

PEARSON

The Pearson logo consists of the word "PEARSON" in a bold, white, sans-serif font. Below the text is a white, curved line that arches over the letters, resembling a stylized underline or a bridge.

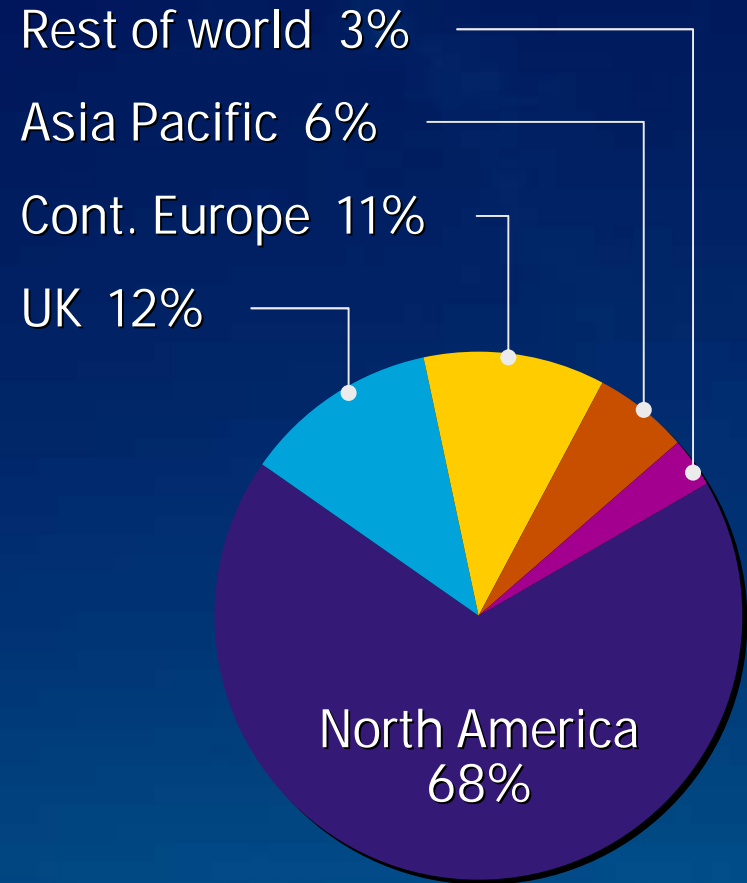
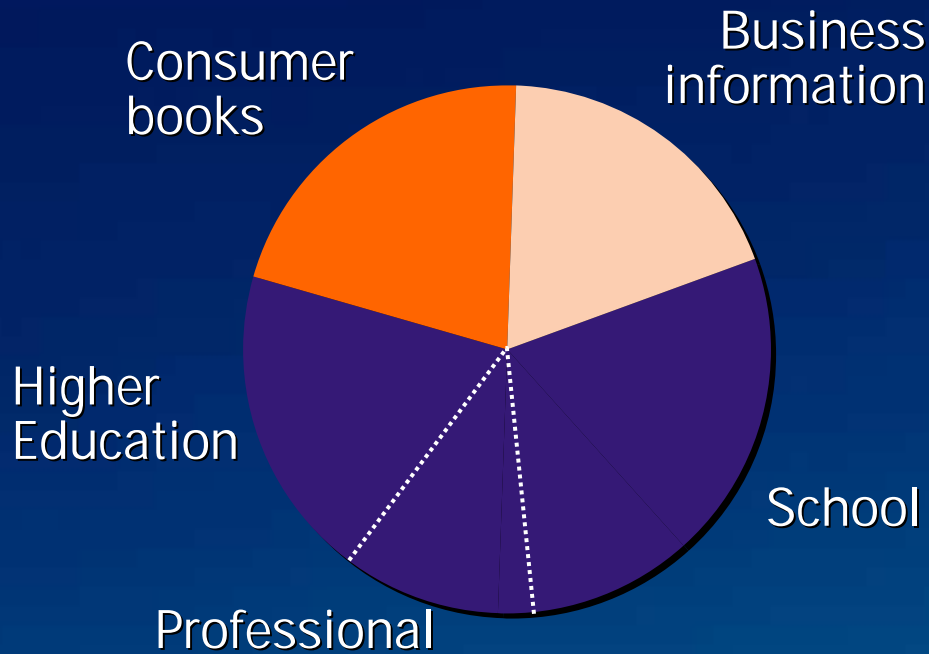
Sanford Bernstein  
Strategic Decisions Conference

Marjorie Scardino

28 September 2004

The background of the slide is a solid blue color. In the lower right quadrant, there are several white, fluffy clouds of varying sizes, scattered across the blue field.

