

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.



Pearson

2017 January Trading Update

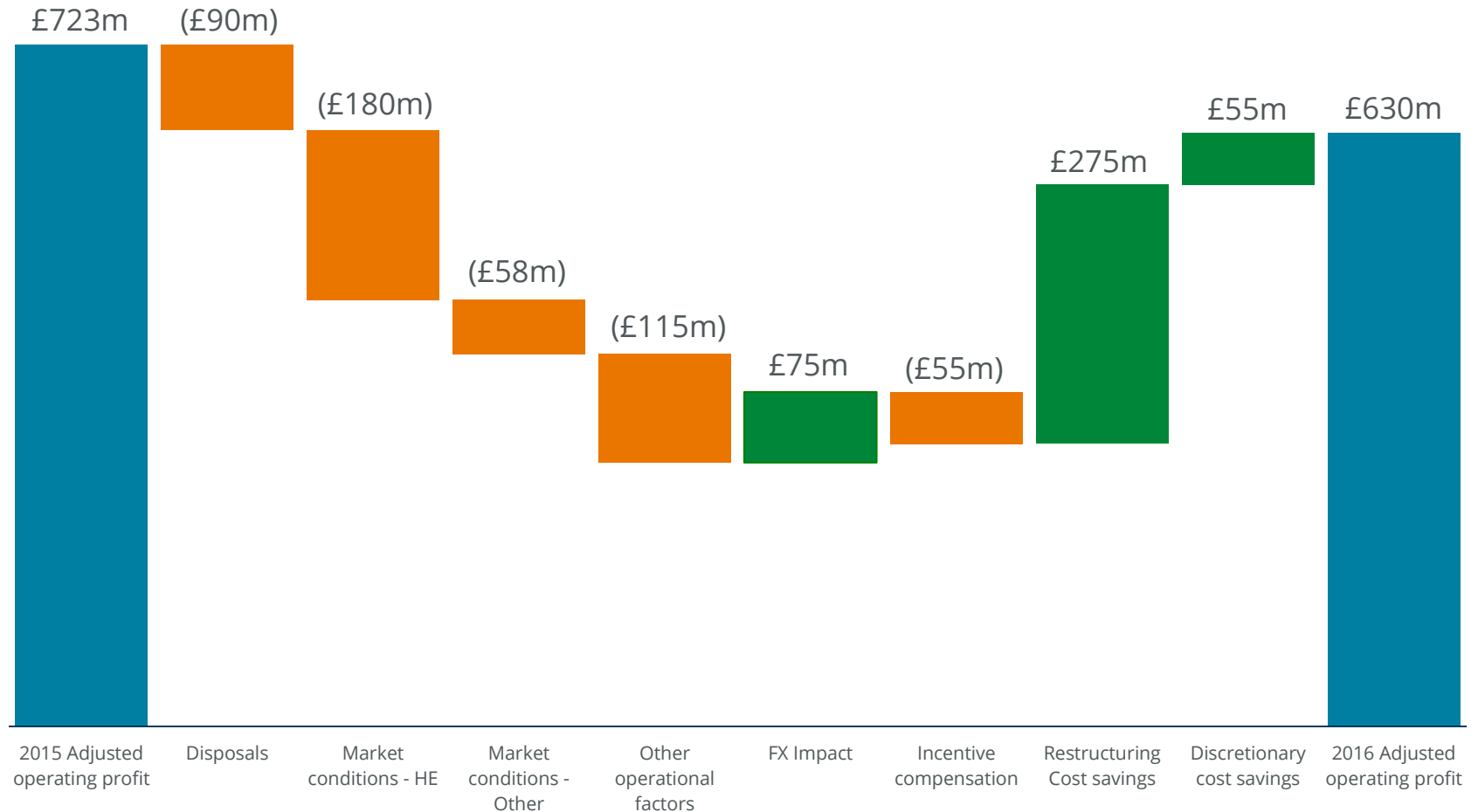
18 January 2017



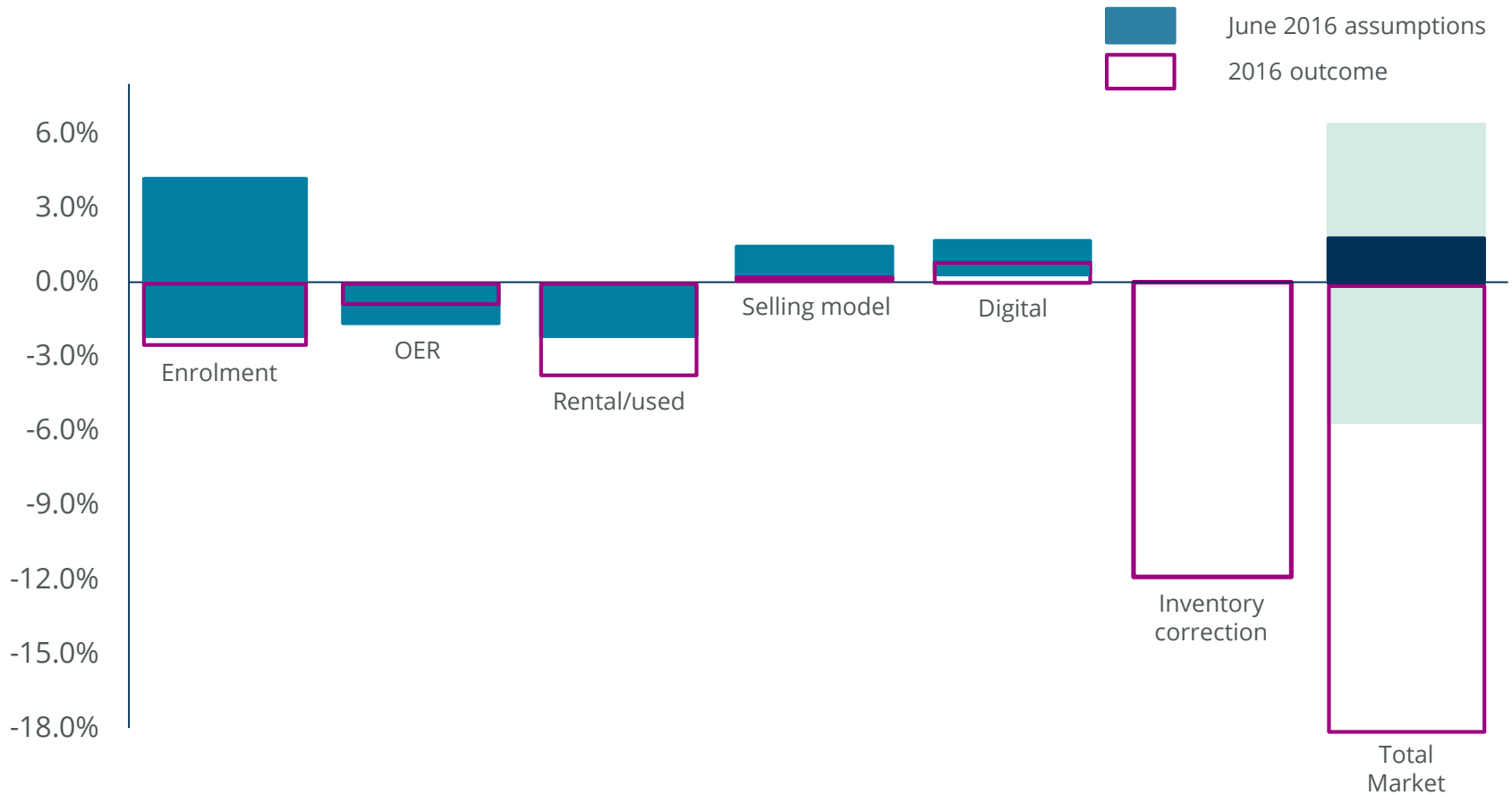
The headlines

- 2016 eps and operating profit expected to be approximately 57p and £630m, in line with guidance
- Full year revenues down approximately 8% in underlying terms
- Restructuring delivered in full
- 2017 guidance for eps of 48.5p to 55.5p and operating profit of £570m to £630m
- Weakness in North American higher education courseware means our 2018 goal is no longer achievable and we will rebase our dividend from 2017 onward
- Announcing new actions to accelerate our digital transition and reshape our portfolio

