

PEARSON

Lehman Brothers

June 15, 2005

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Will Ethridge
President and CEO
Higher Education, International
and Professional Group

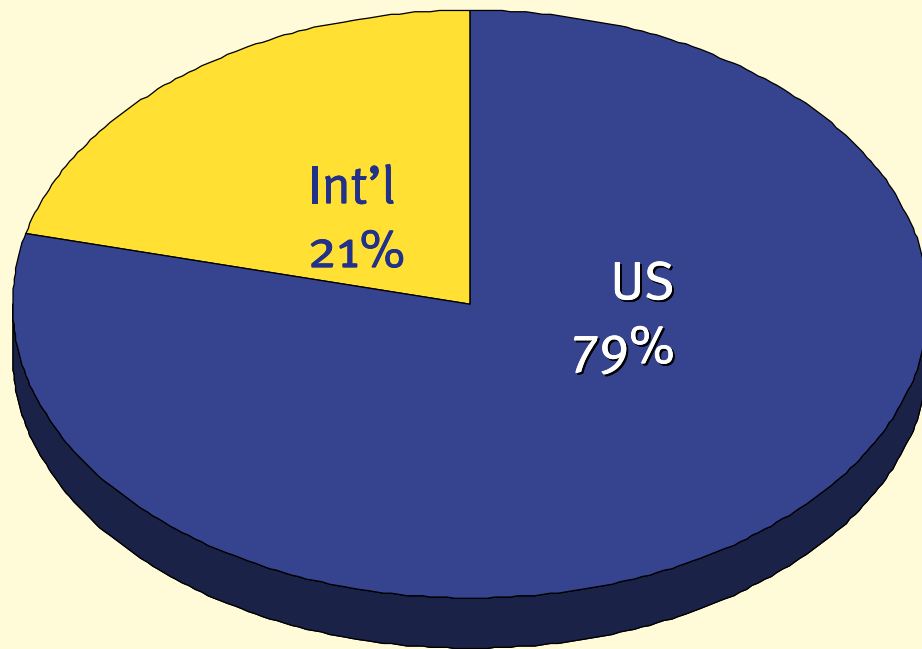
June 15, 2005

Agenda

- Overview of our Higher Education business
- Opportunities in Workforce Education
- Our plan

