



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.

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%	-

The story of 2009

1. Significant share gains

2. Rapid growth in digital, services, emerging markets
3. Sustained organic investment

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

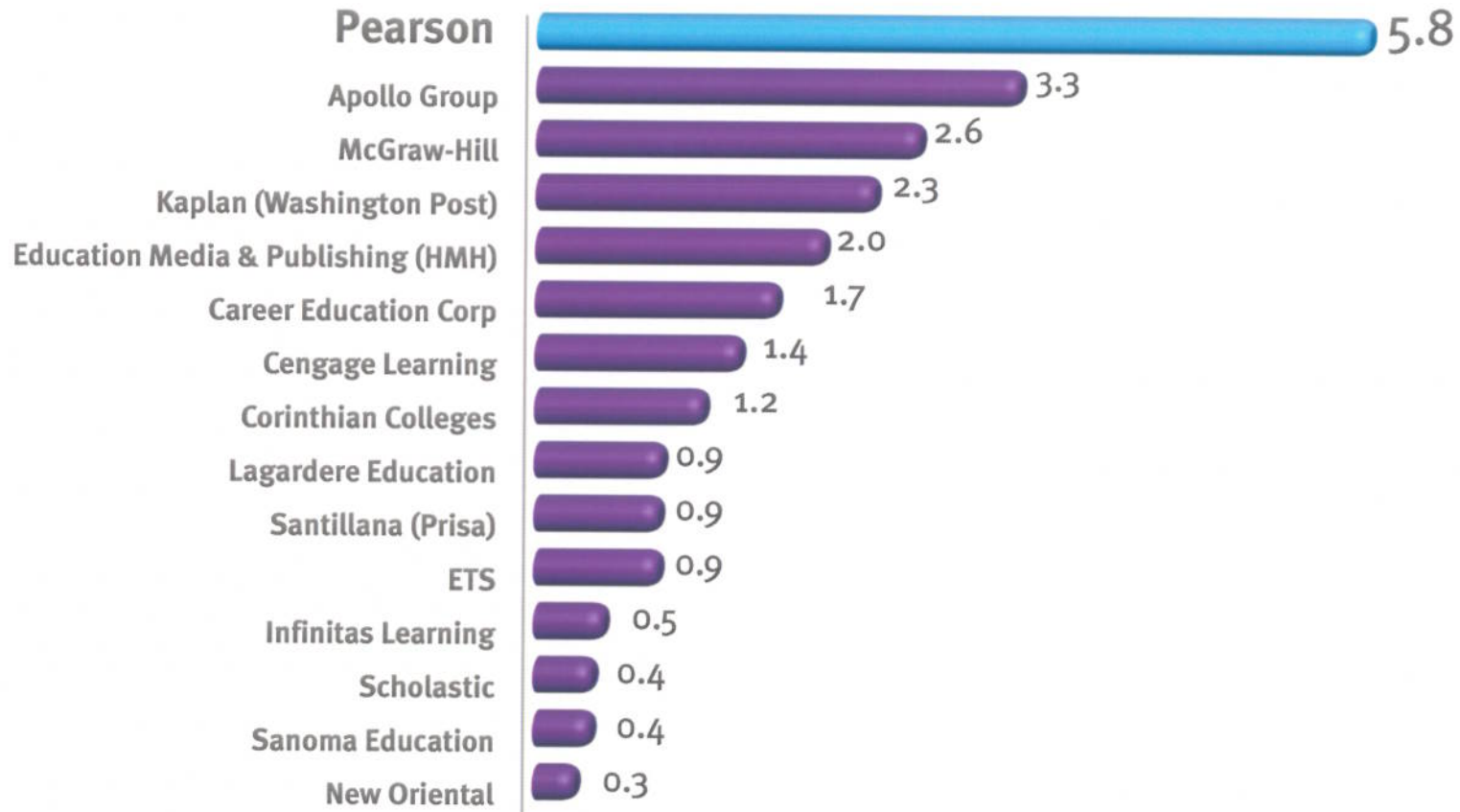


Average contract win ratio

Sources: Pearson, AAP (2004 = 100)

