

The word "PEARSON" is written in a white, serif, all-caps font. Below the text is a white, curved line that starts under the 'P', arches over the 'A', 'R', 'S', and 'O', and ends under the 'N'.

PEARSON

2007 interim results

30 July 2007

Financial highlights

Sales up 6%

Operating profit up 48%

Adjusted EPS up to 3.1p

Dividend up 6%

Full-year guidance raised

Business highlights

Market share gains

Moving capital to digital, services, international

Stronger leadership positions

PEARSON



Financial performance

2007 financial priorities

Earnings growth

Significant ROIC improvement

Cash and working capital discipline

Continued rigour in capital allocation

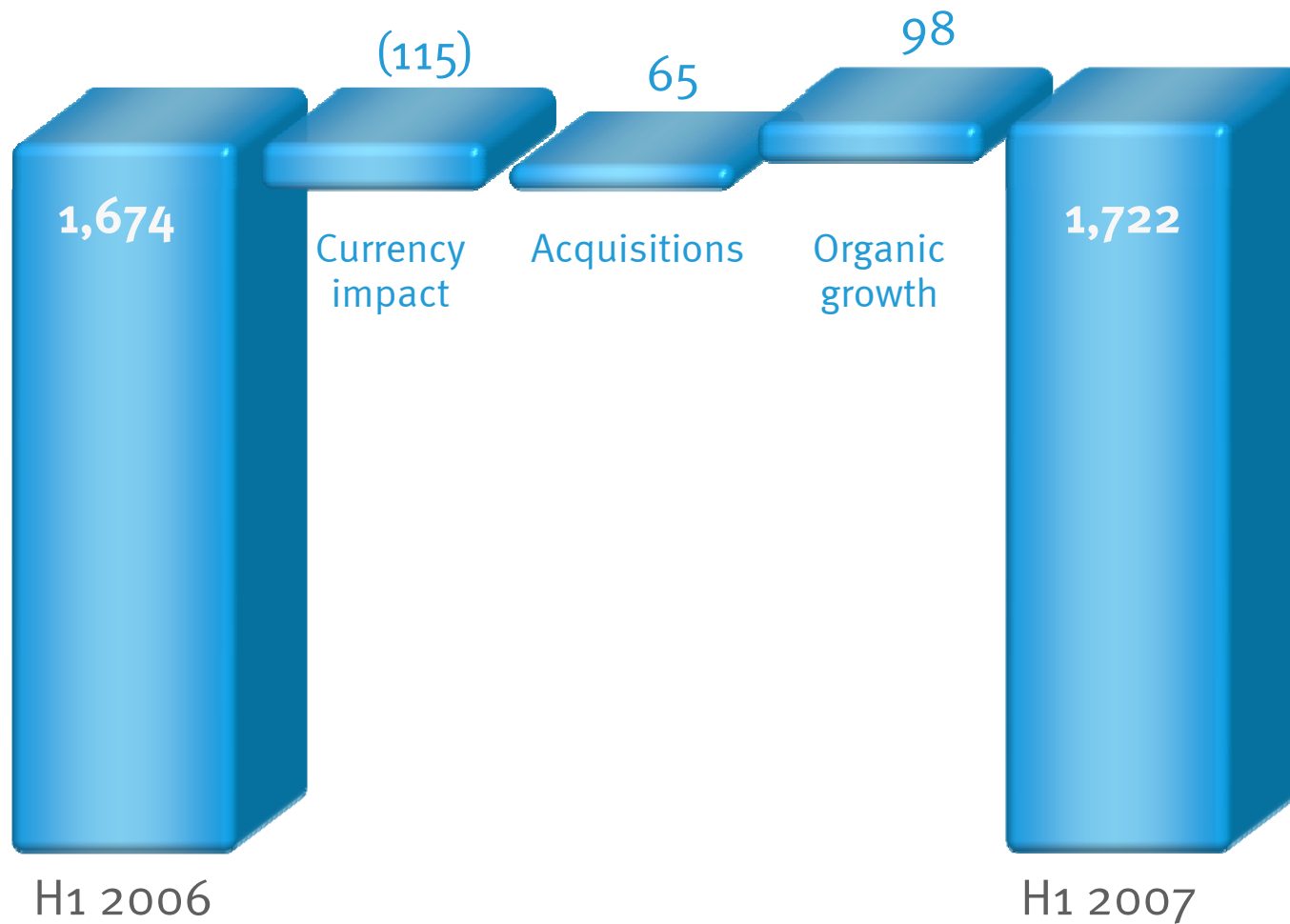
Sales

£m	H1 2007	H1 2006	<i>Underlying growth</i>	<i>Headline growth</i>
Education	1,023	987	7%	4%
FT Group	332	300	8%	11%
Penguin	367	387	1%	(5)%
Total	1,722	1,674	6%	3%

Continuing businesses

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Sales



Continuing businesses (£m)

