

# 2011 half-year results

Friday 29 July 2011

# 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.

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# 2011 half-year results

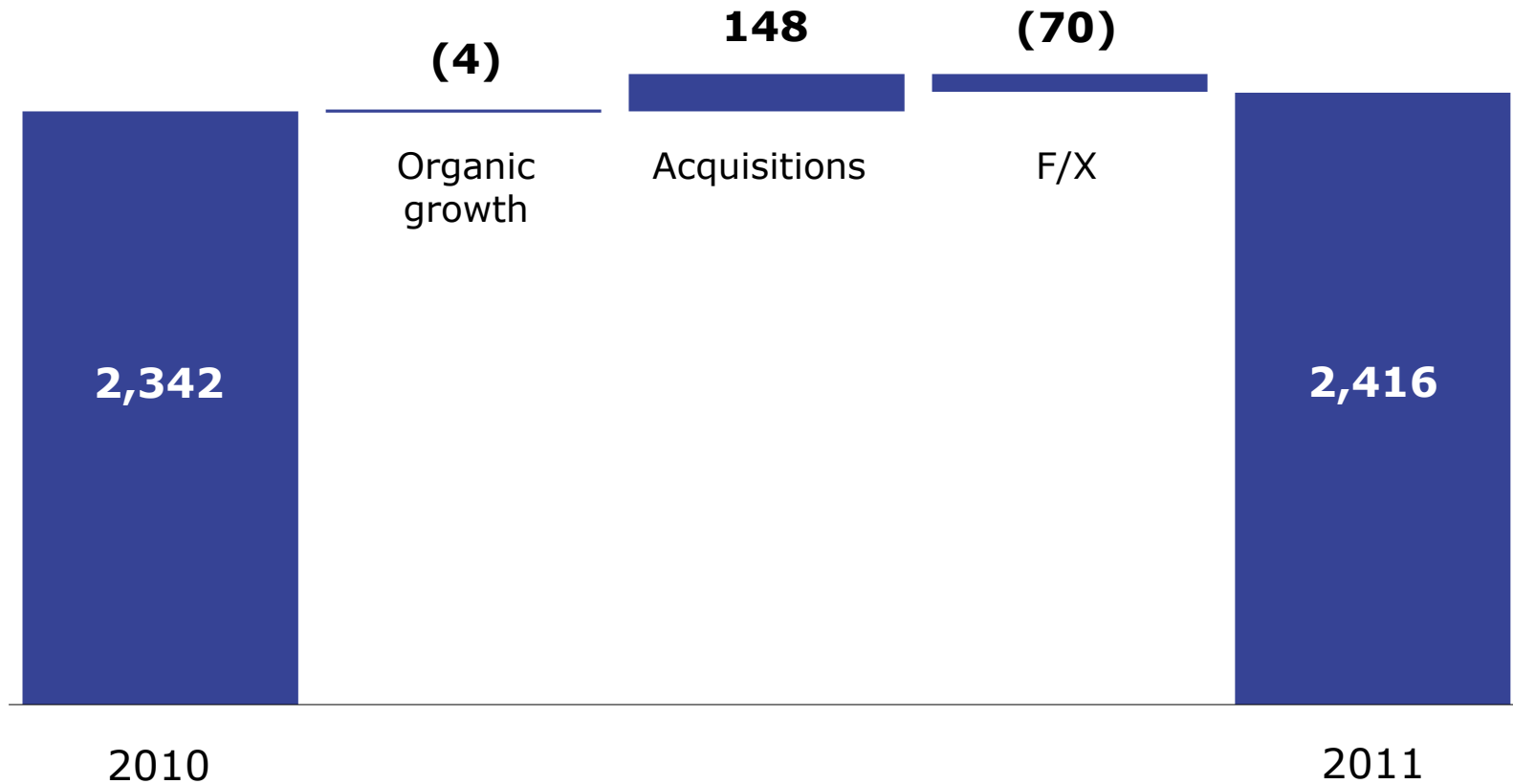
Friday 29 July 2011

# Financial highlights

£m	H1 2011	H1 2010	Headline growth	CER growth
<b>Sales</b>	<b>2,416</b>	2,342	3%	6%
<b>Operating profit</b>	<b>208</b>	178	17%	20%
<b>Adjusted eps</b>	<b>16.8p</b>	16.6p	1%	
<b>Operating cash flow</b>	<b>(98)</b>	(92)	(7)%	
<b>Net debt</b>	<b>(1,275)</b>	(1,746)	27%	
<b>Dividend</b>	<b>14.0p</b>	13.0p	8%	