The world's leading education companies

Education revenues, \$bn



2008 data

The story of 2009

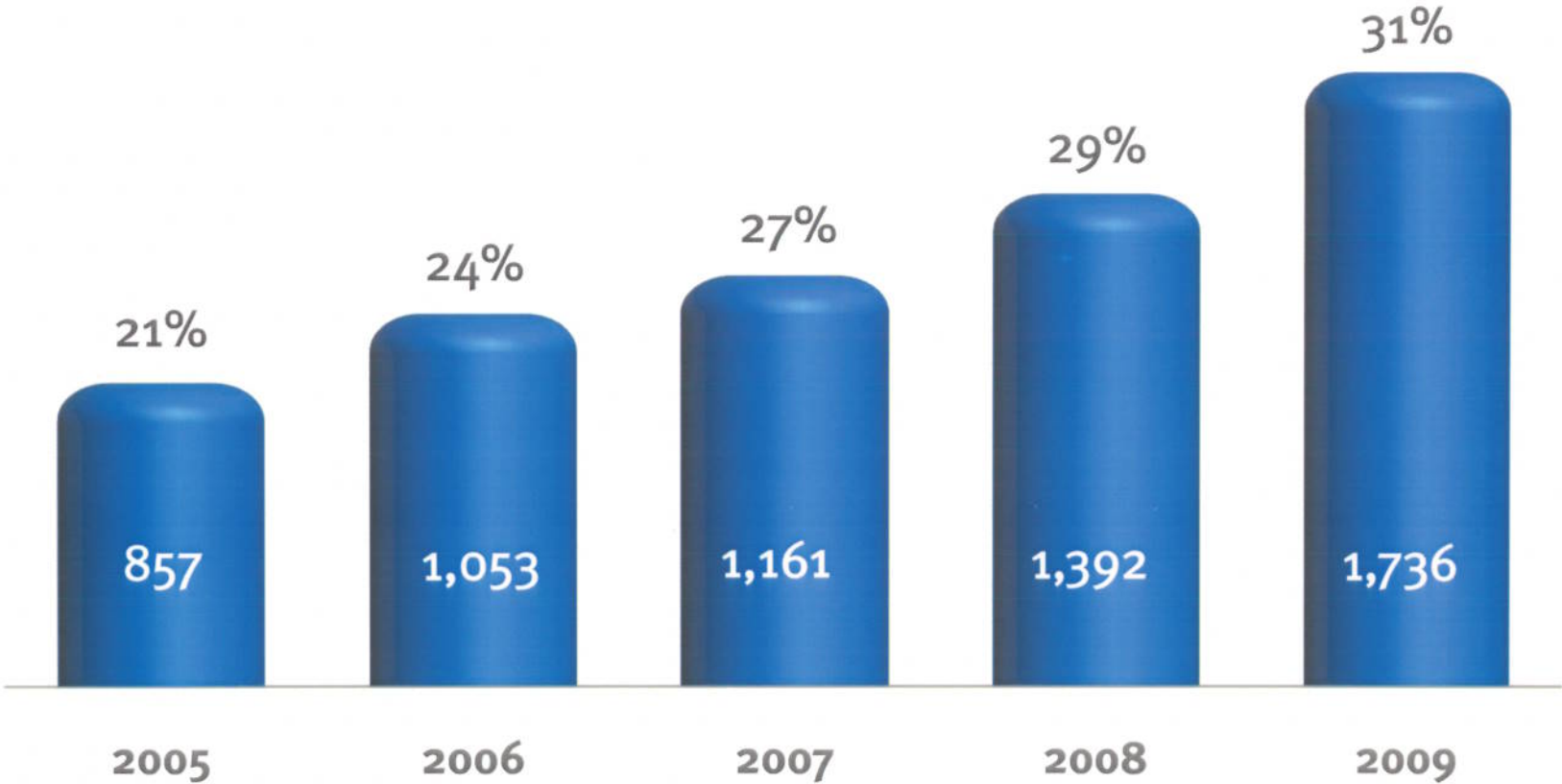
1. Significant share gains

2. Rapid growth in digital, services, emerging markets

3. Sustained organic investment

Rapid growth in digital businesses

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

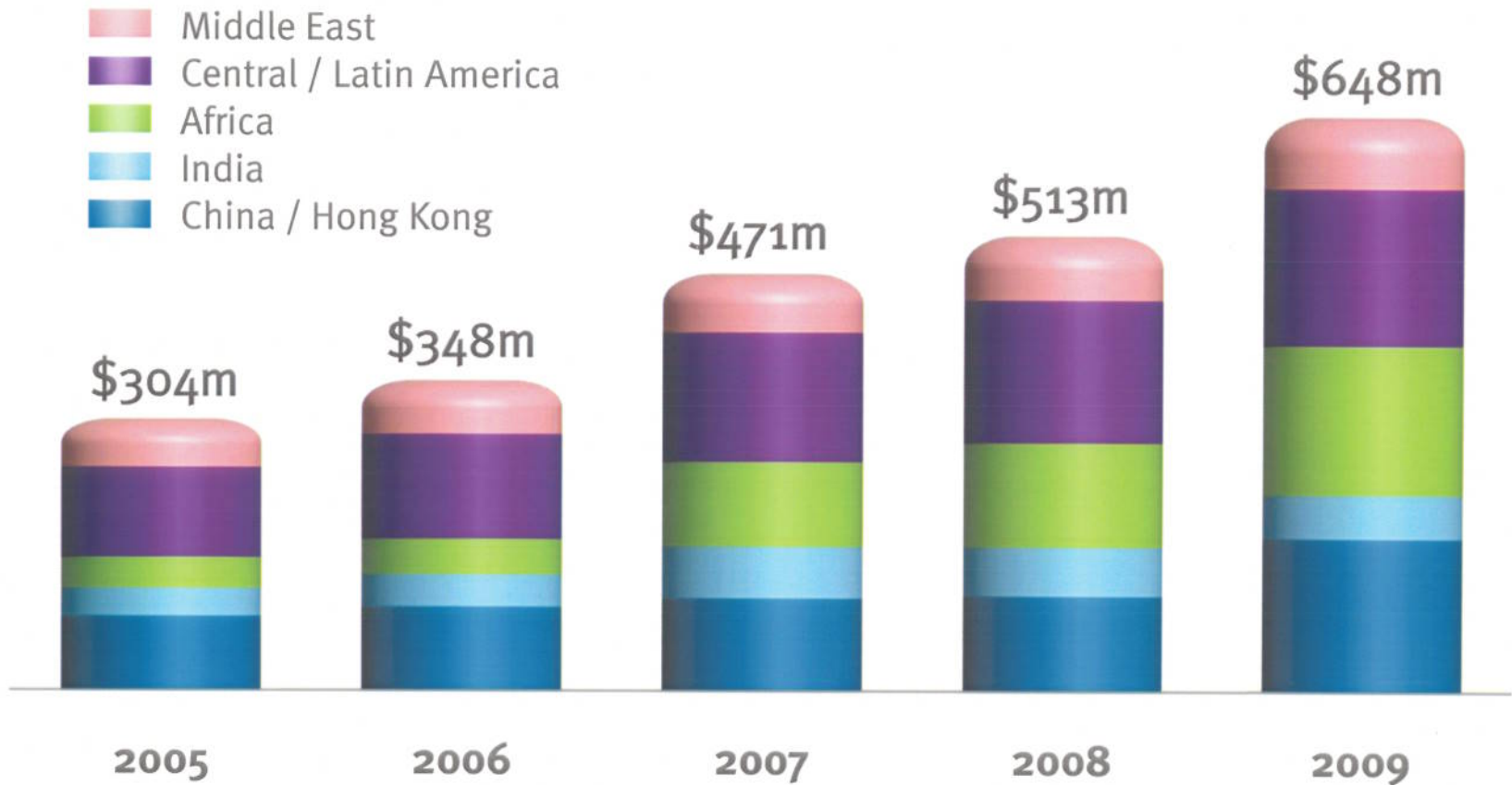


At constant exchange rate



Rapid growth in emerging markets

Pearson revenues

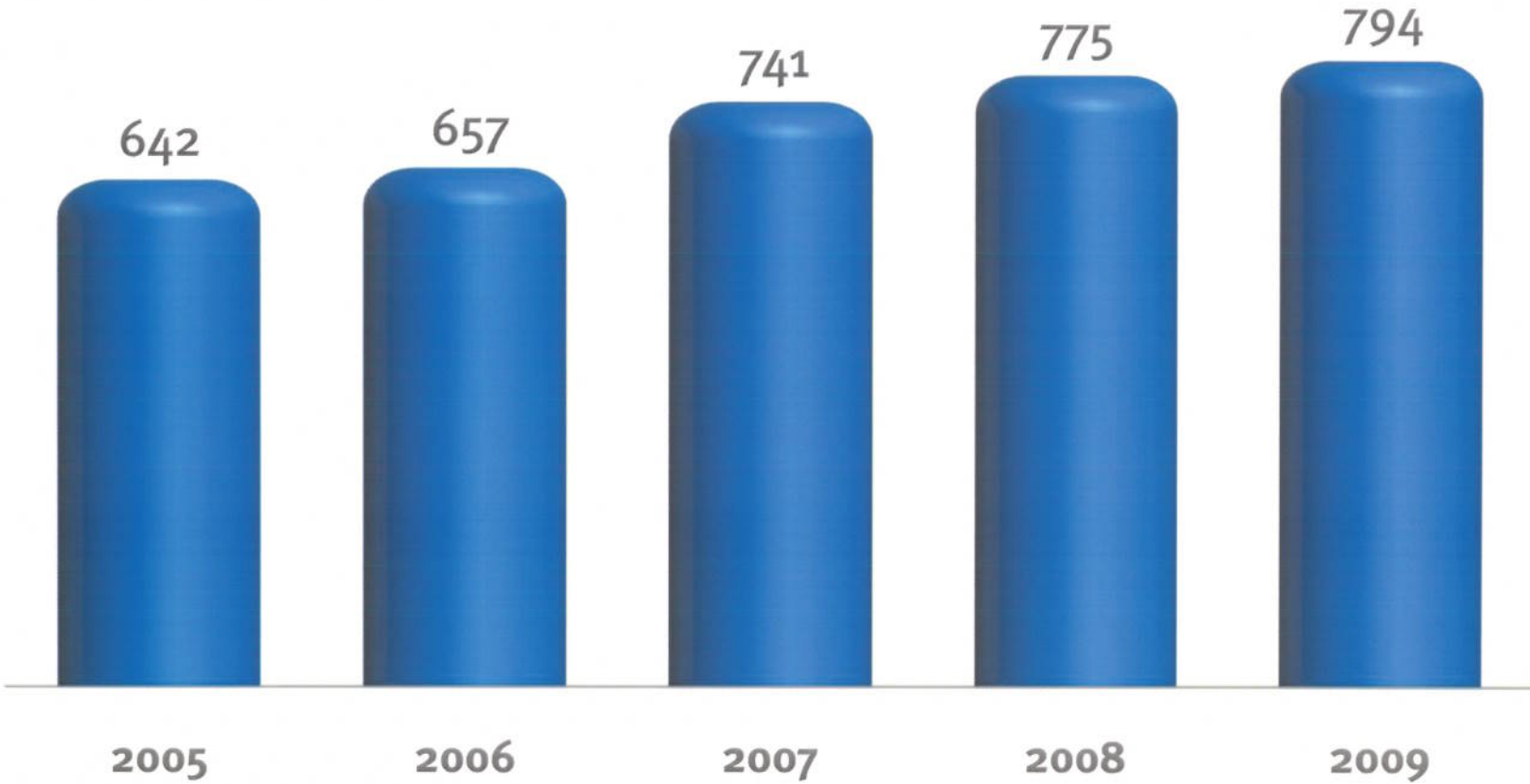


The story of 2009

1. Significant share gains
2. Rapid growth in digital, services, emerging markets
- 3. Sustained organic investment**

Sustained organic investment

Pre-publication expenditure & authors' advances
\$m



PEARSON

Always learning

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