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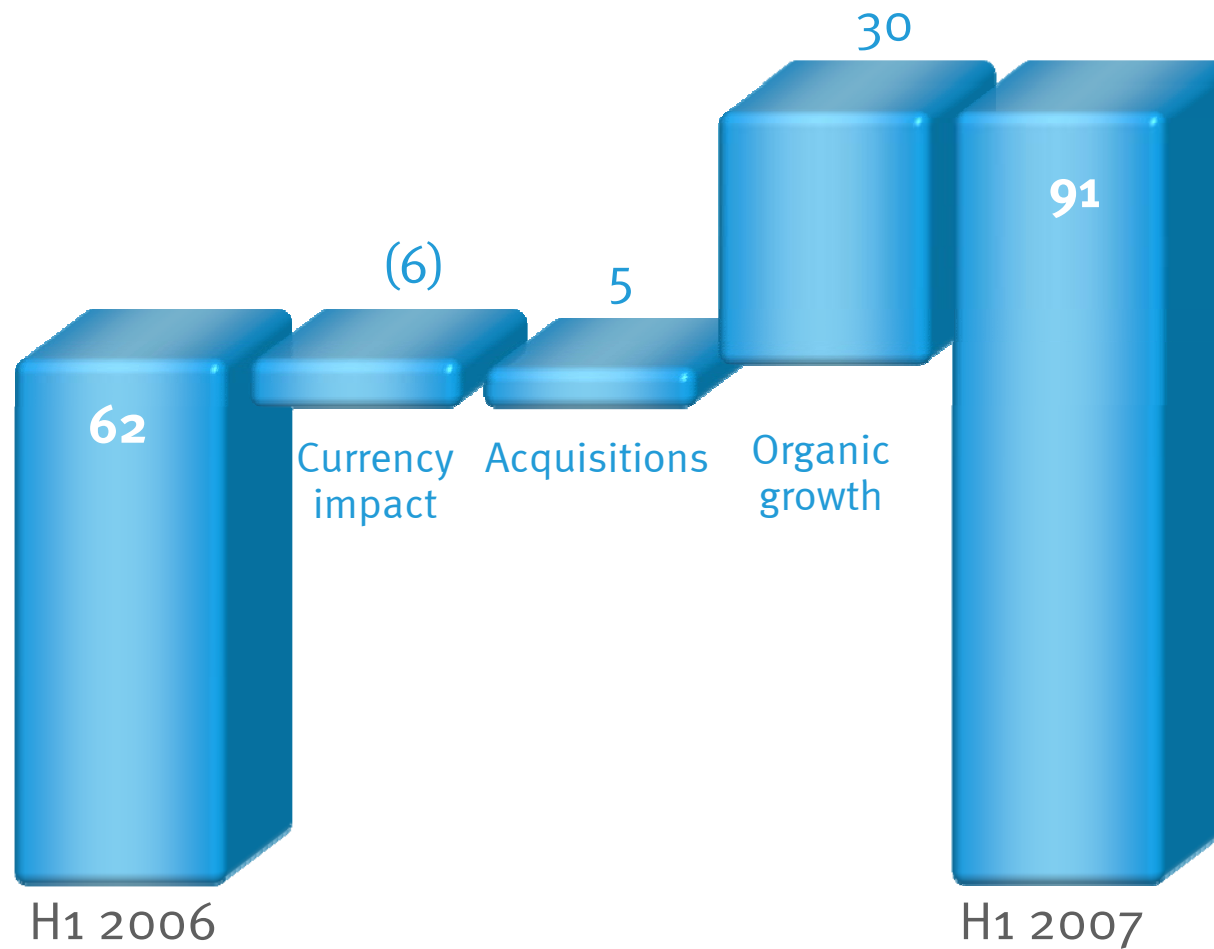
Operating profit

£m	H1 2007	H1 2006	<i>Underlying growth</i>	<i>Headline growth</i>
Education	5	(9)	--	--
FT Group	68	53	28%	28%
Penguin	18	18	11%	-
Total	91	62	48%	47%

Continuing businesses

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Operating profit



Continuing businesses (£m)

Adjusted earnings per share

£m	H1 2007	H1 2006
Adjusted operating profit	93	73
Finance costs – Pensions	5	2
Finance costs – Traditional	(44)	(44)
Adjusted profit before tax	54	31
Taxation	(16)	(10)
Adjusted profit after tax	38	21
Minorities	(13)	(12)
Adjusted profit	25	9
Adjusted profit per share	3.1p	1.1p

Total business basis

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P&L – statutory

£m	H1 2007	H1 2006
Adjusted operating profit	93	73
Intangible amortisation	(16)	(9)
Discontinued operations	(2)	(11)
Net finance costs of associates	-	1
Statutory operating profit	75	54
Finance costs	(35)	(40)
Profit before tax	40	14
Taxation	(11)	(4)
Profit after tax (continuing)	29	10
Discontinued	(122)	7
(Loss)/Profit for the period	(93)	17
EPS (statutory)	(13.0p)	0.9p

