

Growing our own



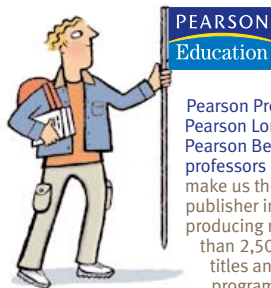
Stand-out brands

All of our businesses are leaders in their markets

We're proud owners of some of the finest names in publishing. Over many years they've earned the trust of their readers and become marks of quality, accuracy and insight. They also stand for a special way of doing things – from the FT's perspective on the world of business, to Penguin's record for uncovering new writing talent, to Pearson Education's unique blend of textbooks and online services.



The Penguin that flew A flightless bird – the brainchild of Penguin founder Allen Lane's secretary – is the only book publishing brand recognised worldwide and one of the most famous names in the media industry. Penguin is today the mark of quality new writing and the definitive classics of literature. So much so that when Terry Waite was held hostage for four years in war-torn Beirut, he asked his captor for some good books to read by sketching a Penguin.



First on campus Our higher education publishing imprints

Pearson Prentice Hall, Pearson Addison-Wesley, Pearson Longman, Pearson Allyn and Bacon and Pearson Benjamin Cummings are famous with professors and students alike. Combined they make us the number one higher education publisher in the US, producing more than 2,500 new titles and programmes every year.

Many of our college authors have become international stars in their own right. Over the past 16 years, Neil Campbell's textbooks have helped more than four million students learn biology – that's two-thirds of all the college biology students in America. And since the 1960s, Philip Kotler has taught generations of business students to focus on their customers through his book *Marketing Management*, which has been translated into 23 languages.



Classics for the masses Penguin founder Allen Lane's mission was to bring great literature to a much wider reading public. The first Penguin titles sold for sixpence – the price of a packet of cigarettes. For nearly 70 years, the Penguin Classics have been the definitive editions of classic literature for both students and general readers. In 2003 we began our relaunch of the Penguin Classics with new content and a fresh design, boosted by a revival of interest in the classics thanks to Oprah Winfrey's new classics book club in the US and the search for the UK's most popular books in the BBC's *Big Read*. 45 of the UK public's favourite 100 titles were Penguins.

The ship that launched... In 1755, 31 years after Thomas Longman founded the imprint bearing his name, he published the world's first comprehensive English dictionary. Almost three centuries on, the famous Longman ship has become the mark of quality in English language teaching all over the world. Today more than 40 million people are learning English as a second language with a Longman book or online study programme.



On comprend mieux le monde à travers l'économie Since its launch nearly 100 years ago, *Les Echos* has become France's leading business newspaper, read by more than 650,000 business leaders and

decision makers every day. Last year *Les Echos* unveiled a new look with a new format, new content including an 'Entreprises et Marchés' section based on the FT's 'Companies and Markets' and a fresher approach to editorial. In the months after the relaunch, *Les Echos*' circulation was up 4% in a declining French newspaper market.



Pink is perkier The FT has become much more than the world-famous newspaper: it is also a trusted brand for financial information, business publishing and new ventures. 49 of the world's 50 largest financial institutions rely on essential pricing information from FT

Interactive Data, part of our Interactive Data Corporation, to value their funds. Business students and professionals look to FT Prentice Hall, a joint venture between the FT and our Higher Education publishing business, for the best books on management, finance and business. And Germany's Chancellor is just one of 92,000 readers of *FT Deutschland*, the first non-English language newspaper to carry the FT name.



Success reads success The *Financial Times* was first published in 1888 as a daily newsletter for directors, brokers, investors and financiers in the City of London. Today, with individual editions for the UK, continental Europe, the US and Asia; correspondents in 70 countries; and readers in 140, it is the world's most international business newspaper. And with 3.3 million monthly users, the FT's online edition FT.com is the world's most popular audited business website. The FT's unique editorial perspective attracts an exclusive, hard-to-reach audience of influential people in finance, business and politics.



The fundamentals of learning Around one in three elementary school children in the US learn the basics of reading, writing and mathematics with the help of a Pearson Scott Foresman textbook. From its humble beginnings as a publisher of high school Latin in 1889, generations of Americans have learned to read with our famous Dick and Jane stories. Today Pearson Scott Foresman is the world's premier elementary school publisher, with leading programmes in the key subjects of reading, mathematics, social studies, and science.



