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2009 half-year results

27 July 2009

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.

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Agenda

- How we're doing — Robin
- What we're seeing — CEOs
- Where we're heading — Marjorie

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First-half financial highlights

- Sales up 1%*
- Operating profit up 25%*
- Adjusted EPS up to 7.9p
- Dividend up 3.4%

*Growth rates at constant exchange

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Highlights

- Strategy
- Market share
- Investment and innovation
- Durability and growth

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How we’re doing

Sales growth

£m	H1 2009	H1 2008	Headline Growth	CER Growth
North American Education	943	713	32%	1%
International Education	446	365	22%	13%
Professional	132	105	26%	2%
Pearson Education	1,521	1,183	29%	5%
FT Publishing	176	188	(6)%	(13)%
Interactive Data	249	186	34%	9%
FT Group	425	374	14%	(2)%
Penguin	452	408	11%	(8)%
Total	**2,398**	**1,965**	**22%**	**1%**

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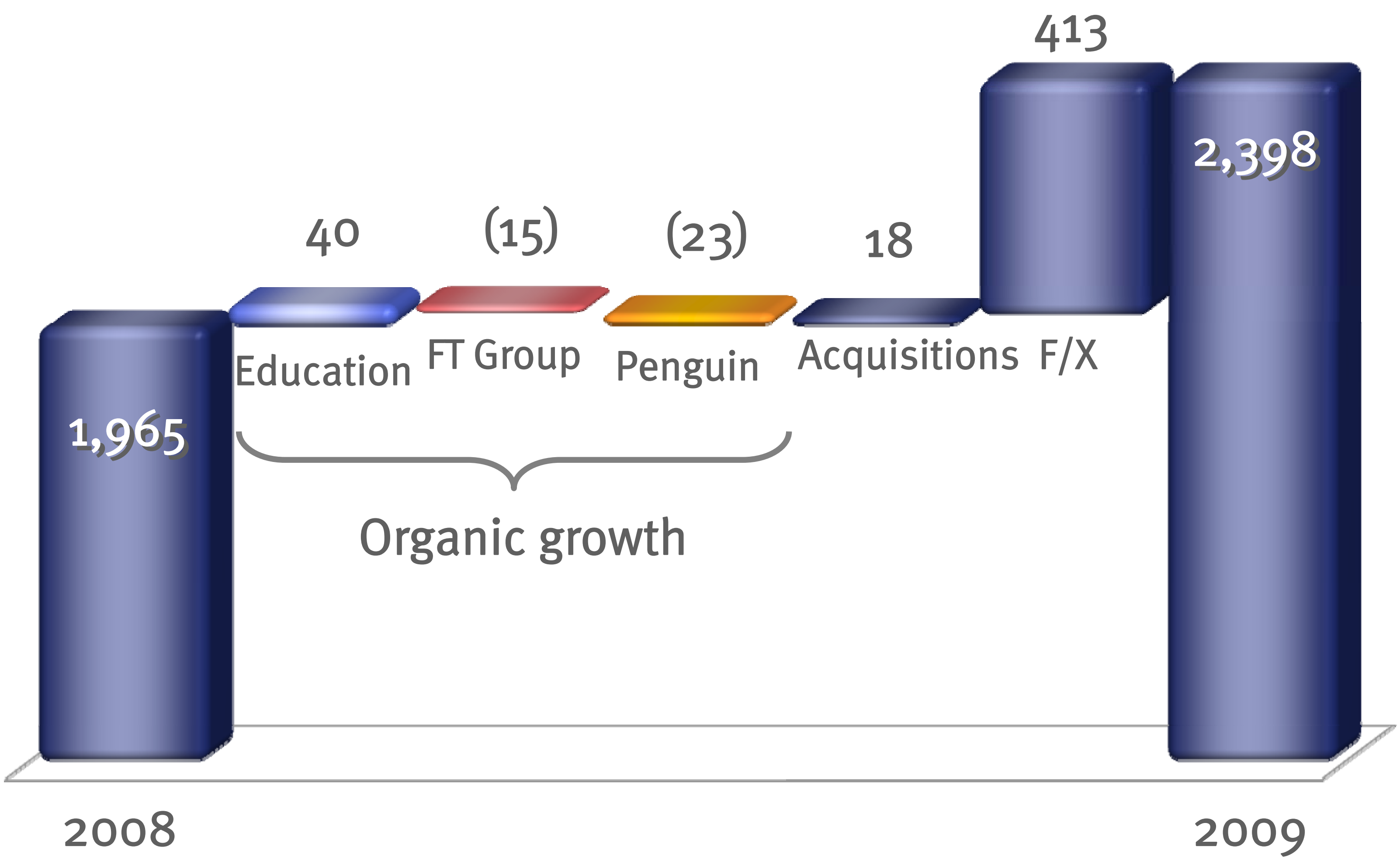
Sales growth, £m



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Operating profit

£m	H1 2009	H1 2008	Headline Growth	CER Growth
North American Education	12	(16)	--	--
International Education	23	20	15%	80%
Professional	14	10	40%	10%
Pearson Education	49	14	--	--
FT Publishing	14	30	(53)%	(40)%
Interactive Data	74	54	37%	7%
FT Group	88	84	5%	(10)%
Penguin	21	26	(19)%	(23)%
Total	158	124	27%	25%

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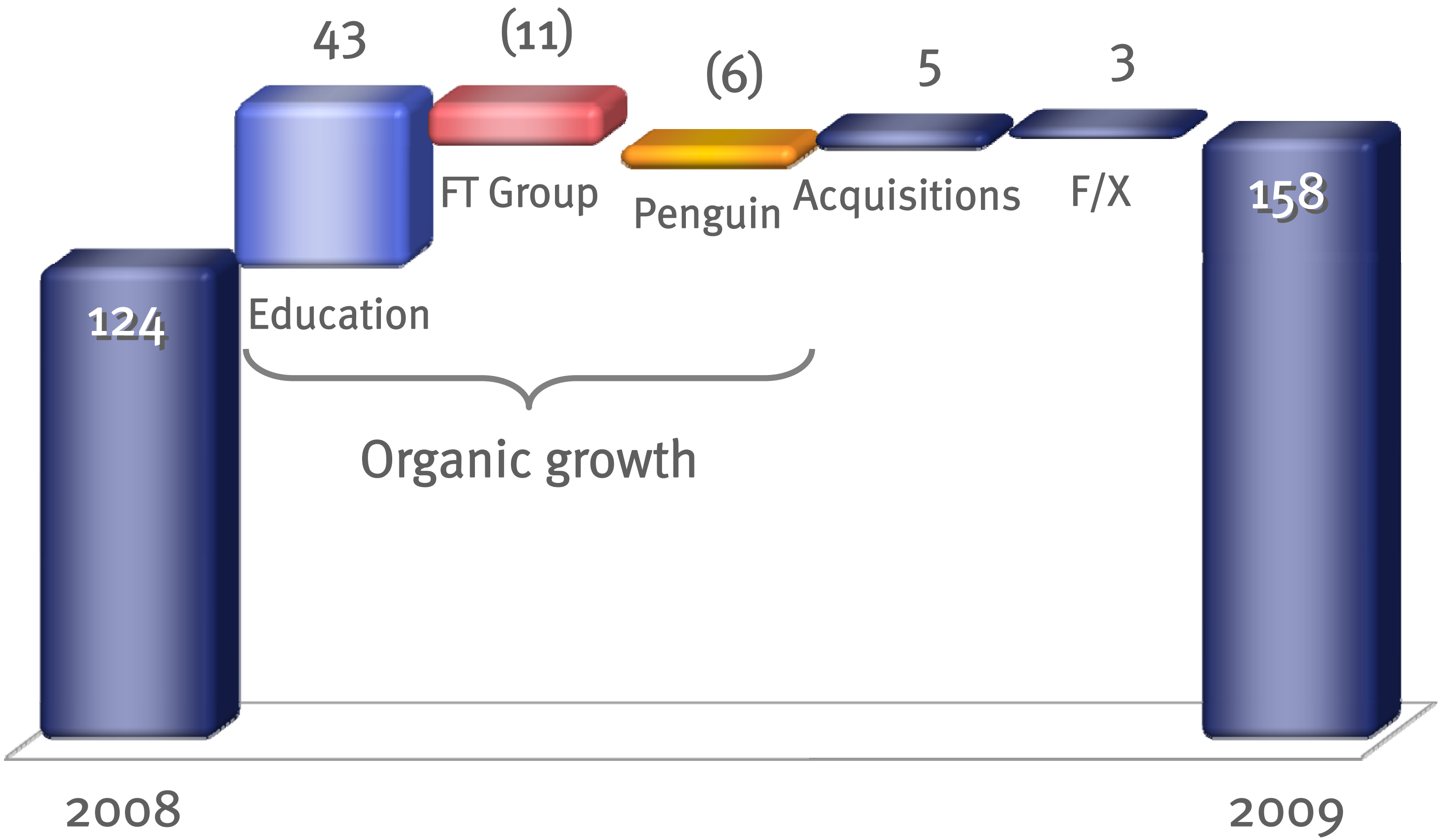
Profit growth, £m