Free cash flow

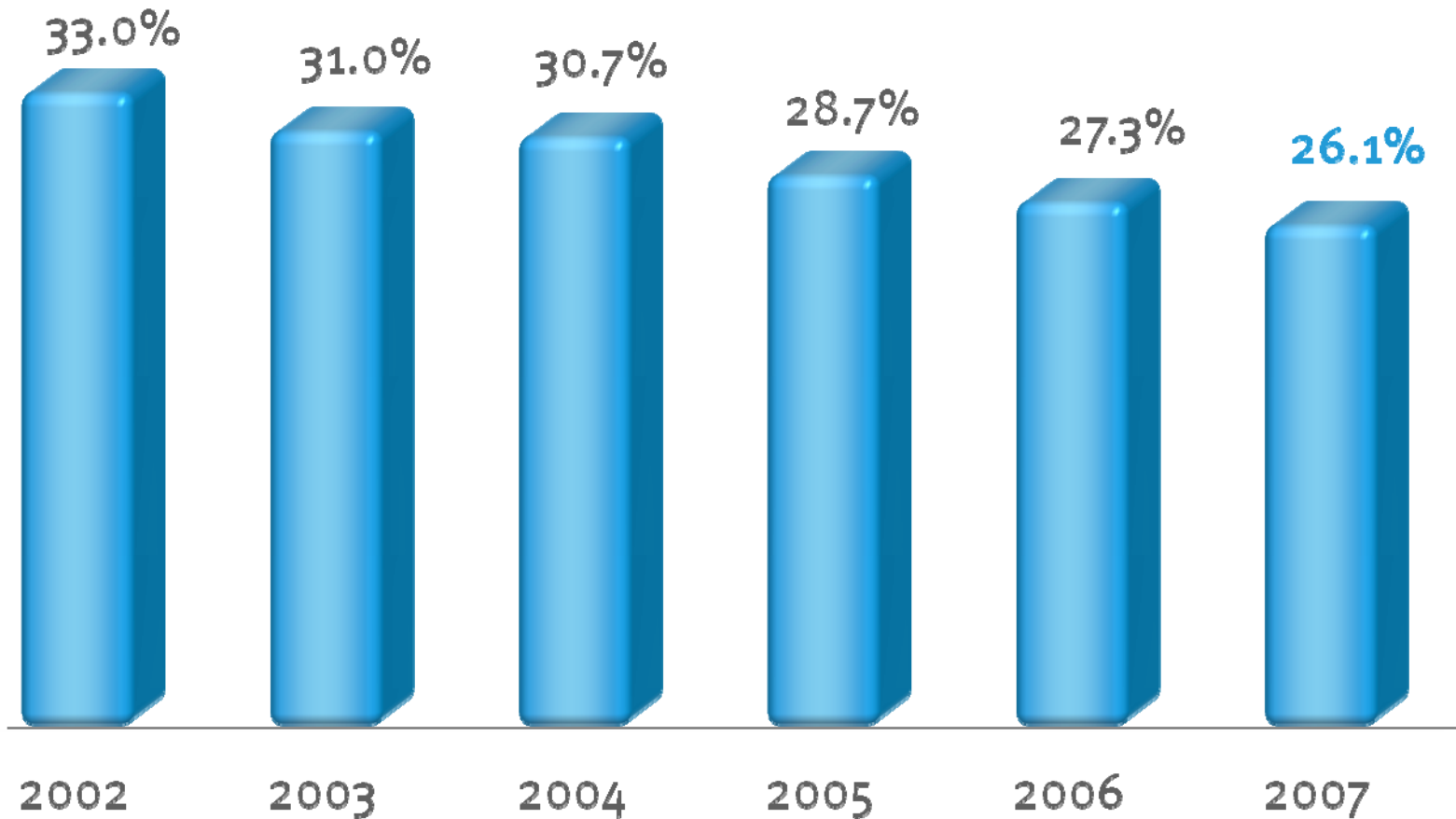
£m	H1 2007	H1 2006	Var
Adjusted operating profit	93	73	20
Working capital	(257)	(259)	2
Fixed asset purchase	(44)	(42)	(2)
Depreciation and amortisation	62	58	4
Other movements	(35)	(13)	(22)
Operating cash flow	(181)	(183)	2
Operating tax paid	(39)	(26)	(13)
Operating finance charges	(45)	(40)	(5)
Operating free cashflow	(265)	(249)	(16)
Special pension contribution	(50)	--	(50)
Non operating / integration	(9)	(1)	(8)
Total free cashflow	(324)	(250)	(74)

Total business basis

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Average working capital/sales

Average to June



Includes capitalised pre-publication costs and author advances

Balance sheet

£m	H1 2007	H1 2006
Goodwill & intangible assets	3,644	3,869
Tangible fixed assets	345	363
Operating working capital	948	1,022
Other net assets/(liabilities)	28	(57)
Net assets	4,965	5,197
Shareholders' funds	3,363	3,291
Pension provisions	43	270
Other provisions	51	41
Minorities	176	173
Deferred tax	(100)	(189)
Net debt	1,432	1,611
Capital employed	4,965	5,197

Total business basis

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Sales outlook

	Underlying sales growth		
	new guidance	old guidance	2006
School	+4-6%	+4-6%	6%
Higher Education	+3-5%	+3-5%	4%
Professional	+5-7%	broadly level	3%
IDC	+10-12%*	+6-9%*	4%*

