2011 half-year results

Friday 29 July 2011

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.

2011 half-year results

Friday 29 July 2011

Financial highlights

£m	**H1 2011**	H1 2010	*Headline growth*	*CER growth*
Sales	**2,416**	2,342	*3%*	*6%*
Operating profit	**208**	178	*17%*	*20%*
Adjusted eps	**16.8p**	16.6p	*1%*	
Operating cash flow	**(98)**	(92)	*(7)%*	
Net debt	**(1,275)**	(1,746)	*27%*	
Dividend	**14.0p**	13.0p	*8%*	

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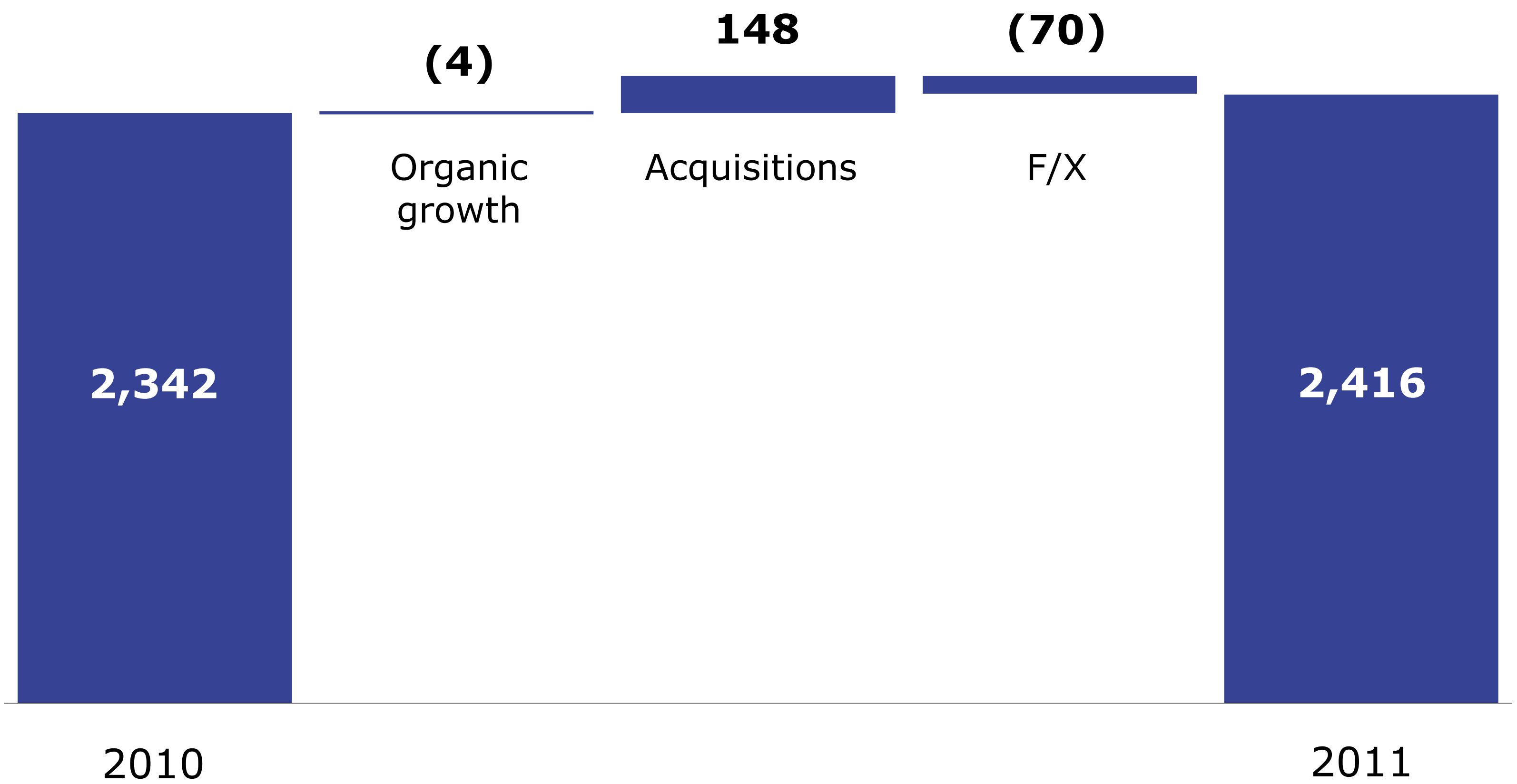
Financial review