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Adjusted earnings per share

£m	H1 2009	H1 2008
Adjusted operating profit	**158**	124
Finance costs – Pensions	**(6)**	5
Finance costs – Traditional	**(41)**	(45)
Adjusted profit before tax	**111**	84
Taxation	**(30)**	(24)
Adjusted profit after tax	**81**	60
Minorities	**(18)**	(15)
Adjusted earnings	**63**	45
Adjusted EPS	**7.9p**	5.6p

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P&L – statutory

£m	H1 2009	H1 2008
Adjusted operating profit	158	124
Intangible amortisation	(49)	(29)
Statutory operating profit	109	95
Finance costs	(47)	(40)
Profit before tax	62	55
Taxation	(18)	(16)
Profit after tax (continuing)	44	39
Discontinued	-	(88)
Profit/(loss) for the period	44	(49)
EPS (statutory)	3.5p	(7.8)p

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Free cash flow

£m	**H1 2009**	H1 2008	*Var*
Adjusted operating profit	**158**	**124**	*34*
Working capital	**(332)**	**(316)**	*(16)*
Fixed asset purchases	**(63)**	**(46)**	*(17)*
Depreciation and amortisation	**65**	**54**	*11*
Other movements	**(34)**	**(7)**	*(27)*
Operating cash flow	**(206)**	**(191)**	*(15)*
Operating tax paid	**(43)**	**(48)**	*5*
Operating finance charges	**(35)**	**(35)**	*-*
Free cashflow	**(284)**	**(274)**	*(10)*

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Balance sheet

£m	H1 2009	H1 2008
Goodwill & intangible assets	4,935	4,118
Tangible fixed assets	386	349
Operating working capital	1,215	1,062
Other net liabilities	(50)	(34)
Net assets	6,486	5,495
Shareholders' funds	4,033	3,509
Pension provisions	233	58
Other provisions	98	91
Minorities	261	191
Deferred tax	1	(36)
Net debt	1,860	1,682
Capital employed	6,486	5,495

Total business basis

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Highlights

- Trading ahead
- Business resilient
- Acquisitions, integrations paying off
- Strong balance sheet; steady cash returns

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What we're seeing

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FT

FINANCIAL
TIMES
GROUP

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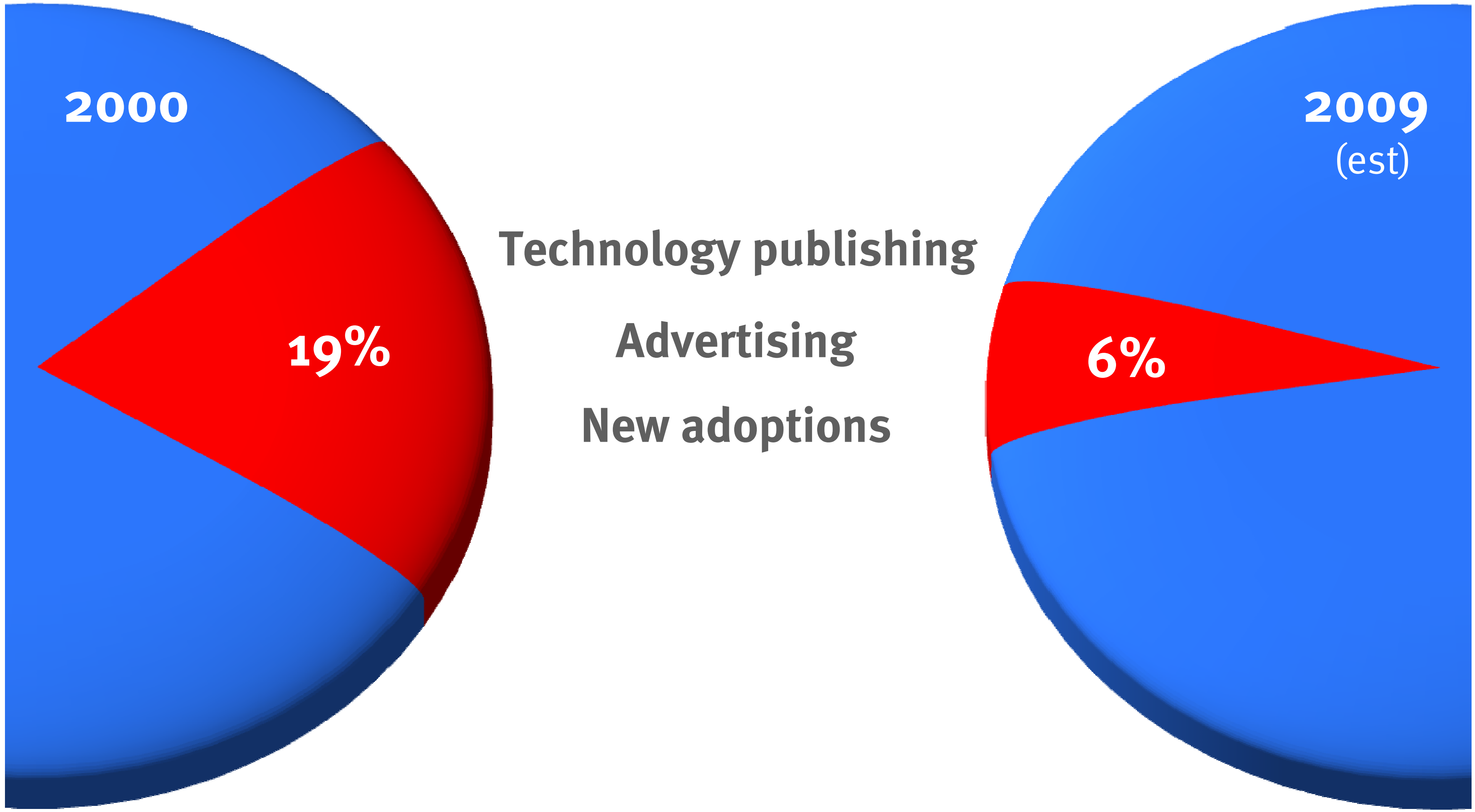
Where we’re heading

