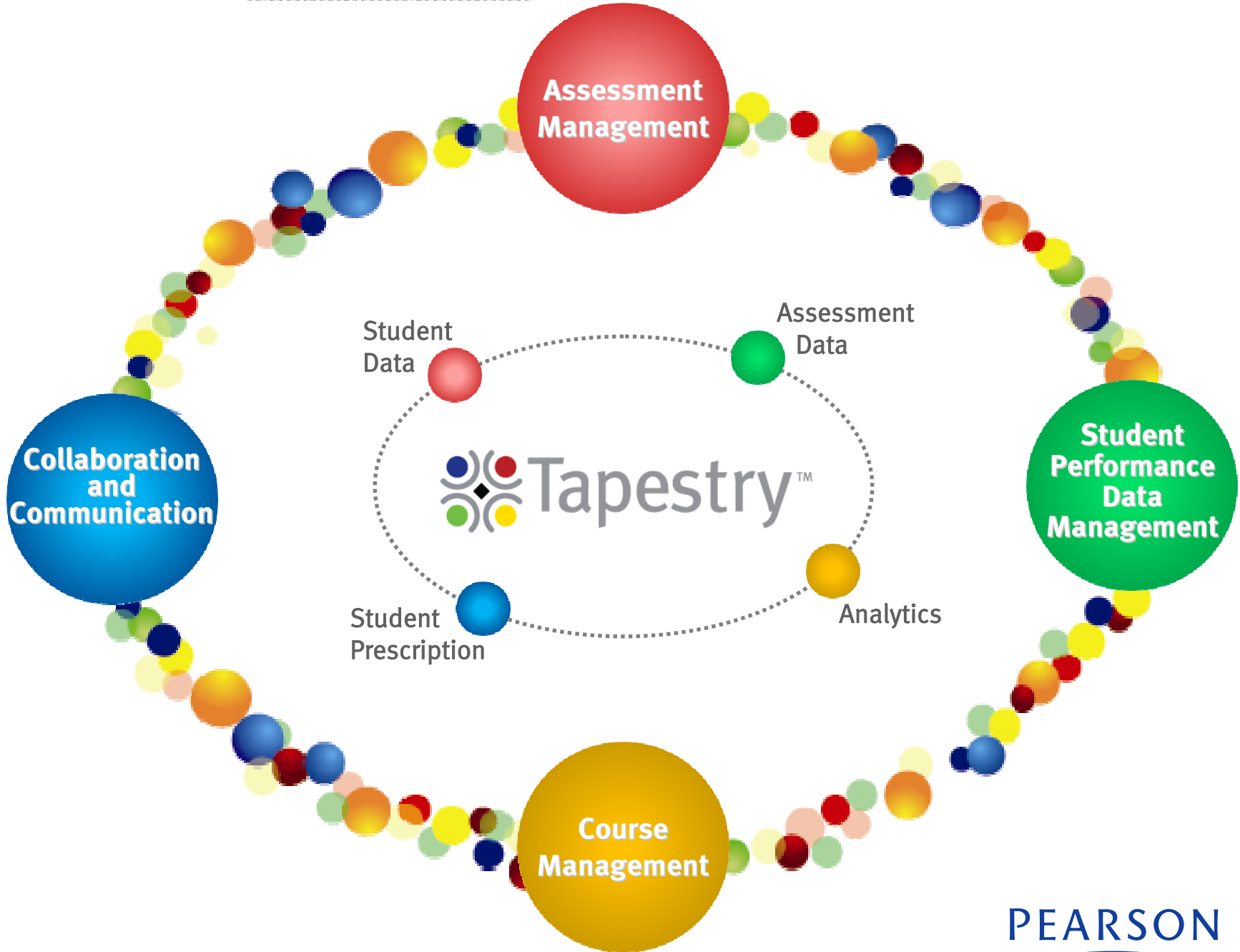
8.1m students served

Fronter

112m log-ins

Next generation learning technologies





The next chapter

Next generation learning technologies

Services

Emerging markets

New consumer experiences

The next chapter

Next generation learning technologies

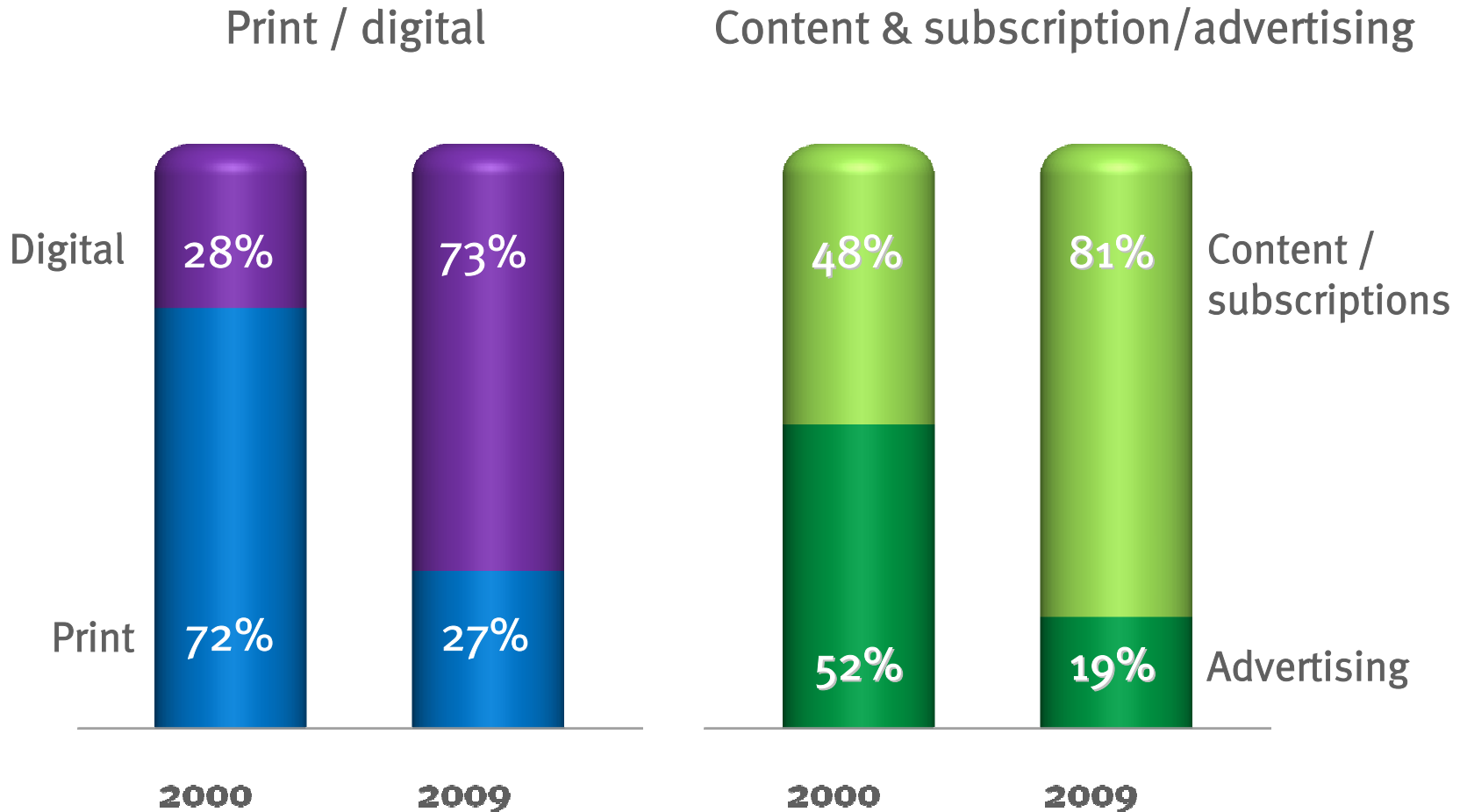
Services

Emerging markets

New consumer experiences

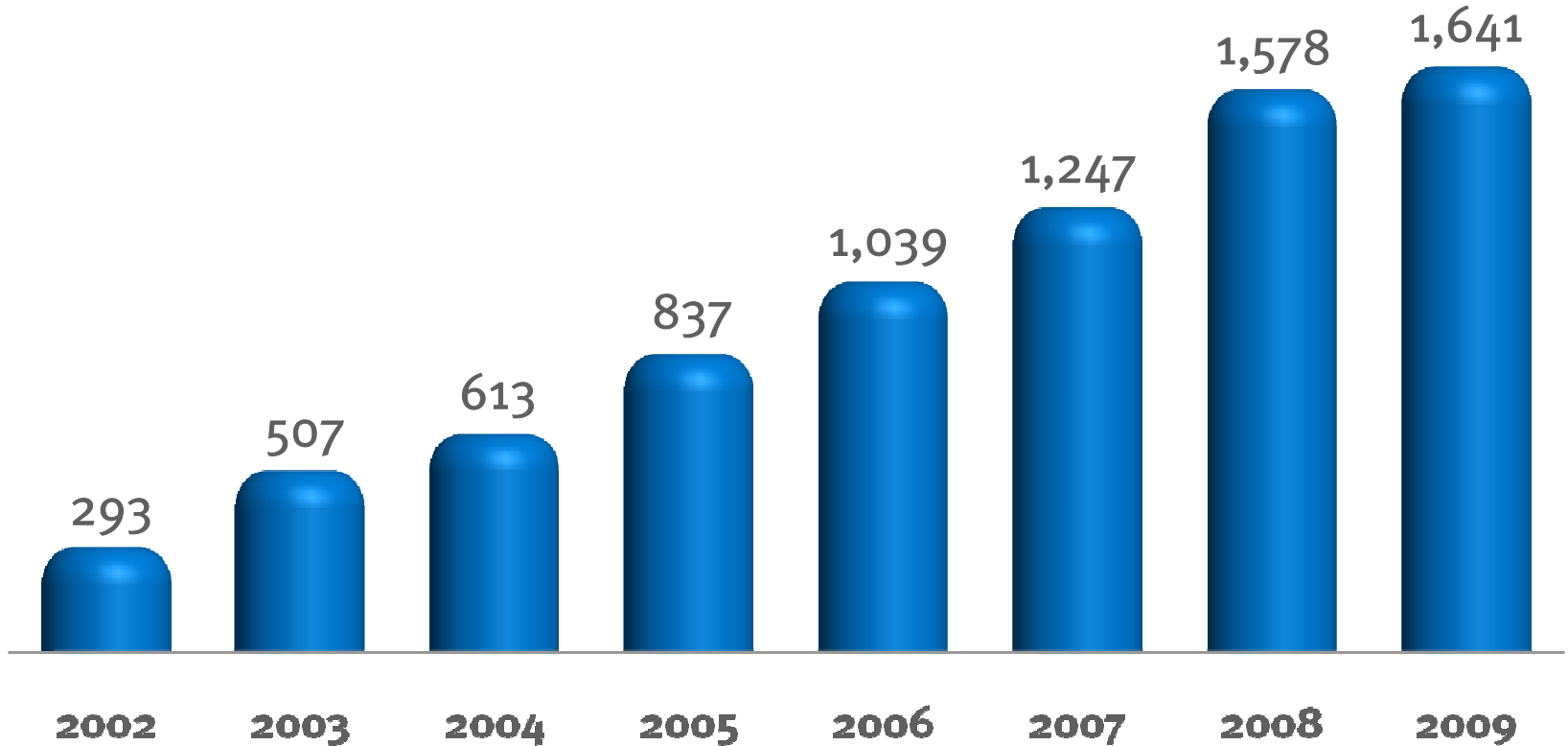