# The shape of Pearson





PENGUIN  
ALLEN LANE

PENGUIN  
MICHAEL  
JOSEPH



GOTHAM  
BOOKS

The  
Penguin  
Press



PORTFOLIO



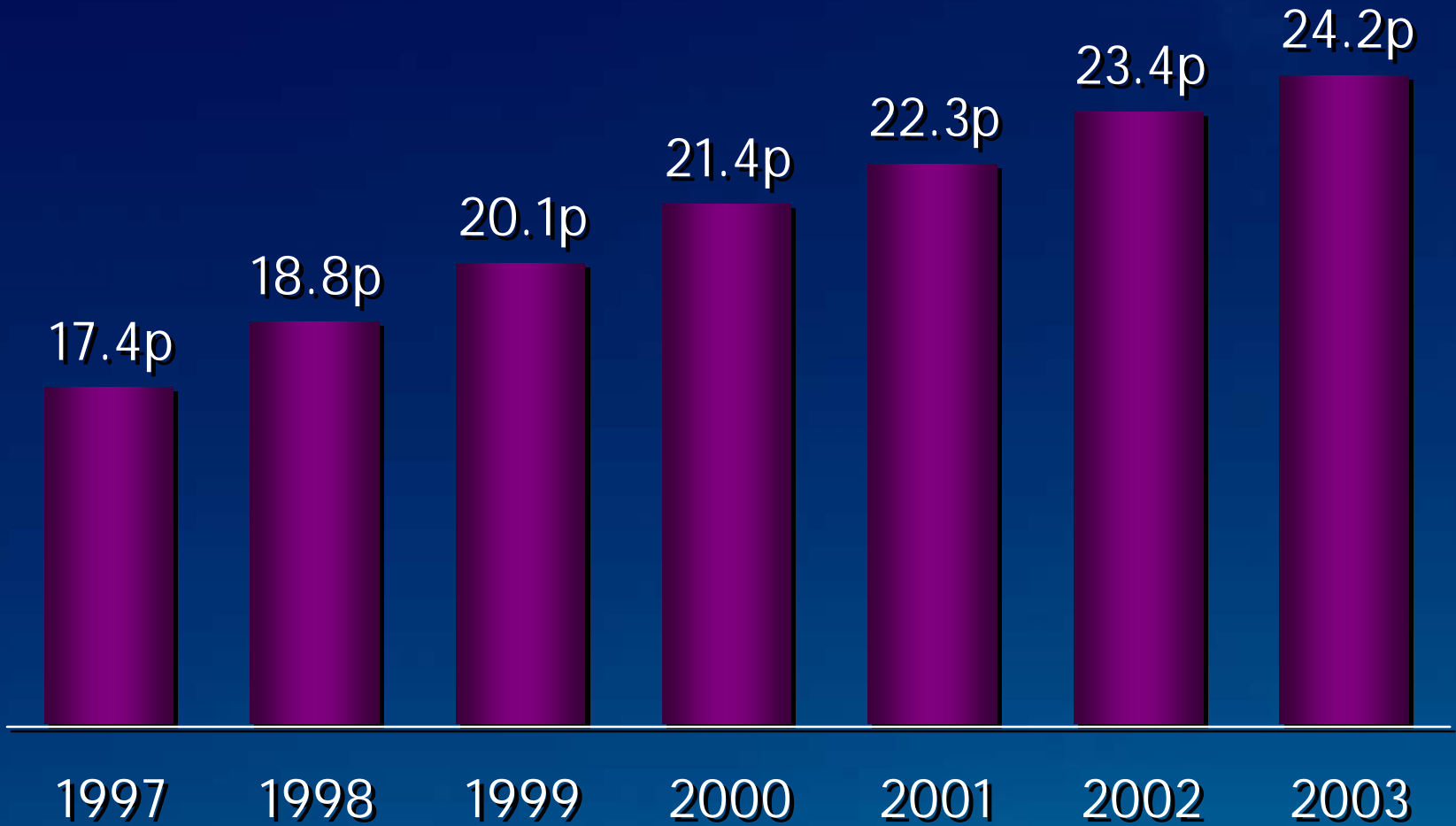
SENTINEL



# Our financial goals

	2001	2002	2003
Earnings per share	21.4p	30.3p	32.0p
Total free cash flow	£122m	£215m	£192m
Return on invested capital	4.6%	6.0%	6.3%