# Financial review

# Sales growth, £m



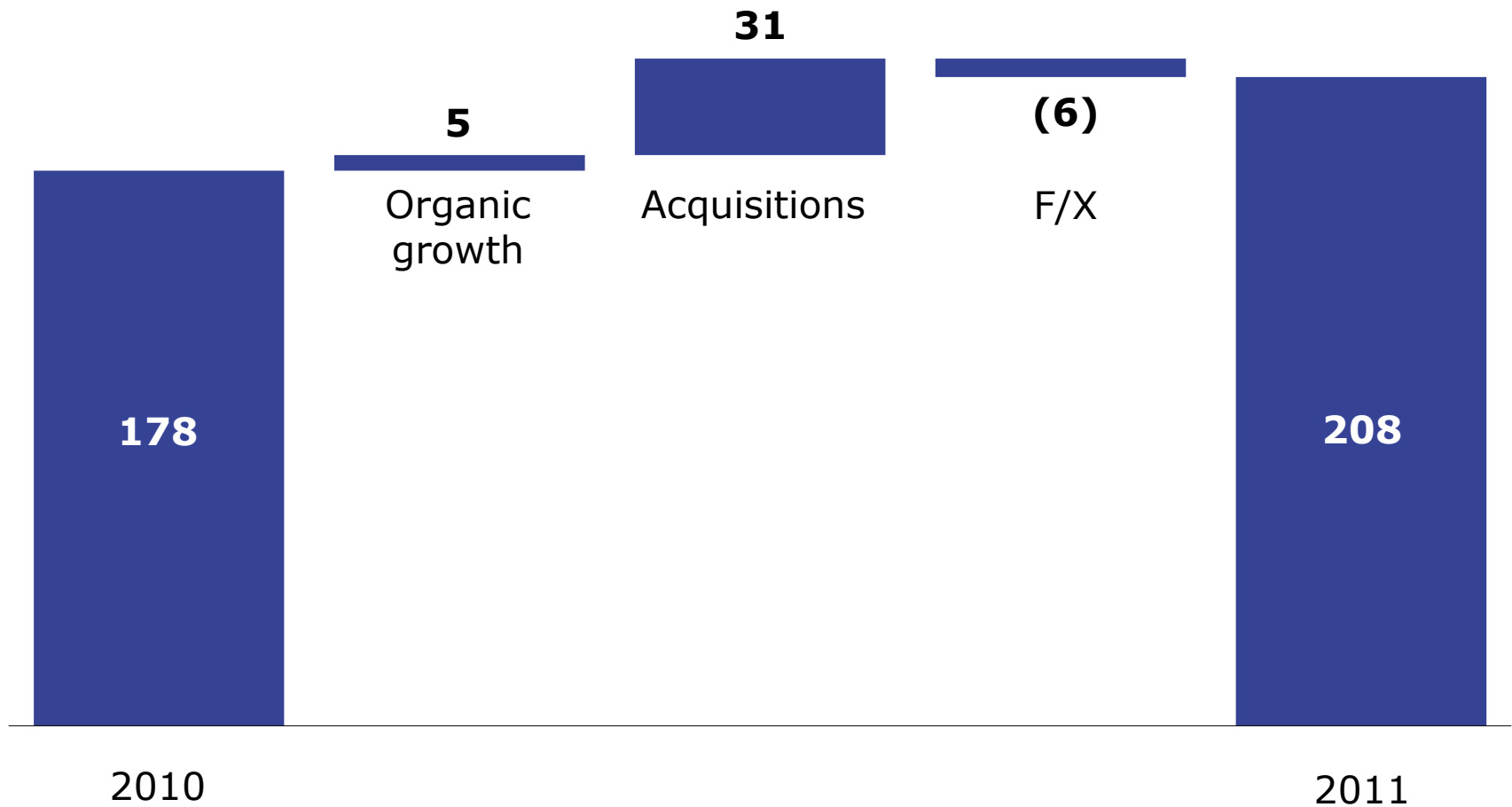
Continuing operations

# Sales

£m	H1 2011	H1 2010	Headline Growth	CER Growth
North American Education	940	1,017	(8)%	(3)%
International Education	639	504	27%	26%
Professional	177	136	30%	35%
FT Group	203	192	6%	7%
Penguin	457	493	(7)%	(4)%
<b>Total – Continuing operations</b>	<b>2,416</b>	2,342	3%	6%
Discontinued*	--	256		

\* Interactive Data

## Profit growth, £m



Continuing operations



# Operating profit

£m	<b>H1 2011</b>	H1 2010	<i>Headline Growth</i>	<i>CER Growth</i>
North American Education	<b>46</b>	51	<i>(10)%</i>	<i>(4)%</i>
International Education	<b>63</b>	36	<i>75%</i>	<i>68%</i>
Professional	<b>26</b>	17	<i>53%</i>	<i>59%</i>
FT Group	<b>31</b>	30	<i>3%</i>	<i>10%</i>
Penguin	<b>42</b>	44	<i>(5)%</i>	<i>0%</i>
<b>Total – Continuing operations</b>	<b>208</b>	178	<i>17%</i>	<i>20%</i>
Discontinued*	<b>--</b>	70		