Technology and services

FT Group revenue mix, %



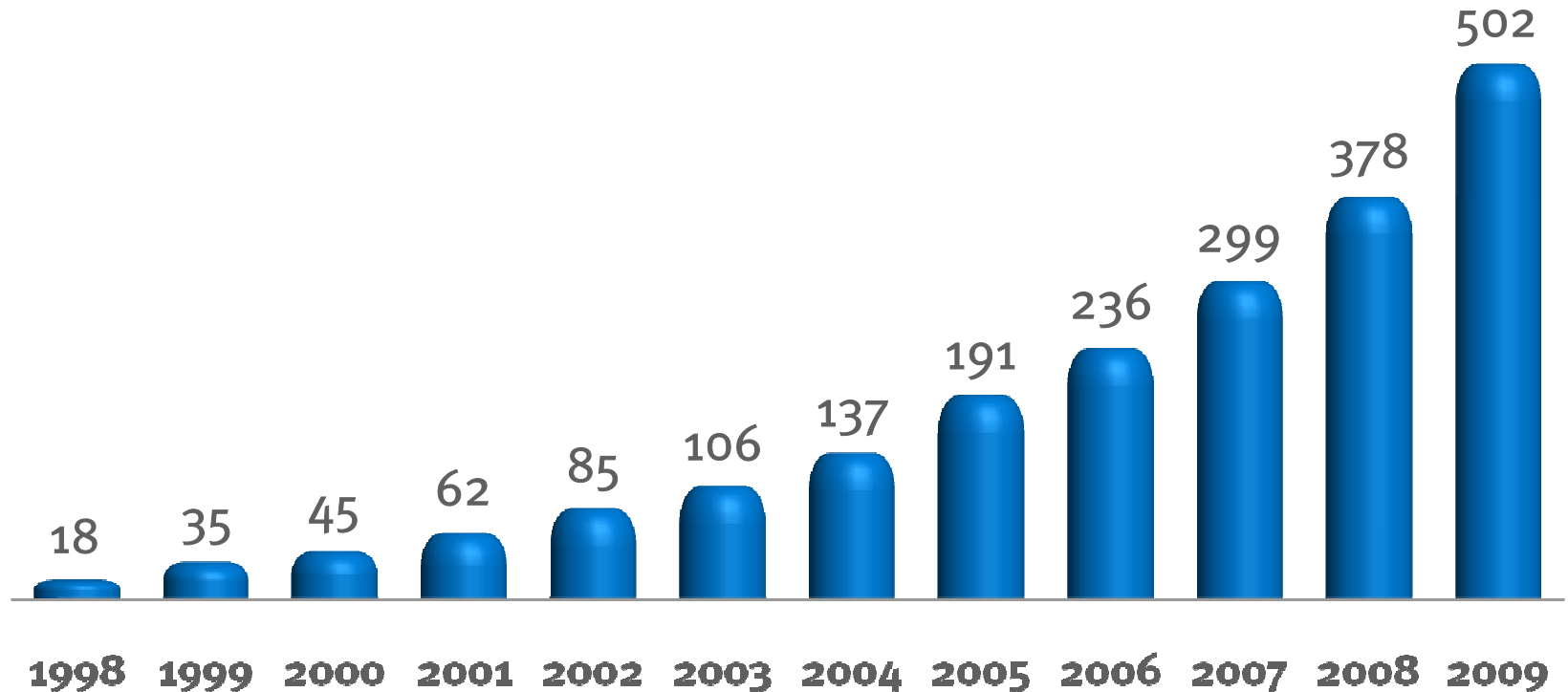
Growth in services businesses

Pearson worldwide testing revenues, \$m



Services: US higher education

Custom publishing & services, sales \$m



Student retention in US Higher Education



100

9th graders



68

finish school



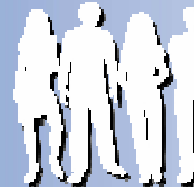
40

enroll in college



27

remain enrolled

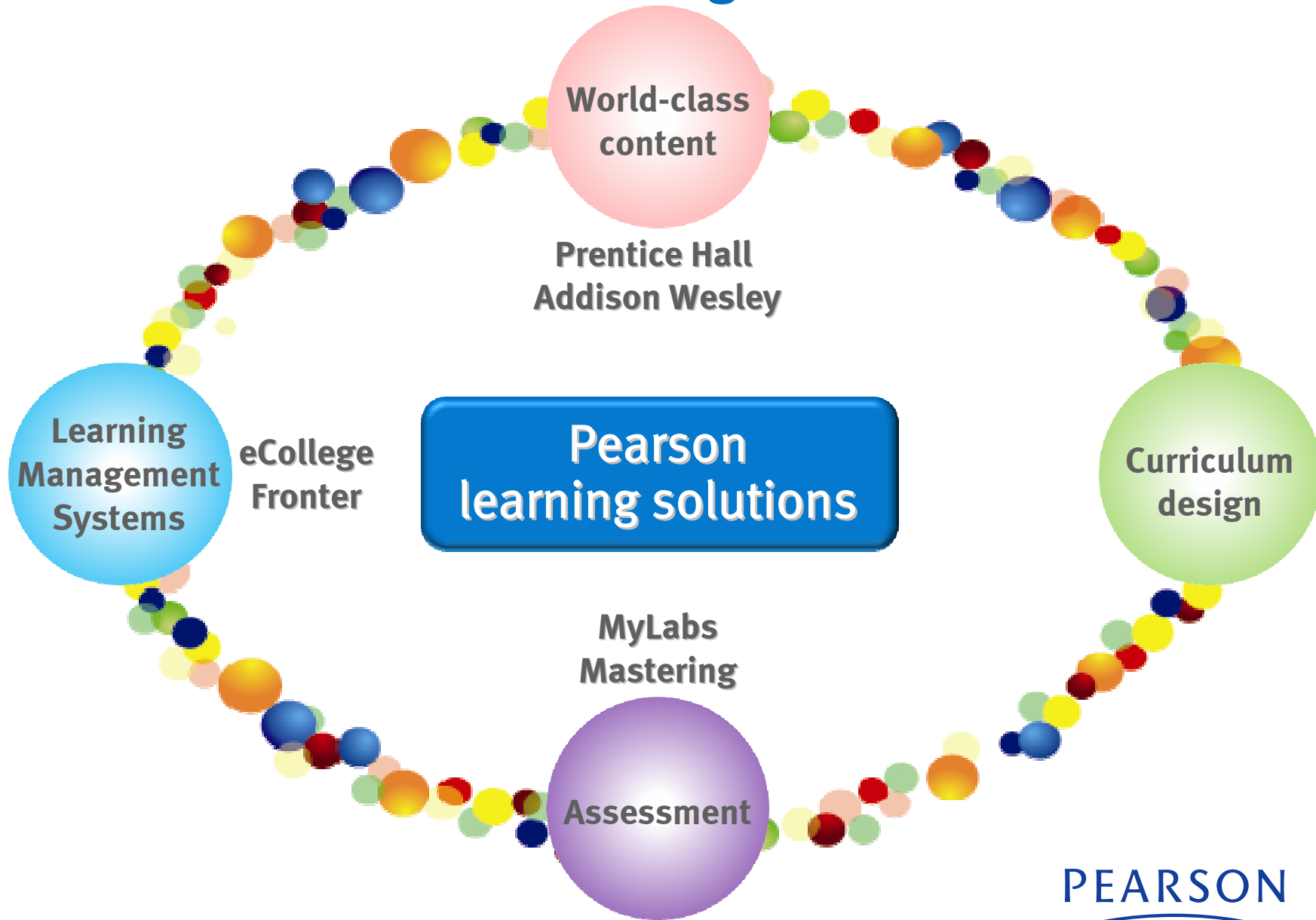


18

graduate

82
don't
make it

Customised services in Higher Education





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Dance showcase to be re-scheduled

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Parents Blog

Read and comment on the latest topics concerning you

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Studio 6

Find out more about Studio 6 and the services on offer.

Careers

Discover the latest career opportunities.

→ [Click here for more...](#)

Term Dates

Download the Academy calendar with key dates.

→ [Click here for more...](#)

Principal's Page

Read the Principal's welcome message and latest blog.

Useful Links

→ [Register for updates](#)

→ [The Uniform](#)

→ [Why we're special](#)

→ [FAQ](#)

→ [Term Dates](#)

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→ [Sixth Form](#)

→ [Sponsors message](#)

→ [How to apply](#)