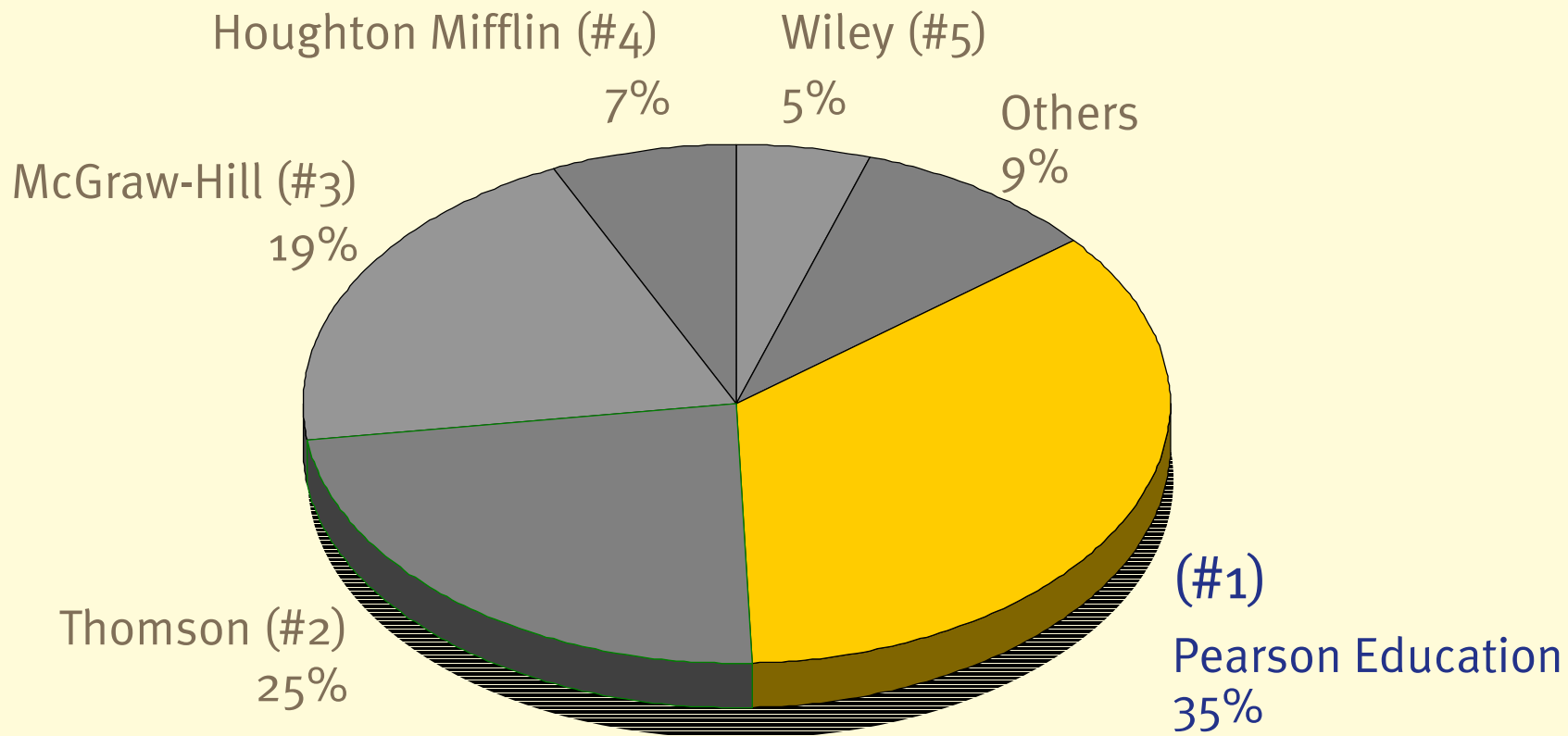
Our Higher Education business

2004 revenues : \$1,360.2m



- #1 in the U.S. and around the world
- Outperformed the industry for 6 consecutive years
- Six year revenue CAGR of 7%

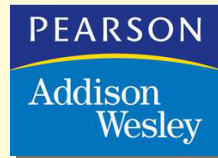
Pearson is the market leader