\* Interactive Data

# Adjusted earnings per share

£m	H1 2011	H1 2010
Adjusted operating profit – continuing	<b>208</b>	178
Adjusted operating profit – discontinued	--	70
Finance income/(costs) – Pensions	<b>2</b>	(6)
Finance costs – Traditional	<b>(32)</b>	(39)
Adjusted profit before tax	<b>178</b>	203
Taxation	<b>(45)</b>	(53)
Adjusted profit after tax	<b>133</b>	150
Non-controlling interest	<b>1</b>	(17)
Adjusted earnings	<b>134</b>	133
<b>Adjusted EPS</b>	<b>16.8p</b>	16.6p

# P&L – statutory

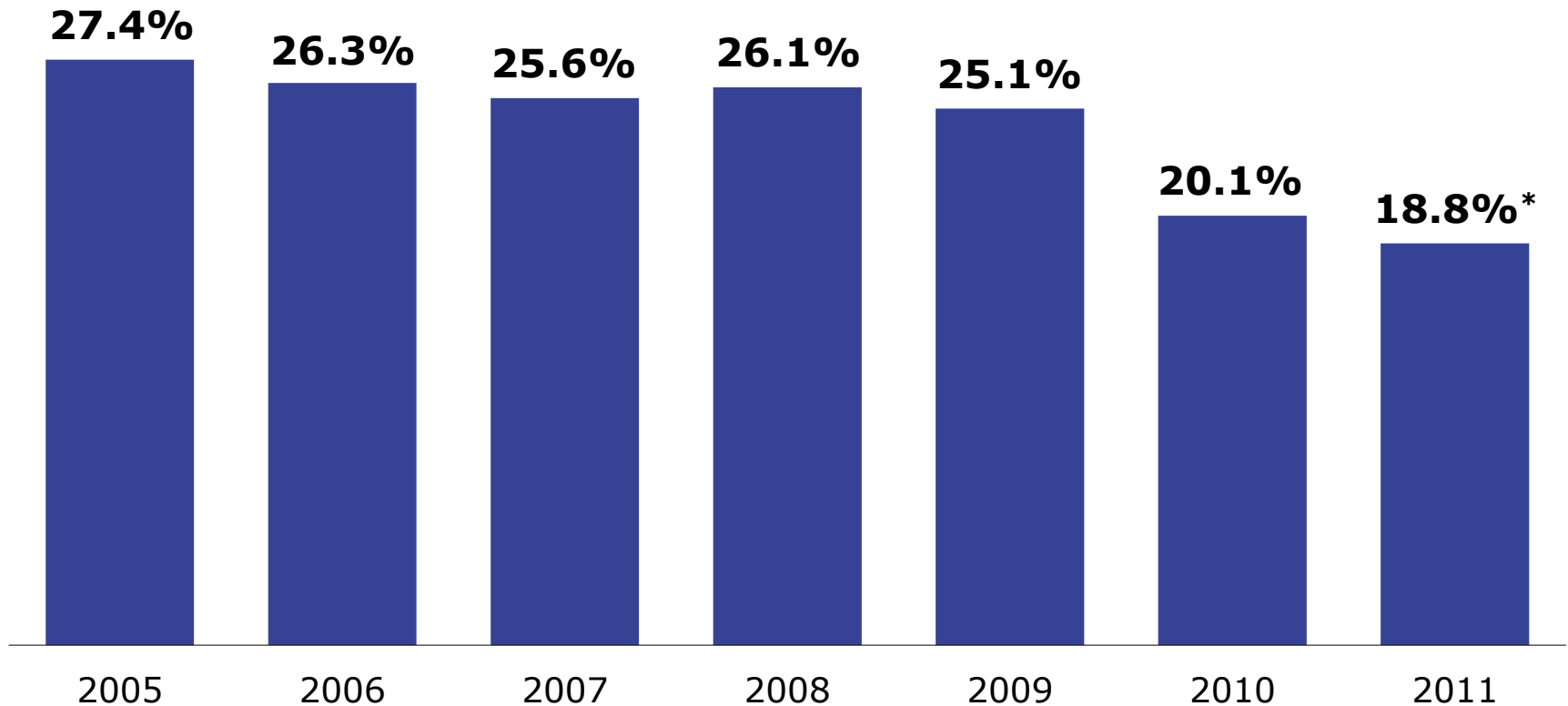
£m	H1 2011	H1 2010
Adjusted operating profit	<b>208</b>	178
Intangible amortisation	<b>(65)</b>	(47)
Acquisitions & disposals	<b>(11)</b>	(3)
Statutory operating profit	<b>132</b>	128
Finance costs	<b>(50)</b>	(34)
Profit before tax	<b>82</b>	94
Taxation	<b>(23)</b>	(25)
Profit after tax	<b>59</b>	69
Discontinued	<b>-</b>	35
Profit for the period	<b>59</b>	104
Non-controlling interest	<b>1</b>	(12)
Earnings	<b>60</b>	92
EPS (statutory)	<b>7.5p</b>	11.5p