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%

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%

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



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

Adjusted EPS

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

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%

Operating cash flow

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

Working capital includes pre-publication

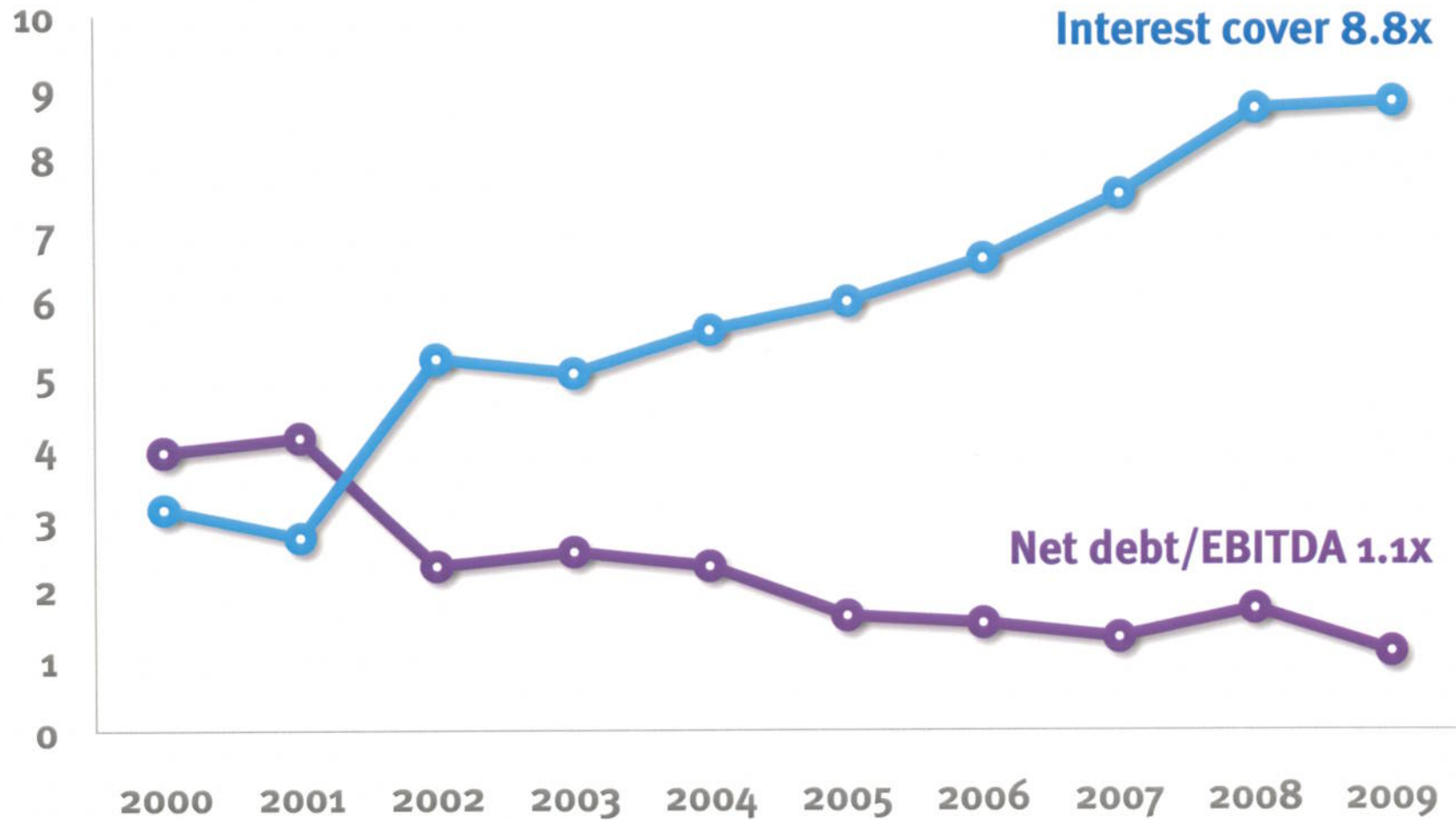
Free cash flow

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

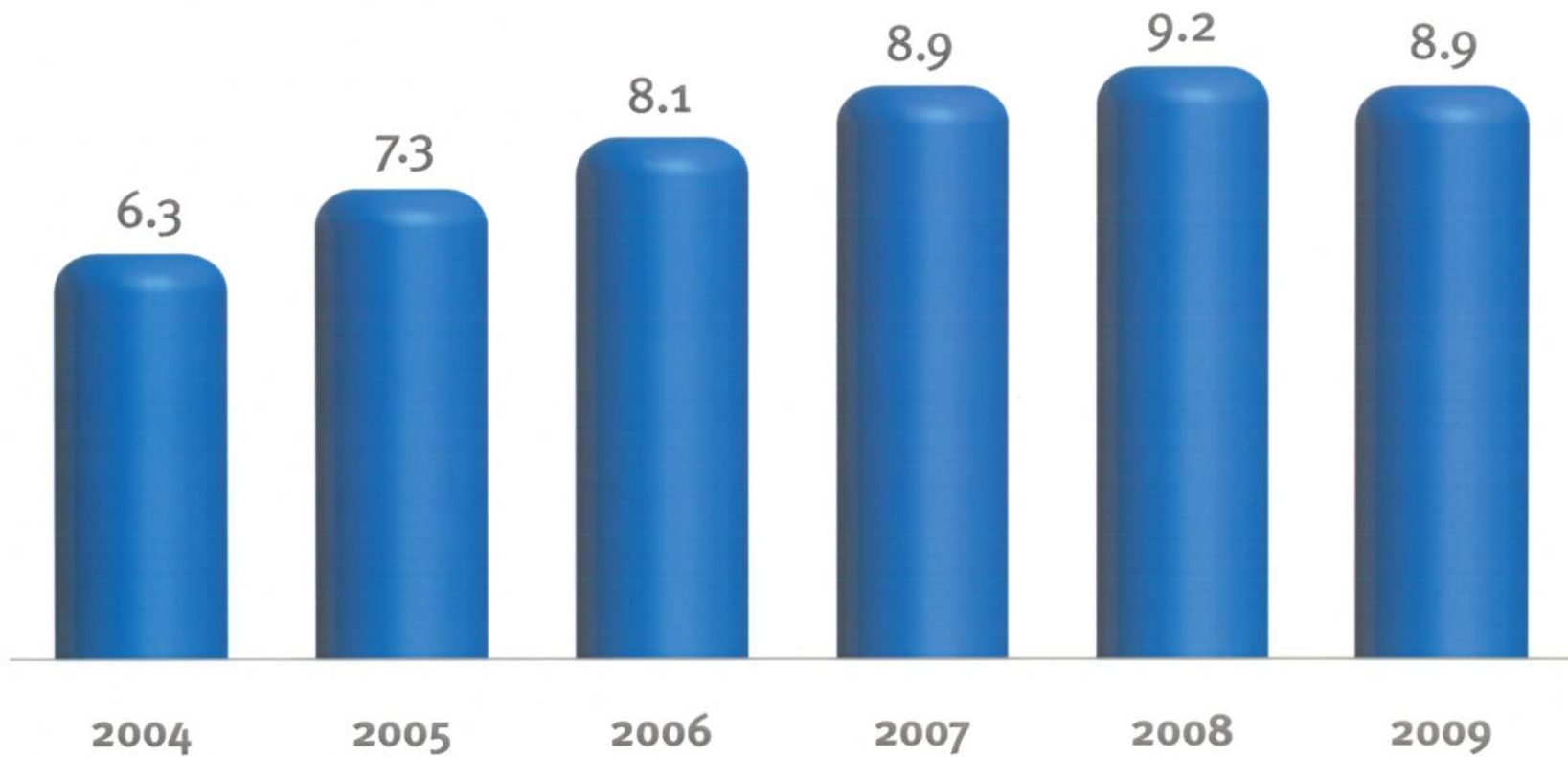
Balance sheet

£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	

Balance sheet strength



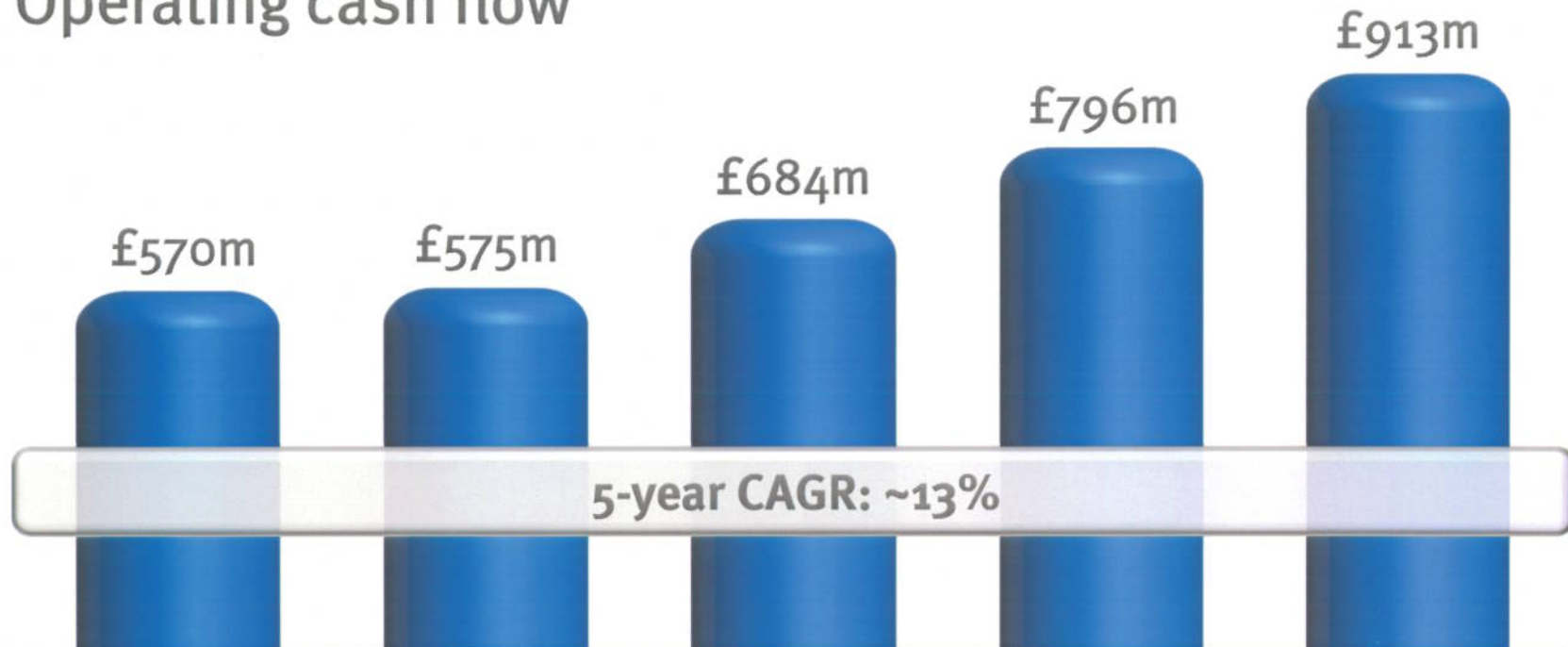
Return on invested capital (%)



