

Always learning

Pearson is the world's leading learning company. We have 48,000 people in more than 70 countries, helping people of all ages to make progress in their lives through all kinds of learning.

WE HAVE THREE WORLD-LEADING BUSINESSES:

PEARSON

Education

We provide learning materials, technologies, assessments and services to teachers and students of all ages and in more than 70 countries.



Consumer publishing

Penguin publishes thousands of fiction and non-fiction books each year – on paper, on screens and in audio formats – for readers of all ages. It is one of the world's leading consumer publishing businesses and an iconic global brand.

FT

Business information

The FT Group provides news, data, comment and analysis to the international business community. It is known around the world for its independent and authoritative information.

VISIT OUR ONLINE REPORTING CENTRE:

Learn more

ar2012.pearson.com

SUMMARY REPORT

Quick, visual presentation of the year's highlights

VIDEO CONTENT

Interviews with:

- Chairman Glen Moreno
- Chief executive John Fallon
- Chief financial officer Robin Freestone

Global trends film

DOWNLOADS

Annual and corporate responsibility reports, in full or by section

SEARCH

Use our predictive search to find what you need quickly



The tablet screen shows the Pearson Global education report. It features a world map with three vertical bars representing household income spent on education for India (11%), China (13%), and the US (2%). A quote states: "The next twenty years will see the world's population reach eight billion. The world's middle class will increase from one to three billion. They will drive a significantly higher demand for consumer goods and services, while families will spend more of their household income on education." Below the quote is a video player with the title "Watch our Global trends film". At the bottom of the screen are navigation tabs: "Managing business", "Pearson's strategy", "Our performance", and "Global Education".

Chief executive's overview

As the world's leading learning company, Pearson has a once-in-a-generation opportunity. To seize it, we must transform the company again.



Watch an interview with John Fallon, Chief executive of Pearson.

ar2012.pearson.com

OUR STRATEGY

1 Four global businesses

We are focusing on school, higher education, English language learning and business education. We are taking an increasingly global view of educational needs and trends.

2 Four types of geographic market

We will carefully evaluate when we offer global products and services, when we customise for local needs, and when we require a true local approach. We will focus our investment on markets with the biggest growth opportunities.

3 Four business models

We will channel our investment into four proven business models: direct-to-consumer; 'Pearson Inside' (our shorthand for institutional services to schools and universities); assessment; and learning systems.

Dear shareholders,

This little booklet was compiled to let you know about the highlights of your company's performance in 2012.

The global economy did us few favours last year, and austerity measures in many countries restrained spending for some of our materials and services. Yet at constant exchange rates we were able to increase sales by 5% to £6.1bn and adjusted operating profit by 1% to £936m, and we are proposing a 7% rise in our dividend.

Beyond economic turbulence, there are sweeping structural changes that are affecting our markets, including a shift from print to digital content and from classroom instruction to online learning. We also are seeing huge growth in a global middle class willing to invest more in education.

We believe these changes mean that global education presents a once-in-a-generation opportunity for Pearson. So we are accelerating the implementation of Pearson's settled and sound strategy: to move faster in our digital transformation, our move into services and the building of our presence in emerging markets. We have outlined a plan to do that by focusing on four global businesses, four types of geographic market and four business models.

This booklet can only provide a snapshot of 2012 results, and a very brief summary of our plans, so if you would like to learn more, the full annual report is available online at ar2012.pearson.com. A full printed document can also be ordered on our website or by contacting our registrar, Equiniti, by phone on 0871 384 2043 (or on +44 121 415 7062 if you are calling from outside the UK).

You can also find out more by attending our annual shareholders' meeting on Friday 26 April. I hope to see you there.