# Free cash flow

£m	H1 2011	H1 2010
Adjusted operating profit	<b>208</b>	248
Working capital	<b>(292)</b>	(325)
Fixed asset purchases	<b>(57)</b>	(71)
Depreciation	<b>54</b>	65
Other movements	<b>(11)</b>	(9)
Operating cash flow	<b>(98)</b>	(92)
Operating tax paid	<b>(52)</b>	(46)
Operating finance charges	<b>(22)</b>	(27)
Free cash flow	<b>(172)</b>	(165)

Total business

# Average working capital/sales



\*13 point moving average to 30<sup>th</sup> June 2011

# Balance sheet

£m	H1 2011	H1 2010
Goodwill & intangible assets	<b>5,760</b>	5,533
Tangible fixed assets	<b>353</b>	410
Operating working capital	<b>984</b>	1,203
Other net liabilities	<b>(206)</b>	(113)
Net assets	<b>6,891</b>	7,033
Shareholders' funds	<b>5,192</b>	4,392
Pensions	<b>141</b>	454
Other provisions	<b>74</b>	78
Non-controlling interest	<b>33</b>	324
Deferred tax	<b>176</b>	39
Net debt	<b>1,275</b>	1,746
Capital employed	<b>6,891</b>	7,033

Total business

# Outlook

- Further sales growth and margin improvement
- Continued growth in education
- Growth at FT Group driven by digital
- Penguin to perform in line with industry
- Adjusted EPS of approximately 80p (at £/\$: 1.63)

# 2011 half-year results



# Pearson's strengths

- Strategy
- Scale
- Investment
- Innovation



# Explore the Genre Map



## Recent Benchmark Tests

03/03/2009

**83.3 %**

12/23/2008

**86.5 %**

11/04/2008

**92.6 %**

### MORE:

Standards Mastery  
Skills Analysis  
Item Analysis

03/03/09, English 3 Benchmark 3 ▾

**25**

QUESTIONS

**23**

TESTS  
SUBMITTED

**83.3 %**

PERCENT  
CORRECT

Section:

School:

Region:

District:

FILTER BY SCORE GROUP:



BROWN,  
CHRISTINA



SMITH, AMARNA

76%  
19/25



JOHNSON,  
LINNEA

92%  
23/25



PINKETT,  
CHIKILRA

84%  
21/25



RUDY, SHANNEL

76%  
19/25



MORALES,  
CASSANDRA

76%  
19/25



GONZALES,  
ANTHONY

84%  
21/25



JONES, ADAM

100%  
25/25



BOYDEN,  
NANCY

96%  
24/25



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**Entrepreneurship**  
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How to market yourself.

## education news

### Study Gives Snapshot of Work and Debt of New College Grads

July 26, 2011

by Caralee Adams via Education Week | A snapshot of recent college graduates shows the vast majority are employed, which is a good thing...

[Continue Reading...](#)

## asu online events

July						
Su	Mo	Tu	We	Th	Fr	Sa
26	27	28	29	30	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23



### An ASU Online Community

Connect with other students, no matter your location.

Learning online means finding new ways of meeting fellow students. With spark, our exclusive mobile check-in app, you can share your location or activity from your smart phone. Never study alone again.

