

PEARSON

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

Merrill Lynch TMT Conference
Robin Freestone
Chief Financial Officer

5 June 2007

Agenda

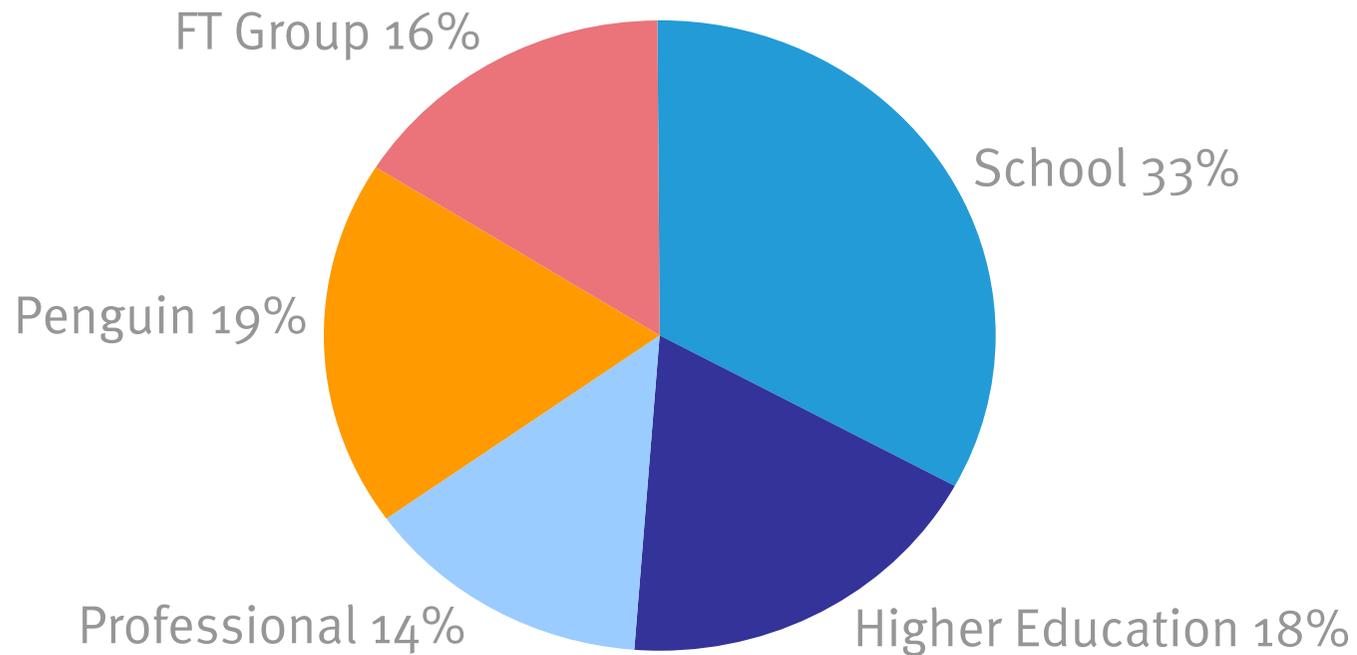
Pearson overview

Our business priorities

Sustaining our financial progress

Pearson today

Revenue by business



2006 revenues: £4.4bn

Note: includes Government Solutions

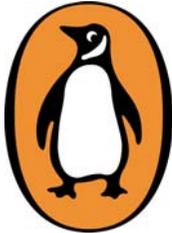
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Pearson today

Education



Penguin

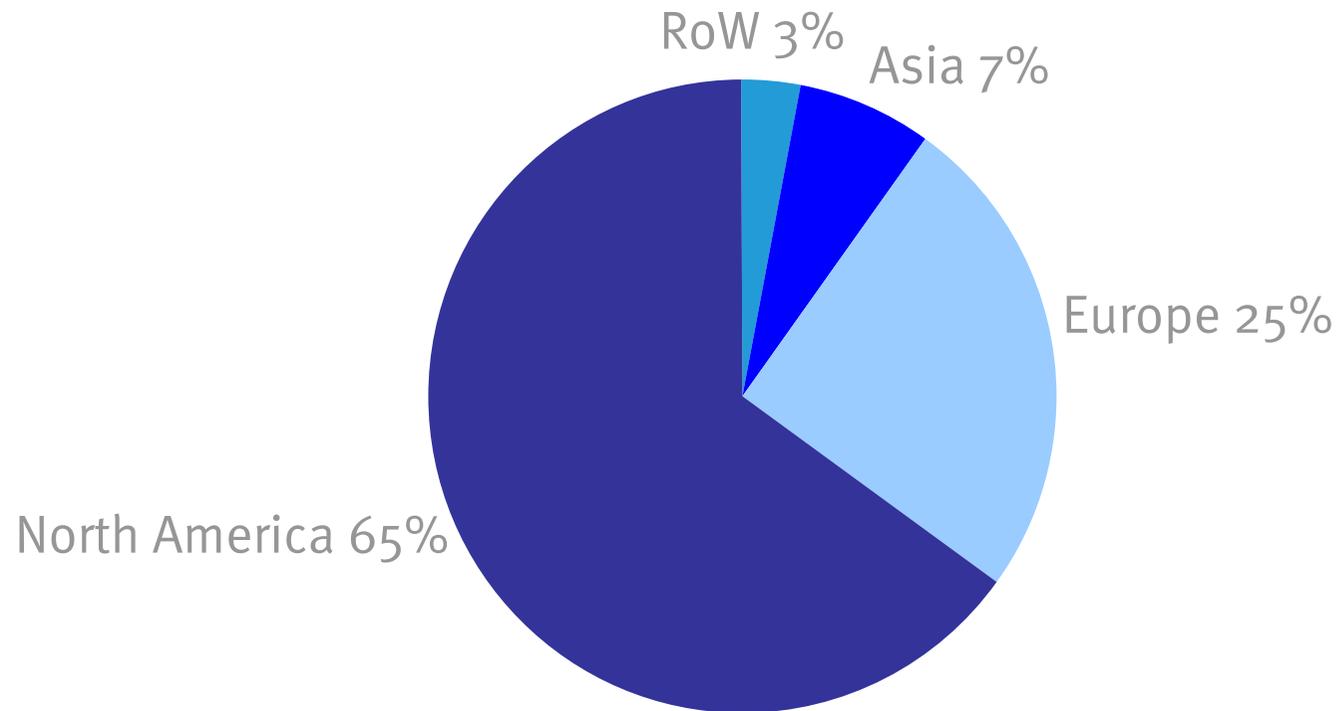


FT Group



Pearson today

Revenue by geography



Note: includes Government Solutions

Pearson today

£m	2006	2005	Headline growth	Underlying growth
Sales	4,423	4,096	8%	4%
Operating profit	592	506	17%	15%
Margin	13.4%	12.4%	1.0 ppts	
Adjusted eps	40.2p	34.1p	18%	
Free cash flow	433	431	-	
ROIC	8.0%	6.7%	1.3 ppts	
Dividend	29.3p	27.0p	8.5%	

