

ADDRESS TO SHAREHOLDERS

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BY

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PRESIDENT AND CO-CHIEF EXECUTIVE OFFICER



POWER CORPORATION OF CANADA

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Additional information about the risks and uncertainties of the Corporation's business is provided in its disclosure materials, including its most recent Annual Information Form and Management's Discussion and Analysis of Operating Results, filed with the securities regulatory authorities in Canada, available at www.sedar.com.

**PRESIDENT'S ADDRESS
TO THE ANNUAL MEETING OF SHAREHOLDERS**

POWER CORPORATION OF CANADA
MAY 11, 2006

Thank you, Mr. Chairman.

It is a pleasure for me to report to you on developments at Power Corporation during the past year. I will start by commenting on the financial results for the full-year 2005. I will then discuss group developments since the last shareholder meeting, and I will close by announcing our results for the first quarter of 2006 and the quarterly dividend. All figures are in Canadian dollars, except if otherwise indicated.

FINANCIAL RESULTS FOR 2005

First, the full-year results for 2005.

I'd like to begin by again underlining the importance we attach to operating earnings as a measure of the strength of a corporation like ours on an ongoing basis. Operating earnings exclude the after-tax impact of any item that management considers to be of a non-recurring nature or that could make the period-over-period comparison of results from operations less meaningful. Power Corporation's operating earnings were \$1.071 billion in 2005, compared with \$954 million for 2004. This increase is mainly attributable to a substantial increase in the contribution from subsidiaries, driven by operating results at Power Financial and, to a lesser extent, improved results from corporate activities. On a per share basis, operating earnings were \$2.32 in 2005, compared with \$2.08 in 2004. This represents an increase of 11.3 per cent.

Other income at Power Corporation amounted to \$3 million or 1 cent per share in 2005, compared with a charge of \$5 million or 1 cent per share in 2004.

Power's share of a specific charge recorded by Lifeco related to hurricane activity was \$21 million or 5 cents per share.

As a result, Power Corporation's net earnings, after taking into account other income and the share of the specific charge recorded by Lifeco, were \$1.053 billion or \$2.28 per share in 2005, compared with \$949 million or \$2.07 per share in 2004.

Dividends paid on our participating shares rose from 55.3 cents per share in 2004, to 65 cents per share in 2005, an increase of 17.5 per cent. Common share dividends were also increased during the year at Power Financial Corporation, Great West Lifeco Inc., IGM Financial Inc. and Pargesa Holding S.A.

Our corporate balance sheet at Power continues to be a source of strength. Power Corporation itself has no long-term debt. Our book value per share increased from \$13.61 at the end of 2004 to \$14.39 at the end of 2005.

GROUP COMPANIES' RESULTS

I will turn now to the financial results of the companies in our group.

POWER FINANCIAL

Power Corporation holds 66.4 per cent of the common equity of Power Financial Corporation.

Power Financial's operating earnings for 2005 were \$1.69 billion, compared with \$1.54 billion in 2004. The per share figures are \$2.33 compared with \$2.11, for an increase of 10.1 per cent.

Growth in operating earnings reflects a substantial increase in the contribution from Power Financial's subsidiaries and affiliate.

Other income was a charge of \$2 million in 2005, compared with a gain of \$5 million or 1 cent per share in the preceding year. In addition, results for 2005 include Power Financial's share, in the amount of \$31 million or 5 cents per share, of the specific charge recorded by Lifeco related to hurricane activity.

Net earnings, after taking into account other income and the share of the specific charge recorded by Lifeco, were \$1.661 billion or \$2.28 per share in 2005, compared with \$1.543 billion or \$2.12 per share in 2004.

For the thirteenth consecutive year, Power Financial Corporation's common share dividend was increased so that, at the end of 2005, the quarterly dividend was 23.25 cents per share, compared with 20.25 cents at the end of 2004. The dividends declared on Power Financial's common shares totalled 87 cents per share in 2005, compared with 73 cents in 2004, representing an increase of 19 per cent.