The next chapter

Next generation learning technologies

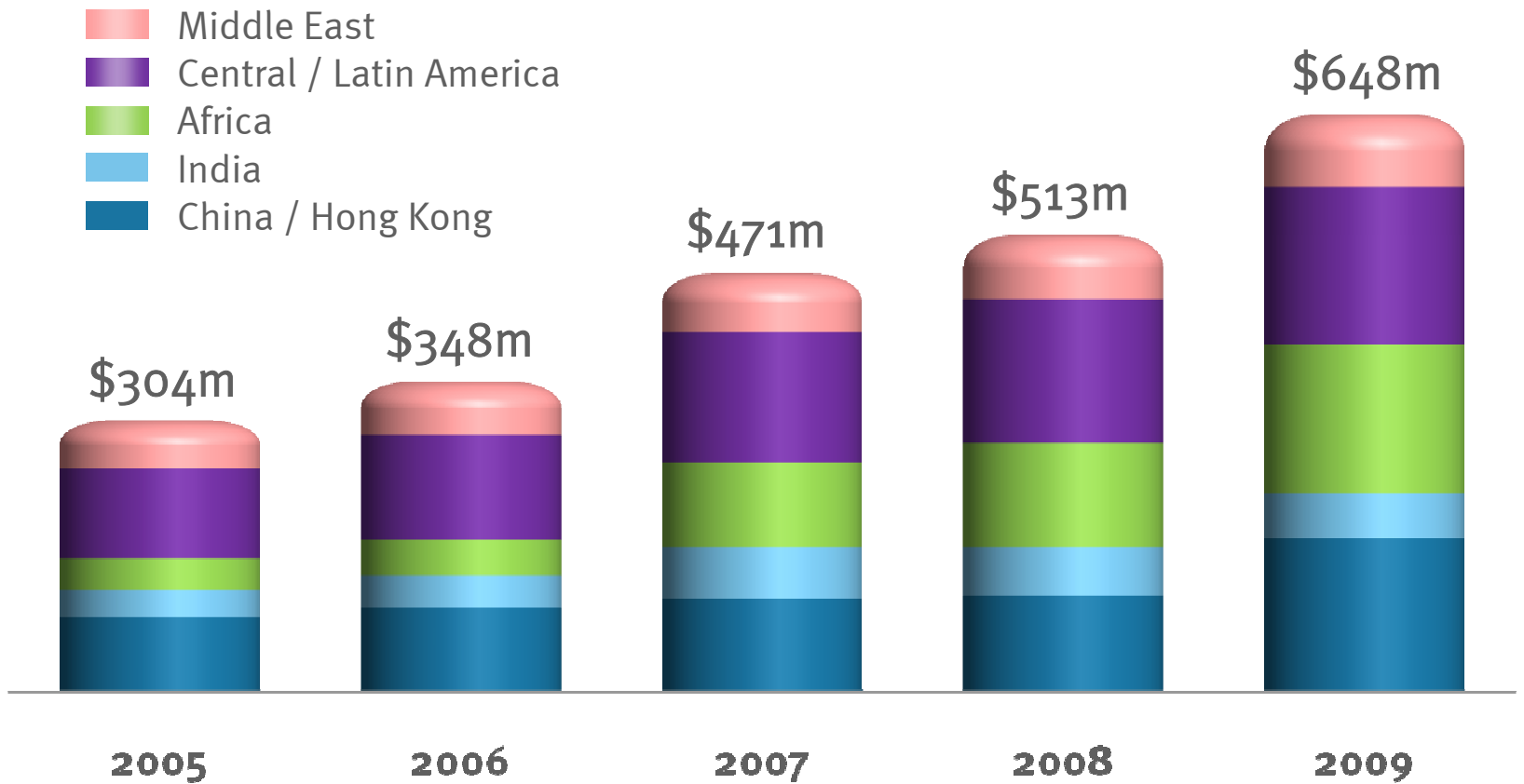
Services

Emerging markets

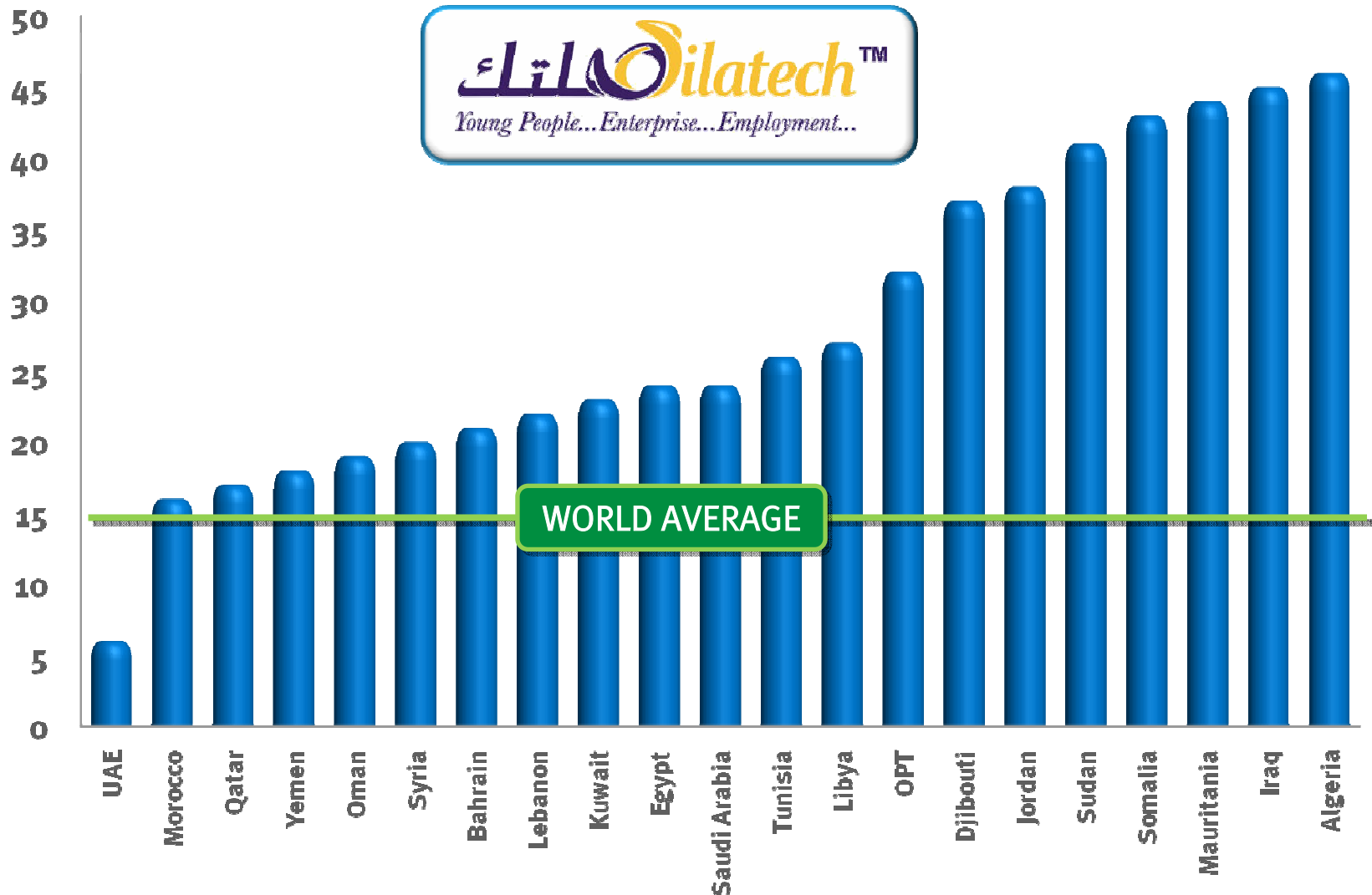
New consumer experiences

Rapid growth in emerging markets

Pearson revenues



Youth unemployment in the Arab world (%)