Our business priorities

Content +

Technology and services

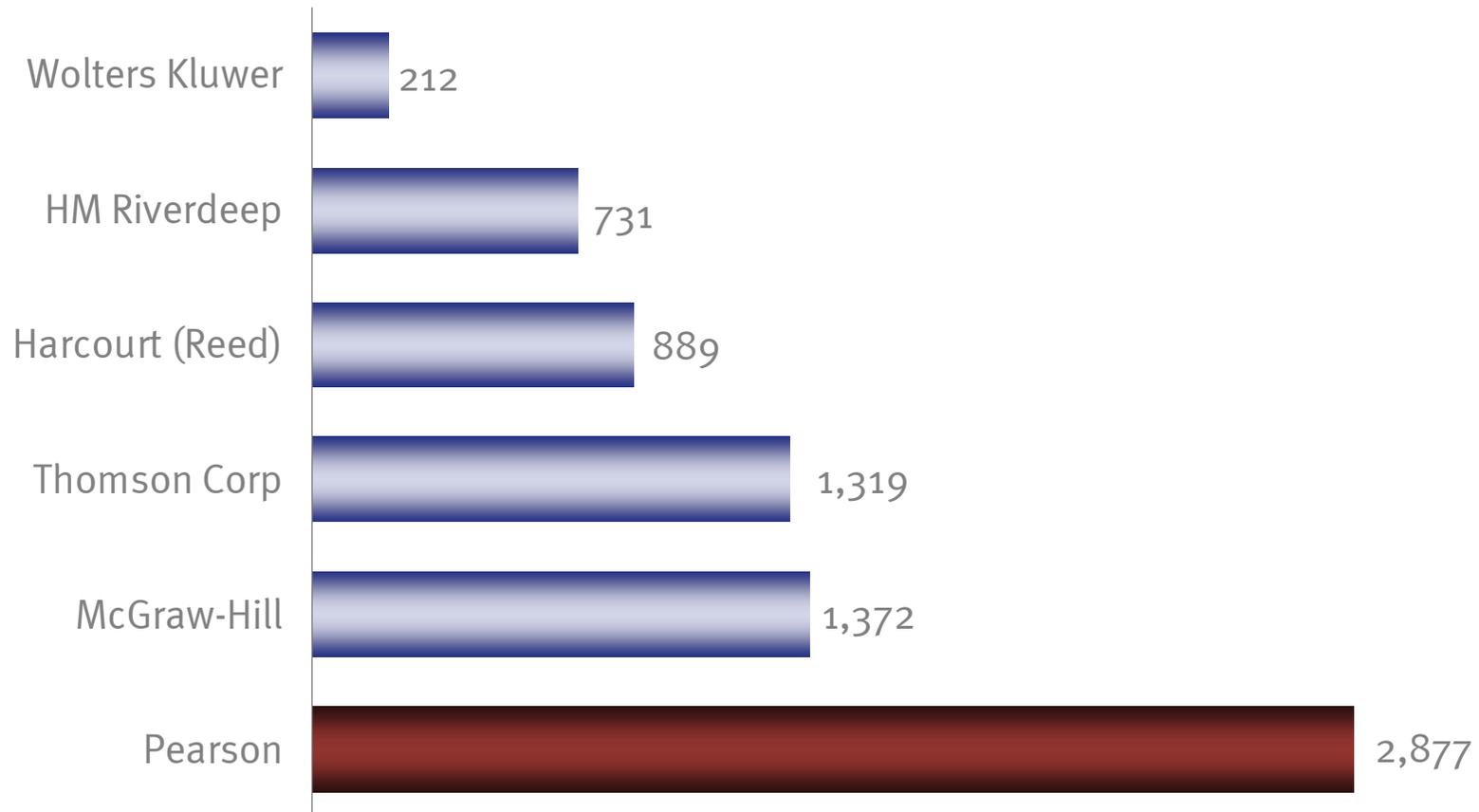
International expansion

Efficiency

Our business priorities - Education

Market leader in education

2006 education sales, £m



Our business priorities - Education

Unique breadth

Market share	Pearson	McGraw-Hill	Harcourt	Thomson Learning	HM Riverdeep
School Basal & Supplemental	●	●	●		●
School Assessment	●	●	●		●
Curriculum Software	●				●
School Enterprise Software	●				
Higher Education	●	●		●	●
International Education*	●	●	●	●	●
Professional testing	●			●	

Source: Pearson
* Non-US



Market leader



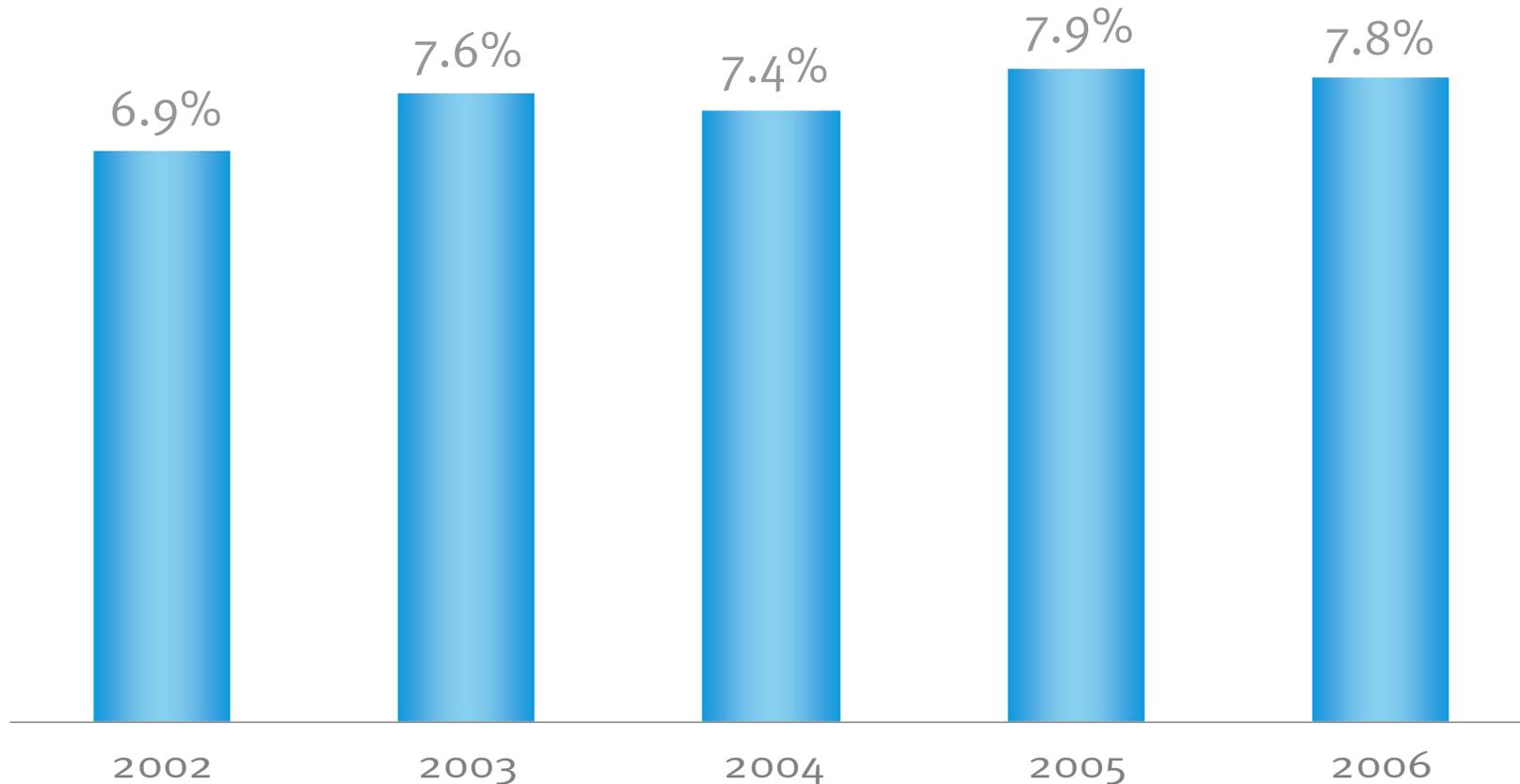
Market participant



Our business priorities - Education

Sustained investment in content

Education pre-publication expenditure as % of sales



Our business priorities - Education

Our investments have allowed us to grow market share...

	Pearson position (total K-12 market)	
	2006	1999
Social studies	#1	#3
Reading / literature	#2	#3
Math	#1	#1
Science	#1/#2	#2/#3