# Dividend

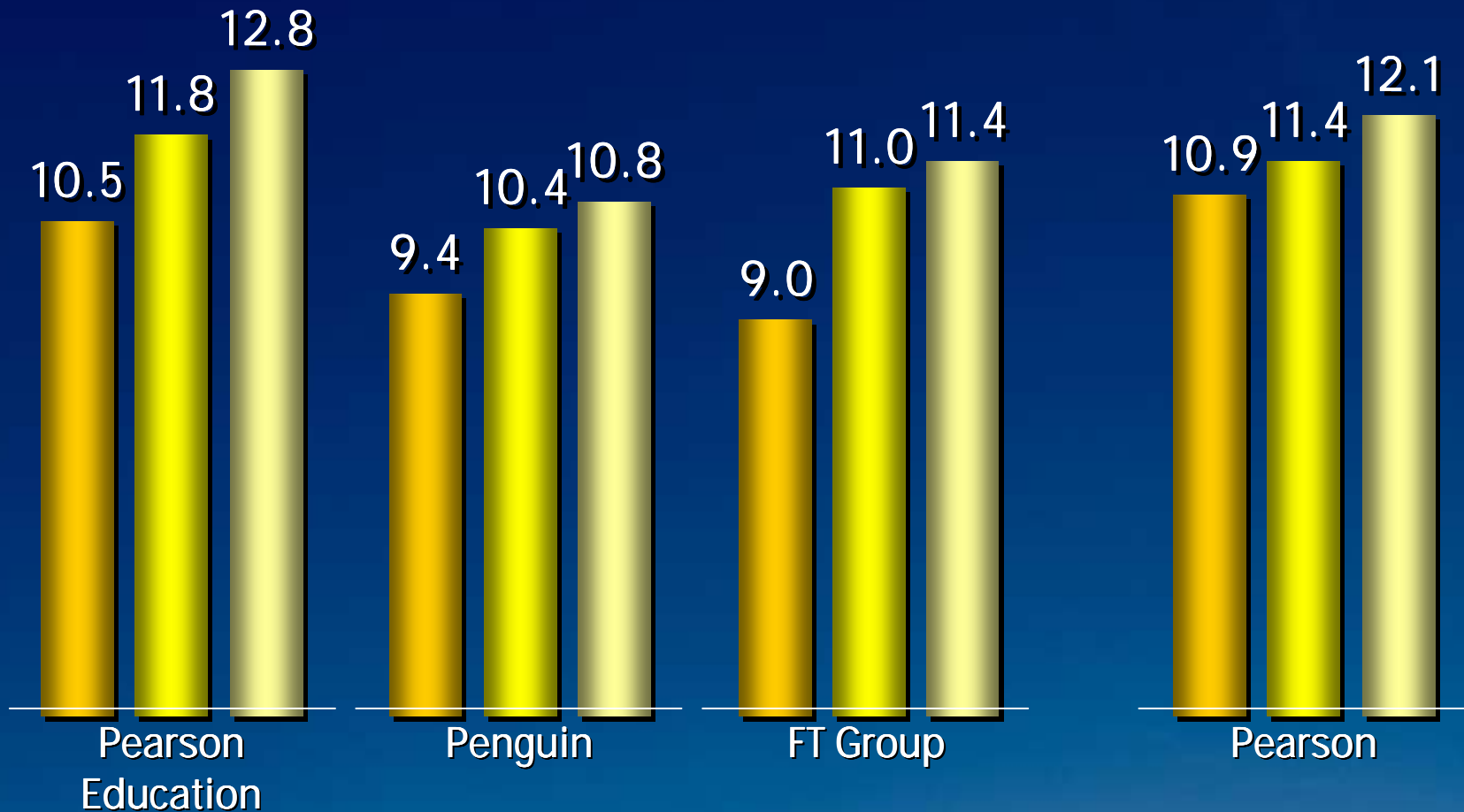


# Why we are confident

- Leaner operations
- Advertising stable; strong growth in financial data
- Rebound in school adoptions; pick-up in state funding
- Increasing value of Higher Education
- Stream of long-term contracted revenues
- Market leadership getting stronger

