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Always learning
2009 results
1 March 2010

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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Financial highlights

£m	2009	2008	Headline growth	CER growth
Sales	5,624	4,811	*17%*	*4%*
Operating profit	858	762	*13%*	*4%*
Adjusted eps	65.4p	57.7p	*13%*	-
Operating cash flow	913	796	*15%*	-
Dividend	35.5p	33.8p	*5%*	-

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The story of 2009

1. **Significant share gains**

2. Rapid growth in digital, services, emerging markets

3. Sustained organic investment

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Significant share gains

5 year record

North American education

School

Growth vs. rest of industry

Higher Ed

Growth vs. rest of industry

State & National Assessment

Average contract win ratio

Sources: Pearson, AAP (2004 = 100)

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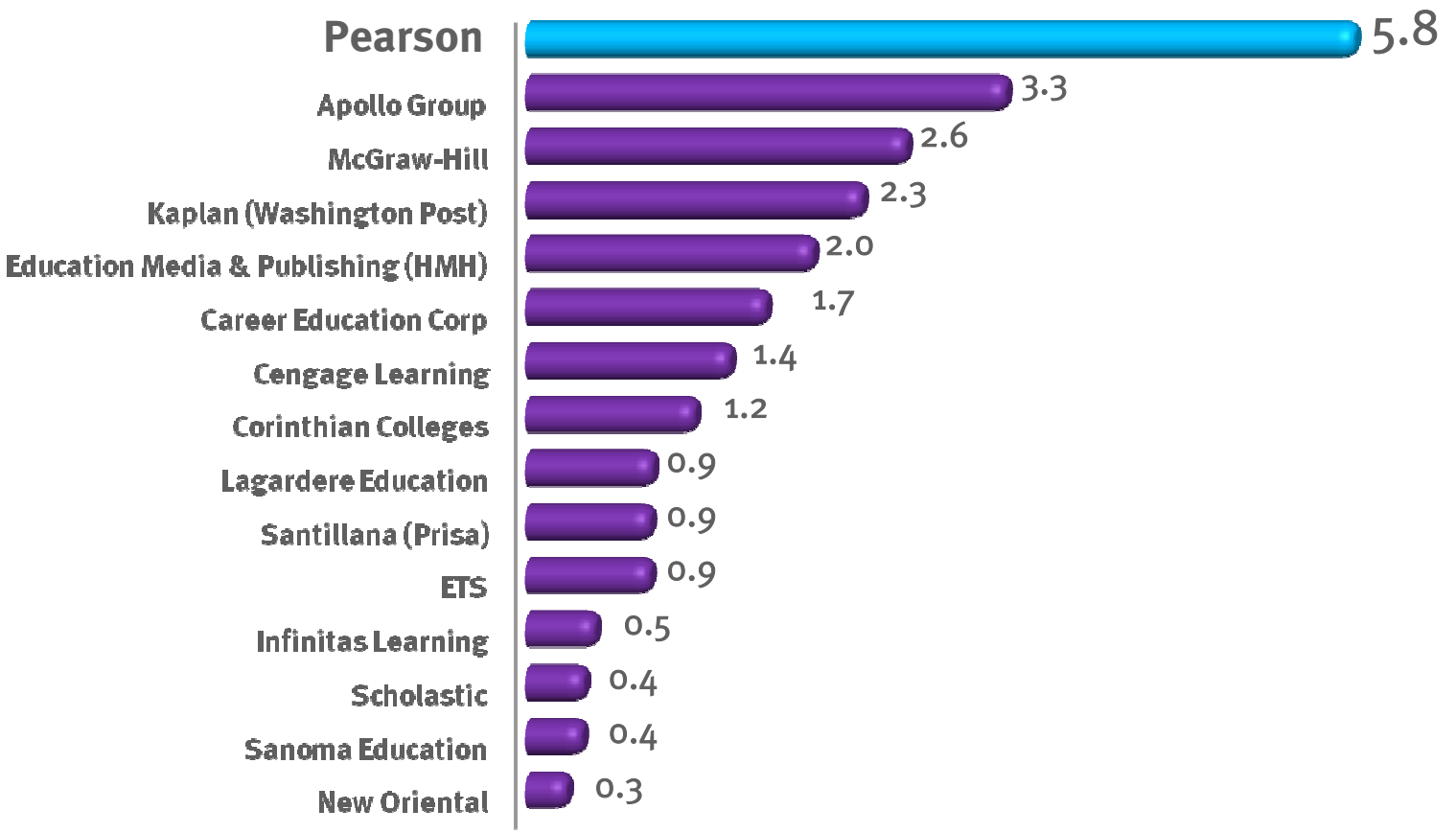
The world's leading education companies

Education revenues, $bn



2008 data

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The story of 2009

1. Significant share gains

2. **Rapid growth in digital, services, emerging markets**

3. Sustained organic investment

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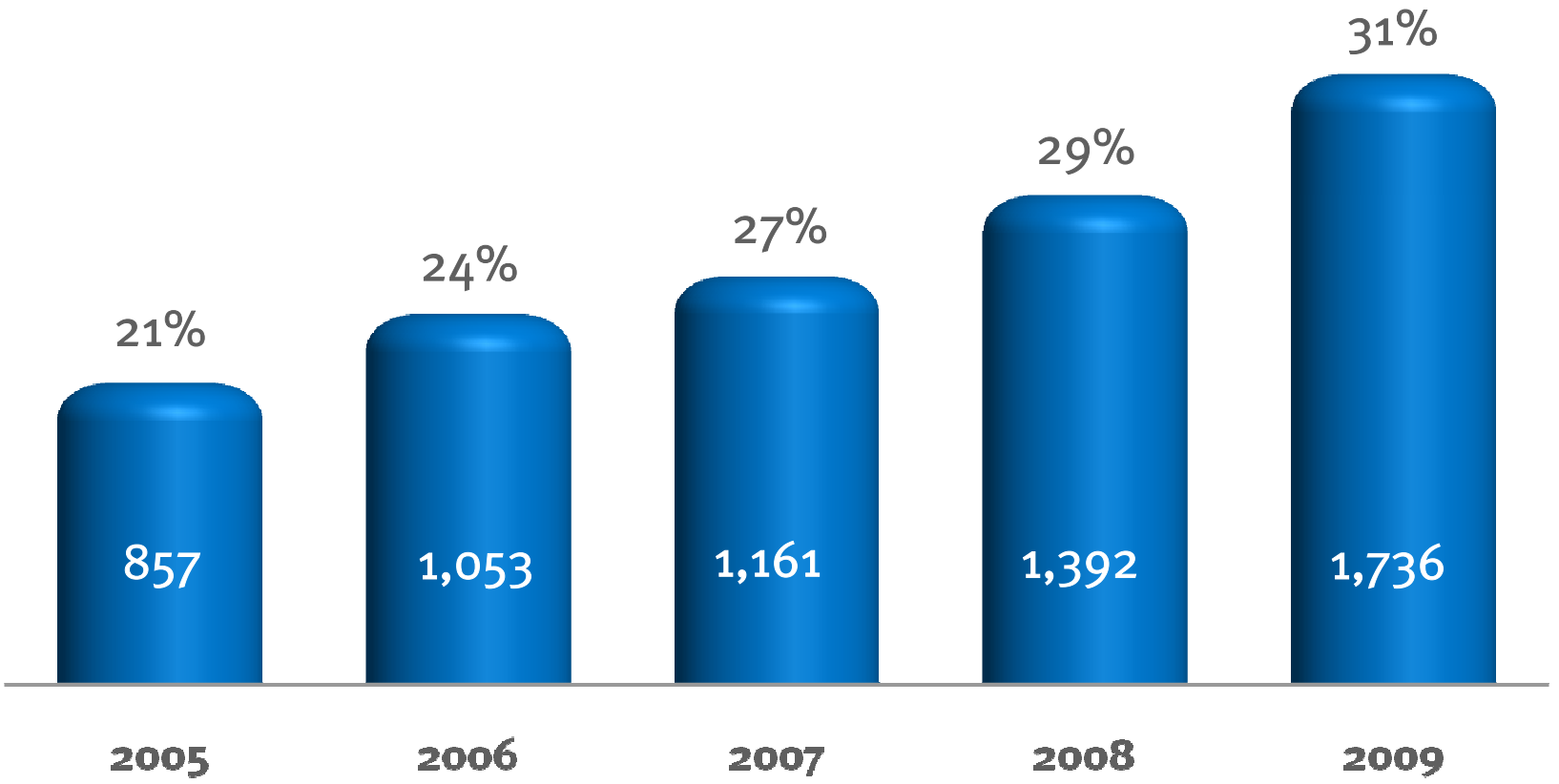
Rapid growth in digital businesses