A durable company
Pearson revenue analysis



Technology publishing

Advertising

New adoptions

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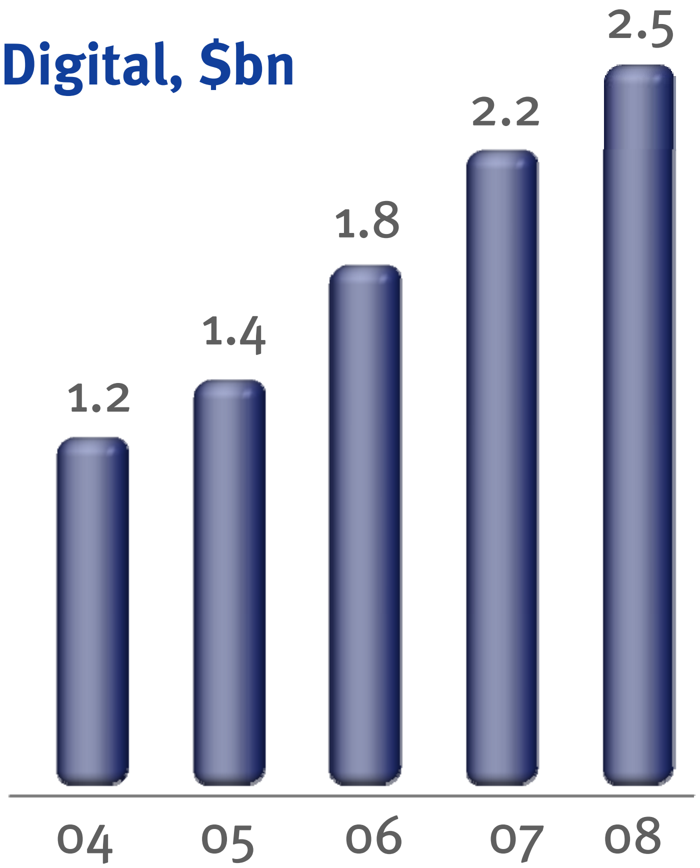
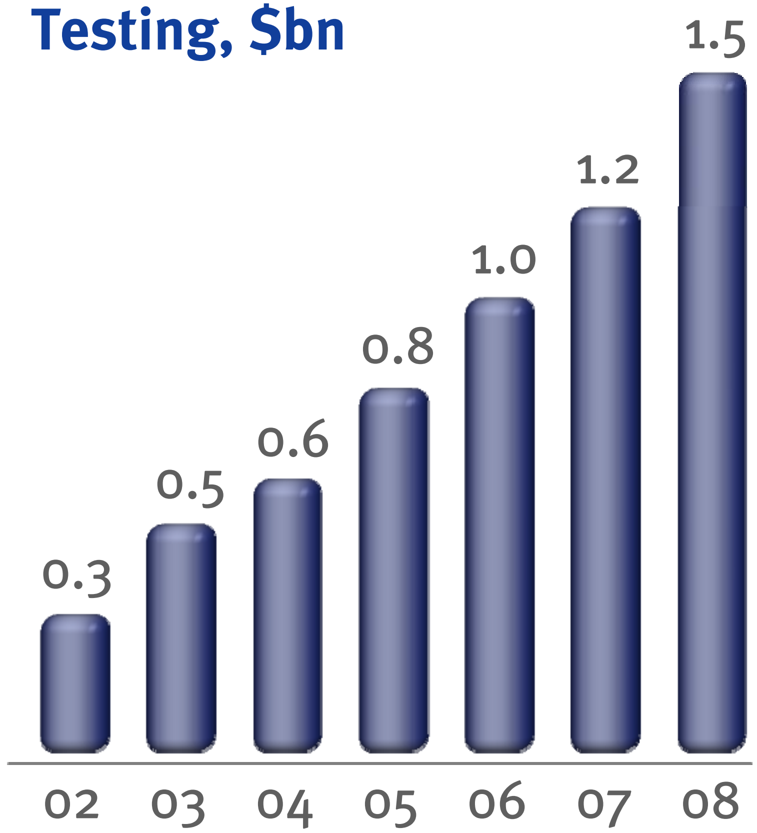
A growth company
Pearson revenues

Digital, $bn



Testing, $bn



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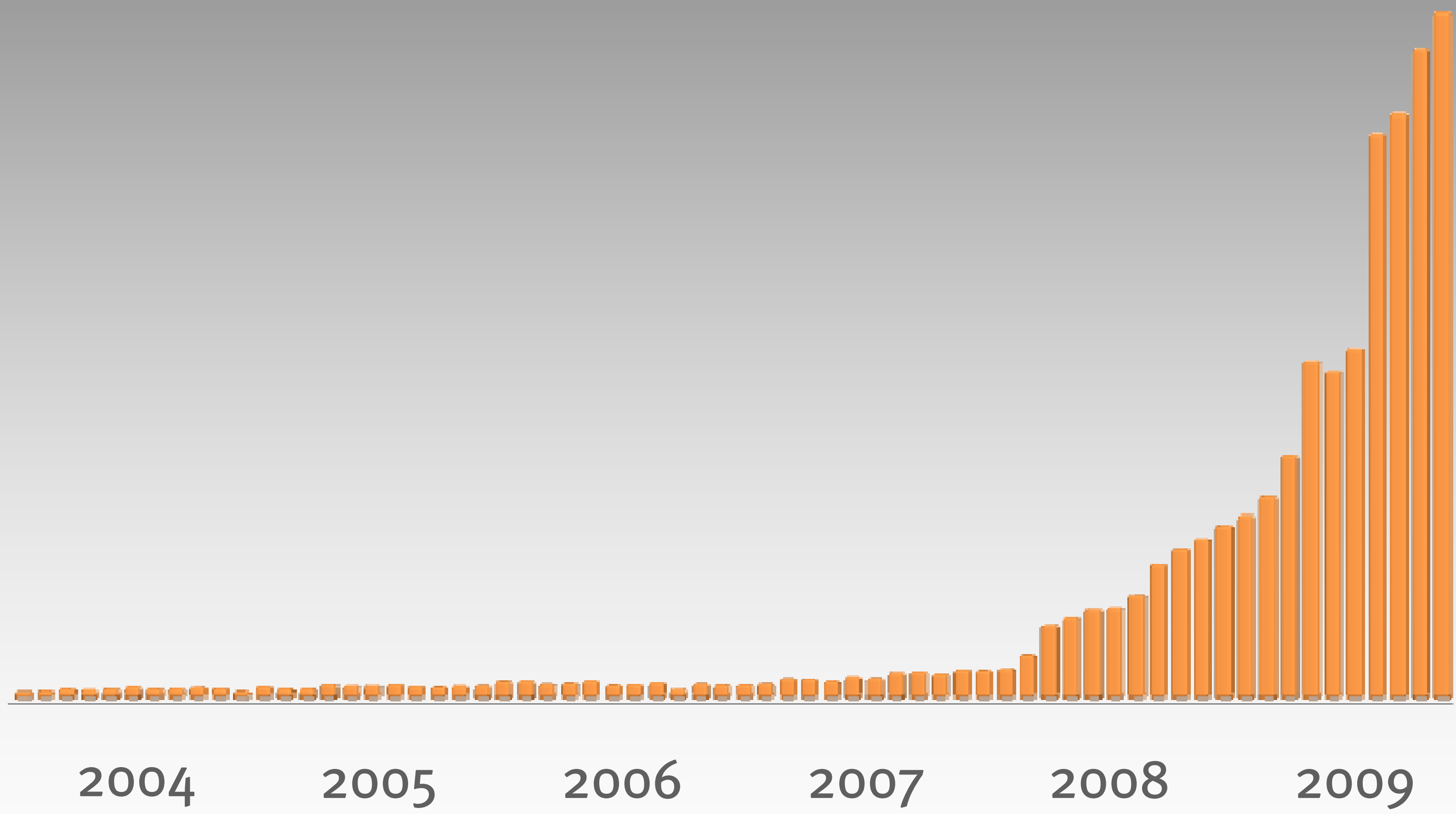
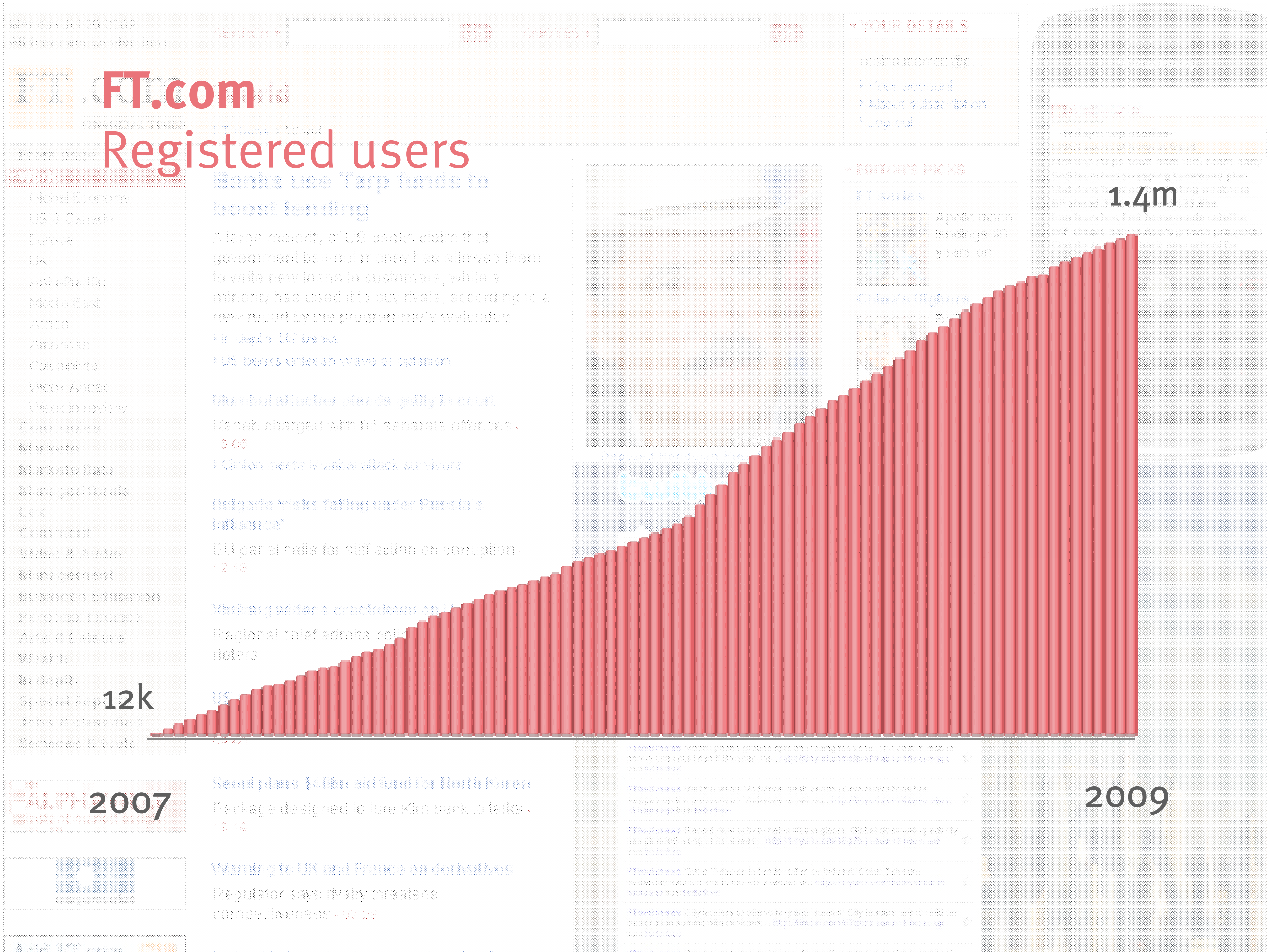
eBook sales