* Headline growth under US GAAP

Margin outlook

		Reported margins		
	2007 guidance	2006	2005	2004
School	↑	12.6%	11.4%	9.9%
Higher Education	—	20.3%	20.0%	17.7%
Professional	↑	9.6%	7.6%	7.9%
FT Publishing	↑	8.7%	6.3%	1.3%
IDC	↑	26.8%	26.9%	24.9%
Penguin	↑	7.8%	7.5%	6.6%
Pearson	↑	13.4%	12.4%	10.8%

Total business basis

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2007 financial priorities

Earnings growth

Significant ROIC improvement

Cash and working capital discipline

Continued rigour in capital allocation



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Market leadership

Sustainable growth

Changing Pearson

Content + technology and services

International expansion

Efficiency

School

£m	H1 2007	H1 2006	<i>Underlying growth</i>	<i>Headline growth</i>
Sales	665	625	8%	6%
Operating profit	42	36	22%	17%

- #1 in new adoptions; 30% share
- Share gains in testing
- Acquisition integrations on track
- Personalization and solutions



The vision



**Personalised learning
and effective education**

Changing School



- Leader in test development, clinical assessment
- Strong brands, international potential
- Accelerates formative and diagnostic assessment strategy



- Leader in UK, Australia, NZ
- Strong content in school and vocational
- Accelerates international content + technology strategy



Higher Education

£m	H1 2007	H1 2006	<i>Underlying growth</i>	<i>Headline growth</i>
Sales	195	206	3%	(5)%
Operating profit	(51)	(53)	(4)%	4%

- Accelerating digital strategy
- Building custom services
- Personalization and solutions



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Changing Higher Education

Growth in online learning (million students)



Eduventures estimates

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Professional

£m	H1 2007	H1 2006	<i>Underlying growth</i>	<i>Headline growth</i>
Sales	163	156	9%	4%
Operating profit	14	8	88%	75%

- Rapid growth in Testing
- Recovery in Technology Publishing
- Growth in Business Publishing

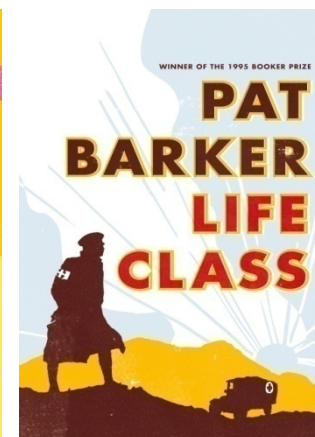
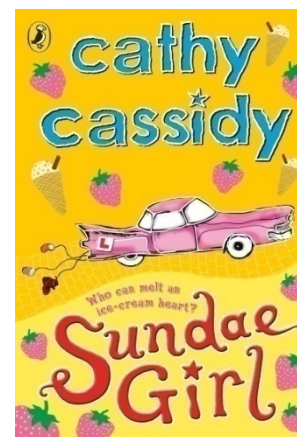
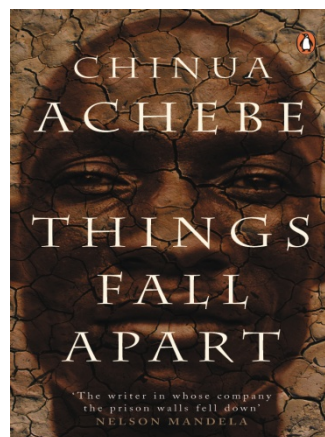
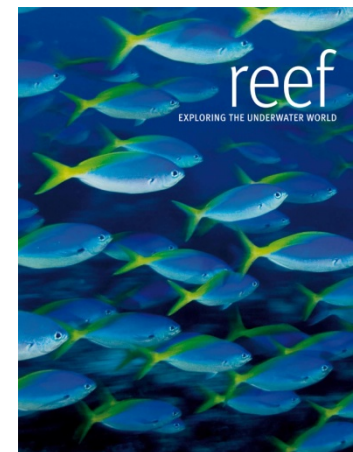
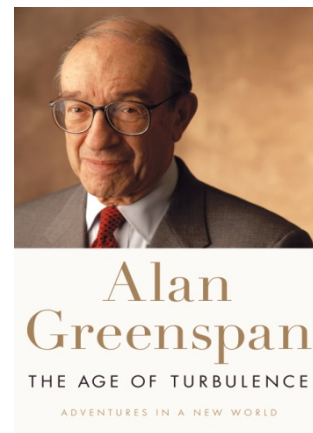
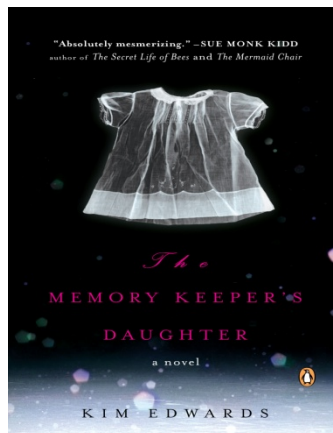
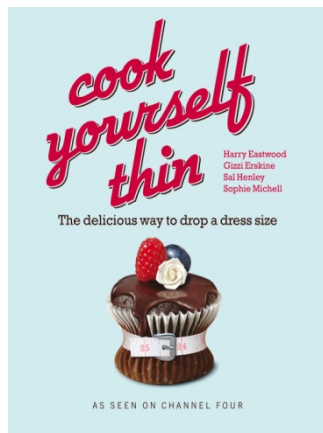
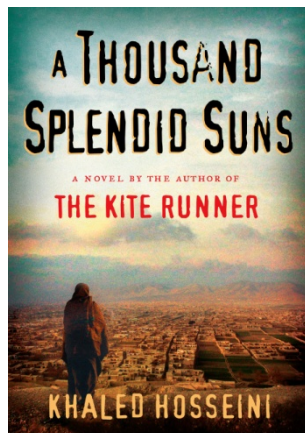


