Forward-looking statements

Except for the historical information contained herein, the matters discussed in this statement include forward-looking statements. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of interest or exchange rates, the availability of financing, anticipated costs savings and synergies and the execution of Pearson's strategy, are forward-looking statements. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will occur in future. They are based on numerous assumptions regarding Pearson's present and future business strategies and the environment in which it will operate in the future.

There are a number of factors which could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including a number of factors outside Pearson's control. These include international, national and local conditions, as well as competition. They also include other risks detailed from time to time in Pearson's publicly-filed documents and you are advised to read, in particular, the risk factors set out in Pearson's latest annual report and accounts, which can be found on its website (www.pearson.com/investors).

Any forward-looking statements speak only as of the date they are made, and Pearson gives no undertaking to update forward-looking statements to reflect any changes in its expectations with regard thereto or any changes to events, conditions or circumstances on which any such statement is based. Readers are cautioned not to place undue reliance on such forward-looking statements.
Nine-month headlines

• Performing well competitively

• US HE courseware market remains challenging

• Maximising the value of print; accelerating digital transformation

• Good cash performance; strong balance sheet

• Simplifying the company; improving efficiency

• Investing in future growth
## Sales

<table>
<thead>
<tr>
<th>£m</th>
<th>Headline growth</th>
<th>CER growth</th>
<th>Underlying growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>3%</td>
<td>(4)%</td>
<td>(4)%</td>
</tr>
<tr>
<td>Core</td>
<td>1%</td>
<td>(3)%</td>
<td>(1)%</td>
</tr>
<tr>
<td>Growth</td>
<td>11%</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Total sales</td>
<td>4%</td>
<td>(3)%</td>
<td>(2)%</td>
</tr>
</tbody>
</table>

Continuing operations
2017 Higher education assumptions - January

Enrolment
OER
Rental/Used
Selling Model
Digital
Inventory Correction
Initiatives, Edition Cycle and Other

Pearson Net Revenues +1% to -7%
Outlook 2017: Higher education assumptions

- Enrolment: Prior view of 2017E
- OER: Prior view of 2017E
- Rental/Used: Prior view of 2017E
- Selling Model: Current view of 2017E
- Digital: Current view of 2017E
- Inventory Correction: Current view of 2017E
- Initiatives, Edition Cycle and Other: Current view of 2017E

Pearson Net Revenues:
- Prior range: +1% to -7%
- New range: +1% to -3%
## Guidance 2017

<table>
<thead>
<tr>
<th>Full Year 2017 Guidance*</th>
<th>New Guidance</th>
<th>Previous Guidance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lower</td>
<td>Upper</td>
</tr>
<tr>
<td>Adjusted operating profit (revised for PRH transaction)†</td>
<td>£576m</td>
<td>£606m</td>
</tr>
<tr>
<td>Finance charge</td>
<td>c.£78m</td>
<td>c.£74m</td>
</tr>
<tr>
<td>Tax rate</td>
<td>16%</td>
<td>21%</td>
</tr>
<tr>
<td>Adjusted EPS†</td>
<td>51.0p</td>
<td>54.0p</td>
</tr>
<tr>
<td>Adjusted EPS at current exchange rates</td>
<td>49.0p</td>
<td>52.0p</td>
</tr>
</tbody>
</table>

* Adjusted operating profit excludes the expected restructuring cost of £70m associated with the £300m 2017-2019 cost efficiency programme as announced on August 4th
† based on 31 December 2016 exchange rates

- Updated for GEDU and closing of PRH transaction
- £300m buyback - limited impact on 2017
- Exchange rate sensitivity: A 5c movement in the US Dollar has a c.2p impact on EPS
January actions: Update

- Expanding print rental to 100 new titles
- eBook rental sales up 20%
- 195 new direct digital access deals signed
- More active engagement with channel partners
Our strategy

We are accelerating our *shift to digital* to meet these challenges

Our business:  
Content + Assessment = More effective teaching and personalized learning at scale

Powered by services and technology

Our strategic priorities:
- Grow market share through digital transformation
- Invest in structural growth opportunities
- Become simpler and more efficient
Grow market share through digital transformation

Higher education courseware

Digital transformation

**Business Model**
- More Subscription
  - 2017: Digital subscriptions or print rental
  - 2020+: More Subscription

**Channel**
- More Direct
  - 2017: Digital courseware, print rental and DDA
  - 2020+: More Digital

**Format**
- More Digital
  - 2017: Digital:print
  - 2020+: More Digital

---

**Global Learning Platform**
*Cloud-based microservices architecture; best-of-breed third party components*

- Increase speed of **product development & innovation**
- Improve **stability** and provide better **customer experiences**
- Eliminate duplication and increase **scalability**
Selected new courseware & features 2017

Maintaining our lead in digital courseware

• Best-in-class immersive and interactive elements linked to content and assessment
• Boosting engagement and understanding and providing granular data on student progress to the instructor
• Later in 2017: IBM Watson for Revel pilot

Mastering: Early Alerts

Mastering Physics: Direct Measurement Videos

Revel: Corporate Finance Online

Revel: Guided Data Exploration

Mastering/MyLab: Improved UX

Mastering: MapMaster 2.0

Grow market share through digital transformation
# Investing in structural growth opportunities

<table>
<thead>
<tr>
<th>Key stats</th>
<th>OPM</th>
<th>Connections</th>
<th>Professional and English testing</th>
</tr>
</thead>
</table>
|           | • 40 global partners  
         | • 250+ programs  
         | • 34 partner virtual schools in 28 states  
         | Professional Testing  
         | • 44 new programs signed and 14 new programs launched year to date  
         | • 81,500 full time equivalent students growing 12% year on year  
         | • 4% growth in VUE tests in 2017  
         | • Course registration growth of 8% year on year  
         | • 92% of parents surveyed would recommend Connections Education managed schools  
         | • Key customers GED, GMAT, UKCAT, DVSA, UK ACCA, Microsoft, Cisco  
         | • Pearson Test of English Academic delivered 260,000 tests year to date up 70% YoY  

Driving recurring, predictable revenue streams
Update on simplification

Annual cumulative savings

<table>
<thead>
<tr>
<th>Year</th>
<th>Restructuring Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>c.£70m</td>
</tr>
<tr>
<td>2018</td>
<td>c.£70m</td>
</tr>
<tr>
<td>2019</td>
<td>c.£200m</td>
</tr>
<tr>
<td>2020</td>
<td>c.£300m</td>
</tr>
</tbody>
</table>
Summary

• Performing well competitively

• US HE courseware market remains challenging

• Maximising the value of print; accelerating digital transformation

• Good cash performance; strong balance sheet

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• Investing in future growth
Appendix
Selected titles: Fall 2017 print rental pilot