Pearson's digital revenues, £m/% of sales



At constant exchange rate

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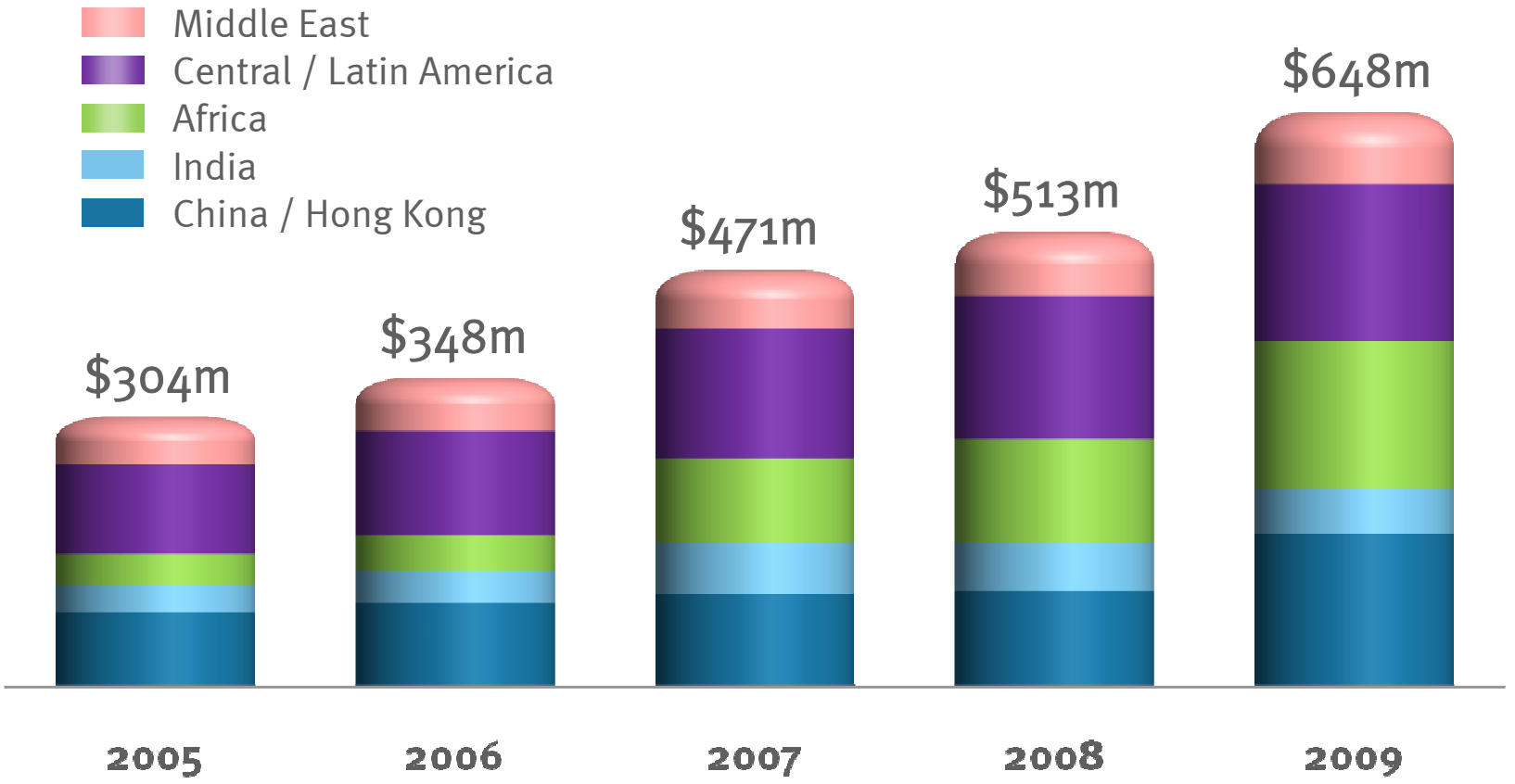
Rapid growth in emerging markets

Pearson revenues



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The story of 2009

1. Significant share gains

2. Rapid growth in digital, services, emerging markets

3. Sustained organic investment

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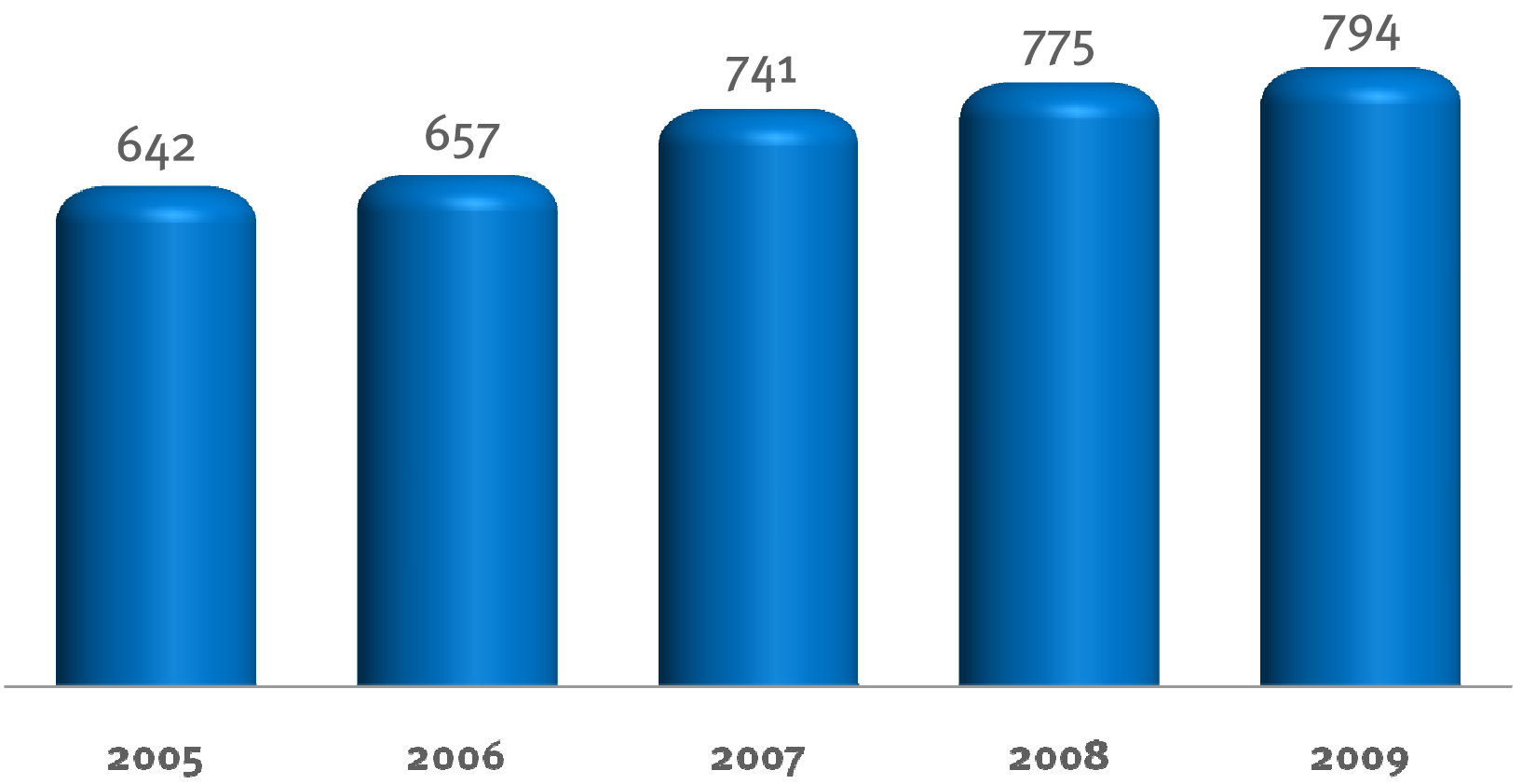
Sustained organic investment

Pre-publication expenditure & authors' advances

$m



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Financial review

2009 financial highlights

Strength in global education

Healthy margins in FT Group and Penguin

Significant currency impact

Stronger balance sheet; steady cash returns

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Sales growth

£m	2009	2008	CER growth	Underlying growth
North American Education	**2,470**	2,002	*5%*	*5%*
International Education	**1,035**	866	*13%*	*4%*
Professional	**275**	244	*(1)%*	*(1)%*
Education	**3,780**	3,112	*7%*	*4%*
FT Publishing	**358**	390	*(12)%*	*(12)%*
Interactive Data	**484**	406	*5%*	*2%*
FT Group	**842**	796	*(3)%*	*(5)%*
Penguin	**1,002**	903	*(1)%*	*(2)%*
Total	**5,624**	4,811	*4%*	*2%*

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Profit growth

£m	2009	2008	CER growth	Underlying growth
North American Education	403	303	13%	13%
International Education	141	135	19%	14%
Professional	43	36	8%	8%
Education	587	474	14%	13%
FT Publishing	39	74	(42)%	(42)%
Interactive Data	148	121	7%	2%
FT Group	187	195	(12)%	(14)%
Penguin	84	93	(17)%	(19)%
Total	858	762	4%	2%

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Healthy margins

	Margins					
	2004	2005	2006	2007	2008	2009
NA Education	15.4%	16.5%	16.7%	16.4%	15.1%	16.3%
Int'l Education	5.6%	9.1%	11.4%	12.5%	15.6%	13.6%
Professional	(3.0)%	1.1%	8.1%	11.9%	14.8%	15.6%
FT Publishing	(0.9)%	6.8%	9.6%	16.3%	19.0%	10.9%
Interactive Data	24.9%	26.9%	26.8%	28.2%	29.8%	30.6%
Penguin	6.6%	7.5%	7.8%	8.7%	10.3%	8.4%
Pearson	10.6%	12.8%	13.8%	14.9%	15.8%	15.3%

Continuing operations

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Currency effects

P&L average	2009	2008
$/£	1.57	1.85
€/$	1.12	1.25

Sensitivity

Translation: Ave $ +/- 5c = eps +/- 1.3p

Transaction	(2009 vs. 2008)
International Education	£(17)m
Penguin	£(6)m
FT Group	£(5)m
Other	£1m
Total	£(27)m

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Adjusted EPS

£m	2009	2008	Headline growth
Operating profit	858	762	*13%*
Interest	(97)	(88)	*(10)%*
Taxation	(194)	(178)	*(9)%*
Tax rate	*25.5%*	*26.4%*	
Profit after tax	567	496	*14%*
Minorities	(44)	(36)	*(22)%*
Adjusted earnings	523	460	*14%*
Shares in issue	*799.3*	*797.0*	
Adjusted EPS	65.4p	57.7p	*13%*

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Statutory P&L

£m	2009	2008	Headline growth
Operating profit	755	676	12%
Interest	(97)	(88)	(10)%
Finance costs – IAS39 / IAS21	2	(3)	-
Profit before tax	660	585	13%
Taxation	(198)	(172)	(15)%
Profit after tax	462	413	12%
Discontinued operations	-	(90)	-
Profit for the year	462	323	43%
Basic EPS (total)	53.2p	36.6p	45%
Basic EPS (continuing)	53.2p	47.9p	11%

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Operating cash flow

£m	2009	2008	*var*
Operating profit	**858**	762	*96*
Working capital	**105**	(69)	*174*
Net capital expenditure	**(121)**	(121)	*--*
Depreciation	**129**	110	*19*
Dividends from associates	**22**	23	*(1)*
Exchange and other movements	**(80)**	91	*(171)*
Operating cash flow	**913**	796	*117*
Cash conversion %	***106%***	*104%*	

Working capital includes pre-publication

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Free cash flow

£m	2009	2008	var
Operating cash flow	913	796	117
Tax paid	(103)	(89)	(14)
Cash tax %	*12%*	*12%*	
Net interest paid	(87)	(76)	(11)
Operating free cash flow	723	631	92
Other non operating	-	-	-
Total free cash flow	723	631	92
Free cash flow / share	90.5p	79.2p	11.3p

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Balance sheet

£m	2009	2008	var
Goodwill / intangible assets	5,129	5,353	(224)
Tangible fixed assets	388	423	(35)
Pre-publication	650	695	(45)
Deferred revenue	(487)	(444)	(43)
Working capital	648	817	(169)
Other net liabilities	(107)	(78)	(29)
Net trading assets	6,221	6,766	(545)
Shareholders' funds	4,345	4,750	(405)
Deferred tax	86	75	11
Pensions	339	118	221
Other provisions	68	89	(21)
Minorities	291	274	17
Net debt	1,092	1,460	(368)
Capital employed	6,221	6,766	(545)
$/£	1.61	1.44	