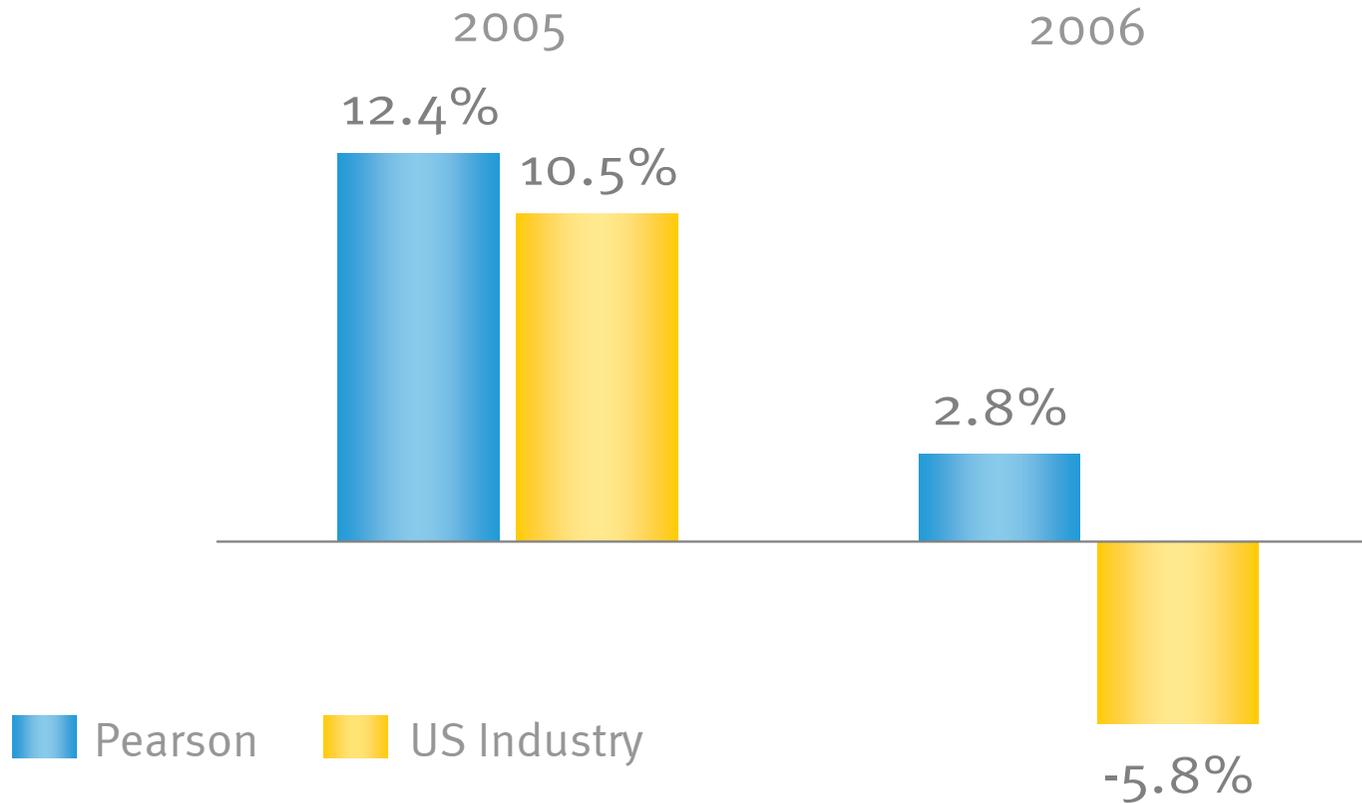
Source: Pearson



Our business priorities - Education

...and grow faster than our peers in school...