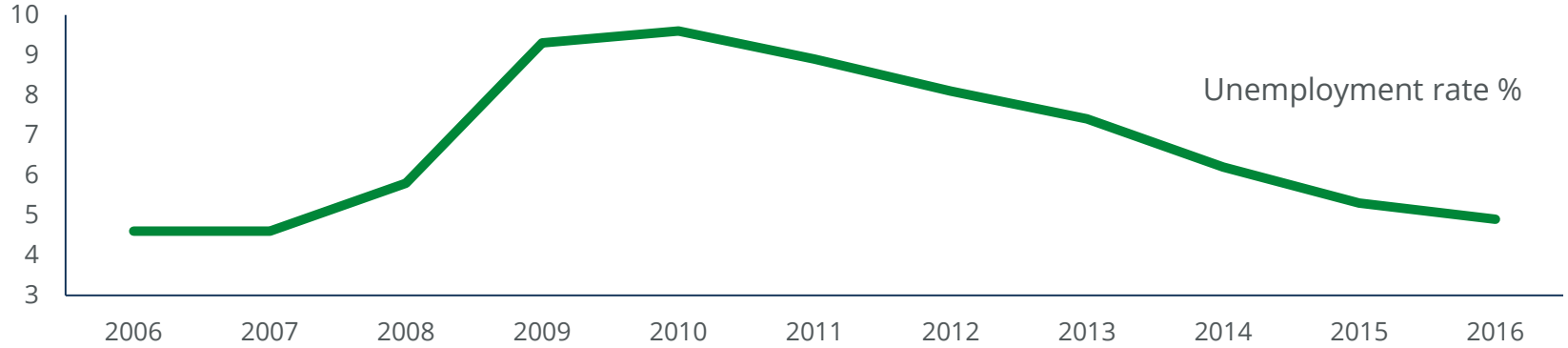
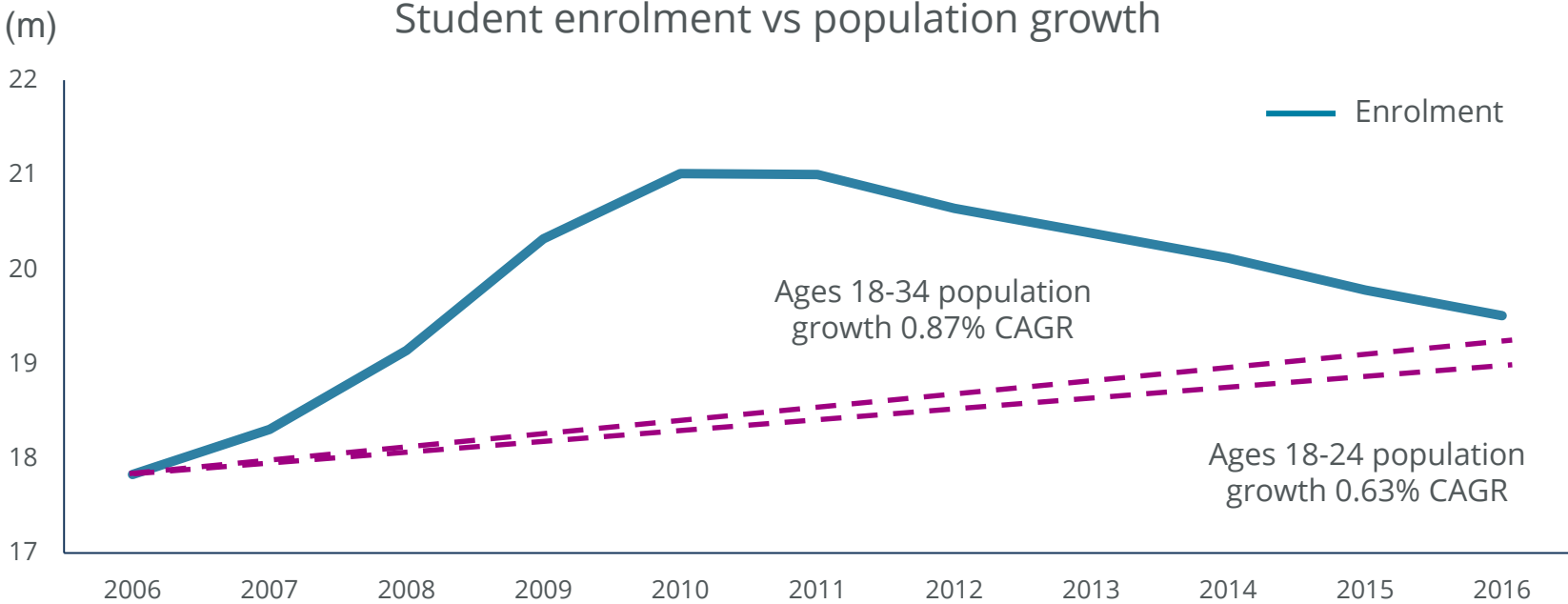
2016 provisional bridge



How 2016 compared



Enrolment



US higher education courseware

Impact of rental

- Share of usage in new and secondary is around 35%
- But share of value is much lower due to the secondary market
- Rental has been growing, impacting used and new print market and is driving the gap between share of usage and share of value