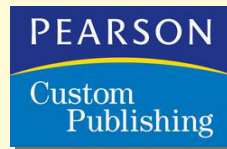
SOURCE: MONUMENT INFORMATION RESOURCES (MIR)
US COLLEGE BOOKSTORE SALES. EXCLUDES TRADE AND REFERENCE BOOKS

Pearson's competitive advantage

- Leading brands:



- Custom leader



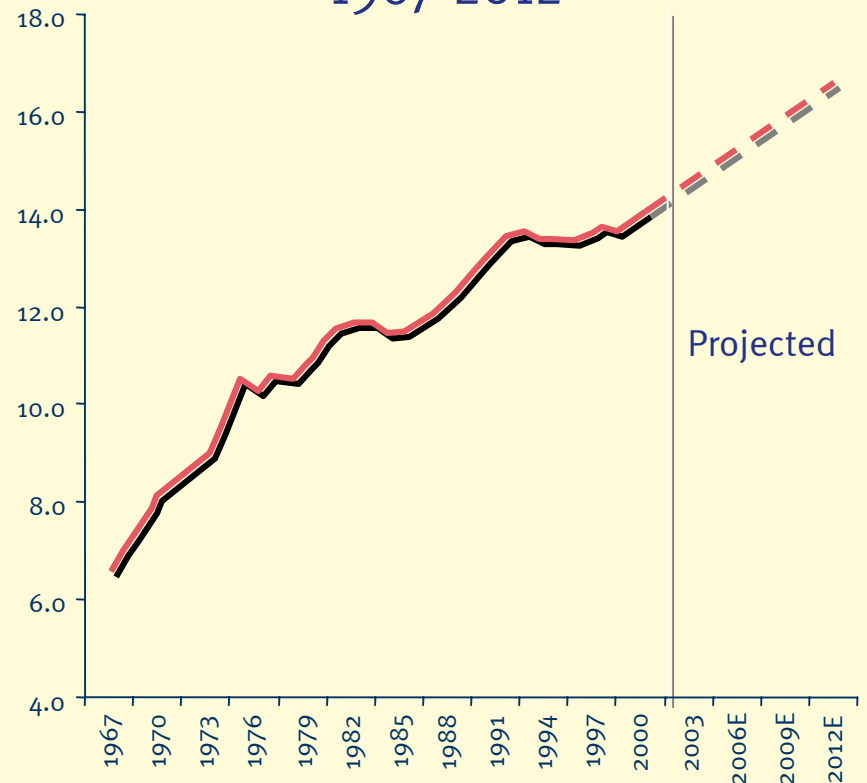
- Multi-channel sales and marketing reach