Penguin

£m	H1 2007	H1 2006	<i>Underlying growth</i>	<i>Headline growth</i>
Sales	367	387	1%	(5)%
Operating profit	18	18	11%	0%

- Margins improving
- Strong publishing
- Innovation in formats, genres and channels
- Growth in emerging markets





Changing Penguin

Great publishing

Digital opportunity

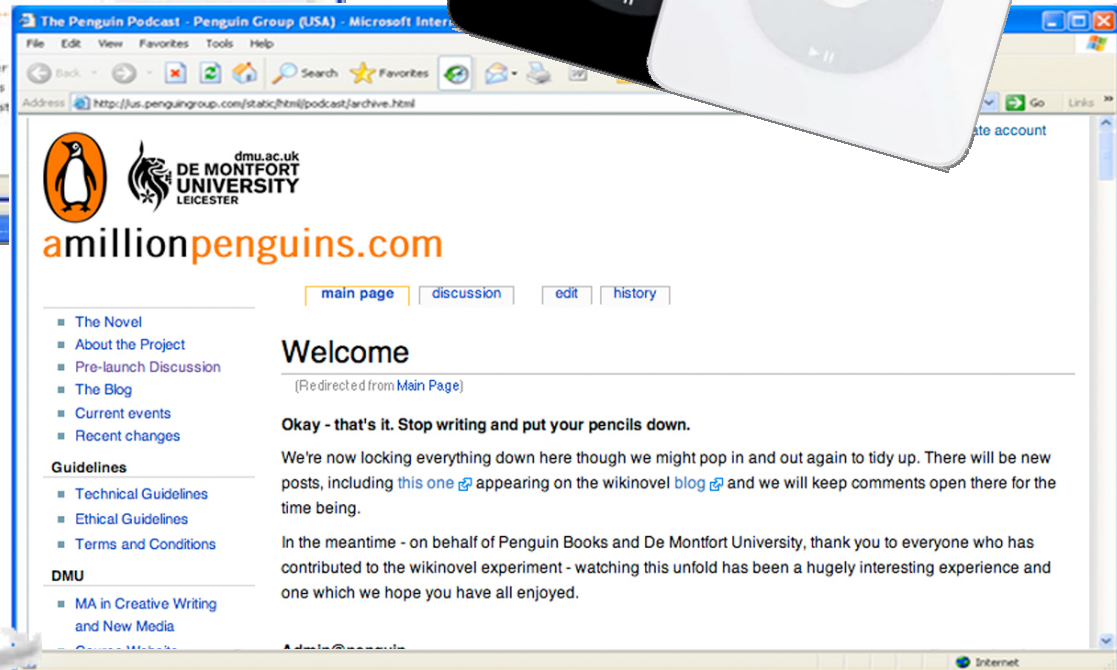
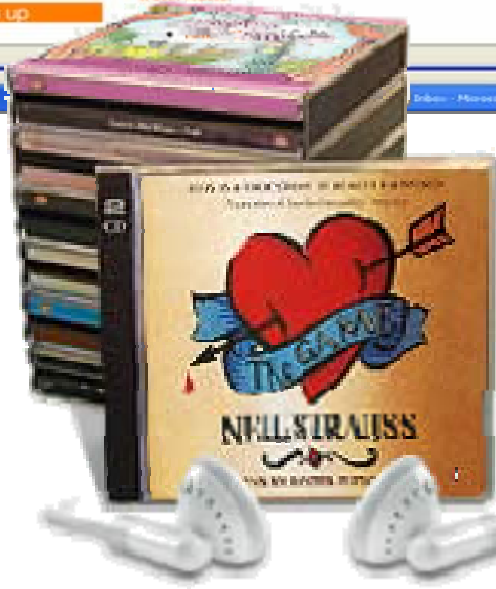
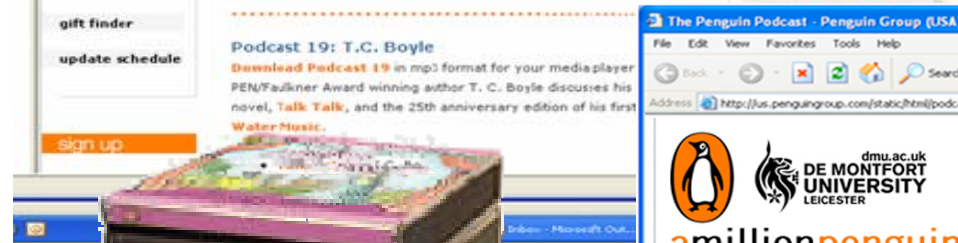
Emerging markets