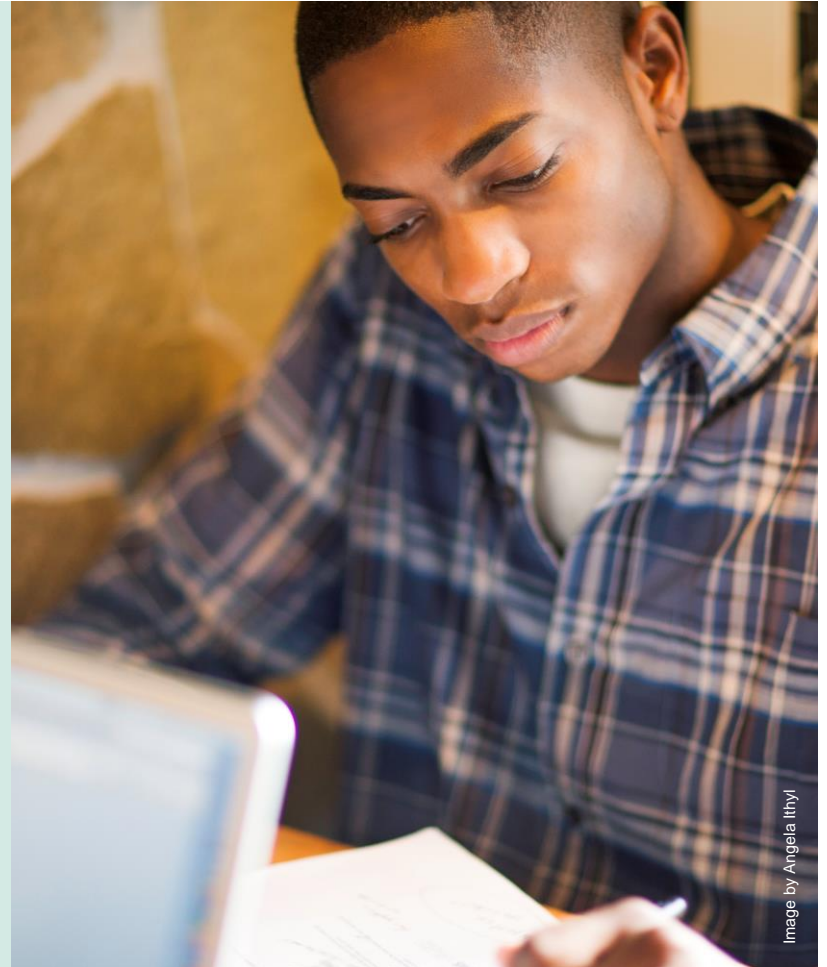
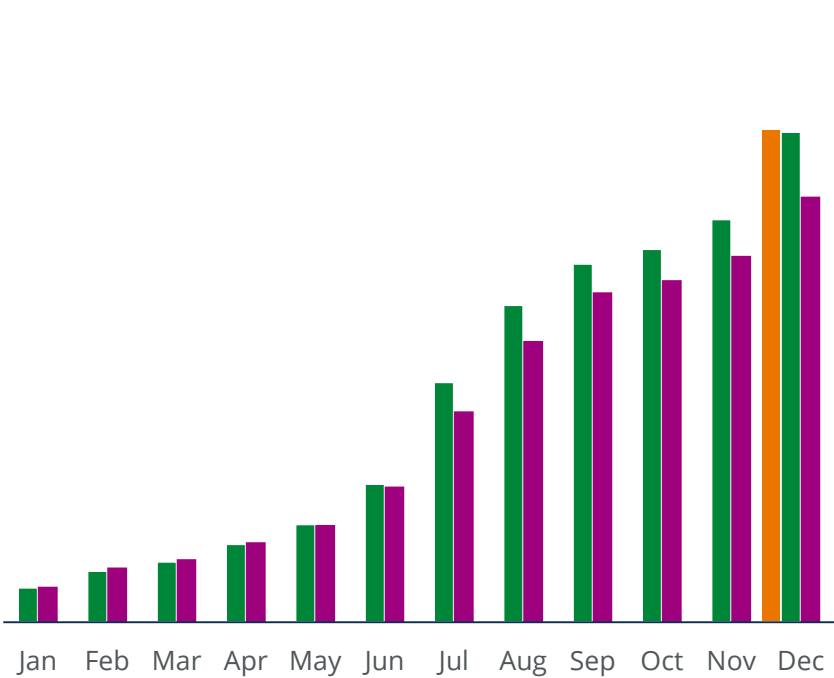