Home-grown products

We're investing in new content and services

We're constantly re-creating our newspapers, books and online services – in some cases every minute of every day. At the same time, we're building their quality and value for the long term. Last year we invested around £700m in our research and development: improving each one of our businesses by investing in new areas of content, by pushing into new markets and by applying new technology and services to make the publishing more personal and more valuable.



Personal publishing Five years ago, when college professors asked us for textbooks that could be tailored to their particular courses, we began to invest in a new model of textbook publishing. Our custom publishing business builds course materials to order around an individual professor's course objectives. The typical book includes chapters from our conventional textbooks; the course agenda, lecture notes and assignments for that particular class; and selected articles from newspapers, magazines and academic journals. This special way of delivering our content has grown five-fold in five years to top \$100m in sales in 2003.

A print run of one Dorling Kindersley, renowned for its unique, beautifully illustrated reference books, is pioneering personal publishing. In 2003 DK published *America 24/7*, a photographic collection of

a week in America taken from more than one million photos submitted online. DK made publishing history by offering readers the chance to order a customised book jacket, complete with their own favourite photograph.

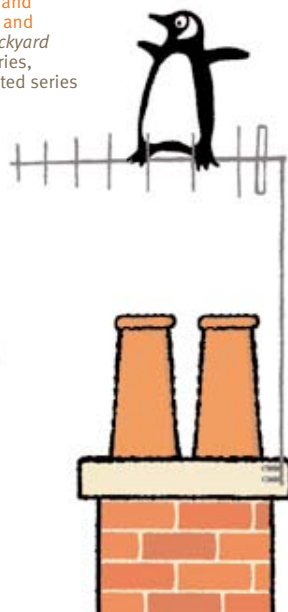


Above: Katie Bradshaw, Cathy Melnicki, Jeannie Guman, Connie Carson. Dorling Kindersley, US.

Stars of page and screen In 2003 we extended the power of the Penguin brand to the screen when we launched Penguin Television. It commissions factual and children's programming based on Penguin and DK books. Current programmes include *Backyard Science*, a 52-part live-action children's series, and *The Way Things Work*, a 26-part animated series and a Gold World Award winner for best children's programme at the New York Festival's Television Programming and Promotion Awards.



Have it your way Our expansion of the *Financial Times* around the world and online has transformed the *FT* into a 24-hour global news service. FT.com, the newspaper's internet edition, has some 3.3 million unique monthly users and in 2002 we began converting them into paying customers by launching a range of subscription services. Today 74,000 people subscribe for real-time and customised services such as live Lex notes throughout the day, personalised news alerts and tools to track their investments.





PASS

Scoring in testing Our school testing business, Pearson Educational Measurement, dates back to the 1920s when E F Lindquist, a professor at the University of Iowa, developed standardised tests to measure student achievement. Since then, we have been at the forefront of the industry, developing and using state-of-the-art technologies from optical scanning to complex data management and enterprise application software. We won \$300m of new US testing contracts in 2003 and are applying these skills in new markets including Australia and the UK through our partnership with examination board Edexcel.

Perfect pitch *Marca* is Spain's favourite sports newspaper, with a daily readership of more than two million. Today, we are using new media channels to deliver our news, results and analysis. During the 2002 football world cup over 50,000 subscribers signed up to receive up-to-the-minute news via their mobile phones in two weeks. Since then we have partnered with telecom providers in Spain, the UK, Japan, China and other countries to become their official sports content provider.



Learning online More than two million college students are studying online through a Pearson programme. We provide professors

with online tools they use to customise learning materials by combining our content with their own; conduct online assessments; and access a range of resources and communication tools. At the touch of a button, professors can make their own course available to their students online.



Social climbing When Pearson bought Simon & Schuster's education businesses back in 1998, we combined two of America's most famous names in elementary school publishing: Scott Foresman and Silver Burdett Ginn. Since then, we've been investing to build a leadership position across all key disciplines including reading, math, science and music. In 2003, our new elementary social studies programme swept the market, winning more than half of all available adoption opportunities.

Real time alerts Over the past six years, we've turned our financial information business IDC from a \$140m to an \$440m company. We've steadily built IDC's base business of providing essential pricing data to financial institutions. And at the same time, we've invested in buying a series of smaller companies which extend the services that IDC can provide its customers. The most recent acquisition was Comstock in 2003, which provides real-time data from more than 180 stock exchanges and other sources worldwide.