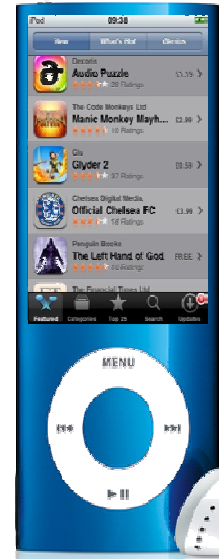
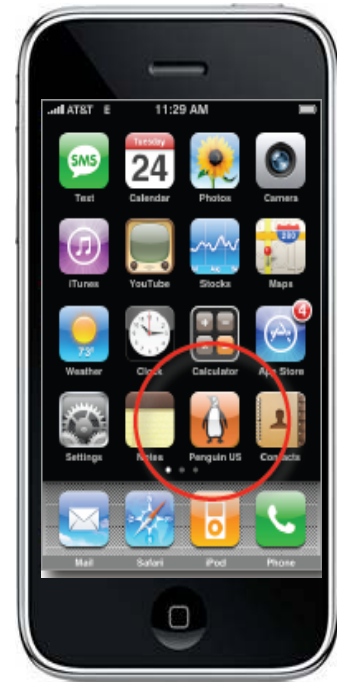
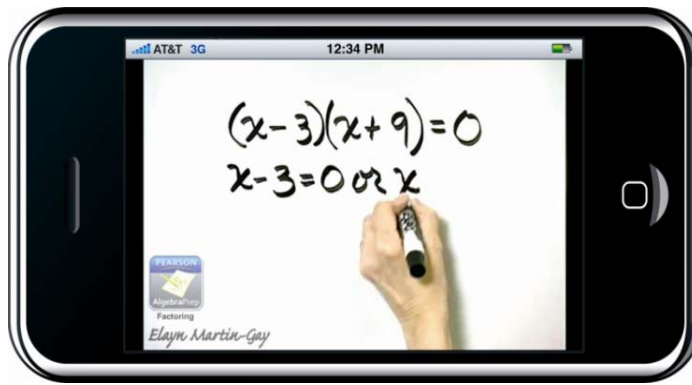
The next chapter

Next generation learning technologies

Services

Emerging markets

New consumer experiences



Powered By PEARSON

MULTIPLAYER MISSION PACK

USER NAME
Jessica

PASSWORD

Forgot Password? [click here](#)

Log In

Messages
Welcome to the New DimensionM Multiplayer!
Here is the latest and greatest in the DimensionM multiplayer experience. Improved game play, more math, new features... Enjoy!

[More Info](#) [Create Profile](#) [Options](#) [Exit](#)

WE MAKE STORIES

Home Gallery My Bookshelf Tell a Friend

START AGAIN FULL SCREEN HELP

Tragedy

Poptropica

TIME TANGLED ISLAND

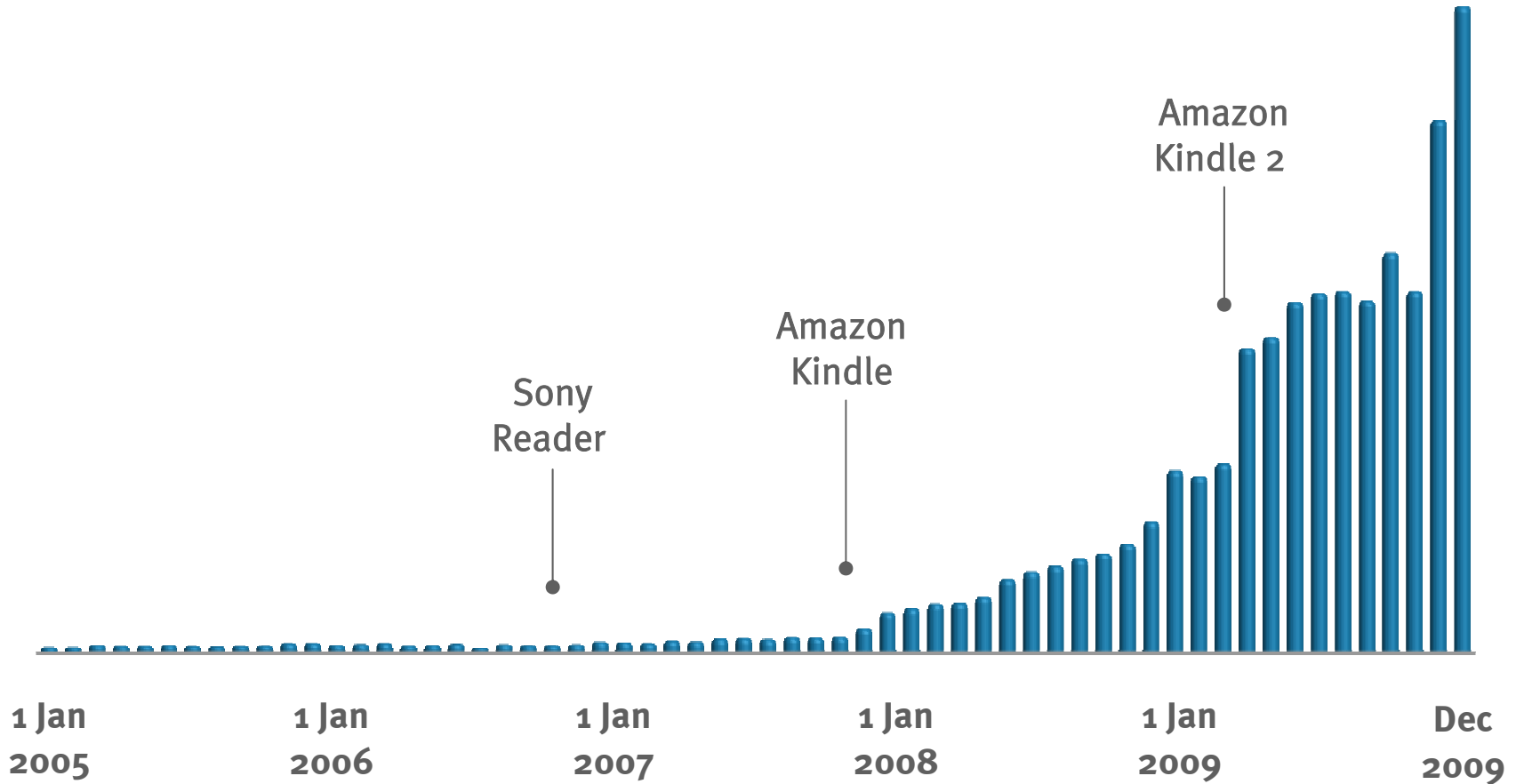
A malfunctioning time machine has messed up history! It's your job to go back in time and set things right. Because if you don't, who knows what the future will hold!