Image by Angela Itnyl

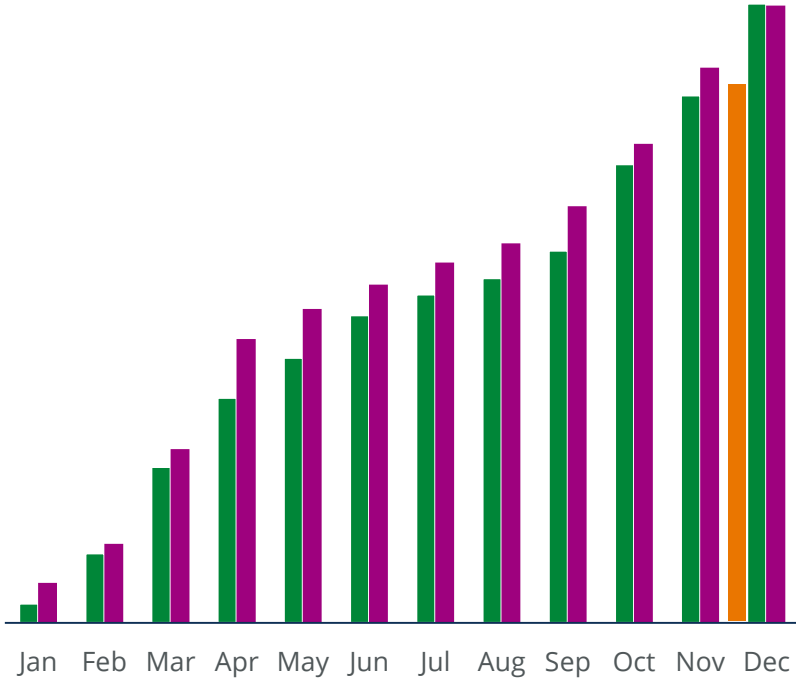
Channel sales and inventory

- 2014
- 2015
- 2016

Cumulative gross sales
\$m



Cumulative returns
\$m



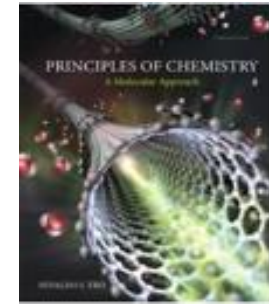
2.0% 17.0% -9.1% -3.8% -13.2% -5.0% -26.1% -8.6% 18.1% -17.8% -18.6% -32.2%

Monthly sales change % YoY

Source: Management Practice Inc.

US higher education courseware

What we are doing



Integrated Digital

Digital Supplemental

Text

A. Accelerate digital transformation

- Accelerate investment in user experience and rapid deployment across our global learning platform, and in better service and support for customers
- Offer greater incentives for institution-wide direct digital access deals - ensuring greater take-up and digital features available to students and faculty-wider

B. Maximise value of print

- Reduce digital rental prices across the board, to drive affordability and usage of Pearson digital text
- Create print rental partner model, ensuring Pearson receives greater value from the rental usage of our print products

c50%

c50%

Pearson 2016 HE courseware revenue

Global product technology platform

Faster product innovation

A product roadmap accelerated by two years

Faster adoption of Digital Direct Access

The User Experience



Pearson products and services

Pearson Content

Technology & Product Platforms

Learning Application & Service Platforms

Enterprise and Enabling Platforms

Cloud & Infrastructure Platforms

Security

High level of change & innovation

Increased investment

Shift investment from 'plumbing'

Lower level of change

Stable, reliable and repeatable

Digital direct access

How it works



Institutions

- A good deal for students
- Student success and higher retention
- Better data analytics



Students

- Attractively priced high quality courseware on Day 1 of their course
- Students with the courseware they need get better grades and are more likely to succeed



Pearson

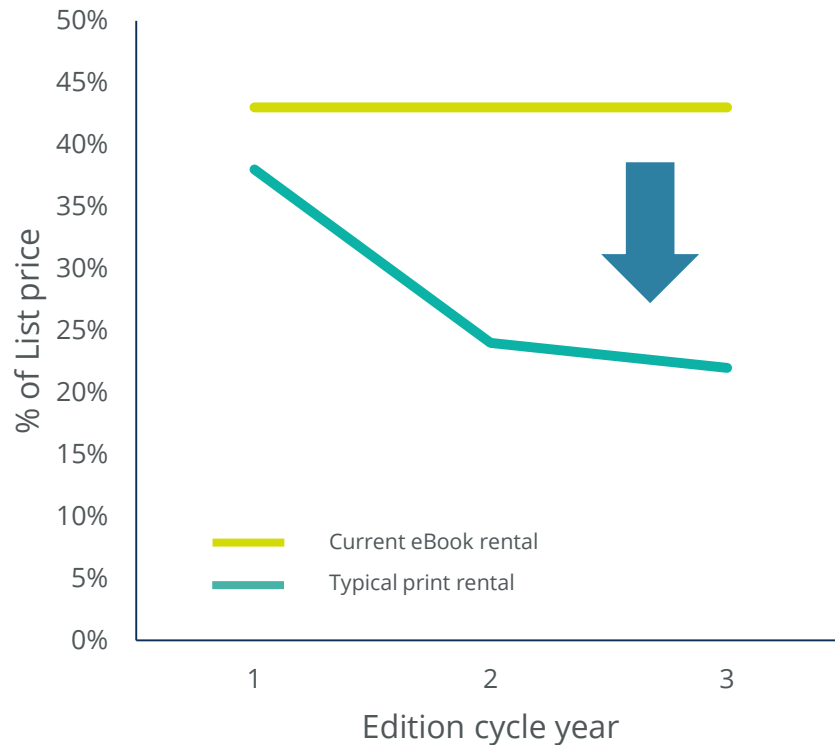
- Drives digital adoption at faculty level
- Matches value to usage, leverages our scale and effective content
- Creates deeper service relationships with faculty and administration