**POWER FINANCIAL CORPORATION -
SUBSIDIARIES' AND AFFILIATE'S RESULTS**

GREAT-WEST LIFECO

Power Financial holds a controlling interest in Great-West Lifeco. Great-West Lifeco owns Great-West, London Life and Canada Life, which together constitute the leading insurance organization in Canada.

In the United States, its affiliates, Great-West Life & Annuity and Great-West HealthcareSM are leaders in their niche markets.

In Europe, Canada Life has substantial life insurance operations and is a market leader in the United Kingdom group life and health business.

Great-West Lifeco and its companies had more than \$177 billion in assets under administration at December 31, 2005.

Great-West Lifeco experienced solid operating results in 2005 in all major business segments and significant growth in net income attributable to common shareholders.

Adjusted earnings attributable to common shareholders, excluding restructuring charges related to the acquisition of Canada Life Financial Corporation and the provision for hurricane damage, were \$1.8 billion for the twelve months ended December 31, 2005, compared with \$1.63 billion in 2004. On a per share basis this represented \$2.022 per common share for 2005, an increase of 11 per cent compared with \$1.827 per common share for 2004. The strong results were achieved by Great-West Lifeco in spite of the fact that earnings were negatively impacted in a significant manner by the strengthening of the Canadian dollar. Net income, including all charges, attributable to common shareholders was \$1.742 billion, up from \$1.6 billion in 2004.

Return on common shareholders' equity was 20.9 per cent for the twelve months ended December 31, 2005.

Consolidated net earnings of the Canadian segment of Great-West Lifeco attributable to common shareholders increased 20 per cent in 2005 to \$773 million from \$646 million in 2004.

Excluding the charge for hurricane activity, consolidated net earnings of the European segment of Great-West Lifeco attributable to common shareholders increased 24 per cent in 2005 to \$442 million, up from \$356 million in 2004.

Consolidated net earnings of the United States segment, attributable to common shareholders, in U.S. dollars, increased 14 per cent to \$459 million from \$403 million for 2004.

Dividends paid per common share at Great-West Lifeco increased from 68.5 cents to 81 cents, or 18 per cent.

IGM FINANCIAL

Power Financial's other major North American financial services holding is its controlling interest in IGM Financial. IGM Financial owns Investors Group and Mackenzie Financial and has a 75 per cent interest in Investment Planning Counsel, acquired in 2004. Together these companies are the largest mutual fund organization in Canada, managing almost twice the assets of their next competitor. They hold a 16 per cent market share, with mutual fund assets under management of \$94 billion at December 31, 2005, and they serve some 2 million Canadian clients.

IGM Financial reported net income of \$682 million in 2005, compared with adjusted net income of \$616 million in 2004. This represents an increase of 10.8 per cent on a per share basis. Adjusted net income for 2004 excludes a non-recurring expense.

Mutual fund sales for the year for IGM Financial's subsidiary, Investors Group, were \$5.5 billion, compared with \$4.7 billion in 2004, while mutual fund net sales (sales net of redemptions) for the year were \$778 million, compared with \$218 million in the prior year, well ahead of the growth in net sales experienced by the industry.

Investors Group's mutual fund assets at December 31, 2005 were \$50.7 billion, an increase of 13.9 per cent compared with \$44.5 billion at the end of 2004. The number of Investors Group consultants was 3,668 at the end of 2005. Investors Group's consultant network has experienced six consecutive quarters of growth, resulting in an increase of 14.4 per cent in its consultant network since June 2004.

Mackenzie experienced strong growth in mutual fund sales, which reached \$8.1 billion for 2005, compared with \$6.8 billion in the prior year. Mutual fund net sales for the period were \$1.2 billion, compared with \$795 million in the prior year.

Mackenzie's mutual fund assets at December 31, 2005 were \$41.6 billion, compared with \$37.3 billion at December 31, 2004, an increase of 11.5 per cent.

Investment Planning Counsel also produced a strong 2005, increasing its assets under administration by 11 per cent in 2005, to \$8.9 billion, and its assets in its own mutual fund family, Counsel Funds, by 24 per cent, to \$1.9 billion.

Dividends on IGM Financial's common shares in 2005 were \$1.335, compared with \$1.15 in 2004, an increase of 16 per cent.

