

PEARSON



Morgan Stanley Conference

**Robin Freestone
Chief Financial Officer**

19 November 2008

Forward-looking statements

Except for the historical information contained herein, the matters discussed in this presentation include forward-looking statements. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of interest or exchange rates, the availability of financing, anticipated costs savings and synergies and the execution of Pearson's strategy, are forward looking statements. By their nature, forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in future.

There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by these forward looking statements, including a number of factors outside Pearson's control. These include international, national and local conditions, as well as competition. They also include other risks detailed from time to time in the company's publicly-filed documents.

Any forward looking statements speak only as of the date they are made, and Pearson gives no undertaking to update forward-looking statements to reflect any changes in its expectations with regard thereto or any changes to events, conditions or circumstances on which any such statement is based.

Agenda

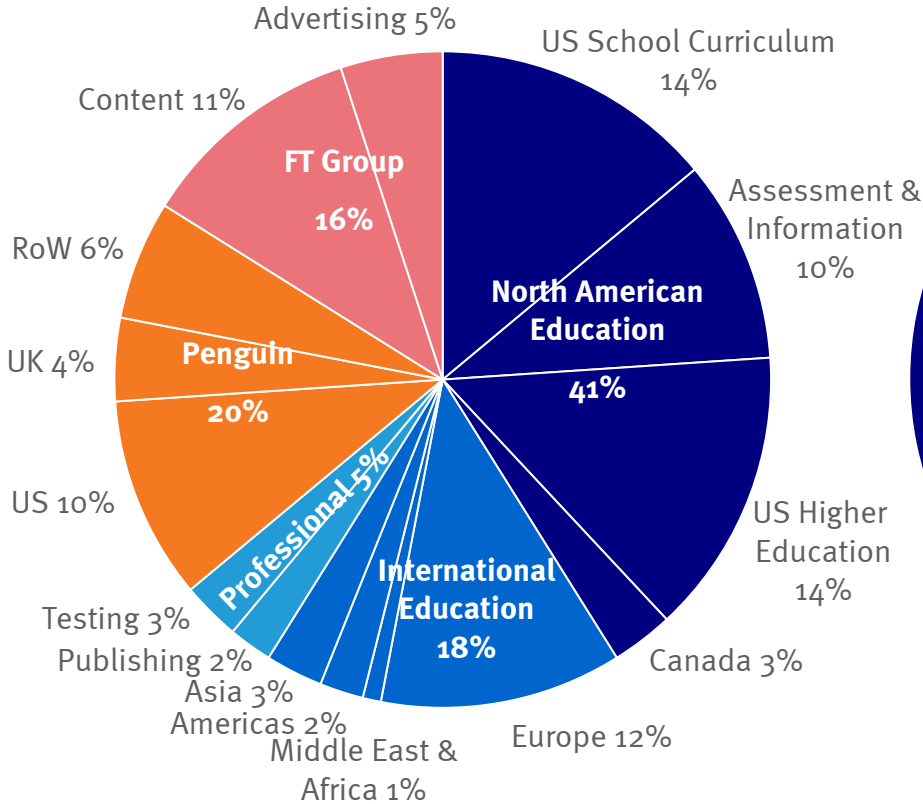
Strategy & performance

Resilience

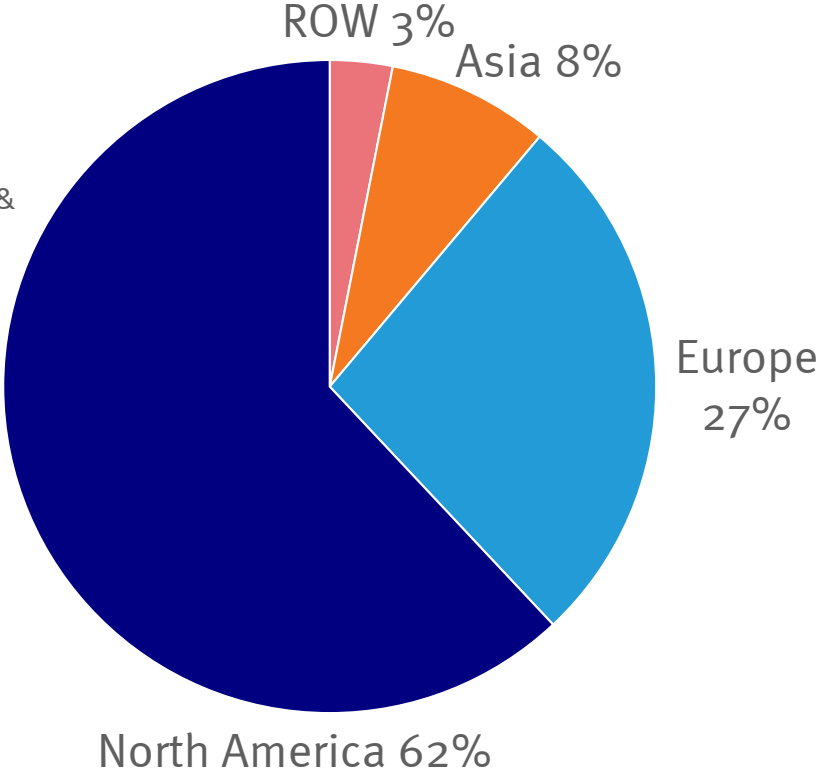
Growth

Diversified Revenue Mix

Revenue by Business



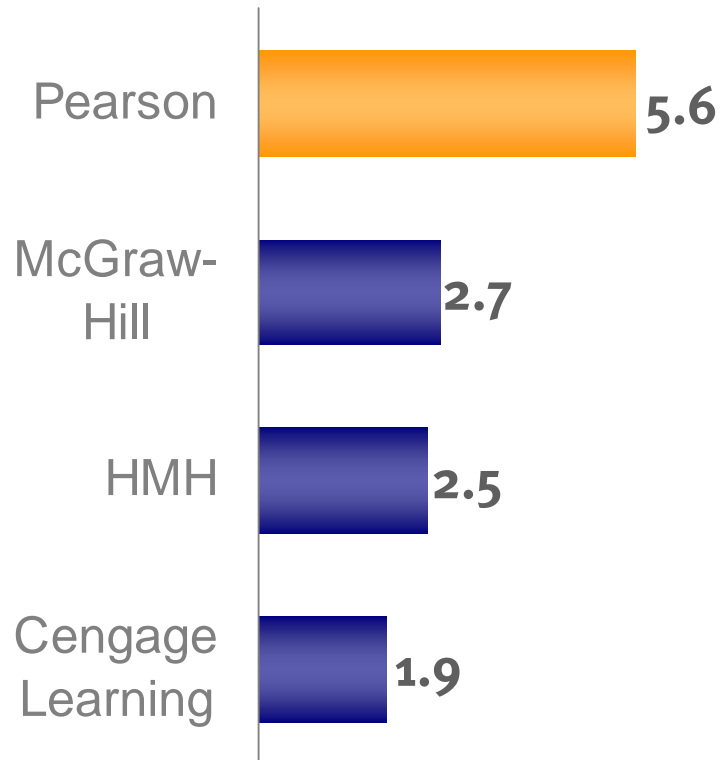
Revenue by Geography



The largest education publishing & services company

#1 in Global education publishing & services

Largest education publisher in the world
(US\$ revenue in billions, 2007)



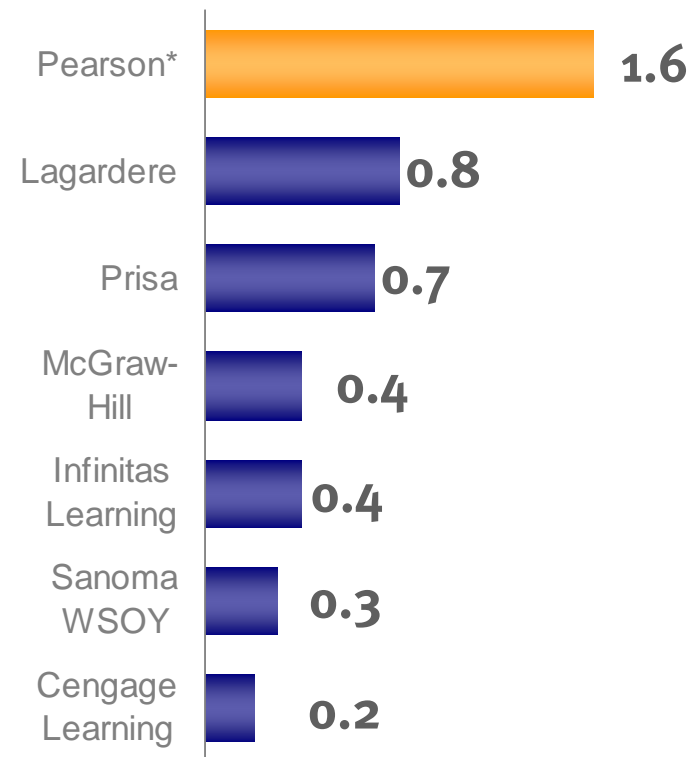
(1) Pearson excludes Government Solutions & Scanners and includes Harcourt Assessment & International and eCollege.

(2) Houghton Mifflin Harcourt (HMH) including HM Riverdeep and Harcourt US Basal & Supplemental.

(3) Cengage Learning includes Houghton Mifflin Higher Education

#1 in Intl education publishing & services

Largest education publisher ex-US
(US\$ revenue in billions, 2007)



Source: Pearson, Company Accounts, Analyst estimates

* Pro forma to include Harcourt International

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Unique breadth of our education business

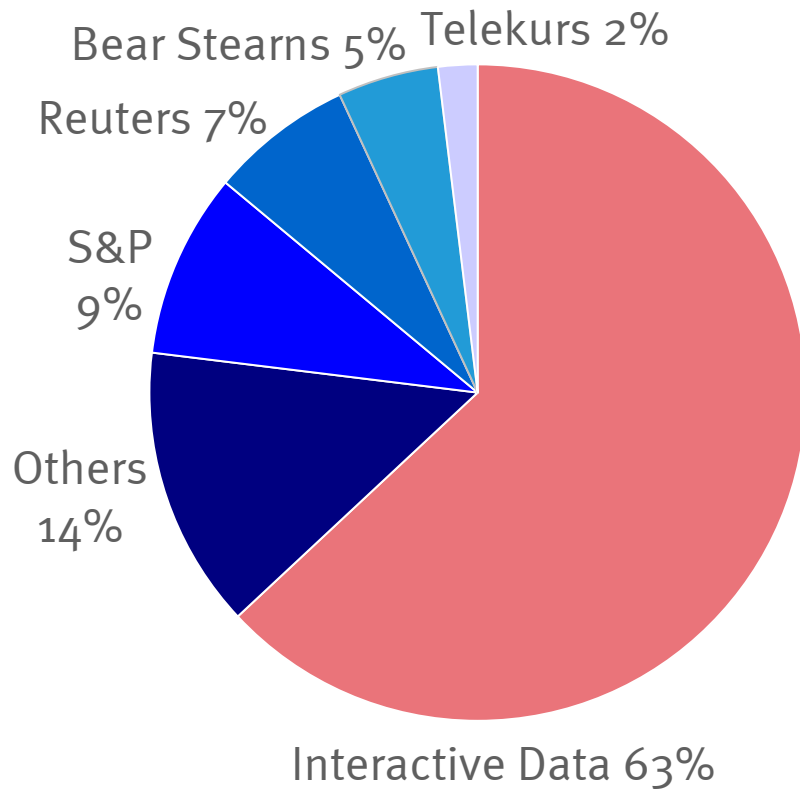
Market share	Pearson	McGraw-Hill	Cengage Learning	HMH
School Basal & Supplemental	●	●		●
School Assessment	●	●		●
Curriculum Software	●			●
School Enterprise Software	●			
Higher Education	●	●	●	
International Education*	●	●	●	●
Professional testing	●			

* Non-US ● Market leader ● Market participant



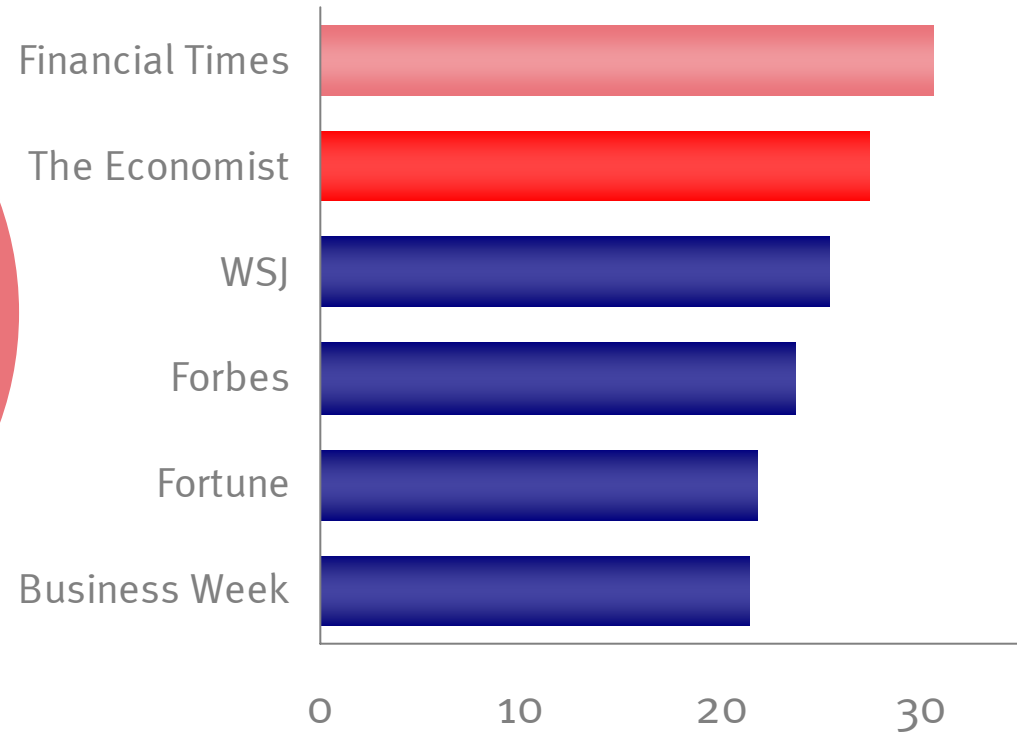
The FT Group

Global market for Evaluated Pricing Data by Vendor (2007)