Average capital/actual cash tax

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

Uses of cash

Organic investment

Bolt-on acquisitions

Dividends

Uses of cash: bolt-on acquisitions

2002-2009

Disposal proceeds

\$3.6bn

Investment in acquisitions

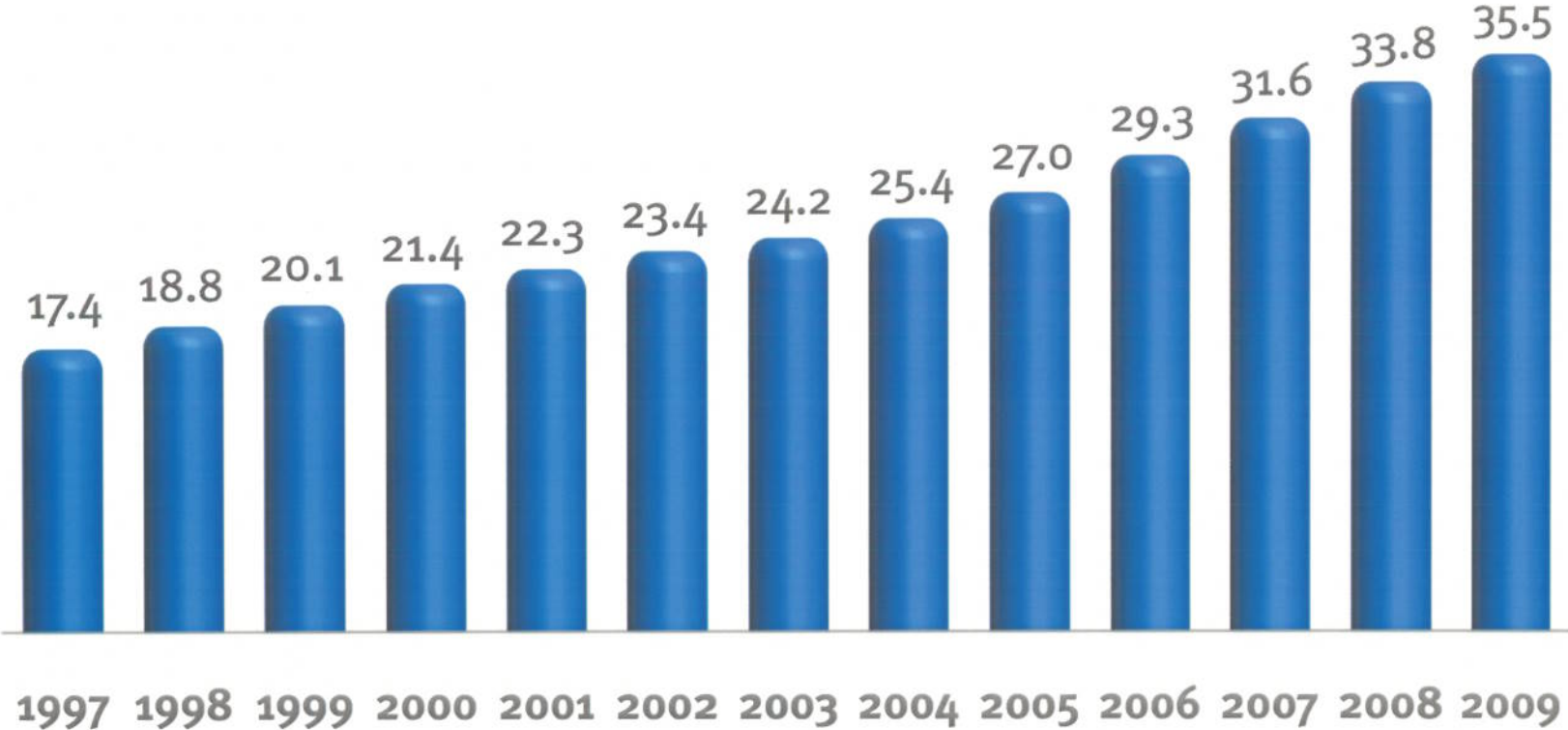
\$3.3bn

ROIC on acquisitions

~1.5X
WACC

Uses of cash: dividend growth

Pence per share



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

2010 outlook

FT Group

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



Penguin

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



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2010 priorities

Underlying operating profit growth