Sales growth, £m



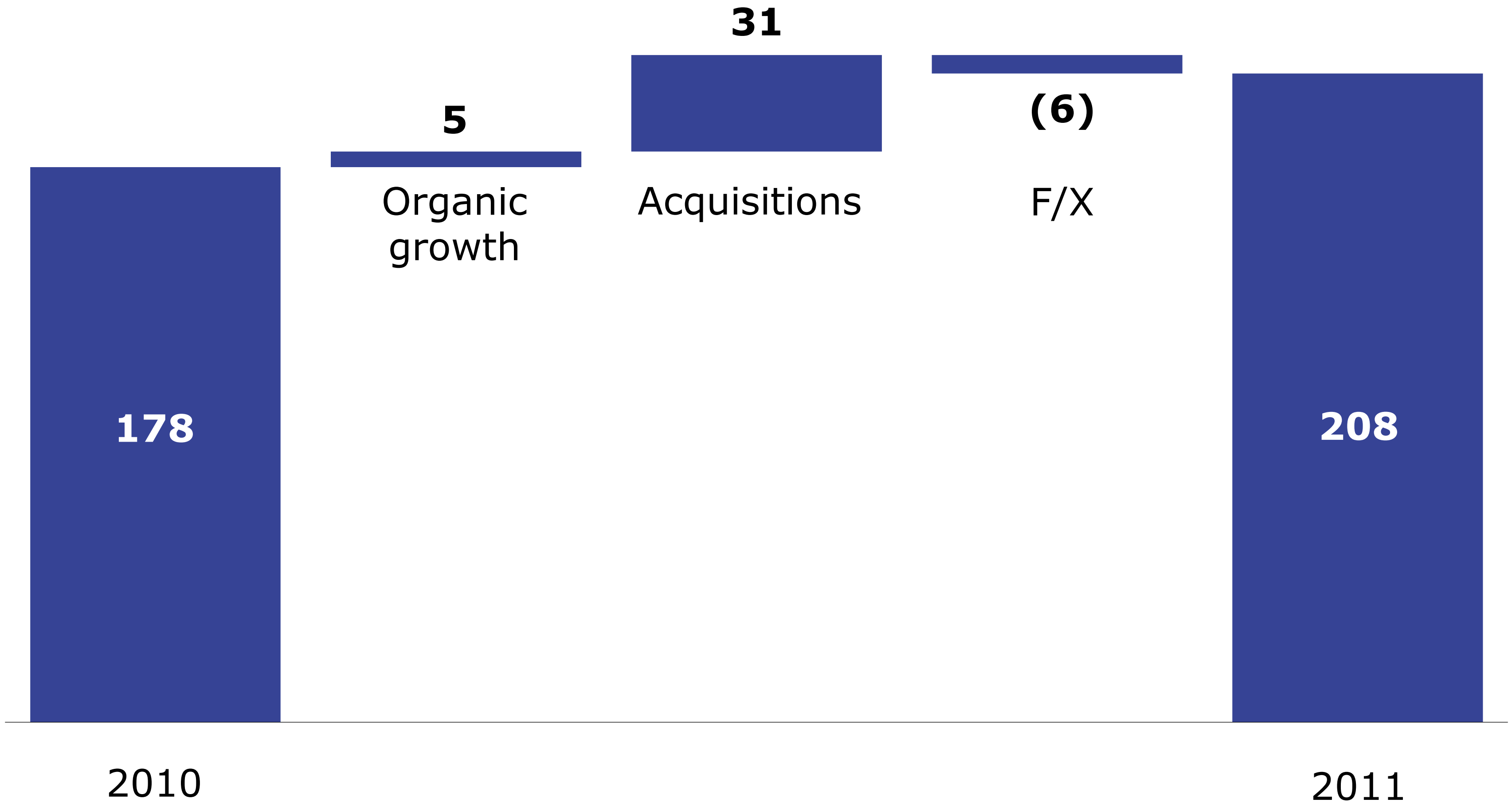
Continuing operations

Sales

£m	**H1 2011**	H1 2010	*Headline Growth*	*CER Growth*
North American Education	**940**	1,017	*(8)%*	*(3)%*
International Education	**639**	504	*27%*	*26%*
Professional	**177**	136	*30%*	*35%*
FT Group	**203**	192	*6%*	*7%*
Penguin	**457**	493	*(7)%*	*(4)%*
Total – Continuing operations	**2,416**	2,342	*3%*	*6%*
Discontinued*	**--**	256		

* Interactive Data

Profit growth, £m



Continuing operations

Operating profit

£m	**H1 2011**	H1 2010	*Headline Growth*	*CER Growth*
North American Education	**46**	51	*(10)%*	*(4)%*
International Education	**63**	36	*75%*	*68%*
Professional	**26**	17	*53%*	*59%*
FT Group	**31**	30	*3%*	*10%*
Penguin	**42**	44	*(5)%*	*0%*
Total – Continuing operations	**208**	178	*17%*	*20%*
Discontinued*	**--**	70		

* Interactive Data

Adjusted earnings per share

£m	H1 2011	H1 2010
Adjusted operating profit – continuing	**208**	178
Adjusted operating profit – discontinued	**--**	70
Finance income/(costs) – Pensions	**2**	(6)
Finance costs – Traditional	**(32)**	(39)
Adjusted profit before tax	**178**	203
Taxation	**(45)**	(53)
Adjusted profit after tax	**133**	150
Non-controlling interest	**1**	(17)
Adjusted earnings	**134**	133
Adjusted EPS	**16.8p**	16.6p