Penguin US monthly volumes



FT.com
Registered users



10 Cell Growth and Division

Big idea Growth, Development, and Reproduction

Q: How does a cell produce a new cell?

INSIDE:

THE MYSTERY | MYSTERY CLUES | SOLVE THE MYSTERY | EXPLORE WITH UNTAMED SCIENCE

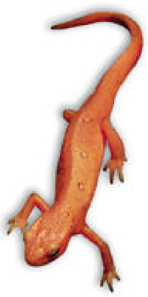
Chapter Mystery

CHAPTER MYSTERY The Pet Shop Accident

Consider the role of the cell cycle in wound healing.

How might the cell cycles of the cells surrounding the salamander's wound be affected?

Why do you think the cell cycles change in the cells surrounding a wound?



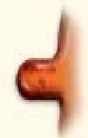
4 of 6

BIOLOGY.com Search Chapter 10 GO • Flash Cards • Untamed Science Video • Chapter Mystery

solve the CHAPTER **MYSTERY**

PET SHOP ACCIDENT

Julia kept a close eye on the injured salamander. About a month after the accident, Julia realized that a new limb was growing to replace the lost one! Salamanders are one of only a few vertebrates that can regenerate a complete limb. Examine the illustrations that show how a new limb develops. Then answer the questions.



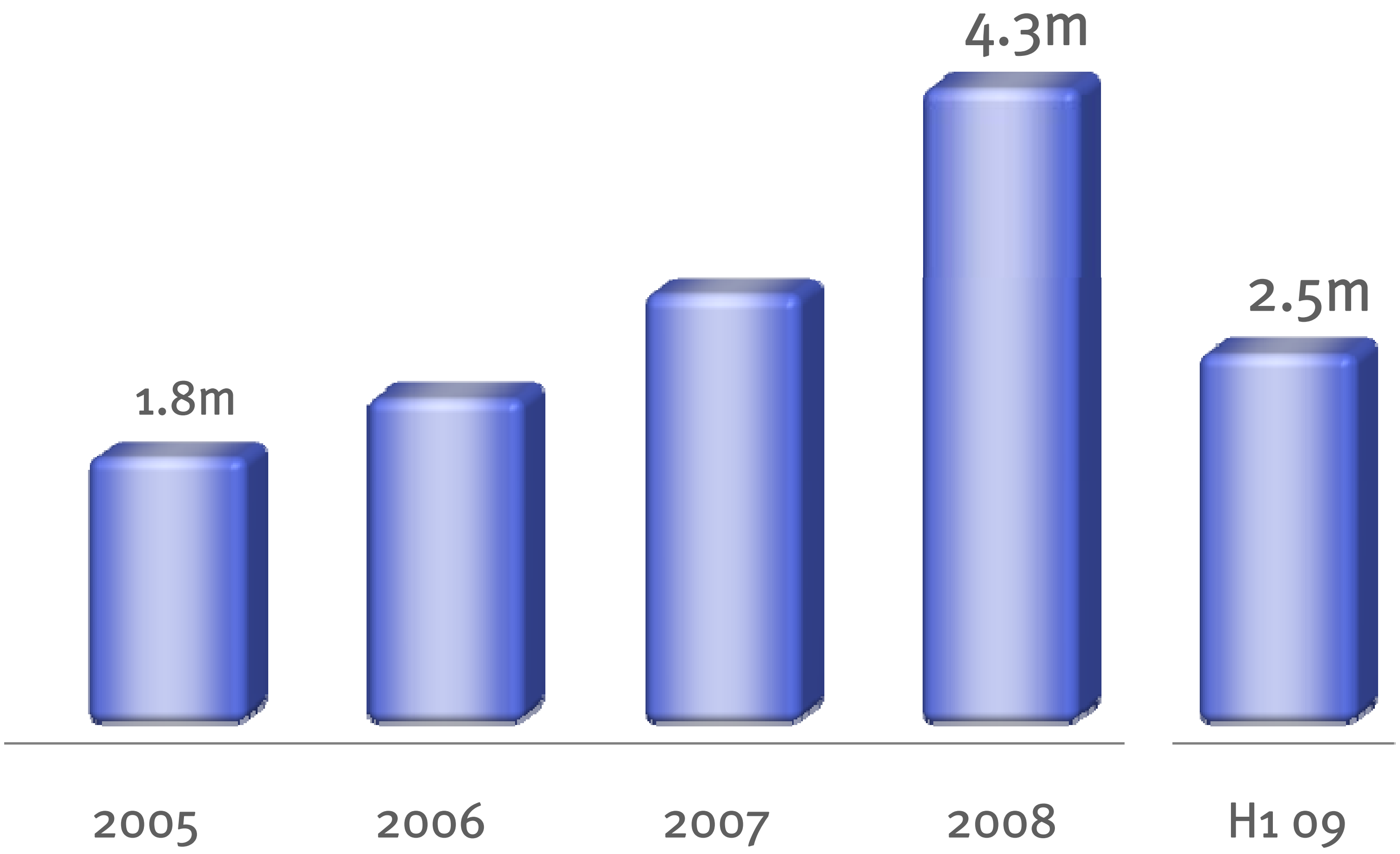
Week 1: Dedifferentiation At first, cells in the injured limb undergo dedifferentiation. During this process, cells such as muscle cells and nerve cells lose the characteristics that make them specialized.

Week 3: Blastema Formation The dedifferentiated cells migrate to the wounded area and form a blastema—a growing mass of undifferentiated cells.