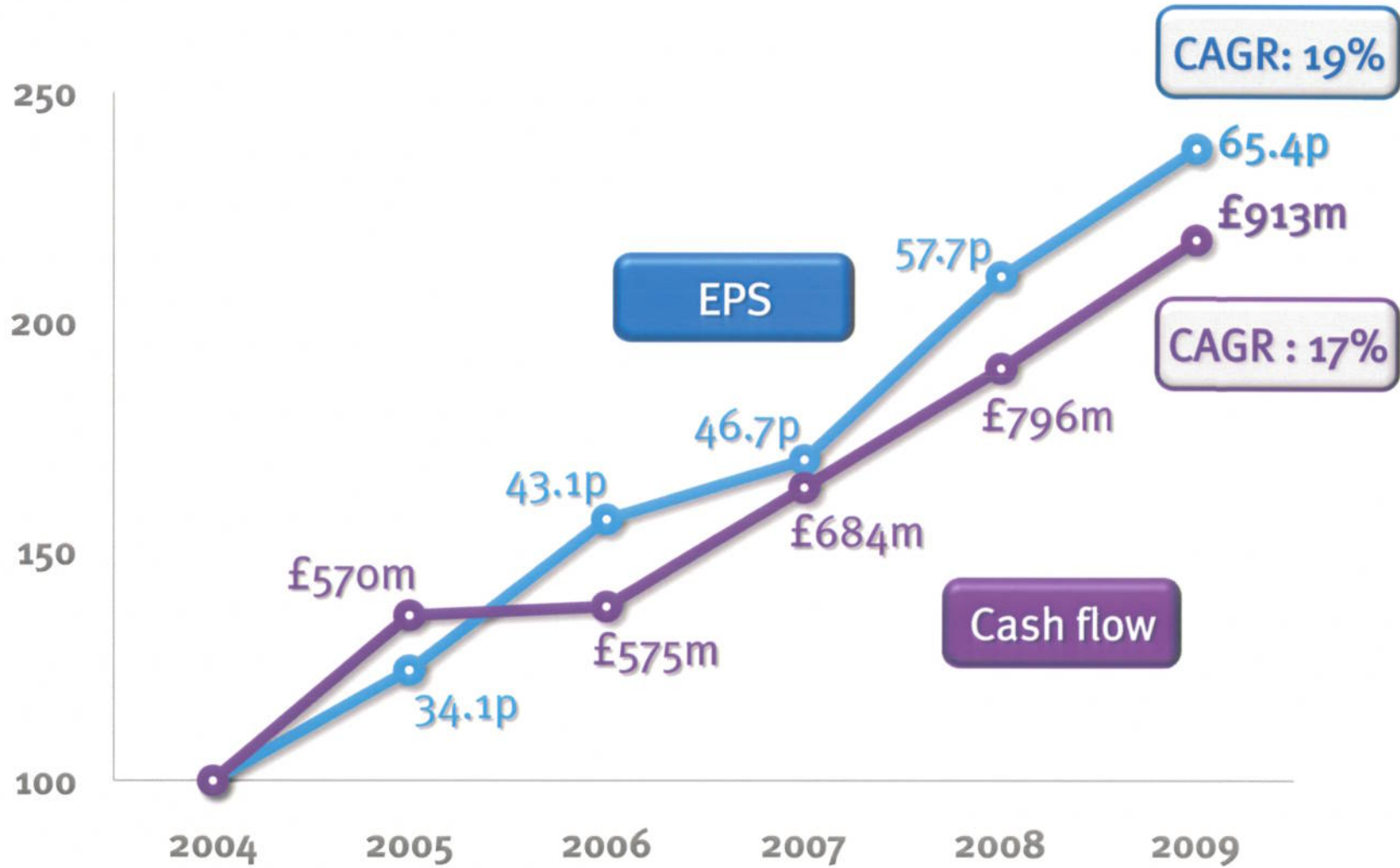
Strong cash conversion

Continued investment

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Always learning

Durability and growth



2004=100

The next chapter

Next generation learning technologies

Services

Emerging markets

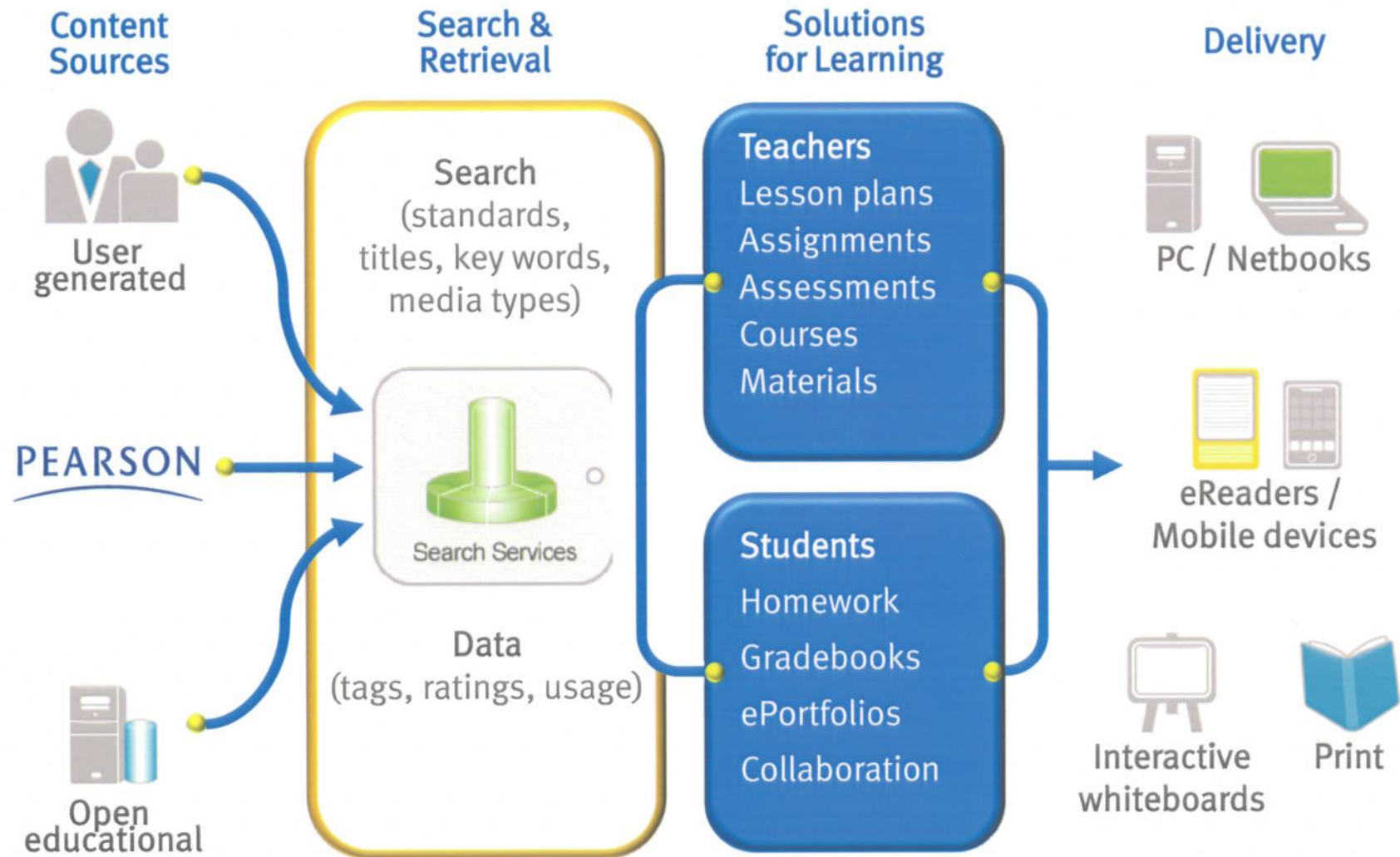
New consumer experiences

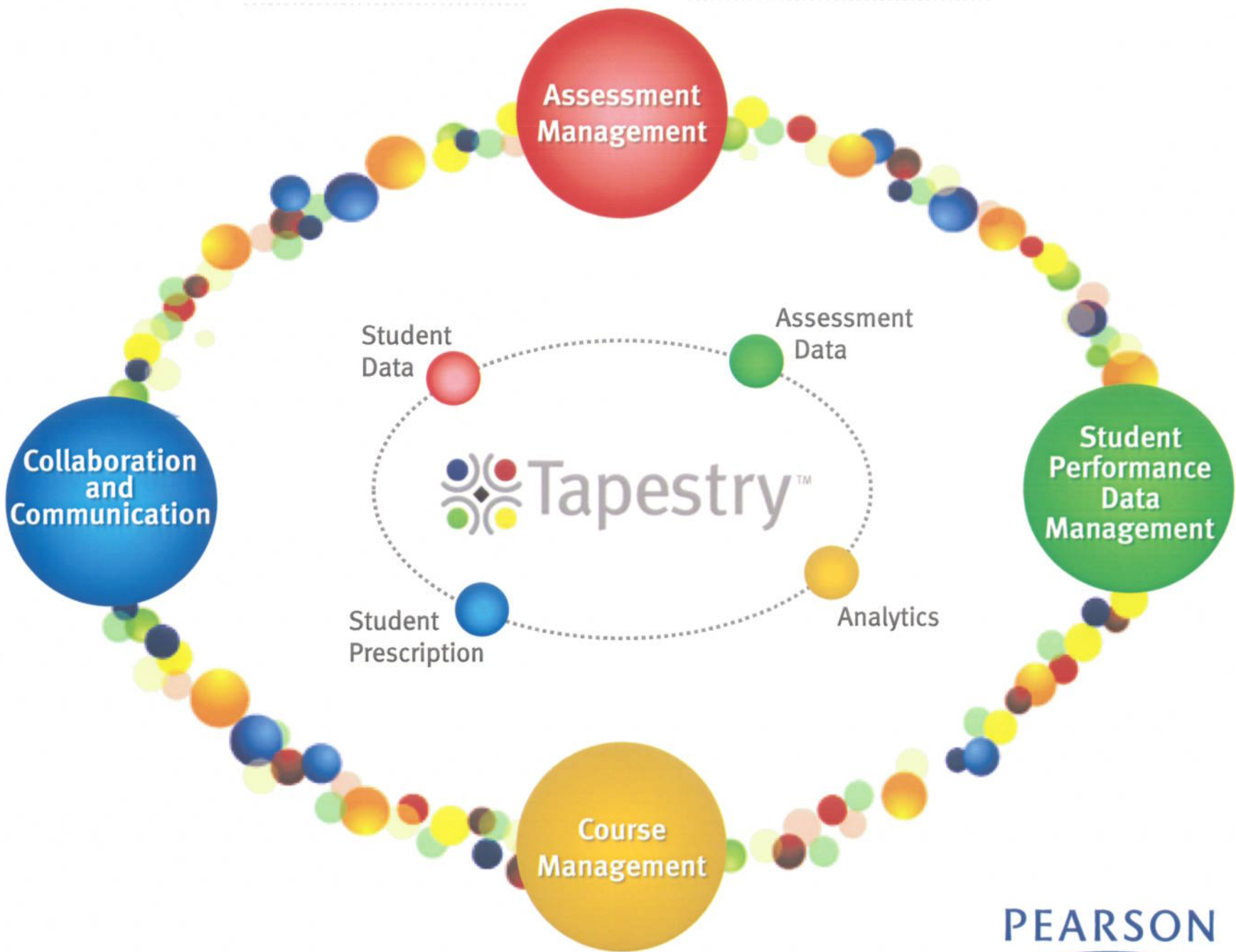
The leader in learning technologies

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

Next generation learning technologies





The next chapter

Next generation learning technologies

Services

Emerging markets

New consumer experiences

The next chapter

Next generation learning technologies