P&L – statutory

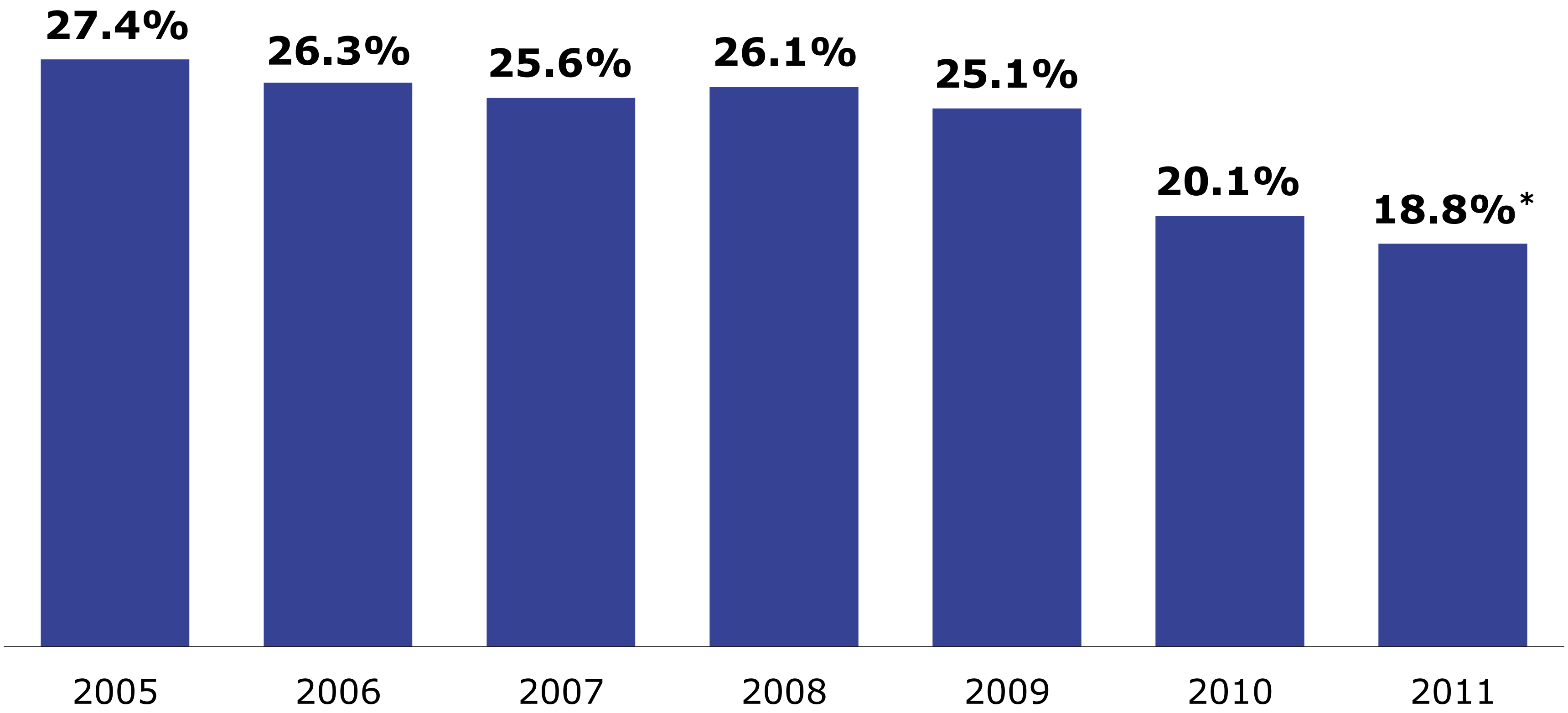
£m	H1 2011	H1 2010
Adjusted operating profit	**208**	178
Intangible amortisation	**(65)**	(47)
Acquisitions & disposals	**(11)**	(3)
Statutory operating profit	**132**	128
Finance costs	**(50)**	(34)
Profit before tax	**82**	94
Taxation	**(23)**	(25)
Profit after tax	**59**	69
Discontinued	**-**	35
Profit for the period	**59**	104
Non-controlling interest	**1**	(12)
Earnings	**60**	92
EPS (statutory)	**7.5p**	11.5p

Free cash flow

£m	**H1 2011**	H1 2010
Adjusted operating profit	**208**	248
Working capital	**(292)**	(325)
Fixed asset purchases	**(57)**	(71)
Depreciation	**54**	65
Other movements	**(11)**	(9)
Operating cash flow	**(98)**	(92)
Operating tax paid	**(52)**	(46)
Operating finance charges	**(22)**	(27)
Free cash flow	**(172)**	(165)

Total business

Average working capital/sales



*13 point moving average to 30th June 2011

Balance sheet

£m	**H1 2011**	H1 2010
Goodwill & intangible assets	**5,760**	5,533
Tangible fixed assets	**353**	410
Operating working capital	**984**	1,203
Other net liabilities	**(206)**	(113)
Net assets	**6,891**	7,033
Shareholders' funds	**5,192**	4,392
Pensions	**141**	454
Other provisions	**74**	78
Non-controlling interest	**33**	324
Deferred tax	**176**	39
Net debt	**1,275**	1,746
Capital employed	**6,891**	7,033

Total business

Outlook

- Further sales growth and margin improvement
- Continued growth in education
- Growth at FT Group driven by digital
- Penguin to perform in line with industry
- Adjusted EPS of approximately 80p (at £/$: 1.63)