Sincerely,

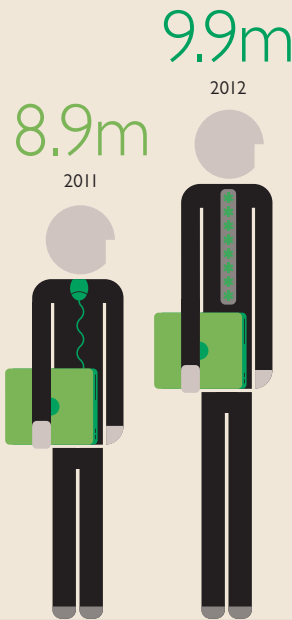
John Fallon Chief executive

Performance highlights

Online learning

Pearson's pioneering 'MyLab' digital learning, homework and assessment programmes grew well with student registrations in North America up 11% to almost 10 million, with graded submissions up 12% to almost 320 million across the globe. Evaluation studies show that the use of MyLab programmes can significantly improve student test scores and institutional efficiency. <http://bit.ly/ymMMAi>

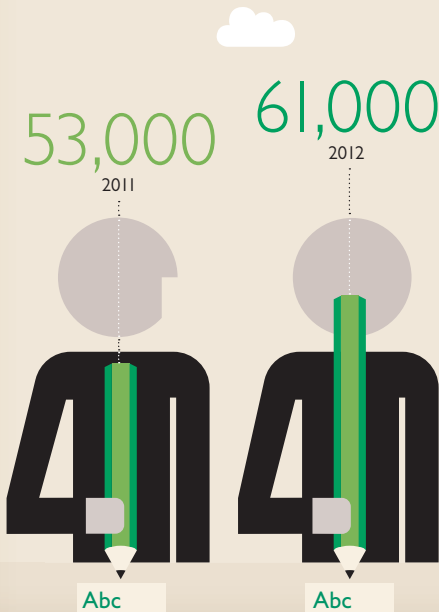
Total number of MyLab registrations



Wall Street English student enrolments in China

Businesses in China

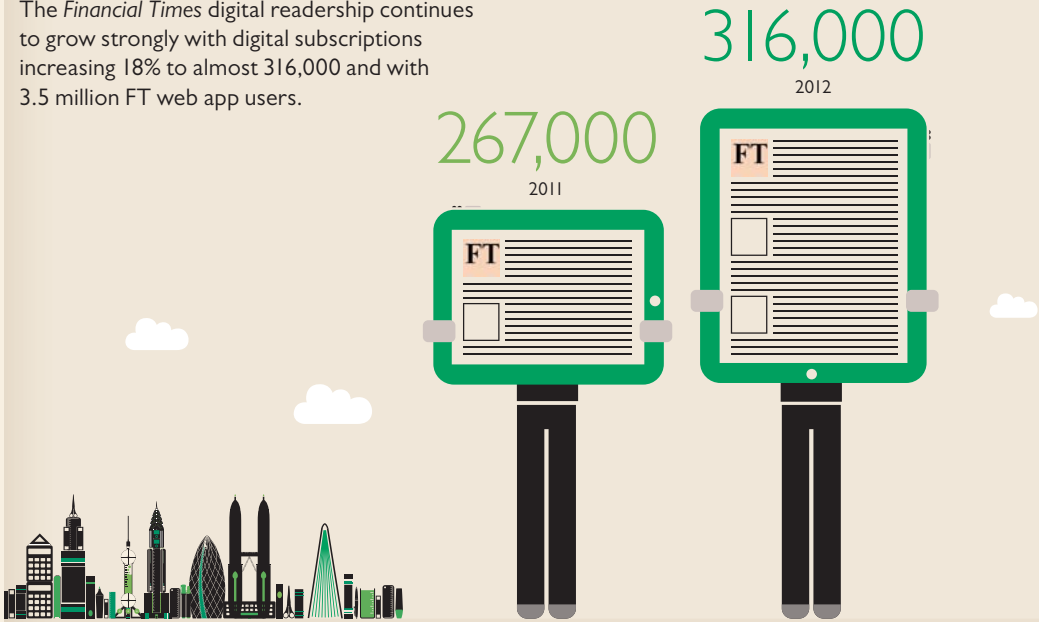
In China, student enrolments at Wall Street English increased 15% to almost 61,000, boosted by good underlying demand and the launch of ten new centres taking the total to 66. Our students rapidly acquire high-level English skills with average grade levels achieved rising by 8% during 2012. Enrolments at Global Education, our test preparation services for English language qualifications, increased 16% to more than 1 million, through 73 owned and 372 franchised learning centres.