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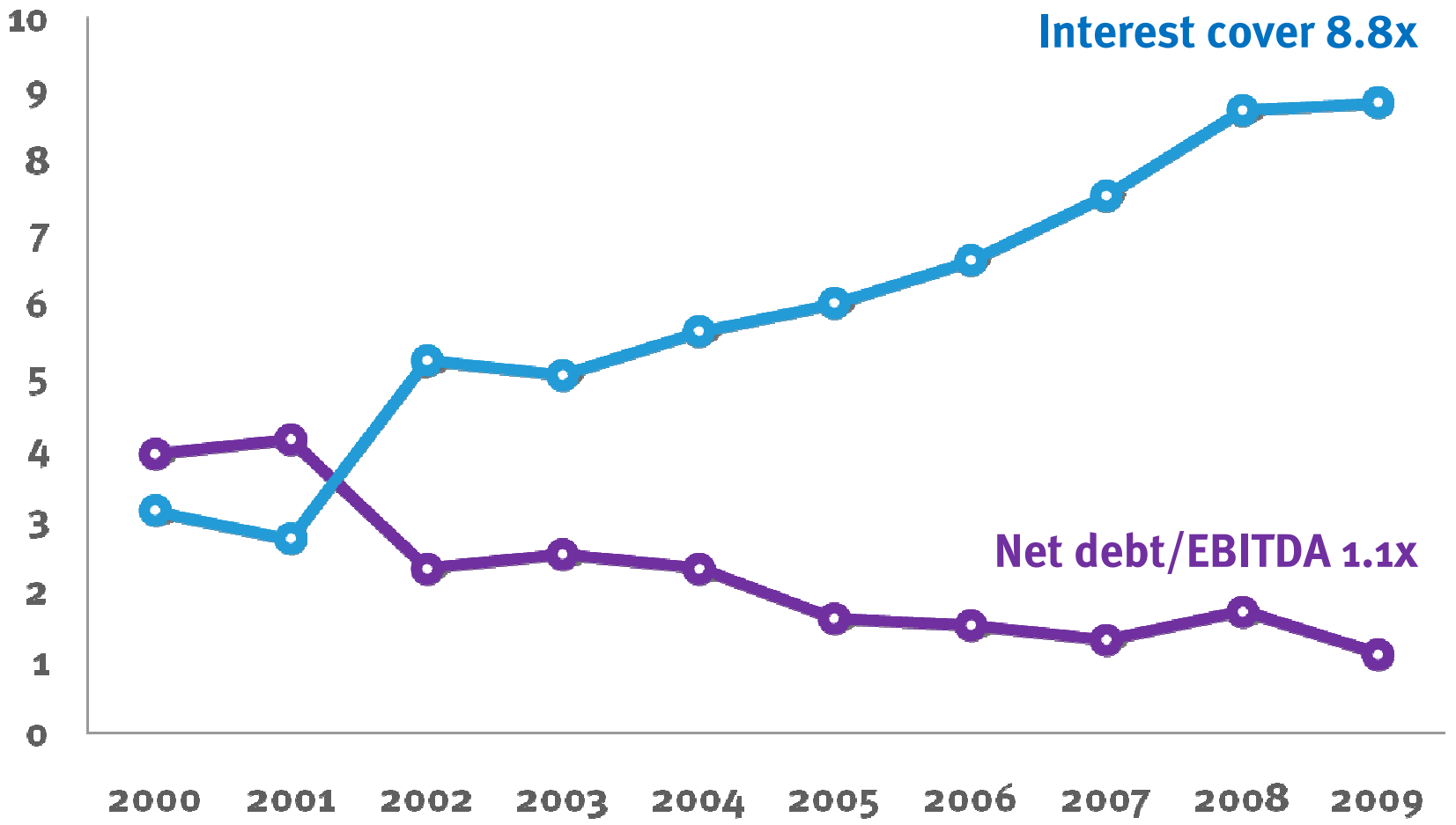
Balance sheet strength



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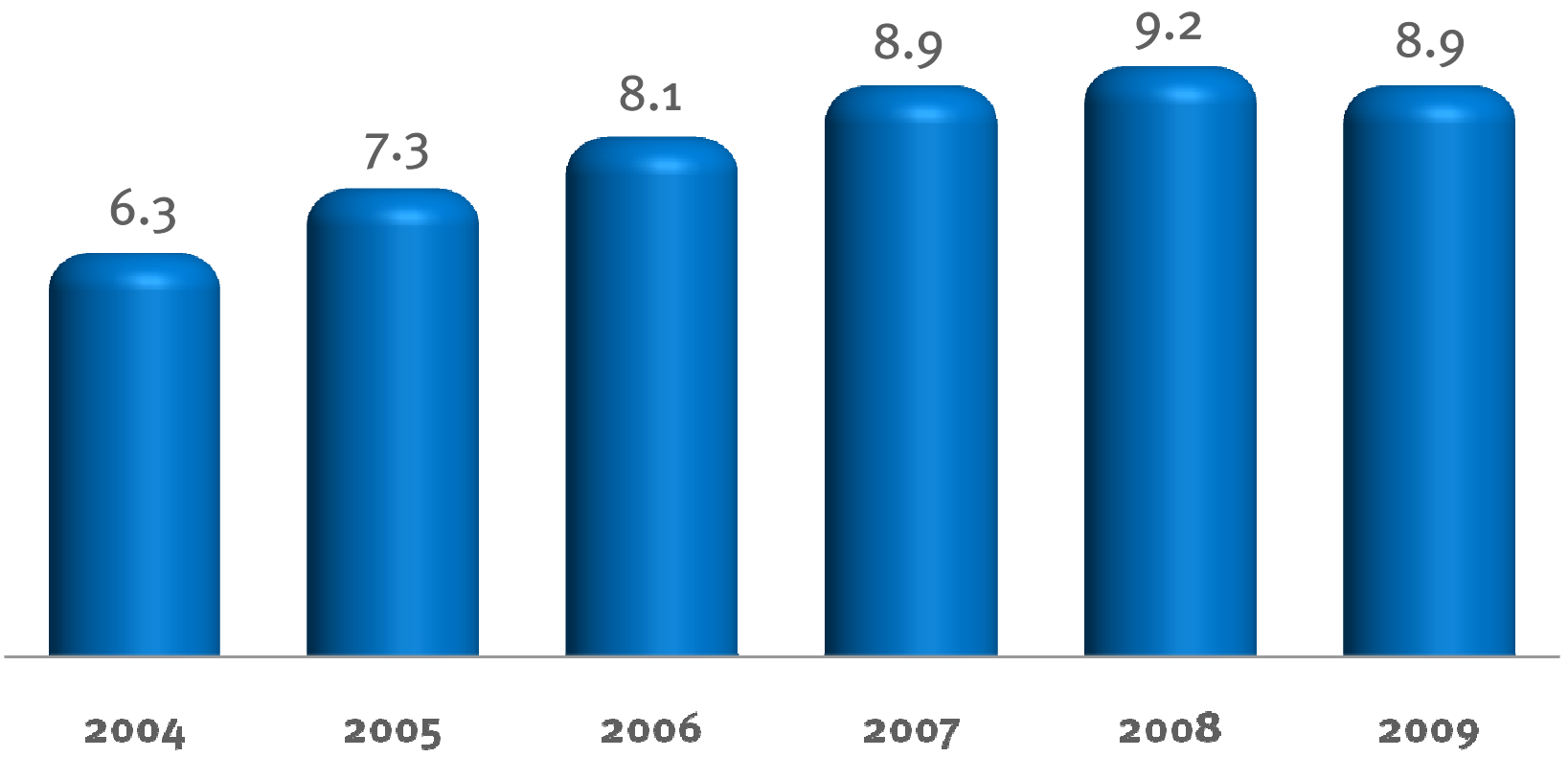
Return on invested capital (%)



Average capital/actual cash tax

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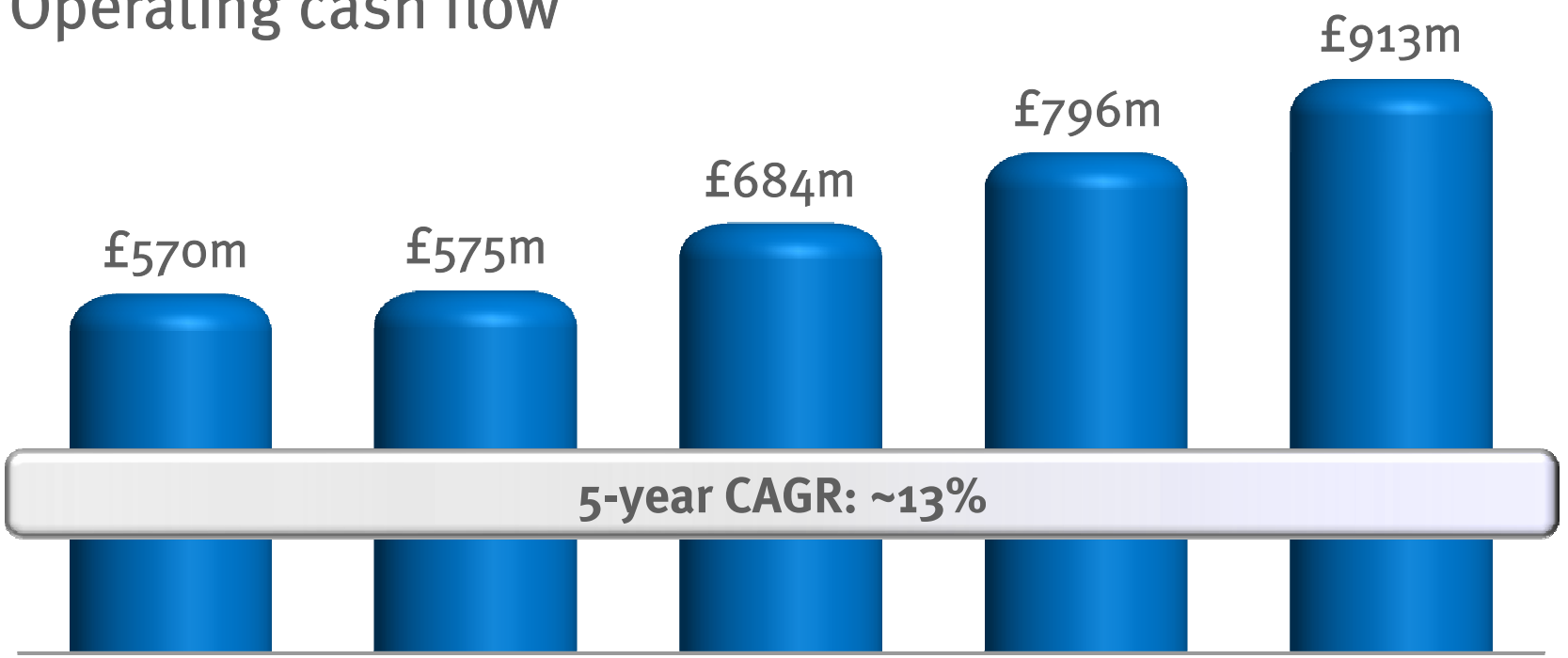
Strong cash generation

