

## Principal subsidiaries

The principal operating subsidiaries at 31 December 2009 are listed below. They operate mainly in the countries of incorporation or registration, the investments are in equity share capital and they are all 100% owned unless stated otherwise.

	Country of incorporation or registration
<b>Pearson Education</b>	
Pearson Education Inc.	US
Pearson Education Ltd	England
Edexcel Ltd*	England
NCS Pearson Inc.	US
<b>FT Group</b>	
The Financial Times Ltd	England
Mergermarket Ltd	England
Interactive Data Corporation (61%)	US
<b>The Penguin Group</b>	
Penguin Group (USA) Inc.	US
The Penguin Publishing Co Ltd	England
Dorling Kindersley Holdings Ltd*	England

\* Direct investment of Pearson plc.

## Five year summary

All figures in £ millions	2005	2006	2007	2008	2009
<b>Sales</b>					
North American Education	1,576	1,679	1,667	2,002	2,470
International Education	559	640	735	866	1,035
Professional	177	211	226	244	275
Education	2,312	2,530	2,628	3,112	3,780
FT Publishing	249	280	344	390	358
Interactive Data	297	332	344	406	484
FT Group	546	612	688	796	842
Penguin	804	848	846	903	1,002
Continuing	3,662	3,990	4,162	4,811	5,624
Discontinued	461	433	167	8	–
<b>Total sales</b>	<b>4,123</b>	<b>4,423</b>	<b>4,329</b>	<b>4,819</b>	<b>5,624</b>
<b>Adjusted operating profit</b>					
North American Education	260	280	273	303	403
International Education	51	73	92	135	141
Professional	2	17	27	36	43
Education	313	370	392	474	587
FT Publishing	17	27	56	74	39
Interactive Data	80	89	97	121	148
FT Group	97	116	153	195	187
Penguin	60	66	74	93	84
Continuing	470	552	619	762	858
Discontinued	36	40	15	–	–
<b>Total adjusted operating profit</b>	<b>506</b>	<b>592</b>	<b>634</b>	<b>762</b>	<b>858</b>
<b>Operating margin – continuing</b>	<b>12.8%</b>	<b>13.8%</b>	<b>14.9%</b>	<b>15.8%</b>	<b>15.3%</b>
<b>Adjusted earnings</b>					
Total adjusted operating profit	506	592	634	762	858
Net finance costs	(84)	(90)	(85)	(88)	(97)
Income tax*	(128)	(130)	(145)	(178)	(194)
Minority interest	(22)	(28)	(32)	(36)	(44)
<b>Adjusted earnings*</b>	<b>272</b>	<b>344</b>	<b>372</b>	<b>460</b>	<b>523</b>
Weighted average number of shares (millions)	797.9	798.4	796.8	797.0	799.3
<b>Adjusted earnings per share*</b>	<b>34.1p</b>	<b>43.1p</b>	<b>46.7p</b>	<b>57.7p</b>	<b>65.4p</b>

\* 2005 not restated for tax deductibility of goodwill and intangible amortisation.

All figures in £ millions	2005	2006	2007	2008	2009
<b>Cash flow</b>					
Operating cash flow	570	575	684	796	913
Operating cash conversion	113%	97%	108%	104%	106%
Operating free cash flow	440	434	533	631	723
Operating free cash flow per share	55.1p	54.4p	66.9p	79.2p	90.5p
Total free cash flow	431	433	407	631	723
Total free cash flow per share	54.0p	54.2p	51.1p	79.2p	90.5p
<b>Net assets</b>	<b>3,733</b>	<b>3,644</b>	<b>3,874</b>	<b>5,024</b>	<b>4,636</b>
<b>Net debt</b>	<b>996</b>	<b>1,059</b>	<b>973</b>	<b>1,460</b>	<b>1,092</b>
<b>Return on invested capital (gross basis)</b>					
Total adjusted operating profit	506	592	634	762	858
Cash tax paid	(65)	(59)	(61)	(89)	(103)
Return	441	533	573	673	755
Average invested capital	6,060	6,553	6,423	7,337	8,504
Return on invested capital	7.3%	8.1%	8.9%	9.2%	8.9%
<b>Dividend per share</b>	<b>27.0p</b>	<b>29.3p</b>	<b>31.6p</b>	<b>33.8p</b>	<b>35.5p</b>

## Corporate and operating measures

### Sales – underlying and constant exchange rate movement

Sales movement for continuing operations excluding the impact of acquisitions and disposals and movements in exchange rates.

