

2012 half-year results

Friday 27th July 2012

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.

2012 half-year results

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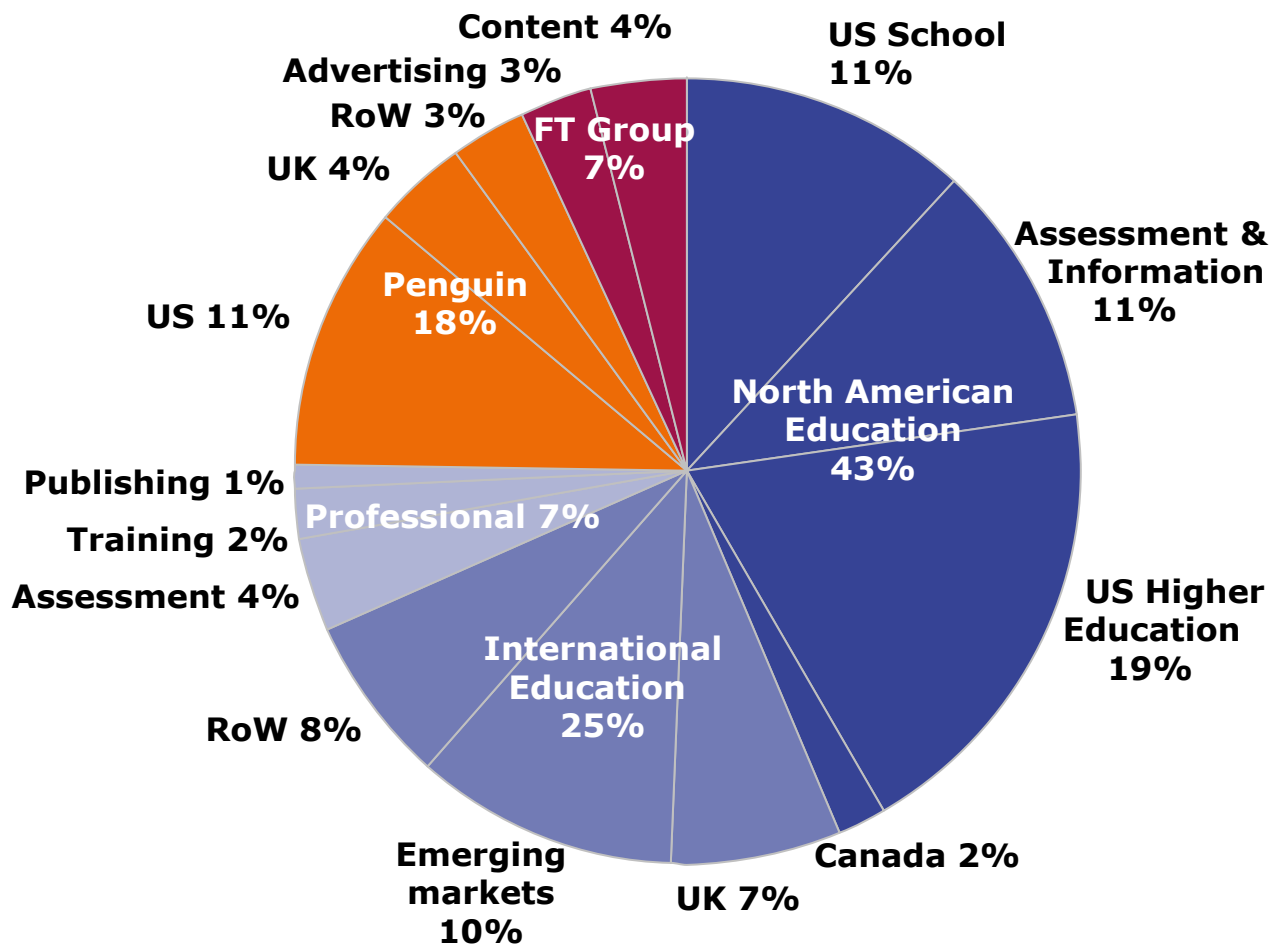
Financial highlights

£m	H1 2012	H1 2011	Headline growth	CER growth
Sales	2,583	2,416	7%	6%
Operating profit	188	208	(10)%	(10)%
Adjusted EPS	15.6p	16.8p	(7)%	
Operating cash flow	(203)	(98)	(107)%	
Net debt	(1,178)	(1,275)	8%	
Dividend	15p	14p	7%	