Operating cash flow



	2005	2006	2007	2008	2009
Cash conversion	113%	97%	108%	104%	106%
FCF per share (p)	54.0	54.2	51.1	79.2	90.5

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Uses of cash

Organic investment

Bolt-on acquisitions

Dividends

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Uses of cash: bolt-on acquisitions

2002-2009

Disposal proceeds	$3.6bn
Investment in acquisitions	$3.3bn
ROIC on acquisitions	~1.5x WACC

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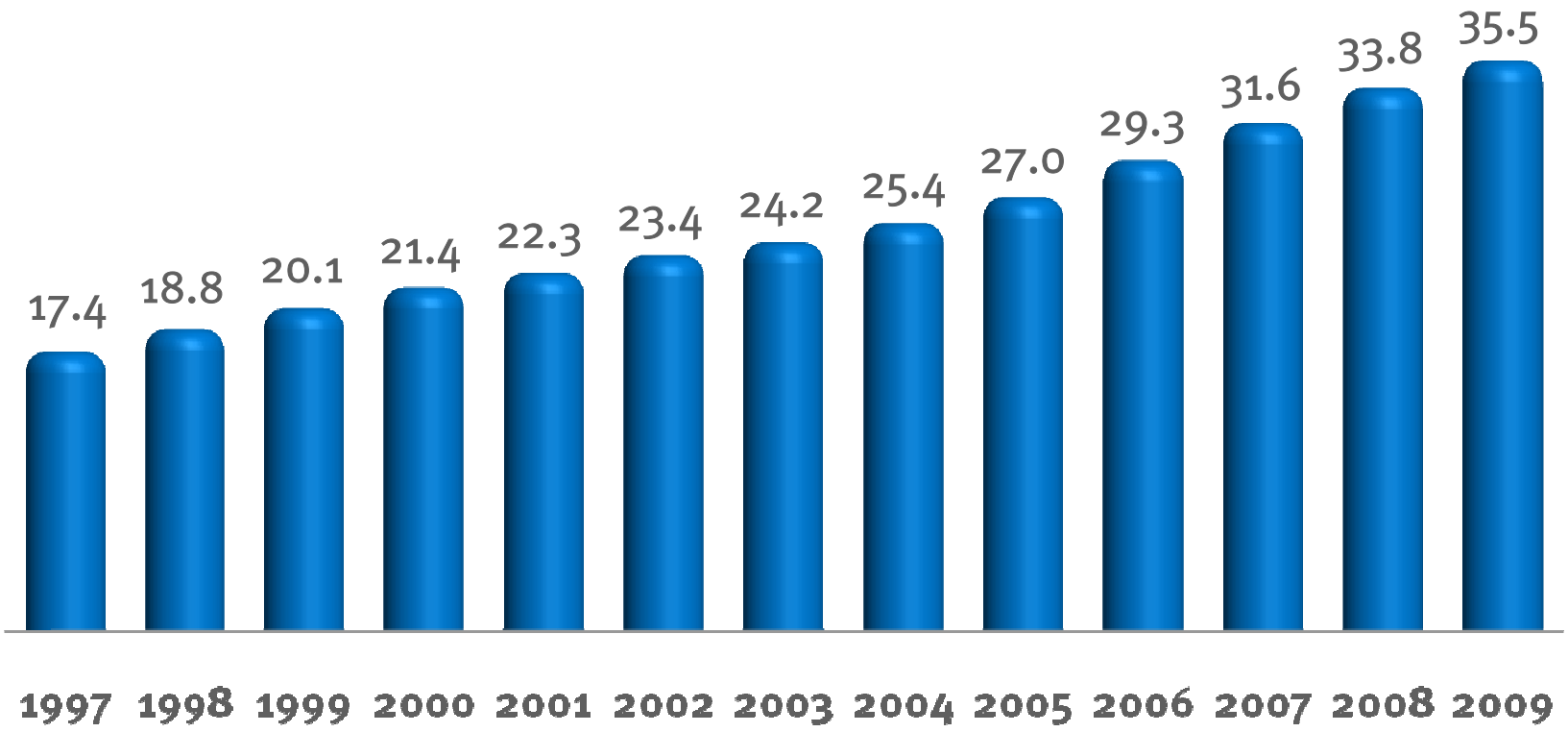
Uses of cash: dividend growth

Pence per share



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2010 outlook

North American Education

- school funding pressure/larger adoption opportunity
- federal reform: standards, teachers, data, school improvement
- college enrolments firm

International Education

- public funding pressure in some developed markets
- sustained demand for testing, qualifications & higher education
- strong secular growth trends

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2010 outlook

FT Group

- healthy demand for premium content and services
- advertising volatile
- subscription businesses resilient

FT

FINANCIAL TIMES GROUP

Penguin

- industry broadly flat
- good competitive performance
- rapid growth in eBooks

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2010 priorities

Underlying operating profit growth

Strong cash conversion

Continued investment

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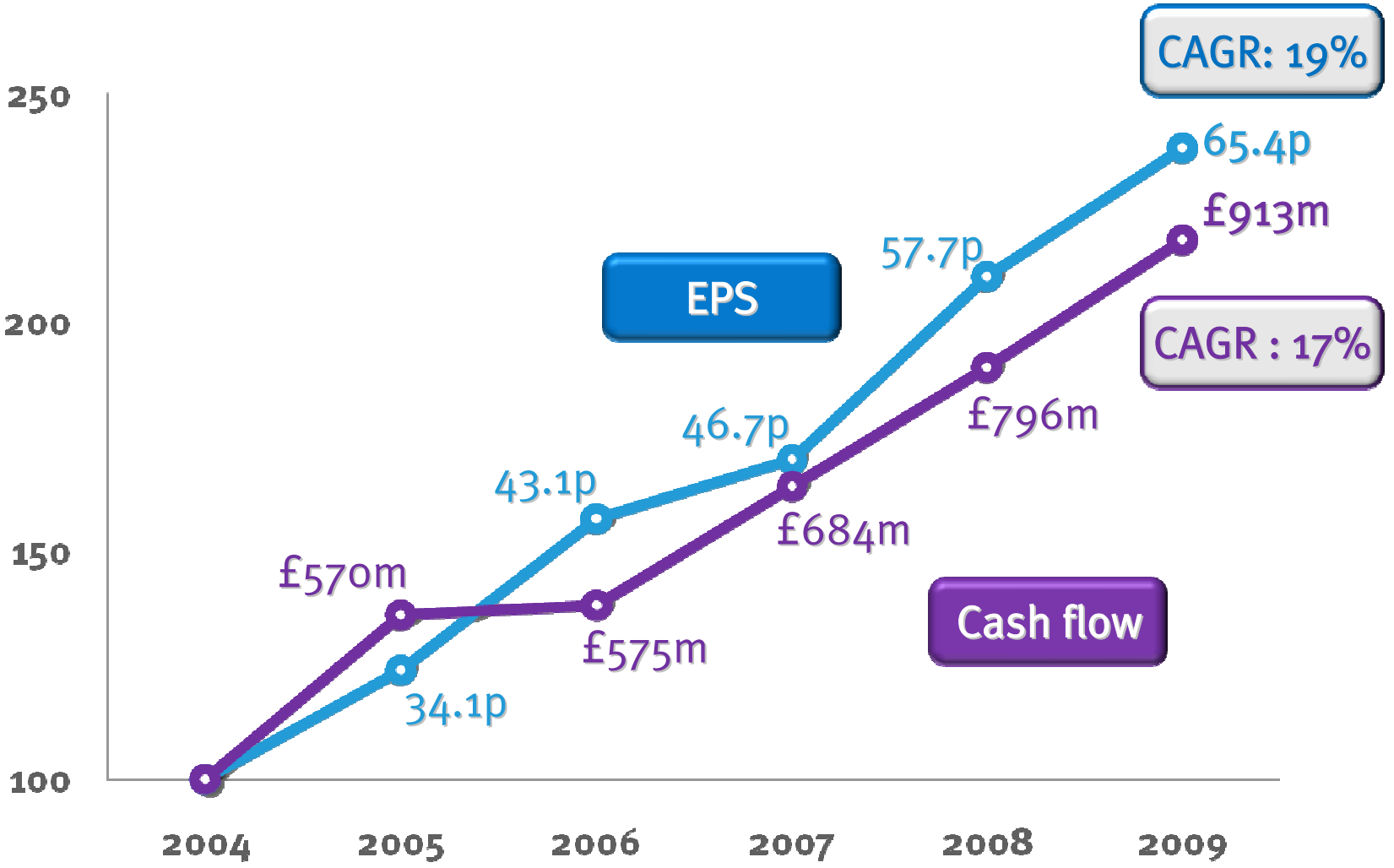
Durability and growth



2004=100

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The next chapter

Next generation learning technologies

Services

Emerging markets

New consumer experiences

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The leader in learning technologies

2009 growth

My Labs	**6m** registered users
eCollege	**3.5m** registered users
Powerschool	**8.5m** students
SuccessNet	**4.4m** student registrations
Online testing	**9.3m** online tests
Poptropica	**70m** unique visitors
ePen	**206m** scores assigned
Edustructures	**8.1m** students served
Fronter	**112m** log-ins