2011 half-year results

Pearson's strengths

- Strategy
- Scale
- Investment
- Innovation

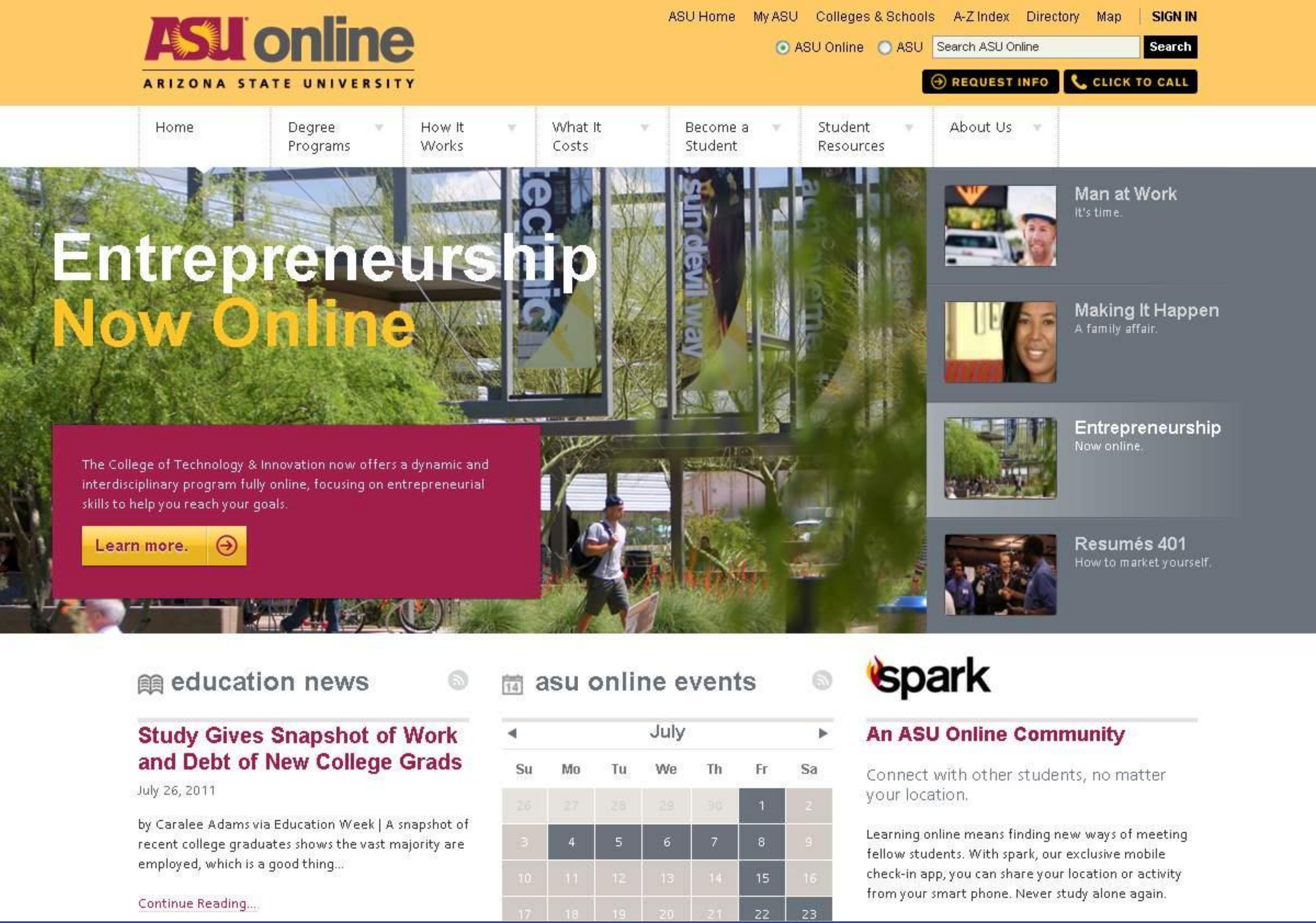
FT

book country

Explore the Genre Map

Mystery		General Mystery	Environmental Thriller	Supernatural Thriller	**Thriller**		Dystopian / Utopian	**SF**
Noir / Hard-Boiled	Cozy Mystery	Historical Mystery	Historical Thriller	Medical Thriller	Psychological Thriller	Legal Thriller	Space Opera	Alternate History
Police Procedural	Hobby Mystery	Paranormal Mystery	Espionage	Political Thriller	Techno Thriller	Military Thriller	Cyberpunk	Steampunk
Romance		Paranormal Romance	Urban Fantasy	Contemporary Fantasy	Traditional Fantasy	Horror	Military SF	Romantic SF
Contemporary Romance	Historical Romance	Western Romance	Historical Fantasy	Weird Fiction	Comic Fantasy	Slipstream / Interstices	Hard SF	Soft SF
Gothic Romance	Regency Romance	Romantic Suspense	High / Epic Fantasy	**Fantasy**				


