

Financial Times Group: overview

The FT Group provides a broad range of data, analysis and services to an audience of internationally-minded business people and financial institutions. In 2006, the FT Group had sales of £698m, or 16% of Pearson's total sales (15% in 2005), and contributed 21% of Pearson's operating profit.

It has two major parts: FT Publishing, our network of international and national business newspapers and online services; and Interactive Data Corporation, our 62%-owned financial information company. The FT Group's newspapers, magazines and websites compete with newspapers and other information sources, such as *The Wall Street Journal*, by offering timely and expert journalism. It competes for advertisers with other forms of media based on the ability to offer an effective means for advertisers to reach their target audience. IDC competes with Reuters, Bloomberg and Thomson Financial on a global basis for the provision of financial data to the back office. In Europe Telekurs is also a direct competitor for these services.

FT Publishing

The *Financial Times* is the world's leading international daily business newspaper. Its average daily circulation of 430,469 copies in December 2006, is split between the UK (31% of circulation), Continental Europe (27%), the US (31%), Asia (9%) and the rest of the world (2%). In 2006, approximately 70% of the FT's revenues were generated through advertising. The FT also sells content and advertising online through FT.com.

FT.com charges subscribers for detailed industry news, comment and analysis, while providing general news and market data to a wider audience.

FT Publishing also includes: FT Business, which publishes specialist information on the retail, personal and institutional finance industries through titles including *Investors Chronicle*, *Money Management*, *Financial Adviser* and *The Banker*; *Les Echos*, France's leading business newspaper, and a number of joint ventures and associates in business publishing.

In August 2006, we acquired Mergermarket, an online financial data and intelligence provider. The acquisition strengthens the FT Group, adding proprietary content, a premium customer base, reliable growth from new revenue sources and attractive financial characteristics to the organisation.

FT Publishing joint ventures and associates

Our joint ventures and associates include:

- 50% interest in The Economist Group, publisher of the world's leading weekly business and current affairs magazine;
- 50% interest in *FT Deutschland*, a German language business newspaper with a fully integrated online news, analysis and data service;
- 50% interest in FTSE International, a joint venture with the London Stock Exchange, which publishes a wide range of global indices, including the FTSE index;
- 50% interest in *Business Day* and *Financial Mail*, publishers of South Africa's leading business newspaper and magazine;
- 33% interest in *Vedomosti*, a leading Russian business newspaper;
- 14% interest in *Business Standard*, one of India's leading business newspapers.

Interactive Data Corporation

Interactive Data Corporation is a leading provider of financial market data, analytics and related services to financial institutions, active traders and individual investors. The company's businesses supply time-sensitive pricing, evaluations and reference data for more than 3.5 million securities traded around the world, including hard-to-value instruments such as illiquid bonds.

FT Group: 2006 performance

£ millions	2006	2005	Headline growth	Underlying growth
Sales:				
FT Publishing	366	332	10%	8%
IDC	332	297	12%	4%
Total	698	629	11%	6%
Adjusted operating profit:				
FT Publishing	32	21	52%	52%
IDC	89	80	11%	9%
Total	121	101	20%	18%

Continued growth and profit improvement at the Financial Times and FT.com

- FT newspaper and FT.com sales up 8% to £238m; £9m profit improvement to £11m.
- FT advertising revenues up 9%, with rapid growth in online, luxury goods and corporate finance categories, all up more than 30%.
- FT's worldwide circulation up 1% to 430,469 (Source: ABC, average for six months to December 2006). FT.com's paying subscribers up 7% to 90,000 and December audience up 29% to 4.2m.
- Growing international presence and readership. 47% growth in readership in the US Mendelsohn Affluent Survey (MAS) and 26% growth in the Asian Business Readership Survey (ABRS). The FT ranked number one European business title in Europe for the fifteenth time (European Business Readership Survey (EBRS)).

Readership surveys are one of the key measures of the FT's performance as indicated above. Both the EBRS and the ABRS are biennial. In 2006 the FT readership reach of the EBRS was 13.1% of the surveyed population (unchanged compared to 2004), and for the ABRS 7.1% (up from 5.7% in 2004). The MAS which is annual, was up to 1.1% (0.7% in 2005). Other key performance indicators are shown in tabular form on page 10.

- Continued benefits of international expansion: approximately three-quarters of the FT's advertising booked in two or more international editions; almost half of the FT's advertising booked for all four editions worldwide.

- 'New newsroom' creates an integrated multimedia newsroom, improving commissioning, reporting, editing and production efficiency, and providing further cost savings.