Source: Interactive Data investor day presentation

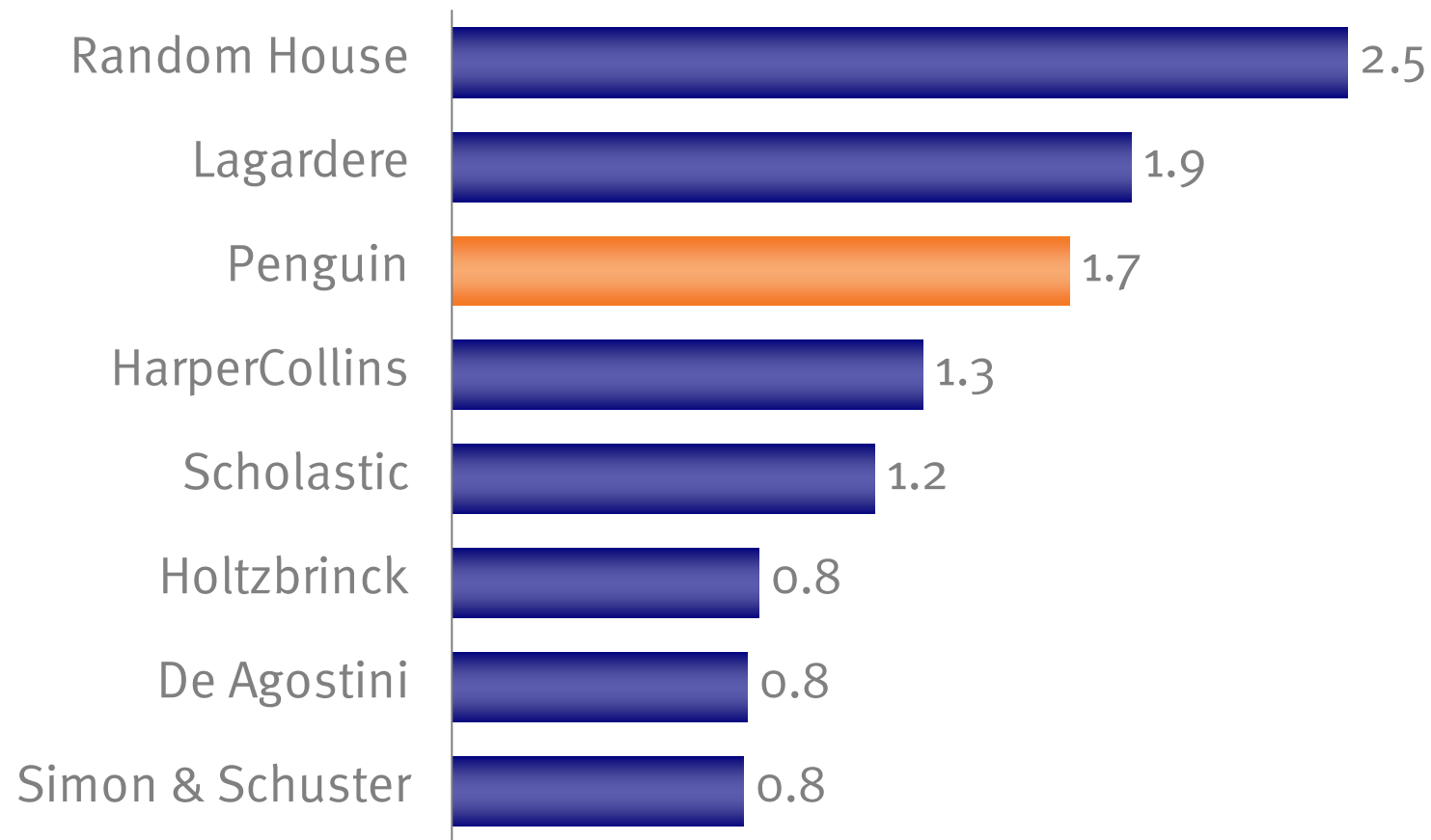
US % C-Suite readership



Source: Mendelsohn Survey

Penguin

Trade publishing revenues, 2006 (\$bn)



Source: Pearson, Company Accounts, Analyst estimates
\$ amounts converted at the average exchange rate for the year

Business priorities

Content +

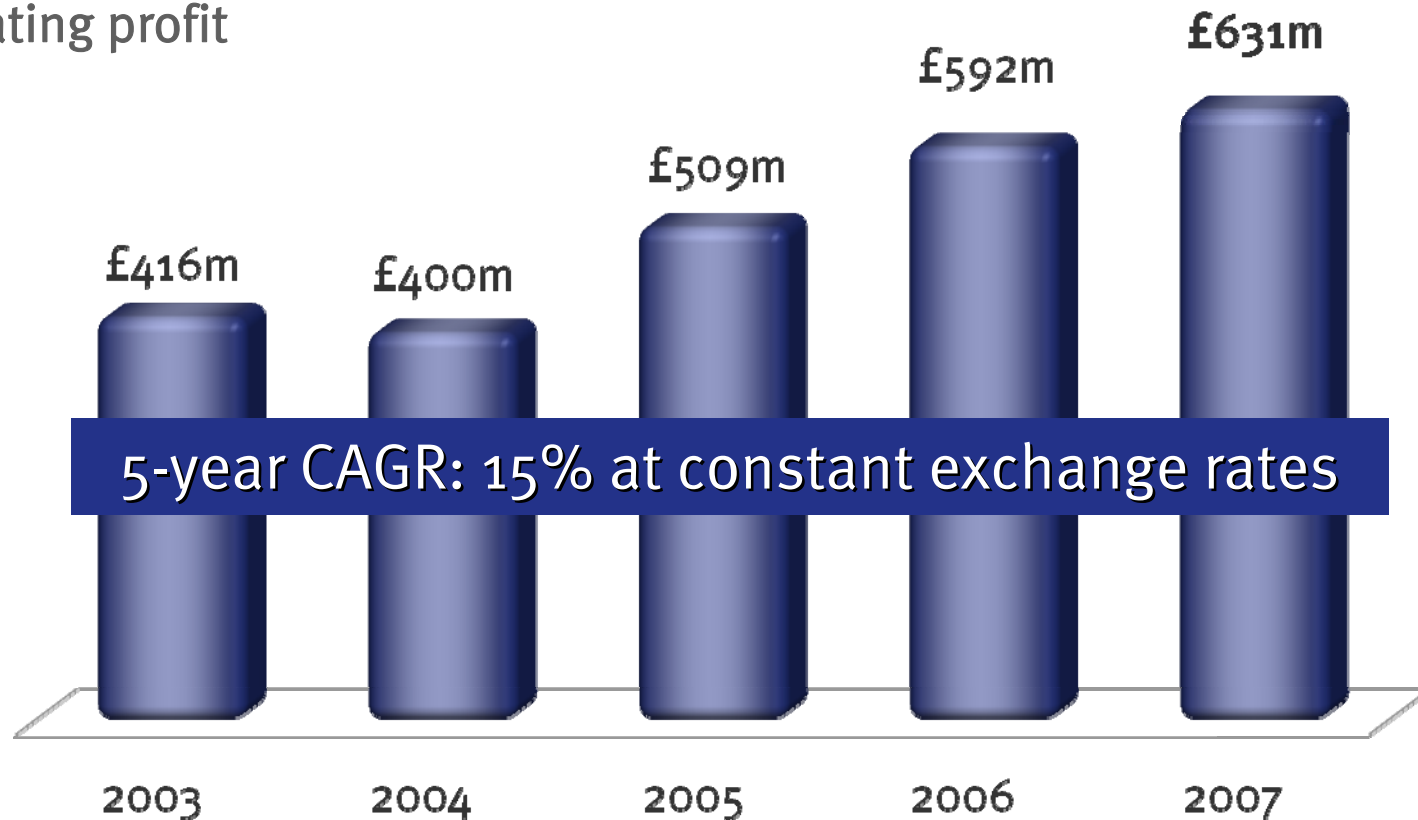
Technology and services

International expansion

Efficiency

Sustained financial progress

Operating profit



	2003	2004	2005	2006	2007
Margin	10.8%	10.8%	12.4%	13.4%	15.0%
£/\$	1.63	1.83	1.81	1.84	2.00

Margin improvement

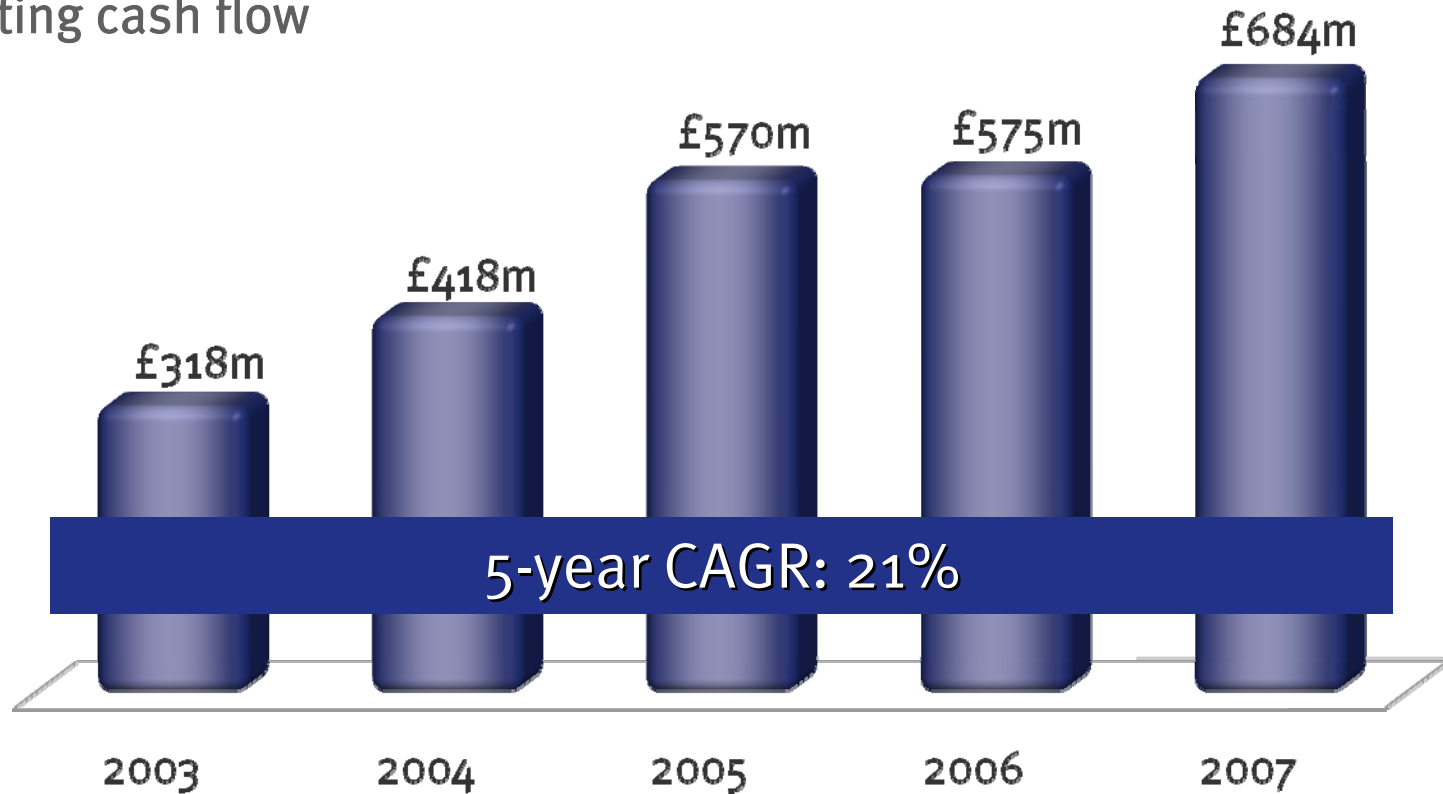
£m	Margins			
	2007	2006	2005	2004
School	13.2%	12.6%	11.4%	9.9%
Higher Education	20.3%	20.3%	20.0%	17.7%
Professional	11.3%	9.6%	7.6%	7.9%
FT Publishing	16.3%	8.7%	6.3%	1.3%
Interactive Data	28.2%	26.8%	26.9%	24.9%
Penguin	8.7%	7.8%	7.5%	6.6%
Pearson	15.0%	13.4%	12.4%	10.8%