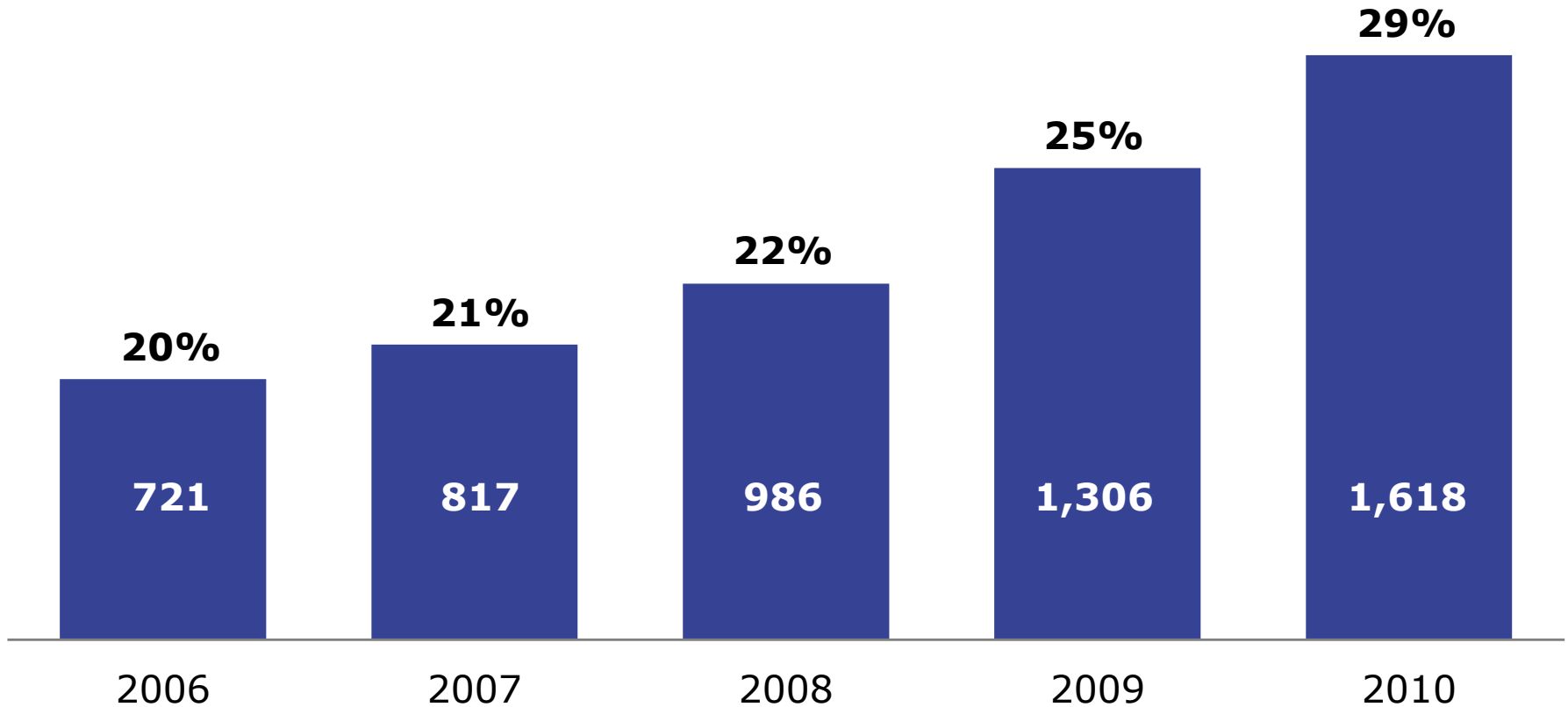






# Rapid growth in digital businesses

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

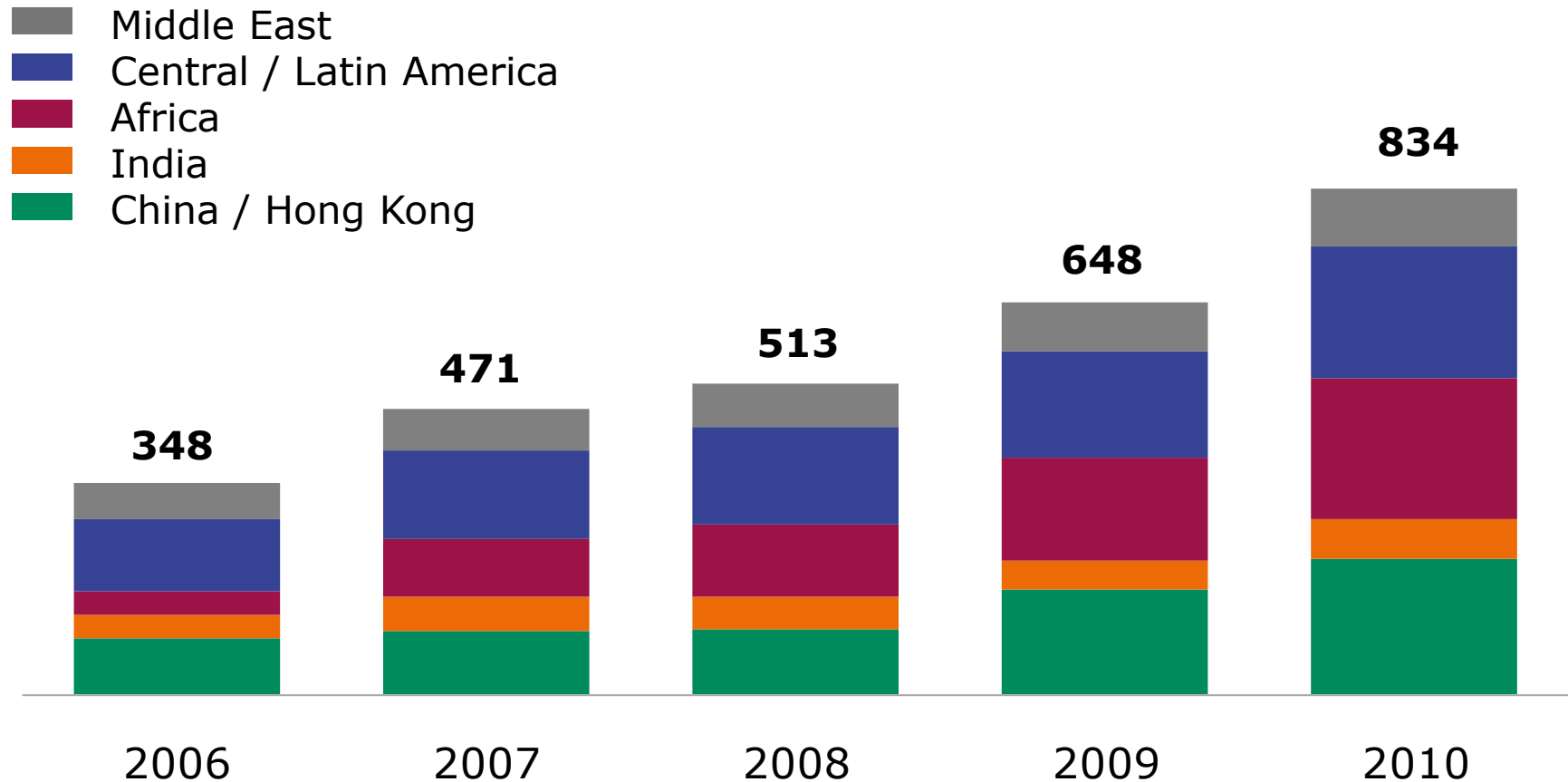


At constant exchange rate (excludes Interactive Data)