Sustained progress across FT Publishing

- Acquisition and integration of Mergermarket, an online financial data and intelligence provider. On a pro forma basis, Mergermarket's revenues grew 80% in 2006, with 90% customer renewals. Margins improving as expected in spite of significant investment in new products and geographic markets.
- FT Business shows good growth and improves margins driven by strong performance in events, UK retail finance titles (*Investment Adviser*, *Financial Adviser*) and internationally by *The Banker*, which celebrated its 80th year. FT Business integrated with the *Financial Times* early in 2007.
- *Les Echos* achieves modest circulation (average circulation of 119,117) and advertising growth in a weak market ahead of the 2007 French presidential elections; *FT Deutschland* outperforms the German newspaper market once again, increasing circulation 2% to 104,000.
- *The Economist*, increases its circulation by 9% to 1.2m (for the July-December ABC period).

Interactive Data Corporation

Faster organic growth

- FT Interactive Data, IDC's largest business (approximately two-thirds of IDC revenues), generates strong, consistent growth in North America and Europe.
- Improving momentum at ComStock and eSignal. Comstock enjoys good new sales progress with institutional clients and lower cancellation levels. eSignal produces continued growth in its base of direct subscription terminals.
- Renewal rates for IDC's institutional businesses remain at around 95%.

Business Review *Continued*

Continued focus on high value services

- FT Interactive Data's growth driven by sustained demand for fixed income evaluated pricing services and related reference data. Continues to expand its market coverage, adding independent valuations of credit default swaps and other derivative securities.
- CMS BondEdge launches fixed income analytical data feed service. Enables CMS BondEdge to deliver new applications for sophisticated risk measures.
- ComStock real-time services power algorithmic trading applications. ComStock's highly reliable, low-latency consolidated data-feed service supports increasingly sophisticated institutional electronic trading applications.
- IDC divisions unified under the Interactive Data brand to emphasise the breadth of its comprehensive range of products and services across the front, middle and back offices of customers.

Further expansion into adjacent markets

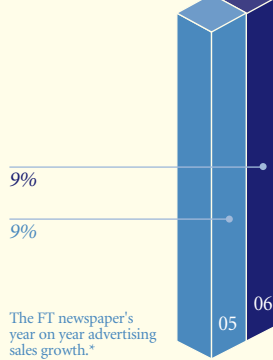
- Following the acquisition of IS.Teledata (re-branded Interactive Data Managed Solutions in July 2006), IDC now provides customised, web-based financial information systems for retail banking and private client applications as well as for infomedia portals and online brokers.
- The acquisition of Quote.com in March 2006, which expanded eSignal's suite of real-time market data platforms and analytics, added two financial websites. As a result, eSignal is generating strong growth in online advertising.
- Interactive Data Managed Solutions and Quote.com contribute over \$50m to IDC's 2006 revenue.

FT Group: outlook 2007

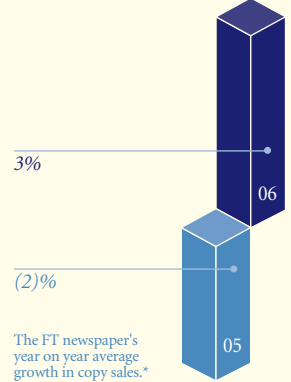
The FT Group is expected to continue its strong profit growth. At FT Publishing, advertising trends remain difficult to predict, but we expect our cost measures, integration actions and revenue diversification to push margins into double-digits in 2007. IDC has stated that it expects to achieve revenue growth in the 6-9% range and net income growth in the high single-digits to low double-digits (headline growth under US GAAP).

FT Group Key Performance Indicators

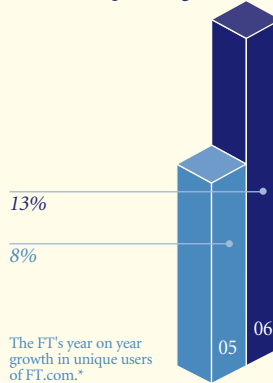
FT advertising revenue growth



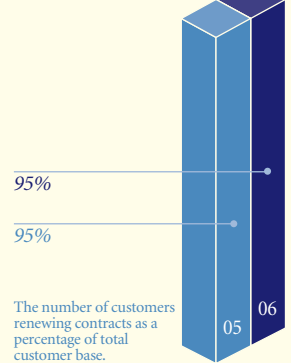
FT average copy sales growth



FT.com unique user growth



Interactive Data Corporation customer retention



*Internal statistics.