Financial review

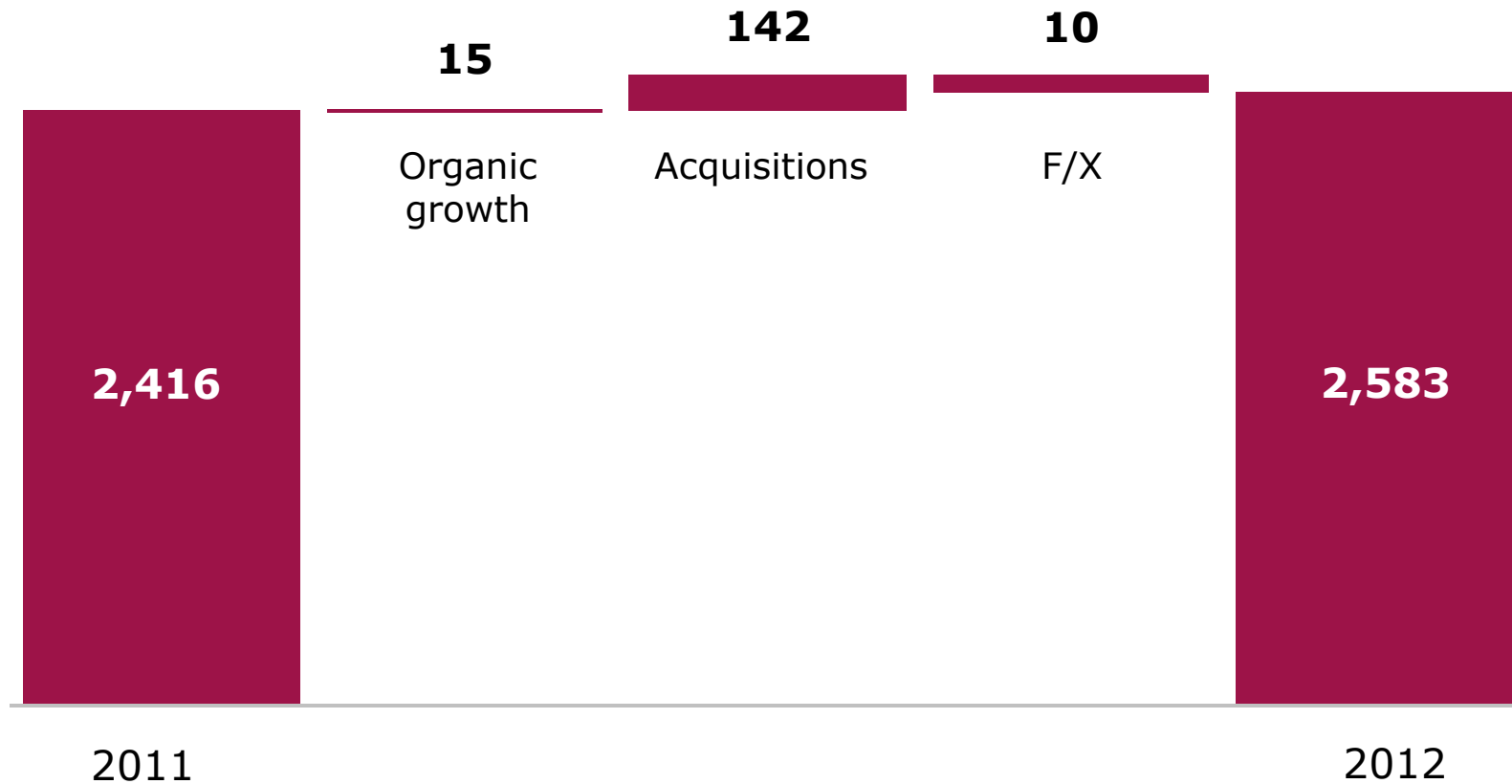
Diversified revenue mix

2011 revenue by business*

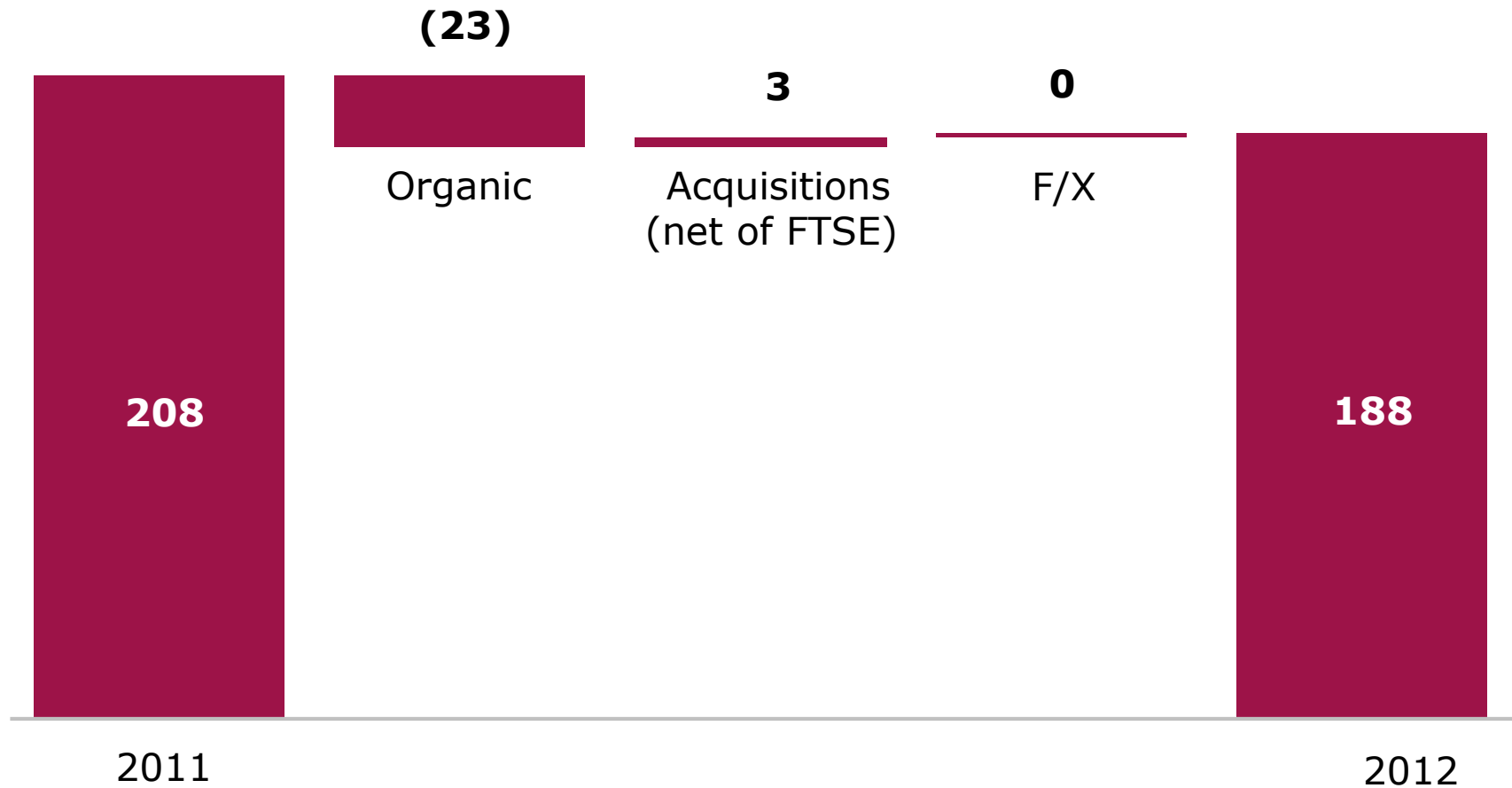


*Based on pro forma results to include 2011 and 2012 acquisitions

Sales growth, £m



Profit growth, £m



North American Education

£m	H1 2012	H1 2011	Headline Growth	CER Growth
Sales	1,022	940	9%	7%
Operating profit	62	46	35%	30%