# Leaner operations

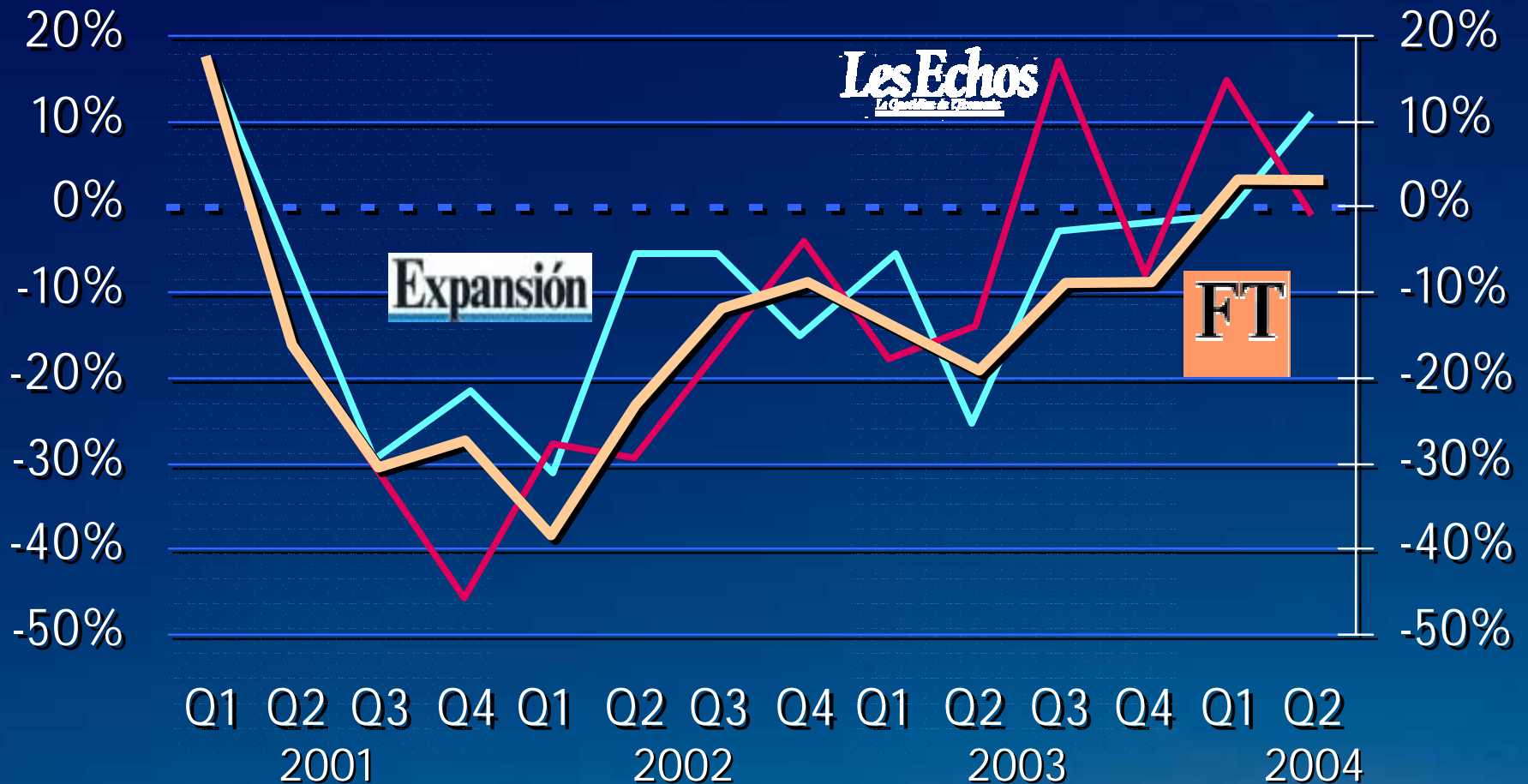
Operating margin %



# Business advertising is stabilising

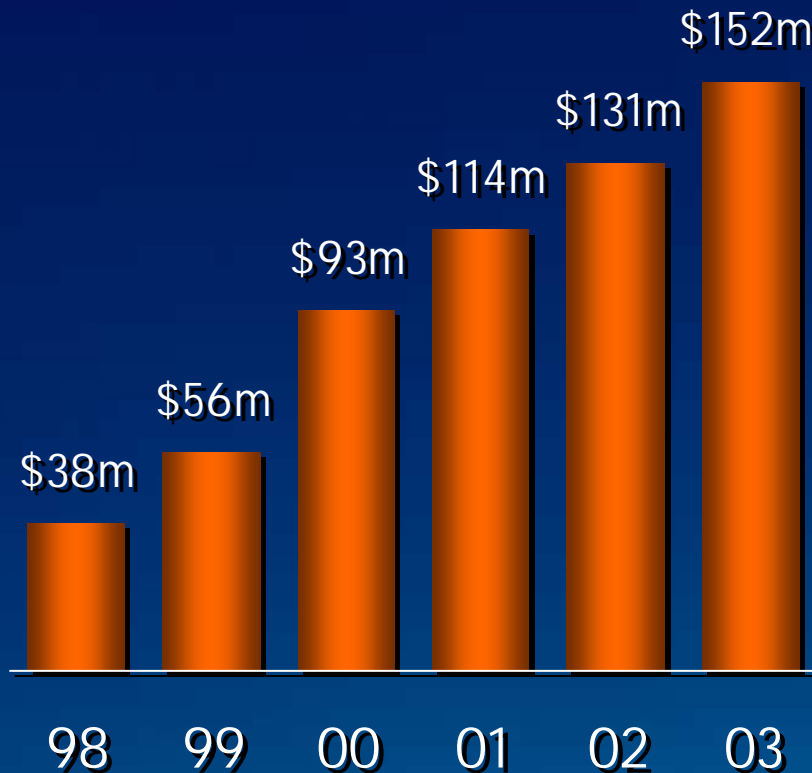