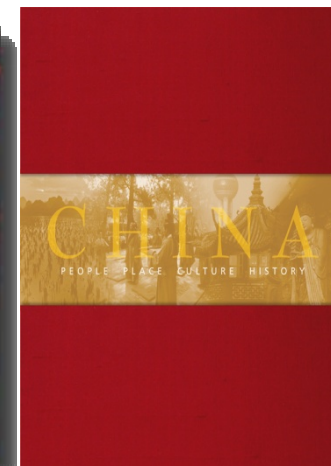
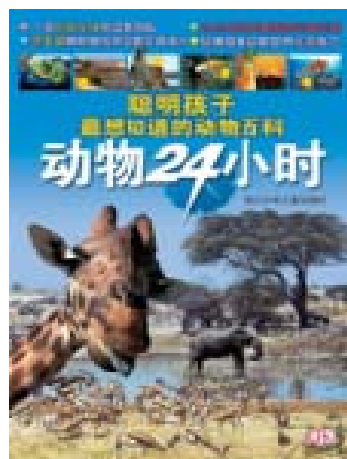
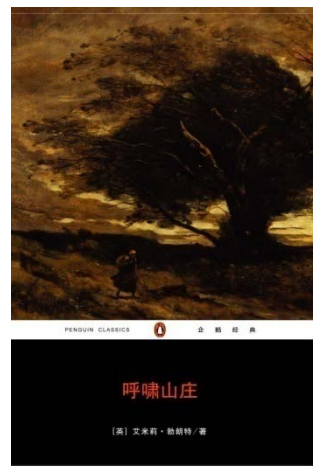
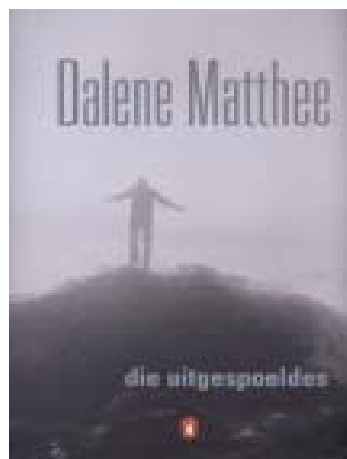
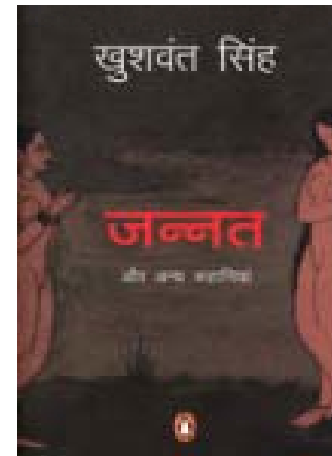
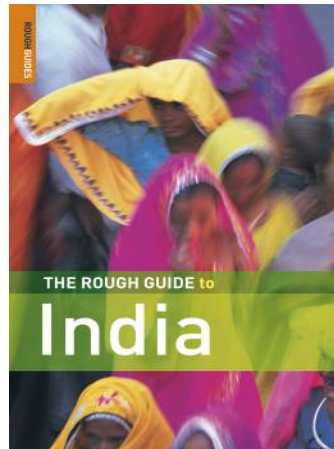
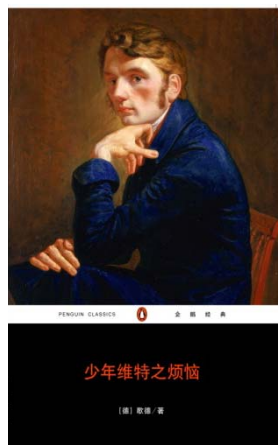
Further efficiency gains

PUBLISHER OF THE YEAR 2007



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FT Group

£m	H1 2007	H1 2006	<i>Underlying growth</i>	<i>Headline growth</i>
Sales	332	300	8%	11%
Operating profit	68	53	28%	28%

- FT Publishing advertising revenues up 7%
- FT Publishing margins in double digits
- IDC growth accelerating