- School sales lower; still gaining share
- Assessment & Information resilient
- Higher Ed broadly level; digital to drive full-year growth

International Education

£m	H1 2012	H1 2011	Headline Growth	CER Growth
Sales	724	639	13%	15%
Operating profit	73	63	16%	17%

- Emerging market revenues up 22%
 - Now 43% of International total
- Profits up £10m despite investment & integration

Professional Education

£m	H1 2012	H1 2011	Headline Growth	CER Growth
Sales	180	177	2%	1%
Operating profit	9	26	(65)%	(65)%

- Growth in publishing & testing
- UK training sales £24m lower on apprenticeship funding criteria
 - Sharp drop-through to profit
- Training model changed; recruitment re-commenced in June

FT Group

£m	H1 2012	H1 2011	<i>Headline Growth</i>	<i>CER Growth</i>
Sales	216	203	6%	7%
Operating profit*	22	21	5%	-

- Digital sales & content revenues growing
- Ad revenues declining
- Strong growth at Mergermarket
- Restructuring charge expensed in H1

*Excludes FTSE International, sold in December 2011

Penguin

£m	H1 2012	H1 2011	<i>Headline Growth</i>	<i>CER Growth</i>
Sales	441	457	(4)%	(4)%
Operating profit	22	42	(48)%	(44)%

- US revenues lower on
 - Lighter publishing schedule
 - Exceptional competitor bestsellers; industry pressure
- Industry-leading position in digital & services

Adjusted earnings per share

£m	H1 2012	H1 2011
Adjusted operating profit	188	208
Finance income – Pensions	6	2
Finance costs – Traditional	(29)	(32)
Adjusted profit before tax	165	178
Taxation	(41)	(45)
Adjusted profit after tax	124	133
Non-controlling interest	1	1
Adjusted earnings	125	134
Adjusted EPS	15.6p	16.8p

P&L – statutory

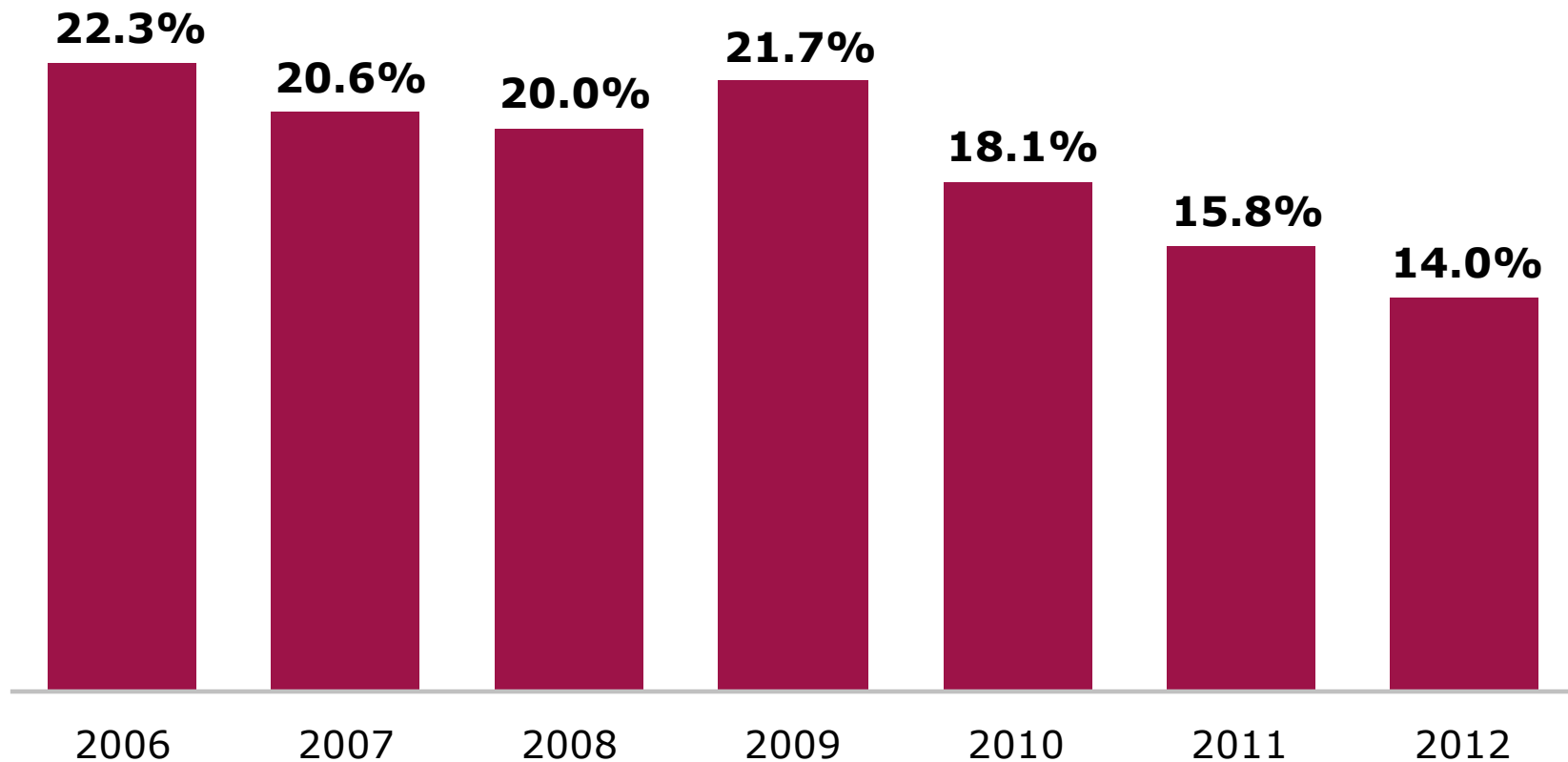
£m	H1 2012	H1 2011
Adjusted operating profit	188	208
Intangible charges	(100)	(65)
Acquisitions & disposals	(12)	(11)
Statutory operating profit	76	132
Finance costs	(17)	(50)
Profit before tax	59	82
Taxation	(17)	(23)
Profit for the period	42	59
Non-controlling interest	1	1
Earnings	43	60
EPS (statutory)	5.4p	7.5p