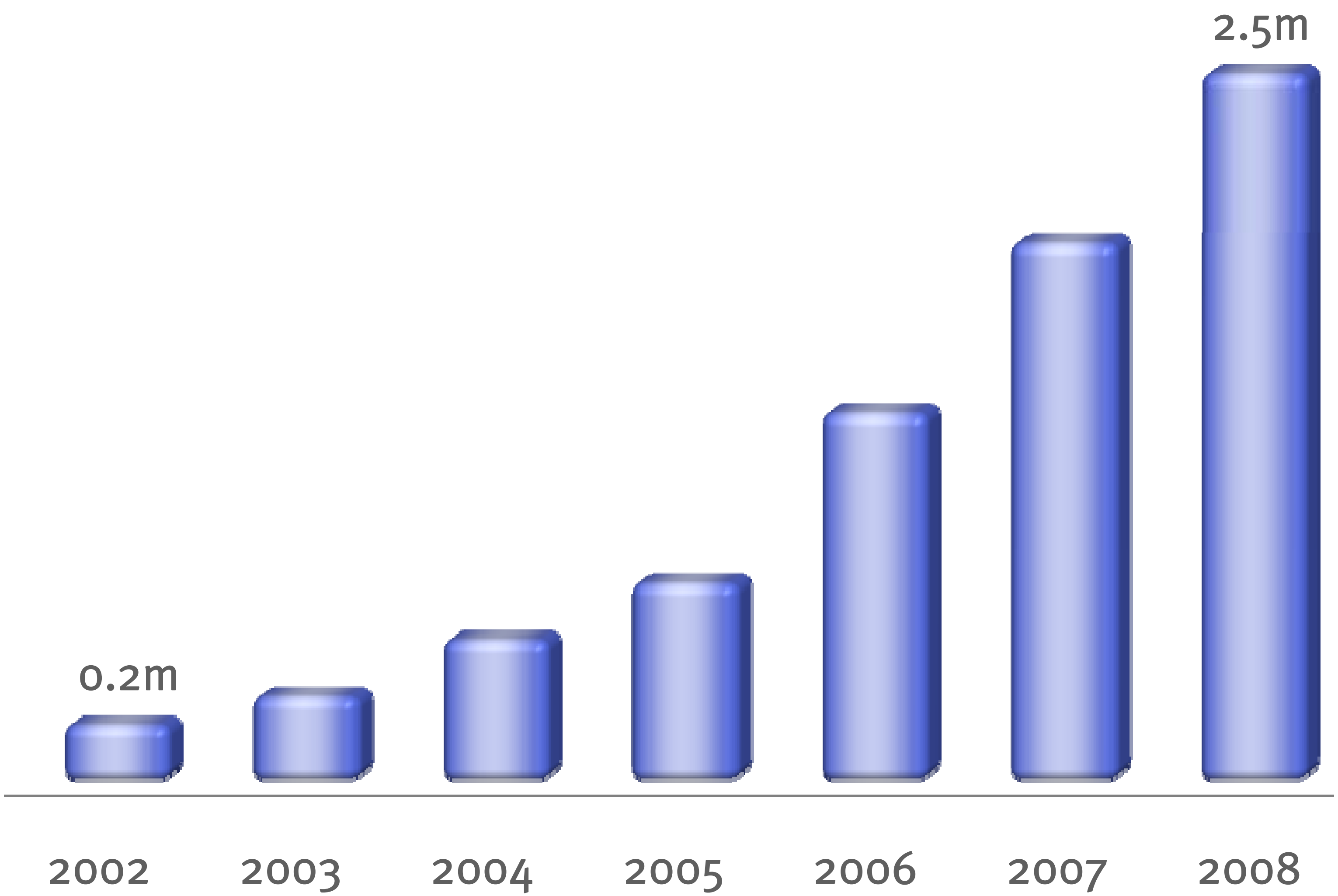
Week 5: Redifferentiation Cells in the blastema then redifferentiate and form the tissues needed for a mature limb. The limb will continue to grow until it is full size.

1. **Relate Cause and Effect** Why is dedifferentiation of the salamander's limb cells necessary before regeneration can occur?
2. **Classify** What type of cells do you think are contained in the blastema? Explain.
3. **Connect to the Big idea** Unlike salamanders, planarians contain undifferentiated cells throughout their adult bodies. How might the regeneration process in salamanders and planarians differ?