Reported margins

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Strong cash generation

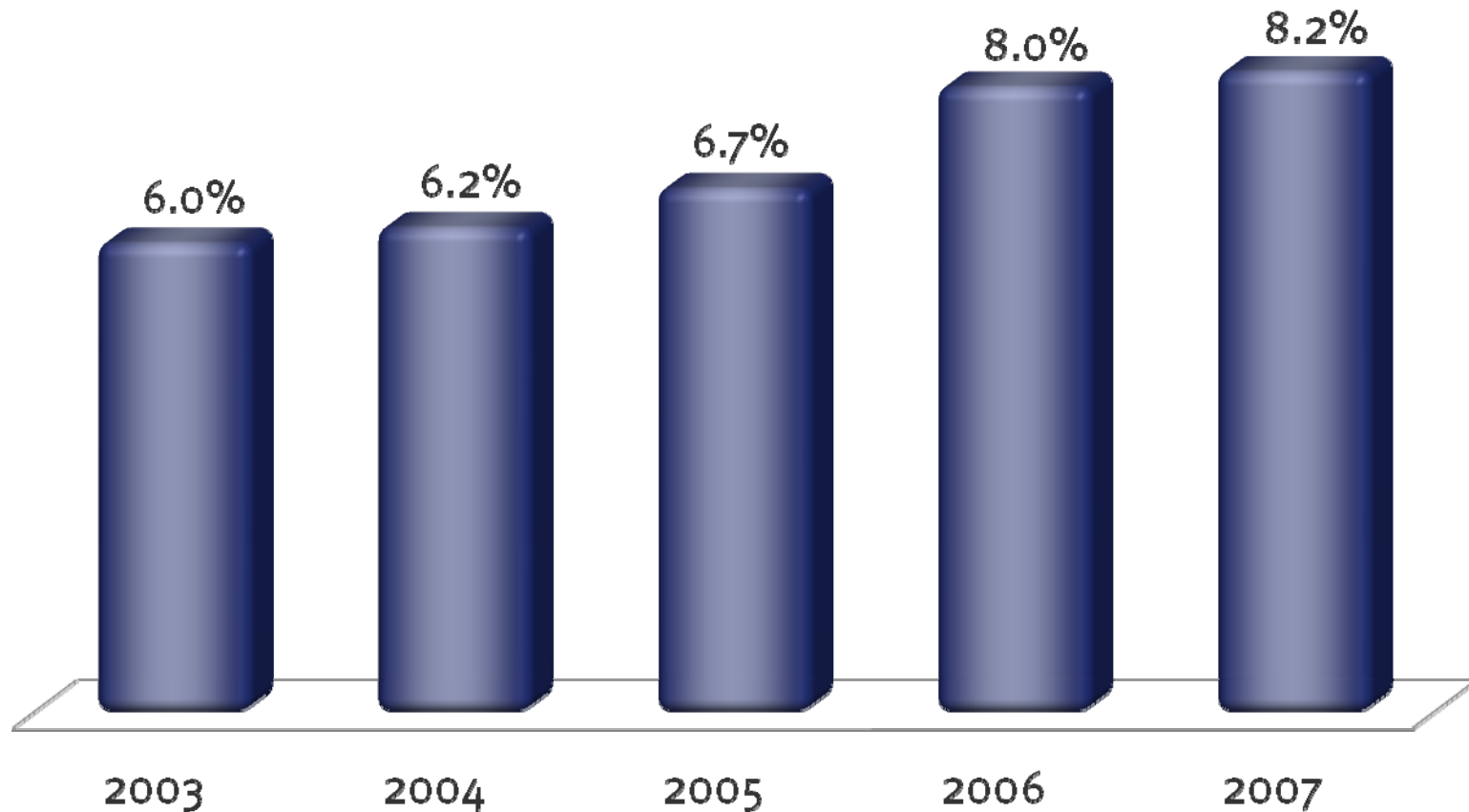
Operating cash flow



	2003	2004	2005	2006	2007
Cash Conversion	71%	98%	113%	97%	108%
FCF per share (p)	40.0	52.5	71.4	72.0	85.8

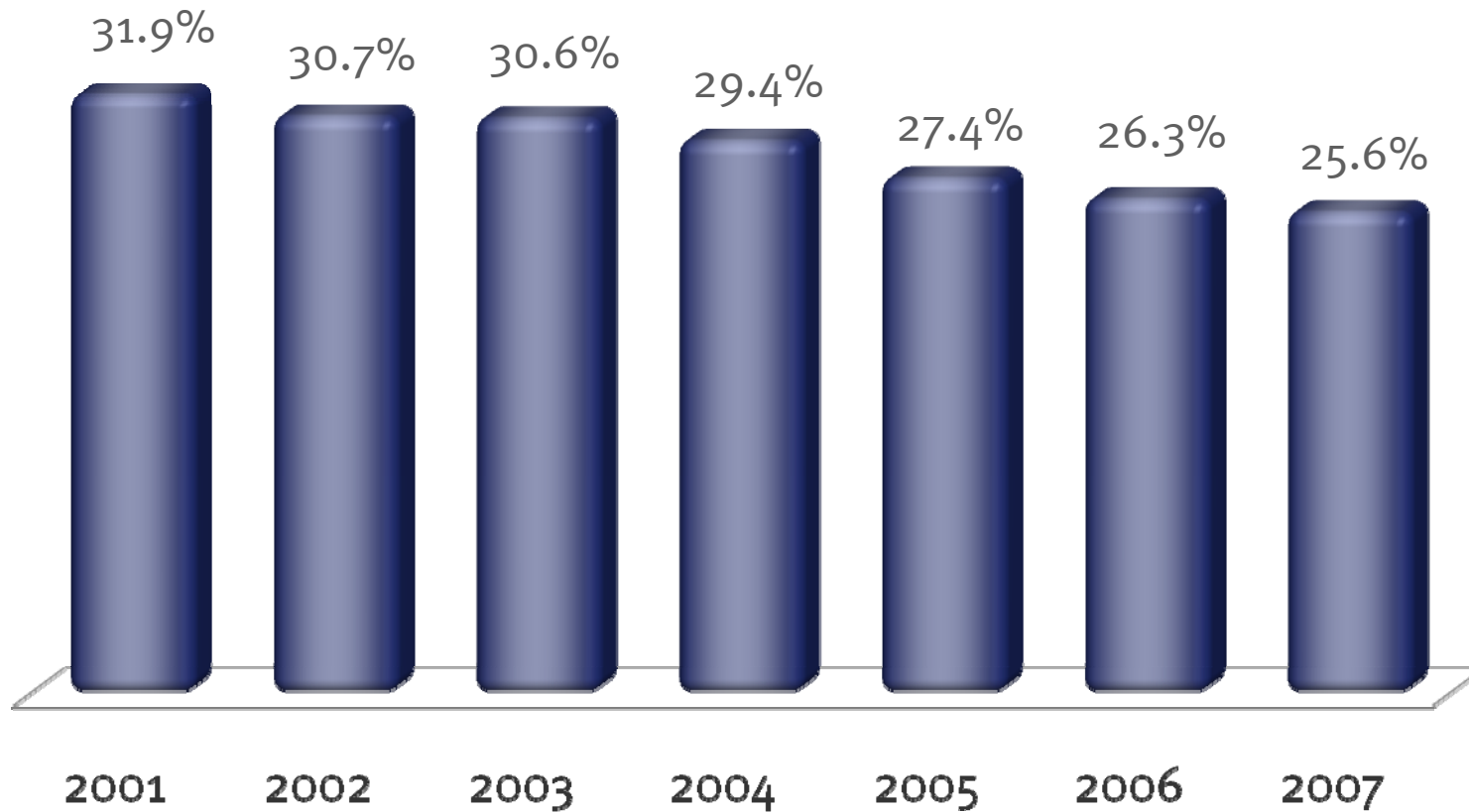
Improvement in ROIC

Return on invested capital



Cash and working capital discipline

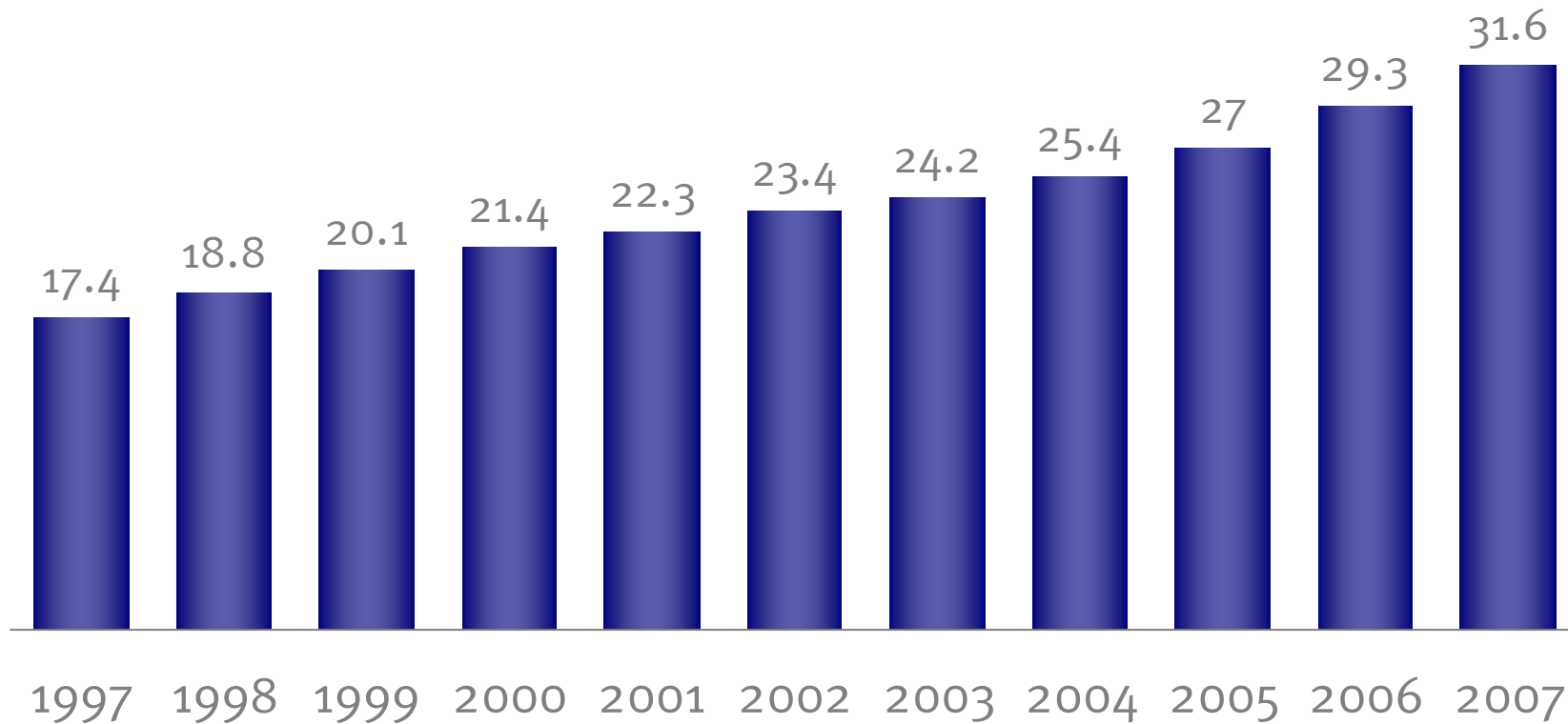
Average working capital/sales



Includes capitalised pre-publication costs and author advances

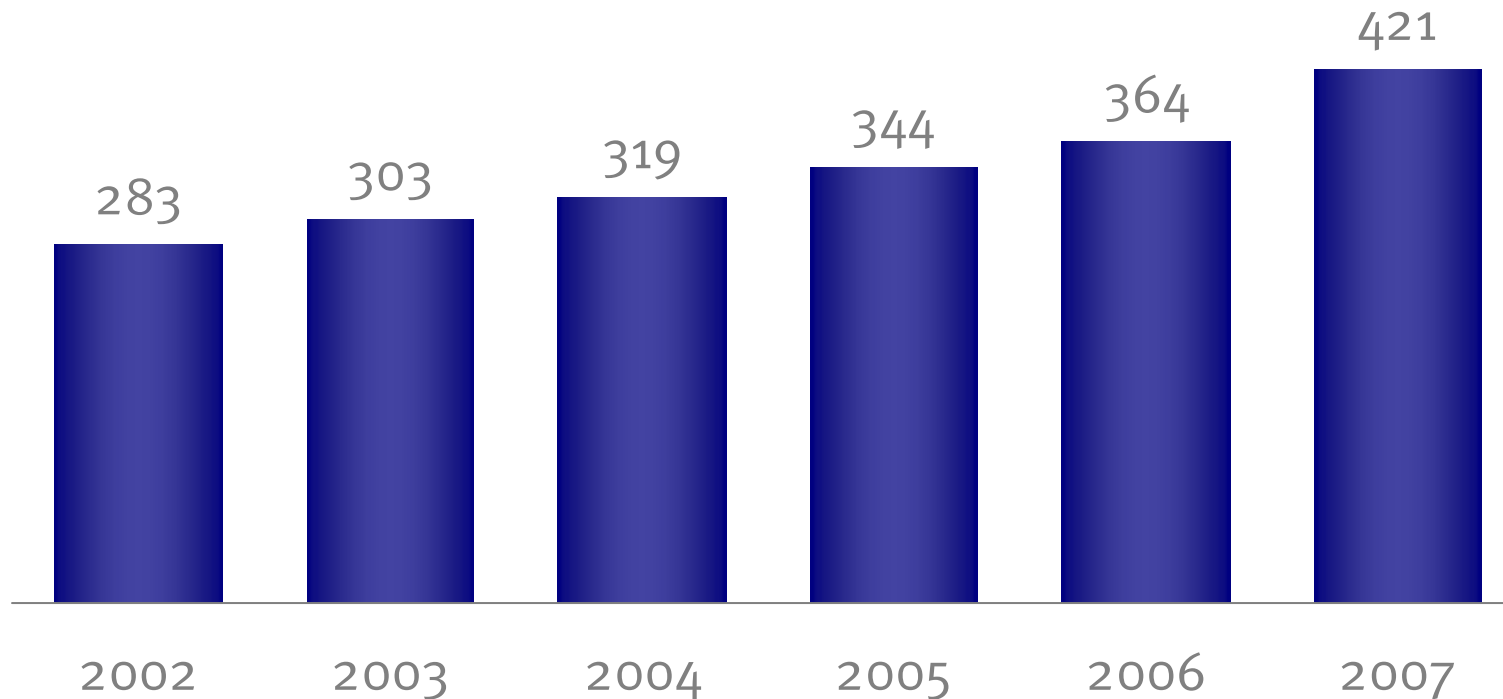
Capital allocation: dividend growth

Pence per share



Capital allocation: organic investment

Education pre-publication expenditure, \$m



Capital allocation: bolt-on acquisitions

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	
2007	Harcourt International,, eCollege, Exec appointments, Infinata, xcitek, Edustructures	Government Solutions , SBG Religion, Index books, Les Echos
2008	Harcourt Assessment, MoneyMedia, OCO	Data Management, Ft Deutschland, Business Standard

\$3.0bn

\$3.6bn

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9 month trading update

Trading in-line with expectations

Sales up 8% and operating profit up 11% at constant exchange rates

Strengthening dollar means eps likely to be towards the top of the consensus rate

“Pearson's strong performance continues. We're naturally cautious about the global economic conditions, but we have good trading momentum, innovative products, resilient businesses and a strong balance sheet. With those advantages, we believe we are in good shape to prosper and strengthen our company, even through these turbulent times.”

