

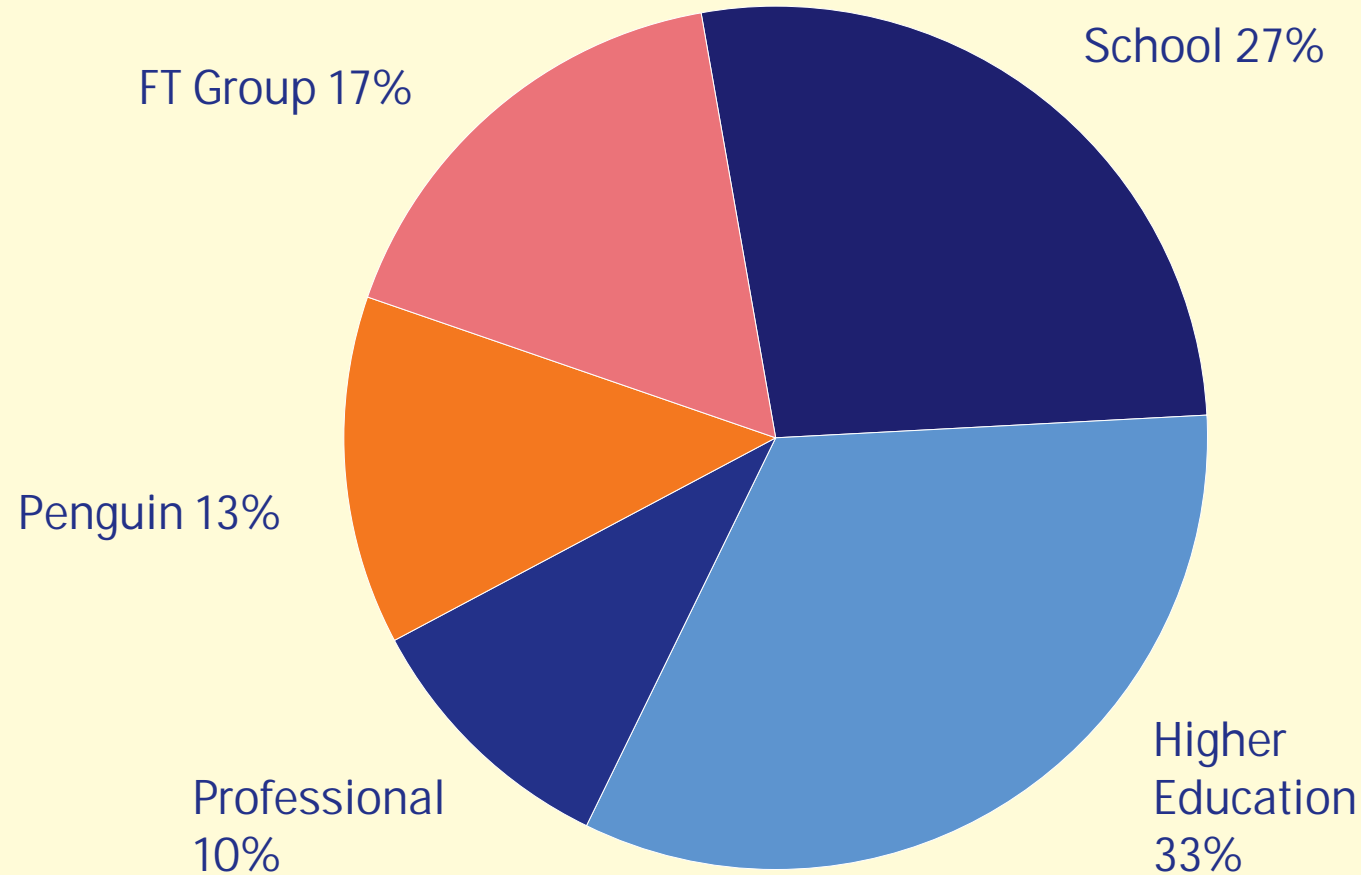
PEARSON

Growing in School

CSFB Media Conference

New York, 8 December 2005

Pearson in 2004

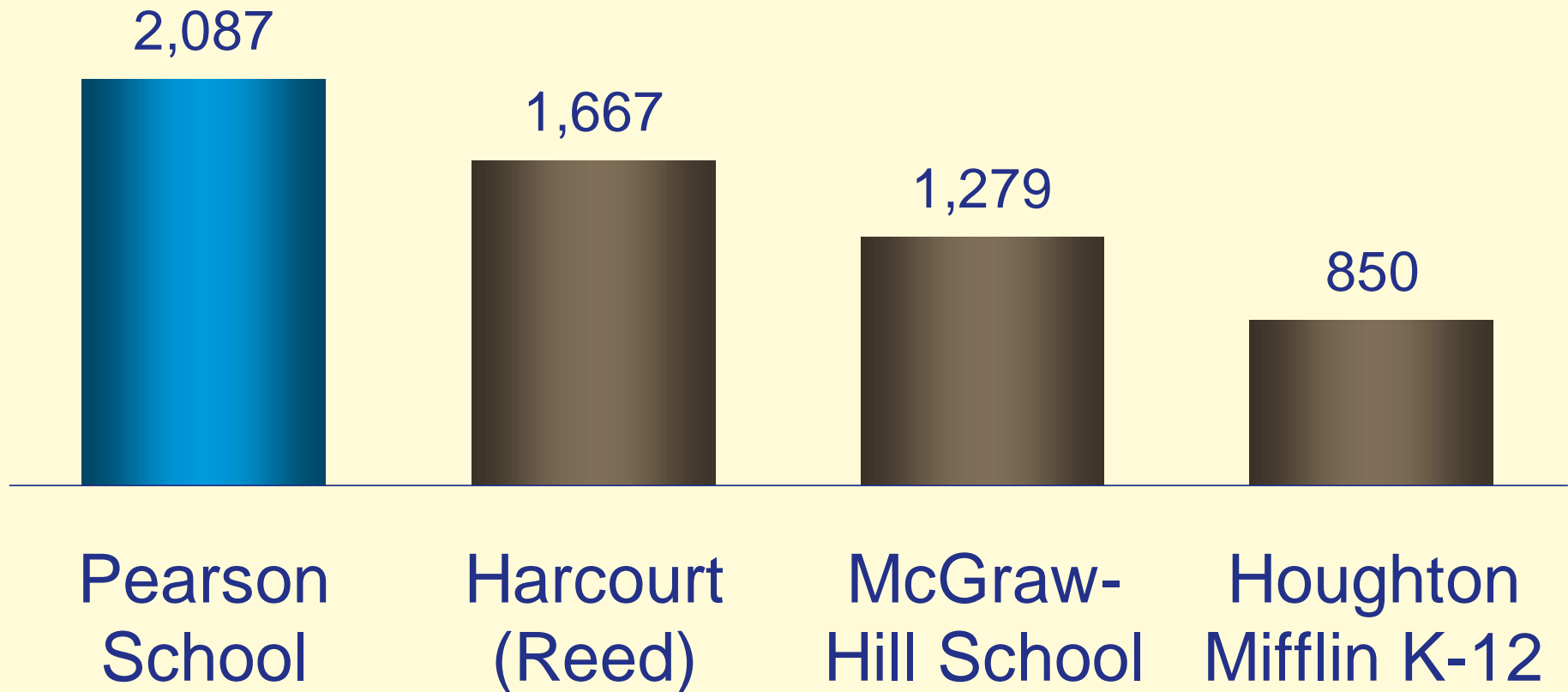


Operating profit: \$758m

2004 operating profit under IFRS, translated at 2004 year-end exchange rate of £1:\$1.92

The world's leading School company

School revenues, \$m



2004 worldwide School revenues. Pearson and Harcourt sales translated at year-end rate of £1:\$1.92