Services, Support and Global
Technology Platform

Increase participation in rental

eBook rental

More competitive digital eBook rental pricing to make digital eBook rental the best option for price-conscious students



Illustrative Example: An economics textbook in year two of the edition cycle

	Now	Next Week
Standard List Price	\$260	\$260
Actual Price New	\$227	\$227
Print Rental Price	\$89	\$89
eBook Rental Price	\$126	\$89

Increase participation in rental

Print rental pilot

- Our own Partner Print Rental program, piloting with a group of 50 titles

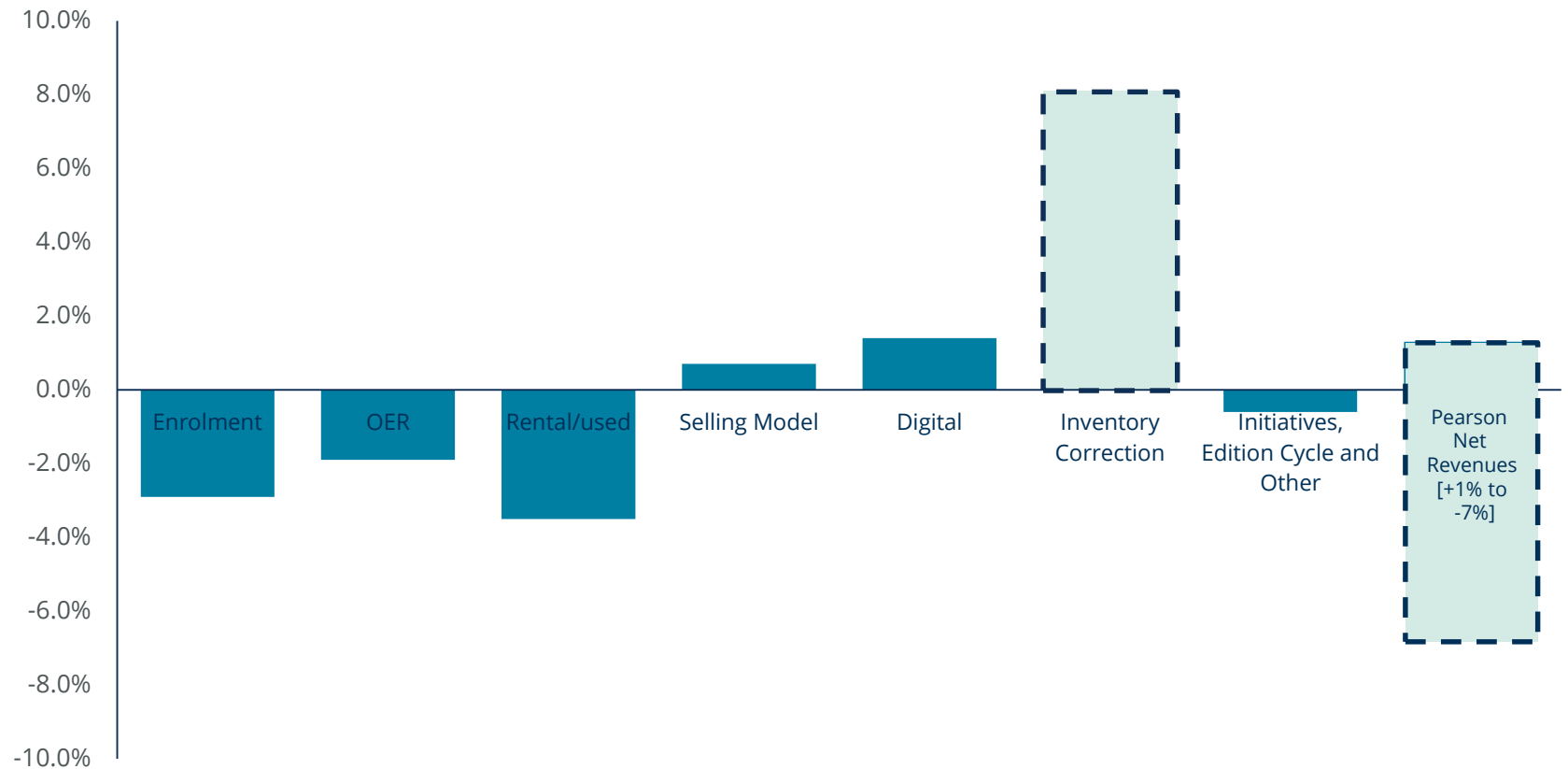


- Eliminates attrition to used from year 2 onwards
- Matches value to usage
- Makes it easier to remove counterfeit print product from the market
- Increases control of inventory