FT Group advertising revenues

Year-on-year change



# Strong growth in financial data

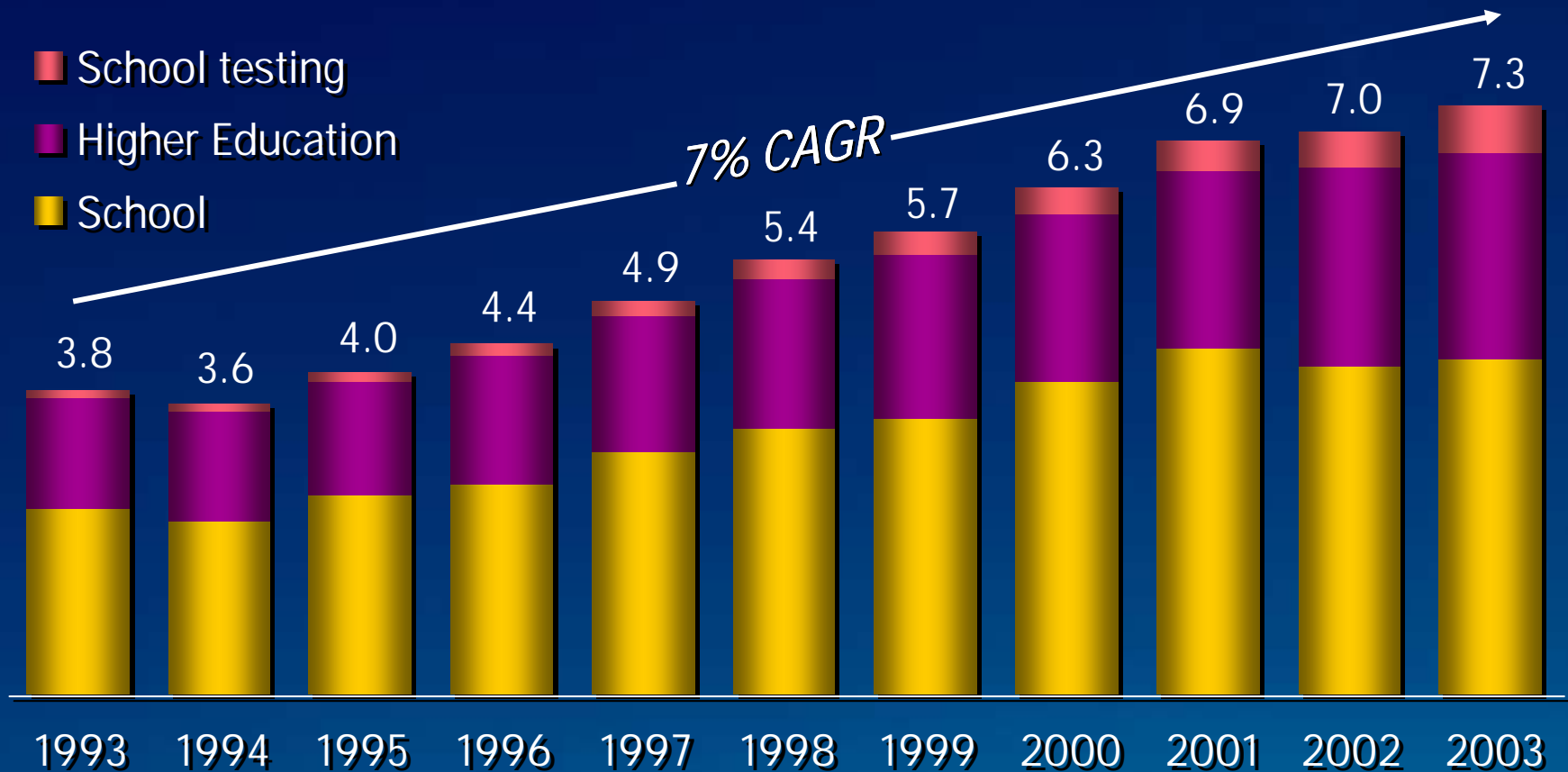
## IDC EBITDA



- 95% + customer retention