All figures in £ millions	2009
Underlying increase	74
Portfolio changes	99
Exchange differences	640
<b>Total sales increase</b>	<b>813</b>
Underlying increase	2%
Constant exchange rate increase	4%

### Adjusted income statement

Reconciliation of the consolidated income statement to the adjusted numbers presented as non-GAAP measures in the financial statements.

All figures in £ millions						2009
	Statutory income statement	Other net gains and losses	Amortisation of acquired intangibles	Other net finance income/costs	Tax amortisation benefit	Adjusted income statement
Operating profit	755	–	103	–	–	858
Net finance costs	(98)	–	–	(2)	–	(97)
Profit before tax	660	–	103	(2)	–	761
Income tax	(198)	–	(37)	1	40	(194)
Profit for the year from continuing operations	462	–	66	(1)	40	567
Profit for the year from discontinued operations	–	–	–	–	–	–
Profit for the year	462	–	66	(1)	40	567
Minority interest	(37)	–	(5)	–	(2)	(44)
Earnings	425	–	61	(1)	38	523

All figures in £ millions						2008
	Statutory income statement	Other net gains and losses	Amortisation of acquired intangibles	Other net finance income/costs	Tax amortisation benefit	Adjusted income statement
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 for the year from continuing operations	413	(7)	55	2	33	496
Profit for the year from discontinued operations	(90)	90	–	–	–	–
Profit for the year	323	83	55	2	33	496
Minority interest	(31)	–	(3)	–	(2)	(36)
Earnings	292	83	52	2	31	460

### Adjusted operating profit – underlying and constant exchange rate movement

Operating profit movement excluding the impact of acquisitions, disposals and movements in exchange rates.

All figures in £ millions	2009
Underlying increase	13
Portfolio changes	14
Exchange differences	69
<b>Total adjusted operating profit increase</b>	<b>96</b>
Underlying increase	2%
Constant exchange rate increase	4%

### Total free cash flow per share

Operating cash flow for continuing and discontinued operations before tax and finance charges, divided by the weighted average number of shares in issue.

All figures in £ millions	2009	2008
Adjusted operating profit	858	762
Cash conversion	106%	104%
Operating cash flow	913	796
Operating tax paid	(103)	(89)
Net operating finance costs paid	(87)	(76)
<b>Total operating and free cash flow</b>	<b>723</b>	<b>631</b>
Weighted average number of shares in issue (millions)	799.3	797.0
Operating free cash flow per share	90.5p	79.2p
<b>Total free cash flow per share</b>	<b>90.5p</b>	<b>79.2p</b>

### Return on invested capital

All figures in £ millions	Net invested capital		Gross invested capital	
	2009	2008	2009	2008
Total adjusted operating profit	858	762	858	762
Intangible amortisation	(103)	(86)	–	–
Cash tax paid	(103)	(89)	(103)	(89)
<b>Return</b>	<b>652</b>	<b>587</b>	<b>755</b>	<b>673</b>
Average goodwill and other intangibles	5,152	4,352	7,194	6,058
Average net operating assets	1,310	1,279	1,310	1,279
Average invested capital	6,462	5,631	8,504	7,337
<b>Return on invested capital</b>	<b>10.1%</b>	<b>10.4%</b>	<b>8.9%</b>	<b>9.2%</b>

Return on invested capital is calculated using two methods:

**Gross basis** – total adjusted operating profit less operating cash tax paid expressed as a percentage of average gross invested capital. Gross invested capital includes the original unamortised goodwill and intangibles.

**Net basis** – total adjusted operating profit less intangible amortisation and operating cash tax paid expressed as a percentage of average net invested capital. Net invested capital includes the carrying value (after amortisation) of goodwill and intangibles.

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## Shareholder information

### Payment of dividends to mandated accounts

Dividends are paid through BACS and can be paid directly into a bank or building society account, with the tax voucher sent to the shareholder's registered address. For more information, please contact our registrar, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Telephone 0871 384 2043\* or, for those shareholders with hearing difficulties, textphone number 0871 384 2255\*.

### Dividend reinvestment plan (DRIP)

The DRIP gives shareholders the right to buy the company's shares on the London stock market with their cash dividend. For further information, please contact Equiniti on 0871 384 2268\*.

