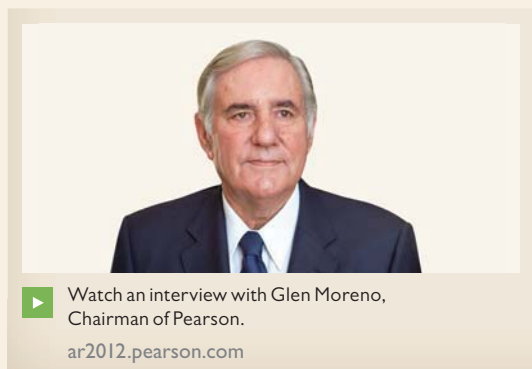


## Chairman's introduction



The basic direction of our strategy is unchanged, and we are travelling faster in our transformation.

Dear shareholders,

2012 was a year of significant leadership transition at Pearson. Marjorie Scardino retired on 31 December, after a remarkable 16-year tenure as chief executive, and John Fallon assumed the role on 1 January of this year.

Marjorie's contribution to Pearson has been defining:

- › she led the transformation of a traditional family holding company into a modern global enterprise;
- › she established a clear company purpose: to help people improve their lives through learning;
- › she developed a company culture – to be brave, imaginative and decent – which will be a lasting legacy;
- › and she leaves behind a thriving company which has benefited customers, staff and shareholders.

We all are hugely grateful for her efforts and accomplishments.

### CEO succession

CEO succession is a very important board responsibility, and one that we have been working on for several years. In 2012, the nomination committee spent a great deal of time evaluating candidates and planning for a seamless handover of duties.

We are confident that John Fallon is the right person to lead Pearson in its next phase of development, and his leadership over the past few months has reinforced that confidence.

We are now focused on the future development of our board, which I address in the Governance section of this report.

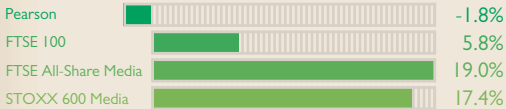
### Pearson's transformation so far

Over the past decade or so, Pearson has focused on three fundamental transformations:

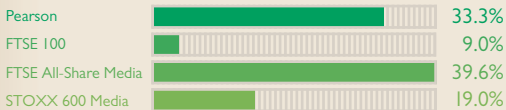
- › from a media holding company to an integrated education company;
- › from a largely Anglo-American company to a truly global enterprise;
- › from an analogue print publisher to a digital content and services company.

## SHARE PRICE PERFORMANCE

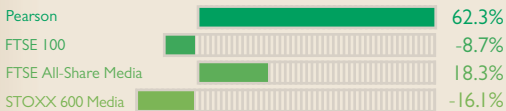
## One year % change



## Three year % change



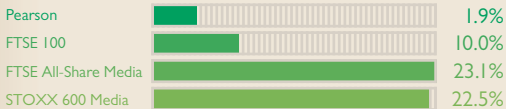
## Five year % change



Source: Datastream to 31 December 2012

## TOTAL SHAREHOLDER RETURN

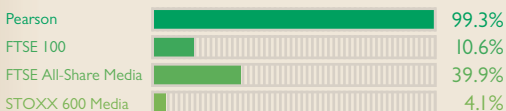
## One year % change



## Three year % change



## Five year % change



Source: Datastream to 31 December 2012

The driving forces behind these transformations are building. They include the recognised need for more effective and affordable education, especially from the growing middle class across the globe, and the inexorable tide of “disruptive” technologies which are transforming education models.

These forces provide Pearson with huge opportunities, but also challenges.

### A challenging 2012

As CFO Robin Freestone outlines in his report on our financial performance, 2012 was a challenging year for many of our businesses, offset by encouraging growth in our newer global and digital initiatives.

These challenges were reflected in our share price performance, which underperformed our indices.

On a longer-term basis, our share price and total shareholder return continue to reflect outperformance. (See charts opposite.)

### Transformation and acceleration

As John explains in his CEO report, the basic direction of Pearson’s strategy will not change. Indeed, our efforts to transform the company will accelerate.

Significant restructuring (including the Penguin Random House merger), accelerated technology investment and increased operating efficiency will enable us to reach our strategic goals more rapidly.

As a shareholder, I am very confident about Pearson’s future.

All great businesses are based on fundamental customer demand, and the global demand for affordable, effective education is huge and growing.

We believe that Pearson, as the world’s leading education company, is uniquely positioned to help meet that demand – and we are rapidly transforming the company to do so effectively and profitably.

We are determined to succeed, and our efforts will be of great benefit to both our customers and our shareholders.

Glen Moreno Chairman