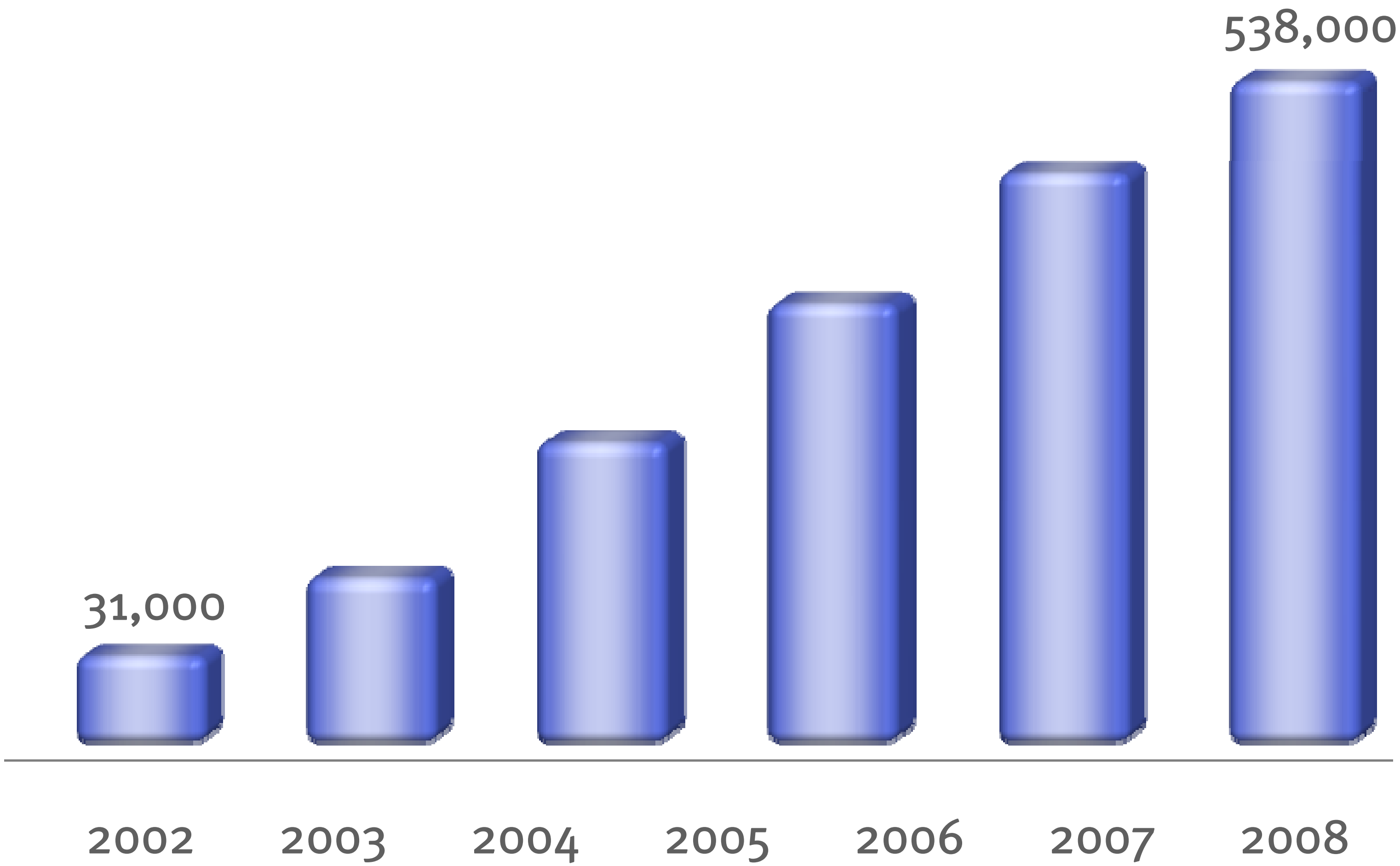
Mylab student registrations



eCollege enrolments



Fronter users

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The Eiffel Tower
Restaurants
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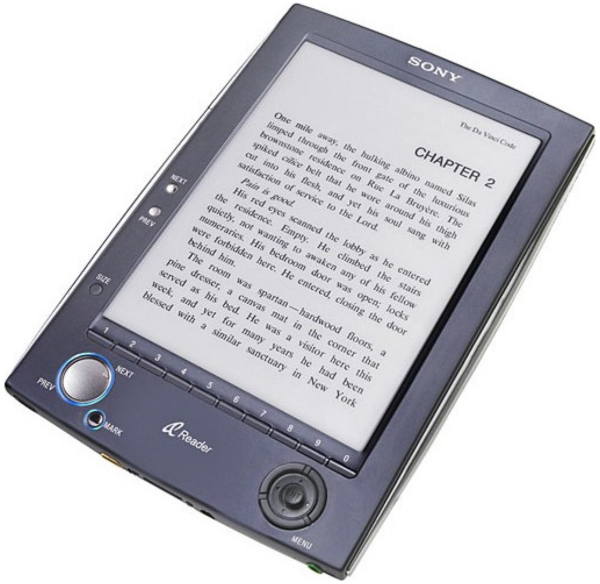
MENU
THE ROUGH GUIDE to
Eating & drinking in
Paris
Click
to continue…
MENU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Penguin US
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YouTube
Stocks
Maps
Weather
Calculator
Settings
Penguin US
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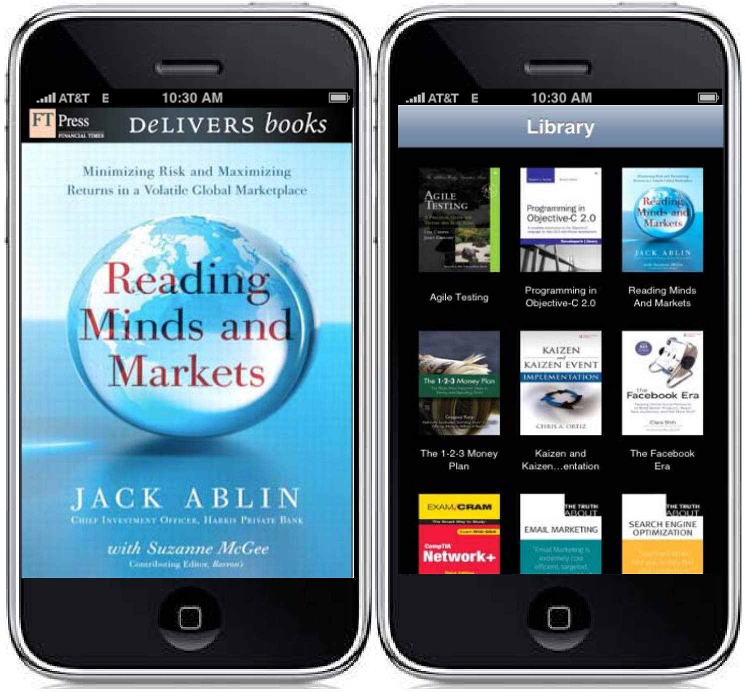
Safari
iPod
Phone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Returns in a Volatile Global Marketplace
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Minds and
Markets
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with Suzanne McGee
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Agile Testing
Programming in Objective-C 2.0
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The 1-2-3 Money Plan
Kaizen and Kaizen…entation
The Facebook Era
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FINANCIAL TIMES
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Kroes sees Lloyds and RBS asset sales
Japan past worst of slump, says minister
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Main Headlines

Energy

Due diligence increasingly focusing on antitrust risk as competition fines are on the rise – analysis

Proprietary Intelligence

Internet / ecommerce

Bol.com sees NPM Capital acquire 45% holding from Cyrte

Media

Bertelsmann eyeing minority stake acquisitions in China's multimedia companies, source says

Proprietary Intelligence

Liberty Media could invest in Weinstein Co. - report

Santillana: Prisa retains BNP; process to kick-start in Q409 - source

Proprietary Intelligence

Bloomsbury has not been approached by Pearson, no talks taking place, spokesperson says

Proprietary Intelligence

Springer hosts bilateral discussions with bidders; lenders approached to negotiate refinancing terms

Proprietary Intelligence

Virgin Media inserts clause to prevent sale of TV arm to NewsCorp, sources say

Proprietary Intelligence

Consolidated Media: Seven Network continues to buy shares – report

News Outdoor in talks to buy out debts of Gallery Media, may eye shares - report

Skyonn: 52% stake sold by PREGM for KRW 10.2bn

Kronen Zeitung: WAZ offers Dichand family to withdraw gradually; Dichand family asks for time

Dentsu joins fray for Razorfish – report

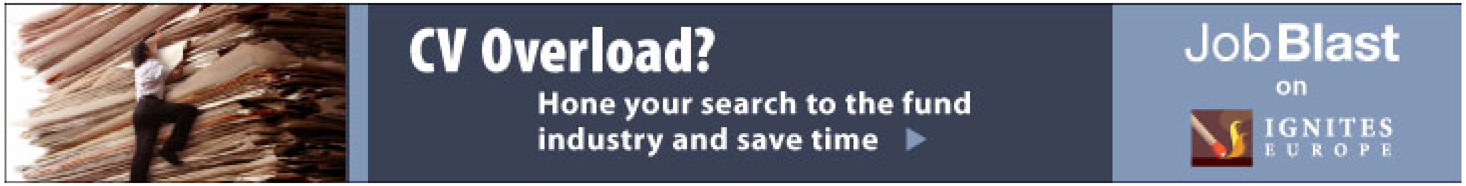
Abu Dhabi Media Company rumoured to be bidding for The Independent - report

News Outdoor denies talks with Gallery Media bondholders

Telecommunications: Carriers

Vivendi makes non-binding offer for Zain Africa - report

IGNITES EUROPE



All that's hot in the European fund industry

A Financial Times Service

TODAY'S HEADLINES

Father and son IFAs banned over guaranteed scheme

The directors of a UK-based financial firm have been banned from holding management positions and fined by the UK FSA for putting assets of almost £10m (€11.5m) owned by 53 clients at risk.

BNY Mellon in French push, Miami sell-off

BNY Mellon Asset Management France says it plans to double its assets in the next three years and eventually acquire a French manager. This comes as BNY Mellon is expected to sell Mellon United National Bank to Banco Sabadell.

Dexia AM shakes up client approach

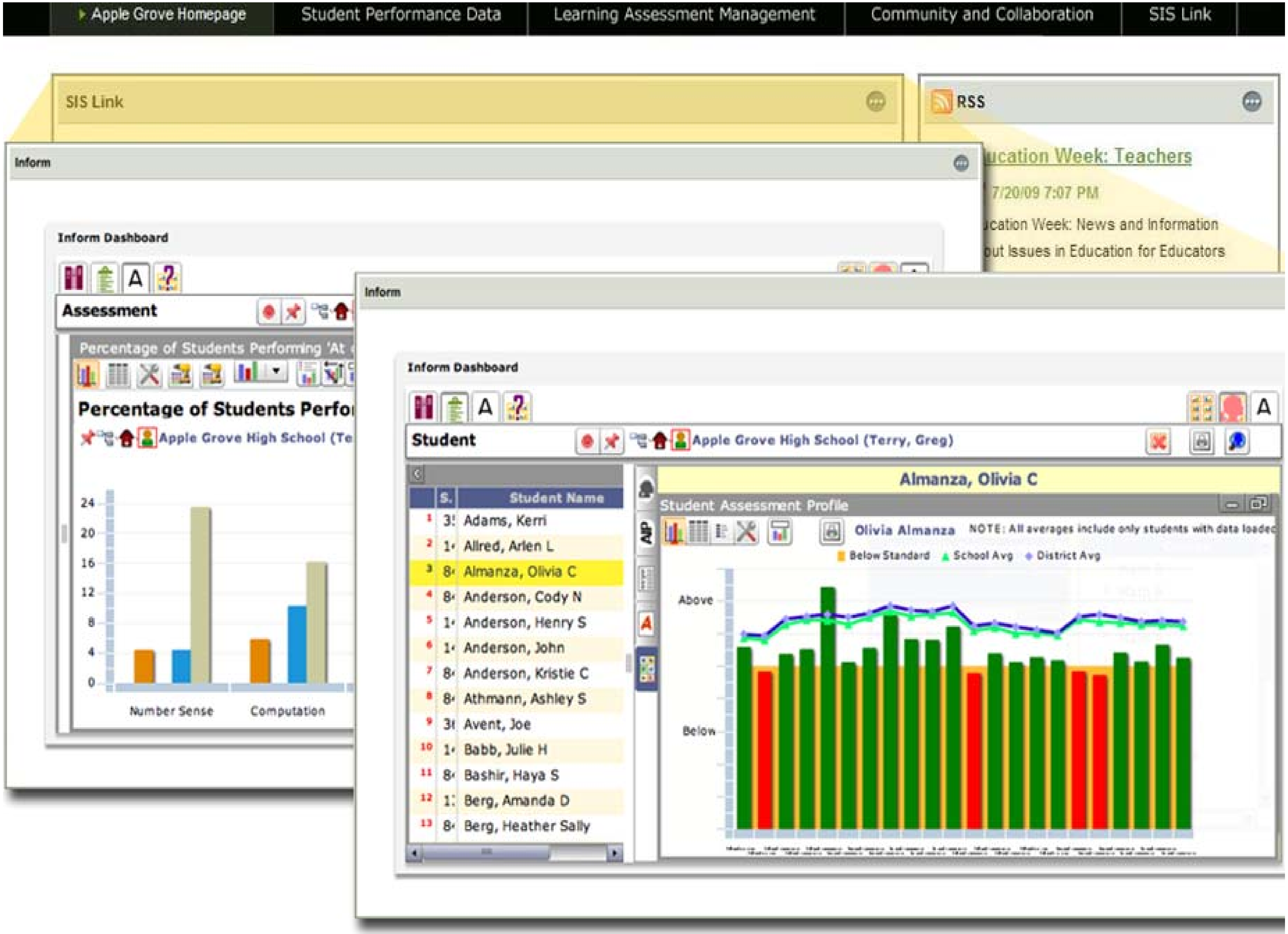
Dexia Asset Management has changed its organisation in order to improve its delivery of products to clients.

