

18 December 2001

### Pearson plc: Trading Update

Pearson plc, the international media and education company, today issued its annual December trading update.

Since our October update, our business information, consumer publishing and US educational publishing and testing businesses have performed in line with our expectations.

In October, we highlighted the difficult trading environments for our Latin American and corporate training businesses. These markets have continued to deteriorate and, in response, we have taken actions which will reduce our profits this year but will strengthen our position for 2002. In Latin America, we have tightened our credit terms, increased reserves for obsolescence and bad debts and restructured our operations. We have also further scaled back FT Knowledge, our corporate training business. We now expect profits from our education operations to be some £35 million lower than current market expectations, though still approximately 10% higher than in 2000, thanks to a full year's contribution from NCS.

Looking ahead to 2002, we are managing our businesses on the basis that there won't be any substantial upturn in advertising and technology markets and that trading conditions in Latin America will continue to be difficult. This year we have reduced costs, particularly in our internet enterprises and our advertising and technology related businesses. This should help us to deliver a significant increase in adjusted earnings per share in 2002.

**Financial Times Group:** The FT Group is trading in line with the guidance we gave in October. Across our business titles, we have seen no material recovery from the severe advertising downturn we reported in October, and we still expect full-year profits to be 40% lower than last year. FT Interactive Data remains on track to deliver double digit profit growth.

We expect advertising revenues in the first quarter of next year to be markedly lower than in the same period this year, but all our business titles will benefit from the steps taken this year to reduce costs.

**Pearson Education:** Our US School and US College publishing businesses are trading ahead of their markets and in line with our own expectations. They will deliver strong revenue and profits growth this year. Outside Latin America, our international operations are also performing in line with our expectations.

NCS Pearson is now an integral part of our education operations. Its testing and assessment, government solutions and data management operations are performing in line with expectations. US school districts continue to rein back on major new technology investments and we now expect electronic curriculum and enterprise software sales to be flat on last year. As a result, on a standalone basis, NCS Pearson's revenues are likely to be level with last year. Stripping out the benefit of last year's decennial US Census contract, revenues should be up around 5% and profits up some 25%.

In 2002, we anticipate good growth in testing and assessment and US college publishing markets. We are not planning for any increase in US school spending as increased federal funding is offset by a weaker adoption schedule and softness in some state budgets.

**The Penguin Group:** As we reported in October, we continue to be successful in the bestseller lists, but industry-wide attrition in backlist sales is hitting illustrated reference and travel titles particularly hard. Although sales of backlist titles may remain difficult in 2002, with Dorling Kindersley now fully integrated, Penguin will benefit from DK's return to profitability.

**Internet Enterprises:** Our internet enterprises are trading in line with expectations, with losses of around £60 million in the second half of this year. With these internet enterprises now part of our established businesses, we expect losses to fall next year by £80 million and we remain on track to hit our break-even targets.

**RTL Group:** RTL Group, in which we own a 22% stake, has reported a worsening trading environment right across Europe. It now expects EBITA to be some 35%-40% below the 2000 pro forma level of EUR 555 million, before restructuring costs and new business investments of EUR 68 million.

**Marjorie Scardino, chief executive of Pearson, said:**

"The markets for advertising and technology continue to be tough, compounded by problems in Latin America. We can't say when these markets will recover, but with our cost base significantly lower, we're putting our business in the best possible shape for the year ahead."

Pearson will announce its preliminary results for the 12 months ending 31 December 2001 on 4 March, 2002.

ENDS

**For more information:**

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**Investor conference calls:**

Marjorie Scardino, Chief Executive, and John Makinson, Finance Director, are holding conference calls today to discuss the trading update.

**For European investors,** a conference call will be held at 0930 GMT. The dial-in numbers are +44 (0) 208 781 0596 and +44 (0) 208 781 0597 and the password is Pearson. To register, please dial in at least five minutes before the call begins.

**For US investors,** a conference call will be held at 0930 EST. The dial-in number is + 1 303 267 1001 and the password is Pearson. To register, please dial in at least five minutes before the call begins.

Live audio webcasts of the conference calls will be available at [www.pearson.com](http://www.pearson.com). The webcasts will be archived on [www.pearson.com](http://www.pearson.com) later today.

Except for the historical information contained herein, the matters discussed in this press release include forward-looking statements that involve risk and uncertainties that could cause actual results to differ materially from those predicted by such forward-looking statements. These risks and uncertainties 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, including the company's Annual Report on form 20-F for the period ended December 31, 2000. The company undertakes no obligation to publicly update any forward looking statement, whether as a result of new information, future events or otherwise.