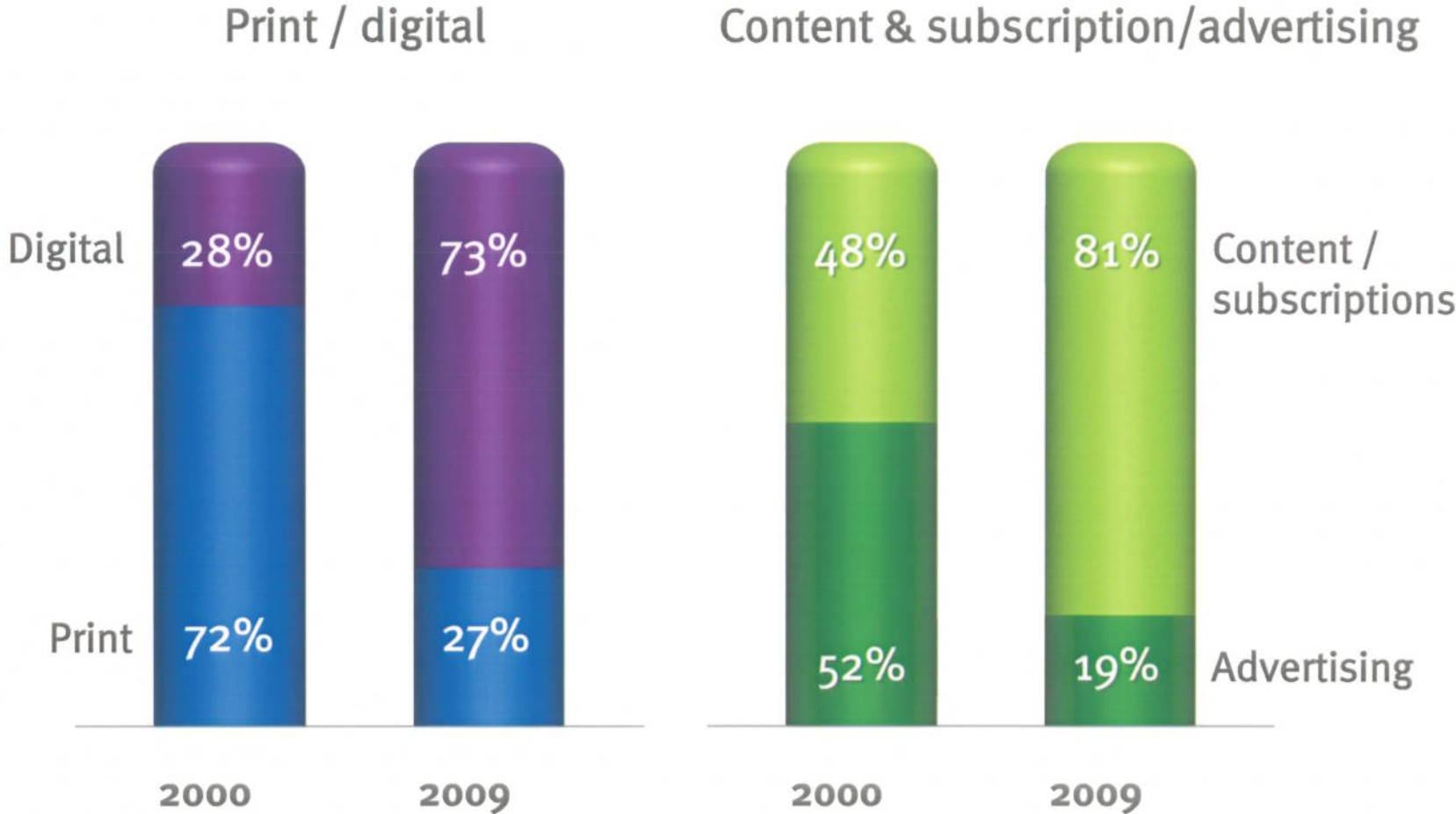
Services

Emerging markets

New consumer experiences

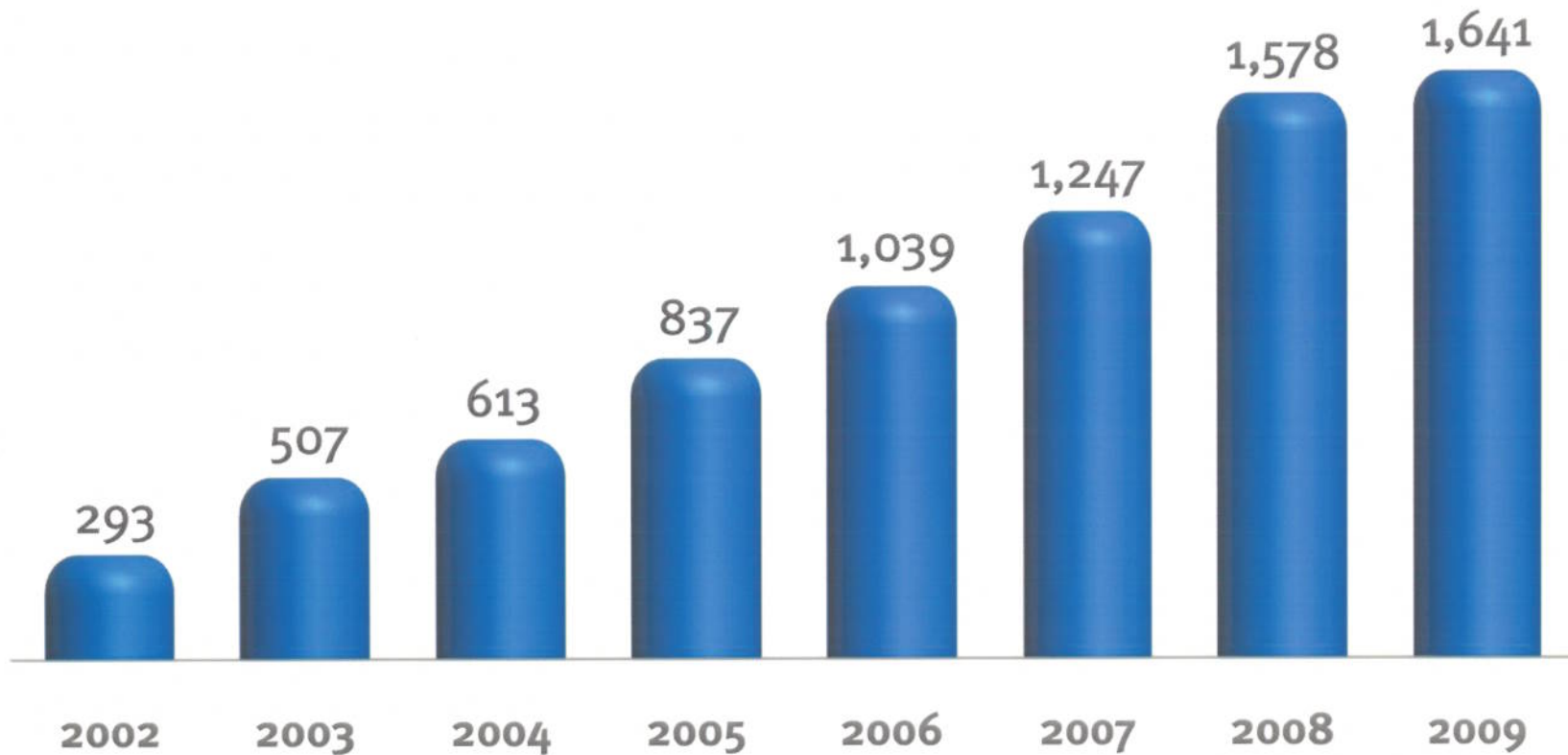
Technology and services

FT Group revenue mix, %



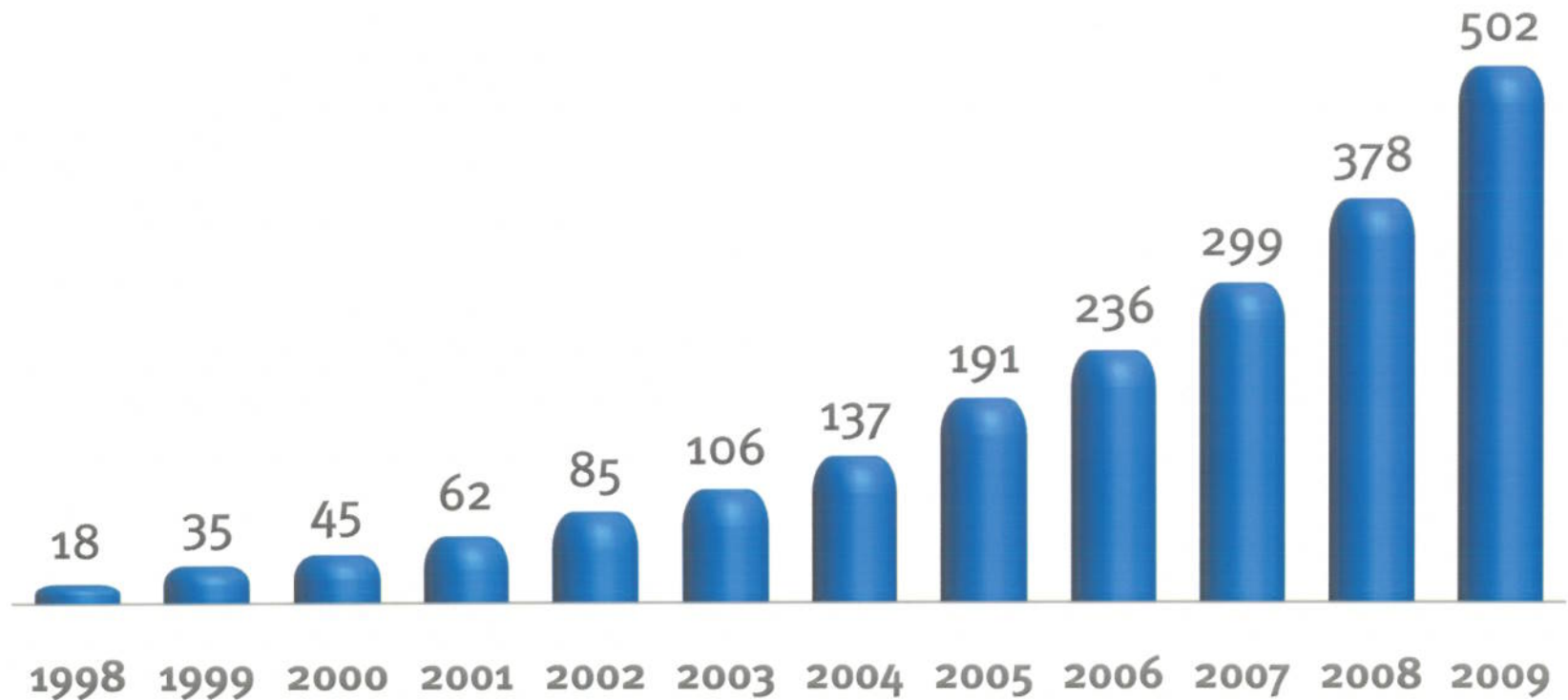
Growth in services businesses

Pearson worldwide testing revenues, \$m



Services: US higher education

Custom publishing & services, sales \$m



Student retention in US Higher Education



100
9th graders



68
finish school



40
enroll in college



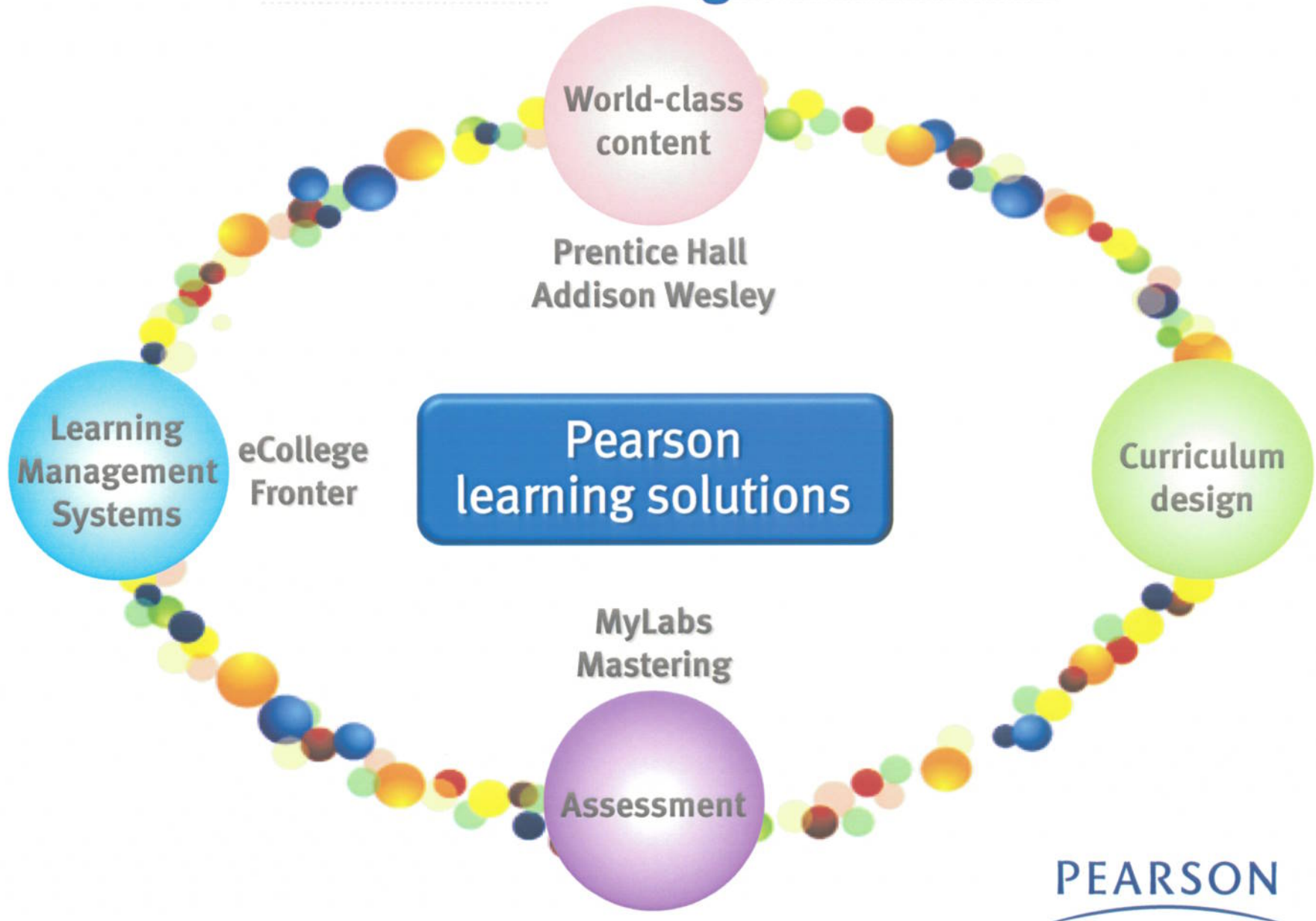
27
remain enrolled



18
graduate

82
don't
make it

Customised services in Higher Education



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The next chapter