Measuring up We're applying the skills we've learnt in testing school students to professional customers. We're part-way

through an investment of some £15m in more than 400 Pearson professional testing centres around the world. Those centres are becoming the destinations for software engineers certifying their IT skills; nurses taking their medical exams; drivers sitting their licence theory test; and aspiring business school students taking the world-famous Graduate Management Admissions Test.



Unsung heroes

We're nothing without our people

30,000 minds fuel our business: publishers, editors, journalists, designers, educators, marketers, sales people, technology professionals, operations and distributions experts. Here are just a few who did something special last year.



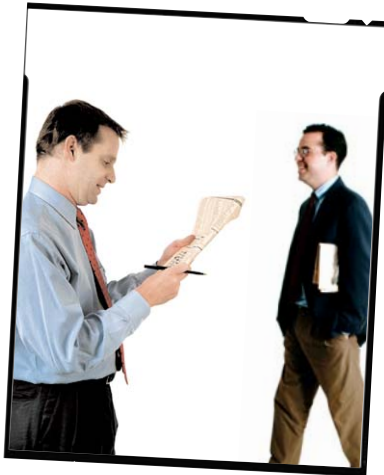
Left: Richard Tomkins, Business Journalist of the Year (Business Journalist of the Year Awards).

Below centre: Lucy Warwick-Ching, Best Newcomer to Pension and Investment (Aon Consulting Awards).

In 2003 the *Financial Times* won more than 30 awards.

Above: Kate Burgess, National Journalist of the Year (Bradford & Bingley Personal Finance Media Awards).

Right: Adrian Michaels and Peter Spiegel, Business and Finance Reporters of the Year (British Press Awards) for their coverage of US accounting scandals.



Below: FT.com editor Tracey Corrigan (far right) with team members Paul Solman, Lisa Rohumaa, Eoin Callan and Emma Jacobs. FT.com was honoured with seven awards in 2003 including Best Global Markets Site (Barron's Awards), Media Prize for Subscription Services and Best Consumer Site (New Media Age), which described FT.com as 'a monster of a site'.

Above left: Martin Wolf, Decade of Excellence Award (Business Journalist of the Year Awards).

Above right: Philip Coggan, Fund Management Journalist of the Year (State Street Global Advisers Annual Award).



Right: Gene Smith from Addison Wesley. Our Higher Education business in the US grew faster than the market for a fifth straight year helped by the strength and quality of our sales teams.

Right: Chris Marchant, Franco Ziccardi, Gary Francis and Alan Shaw are part of our new distribution team in Rugby in the UK. Our new state-of-the-art warehouse, shared by Penguin and Pearson Education, opens for business in March 2004.



Left: Susan Petersen Kennedy, President of Penguin Group (US), was named the 2004 Matrix Award Honoree in the Books category. These prestigious annual awards recognise exceptional women who have distinguished themselves in the communications field.



Above: Wendy Craven is editor to bestselling author, Philip Kotler, who has published with Pearson Prentice Hall for more than 30 years. In that time, his classic textbook *Marketing Management* has sold more than two million copies and been translated into 23 languages.



Above: John Ridding, Su-Mei Thompson and Jen Cheng are part of the team who launched the Asia edition of the *Financial Times* and www.zhongwen.ft.com, a Chinese language version of FT.com, in 2003.



Left: Lyn Fraser (Australia), Mandy Suhr (UK) and Mariann Donato and **below** Marilyn Ducksworth, senior vice president, Corporate Communications (US) helped Penguin to make publishing history with the publication of *The English Roses*, the first of five children's books by Madonna. This was the biggest simultaneous worldwide release ever in more than 30 languages and 100 countries including Australia, the UK and the US.



When Oprah Winfrey picked John Steinbeck's *East of Eden* for her TV book club, an old classic began to fly off the bookstore shelves. In six months it sold more than 1.5 million copies – more than it had sold since publication in 1952 – made possible by an extraordinary effort by our production and distribution teams.



Walter Bagdzinski

Nancy Dominioni

Larry Kennison



Above: Don Redpath, Norman Lidofsky, Julie Shiroishi, Ken Kaye, Hank Cochrane, Richard Adamonis, Mary Margaret Callahan, Ernie Petrillo, Patrick Nolan, Michael Yarmark.



Lisa Pascarello

Beth Blank



Left: Rosie Glaisher, publicity director for Penguin Press, led the team behind a huge UK publicity campaign that helped propel Michael Moore's *Stupid White Men* to the top of the bestseller charts. It has sold more than a million copies and won Book of the Year at the 2003 British Book Awards.