The Great-West Lifeco and IGM Financial group companies have, over the years, focused on improving their strategic and competitive positioning. Together they have built one of the most powerful financial services distribution networks in Canada, while expanding internationally on a rational and carefully considered basis. They have been leaders in the consolidation of the Canadian industry in recent years. The results speak for themselves.

PARGESA HOLDING

I will now turn to Power Financial's Pargesa group companies in Europe. Power Financial holds, together with the Frère group of Belgium, a 54.1 per cent equity interest in Pargesa. At December 31, 2005, Pargesa had an equity interest of 48.1 per cent (and 50 per cent of the voting shares) in the Belgian holding company Groupe Bruxelles Lambert.

Pargesa reported operating earnings of SF509 million, an increase of 6.9 per cent over 2004. Converted into Canadian dollars, operating earnings were \$496 million, compared with \$498 million in 2004, reflecting the effect of the strengthening of the Canadian dollar in 2005. Non-operating income was \$23 million, compared with \$88 million in 2004. After including this non-recurring item, Pargesa's net earnings were \$519 million, compared with \$586 million in 2004.

Dividends in 2005 paid by Pargesa totalled SF2 per share. The dividend payable in 2006 is SF2.15 per share, an increase of 7.5 per cent.

I will briefly touch on the results of the five leading companies in the Pargesa portfolio.

The Pargesa group holds a 25.1 per cent interest in Bertelsmann, an integrated media and entertainment company.

In 2005, Bertelsmann reported an increase of 12.7 per cent in operating EBIT which, expressed in Canadian dollars, reached \$2.4 billion. Bertelsmann reported net income of \$1.327 billion for the year, compared with \$1.669 billion in 2004, which included higher capital gains.

Bertelsmann, like many of Pargesa's investments, is held through Groupe Bruxelles Lambert. In January 2006, Groupe Bruxelles Lambert announced that, in accordance with its shareholder agreement with the Mohn family (the controlling shareholder of Bertelsmann), GBL's Board of Directors had decided that it would pursue the possible exercise of its right to require the public listing of shares of Bertelsmann, if the market conditions are favourable, as from the end of May 2006.

Imerys, in which the Pargesa group holds a 53 per cent interest, is a leading company in the production and sale of value-added minerals. Net income, including non-recurring items, was \$466 million in 2005, compared with \$388 million in 2004.

The Pargesa group also holds a 3.8 per cent equity interest in Total, the integrated petroleum company.

Total's adjusted net income increased 31 per cent in 2005 to an equivalent of \$18.1 billion. In 2005, Total's return on capital was 27 per cent and its return on equity was 35 per cent, among the highest in the industry.

The Pargesa group holds a 7.3 per cent equity interest in Suez, a leading international industrial organization. Net income was \$3.8 billion in 2005, compared with \$1.8 billion in 2004.

In February 2006, Suez announced a possible merger with Gaz de France, which would create one of the largest gas groups in the world, with a strong presence in the liquefied natural gas sector. This transaction is subject to proper approvals and authorizations.

The contribution from Total and Suez to operating earnings is made of dividends received. Pargesa's share of the dividends from both companies for 2005 totalled \$131 million, compared with \$144 million for 2004, which included a one-time effect of the change in Total's dividend policy.

In January 2006, Groupe Bruxelles Lambert announced that it held a stake in Lafarge, a world leader in the cement and building materials sector. As of May 3, 2006, GBL held 9.2 per cent of Lafarge. Lafarge reported an increase of 4.8 per cent in net income in 2005 to \$1.654 billion.

Before discussing Power's other investments, let me point out that the Power Financial group has produced outstanding returns to shareholders over the long term. Fifteen-year total returns were 23 per cent, compounded annually, while over the same period total returns for the S&P/TSX index were 10.9 per cent per year and 17.5 per cent for the S&P/TSX Financial Index. Over the last 10 years, total returns for Power Financial shareholders were 26 per cent compounded annually.

