

Chairman's introduction



Glen Moreno, Chairman of Pearson

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Dear shareholders,

Pearson has always invested time and energy in producing a clear and compelling annual report, but with the new edition of the UK Corporate Governance Code now in place, we have worked particularly hard to ensure that our annual report and accounts is fair, balanced and understandable. At this important time in the company's history we have focused on providing the information necessary for shareholders to fully assess the company's business model, strategy, development, performance, position and future prospects.

2013 was an extremely significant year for Pearson and the first full year under the leadership of John Fallon as chief executive. Our restructuring programme – designed to accelerate our shift towards fast-growing economies and digital and services businesses – is on track and we began 2014 under a new, integrated operating model for a single and global education company.

As a company we also made a series of unique commitments designed to measure and increase the company's impact on learning outcomes around the world, including to commit to report audited learning outcomes alongside our financial accounts, covering our whole business by 2018.

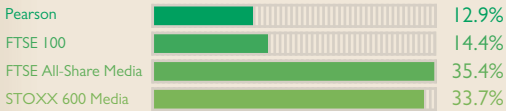
Strengthening the board and executive team

John Fallon has strengthened his executive team by promoting our best internal talent and recruiting some exceptional global leaders in their specific fields.

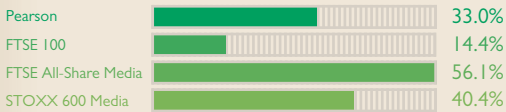
We have also focused on the development of the board, which I address in the Governance section of this report. With recent and planned appointments, I am confident that the board reflects the right blend of skills and experience to guide Pearson in the best interests of shareholders.

SHARE PRICE PERFORMANCE

One year % change



Three year % change



Five year % change



Source: Datastream to 31 December 2013

A challenging 2013

As CFO Robin Freestone outlines in his report (page 19), our 2013 financial performance was challenging. Market conditions continued to be strong in digital, services and emerging markets, but remained more difficult in some of our largest textbook publishing markets.

These challenges were reflected in our share price performance, which underperformed our indices. While the business environment remains challenging, the board is confident that Pearson is well placed with a clear plan to deliver future growth and create value for our shareholders. Longer term, our share price and total shareholder return have reflected a 10 year track record of strong business performance. We are now focused on establishing a base for similar business growth over the next decade.

Continued transformation

As I said in last year's annual report, the basic direction of Pearson's strategy has not changed but we are accelerating the pace to shift capital and talent more quickly towards our most significant growth opportunities. The restructuring of our global education business, continued investment in technology and focus on operational efficiency are well underway.

I am confident that the global demand for affordable and effective learning will continue to grow. As the world's leading learning company we are in an increasingly strong position to take advantage of this demand and deliver products and services that measurably improve learning outcomes for our customers and learners. I am also confident that this will positively impact shareholder value.

Glen Moreno Chairman

TOTAL SHAREHOLDER RETURN

One year % change



Three year % change



Five year % change



Source: Datastream to 31 December 2013