# Rapid growth in emerging markets

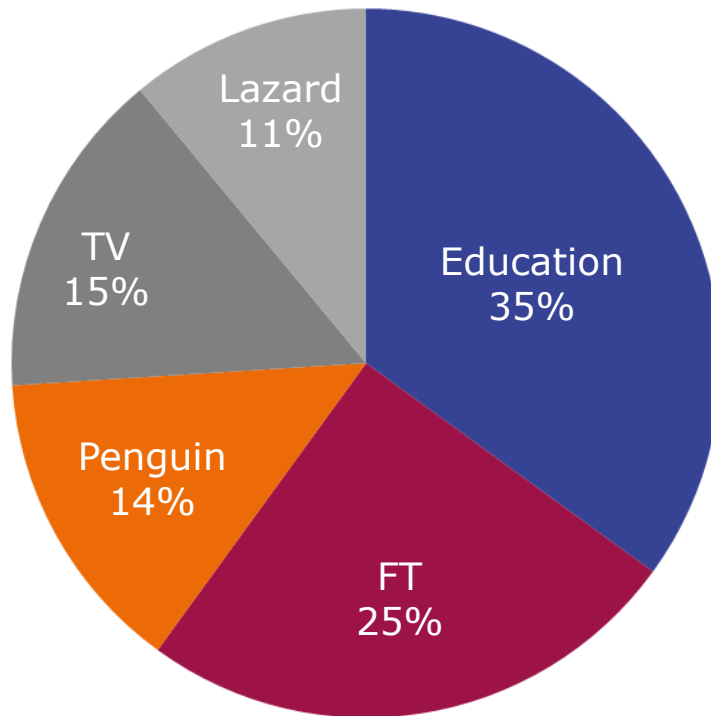
Pearson revenues, \$m



# Change

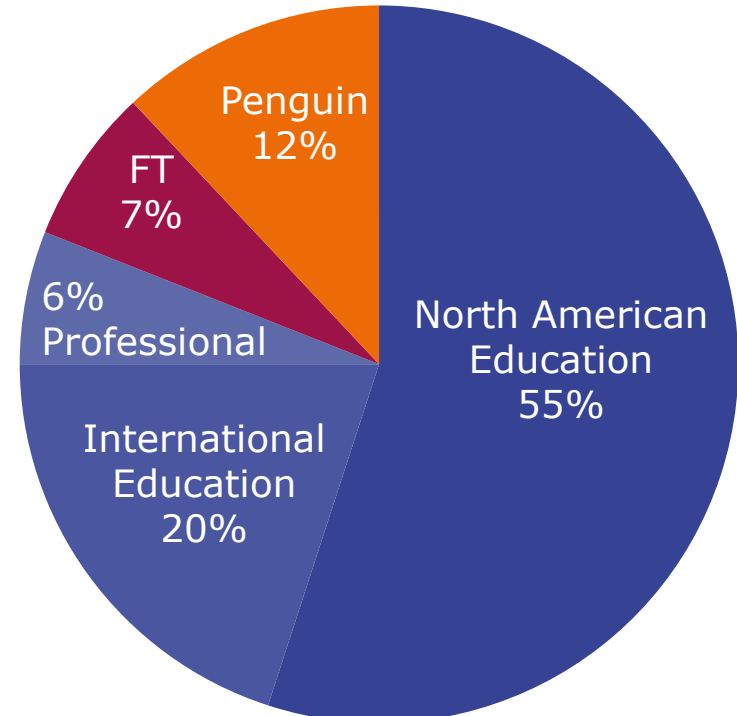
## Operating profit

1999



£449m  
UK GAAP

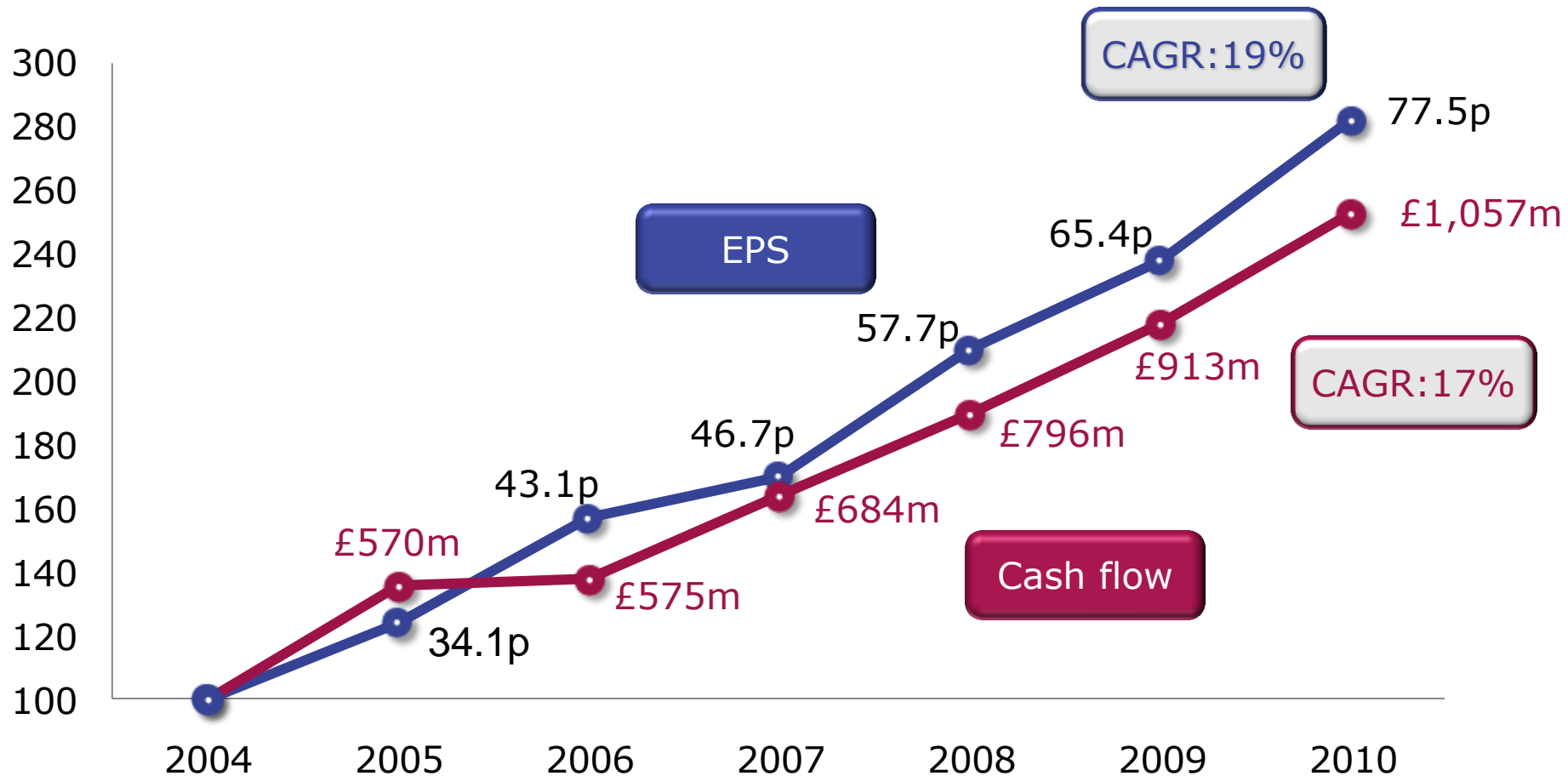
2010



£857m  
IFRS

# Durability and growth

## Earnings and cash



2004=100

# Appendices

# Share gains in new school adoptions

## 2011 estimates

Subject	Total opportunity	Market share (where we compete)	Position
Reading/Lit./Lang Arts	\$220m	35%	#1
Maths	\$120m	49%	#1
Science/Health	\$200m	31%	#2
Social Studies	\$20m	52%	#1
Other	\$5m	22%	#2
<b>Total competed for</b>	<b>\$565m</b>	<b>37%</b>	<b>#1</b>
<b>Total – all adoptions</b>	<b>\$735m</b>	<b>29%</b>	<b>#2</b>