- New asset classes and products
- Bolt-on acquisitions

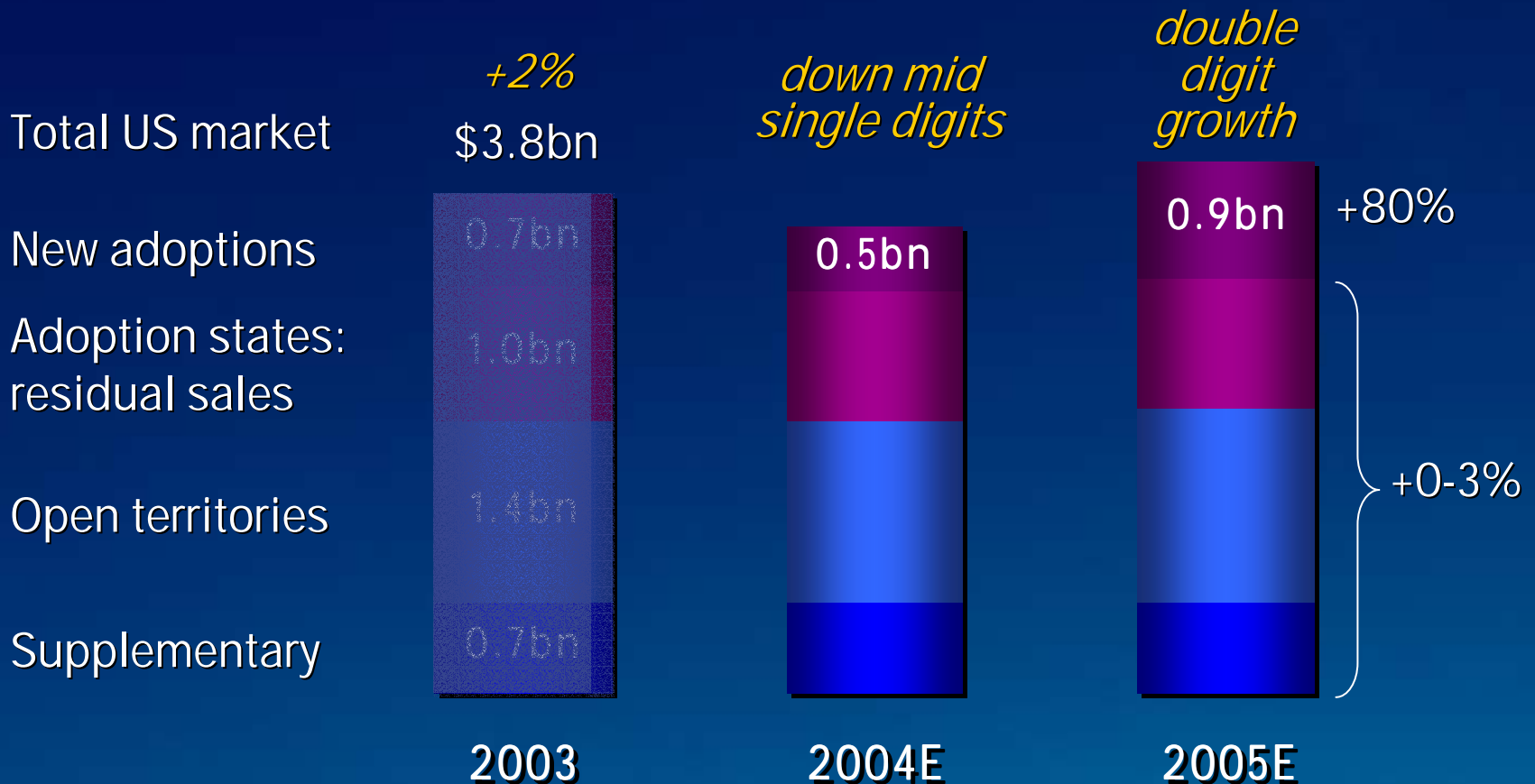
# Long-term growth in education publishing