Recent Benchmark Tests
03/03/2009
83.3 %
12/23/2008
86.5 %
11/04/2008
92.6 %
MORE:
Standards Mastery
Skills Analysis
Item Analysis
03/03/09, English 3 Benchmark 3
25
QUESTIONS
23
TESTS SUBMITTED
83.3 %
PERCENT CORRECT
Section:
School:
Region:
District:
FILTER BY SCORE GROUP:
SMITH, AMARNA
76%
19/25
JOHNSON, LINNEA
92%
23/25
PINKETT, CHIKILRA
84%
21/25
RUDY, SHANNEL
76%
19/25
MORALES, CASSANDRA
76%
19/25
GONZALES, ANTHONY
84%
21/25
JONES, ADAM
100%
25/25
BOYDEN, NANCY
96%
24/25



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Connect with other students, no matter your location.
Learning online means finding new ways of meeting fellow students. With spark, our exclusive mobile check-in app, you can share your location or activity from your smart phone. Never study alone again.

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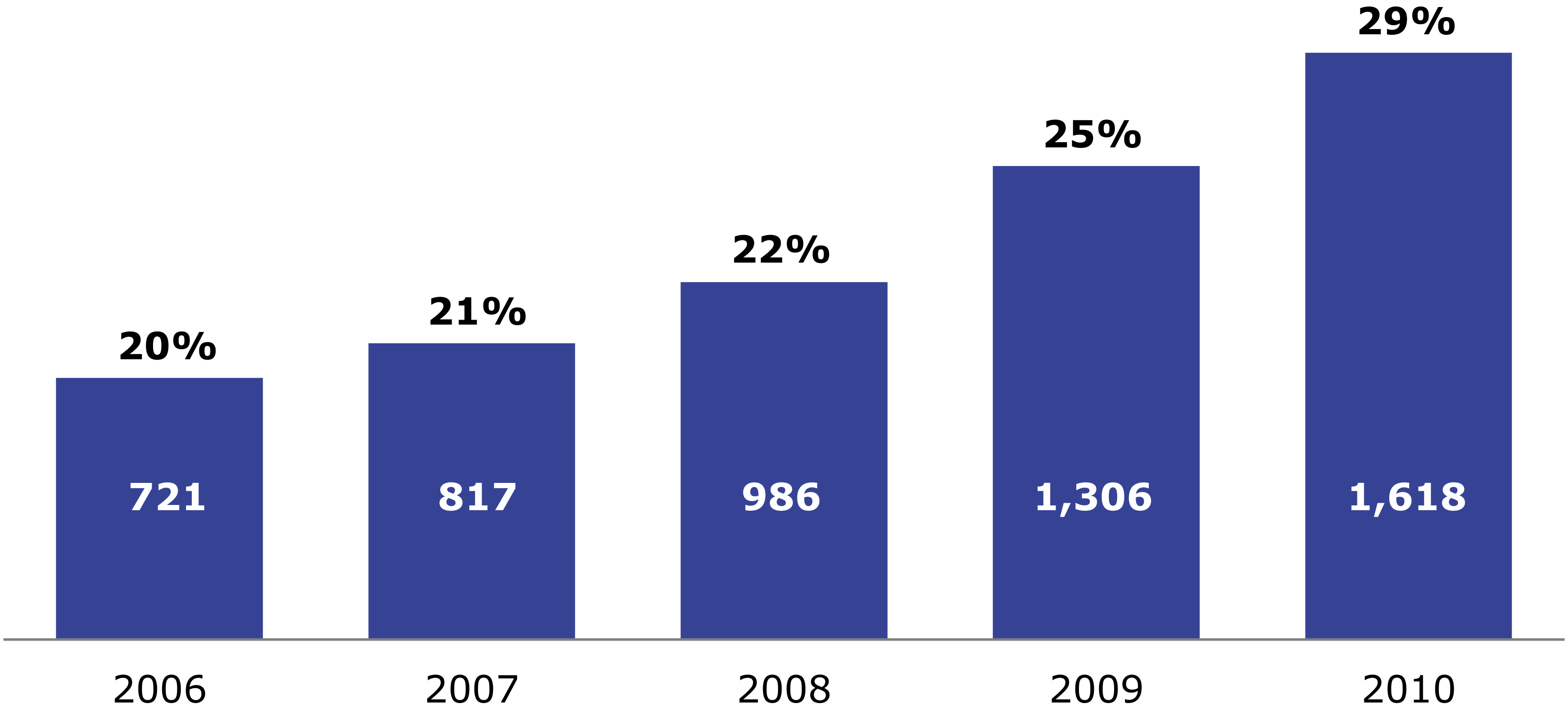
Rapid growth in digital businesses