Financial strategy and capital structure

- The right time to exit PRH
- Proceeds will be used to maintain a strong balance sheet; invest in our business; and return excess capital to shareholders whilst retaining an investment grade credit rating
- Rebasing dividend to reflect the absence of PRH contribution; challenging market conditions; and accelerated digital investment
- Continue to reduce exposure to less scalable direct delivery models and focus on online, blended and partnership models

2017 Higher Education assumptions

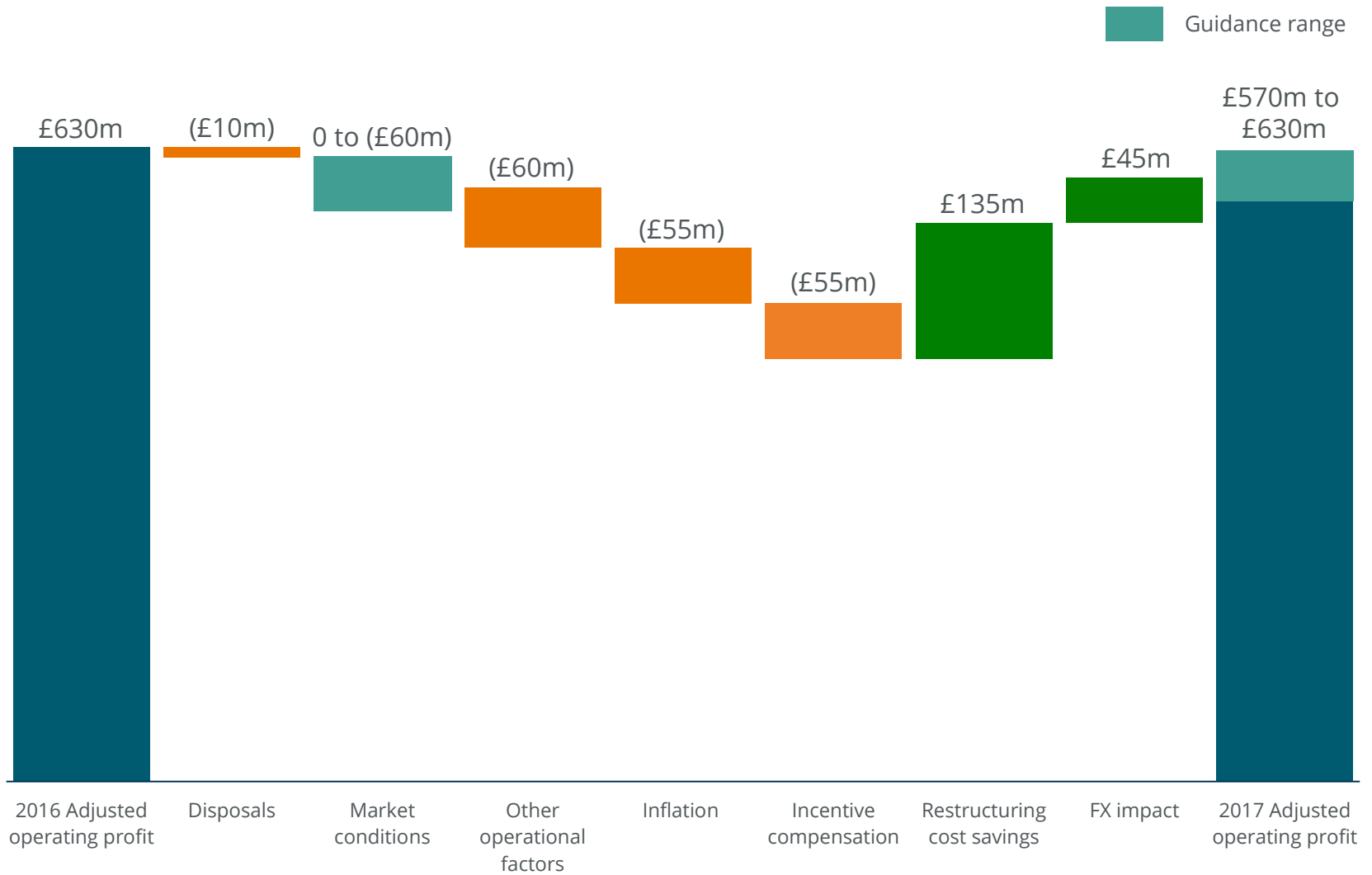


Other segments

Key assumptions

- UK Qualifications – stabilisation
- US Student Assessment – further top line pressures
- US K12 Courseware - ongoing pressures on participation rate due to CA
- Connections, OPM and Professional Certification - continue to grow
- China and Brazil - growth from new products and improvement in economy
- South Africa - some recovery