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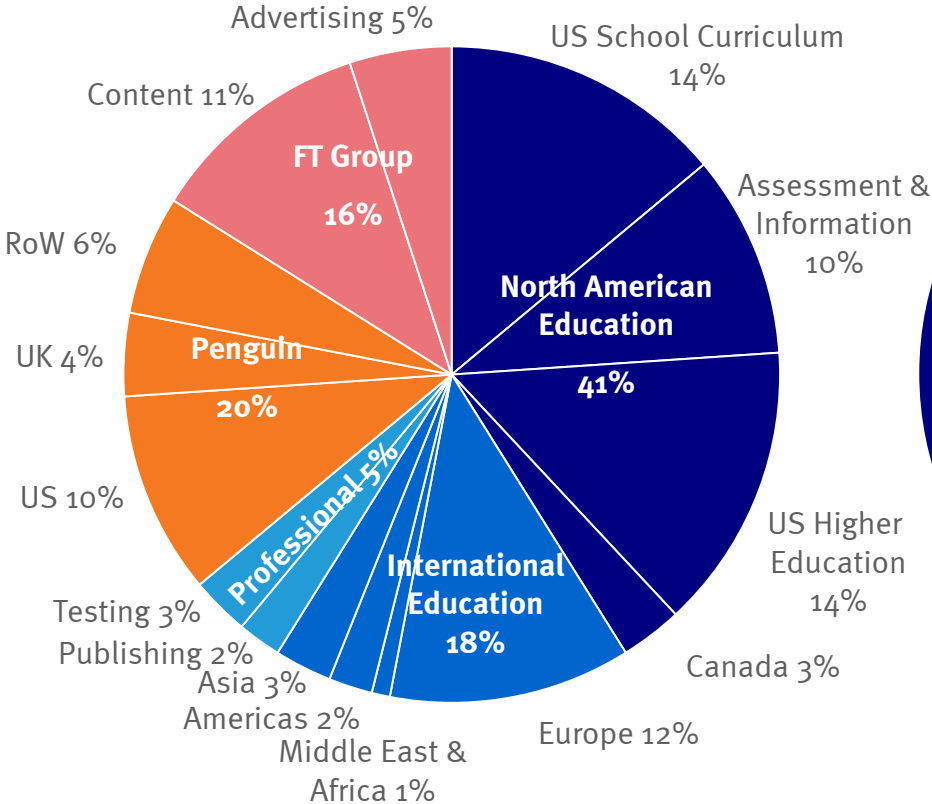

\$ sensitivity

\$:£	2007	2006	2005	2004	2003
Year end rate	1.99	1.96	1.72	1.92	1.79
Average rate	2.00	1.84	1.81	1.83	1.63

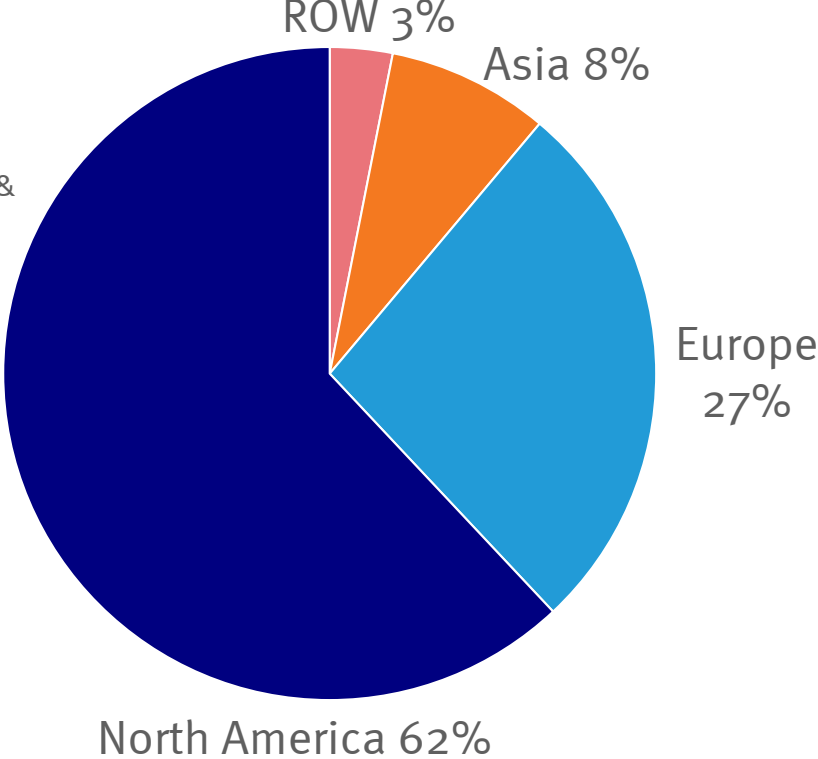
EPS 5¢ change in average rate = +/- 1p

Resilience: Diversified Revenue Mix

Revenue by Business



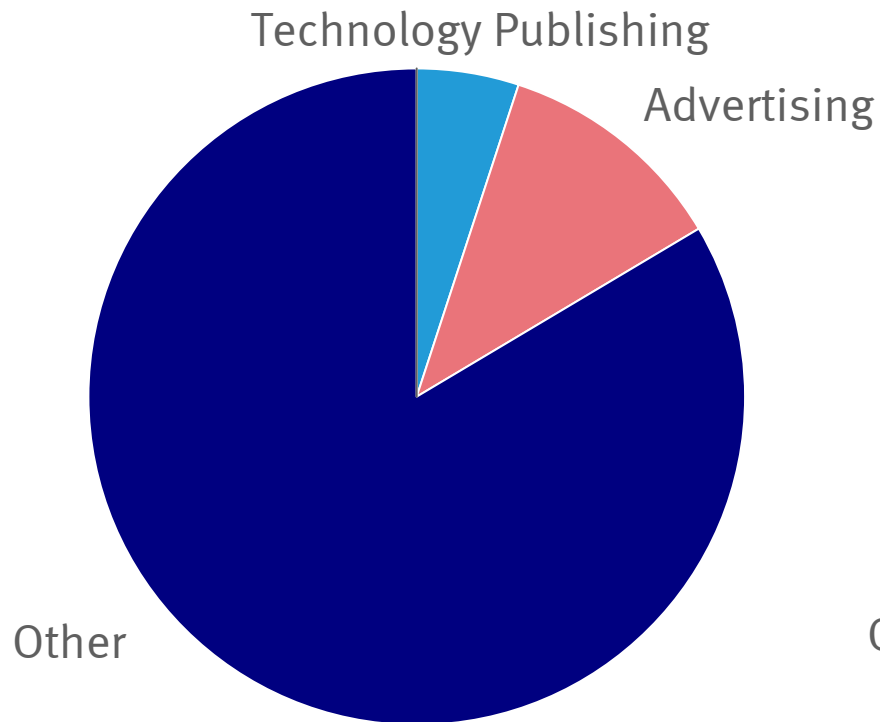
Revenue by Geography



Resilience:

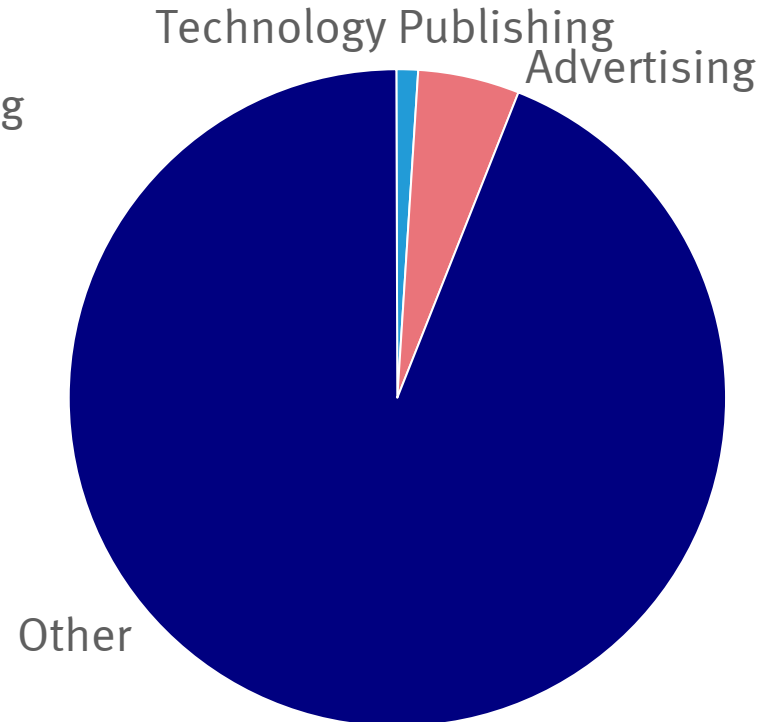
Less exposure to advertising and tech publishing