Growth in digital readership

The *Financial Times* digital readership continues to grow strongly with digital subscriptions increasing 18% to almost 316,000 and with 3.5 million FT web app users.

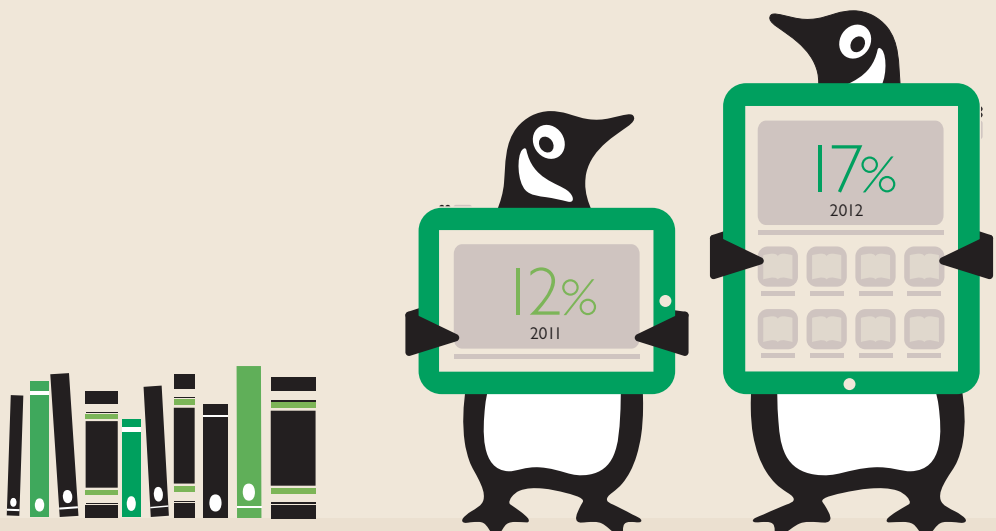
Financial Times digital subscriptions



eBook sales

eBook revenue grew strongly in 2012 and accounted for 17% of Penguin's global revenue.

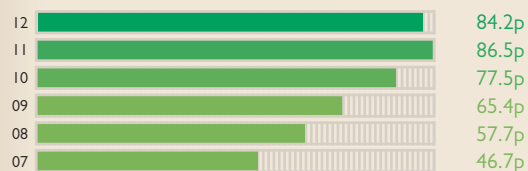
eBook sales % of sales



2012 financial summary

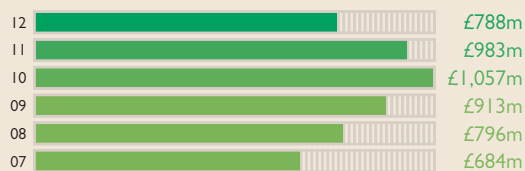
KEY FINANCIAL GOALS

Adjusted earnings per share pence

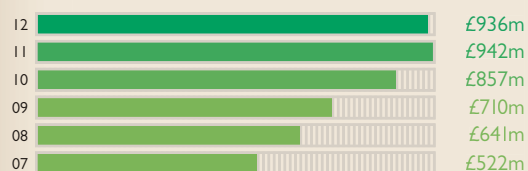


Average annual growth (headline) 13%.