2017 bridge



Building a more sustainable, digital company

- Continued focus on tight cost management
- Fewer bigger opportunities
- Delivering better outcomes for learners
- A stronger more sustainable, more digital business

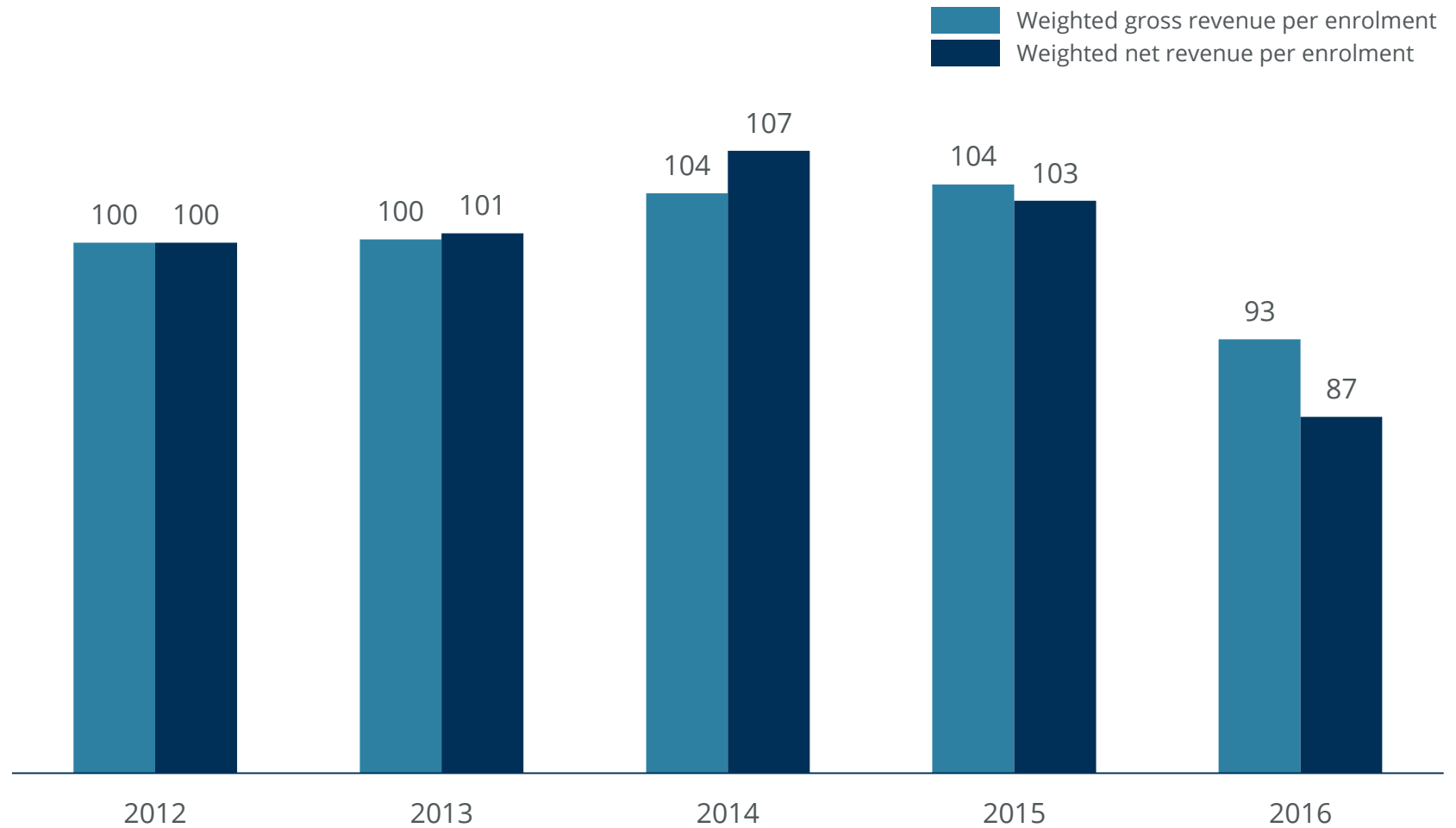


Q&A



Appendix

Higher Education courseware ARPE analysis



Source: Management Practice Inc.

ALWAYS LEARNING