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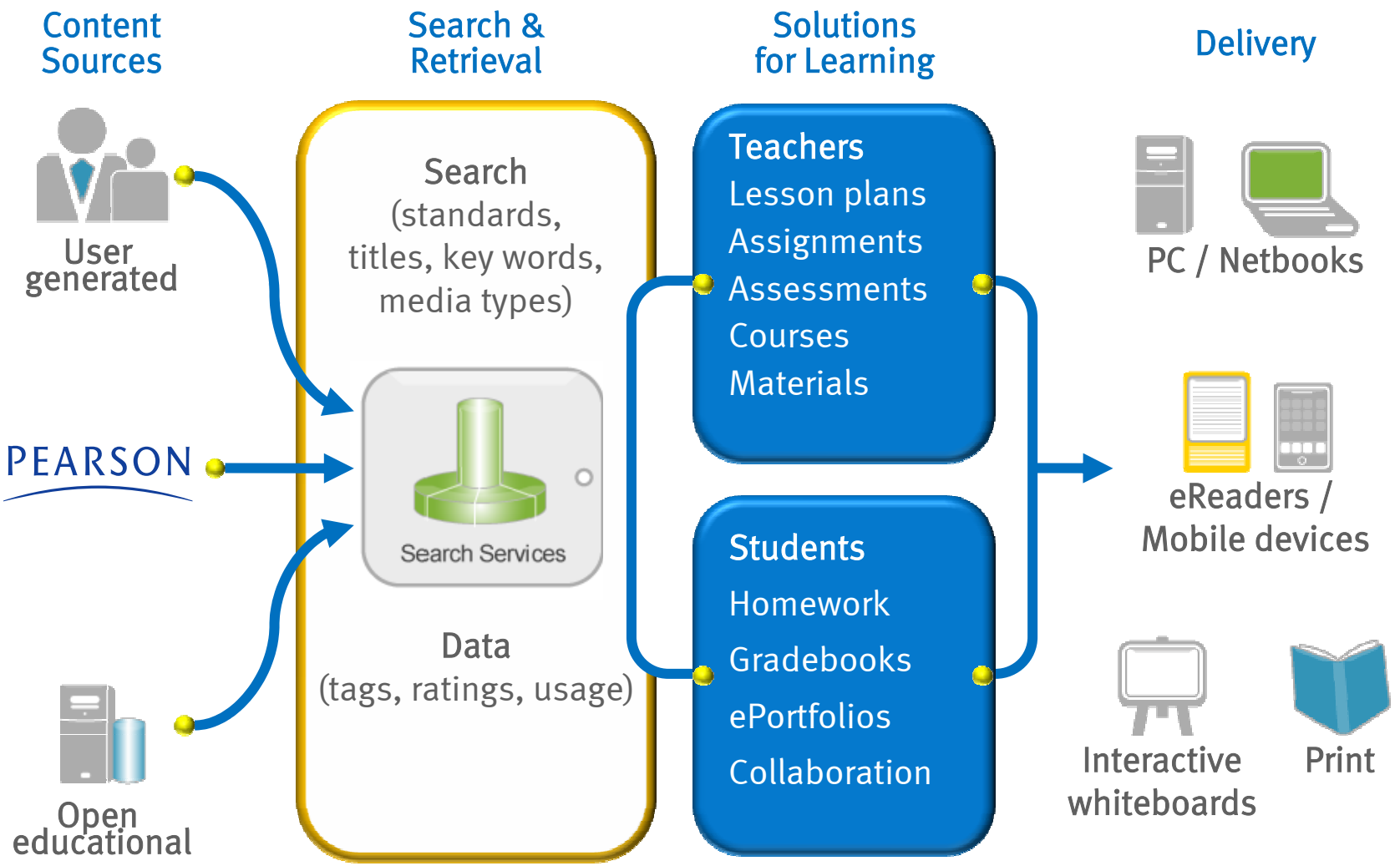
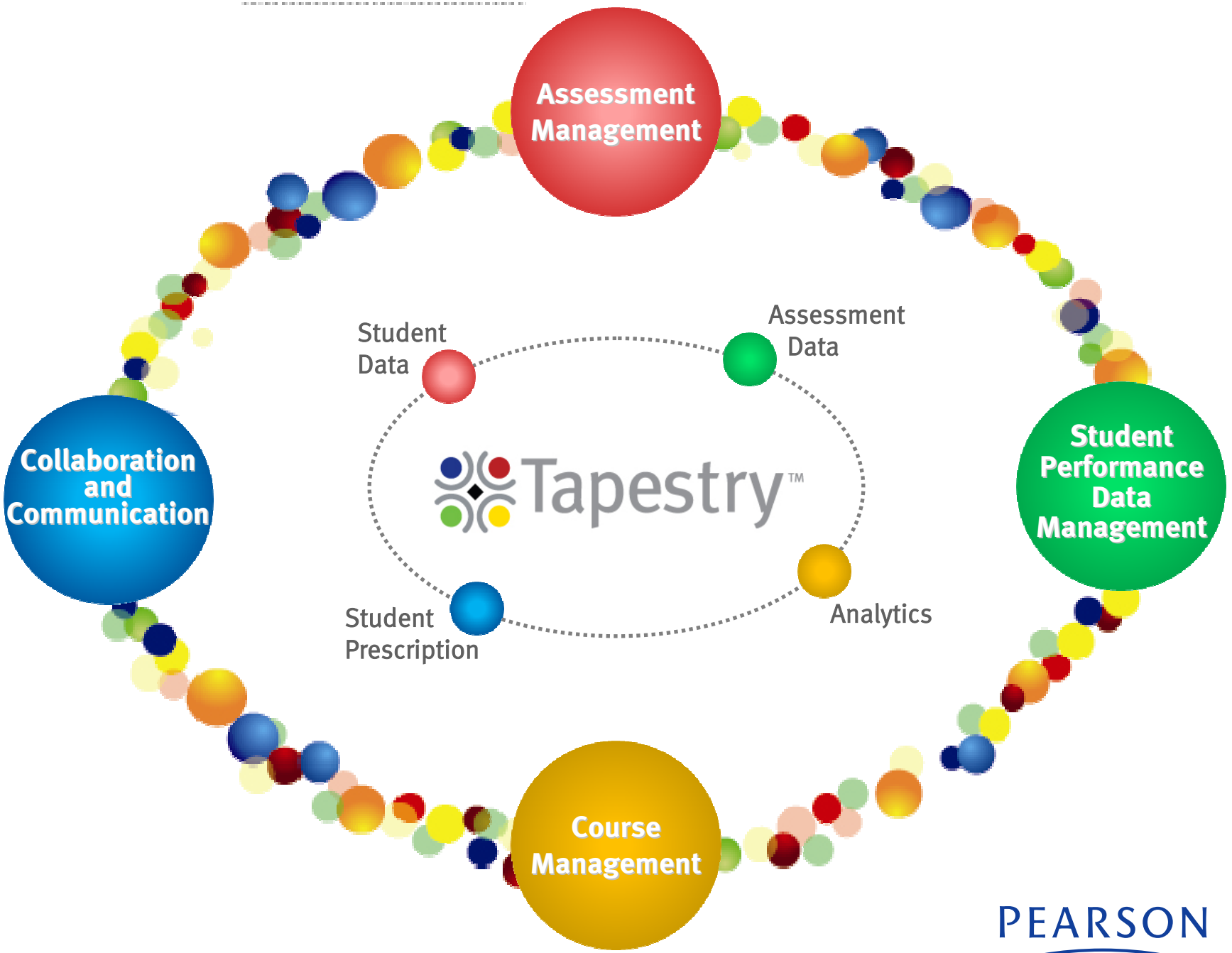
Next generation learning technologies




Assessment Management
Student Data
Assessment Data
Collaboration and Communication
Tapestry™
Student Performance Data Management
Student Prescription
Analytics
Course Management

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The next chapter

Next generation learning technologies

Services

Emerging markets

New consumer experiences

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Next generation learning technologies

Services

Emerging markets

New consumer experiences

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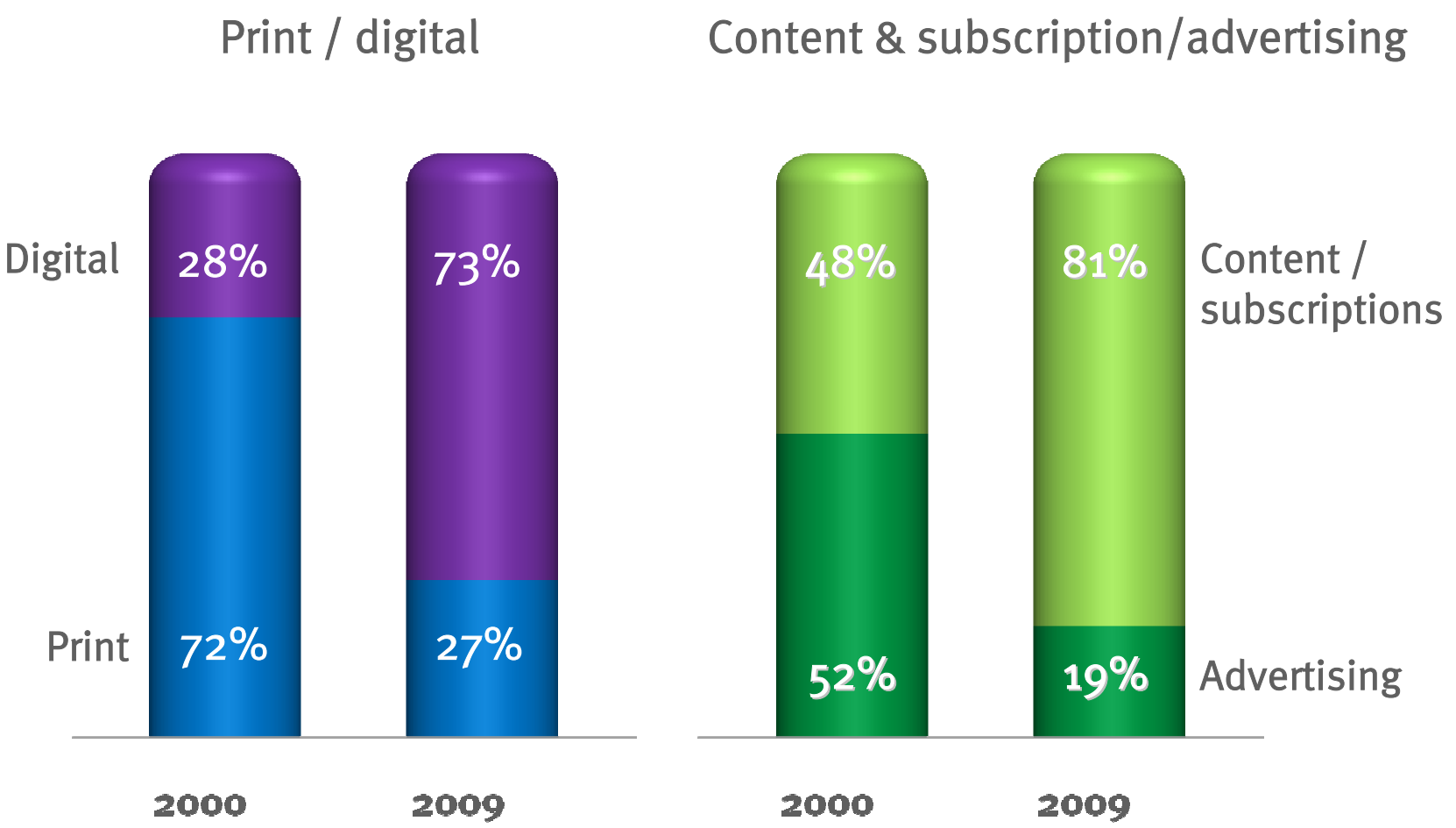
Technology and services