CITIC PACIFIC

Power has been active in China for a number of years. Currently, Power's most significant investment is a 4.6 per cent interest in CITIC Pacific. While the company is Hong Kong based, it has gradually shifted its focus over the recent years towards mainland China, where CITIC is an important participant in the economy, and towards five core activities: real estate, specialty steel and power generation in China, civil infrastructure in Hong Kong and aviation. Net earnings for 2005 were \$621.5 million, compared with \$597 million in 2004.

In the specialty steel manufacturing business, through acquisitions and capacity expansion, CITIC saw its profit contribution increase 84 per cent compared with 2004. The company is positioned as a leading domestic provider with world-class equipment and technology, substituting for higher grade specialty steel, which is currently being imported. On March 31, 2006, CITIC announced that it had acquired mining rights over potentially 6 billion tons of magnetite ore in Australia. This will represent a large, stable and lower cost source of iron ore to meet CITIC's requirements for its specialty steel plants.

In real estate, the strong market demand in China for high quality properties is the result of the past twenty years of rapid development of the economy, leading to rising standards of living. CITIC Pacific has, in the past year, increased its investment in mainland China properties and has access to a land bank of nearly 17 million square feet, mostly in the Yangtze River Delta area around Shanghai. In addition, CITIC will act as the prime developer in a large real estate project on a 16 square kilometre area on Hainan Island. This is a prized resort and vacation destination.

CITIC also recently announced a 49 per cent participation in the Shanghai Pudong New Financial District project located in the centre of Shanghai, with a total site area of 2.5 million square feet. It will consist of premium office buildings, hotels and residential buildings.

In the power generation business, CITIC Pacific builds, owns and operates power plants in mainland China. CITIC currently has attributable capacity of 3,200 MW, which they expect will double by 2007.

In aviation, CITIC is the second largest shareholder of Cathay Pacific, with a 25.4 per cent interest. CITIC also owns 28.5 per cent of Dragonair and 25 per cent of Air China Cargo.

OTHER INVESTMENTS

Over the years, Power Corporation has invested directly or through wholly owned subsidiaries in a number of selected investment funds, hedge funds and securities. In 2005, Power continued to enjoy very solid results from these investments.

In China, a small asset management team has been created by Power to manage a portfolio of investments in Chinese “A” shares. “A” shares represent common shares of Chinese public companies which can normally only be acquired by local Chinese. Power operates as a Qualified Foreign Institutional Investor (or QFII), with an initial investment of US\$50 million. Power was the first Canadian company to be granted QFII status.

In Europe, Power Corporation made a commitment of €100 million in 2002 to Sagard Private Equity Partners (Sagard 1), a fund based in Paris, France. Power Corporation owns 100 per cent of the French management company, Sagard SAS, which manages this €535 million fund. Sagard 1 is almost fully invested and the management company is currently considering the opportunity of launching Sagard 2, which would have the same investment strategy as Sagard 1. Power Corporation would commit €200 million to this fund, which would be in whole or in part funded through the reinvestment of distributions made by Sagard 1.

Last week, Sagard 1 successfully disposed of one of its investments, and is currently considering other possible dispositions.

The Corporation is also in the process of reviewing investment opportunities in the United States, and plans to allocate a portion of its cash resources (initially limited to a maximum of US\$250 million) to this initiative.

COMMUNICATIONS AND TECHNOLOGY

I will turn now to our communications and technology interests.

COMMUNICATIONS

GESCA

Gesca is a wholly owned subsidiary of Power Corporation primarily engaged in the publication of seven newspapers, including the Montréal daily newspaper *La Presse*. Six of the newspapers published by Gesca have now changed to a compact format, to better adapt to their readers’ lifestyles. This also allows a much broader distribution and therefore greater impact for advertisers. Gesca’s continued focus on the production of high quality content for its newspapers has been recognized by a number of awards in 2005, while circulation for all newspapers remained strong during the year.

Gesca also owns and operates several Web sites, including cyberpresse.ca and lapresseaffaires.com.

Mediametrix estimates that they rank among the top French-language news Web sites in terms of number of unique visitors and page views. Gesca also owns a 20 per cent interest in Workopolis, Canada’s most important employment Web site.

In addition, Gesca publishes specialty magazines and books and produces television programming.

TECHNOLOGY

PTIC

Power Technology Investment Corporation (PTIC) was created to provide a window on opportunities in the technology sector.