US basal & supplemental growth, %



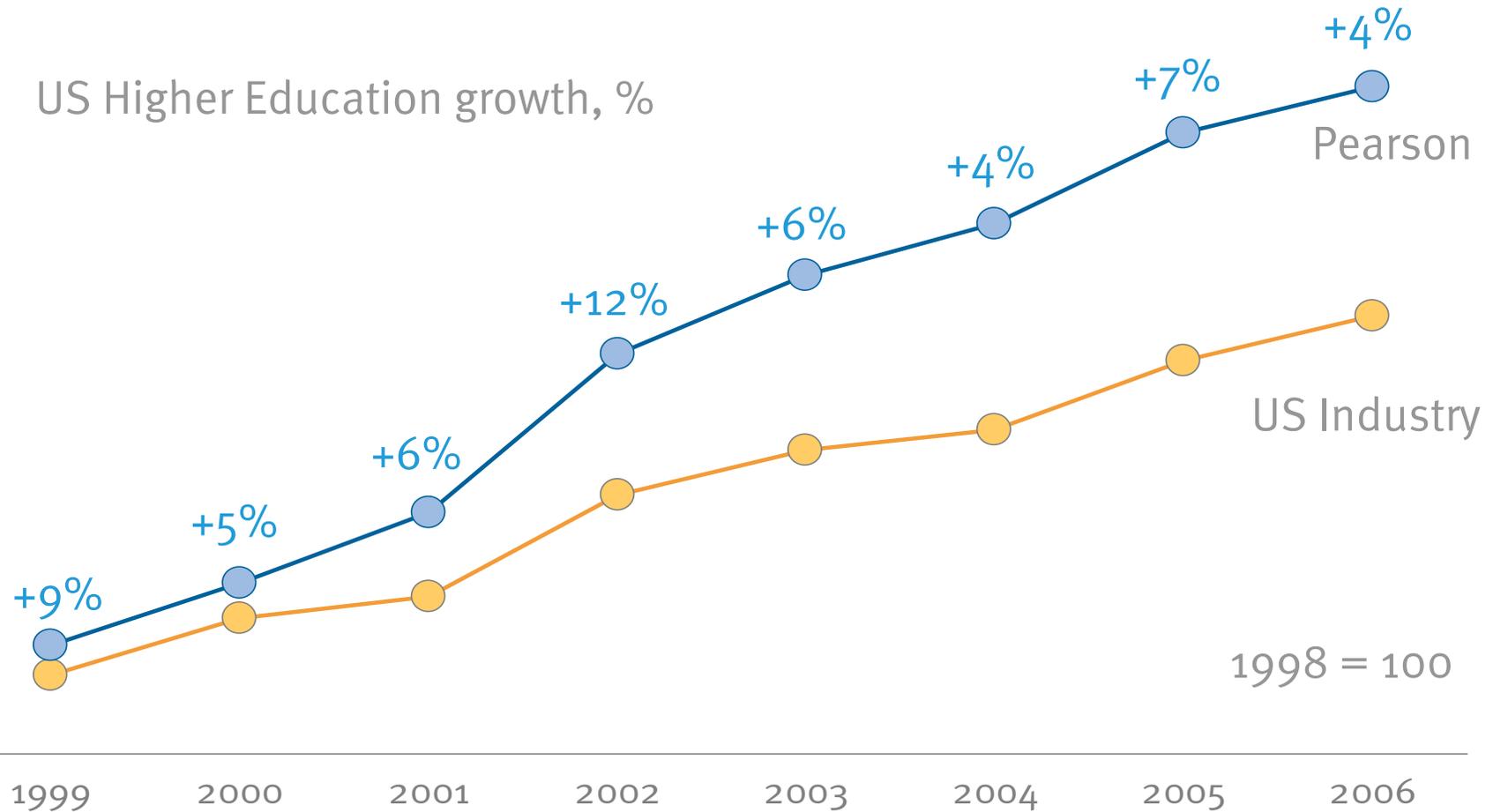
Sources: Pearson, AAP



Our business priorities - Education

...and college

US Higher Education growth, %



Sources: Pearson, AAP



Our business priorities - Education

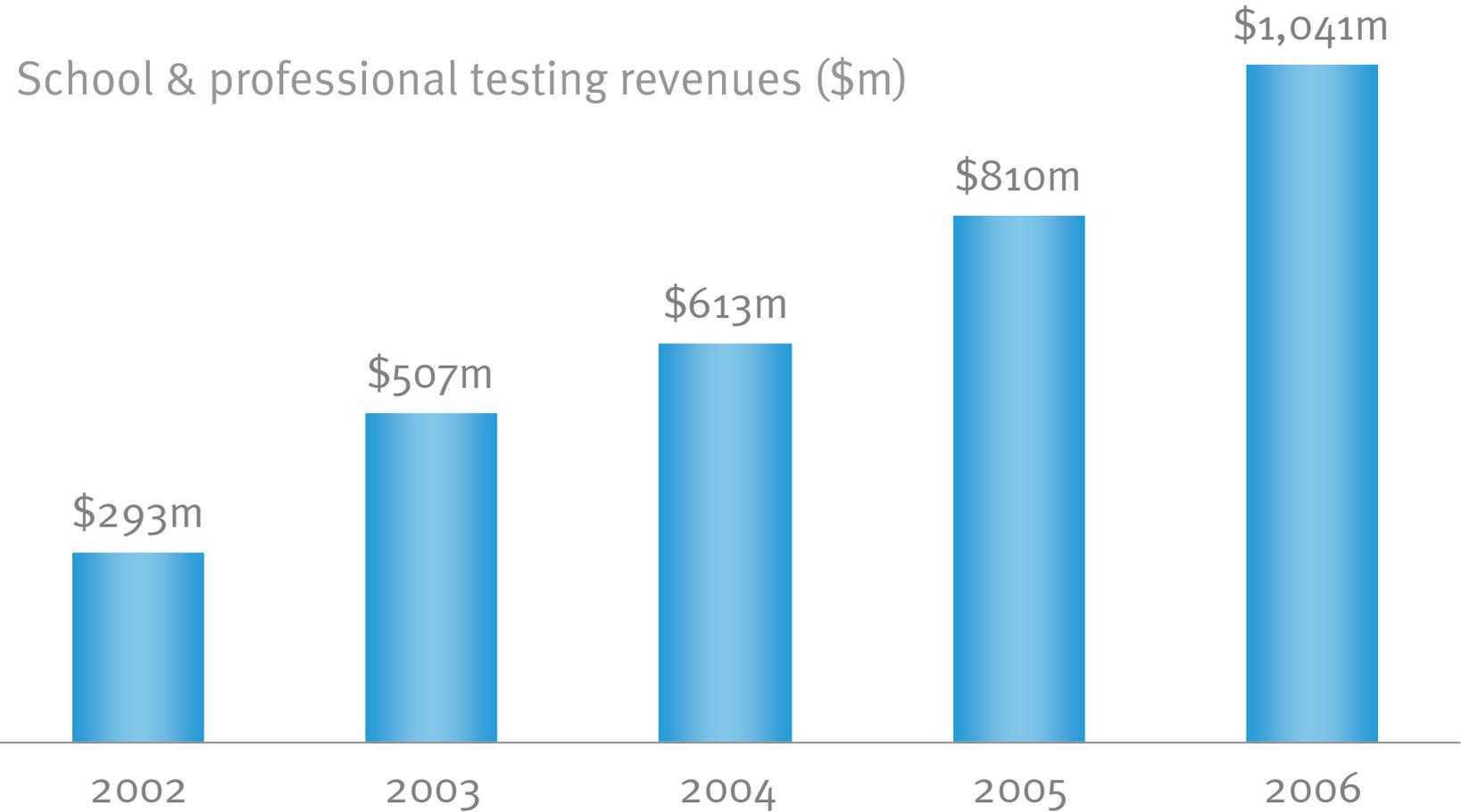
Content + technology + services

CA Social Studies	1.5m students
On-screen marking	100m test questions
Online testing	1.4m examinations
Student information	25m students
Instructional software	20m students
College instruction	4.5m students
Online certification	4m professionals