- Leader in innovative products and services;  **Pearson Choices**

Growing demand for Higher Education

- Strong demographics
- Rising participation rates
- Postsecondary graduates earn almost twice as much as High School graduates
- Rising cost of Higher Education

Growth in College Enrollment:
1967-2012



Source: NCES

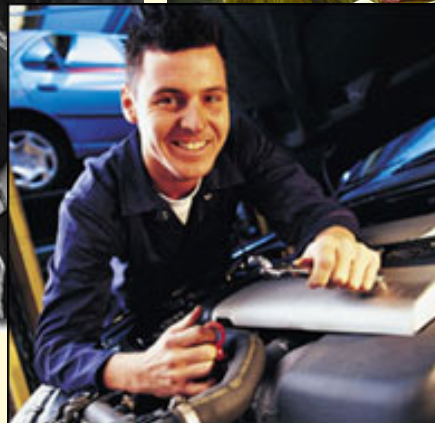
Technology and accountability

- Course management infrastructure in place
- Students are digital natives
- College readiness
- Retraining and life-long learning

What is Workforce Education?

- Pearson's market position
- Growth drivers
- What our customers need
- Our plan

This is Workforce Education

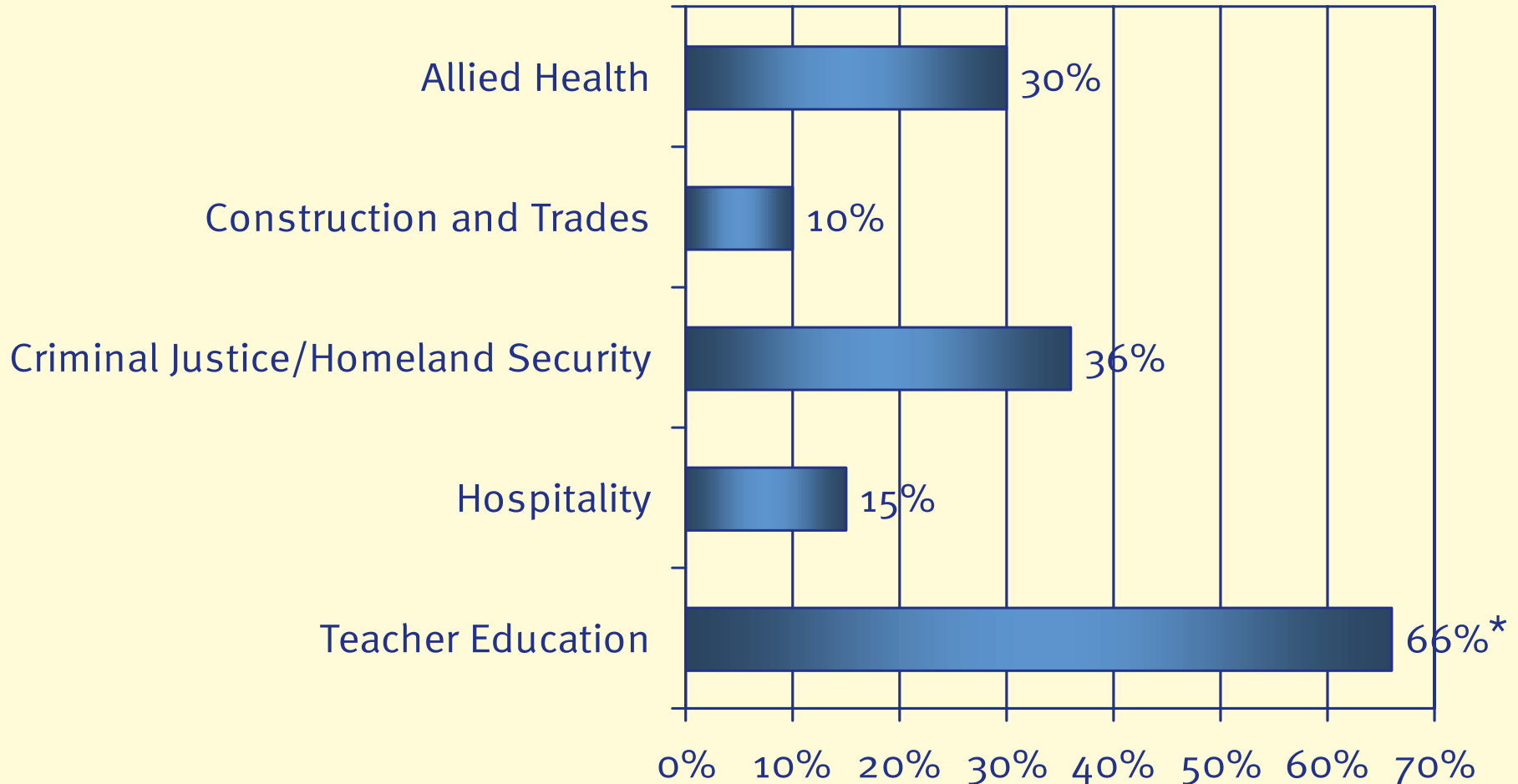


Pearson portfolio view (2000-2005)

Higher Ed Markets	Our Position	Growth
Traditional <ul style="list-style-type: none">➤ Arts & Sciences➤ Business	#1	Steady market growth; Outstanding market performance
Technical <ul style="list-style-type: none">➤ Computer Science➤ Engineering	#1	Taking share in a down market
Workforce Education	#2	Strong market; increased investment

Why is it growing?

Job growth fuels enrollment (through 2010)



