

Pearson is a world leader in education, business information and consumer publishing. We help children and adults to learn, business people to make good decisions, readers to enjoy a good book. Our aim is to help all of them understand the world a little better and enjoy doing it – what we call ‘education in the broadest sense of the word’.

We’ve consistently grown the company by investing in content, technology, international expansion and efficiency gains. In 2007, that strategy and investment focus produced the best results in Pearson’s 164-year history – and helped millions of our customers get on in their lives.

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Notes

Throughout this document (unless otherwise stated):

Growth rates are stated on an underlying basis (i.e. excluding currency movements and portfolio changes). The business performance measures are non-GAAP measures and reconciliations to the equivalent statutory heading under IFRS are included in notes 2, 8 and 32 to the annual report. Dollar comparative figures have been translated at the year end rate of \$1.99:£1 sterling for illustrative purposes only.

Reliance on this document

Our Business Review on pages 8 to 24 has been prepared in accordance with the Directors’ Report Business Review Requirements of section 234ZZB of the Companies Act 1985. It also incorporates much of the guidance set out in the Accounting Standards Board’s Reporting Statement on the Operating and Financial Review.

The intention of this document is to provide information to shareholders and is not designed to be relied upon by any other party or for any other purpose.

Forward-looking statements

This document contains forward-looking statements which are made by the directors in good faith based on information available to them at the time of approval of this report. 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. 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: Record Results in 2007

Adjusted earnings per share

46.7p / 92.9¢

+8%

Operating cash flow

£684m / \$1,361m

+19%

Return on invested capital

8.2%

+0.2% pts

Dividend

31.6p / 62.9¢

+7.8%

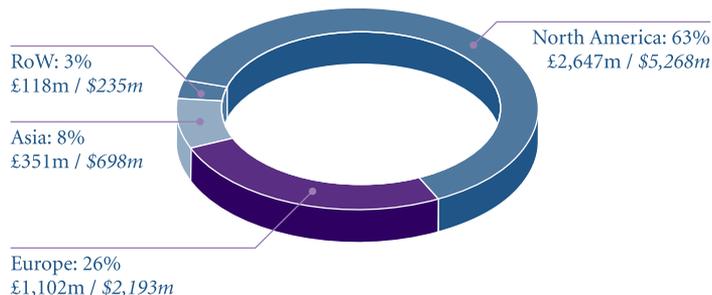
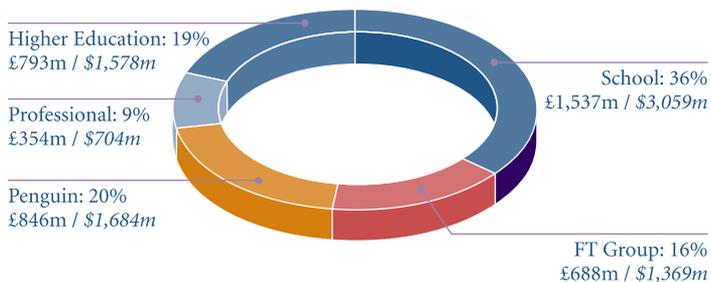
	2007		2006		Headline growth %	Underlying growth %
	£m	\$m	£m	\$m		
Business performance						
Sales	4,218	8,394	4,051	8,061	4	6
Adjusted operating profit	634	1,262	592	1,178	7	14
Adjusted profit before tax	549	1,093	502	999	9	-
Adjusted earnings per share	46.7p	92.9¢	43.1p	85.8¢	8	-
Operating cash flow	684	1,361	575	1,144	19	-
Operating free cash flow	533	1,061	434	864	23	-
Return on invested capital	8.2%	-	8.0%	-	0.2% pts	1.0% pts
Net debt	973	1,936	1,059	2,107	(8)	-

	2007		2006		Headline growth %	Underlying growth %
	£m	\$m	£m	\$m		
Statutory results						
Sales	4,162	8,282	3,990	7,940	4	-
Operating profit	574	1,142	522	1,039	10	-
Profit before tax	468	931	448	892	4	-
Basic earnings per share	35.6p	70.8¢	55.9p	111.2¢	(36)	-
Basic earnings per share – continuing	39.0p	77.6¢	52.7p	104.9¢	(26)	-
Cash generated from operations	659	1,311	621	1,236	6	-
Dividend per share	31.6p	62.9¢	29.3p	58.3¢	7.8	-

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Sales: Total £4,218m / \$8,394m

+6%



Adjusted operating profit: Total £634m / \$1,262m

+14%