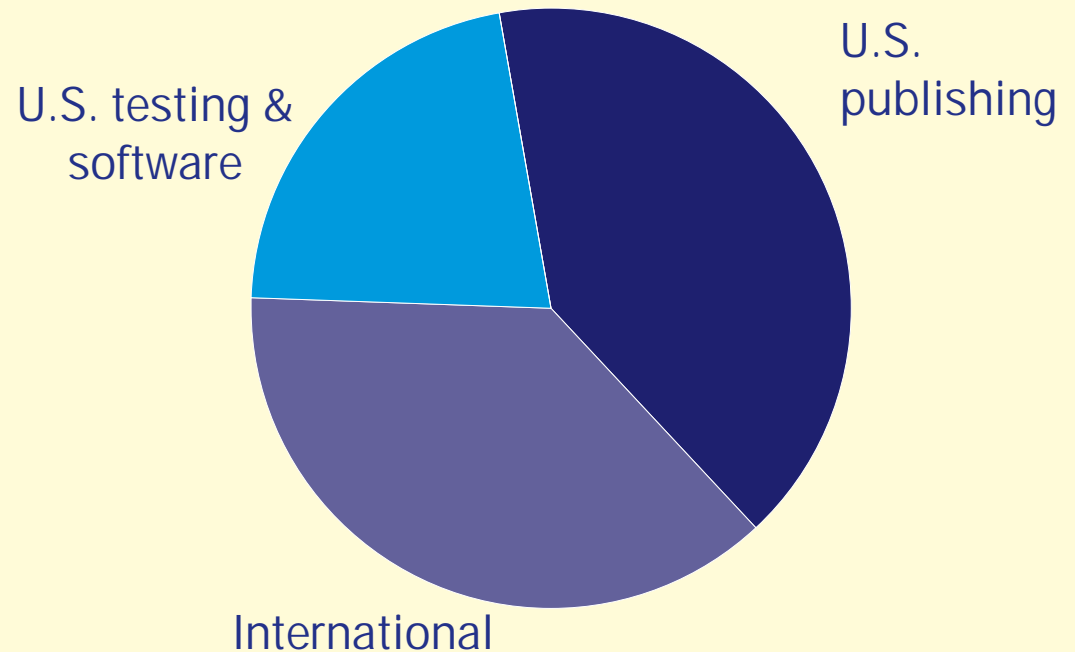
Our School business

Sales: \$2.0bn

#1 in publishing

#1 in testing

#1 in technology . . .



. . . In the U.S. and around the world

Growth in 2005

Industry

- Buoyant new adoptions
- NCLB drives testing boom
- Technology tipping point

Pearson

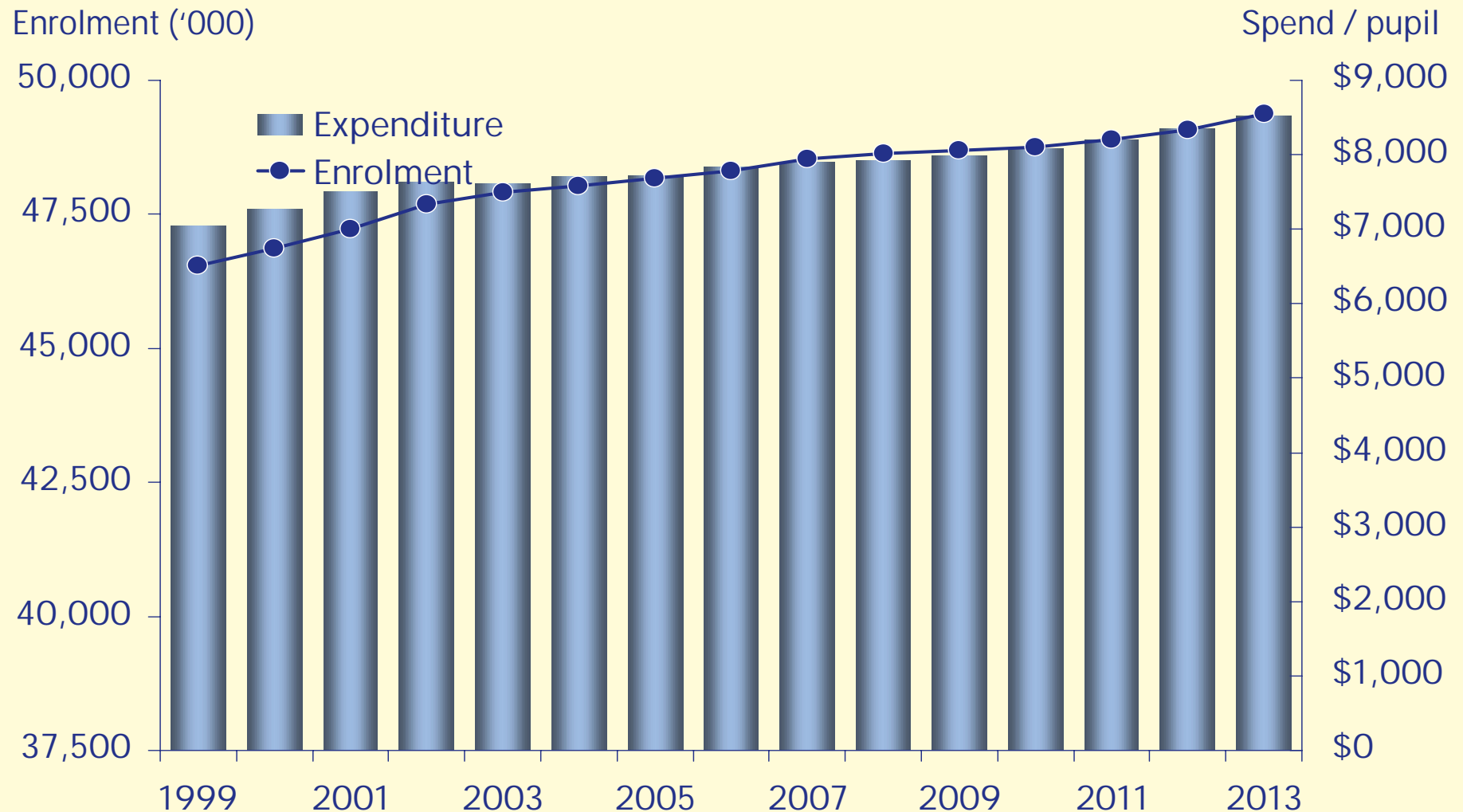
- Publishing sales up 10%+
- Testing sales up 20%+
- Rapid adoption of school software