2000



£3.9bn @ £/\$ 1.52

2007

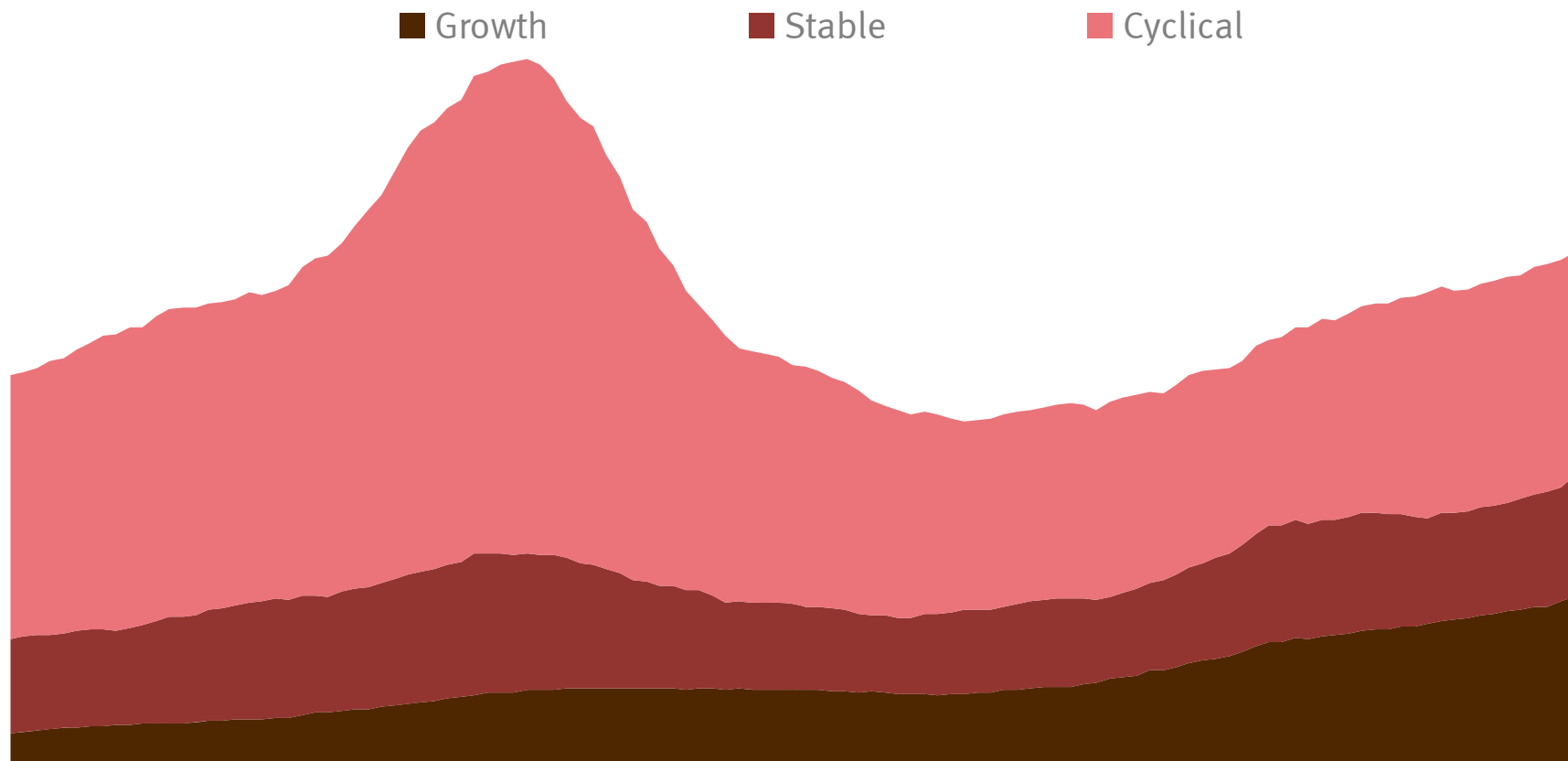


£4.2bn @ £/\$ 2.00

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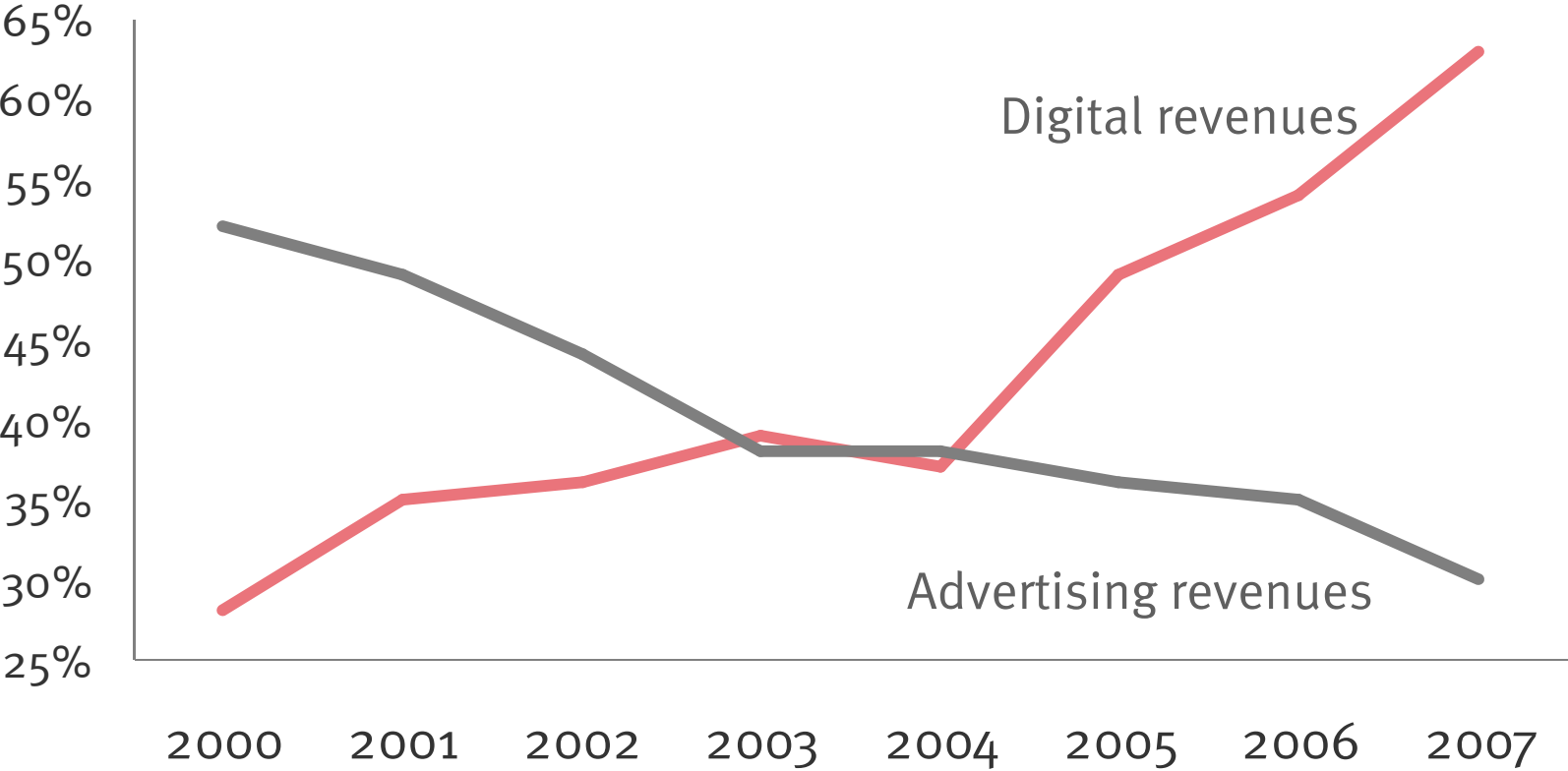
Resilience: More diverse advertiser base

FT Newspaper advertising revenues 1997-2007



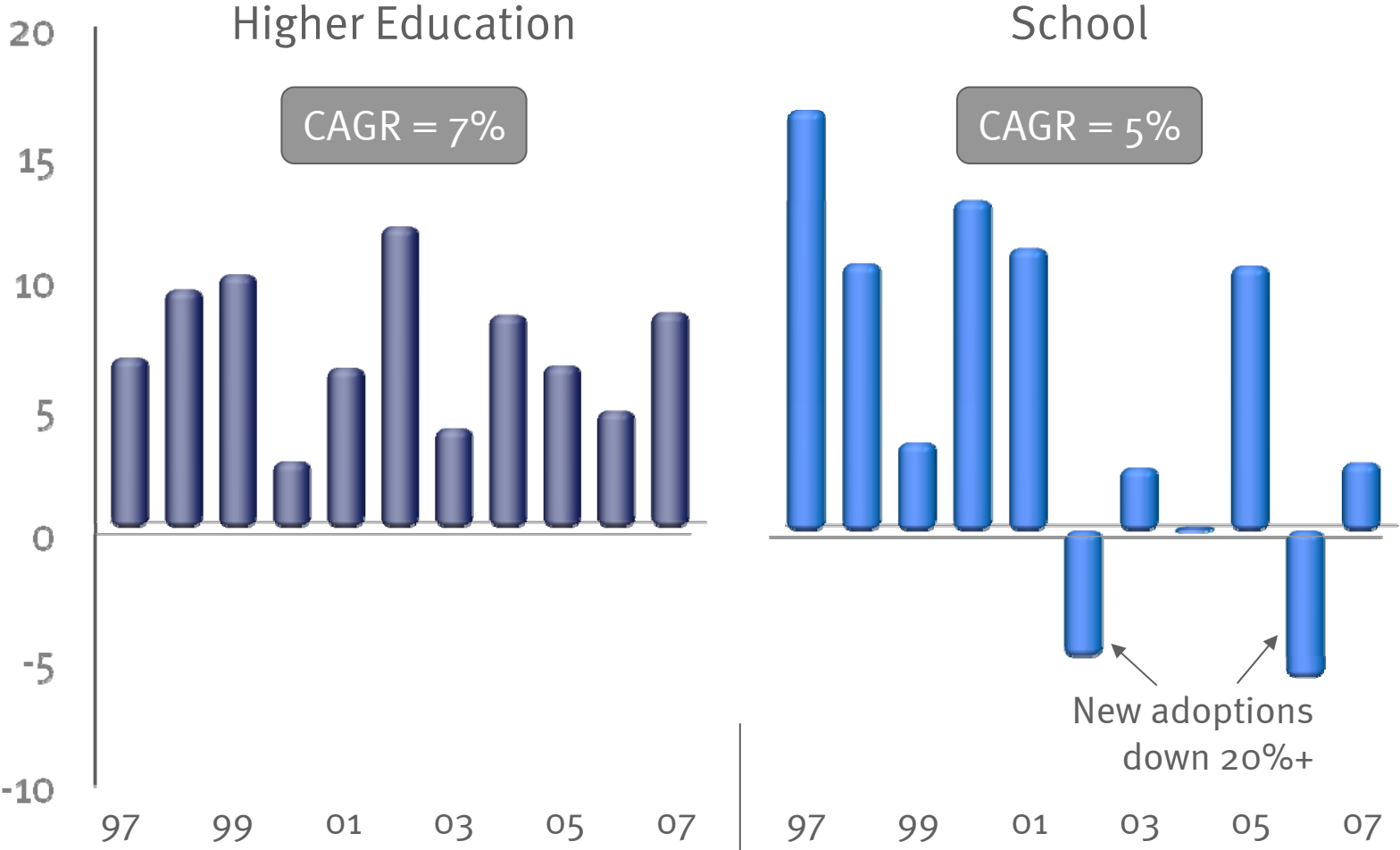
Resilience:

More diverse revenue base



Resilience: Sustained growth in US education

Year-on-year US publishing industry sales growth

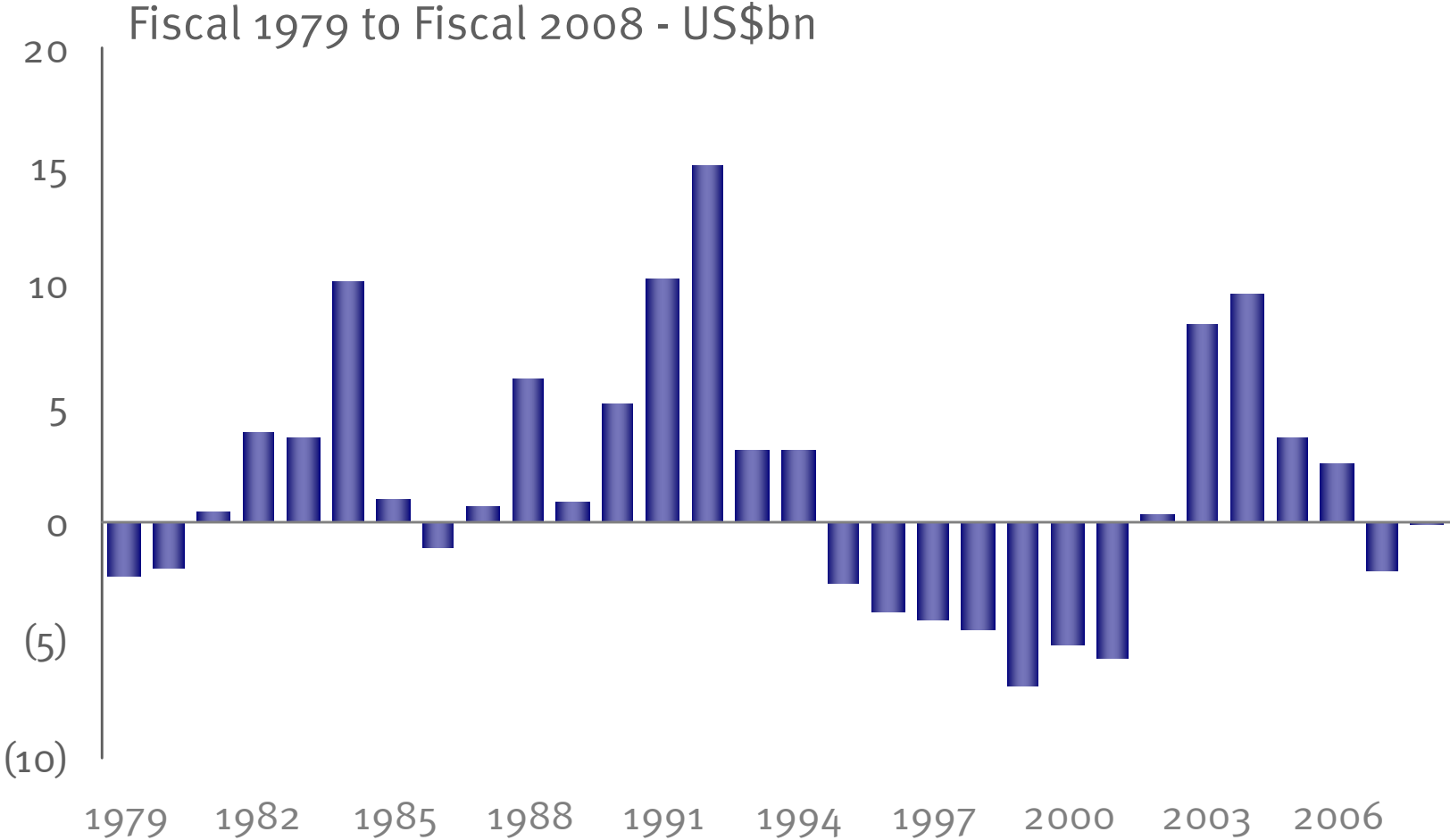


Sources: Pearson, AAP



Resilience: funding

Enacted State revenue changes, \$bn

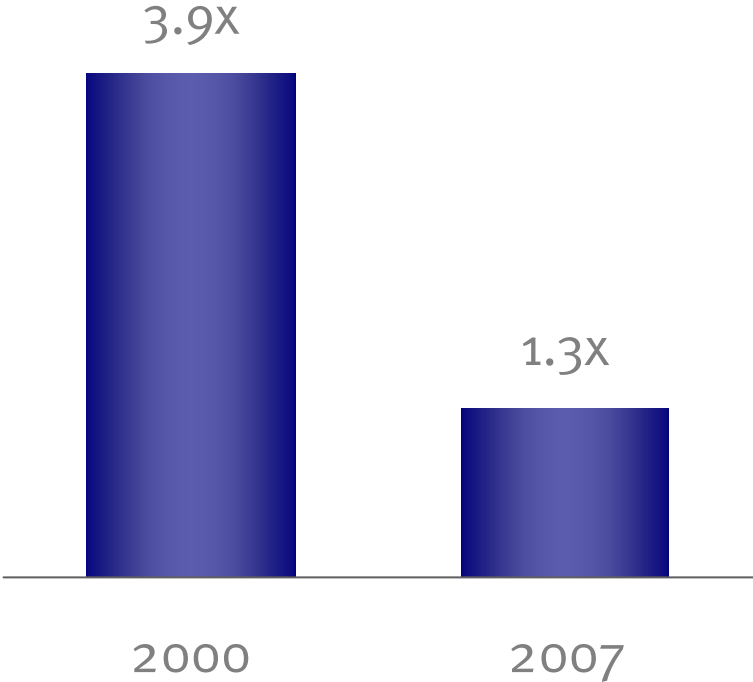


Source: NASBO

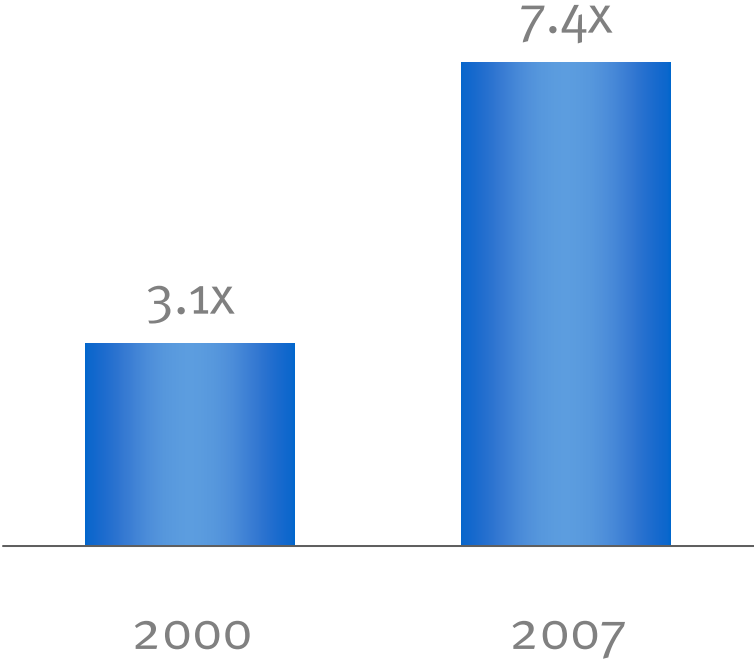


Resilience: balance sheet

Net debt/EBITDA



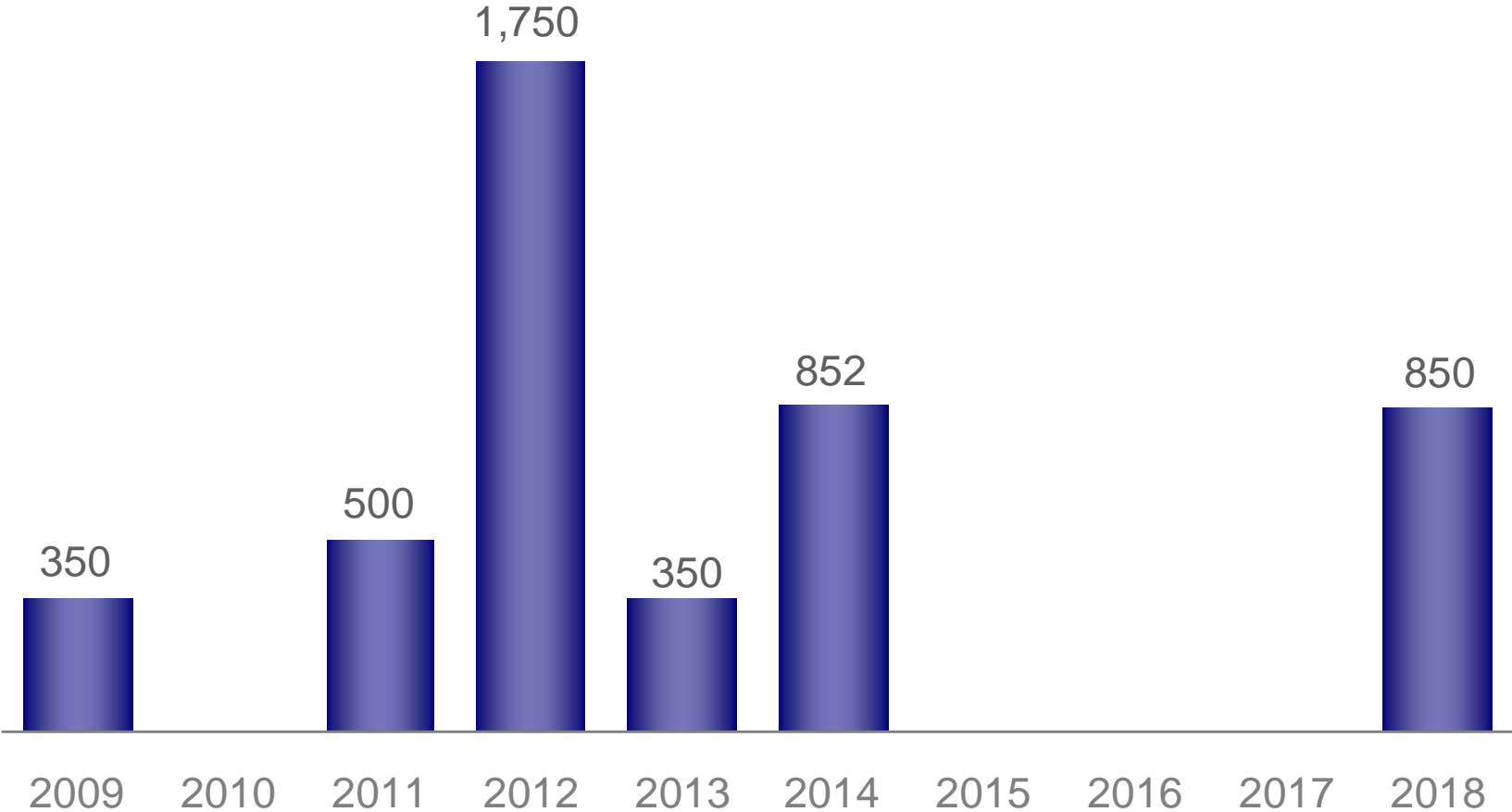
Interest cover



Resilience: balance sheet

Debt maturity profile

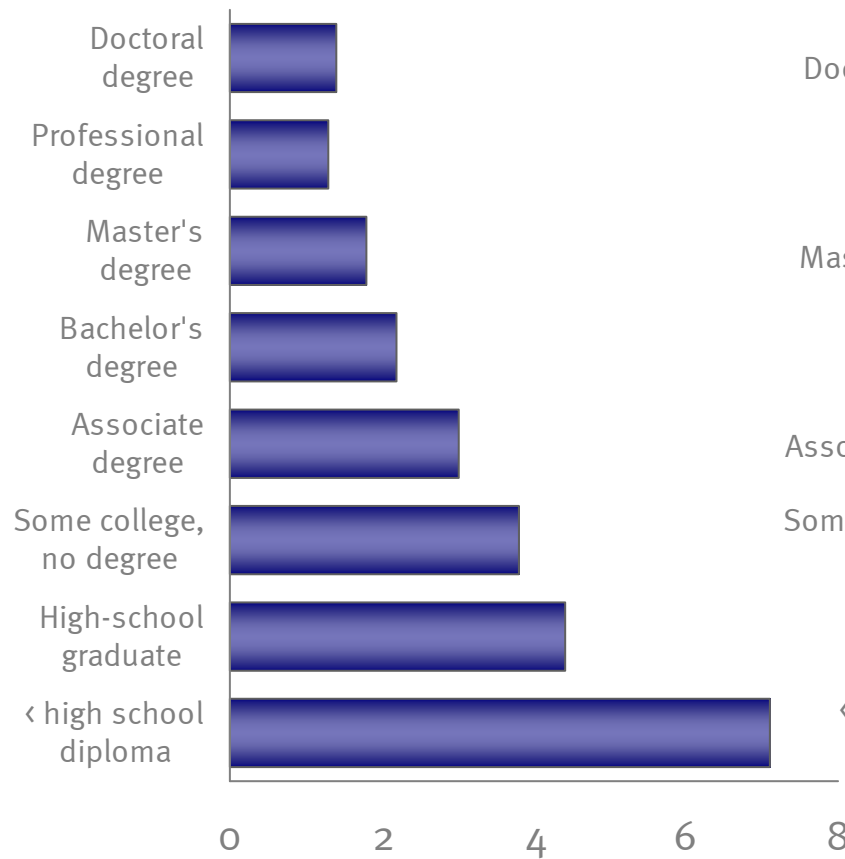
US\$m



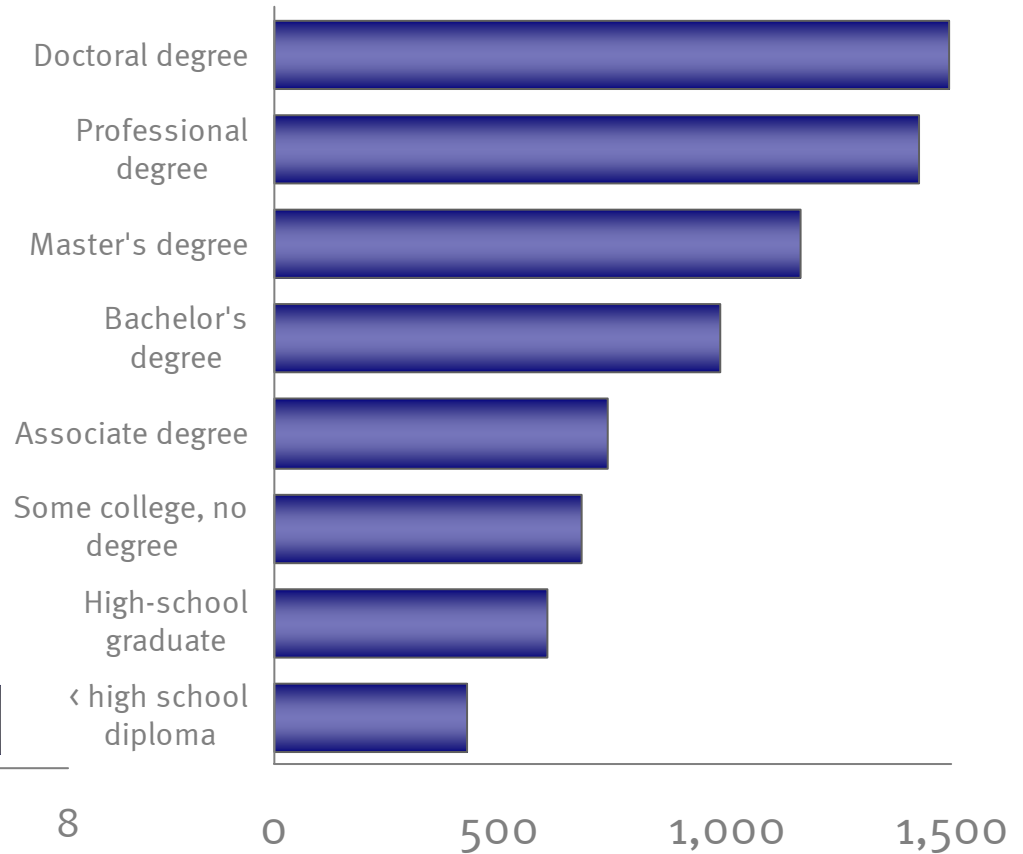
Source: NASBO

Growth - Education

US Unemployment Rate, % (2007)



US Median Weekly Earnings, \$ (2007)