US K-12 & Higher Ed publishing, \$bn



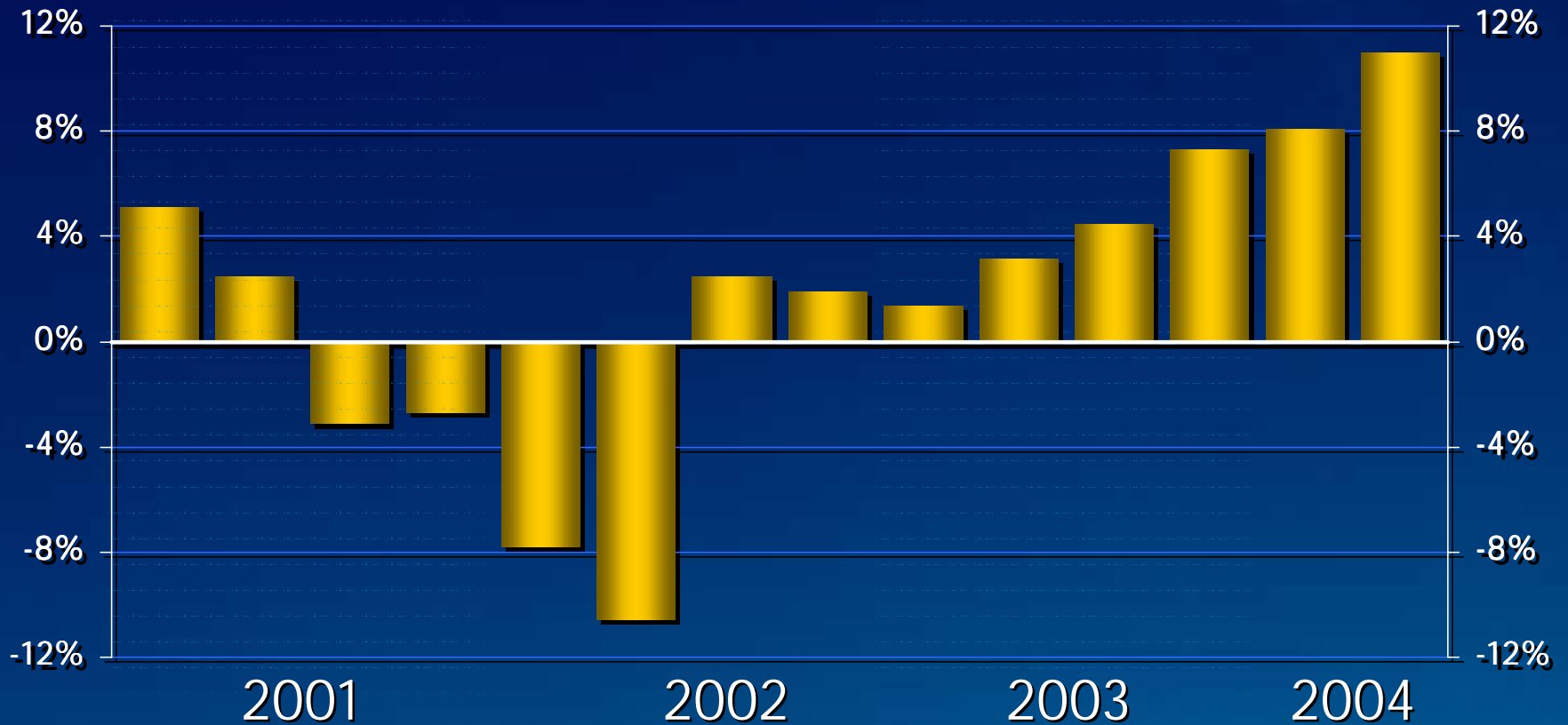
Source: AAP, Management Practice Data, Pearson estimates