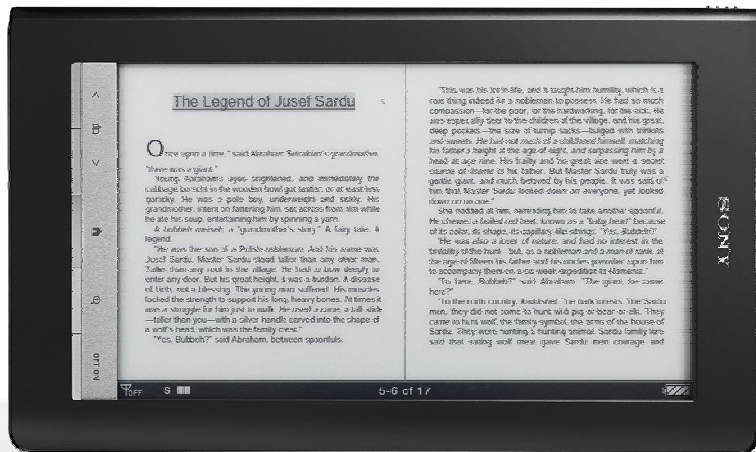
CIRCUIT CENTER

Use your science smarts and build a circuit to power up a robot.

Trade publishing trends: digital

Penguin eBooks sold by month (2005-2009, US)





- BRARY
- Music
- Movies
- TV Shows
- Podcasts 183
- Audiobooks
- Applicati... 12
- Radio
- MORE
- iTunes Store
- Purchased
- Purchased on ...
- GENIUS
- Genius

Music Films

App Store > Books > Penguin Books



The Left Hand of God

Description

The Left Hand of God – a Try-before-you-buy Penguin ebook

Penguin Books Web Site > The Left Hand of God Support

Free App

Screenshots

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Credit ratings

£m	2009	2008
Net debt	1,092	1,460
Lease liabilities (@ 8x)	1,224	1,192
Pension liabilities	339	118
Total	2,655	2,770

Agency calculations of debt vary

Return on invested capital

£m	Gross Invested Capital		Net Invested Capital	
	2009	2008	2009	2008
Operating profit	858	762	858	762
Intangible amortisation	-	-	(103)	(86)
Less actual cash tax	(103)	(89)	(103)	(89)
<i>Cash tax rate</i>	<i>12%</i>	<i>12%</i>	<i>12%</i>	<i>12%</i>
Return	755	673	652	587
Average: goodwill	6,036	5,283	4,412	3,844
other intangibles	1,158	775	740	508
pre-publication investments	675	541	675	541
tangible fixed and working capital	635	738	635	738
Average total invested capital	8,504	7,337	6,462	5,631
ROIC	8.9%	9.2%	10.1%	10.4%

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
Operating profit	755	-	103	-	-	858
Net finance costs	(95)	-	-	(2)	-	(97)
Profit before tax	660	-	103	(2)	-	761
Income tax	(198)	-	(37)	1	40	(194)
Profit after tax	462	-	66	(1)	40	567
Discontinued operations	-	-	-	-	-	-
Profit for the period	462	-	66	(1)	40	567
Minority Interest	(37)	-	(5)	-	(2)	(44)
Earnings	425	-	61	(1)	38	523

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
Operating profit	676	-	86	-	-	762
Net finance costs	(91)	-	-	3	-	(88)
Profit before tax	585	-	86	3	-	674
Income tax	(172)	(7)	(31)	(1)	33	(178)
Profit after tax	413	(7)	55	2	33	496
Discontinued operations	(90)	90	-	-	-	-
Profit for the period	323	83	55	2	33	496
Minority Interest	(31)	-	(3)	-	(2)	(36)
Earnings	292	83	52	2	31	460