Continuing businesses



Changing the FT Group

LesEchos
Le Quotidien de l'Economie



Brand/reach

National

Global

Primary medium

Print

Digital

Business model

Advertising - based

Subscription - based

04-06 sales CAGR

2%

76%

H107 profit

<£1m

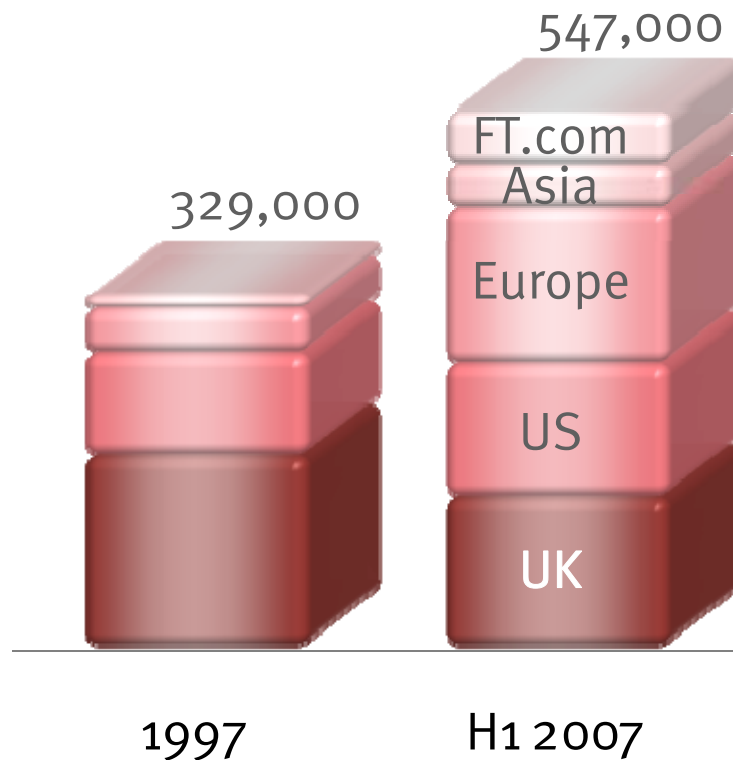
£4m

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The Pearson logo, consisting of the word "PEARSON" in a serif font with a blue arc underneath.

Changing the Financial Times

Since 1997:



In 2007:

Circulation +1%;

Subscribers +12%

Ad revenues +5%

Online subs +12%

**Global cover price,
ratecard increases**



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Market leadership

Sustainable growth

Change



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2007 interim results



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Appendices



Another strong year in school publishing

2007 estimated share of new adoptions

Subject	Total opportunity	Market share (where we compete)	Position
Science	\$225m	33%	#1
Social Studies	\$150m	31%	#2
Reading/literature	\$115m	41%	#1
Maths	\$195m	24%	#2
Other	\$70m	30%	#2
Total competed for	\$755m	31%	#1
Total – all adoptions	\$795m	30%	#1

Pearson estimates

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2007 acquisitions



2006 sales	\$524m	\$52m
Purchase price	\$950m	\$477m
Announced	4 May 2007	14 May 2007
Timetable	Australia, NZ closed H107 UK closed H107 (held separate pending regulatory approval) US testing, South Africa estimated close Q407 subject to regulatory approval	Closing Q3 2007

Broadly earnings neutral in 2007 and 2008
Earnings and ROIC enhancing from 2009



Reconciliation: statutory to adjusted earnings

H1 2007

£m	Statutory	Discontinued	Other gains/ (losses)	Amortisation of acquired intangibles	Other net finance costs	Adjusted earnings
Sales	1,722	-	-	-	-	1,722
Gross profit	896	26	-	-	-	922
Operating expenses	(832)	(24)	-	16	-	(840)
Other net gains/losses	-	(24)	24	-	-	-
JVs and associates	11	-	-	-	-	11
Operating profit	75	(22)	24	16	-	93
Net finance costs	(35)	-	-	-	(4)	(39)
Profit before tax	40	(22)	24	16	(4)	54
Income tax	(11)	(100)	99	(5)	1	(16)
Profit after tax	29	(122)	123	11	(3)	38
Discontinued operations	(122)	122	-	-	-	-
Profit for the period	(93)	-	123	11	(3)	38
Minority Interest	(11)	-	-	(2)	-	(13)
Earnings	(104)	-	123	9	(3)	25

Reconciliation: statutory to adjusted earnings

H1 2006

£m	Statutory	Discontinued	Other gains/ (losses)	Amortisation of acquired intangibles	Other net finance costs	Adjusted earnings
Sales	1,674	-	-	-	-	1,674
Gross profit	863	52	-	-	-	915
Operating expenses	(819)	(41)	-	9	-	(851)
Other net gains/losses	-	-	-	-	-	-
JVs and associates	10	-	-	-	(1)	9
Operating profit	54	11	-	9	(1)	73
Net finance costs	(40)	-	-	-	(2)	(42)
Profit before tax	14	11	-	9	(3)	31
Income tax	(4)	(4)	-	(3)	1	(10)
Profit after tax	10	7	-	6	(2)	21
Discontinued operations	7	(7)	-	-	-	-
Profit for the period	17	-	-	6	(2)	21
Minority Interest	(10)	-	-	(2)	-	(12)
Earnings	7	-	-	4	(2)	9

Reconciliation: half year net debt

£m	2007	2006
Non current assets		
Derivative financial instruments	16	39
Current assets		
Derivative financial instruments	19	31
Marketable securities	28	-
Cash and cash equivalents	383	649
Non current liabilities		
Borrowings	(1,471)	(1,703)
Derivative financial instruments	(28)	(37)
Current liabilities		
Borrowings	(392)	(590)
Net debt – continuing operations	(1,445)	(1,611)
Net cash classified as held for sale	13	-
Total net debt	(1,432)	(1,611)