School sales up 17% after nine months

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Growing in School:
2006 and beyond

Continued investment in K-12 education



Source: U.S. Department of Education National Center for Education Statistics

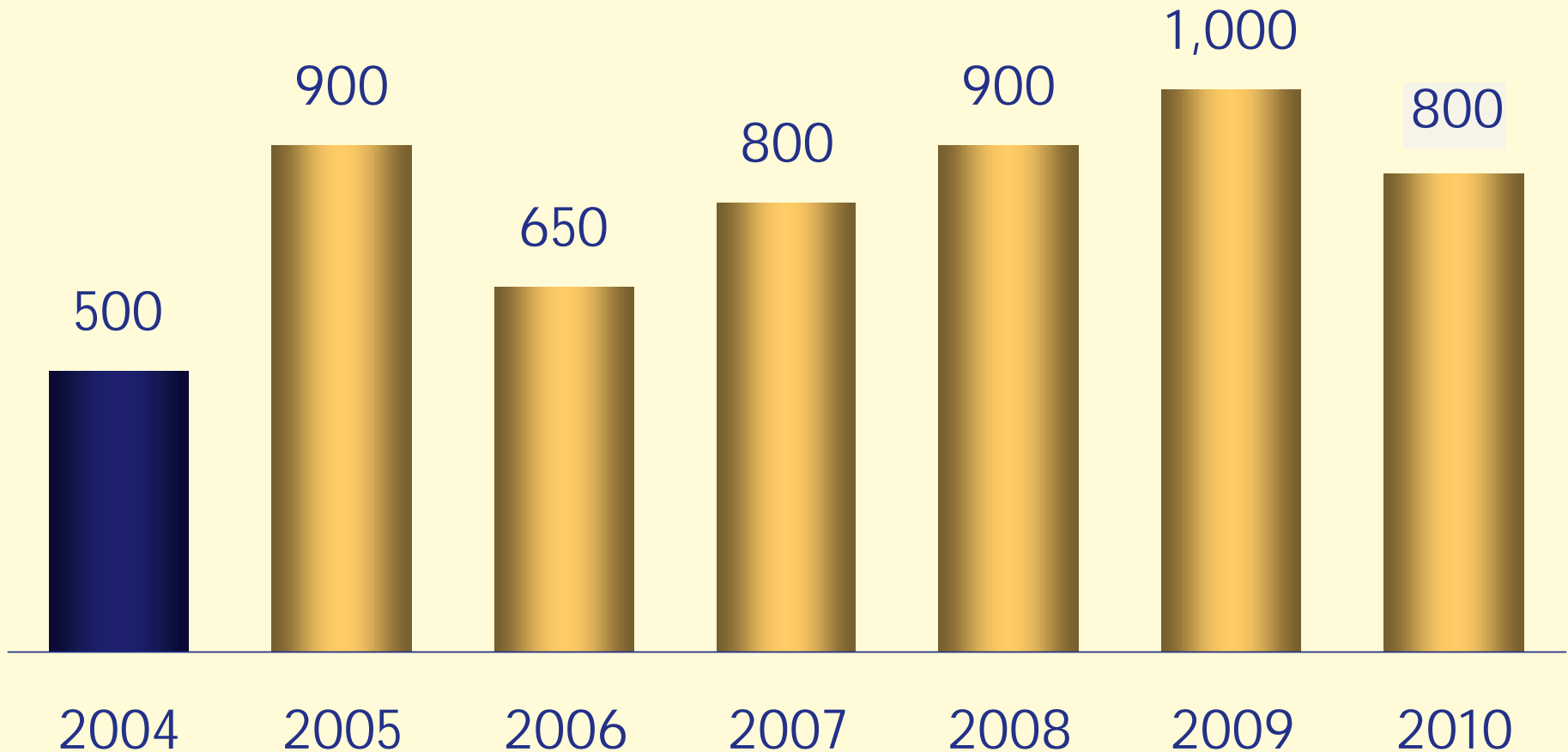
Healthy funding environment

Year-on-year changes in state tax revenues



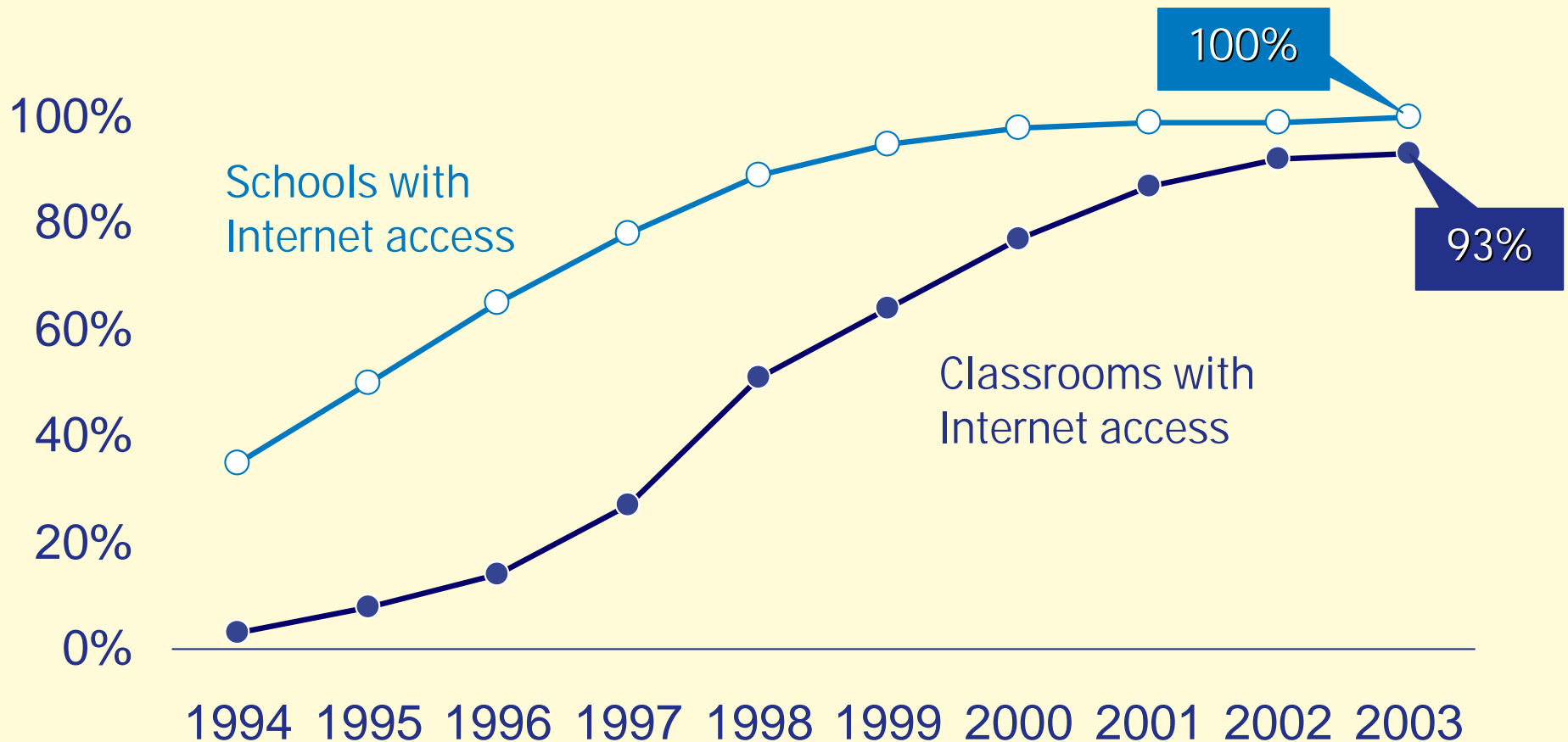
Strong adoption cycle through 2010

Estimated new adoption opportunity, \$m



Pearson estimates

Technology is becoming central



No Child Left Behind

- Schools must measure student performance
- All children must achieve 'Adequate Yearly Progress' (AYP)
- Aligns instruction, professional development and testing



Almost one in three U.S. schools are failing to meet 'AYP' and face escalating sanctions

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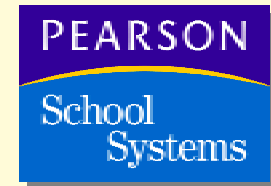
New sources of growth

Testing *for* learning

- Approx. \$300m market, growing at 10%+
- Accurate diagnosis is key driver of student performance
- NCLB provides powerful incentive for ongoing assessment