FT Group revenue mix, %



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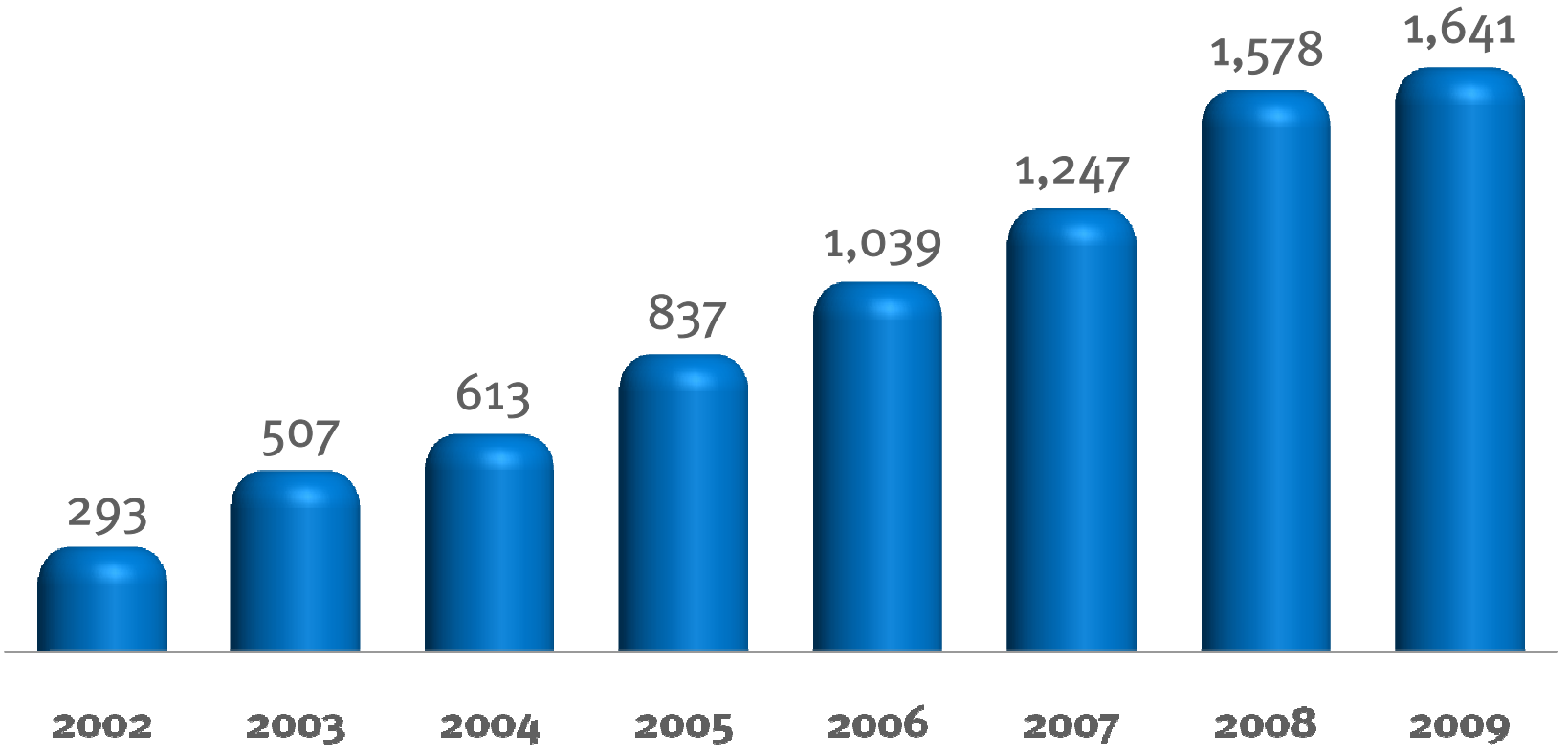
Growth in services businesses

Pearson worldwide testing revenues, $m



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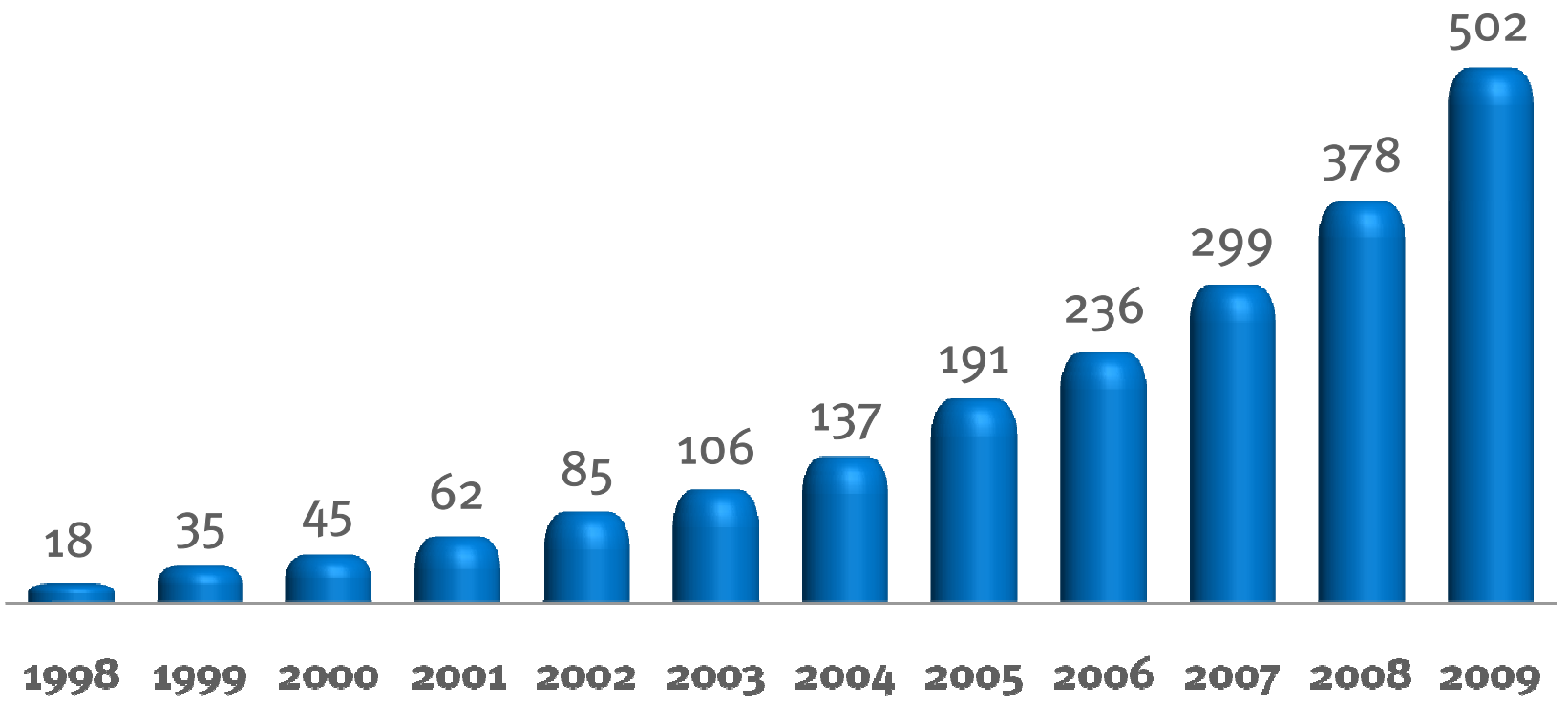
Services: US higher education

Custom publishing & services, sales $m



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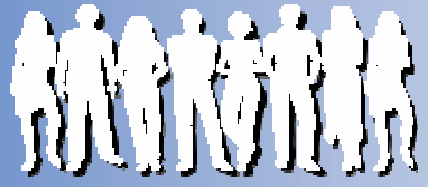
Student retention in US Higher Education

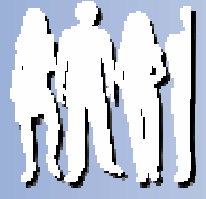
100
9th graders

68
finish school



40
enroll in college

27
remain enrolled



18
graduate

82
don't make it

National Center on Education and the Economy

Customised services in Higher Education

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Milton Keynes Academy

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Students | Parents | Local Community | Businesses

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Dance showcase to be re-scheduled

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Find out more about Studio 6

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Discover the latest career opportunities.

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Download the Academy calendar with key dates.

Click here for more...

Principal's Page

Read the Principal's welcome message and latest blog.

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- Register for updates
- The Uniform
- Why we're special
- FAQ
- Term Dates
- Calendar
- Careers
- Sixth Form
- Sponsors message
- How to apply