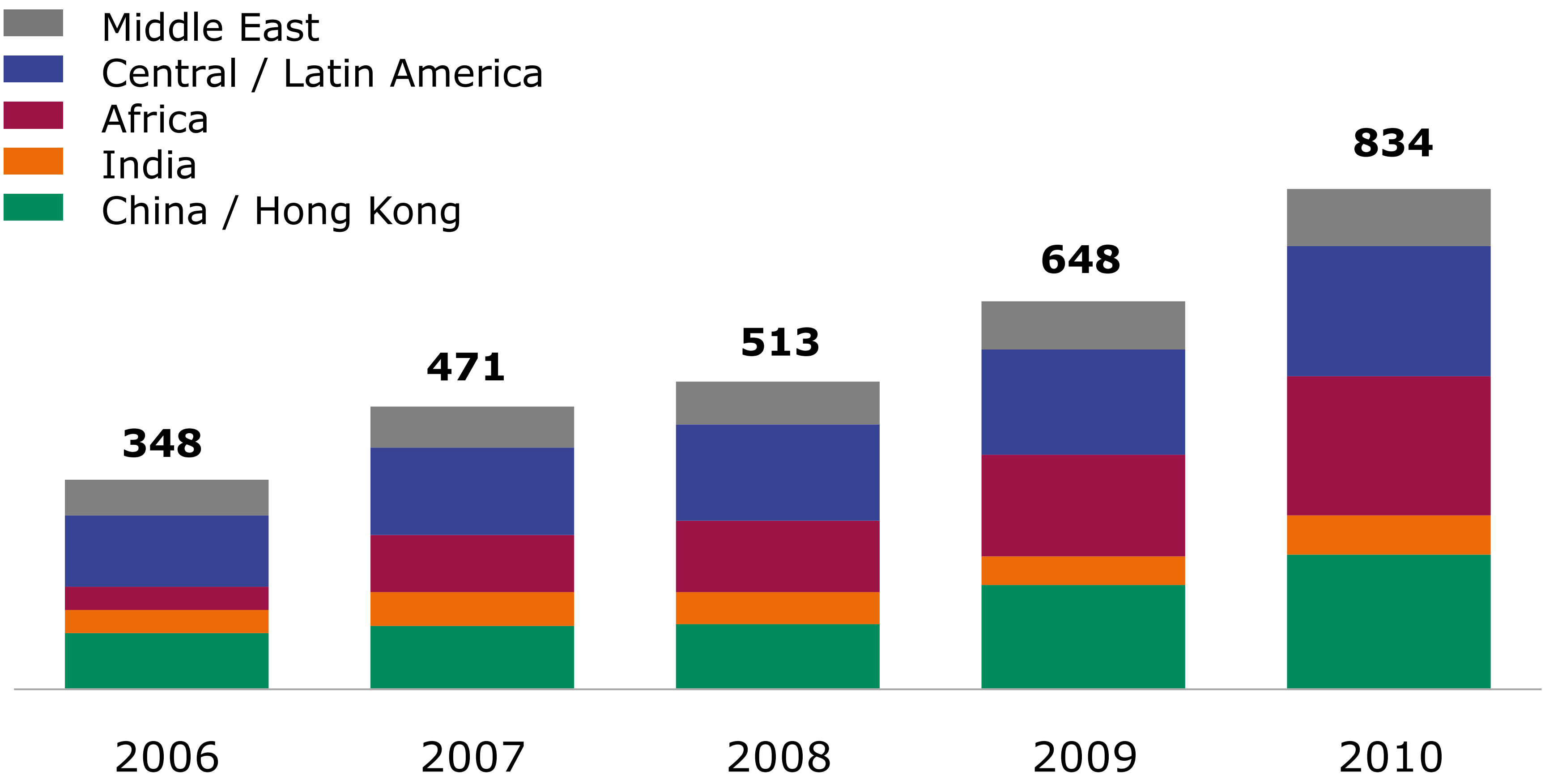
Pearson's digital revenues, £m / % of sales



At constant exchange rate (excludes Interactive Data)