Below (clockwise from top): Doris Linka, Brian Moelling, Helene Dennery, Pascale Pernet, Antoine Cheret, David Fayerman, Christian Schneider, Paula Parrish, Andy Peart, Janey Webb, Tom Sigel.

We hold regular international gatherings for our people to share best practice and ideas. This group of Higher Education people from across Europe met for an editorial masterclass on how to grow our local language Higher Education operations.



Right: DK is famous around the world for its beautiful design and "category killer" books. In 2001 we published the first of a series of major reference works, *Animal*, which has sold more than a million copies to date. In 2003 we published *Earth* and will follow up with four more books over the next three years. **Jonathan Metcalf**, publishing director for DK's family reference books, is part of the team making this happen.

Gloria Horner

Raymond Ward

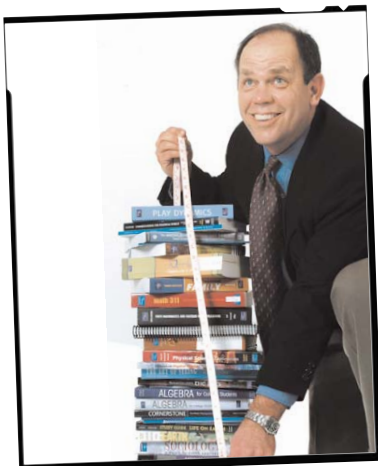


Below: Don Kilburn heads our Higher Education custom publishing business. It has grown from an \$18m business to more than \$100m in five years and in 2003 grew by 35%.



Left: Bob Whelan heads our US professional testing business which won \$600m of new contracts in 2003. These include testing learner drivers for the UK's Driving Standards Agency, business school applicants for the Graduate Management Admissions Test and securities professionals for the National Association of Securities Dealers.

Below: Kathryn Court president and publisher at Penguin Books US has been editor to J M Coetzee since 1982, when we published his second novel *Waiting for the Barbarians*. In 2003, he was awarded The Nobel Prize for Literature.





Above: Tony Lacey is editor to Penguin author Claire Tomalin. She won the Whitbread Book of the Year for *Samuel Pepys: The Unequalled Self*, her biography of Samuel Pepys, which has now sold 330,000 copies, unprecedented for an historical biography.

Below: Jim Stoddart is the art director behind the 2003 relaunch of the Penguin Classics with new content and a fresh design. 19 Penguin Classics made the top 100 in a UK national poll to find the public's favourite books, showing that they are just as popular today as they were on their launch in 1936.



Aurelio Rivera, Barb Watters, Pepe Del Valle

Mark Spears, Rowena Vargas, Steve Kiecker

Kathy Bretz, Camille Salerno, Ray Chew

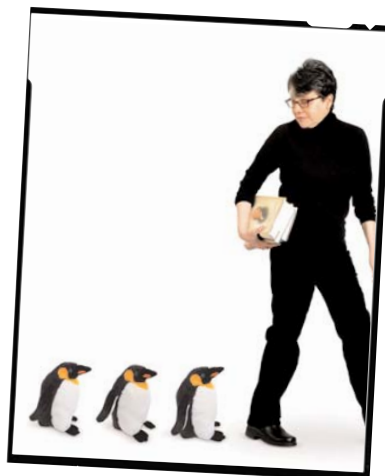
Janet Hill, Janell Jones and Thom Van der Doef

Chris Roy and Lori Holloway

Left, above and right: In 2003 we launched our new elementary social studies programme and won more than half of all available school adoption opportunities, including a 60% market share in Indiana and Texas.



Richard Loftin and Eugennie Chang



Above: Publisher Ann Godoff joined Penguin in 2003 bringing more than 30 authors with her. Her new imprint, the Penguin Press, now has a stable of more than 90 authors and will publish 32 books in 2004.



Left: Penguin editor Pam Dorman spotted the potential of debut author Sue Monk-Kidd. Her first novel, *The Secret Life of Bees*, has sold more than two million copies and been on the *New York Times* bestseller list for more than a year.

Below: Simon Ng, Cynthia Lam and Kenneth Ma from Longman Hong Kong didn't let SARS interfere with their crucial selling time and, in fact, increased their sales by more than 100%. The team created a range of online sales tools and held seminars for more than 400 teachers.