# Reconciliation: statutory to adjusted earnings

## Half year 2011

£m	Statutory	Other gains and losses	Acquisition and disposal costs	Amortisation of acquired intangibles	Other net finance costs/income	Tax amortisation benefit	Adjusted earnings
<b>Operating profit</b>	<b>132</b>	<b>5</b>	<b>6</b>	<b>65</b>	<b>-</b>	<b>-</b>	<b>208</b>
Net finance costs	(50)	-	-	-	20	-	(30)
<b>Profit before tax</b>	<b>82</b>	<b>5</b>	<b>6</b>	<b>65</b>	<b>20</b>	<b>-</b>	<b>178</b>
Income tax	(23)	-	(2)	(22)	(6)	8	(45)
<b>Profit after tax</b>	<b>59</b>	<b>5</b>	<b>4</b>	<b>43</b>	<b>14</b>	<b>8</b>	<b>133</b>
Discontinued operations	-	-	-	-	-	-	-
<b>Profit for the period</b>	<b>59</b>	<b>5</b>	<b>4</b>	<b>43</b>	<b>14</b>	<b>8</b>	<b>133</b>
Non-controlling interest	1	-	-	-	-	-	1
<b>Earnings</b>	<b>60</b>	<b>5</b>	<b>4</b>	<b>43</b>	<b>14</b>	<b>8</b>	<b>134</b>

# Reconciliation: statutory to adjusted earnings

## Half year 2010

£m	Statutory	Discontinued operations	Other gains and losses	Acquisition and disposal costs	Amortisation of acquired intangibles	Other net finance costs/income	Tax amortisation benefit	Adjusted earnings
<b>Operating profit – continuing</b>	<b>128</b>	-	-	<b>3</b>	<b>47</b>	-	-	<b>178</b>
Operating profit – discontinued	-	70	-	-	-	-	-	70
<b>Operating profit</b>	<b>128</b>	<b>70</b>	-	<b>3</b>	<b>47</b>	-	-	<b>248</b>
Net finance costs	(34)	-	-	-	-	(11)	-	(45)
<b>Profit before tax</b>	<b>94</b>	<b>70</b>	-	<b>3</b>	<b>47</b>	<b>(11)</b>	-	<b>203</b>
Income tax	(25)	(21)	-	(1)	(17)	3	8	(53)
<b>Profit after tax</b>	<b>69</b>	<b>49</b>	-	<b>2</b>	<b>30</b>	<b>(8)</b>	<b>8</b>	<b>150</b>
Discontinued operations	35	(49)	7	-	5	-	2	-
<b>Profit for the period</b>	<b>104</b>	-	<b>7</b>	<b>2</b>	<b>35</b>	<b>(8)</b>	<b>10</b>	<b>150</b>
Non-controlling interest	(12)	-	(2)	-	(2)	-	(1)	(17)
<b>Earnings</b>	<b>92</b>	-	<b>5</b>	<b>2</b>	<b>33</b>	<b>(8)</b>	<b>9</b>	<b>133</b>

# Reconciliation: pre-publication costs

£m	H1 2011	H1 2010
Opening balance	<b>647</b>	650
Exchange	<b>(12)</b>	40
New spend capitalised	<b>142</b>	141
Acquisitions	<b>-</b>	2
Amortisation	<b>(123)</b>	(132)
Closing balance	<b>654</b>	701
Total education sales	<b>1,756</b>	1,657
Amortisation as a % of sales	<b>7.0%</b>	8.0%



# Reconciliation: half-year net debt

£m	2011 Total business	Continuing operations	2010 Discontinued operations	Total business
Non current assets				
Derivative financial instruments	149	156	-	156
Current assets				
Derivative financial instruments	-	13	-	13
Marketable securities	8	5	-	5
Cash and cash equivalents	541	468	232	700
Non current liabilities				
Borrowings	(1,902)	(2,004)	-	(2,004)
Derivative financial instruments	(4)	(2)	-	(2)
Current liabilities				
Borrowings	(67)	(612)	-	(612)
Derivative financial instruments	-	(2)	-	(2)
<b>Net debt</b>	<b>(1,275)</b>	<b>(1,978)</b>	<b>232</b>	<b>(1,746)</b>

# Retirement benefit obligations

£m	H1 2011	H1 2010
<b>Income statement</b>		
Operating charge		
Defined benefit schemes	<b>12</b>	12
Defined contribution schemes	<b>35</b>	34
Post retirement medical benefit schemes	<b>1</b>	1
	<b>48</b>	47
Interest	<b>(2)</b>	6
<b>Total</b>	<b>46</b>	53
<b>Balance sheet</b>		
UK pension scheme assets/(liabilities)	<b>7</b>	(290)
Other pension scheme liabilities	<b>(41)</b>	(61)
Post retirement medical benefit liability	<b>(73)</b>	(67)
Other pension accruals	<b>(34)</b>	(36)
<b>Total</b>	<b>(141)</b>	(454)

Includes Interactive Data for 2010

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