Operating cash flow £m



Adjusted operating profit £m



Return on invested capital %



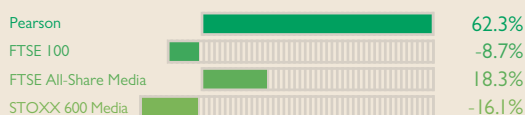
Average capital/actual cash tax

SHARE PRICE PERFORMANCE

One year % change



Five year % change



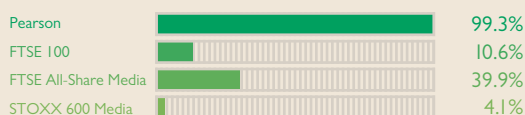
Source: Datastream to 31 December 2012

TOTAL SHAREHOLDER RETURN

One year % change



Five year % change



Source: Datastream to 31 December 2012

	2012 £m	2011 £m	HEADLINE GROWTH	CER GROWTH	UNDERLYING GROWTH
Business performance*					
Sales	6,112	5,862	4%	5%	(1)%
Adjusted operating profit	936	942	(1)%	1%	(2)%
Adjusted earnings per share	84.2p	86.5p	(3)%		
Operating cash flow	788	983	(20)%		
Free cash flow	657	772	(15)%		
Free cash flow per share	81.7p	96.5p	(15)%		
Return on invested capital	9.1%	9.1%	–		
Net debt	(918)	(499)	(84)%		
Statutory results					
Sales	5,059	4,817	5%		
Operating profit	515	1,118	(54)%		
Profit before tax	434	1,047	(59)%		
Basic earnings per share	40.5p	119.6p	(66)%		
Cash generated from operations	916	1,093	(16)%		
Dividend per share	45.0p	42.0p	7%		

*Total business (Includes Penguin, which is discontinued in our statutory accounts.)

Note

Pearson's 2011 statutory results include a £412m profit on the sale of our 50% stake in FTSE International. The 2012 statutory results include £113m in closure costs related to Pearson in Practice.

Throughout this document:

- Growth rates are stated on a constant exchange rate (CER) basis unless otherwise stated.
Where quoted, underlying growth rates exclude both currency movements and portfolio changes. Sales and operating profit are stated on a continuing basis, unless otherwise stated.
- The 'business performance' measures are non-GAAP measures and reconciliations to the equivalent statutory heading under IFRS are included in notes 2, 8 and 34 to the annual report.

Dividend per share paid in fiscal year Pence



Shareholder information

Shareholder information online

Shareholder information can be found on our website www.pearson.com/investors/shareholder-information. Our registrar, Equiniti also 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. For more information, please contact our registrar, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Telephone 0871 384 2233* or, for those shareholders with hearing difficulties, textphone number 0871 384 2255*.

Information about the Pearson share price

The company's share price can be found on our website at www.pearson.com. It also appears in the financial columns of the national press.

2012 DIVIDENDS		
	Payment date	Amount per share
Interim	14 September 2012	15 pence
Final	3 May 2013	30 pence

Share dealing facilities

Equiniti offers telephone and internet services for dealing in Pearson shares. For further information, please contact their telephone dealing helpline on 08456 037 037 (weekdays only) or, for online dealing, log on to www.shareview.co.uk/dealing. You will need your shareholder reference number as shown on your share certificate. A weekly postal dealing service is also available through Equiniti. Please telephone 0871 384 2248* for details or log on to www.shareview.co.uk to download a form.

Tips on protecting your shares

- › Keep any documentation that contains your shareholder reference number in a safe place and shred any unwanted documentation
- › Inform our registrar, Equiniti promptly when you change address
- › 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
- › Consider holding your shares electronically in a CREST account via a nominee

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 The Bank of New York Mellon, PO Box 43006, Providence, RI 02940-3006, telephone 1 (866) 259 2289 (toll free within the US) or 001 201 680 6825 (outside the US). Alternatively, you may e-mail shrrelations@bnymellon.com, or log on to 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.

*Calls to these numbers are charged at 8p per minute plus network extras. Lines open 8.30am to 5.30pm Monday to Friday.

2013 FINANCIAL CALENDAR	
Ex-dividend date	3 April
Record date	5 April
Last date for dividend reinvestment election	12 April
Annual General Meeting	26 April
Payment date for dividend and share purchase date for dividend reinvestment	3 May
Interim results	26 July
Payment date for interim dividend	13 September

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Pearson has supported the planting of 550 square metres of new native woodland with the Woodland Trust, helping to remove 22 tonnes of carbon dioxide emissions generated by the production of this report.

This report has been printed on Edixion Challenger Offset which is FSC® certified and made from 100% Elemental Chlorine Free (ECF) pulp. The mill and the printer are both certified to ISO 14001 environmental management system and registered to EMAS the eco management Audit Scheme. The report was printed using vegetable based inks by a CarbonNeutral® printer.