The next chapter

Next generation learning technologies

Services

Emerging markets

New consumer experiences

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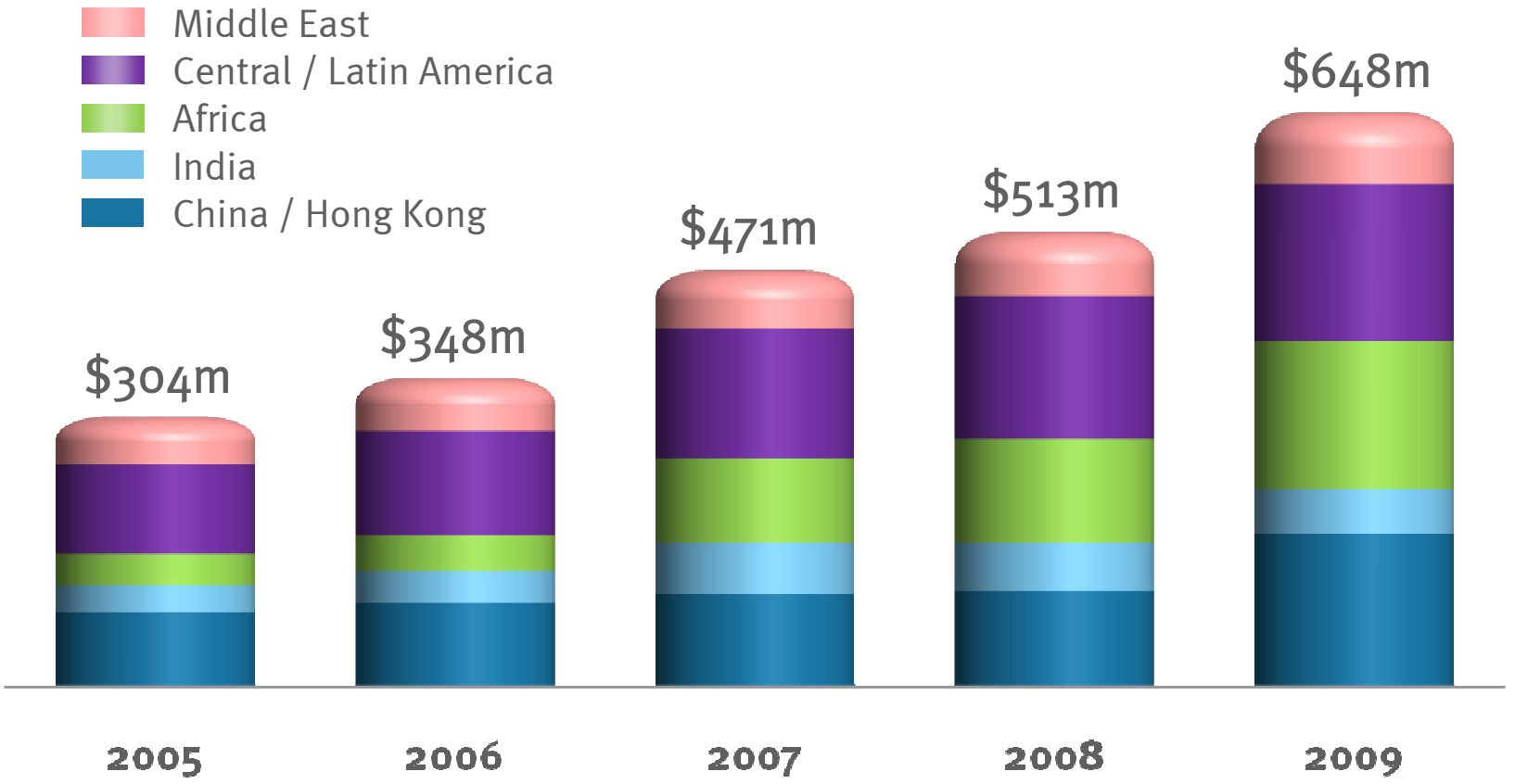
Rapid growth in emerging markets

Pearson revenues



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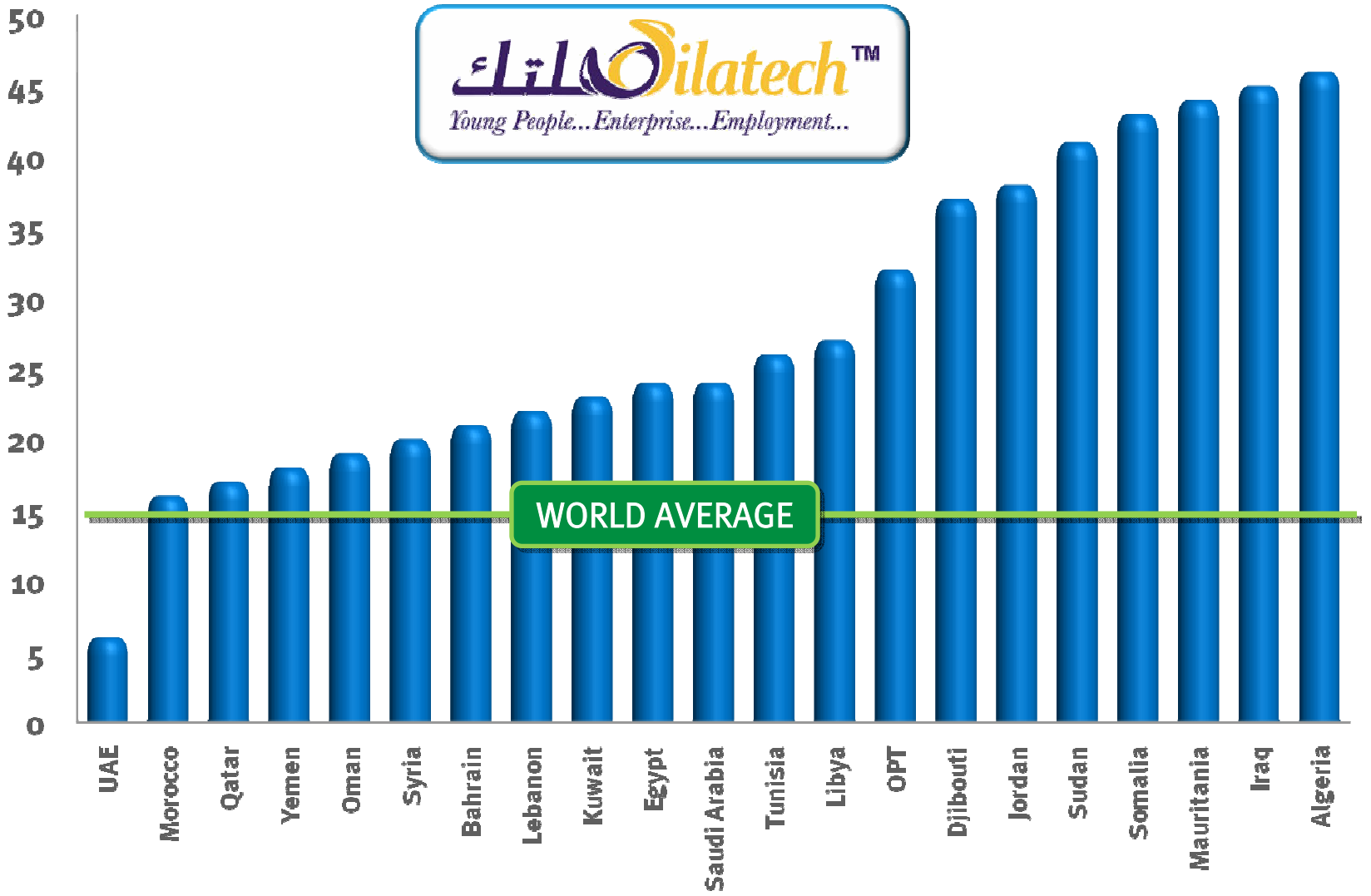
Youth unemployment in the Arab world (%)



Source: Arab Knowledge Report 2009,
UNDP/ Mohammed Bin Rashid Al Maktoum Foundation

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Services

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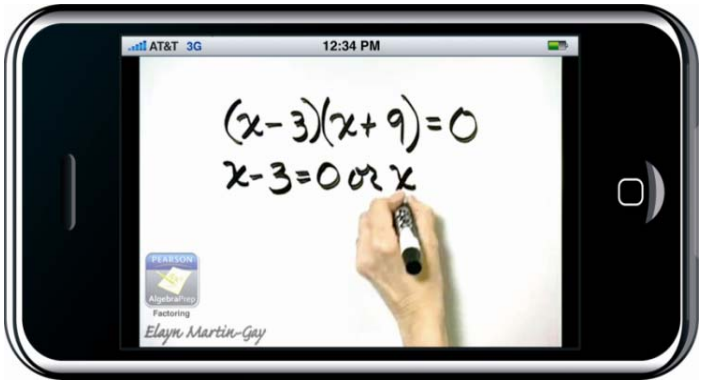
BlackBerry
space


AT&T 3G
12:34 PM
(x-3)(x+9)=0
x-3=0 or x
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Factoring
Elayn Martin-Gay

AT&T
11:29 AM
Text
Calendar
Photos
Camera
iTunes
YouTube
Stocks
Maps
Weather
Clock
Calculator
App Store
Settings
Notes
Penguin US
Contacts
Mail
Safari
iPod
Phone

amazon kindle

NOKIA
E71
FINANCIAL TIMES
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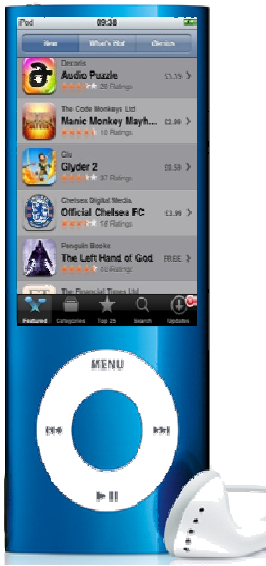
AIG mulls sale of Asia arm to Pru
Insurer demands more than $


iPod
09:38
Audio Puzzle
Manic Monkey Mayh...
Glyder 2
Official Chelsea FC
The Left Hand of God
MENU

DIMENSION M
MULTIPLAYER
MISSION PACK
Powered By
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User Name
Jessica
Password
Forgot Password? click here
Log In
Messages
Welcome to the New DimensionM Multiplayer!
Here is the latest and greatest in the DimensionM multiplayer experience. Improved game play, more math, new features. . .Enjoy!
More Info
Create Profile
Options
Exit

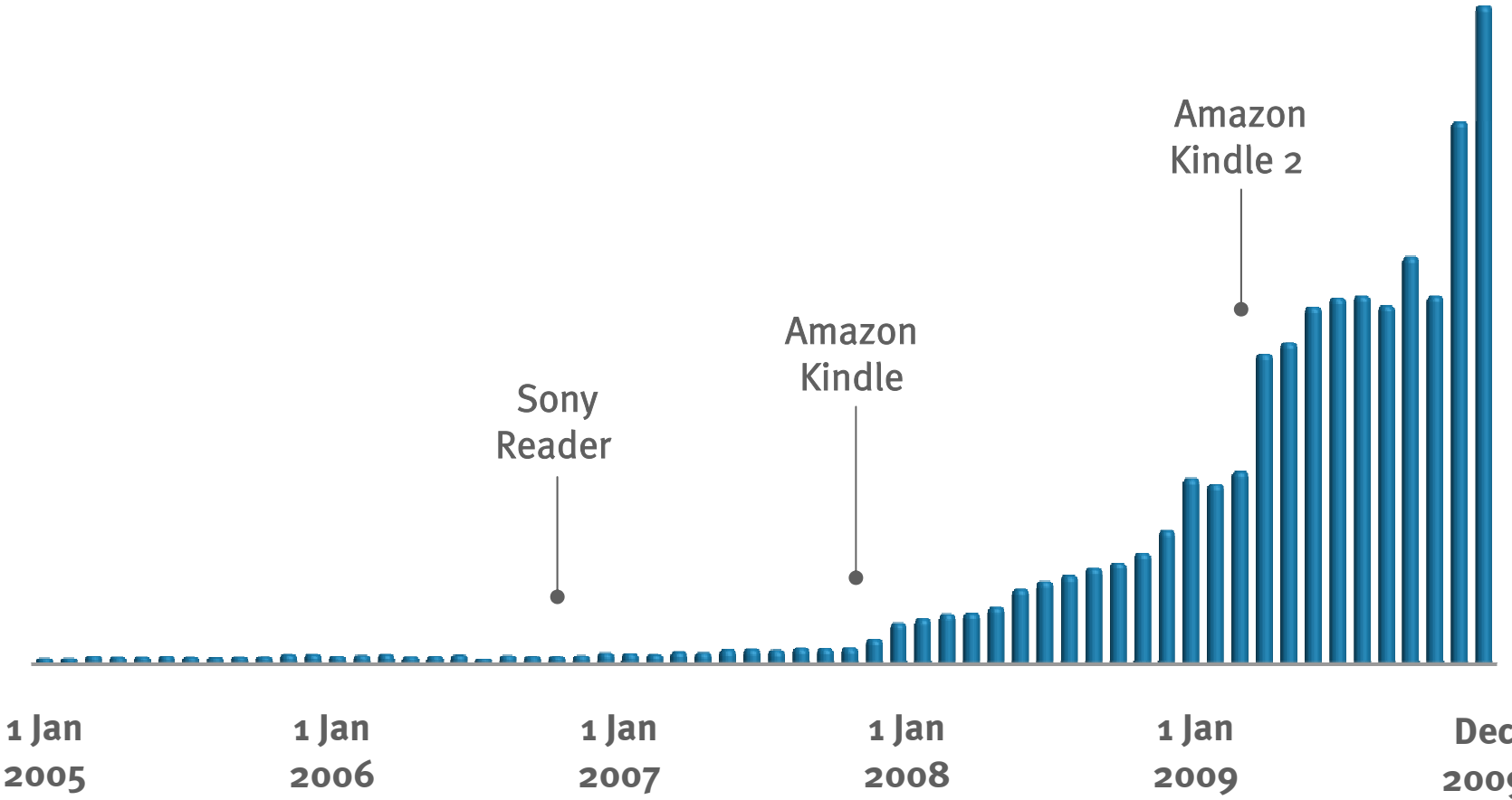
WE MAKE STORIES
Home
Gallery
My Bookshelf
Tell a Friend
START AGAIN
FULL SCREEN
HELP
Tragedy