Free cash flow

£m	H1 2012	H1 2011
Adjusted operating profit	188	208
Working capital	(361)	(292)
Fixed asset purchases	(78)	(65)
Fixed asset disposals	1	8
Depreciation	66	54
Other movements	(19)	(11)
Operating cash flow	(203)	(98)
Tax paid	(67)	(52)
Finance charges	(21)	(22)
Free cash flow	(291)	(172)

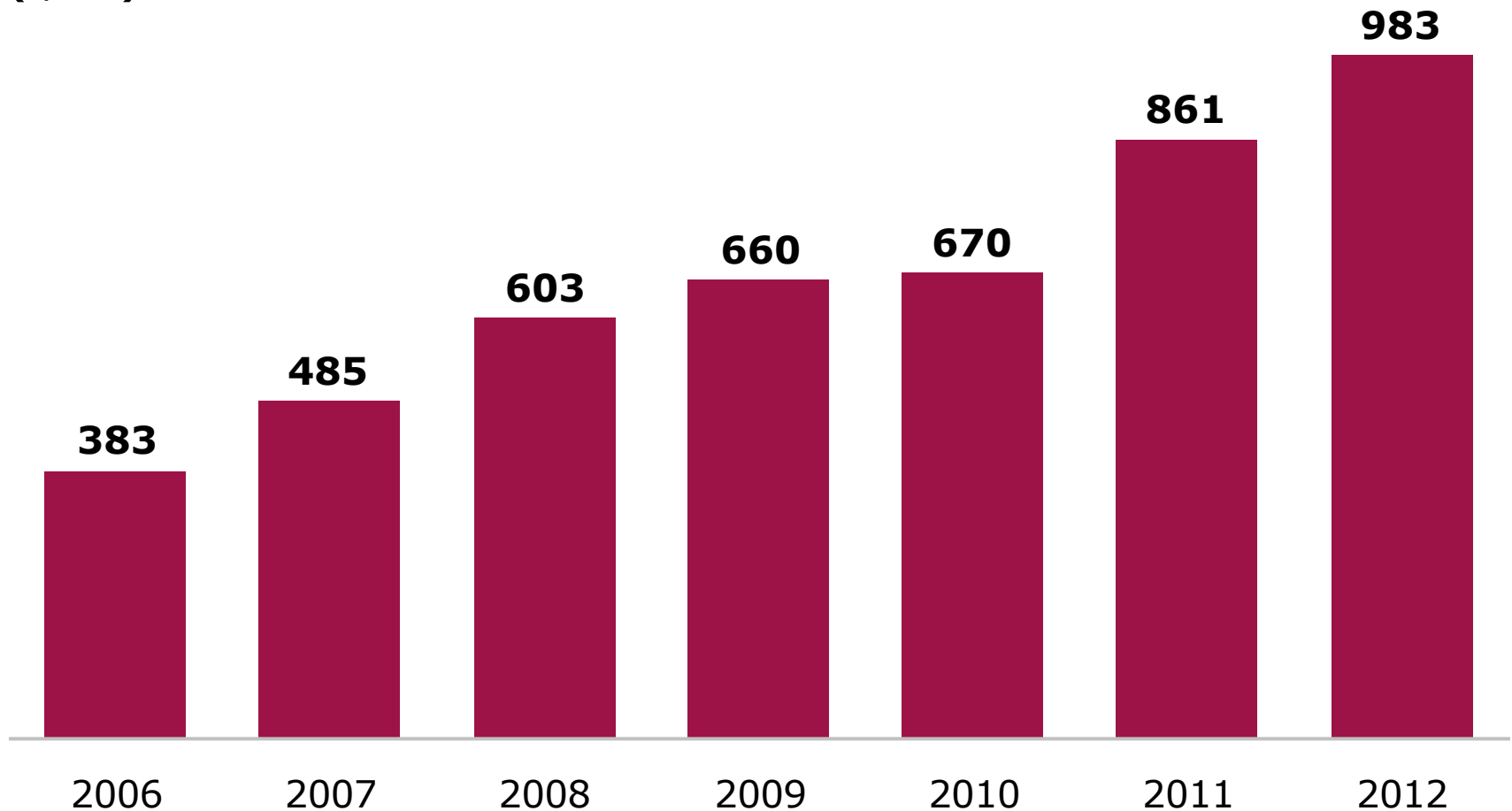
Average working capital/sales

Average to June



Total business

Deferred revenue – Half year (\$m)



Continuing operations

Balance sheet

£m	H1 2012	H1 2011
Goodwill & intangible assets	6,276	5,760
Tangible fixed assets	381	353
Operating working capital	1,004	984
Other net liabilities	(170)	(206)
Net assets	7,491	6,891
Shareholders' funds	5,779	5,192
Pensions	46	141
Other provisions	139	74
Non-controlling interest	17	33
Deferred tax	332	176
Net debt	1,178	1,275
Capital employed	7,491	6,891