*Due to attrition and retirement

Source: Bureau of Labor Statistics; Eduventures

Workforce Education market dynamics

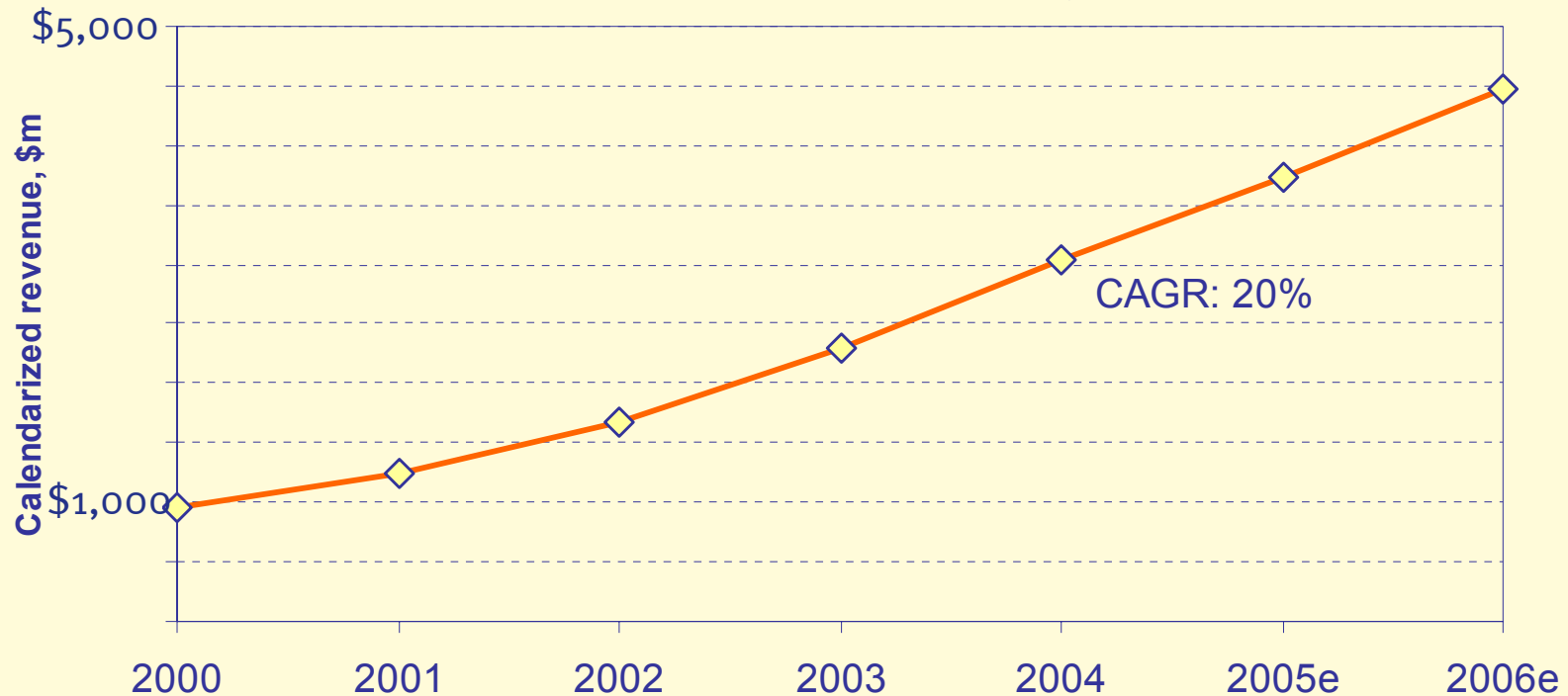
➤ For-profit chains

- 1,400 companies run 2,500 schools
- 1.6M students

➤ Strong growth at Community Colleges

For-profit college growth continues to climb

Combined Revenues of Leading For-profit Colleges
Apollo Group, Corinthian, Strayer.