Poptropica
TIME TANGLED ISLAND
A malfunctioning time machine has messed up history! It's your job to go back in time and set things right. Because if you don't, who knows what the future will hold!

CIRCUIT CENTER
Use your science smarts and build a circuit to power up a robot.

Trade publishing trends: digital

Penguin eBooks sold by month (2005-2009, US)



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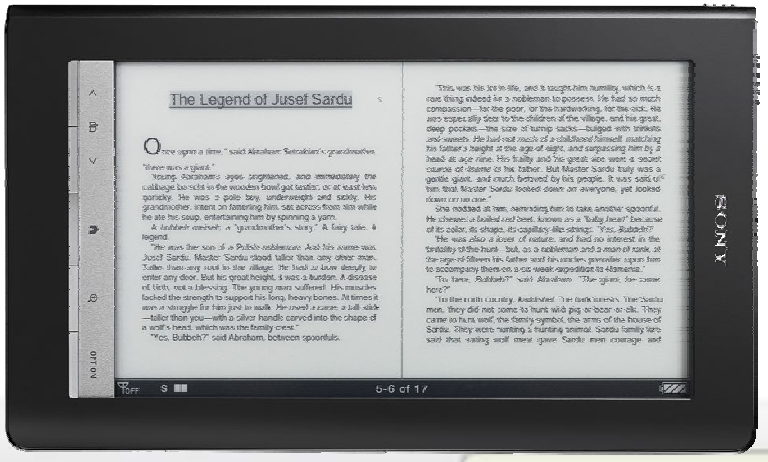
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Brake problems may also prompt US recall
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Clive Crook
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Credit ratings

£m	2009	2008
Net debt	1,092	1,460
Lease liabilities (@ 8x)	1,224	1,192
Pension liabilities	339	118
Total	2,655	2,770

Agency calculations of debt vary

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Return on invested capital

	Gross Invested Capital		Net Invested Capital	
£m	2009	2008	2009	2008
Operating profit	858	762	858	762
Intangible amortisation	-	-	(103)	(86)
Less actual cash tax	(103)	(89)	(103)	(89)
Cash tax rate	*12%*	*12%*	*12%*	*12%*
Return	755	673	652	587
Average: goodwill	6,036	5,283	4,412	3,844
other intangibles	1,158	775	740	508
pre-publication investments	675	541	675	541
tangible fixed and working capital	635	738	635	738
Average total invested capital	8,504	7,337	6,462	5,631
ROIC	8.9%	9.2%	10.1%	10.4%

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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	755	-	103	-	-	858
Net finance costs	(95)	-	-	(2)	-	(97)
Profit before tax	660	-	103	(2)	-	761
Income tax	(198)	-	(37)	1	40	(194)
Profit after tax	462	-	66	(1)	40	567
Discontinued operations	-	-	-	-	-	-
Profit for the period	462	-	66	(1)	40	567
Minority Interest	(37)	-	(5)	-	(2)	(44)
Earnings	425	-	61	(1)	38	523

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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	676	-	86	-	-	762
Net finance costs	(91)	-	-	3	-	(88)
Profit before tax	585	-	86	3	-	674
Income tax	(172)	(7)	(31)	(1)	33	(178)
Profit after tax	413	(7)	55	2	33	496
Discontinued operations	(90)	90	-	-	-	-
Profit for the period	323	83	55	2	33	496
Minority Interest	(31)	-	(3)	-	(2)	(36)
Earnings	292	83	52	2	31	460

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Reconciliation: year end net debt

£m	2009	2008
Non current assets		
Derivative financial instruments	112	181
Current assets		
Derivative financial instruments	-	3
Marketable securities	63	54
Cash and cash equivalents	750	685
Non current liabilities		
Borrowings	(1,934)	(2,019)
Derivative financial instruments	(2)	(15)
Current liabilities		
Borrowings	(74)	(344)
Derivative financial instruments	(7)	(5)
Total net debt	(1,092)	(1,460)

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Reconciliation: pre-publication costs

£m	2009	2008
Opening balance	695	452
Exchange	(62)	166
New spend capitalised	322	297
Acquisitions (net)	2	24
Amortisation	(307)	(244)
Closing balance	650	695
Total education sales	3,780	3,112
Amortisation as a % of sales	8.1%	7.8%

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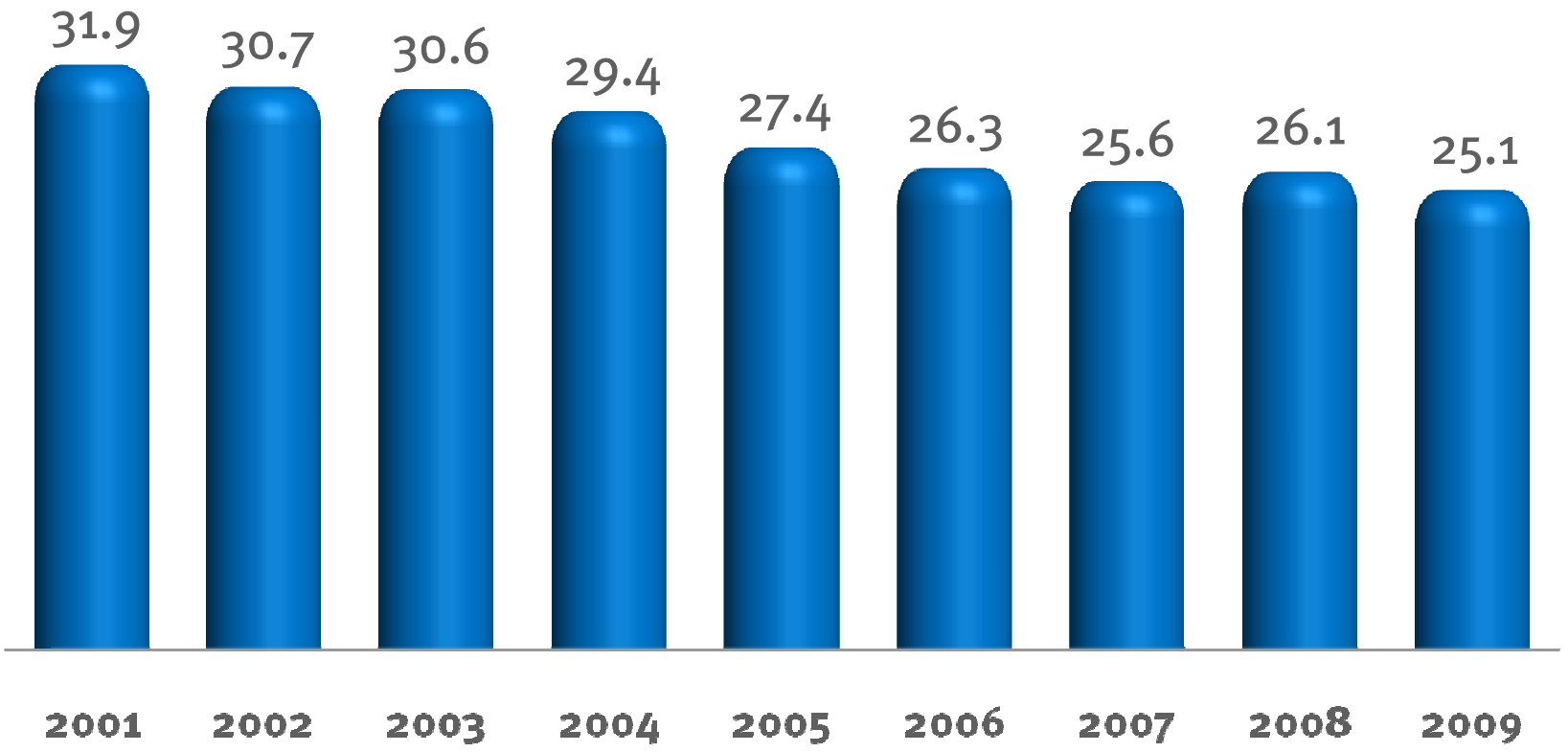
Retirement benefit obligations

£m	2009	2008
Income statement		
Operating charge		
Defined benefit schemes	18	37
Defined contribution schemes	62	41
Post retirement medical benefit schemes	2	6
	82	84
Interest	12	(8)
Total	94	76
Balance sheet		
UK pension scheme (liability)/asset	(189)	49
Other pension scheme liabilities	(51)	(65)
Post retirement medical benefit liability	(65)	(68)
Other pension accruals	(34)	(34)
Total	(339)	(118)

As reported basis: Separation of assets relating to the defined contribution scheme from those relating to the defined benefit scheme has resulted in an increased charge to the defined contribution scheme in 2009

Average working capital/sales



Includes capitalised pre-publication costs and author advances

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