Approx \$1.1bn/23% of education sales

Our business priorities - Education

Content + technology + services



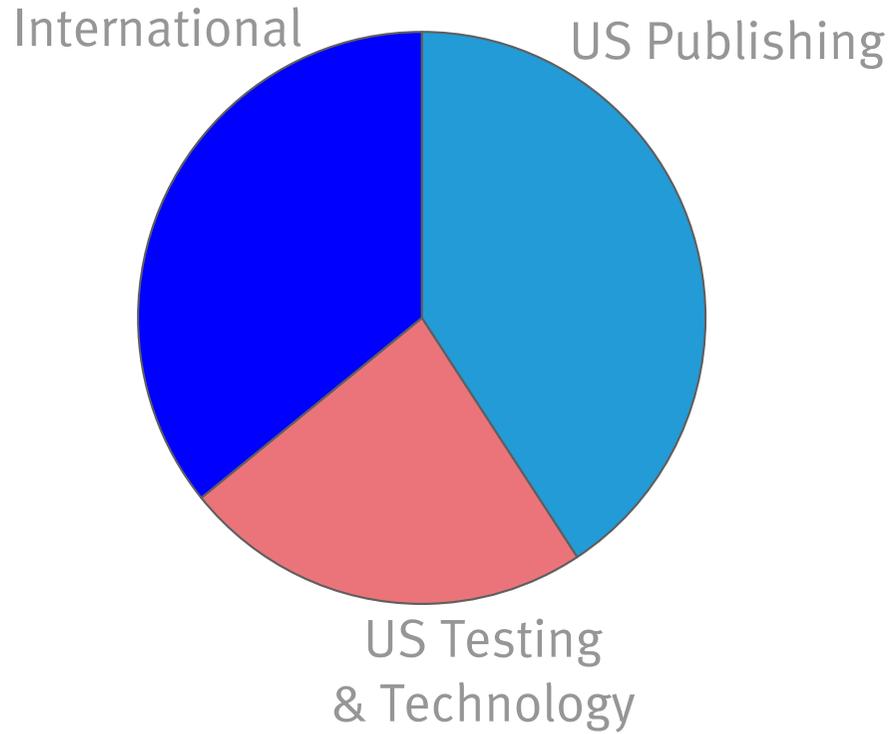
Source: Pearson



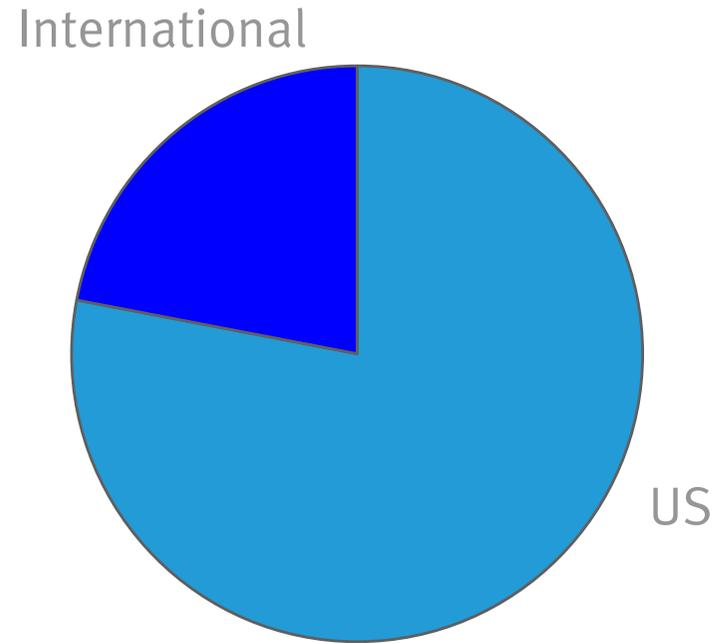
Our business priorities - Education

International

School



Higher Education

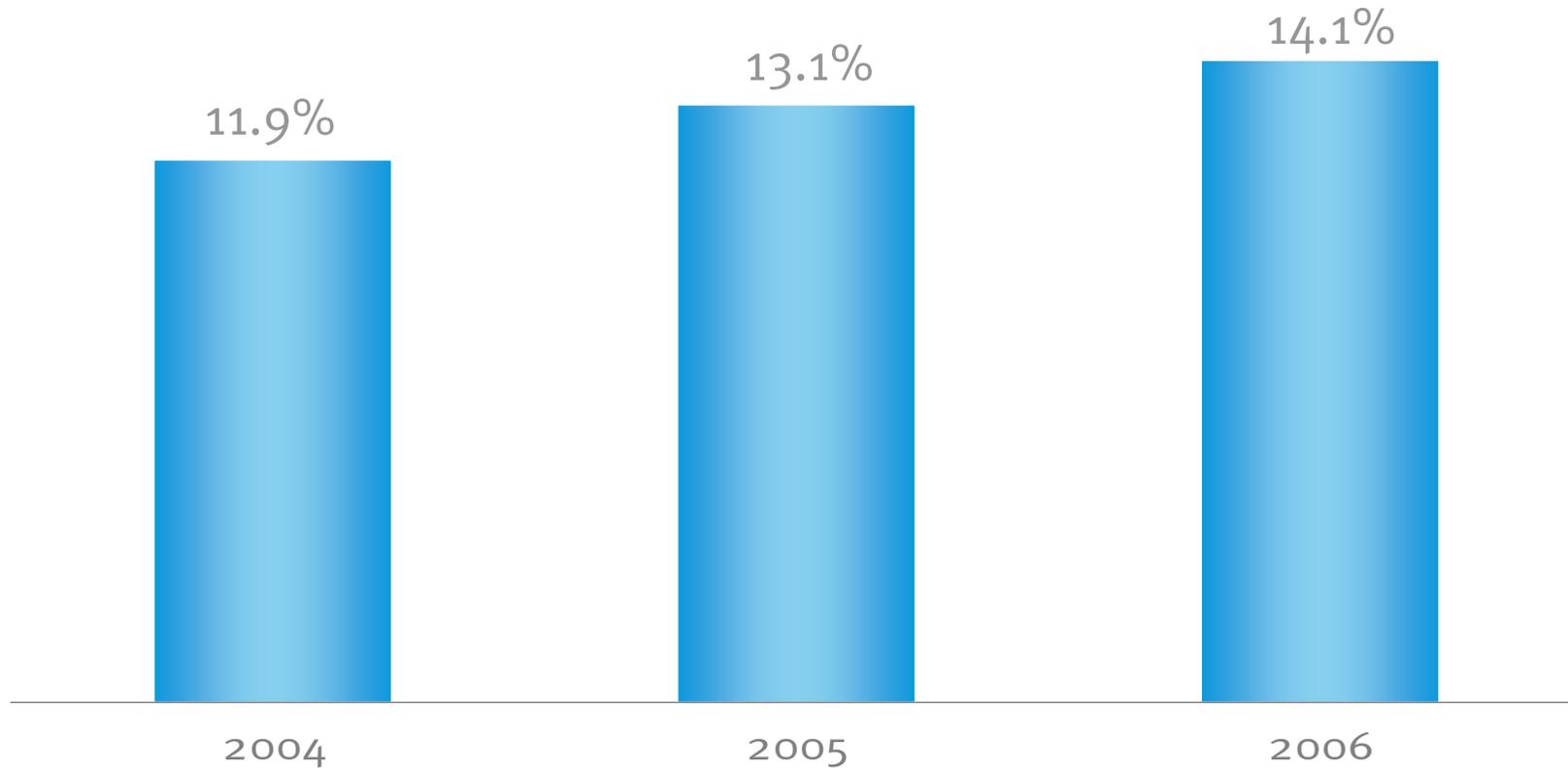


Note: 2005 data

Our business priorities - Education

Efficiency

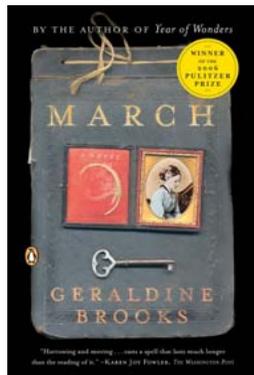
Education operating margins



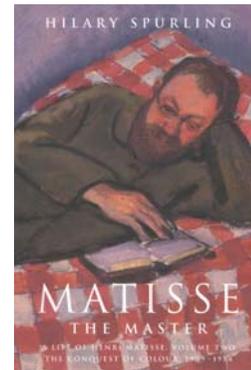
Our business priorities - Penguin

Strong content

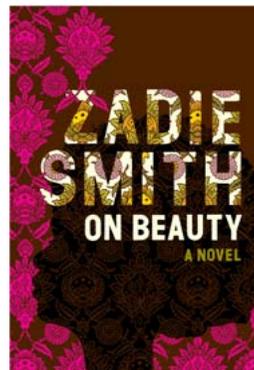
PUBLISHER OF THE YEAR 2007



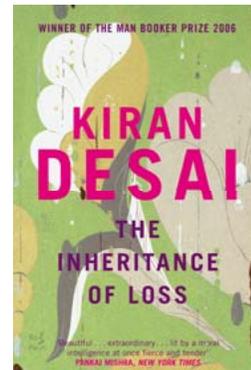
Pulitzer Prize for fiction
March
Geraldine Brooks



Whitbread Book of the Year
Matisse the Master
Hilary Spurling



Orange Prize for Fiction
On Beauty
Zadie Smith



Man Booker Prize
The Inheritance of Loss
Kiran Desai

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Our business priorities - Penguin

Focus on margins and cash

Author advances

Premium paperback

Cost base/out-sourcing

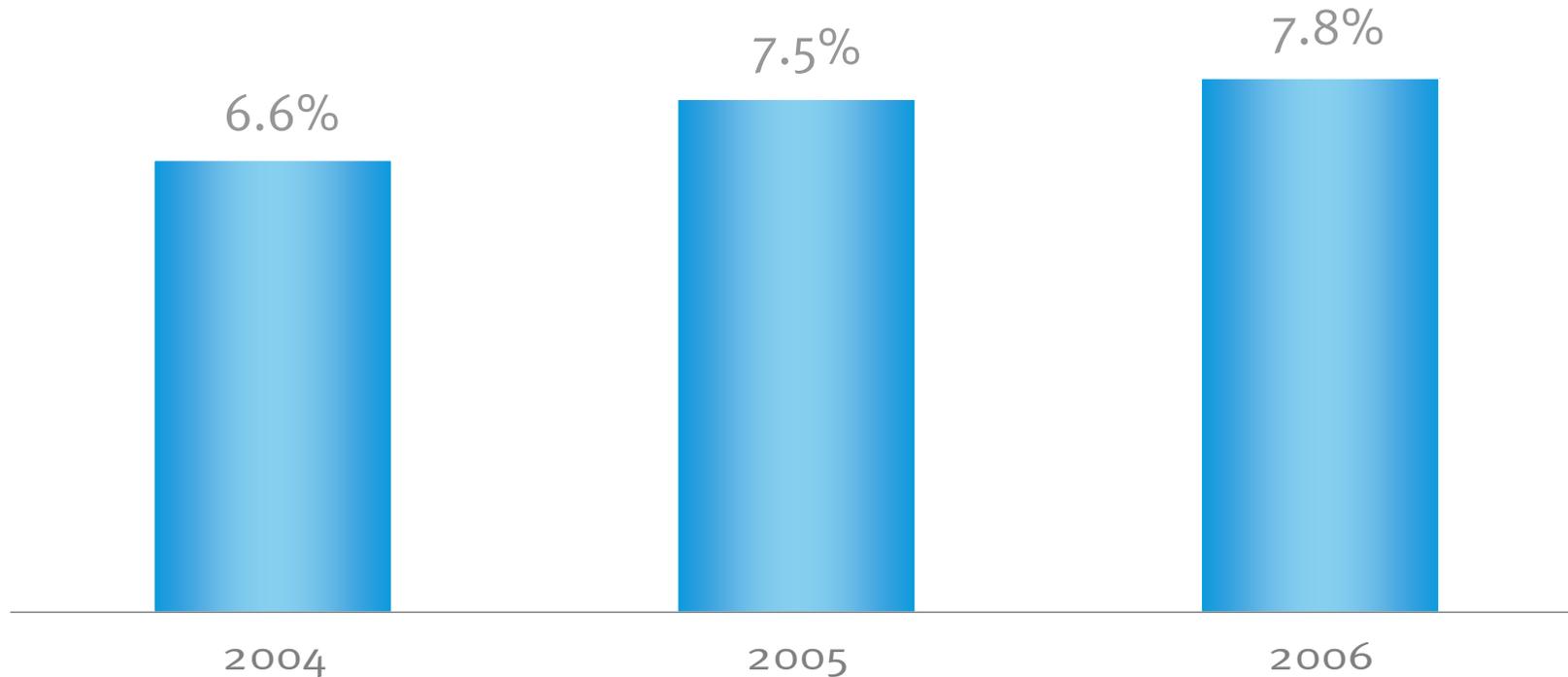
Supply chain management

Working capital

Our business priorities - Penguin

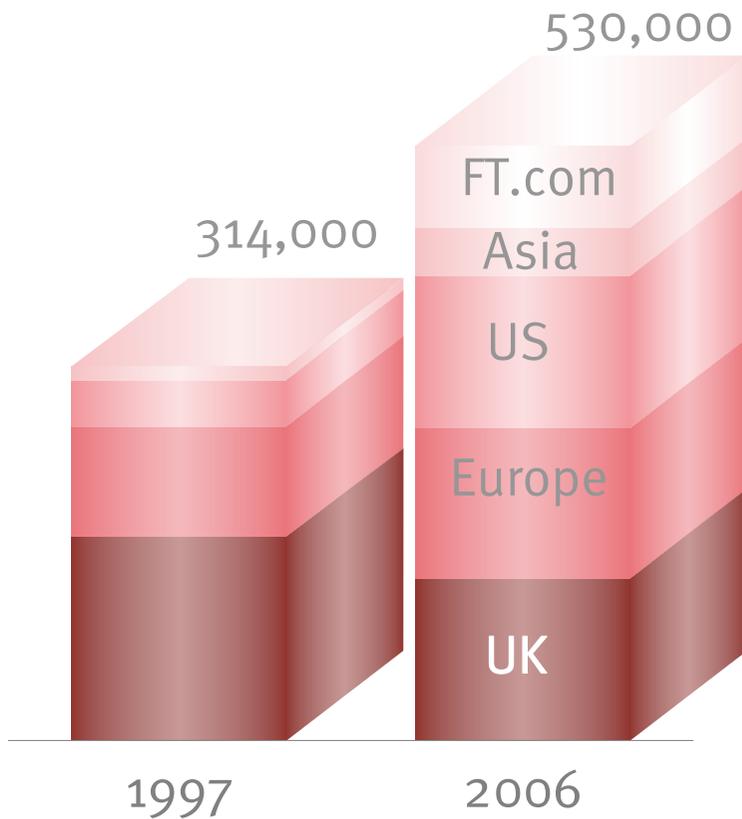
Efficiency

Penguin operating margins



Our business priorities – FT Group

International



Europe's #1 business newspaper

Asia readership up 26%

US readership up 47%

Sources: ABC; EBRS; ABRS; Mendelsohn

Our business priorities – FT Group

Content + technology + services

BPI seen as perfect merger candidate for BPVN, analysis **mergermarket**



Banco Popolare di Verona e Novara [BPVN], the listed Italian cooperative bank, is seen as the perfect merger candidate for Banco Popolare Italiana [BPI].