Rapid growth in emerging markets

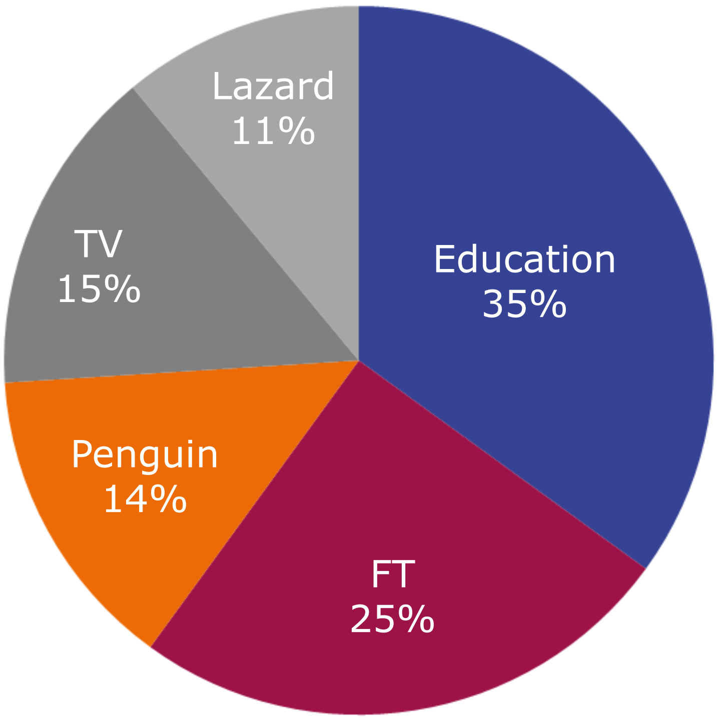
Pearson revenues, $m



Change

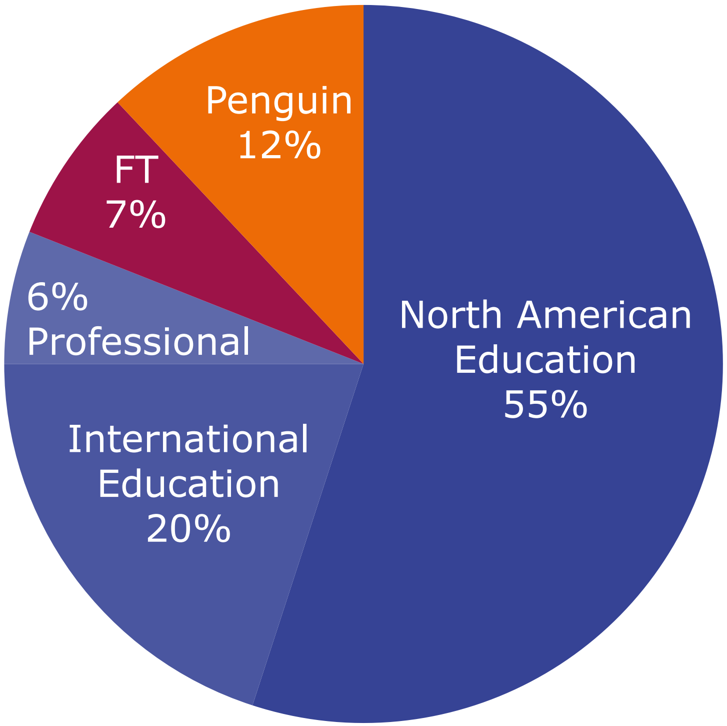
Operating profit

1999



£449m
UK GAAP

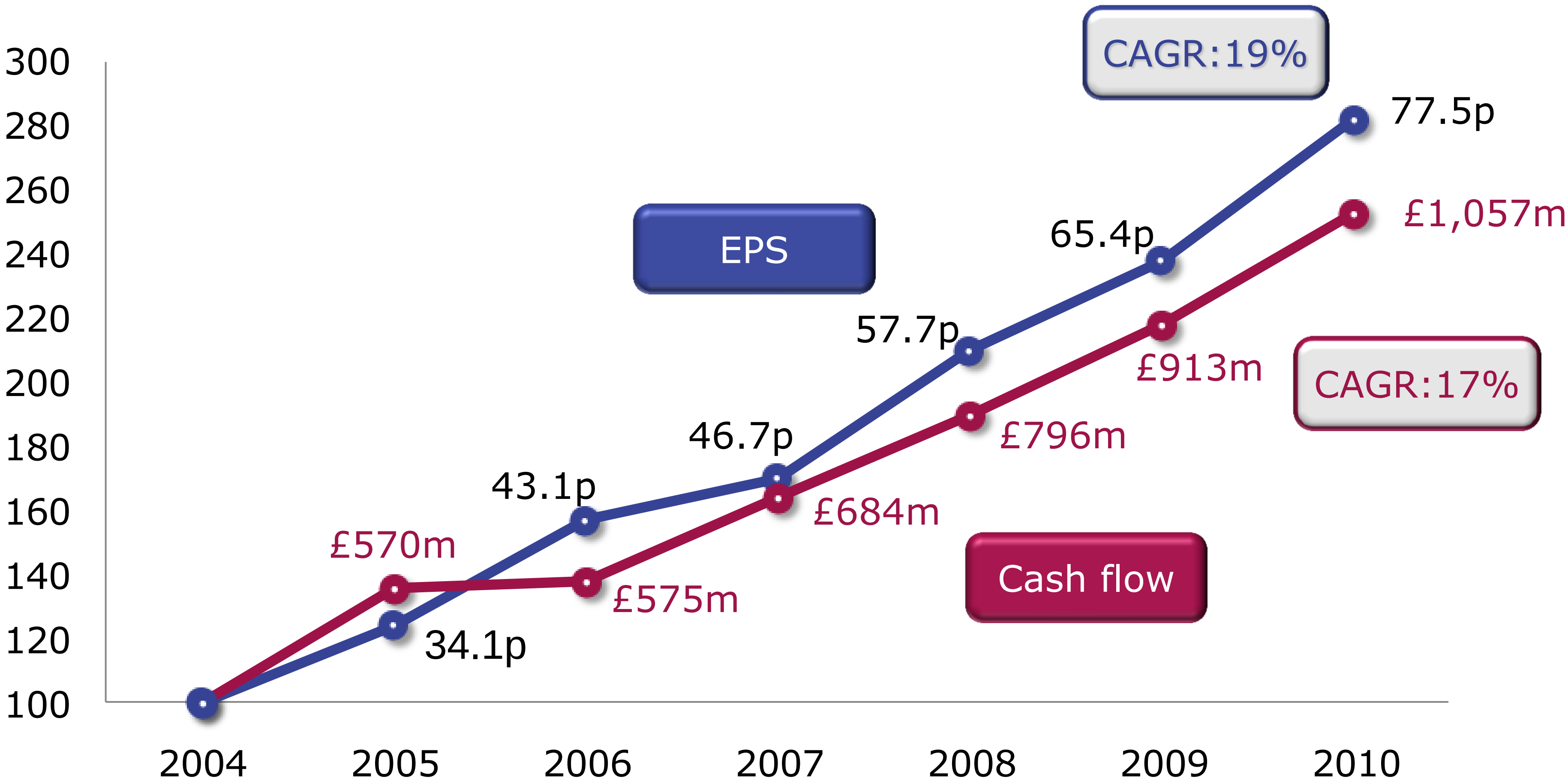
2010



£857m
IFRS

Durability and growth

Earnings and cash



2004=100

Appendices

Share gains in new school adoptions
2011 estimates

Subject	Total opportunity	Market share (where we compete)	Position
Reading/Lit./Lang Arts	$220m	*35%*	#1
Maths	$120m	*49%*	#1
Science/Health	$200m	*31%*	#2
Social Studies	$20m	*52%*	#1
Other	$5m	*22%*	#2
Total competed for	**$565m**	**37%**	**#1**
Total – all adoptions	**$735m**	**29%**	**#2**

Reconciliation: statutory to adjusted earnings
Half year 2011

£m	Statutory	Other gains and losses	Acquisition and disposal costs	Amortisation of acquired intangibles	Other net finance costs/income	Tax amortisation benefit	Adjusted earnings
Operating profit	**132**	**5**	**6**	**65**	**-**	**-**	**208**
Net finance costs	(50)	-	-	-	20	-	(30)
Profit before tax	**82**	**5**	**6**	**65**	**20**	**-**	**178**
Income tax	(23)	-	(2)	(22)	(6)	8	(45)
Profit after tax	**59**	**5**	**4**	**43**	**14**	**8**	**133**
Discontinued operations	-	-	-	-	-	-	-
Profit for the period	**59**	**5**	**4**	**43**	**14**	**8**	**133**
Non-controlling interest	1	-	-	-	-	-	1
Earnings	**60**	**5**	**4**	**43**	**14**	**8**	**134**

Reconciliation: statutory to adjusted earnings
Half year 2010

£m	Statutory	Discontinued operations	Other gains and loses	Acquisition and disposal costs	Amortisation of acquired intangibles	Other net finance costs/income	Tax amortisation benefit	Adjusted earnings
Operating profit – continuing	**128**	**-**	**-**	**3**	**47**	**-**	**-**	**178**
Operating profit – discontinued	-	70	-	-	-	-	-	70
Operating profit	**128**	**70**	**-**	**3**	**47**	**-**	**-**	**248**
Net finance costs	(34)	-	-	-	-	(11)	-	(45)