Russell seeks approval for four UK retail funds

American multi-manager Russell Investments says the range will include global growth and fixed-interest funds.

Managers increase use of 'personality tests'

Asset managers are increasingly turning to psychometric testing to manage and coach their workforce.


Apple Grove Homepage
Student Performance Data
Learning Assessment Management
Community and Collaboration
SIS Link
SIS Link
RSS
Inform
Inform Dashboard
Assessment
Percentage of Students Performing 'At
Percentage of Students Perfo
Apple Grove High School (Te
Number Sense
Computation
Inform
Inform Dashboard
Student
Apple Grove High School (Terry, Greg)
Student Name
Adams, Kerri
Allred, Arlen L
Almanza, Olivia C
Anderson, Cody N
Anderson, Henry S
Anderson, John
Anderson, Kristie C
Athmann, Ashley S
Avent, Joe
Babb, Julie H
Bashir, Haya S
Berg, Amanda D
Berg, Heather Sally
Almanza, Olivia C
Student Assessment Profile
Olivia Almanza
NOTE: All averages include only students with data loaded
Below Standard
School Avg
District Avg
Above
Below

PTE PEARSON TEST OF ENGLISH Academic

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Test Overview

Speaking and Writing

Reading

Listening

[000-000]

You will hear a recording. Type the missing words in each blank.

Status: Playing

Volume

The Indonesian island of Sumatra is home to the country's fourth-largest city, Medan, a bustling [com] hub that's also a jumping-off point for those who want to see one of the world's richest, yet least-known, forests, the Leuser [ ] in the north of the island, mostly in the province of Aceh; and the quickest way to see Leuser is by air. Mike Griffiths is a former oil company executive turned conservationist who sees Leuser as his second home, and he heads the conservation group The Leuser International Foundation. He rattles off the names of volcanoes, rivers and other [ ] as our plane climbs from Medan over the [ ] green jungle below.

Previous (P) | Next (N) | End Exam (E)

Main Menu

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Livemocha English: Grammar

Unit 1 > Lesson 2 > Grammar

- Video Dialog
- **Grammar**
- Reading
- Writing

- Course Home

Grammar: Activity 1 of 2

Click through the slides below to learn new material. When you have seen all of the slides, click the "Done" button to continue to the related exercise(s).

« PREVIOUS SLIDE NEXT SLIDE »

Names and Titles

0:18

Everyone has a first name and a family name. For example: Ana Pedroso.

Ana is her first name, or given name.
Pedroso is her family name, or last name.

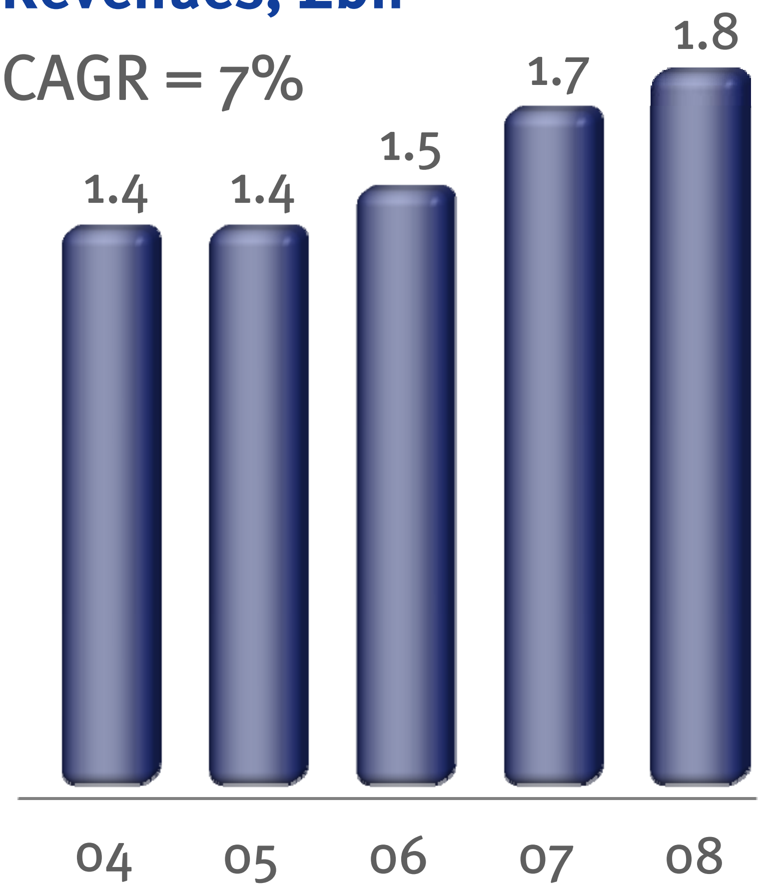
In English, we give our first name, then our last name.

Hi, I'm Ana Pedroso.
Hello, I'm Emi Okada.