This was according to a source familiar

Timberland in sales talks with PE firms, sources say **mergermarket**



The Timberland Co., the listed shoe and apparel manufacturer and retailer, is in sales talks, two sources said, while two dealmakers said they have heard the rumors.

A spokesperson at New Hampshire-b

Reader's Digest susceptible to takeover due to low stock price; does not consider consumer business non core, CFO says **mergermarket**



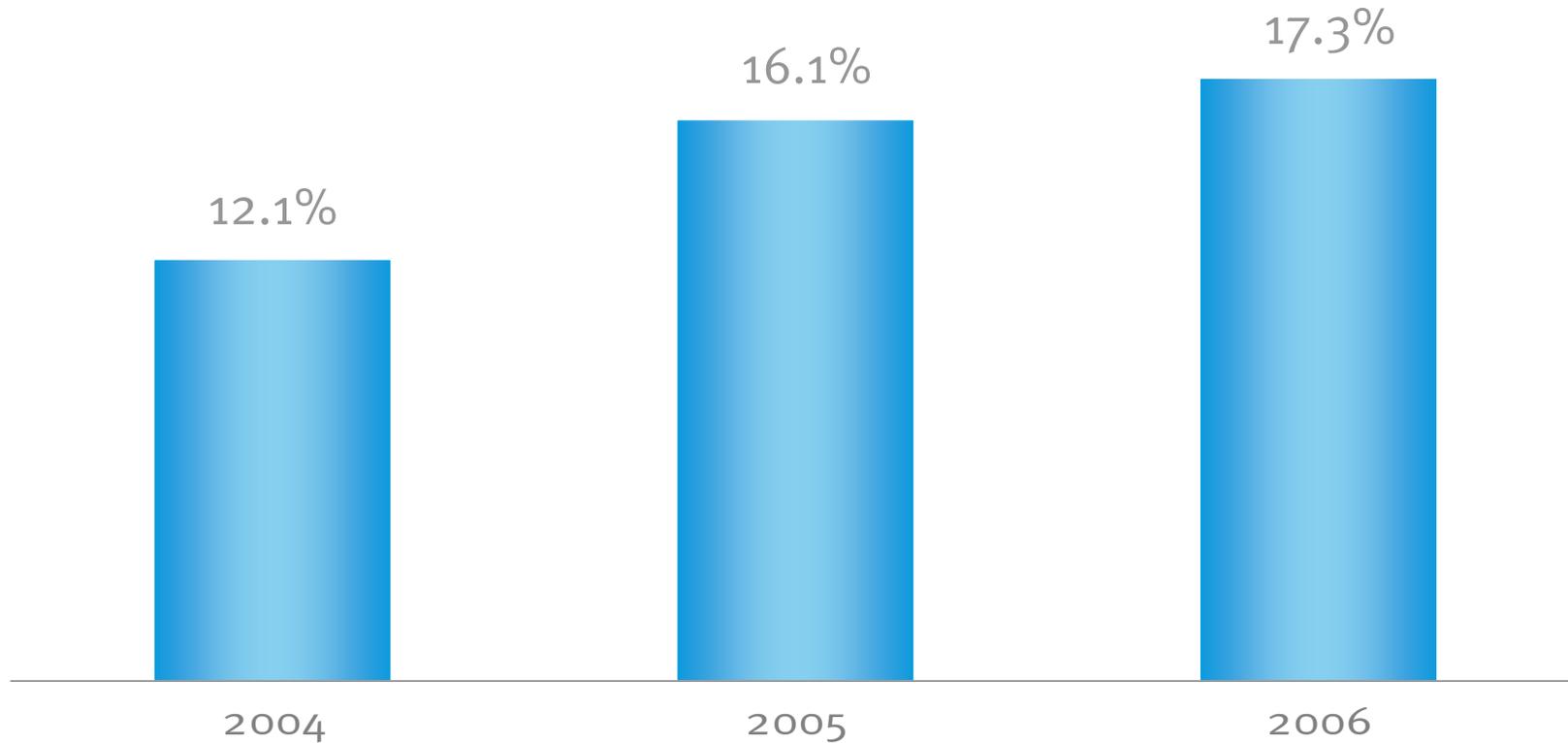
Reader's Digest, a listed magazine and direct marketing company based in New York, is

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Our business priorities – FT Group

Efficiency

FT Group operating margins



Our financial priorities

Earnings growth

Cash and working capital discipline

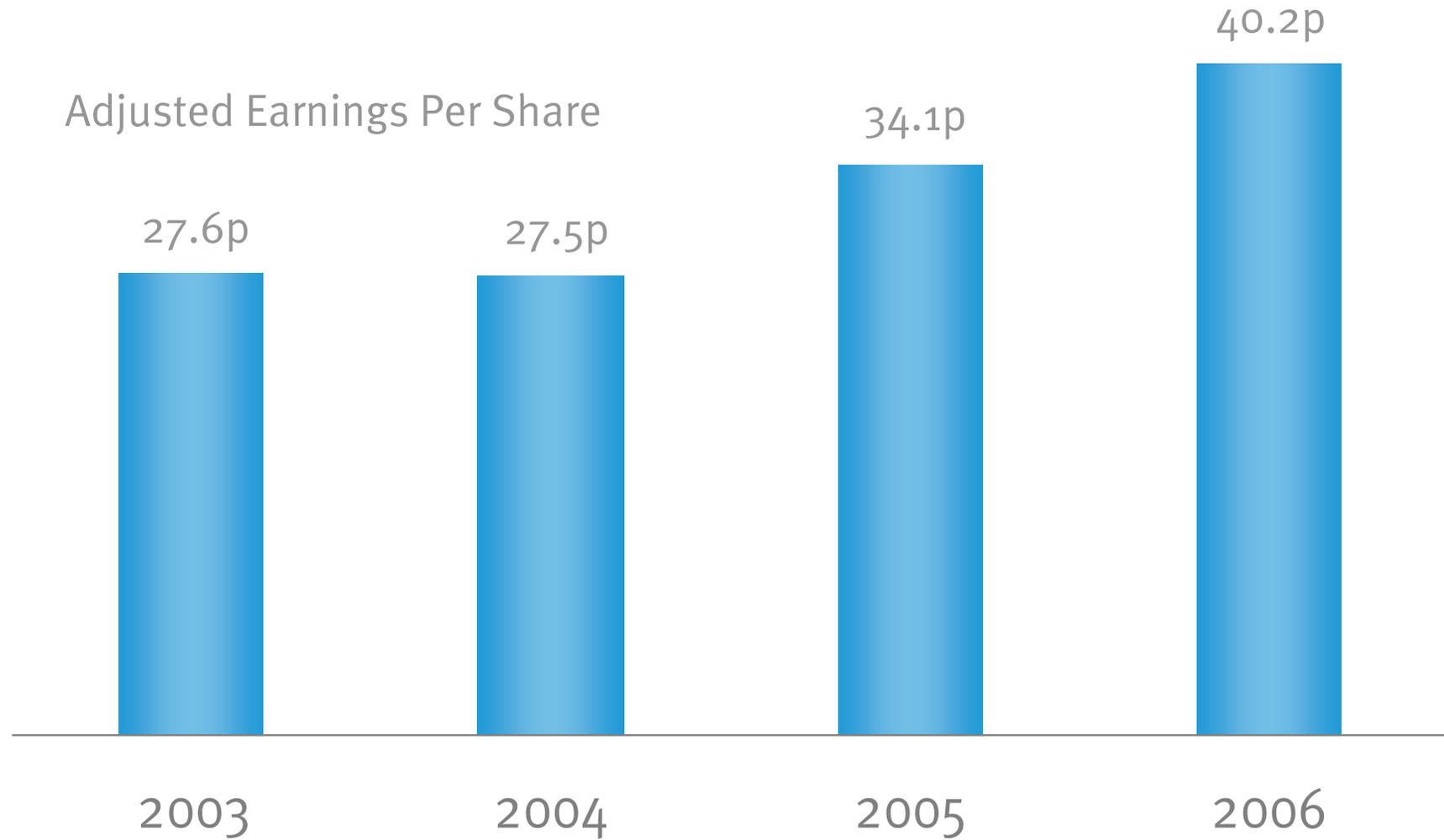
Significant ROIC improvement

Continued rigour in capital allocation

Sustaining our financial progress

Good progress on earnings...