Reconciliation: year end net debt

£m	2009	2008
Non current assets		
Derivative financial instruments	112	181
Current assets		
Derivative financial instruments	-	3
Marketable securities	63	54
Cash and cash equivalents	750	685
Non current liabilities		
Borrowings	(1,934)	(2,019)
Derivative financial instruments	(2)	(15)
Current liabilities		
Borrowings	(74)	(344)
Derivative financial instruments	(7)	(5)
Total net debt	(1,092)	(1,460)

Reconciliation: pre-publication costs

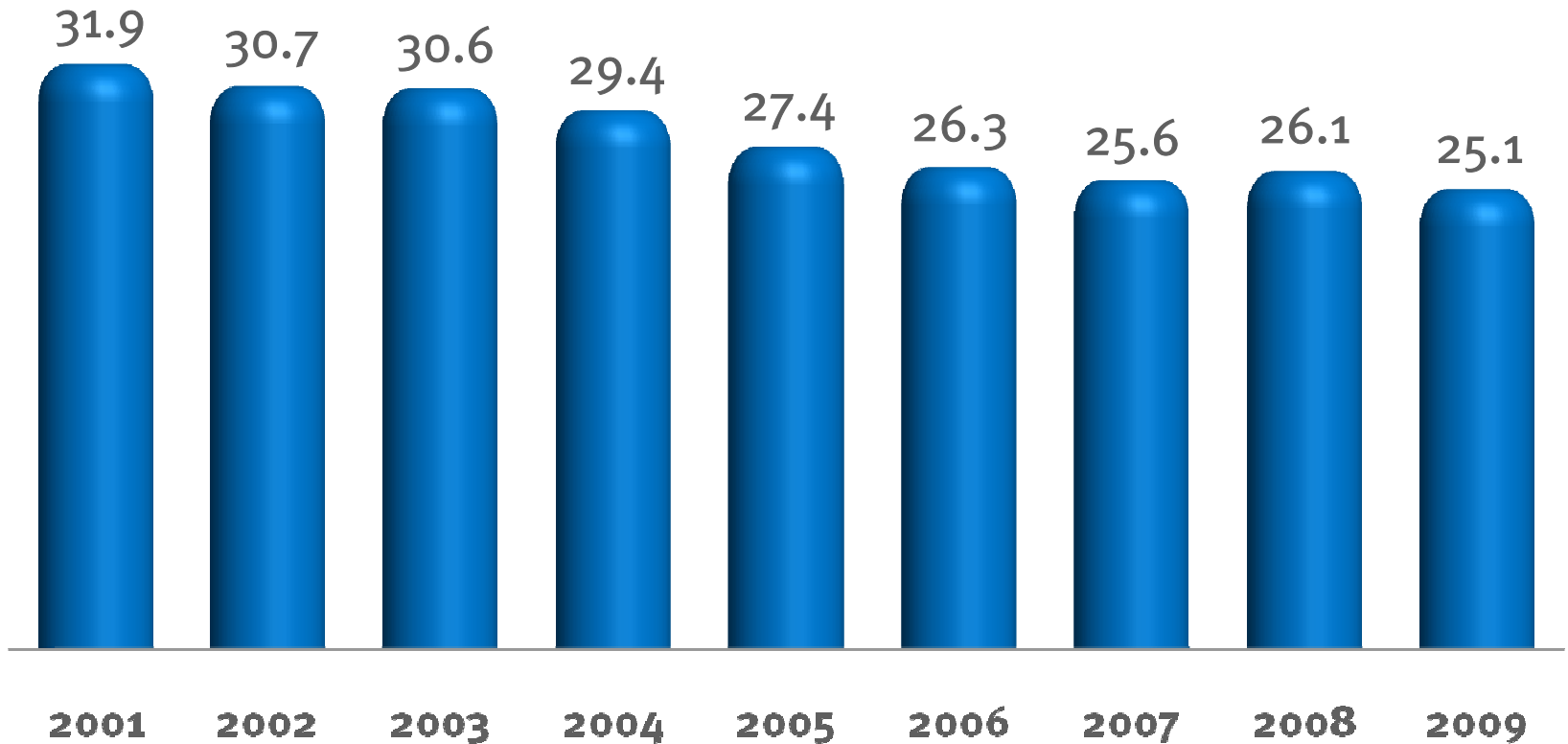
£m	2009	2008
Opening balance	695	452
Exchange	(62)	166
New spend capitalised	322	297
Acquisitions (net)	2	24
Amortisation	(307)	(244)
Closing balance	650	695
Total education sales	3,780	3,112
Amortisation as a % of sales	8.1%	7.8%

Retirement benefit obligations

£m	2009	2008
Income statement		
Operating charge		
Defined benefit schemes	18	37
Defined contribution schemes	62	41
Post retirement medical benefit schemes	2	6
	82	84
Interest	12	(8)
Total	94	76
Balance sheet		
UK pension scheme (liability)/asset	(189)	49
Other pension scheme liabilities	(51)	(65)
Post retirement medical benefit liability	(65)	(68)
Other pension accruals	(34)	(34)
Total	(339)	(118)

As reported basis: Separation of assets relating to the defined contribution scheme from those relating to the defined benefit scheme has resulted in an increased charge to the defined contribution scheme in 2009

Average working capital/sales



Includes capitalised pre-publication costs and author advances