Outlook

Continuing tough markets and industry change

North America, International, FT Group sustain growth

Professional begins to recover

Penguin benefits from stronger publishing schedule, further change

Further organic investment, bolt-ons, integration, restructuring



Guidance unchanged: sales & profit growth in 2012

2012 half-year results



Sustained investment

Source: Stephane Mahe, Reuters

PEARSON

Transforming Pearson

Acquisitions*



Melorio

eCollege®



~£3.5bn

Disposals*



Interactive Data

LesEchos
LE QUOTIDIEN DE L'ECONOMIE



~£3.3bn

* Acquisitions and disposals of c.£100m or more, 2002 - 2012

Greater scale



Source: Mike Blake, Reuters

PEARSON

The Economist

NOVEMBER 14TH-20TH 2009

Economist.com

The decline of music piracy
Nigeria gets better
Farmers v greens in America
How drugs are being decriminalised
Bland bosses

Brazil takes off



A 14-PAGE SPECIAL REPORT
ON LATIN AMERICA'S BIG SUCCESS STORY

US\$6.99 • C\$7.99



Argentina.....\$7.00
Bahamas.....\$5.95
Barbados.....Bds\$18.50
Bermuda.....Bds\$7.00
Brazil.....R\$24.90

Canada.....C\$7.99
Chile.....Ch\$5.000
Colombia.....Cof\$22.000
Costa Rica.....C\$4.900
Guyana.....GYD 1,650

Jamaica.....J\$510
Mexico.....Mex\$10
Peru.....S/ 38.00
Spain.....€5.50
St. Maarten.....\$9.25

Trinidad & Tobago.....Tds\$43
Turks & Caicos.....\$8.50
UK.....£4.00
USA.....US\$6.99
Venezuela.....Bz\$7

- 1,000 Pearson people
- \$30bn private education sector
- Unique & effective Sistemas model
- Importing Pearson content + technology
- Exporting Sistemas methodology