A growth company
Pearson International

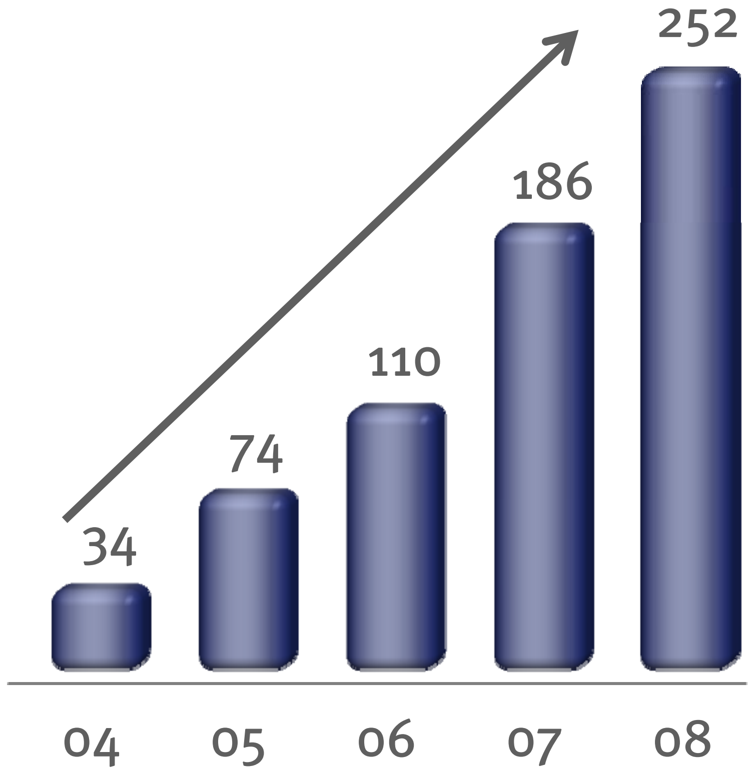
Revenues, £bn

CAGR = 7%



Profits, £m

CAGR = 65%



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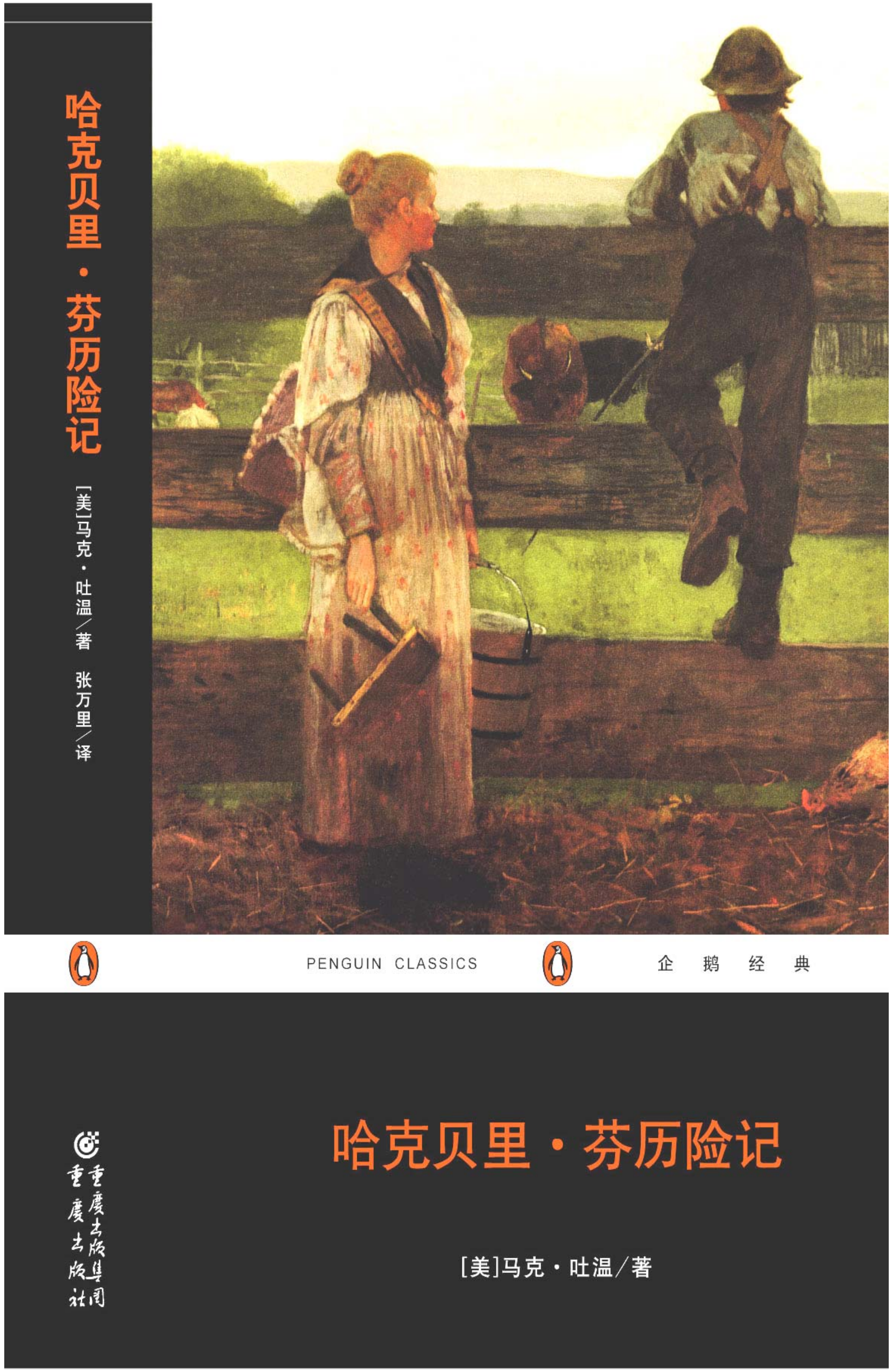

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6 姐妹情 Girls
7 黑塔3－－荒原的试炼
8 蓝色地带 The Blue Zone
9 善良的德国人 Good German
10 奥德兄弟 Brother Odd
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亲爱的西餐，美食DIY
吃的乐趣用钱可以买到，做的乐趣有钱也买不到。做菜就像谈恋爱，不做就不会知道滋味……
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The Cooking book
Eat Yourself Smart
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Water
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2 Myths & Legends Explained
3 Bird
4 Wow!
5 Decorative Arts
6 1001 Ways to Get in Shape
7 Film
8 I Can Draw Magical Creatures
9 Greece, Athens & the Mainland
10 Paris

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PREMIUM INVESTMENT INTELLIGENCE

50bn

ESTIMATED SIZE IN US DOLLARS OF CHINA'S FOR-PROFIT EDUCATION SECTOR THIS YEAR

MARCH 19 2009

THE STIMULUS IS REAL

HEALTHCARE STIRS THE PULSE

POLITICS: A TEAM OF RIVALS

LIVING ON RMB 100 A WEEK

EDUCATION: MAKING A DEFENSIVE PLAY

A FINANCIAL TIMES PUBLICATION

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PREMIUM INVESTMENT INTELLIGENCE

JULY 9 2009

TELECOMS: FORTUNES DIVERGE

RIOTS IN XINJIANG

IS THE STOCK RALLY OVER?

FUNDS STILL FLOWING TO CHINA

7.5%

Q2 GDP GROWTH ESTIMATE BY ZHANG JIANHUA, HEAD OF PBOC'S RESEARCH BUREAU

Our five-year record

- 10% annual sales growth
- 20% annual EPS growth
- 17% annual growth in operating cashflow
- ROIC from 6.3% to 9.2%
- 7% annual dividend growth

Headline growth rates

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Appendices

Share gains in new school adoptions

2009 estimates

Subject	Total opportunity	Market share (where we compete)	Position
Science	$25m	*31%*	#2
Social Studies	$50m	*24%*	#3
Reading/literature	$175m	*33%*	#2
Maths	$175m	*46%*	#1
Other	$20m	*27%*	#2
Total competed for	$445m	*37%*	#1
Total – all adoptions	$520m	*32%*	#2

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Reconciliation: statutory to adjusted earnings

2009

£m	Statutory	Other net gains / (losses)	Amortisation of acquired intangibles	Other net finance costs	Tax amortisation benefit	Adjusted earnings
Operating profit	109	-	49	-	-	158
Net finance costs	(47)	-	-	-	-	(47)
Profit before tax	62	-	49	-	-	111
Income tax	(18)		(14)	-	2	(30)
Profit after tax	44	-	35	-	2	81
Discontinued operations	-	-	-	-	-	-
Profit for the period	44	-	35	-	2	81
Minority Interest	(16)	-	(2)	-	-	(18)
Earnings	28	-	33	-	2	63

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Reconciliation: statutory to adjusted earnings
2008

£m	Statutory	Other net gains / (losses)	Amortisation of acquired intangibles	Other net finance costs	Tax amortisation benefit	Adjusted earnings
Operating profit	95	-	29	-	-	124
Net finance costs	(40)	-	-	-	-	(40)
Profit before tax	55	-	29	-	-	84
Income tax	(16)	-	(10)	-	2	(24)
Profit after tax	39	-	19	-	2	60
Discontinued operations	(88)	88	-	-	-	-
Profit for the period	(49)	88	19	-	2	60
Minority Interest	(13)	-	(2)	-	-	(15)
Earnings	(62)	88	17	-	2	45

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Reconciliation: pre-publication costs

£m	H1 2009	H1 2008
Opening balance	695	450
Exchange	(69)	2
New spend capitalised	158	128
Acquisitions (net)	3	34
Amortisation	(113)	(87)
Closing balance	674	527
Total education sales	1,521	1,183
Amortisation as a % of sales	7.4%	7.4%

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Reconciliation: half-year net debt

£m	2009	2008
Non current assets		
Derivative financial instruments	121	21
Current assets		
Derivative financial instruments	-	2
Marketable securities	60	19
Cash and cash equivalents	455	448
Non current liabilities		
Borrowings	(2,437)	(1,897)
Derivative financial instruments	(3)	(21)
Current liabilities		
Borrowings	(47)	(251)
Derivative financial instruments	(9)	(3)
Net debt	(1,860)	(1,682)

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Retirement benefit obligations

£m	H1 2009	H1 2008
Income statement		
Operating charge		
Defined benefit schemes	10	9
Defined contribution schemes	31	26
Post retirement medical benefit schemes	1	6
	42	41
Interest	6	(5)
Total	48	36
Balance sheet		
UK pension scheme asset/liabilities	(79)	36
Other pension scheme liabilities	(76)	(26)
Post retirement medical benefit liability	(61)	(50)
Other pension accruals	(17)	(18)
Total	(233)	(58)

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2009 half-year results