Reconciliation: pre-publication costs

£m	H1 2007	H1 2006
Opening balance	402	426
Exchange	(7)	(25)
New spend capitalised	103	112
Acquisitions (net)	13	8
Amortisation	(74)	(79)
Closing balance	437	442
Total education sales	1,023	987
Amortisation as a % of sales	7.2%	8.0%

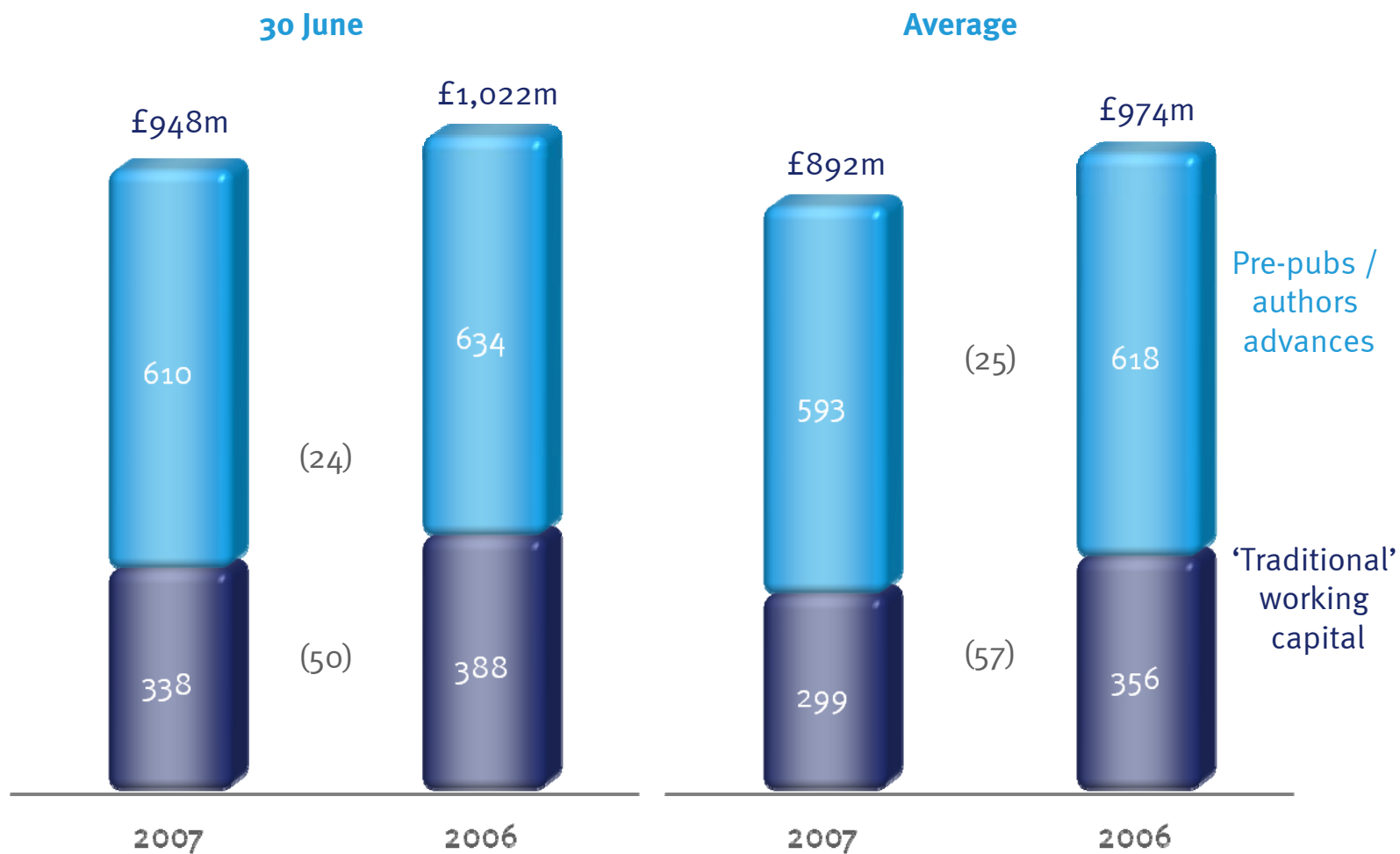
Retirement benefit obligations

£m	H1 2007	H1 2006
Income statement		
Operating charge		
Defined benefit schemes	(14)	(14)
Defined contribution schemes	(18)	(18)
Post retirement medical benefit schemes	-	2
	(32)	(30)
Interest	5	2
Total	(27)	(28)
Balance sheet		
UK pension scheme asset/(liability)	40	(179)
Other pension scheme liabilities	(24)	(26)
Post retirement medical benefit liability	(48)	(43)
Other pension accruals	(11)	(22)
Total	(43)	(270)

Total business basis

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Working capital



Total business basis