**Pearson
Benchmark**

Assessment Series



Organic investment in formative assessment

Special needs education

- 5-10% of K-12 students have special educational needs
- Schools spend 90% more on these students
- NCLB requires all children are tested and achieve AYP



Building unique position in special needs publishing and assessment

Technology comes of age

- Approx \$1bn market for curriculum and enterprise software
- NCLB requires complex data management and reporting
- Technology enables personalization of learning

*Leading in school technology;
moving from supplemental to central*

Pearson
Centerpoint

Student Information Series

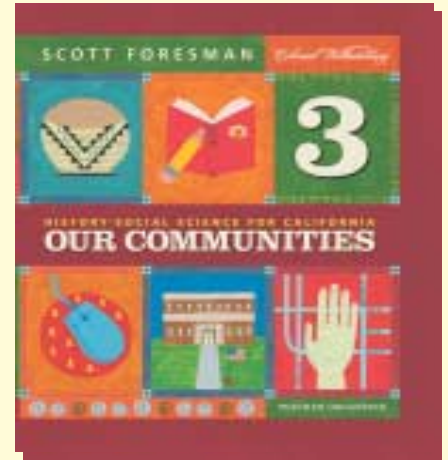
Pearson
Inform

Reporting Series
Driven by SuccessNET



Making history

- Unique digital/print product model
- Excellent teacher and student response in Beta tests.
- Approved for '06 California adoption;
- Reduced plant investment, inventory and production cycle



School solutions

- NCLB provides \$3bn per year for teacher professional development
- School improvement requires highly qualified teachers and rigorous change management
- Multi-year contracts open door for instructional solutions



*Investing in broad product portfolio
and new sales organization*

PEARSON

Leaner Operations

Improving margins

- School publishing: *steady margin improvement in the U.S. and around the world*
- Technology: *operations integrated; software development expensed*
- International testing: *efficiency gains as marking moves from print to Web*

Working capital harder

- Growth in testing and software: *excellent working capital characteristics; one-third of School sales*
- Technology investment: *lowers plant investment across the cycle; shorter product development cycles; lower inventory requirements; move to subscription models*
- Benefits of Pearson's scale: *lower manufacturing costs through Pearson-wide negotiations with paper, print, binding suppliers*

Summary

- The world's leading School company
- Funding and policy environment supports healthy long-term growth
- NCLB presents new growth opportunities
- Pearson will benefit from breadth, product investment and efficiency gains

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