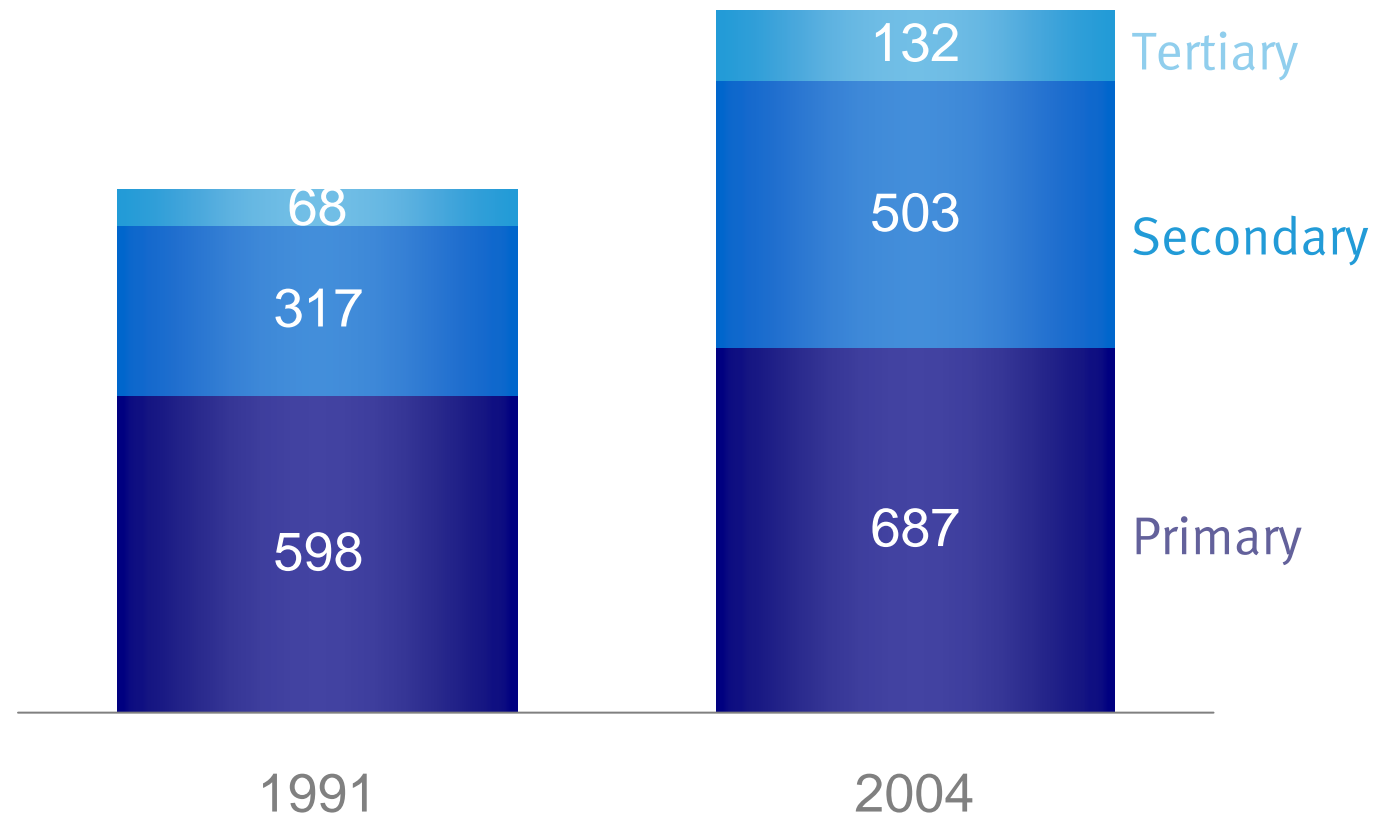


Source: US Department of Labor



Global trends: Participation

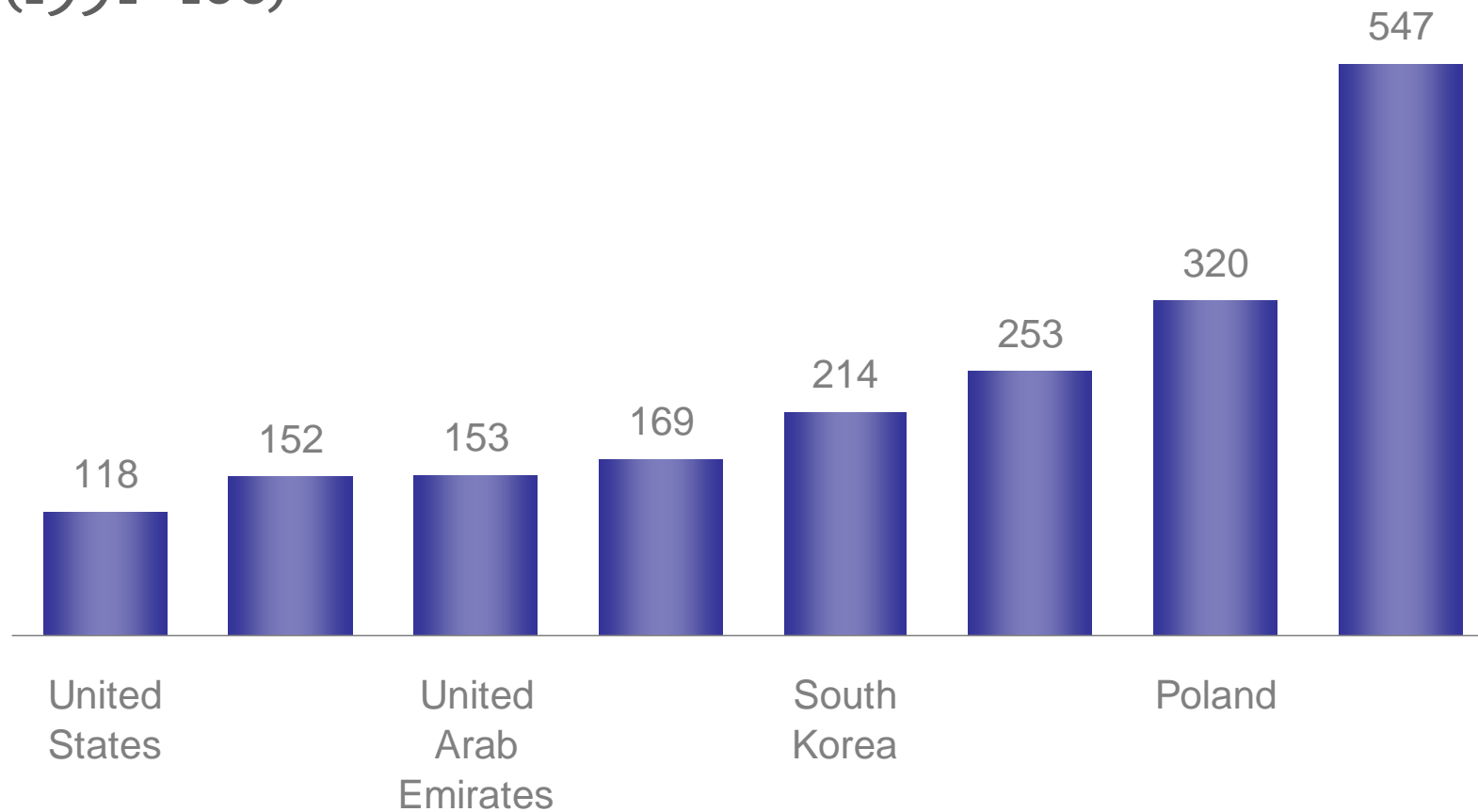
Number of pupils (m)



Source: UNESCO, World Bank

Global trends: Investment

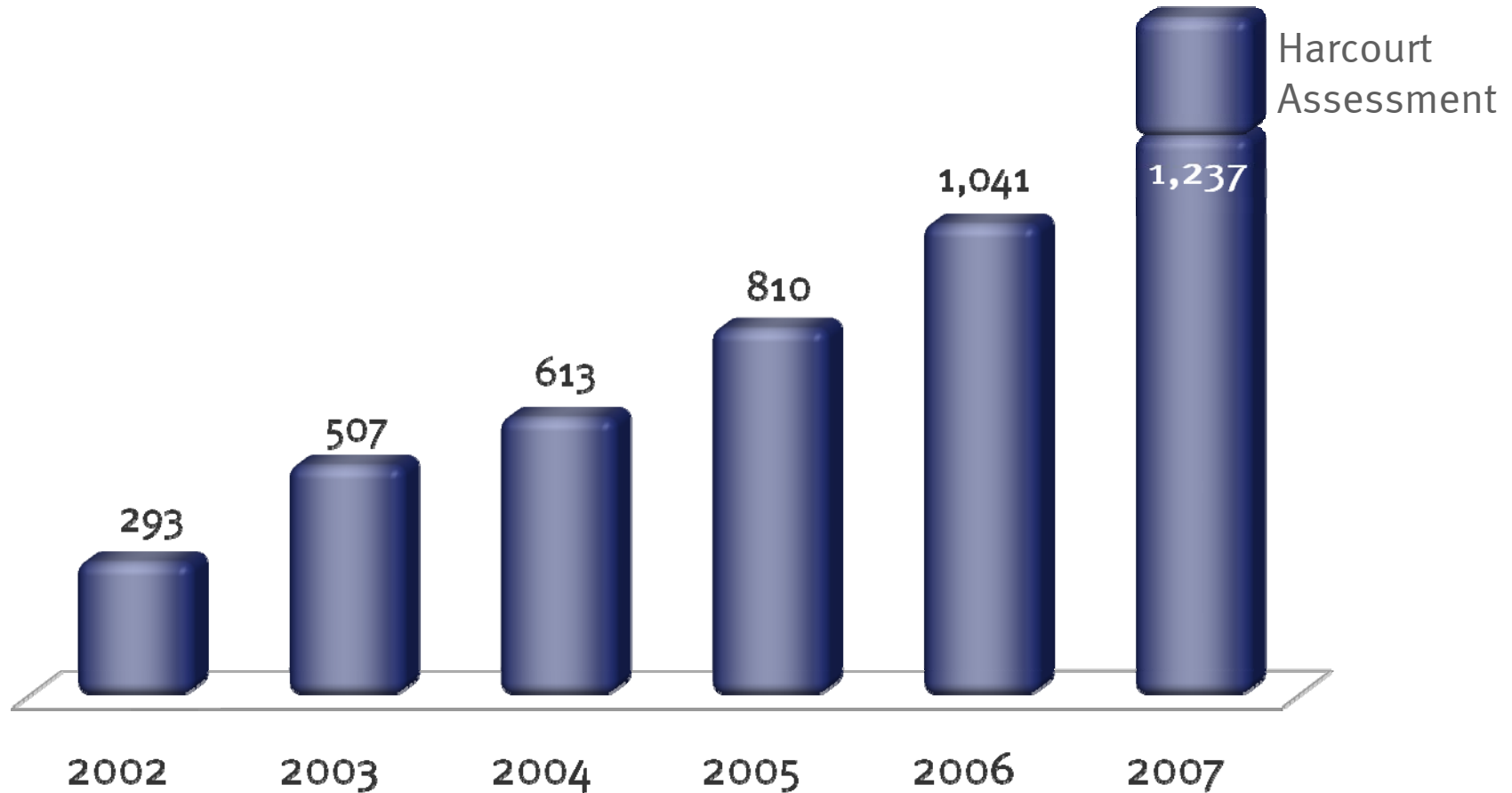
Increase in public expenditure on education, 1991 - 2005
(1991=100)