Global brands



Source: Neil Hall, Reuters

PEARSON

Pearson and English Language Teaching

Pearson ELT

150 years of educational excellence

MyEnglishLab

166,000 registrations worldwide

PTE ACADEMIC™

Accepted by 3,000 academic programmes worldwide



190,000 current students; 450 centres in 27 countries



GlobalEnglish™

450 corporates; 200,000 learners



Test preparation for students learning English in China

Better results



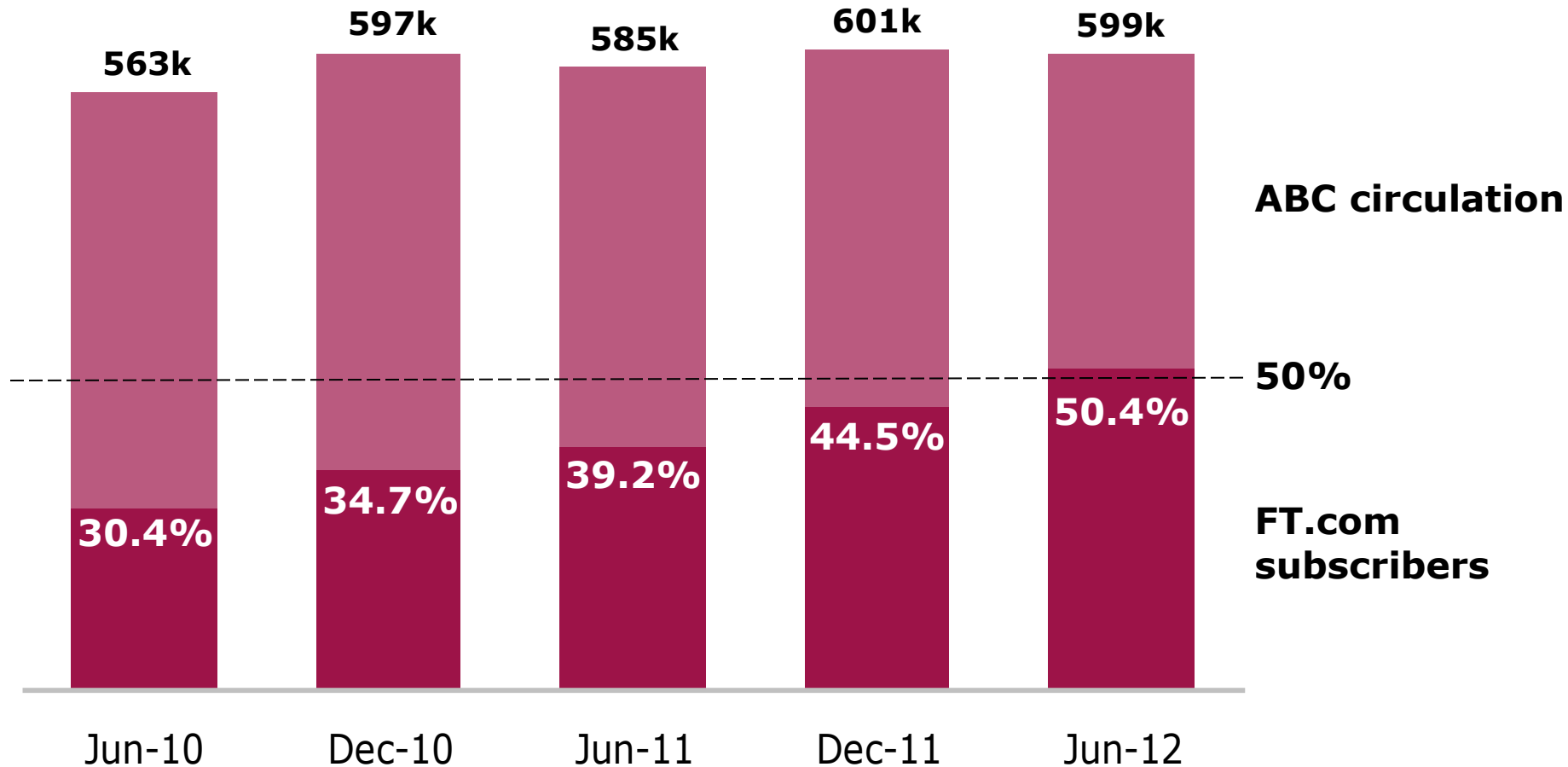


Faster transformation

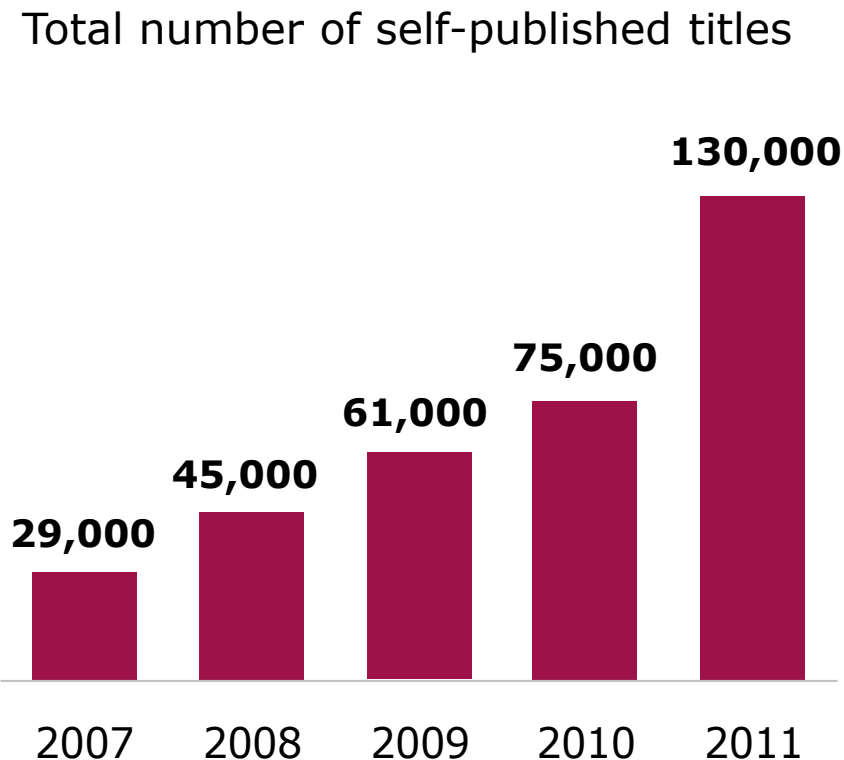
Source: Michael Macor, Corbis

PEARSON

The FT's digital milestone



Self publishing: the industry



Source: ASI, Amazon.com, Wall Street Journal

Author Solutions: the company



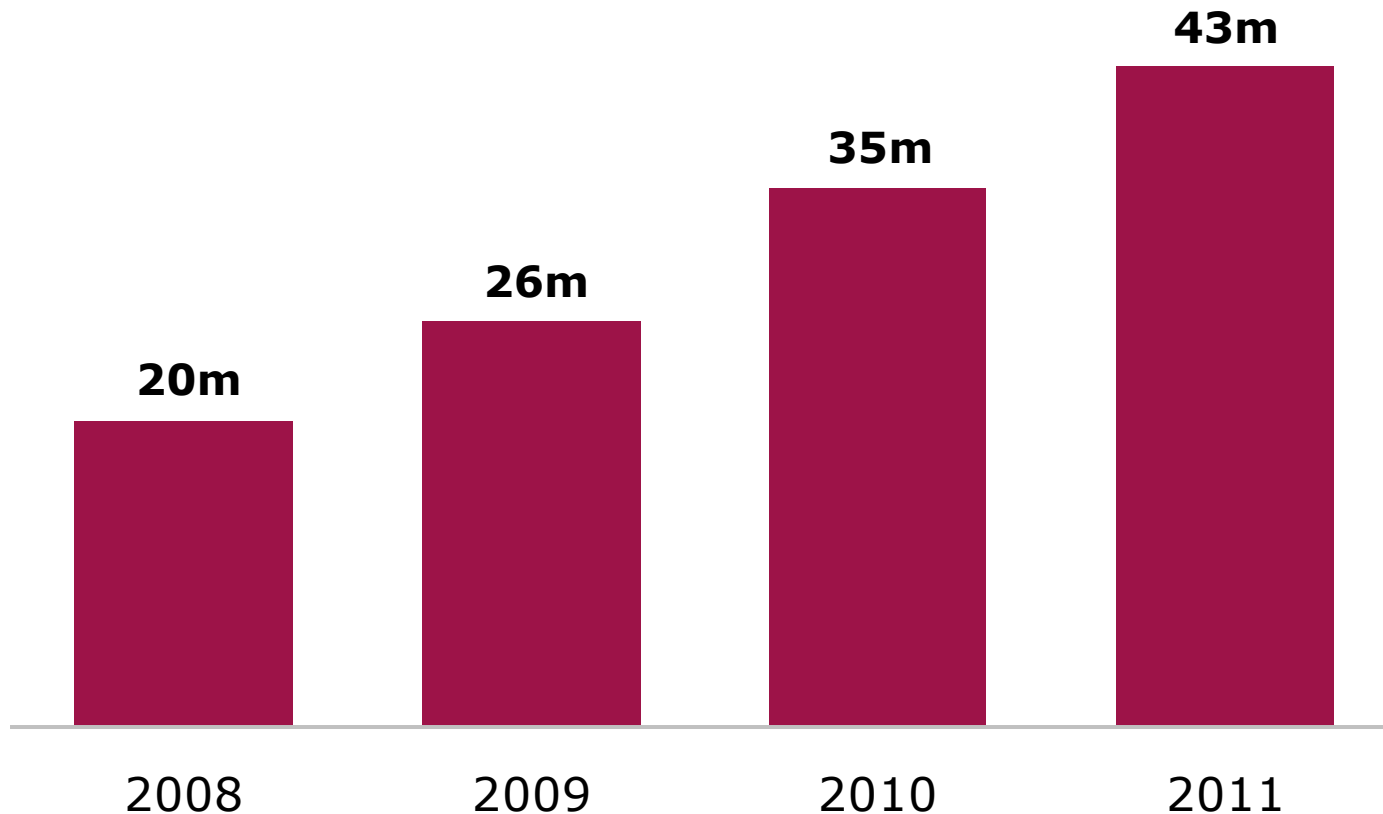
Annual sales: \$100m

People: c.1,600

Since formation in 1997:

- 150,000 authors
- 190,000 books published

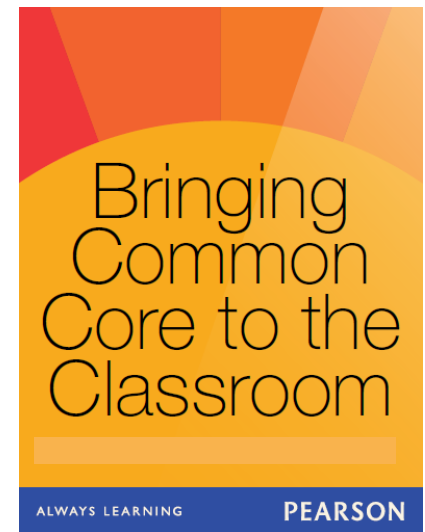
North America digital learning services*



*Students served on: MyLabs, SuccessNet, PowerSchool, LearningStudio, PearsonAccess, AIMSWeb, SuccessMaker, Schoolnet & Connections



Readypoint™ Nursing



OpenClass

Discover a learning environment that goes beyond the LMS.

Open to everyone. Easy to use. Completely free. Amazing.

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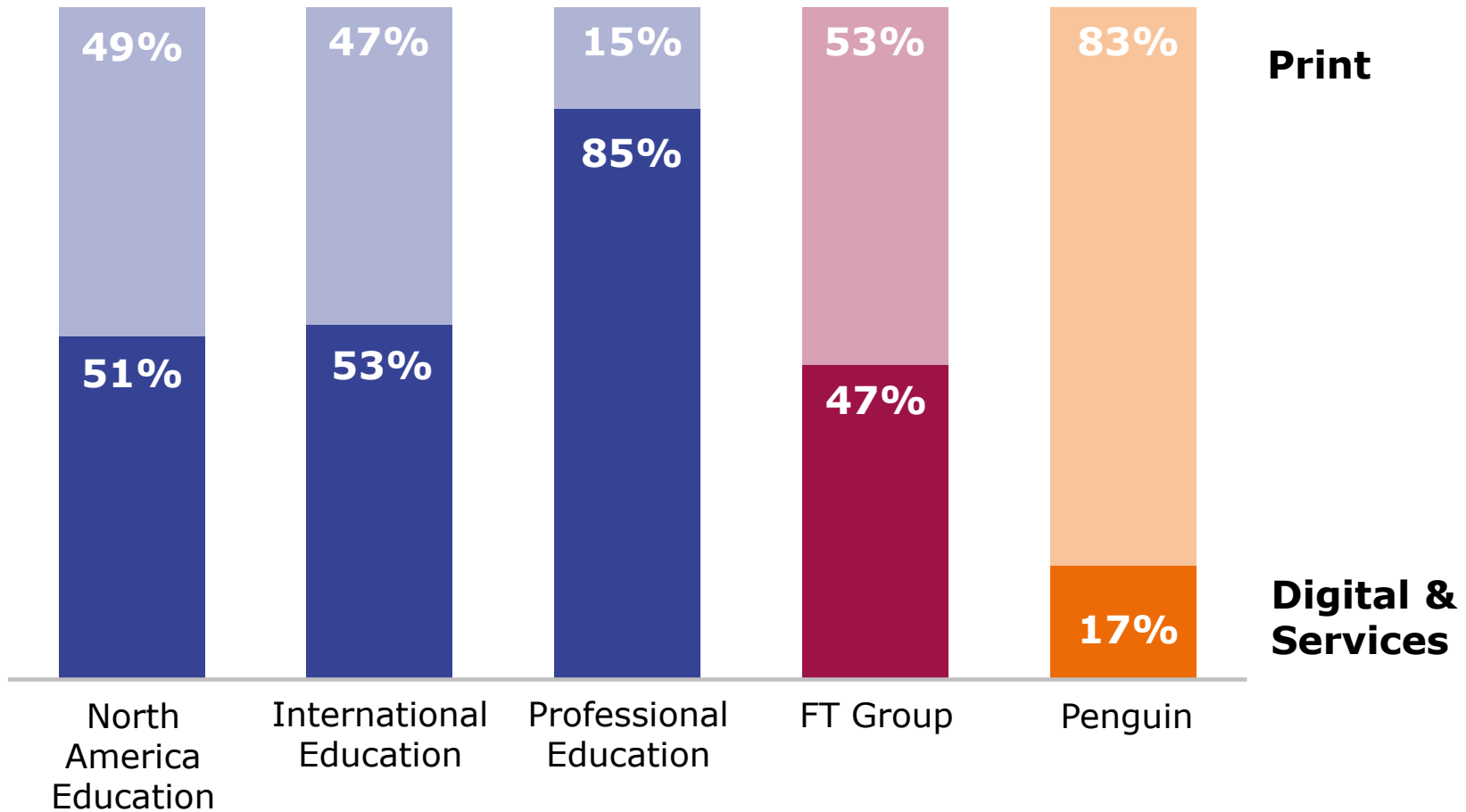
EDTECH DIGEST
COOL TOOL
2012 WINNER

"The audacity of what Pearson is attempting should not be underestimated. They could cause tectonic shifts across markets critical to higher education."