Next generation learning technologies

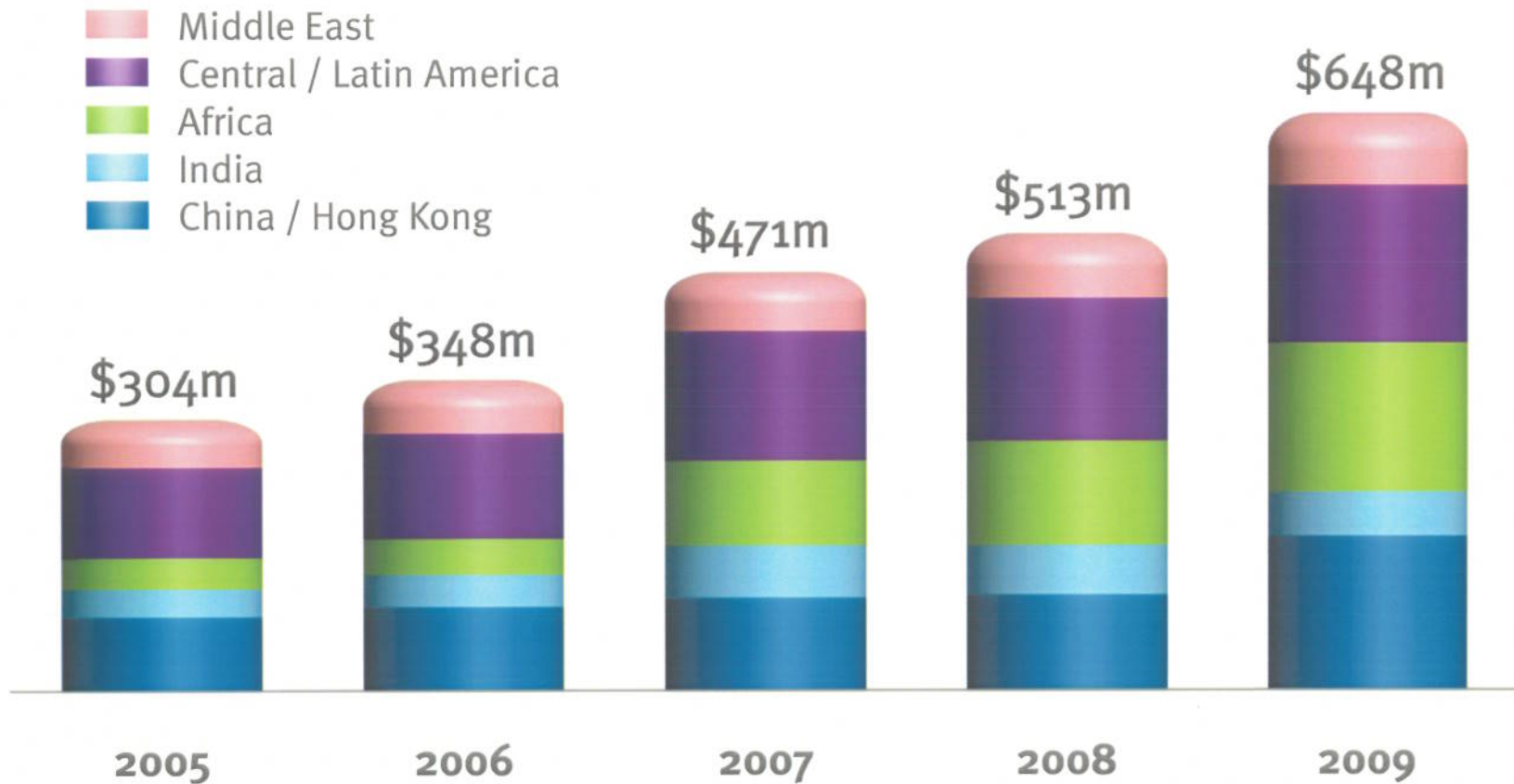
Services

Emerging markets

New consumer experiences

Rapid growth in emerging markets

Pearson revenues



Youth unemployment in the Arab world (%)



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

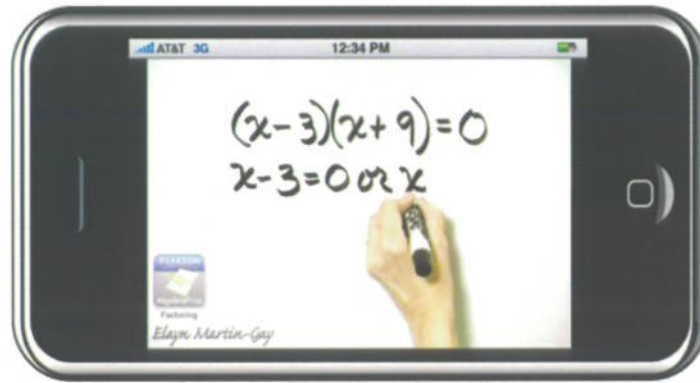
The next chapter

Next generation learning technologies

Services

Emerging markets

New consumer experiences



DIMENSION M™ **MULTIPLAYER MISSION PACK** Powered By PEARSON

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

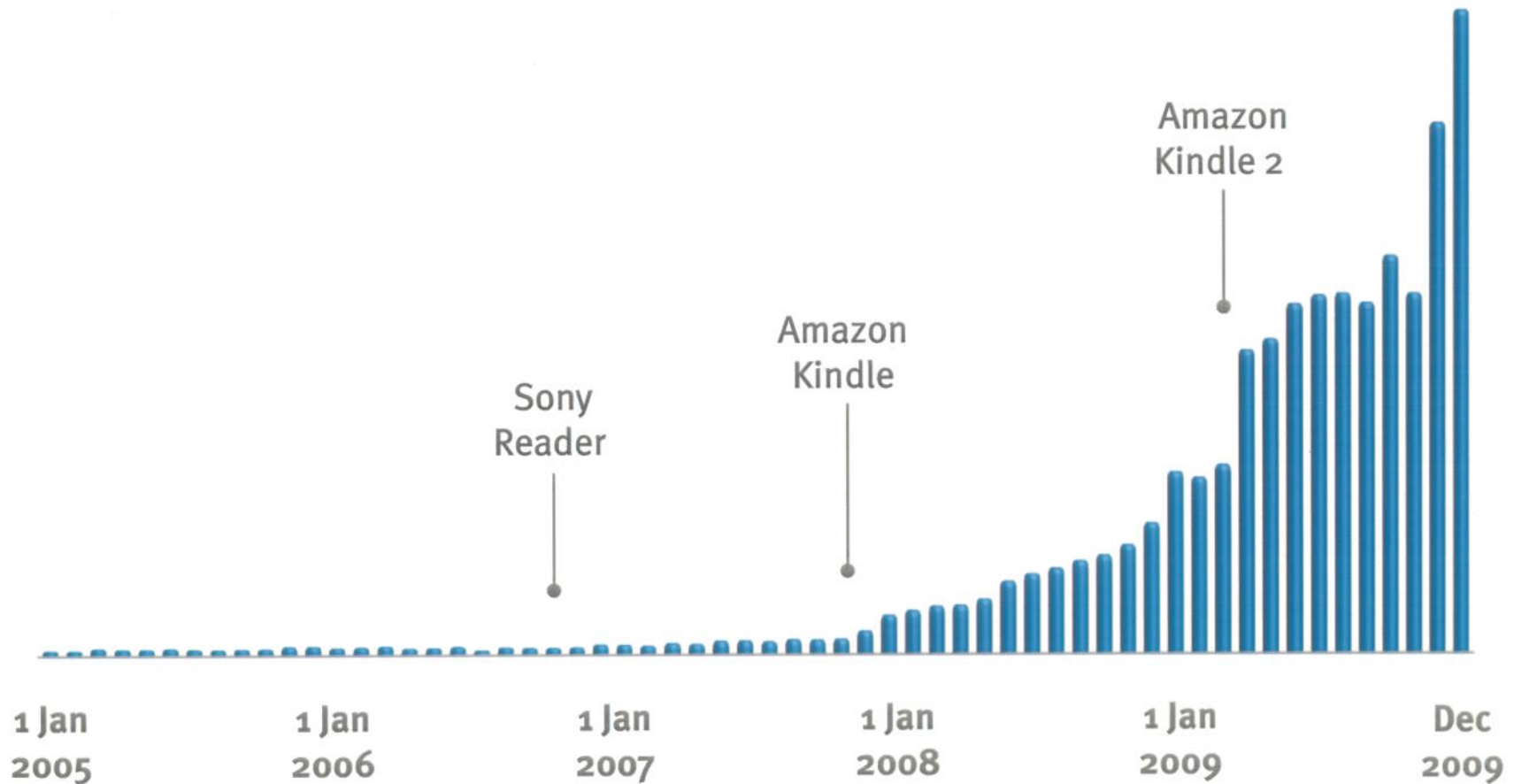