PTIC holds several biotechnology investments, of which Neurochem is the most significant and most advanced. PTIC, directly and indirectly through Picchio Pharma, a partnership with Dr. Francesco Bellini, holds an approximate 16.3 per cent economic interest in Neurochem. Neurochem completed its Phase II/III clinical trials for Fibrillex™ in 2005 and filed a Notice of Drug Application with the U.S. Food and Drug Administration in February of 2006, which has since been granted priority review by the FDA. The FDA is now expected to render a decision on the approvability of Fibrillex™ by August 13, 2006.

The company is also engaged in the final stages of its Phase III clinical trial in North America for Alzhemed™, which should be completed by early 2007. According to Neurochem, Alzhemed™ is one of the most advanced product candidates, with disease modification potential in development for the treatment of Alzheimer's disease, one of today's most pressing unmet medical needs.

PTIC also holds an interest in Adaltis, a company specializing in in-vitro diagnostics. Its Shanghai production facility is now operational and is state of the art. The facility's low cost operations should bring benefits to Adaltis.

In addition, PTIC has an interest in Mitel, which delivers advanced communication solutions for voice, video and data convergence over broadband networks.

We recognize that potential returns from these sectors are great. But we recognize also that the risks are great. Because our package of such investments represents a relatively small portion of our overall holdings, we can accept these risks.

LONG-TERM RETURNS

I would like now to look at the returns we have succeeded in providing to our shareholders over the longer term.

Among the various measures that are available, we at Power focus on two particular indicators.

The first is operating earnings, which, as I said at the beginning of my remarks, provide a meaningful measure of our ongoing profitability. Over the last ten years, Power Corporation's operating earnings have grown consistently, year over year, from \$224 million in 1995 to \$1.071 billion in 2005. This represents an annual compound growth rate of 16.9 per cent. On a per share basis, and adjusted for stock splits, operating earnings increased from \$0.43 in 1995 to \$2.32 in 2005, for a compound annual growth rate of 18.4 per cent.

The second important indicator is the total return to shareholders before tax. This figure represents share appreciation plus dividends received. Total returns for the 10-year period ending on December 31, 2005 were 10.9 per cent for the S&P/TSX Composite Index. This compares with 22.6 per cent for Power.

Put differently, \$100 invested ten years ago in the TSX index would be worth \$283 today. The same \$100 invested in Power would be worth \$766.

For the tenth consecutive year, Power increased its shareholder dividend in 2005. The dividends declared on Power's participating shares totalled 17.5 cents in 1995, compared with 65 cents in 2005, which represents a compound annual growth rate of 14 per cent.

The market capitalization of your company has shown corresponding dramatic growth. It was \$2.6 billion ten years ago. Today it stands at some \$13.9 billion.

In summary, our results for 2005 are strong, and our longer term returns to shareholders are equally solid. And long-term returns to shareholders, as you know, are our fundamental objective.

RESULTS FOR THE FIRST QUARTER OF 2006

Ladies and gentlemen, it is now my pleasure to report on Power Corporation's results for the first quarter of 2006.

Operating earnings for the quarter were \$254 million or \$0.54 per share, compared with \$231 million or \$0.50 per share in 2005, representing an increase of 7.6 per cent on a per share basis.

Net earnings for the quarter were \$254 million, compared with \$232 million in 2005.

DIVIDENDS

I am pleased also to announce that, at its meeting this morning, the Board of Directors, in addition to declaring the regular dividend on the non-participating Preferred Shares, declared a quarterly dividend on the Participating Preferred and Subordinate Voting Shares of 19.75 cents per share, compared with 16.875 cents prior to today. This represents an increase of 17 per cent. This works out to an annualized dividend rate of 79 cents.

CONCLUSION

I would like to express our gratitude to the management and employees of Power Corporation and of its group companies, who have contributed to the outstanding results that the Power group has achieved. I wish also to thank the clients of our group of companies for the trust and support they have shown in these companies.

Finally, and most important, I want to thank you, our shareholders, for your continuing support and for your attention today.



POWER CORPORATION OF CANADA