–Michael Feldstein, e-Literate

Strong digital and services businesses

2011 revenue by business*



*Based on pro forma results to include 2011 and 2012 acquisitions



ALWAYS
LEARNING

Appendices

Reconciliation: statutory to adjusted earnings

Half year 2012

£m	Statutory	Other gains and losses	Acquisition and disposal costs	Intangible charges	Other net finance costs	Tax amortisation benefit	Adjusted earnings
Operating profit	76	-	12	100	-	-	188
Net finance costs	(17)	-	-	-	(6)	-	(23)
Profit before tax	59	-	12	100	(6)	-	165
Income tax	(17)	-	(4)	(30)	2	8	(41)
Profit after tax	42	-	8	70	(4)	8	124
Discontinued operations	-	-	-	-	-	-	-
Profit for the period	42	-	8	70	(4)	8	124
Non-controlling interest	1	-	-	-	-	-	1
Earnings	43	-	8	70	(4)	8	125

Reconciliation: statutory to adjusted earnings

Half year 2011

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

Reconciliation: pre-publication costs

£m	H1 2012	H1 2011
Opening balance	650	647
Exchange	(7)	(12)
New spend capitalised	161	142
Acquisitions	4	-
Amortisation	(125)	(123)
Closing balance	683	654
Total education sales	1,926	1,756
Amortisation as a % of sales	6.5%	7.0%

Reconciliation: half-year net debt

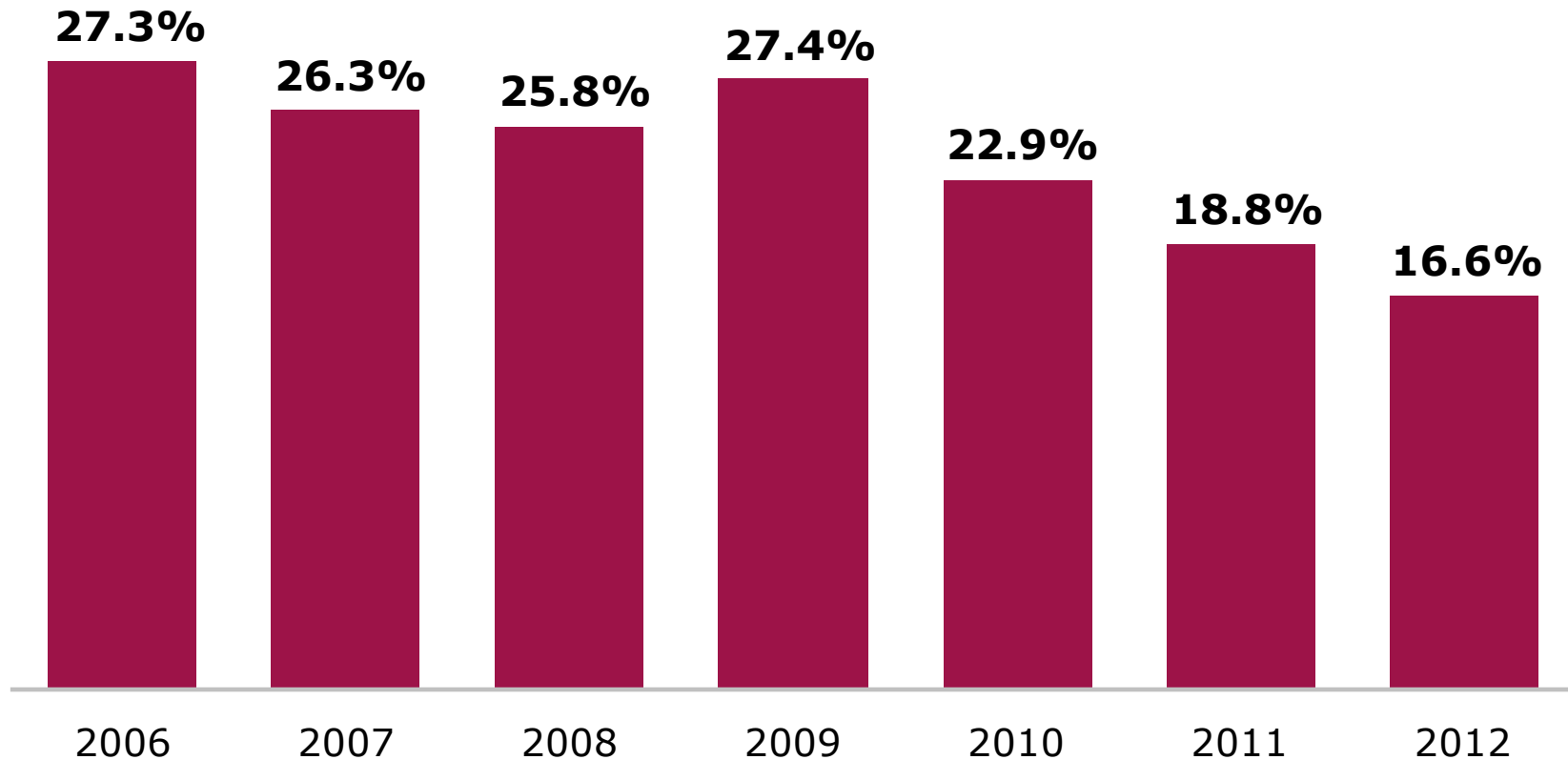
£m	2012	2011
Non current assets		
Derivative financial instruments	186	149
Current assets		
Derivative financial instruments	7	-
Marketable securities	8	8
Cash and cash equivalents	1,002	541
Non current liabilities		
Borrowings	(2,068)	(1,902)
Derivative financial instruments	(1)	(4)
Current liabilities		
Borrowings	(312)	(67)
Derivative financial instruments	-	-
Net debt	(1,178)	(1,275)

Retirement benefit obligations

£m	H1 2012	H1 2011
Income statement		
Operating charge		
Defined benefit schemes	12	12
Defined contribution schemes	38	35
Post retirement medical benefit schemes	2	1
	52	48
Interest	(6)	(2)
Total	46	46
Balance sheet		
UK pension scheme asset	119	7
Other pension scheme liabilities	(46)	(41)
Post retirement medical benefit liability	(88)	(73)
Other pension accruals	(31)	(34)
Total	(46)	(141)

Average working capital/sales

Average to June



Book publishing businesses

Learn more at
www.pearson.com