Source: Multex

For-profit chains

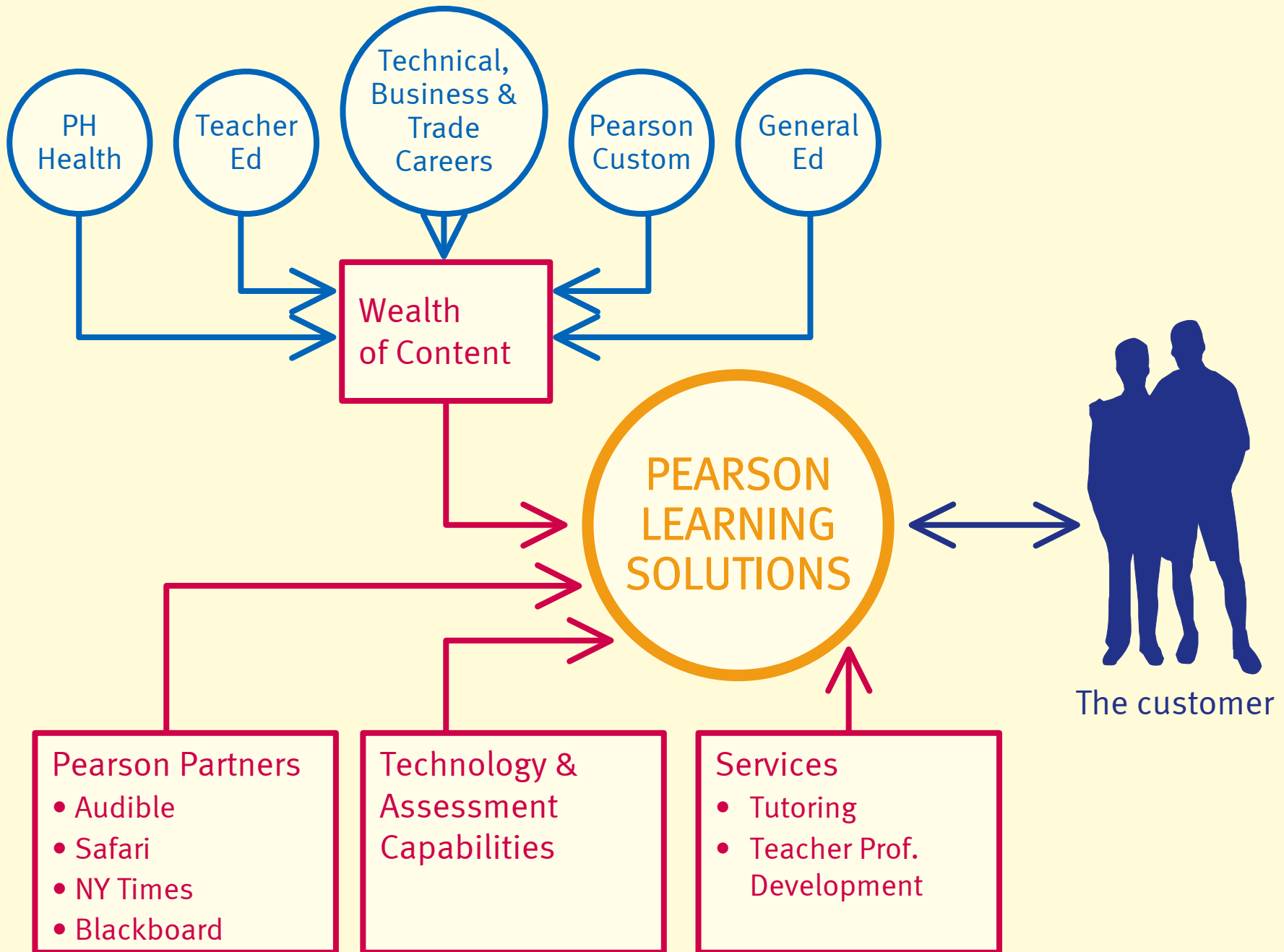


Traditional Higher Education vs. Workforce Education

	Traditional College	Workforce Education
Course Length	Semester/trimester/quarter	Shorter courses (6, 8, 12 weeks)
Frequency of Course	Semester/trimester/quarter	Frequent starts; often every 6 weeks
Length of Degree Program	4+ years	600-1,000 hours
Benefit to Student	College Degree	Degree and/or certification; job placement 75-100%
Student Demographics	All ages, about 18-22; mainly on campus	All ages, generally older; minimum on-campus time

What our customers need

- Quality materials for students and faculty
 - Academic credibility
 - Accreditation issues
- Customized content
 - Career-specific programs
 - Competitive differentiation
- Print and digital
 - Enrollment in online courses growing at 44%
- Highly responsive services and support



The Pearson Teach & Learn Cycle™



Where it works



William F. Weld
Chief Executive Officer
Decker College

[Former Governor of Massachusetts, 1991-1997]

- A unique distance education program customized by Pearson Prentice Hall
- Based on the National Center for Construction Education and Research certification and accountability standards

Where it works



Patrick Mayers
Vice President of Academic Affairs
DeVry University

- Customized MyMathLab online courses aligned with DeVry's mastery learning strategy

Where it works



Mary Barry

Executive Vice President, Academic Affairs and Compliance

Jack Abbott

Vice President, Curriculum and Instruction

Corinthian Colleges, Inc.

- A customized student and instructor program perfectly aligned with Corinthian's Medical Assisting curriculum

Summary

- Growing Workforce Education market
- Pearson market share opportunity
- Pearson Advantage: Integrated, customized Learning Solutions

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