### Individual Savings Accounts (ISAs)

Equiniti offers ISAs in Pearson shares. For more information, please call them on 0871 384 2244\*.

### Share dealing facilities

Equiniti offers telephone and internet services for dealing in Pearson shares. For further information, please contact them on 08456 037 037 (telephone dealing – weekdays only) or log on to [www.shareview.co.uk/dealing](https://www.shareview.co.uk/dealing) (online dealing). You will need your shareholder reference number as shown on your share certificate.

A postal facility for dealing in Pearson shares is also available through JPMorgan Cazenove Limited, 20 Moorgate, London EC2R 6DA. Telephone 020 7588 2828.

An alternative weekly postal dealing service is available through Equiniti. Please telephone 0871 384 2248\* for details.

### ShareGift

Shareholders with small holdings of shares, whose value makes them uneconomic to sell, may wish to donate them to ShareGift, the share donation charity (registered charity number 1052686). Further information about ShareGift and the charities it has supported may be obtained from their website, [www.ShareGift.org](https://www.ShareGift.org) or by contacting them at 17 Carlton House Terrace, London SW1Y 5AH.

### Shareholder information online

Equiniti provides a range of shareholder information online. You can check your holding and find practical help on transferring shares or updating your details at [www.shareview.co.uk](https://www.shareview.co.uk). Equiniti can be contacted for information on 0871 384 2233\*.

### Information about the Pearson share price

The company's share price can be found on our website at [www.pearson.com](https://www.pearson.com). It also appears in the financial columns of the national press.

### American Depositary Receipts (ADRs)

Pearson's ADRs are listed on the New York Stock Exchange and traded under the symbol PSO. Each ADR represents one ordinary share. For enquiries regarding registered ADR holder accounts and dividends, please contact BNY Mellon Shareowner Services, PO Box 358516, Pittsburgh, PA 15252-8516, telephone 1 866 259 2289 (toll free within the US) or 1 201 680 6825 (outside the US). Alternatively, you may e-mail [shrrelations@bnymellon.com](mailto:shrrelations@bnymellon.com), or log on to [www.bnymellon.com/shareowner](https://www.bnymellon.com/shareowner). Voting rights for registered ADR holders can be exercised through The Bank of New York Mellon, and for beneficial ADR holders (and/or nominee accounts) through your US brokerage institution. Pearson will file with the Securities and Exchange Commission a Form 20-F.

### Share register fraud: protecting your investment

Pearson does not contact its shareholders directly to provide recommendation advice and neither does it appoint third parties to do so. As required by law, our shareholder register is available for public inspection but we cannot control the use of information obtained by persons inspecting the register. Please treat any approaches purporting to originate from Pearson with caution.

\*Calls to these numbers are charged at 8p per minute from a BT landline. Other provider costs may vary.

## Shareholder information **continued**

### **Tips on protecting your shares**

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Keep any documentation that contains your shareholder reference number in a safe place and shred any unwanted documentation.

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Inform the registrar promptly when you change address.

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
Be aware of dividend payment dates and contact the registrar if you do not receive your dividend cheque or better still, make arrangements to have the dividend paid directly into your bank account.

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Consider holding your shares electronically in a CREST account via a nominee.

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For more information, please log on to our website at

 [www.pearson.com/shareholderfaqs](http://www.pearson.com/shareholderfaqs)

### **Advisers**

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**Auditors** PricewaterhouseCoopers LLP

**Bankers** HSBC Bank plc

**Brokers** JPMorgan Cazenove Limited and Citigroup

**Financial advisers** Goldman Sachs,

JP Morgan Cazenove Limited and Citigroup

**Solicitors** Freshfields Bruckhaus Deringer, Herbert Smith and Morgan, Lewis & Bockius

### **2010 Financial calendar**

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Ex-dividend date – 7 April

Record date – 9 April

Last date for dividend reinvestment election – 15 April

Annual General Meeting – 30 April

Payment date for dividend and share purchase date for dividend reinvestment – 7 May

Interim results – 26 July

Payment date for interim dividend – 17 September



# Principal offices worldwide

## Pearson (UK)

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[us.penguin.com](http://us.penguin.com)

## Pearson plc

Registered number 53723 (England)



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Pearson has supported the planting of 1,750m<sup>2</sup> of new native woodland with the Woodland Trust, helping to capture and store 70 tonnes of carbon dioxide emissions generated by the production of this report.

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