Adjusted Earnings Per Share



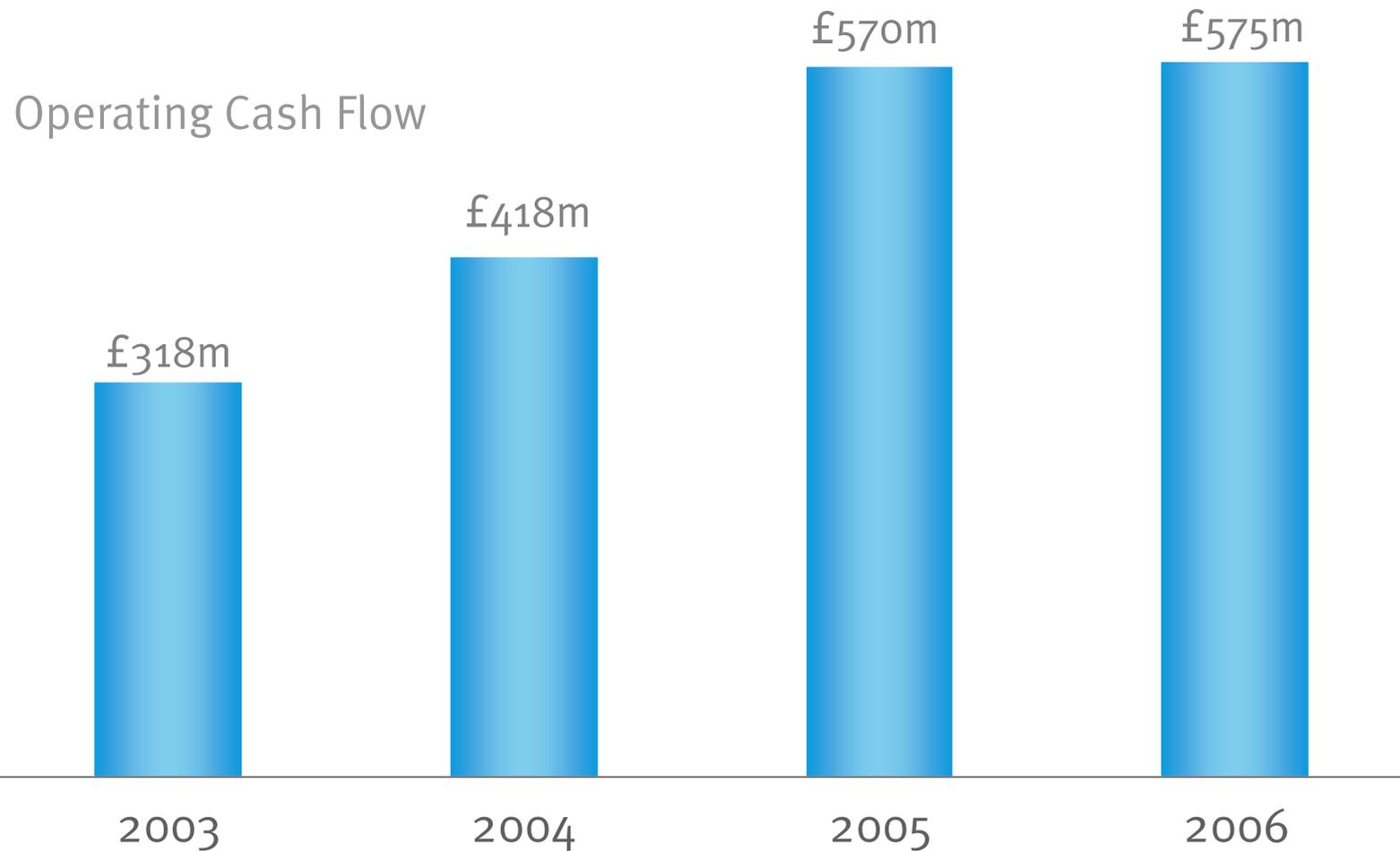
Sustaining our financial progress

...underpinned by margin improvement in all divisions

£m	Margins		
	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%

Sustaining our financial progress

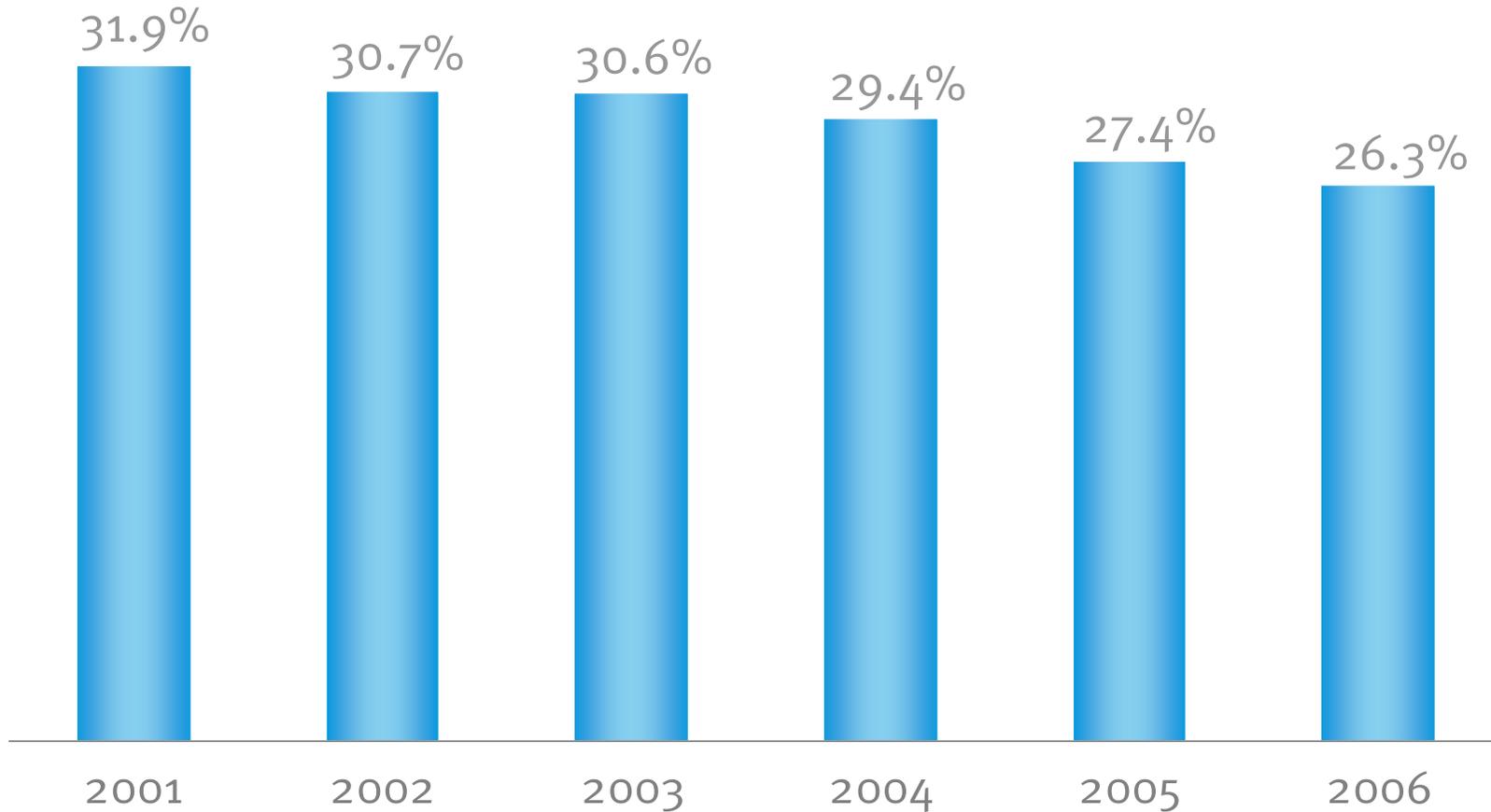
Consistent cash generation...