Profit before tax	**94**	**70**	**-**	**3**	**47**	**(11)**	**-**	**203**
Income tax	(25)	(21)	-	(1)	(17)	3	8	(53)
Profit after tax	**69**	**49**	**-**	**2**	**30**	**(8)**	**8**	**150**
Discontinued operations	35	(49)	7	-	5	-	2	-
Profit for the period	**104**	**-**	**7**	**2**	**35**	**(8)**	**10**	**150**
Non-controlling interest	(12)	-	(2)	-	(2)	-	(1)	(17)
Earnings	**92**	**-**	**5**	**2**	**33**	**(8)**	**9**	**133**

Reconciliation: pre-publication costs

£m	H1 2011	H1 2010
Opening balance	**647**	650
Exchange	**(12)**	40
New spend capitalised	**142**	141
Acquisitions	**-**	2
Amortisation	**(123)**	(132)
Closing balance	**654**	701
Total education sales	**1,756**	1,657
Amortisation as a % of sales	**7.0%**	8.0%

Reconciliation: half-year net debt

£m	2011 Total business	2010 Continuing operations	Discontinued operations	Total business
Non current assets				
Derivative financial instruments	**149**	156	-	156
Current assets				
Derivative financial instruments	**-**	13	-	13
Marketable securities	**8**	5	-	5
Cash and cash equivalents	**541**	468	232	700
Non current liabilities				
Borrowings	**(1,902)**	(2,004)	-	(2,004)
Derivative financial instruments	**(4)**	(2)	-	(2)
Current liabilities				
Borrowings	**(67)**	(612)	-	(612)
Derivative financial instruments	**-**	(2)	-	(2)
Net debt	**(1,275)**	(1,978)	232	(1,746)

Retirement benefit obligations

£m	H1 2011	H1 2010
Income statement		
Operating charge		
Defined benefit schemes	**12**	12
Defined contribution schemes	**35**	34
Post retirement medical benefit schemes	**1**	1
	48	47
Interest	**(2)**	6
Total	**46**	53
Balance sheet		
UK pension scheme assets/(liabilities)	**7**	(290)
Other pension scheme liabilities	**(41)**	(61)
Post retirement medical benefit liability	**(73)**	(67)
Other pension accruals	**(34)**	(36)
Total	**(141)**	(454)

Includes Interactive Data for 2010

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