A malfunctioning time machine has messed up history! It's your job to go back in time and set things right. Because if you don't, who knows what the future will hold!

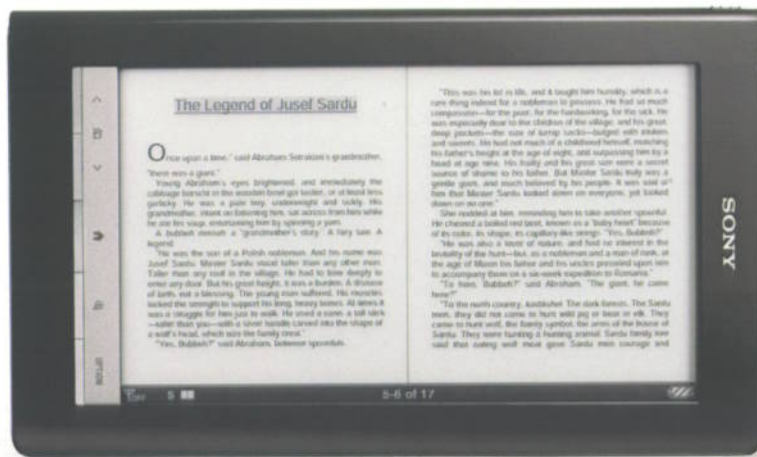
CIRCUIT CENTER

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)





LIBRARY

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- TV Shows
- Podcasts **183**
- Audiobooks
- Applicati... **12**
- Radio

STORE

- iTunes Store**
- Purchased
- Purchased on ...

GENIUS

- Genius

App Store > Books > Penguin Books



Free App

The Left Hand of God

Description

The Left Hand of God – a Try-before-you-buy Penguin ebook

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Screenshots

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