# Rebound in US School publishing



# Pick-up in state funding

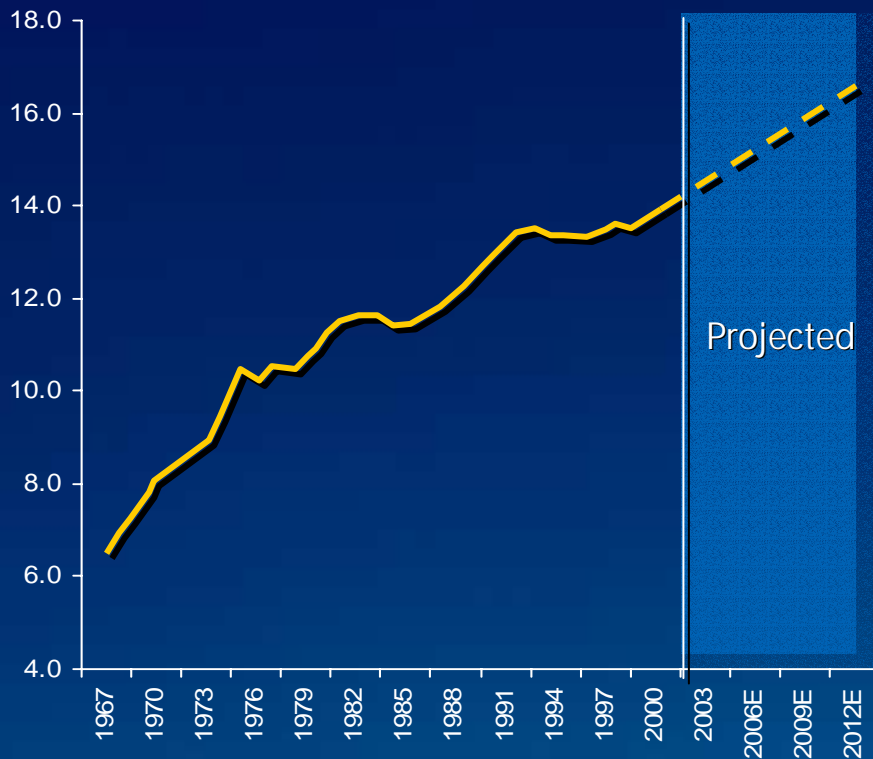
Year-on-year changes in quarterly state tax revenues



Source: Rockefeller Institute of Government

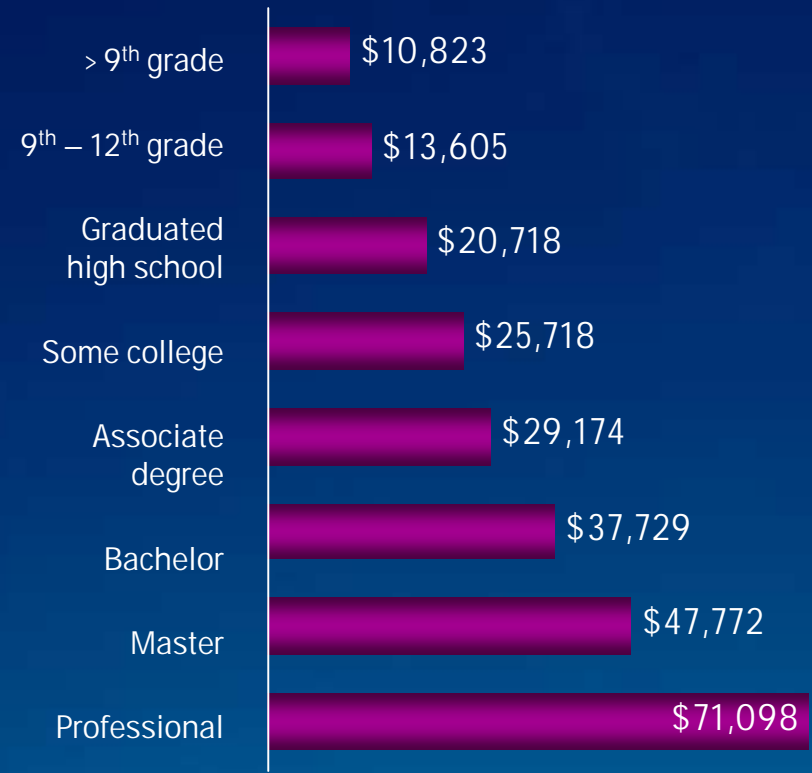
# Increasing value of Higher Education

## Growth in US college enrolments



Source: NCES

## Average US salary by level of education



Dept of labor

# Contracted revenues

Business	contract wins 2003	typical contract term
Government solutions	\$200m	5 – 10
Professional testing	\$600m +	7 – 9
School testing	\$300m +	3 – 6

\$1bn+ contract wins in 2003

# Market leadership getting stronger

- Personalised learning
- Content and services
- Reaching new markets
- Benefits of scale

# Summary

- Leading positions in attractive markets
- Focus on organic growth and capital efficiency
- Healthy outlook in short and long-term
- Annual progress in earnings, cash and returns

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