Sustaining our financial progress

...less capital tied up in working capital

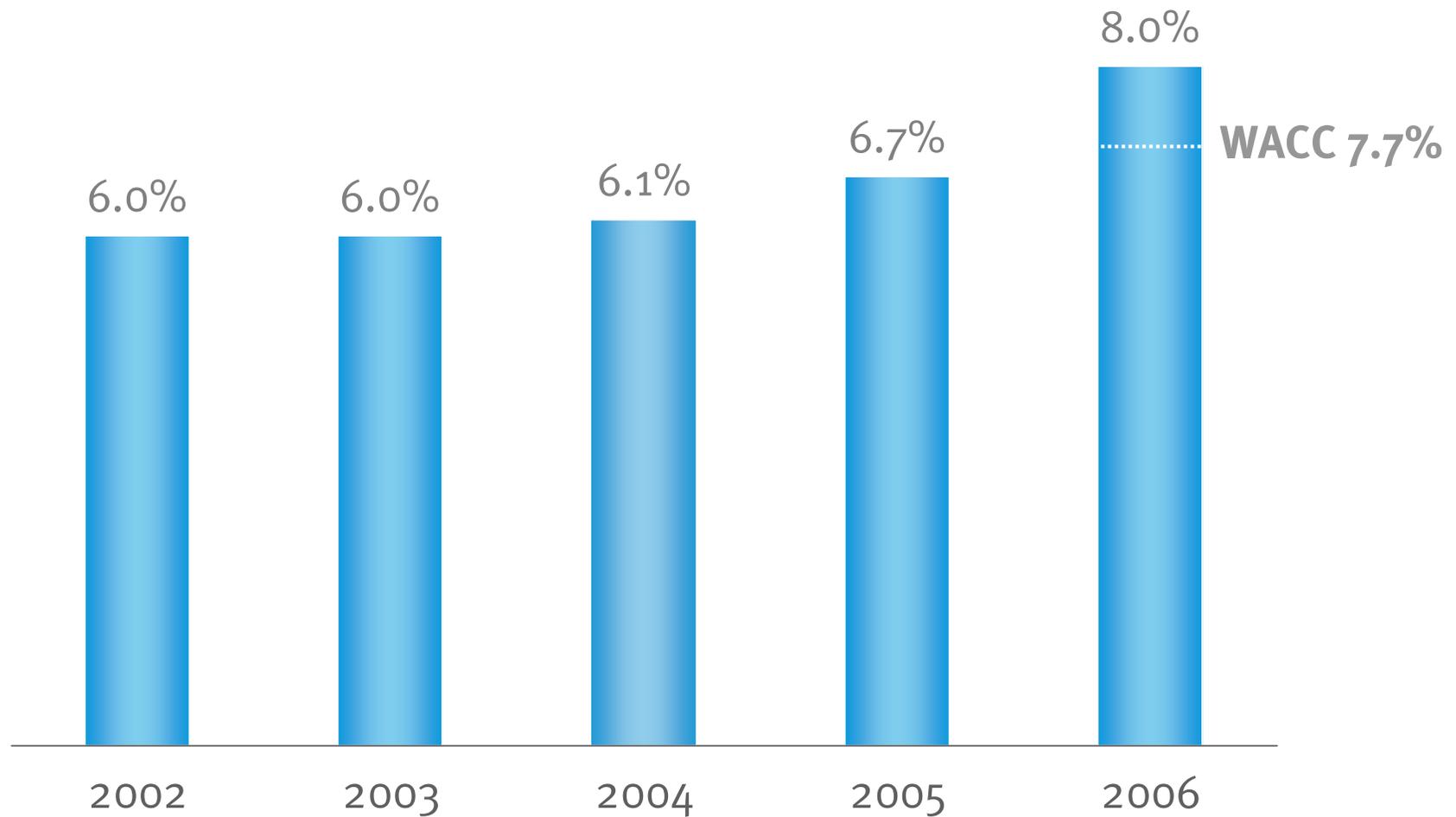
Average working capital/sales



Includes capitalised pre-publication costs and author advances

Sustaining our financial progress

ROIC improvement



Sustaining our financial progress

Continued rigour in capital allocation

Organic investment

Bolt-on acquisitions and disposals

Dividend growth

Sustaining our financial progress

Consistent evolutionary portfolio change

Year	Acquisitions	Disposals
2002	Abrams, DDC, SPS	RTL, Forum, PH Direct
2003	Edexcel, LessonLab, Comstock	El Mundo
2004	Altona Ed, BBC Children's, Causeway, Dominie Press, KAT, Futuresource	Capella Education, Business.com
2005	AGS, BBC Adult, Co-nect, Index Books, IS Teledata	Recoletos, Marketwatch
2006	Promissor, NES, PowerSchool, Chancery, PBM, Ellis, EET, Quote.com, Mergermarket	Government Solutions

\$1.4bn

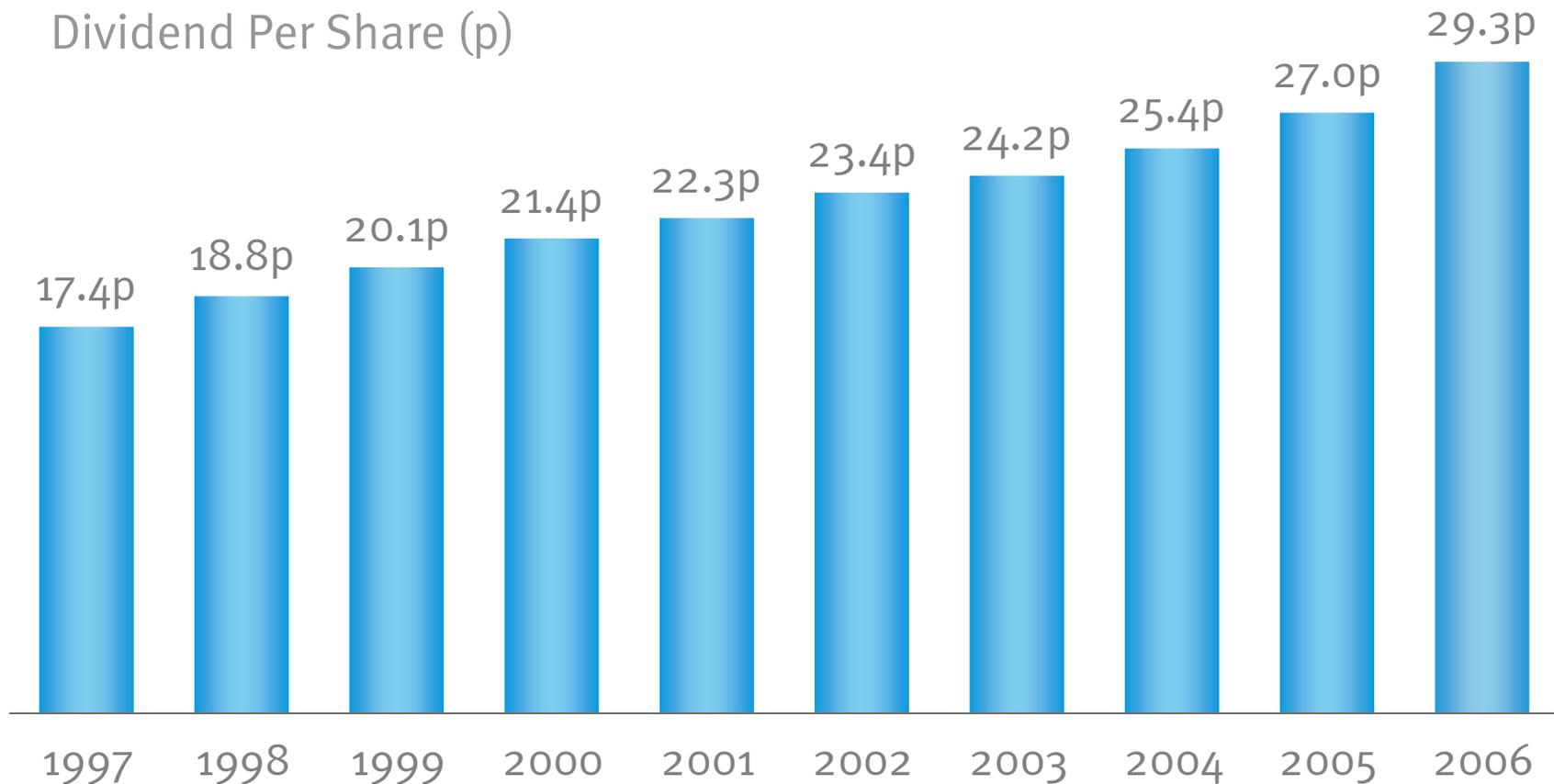
\$3.0bn

PEARSON

Sustaining our financial progress

Consistent returns of cash to shareholders

Dividend Per Share (p)



Source: Pearson



Summary

Strong businesses

Clear business priorities

Sustaining our financial progress

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Merrill Lynch TMT Conference