Source: World Bank

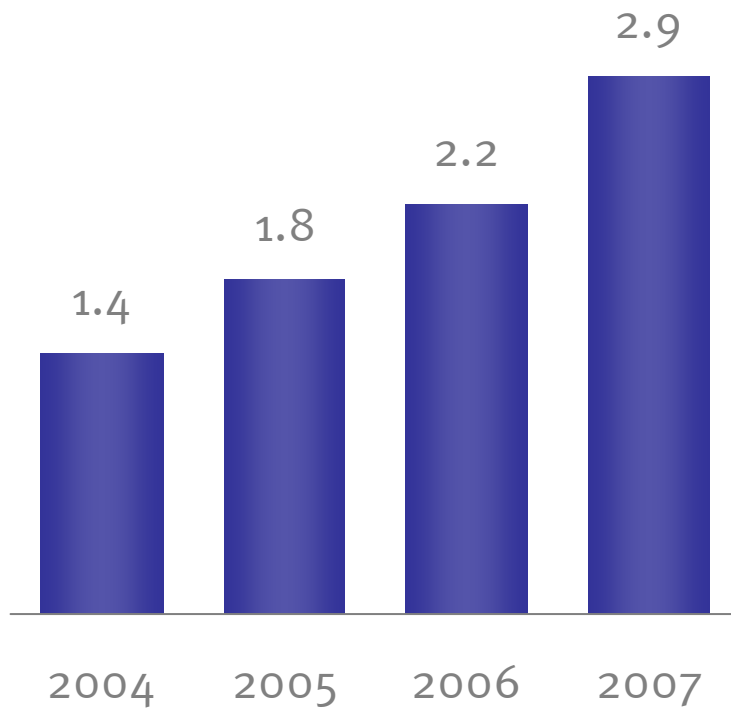
Technology & Services: Education

Worldwide School & Professional testing revenues, \$m

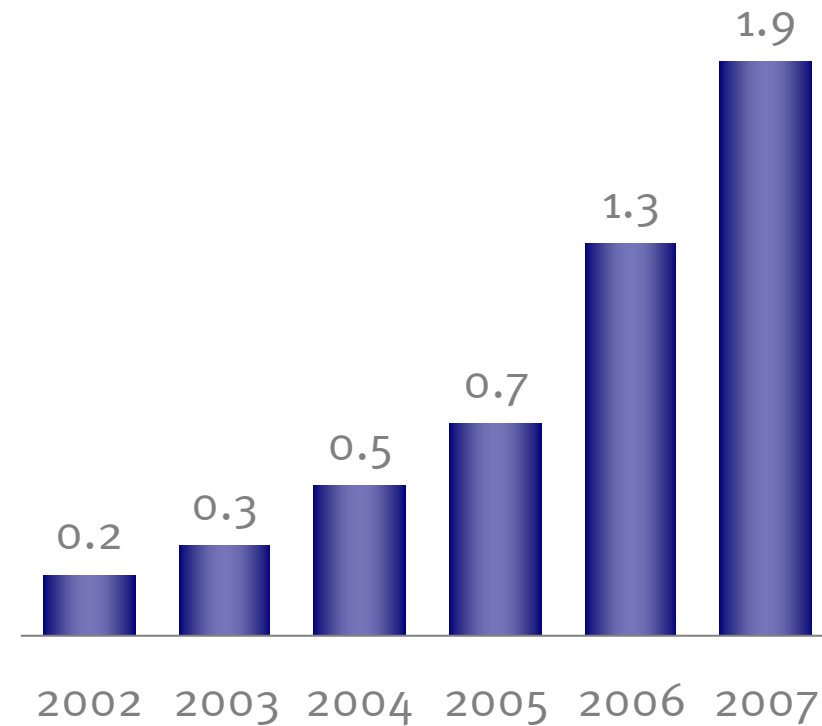


Technology & Services: Education

MyLab registrations, m

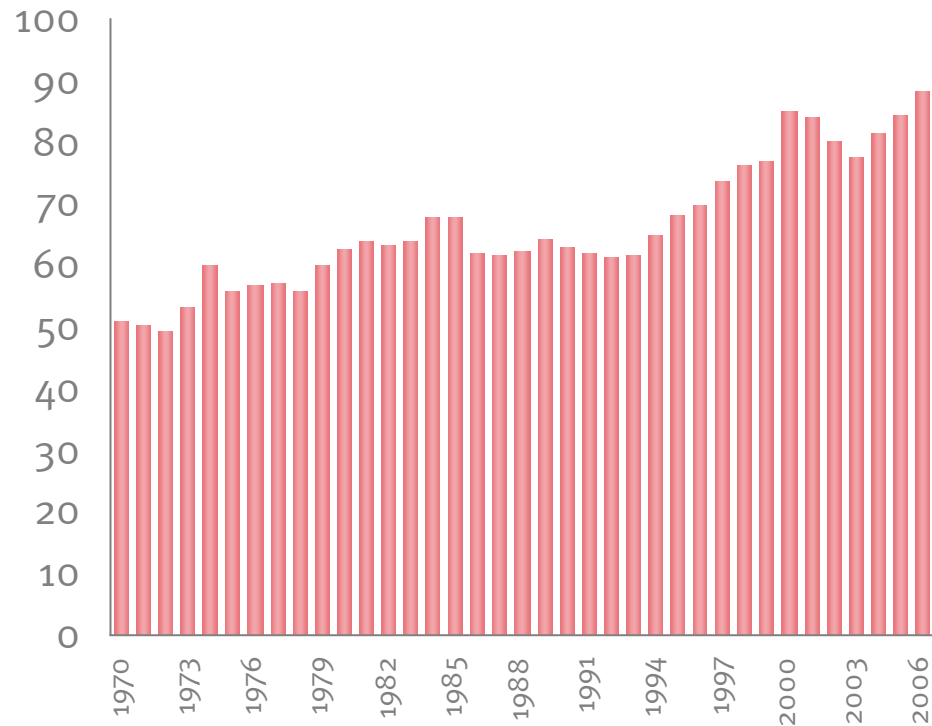


eCollege enrolments, m



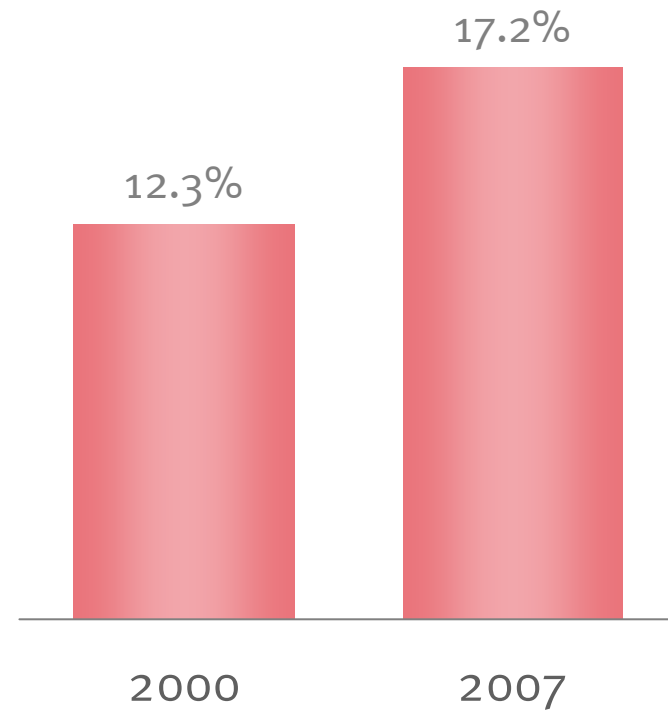
Growth – FT Group

Trade-to-GDP-ratio



Source: OECD

Non-US GMAT registrations % of total non-US

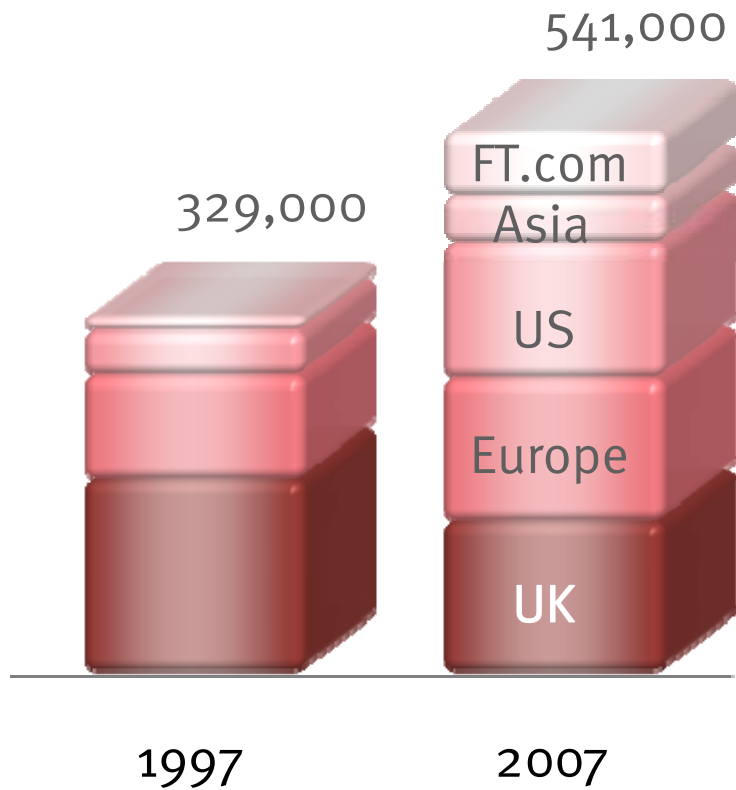


Source: GMAC

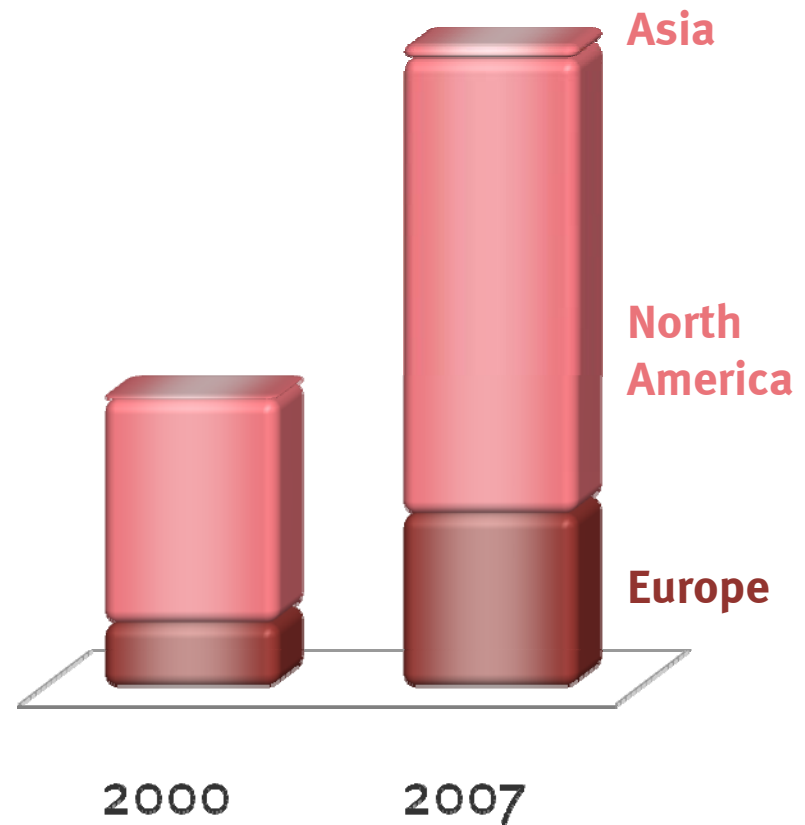


International growth opportunities: FT Group

Financial Times circulation by geography



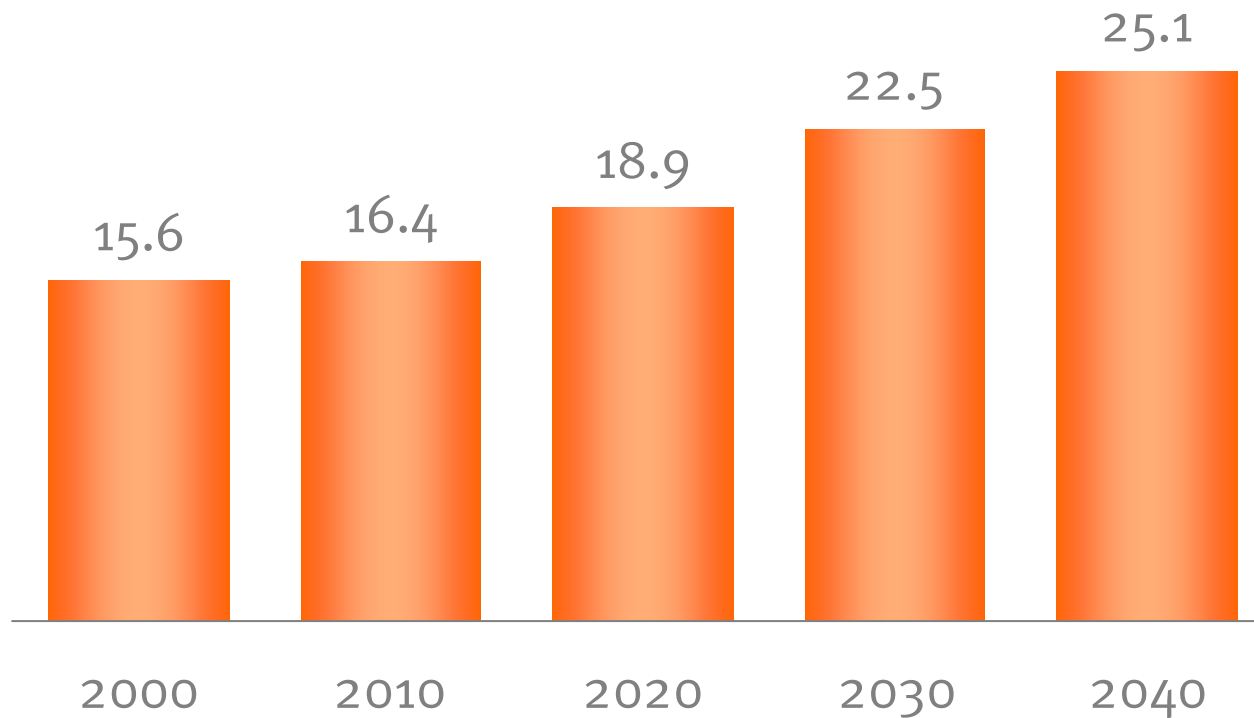
Interactive Data sales by geography



Sources: Audit Bureau of Circulation, Interactive Data

Growth - Penguin

% UK population aged 65+ years old

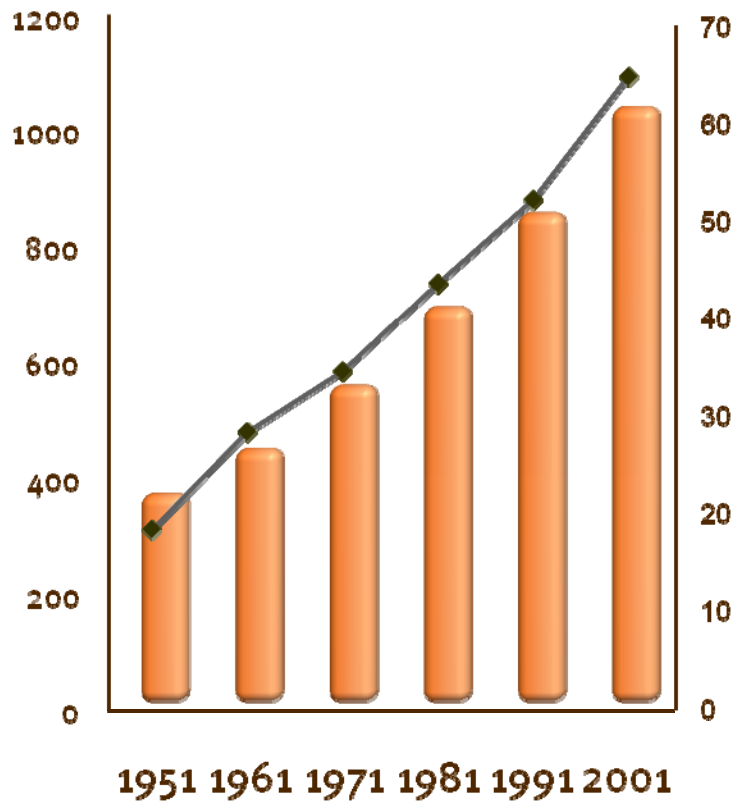


Source: US Census Bureau

International growth opportunities: Penguin

Rising literacy in India

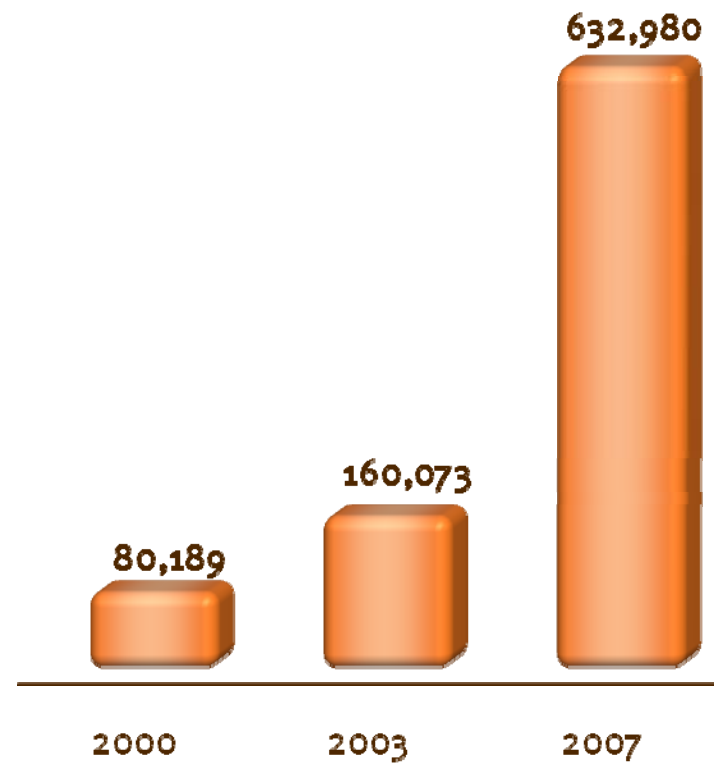
Population (m); Literacy rate (%)



Sources: Ministry of Home Affairs,
Office of the Registrar General

Rising book retail space in India

Sq ft (top 3 book stores)



Source: Pearson



Technology & services: Penguin

E-book units sold by month (US)



Conclusions

Strong market positions

Clear strategy; strong record of performance

Resilient; strong financial position

Good long-term growth markets

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