



POWER CORPORATION  
OF CANADA

ADDRESS

BY

**ANDRÉ DESMARAIS**

DEPUTY CHAIRMAN, PRESIDENT  
AND CO-CHIEF EXECUTIVE OFFICER

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**ANNUAL MEETING OF SHAREHOLDERS**

FRIDAY, MAY 13, 2016

## Forward-Looking Statements

In the course of today's meeting, officers of the Corporation may make, in their remarks or in response to questions, and the accompanying materials may include, statements containing forward-looking information. Certain statements, other than statements of historical fact, are forward-looking statements based on certain assumptions and reflect the Corporation's current expectations, or with respect to disclosure regarding the Corporation's public subsidiaries, reflect such subsidiaries' disclosed current expectations. Forward-looking statements are provided for the purposes of assisting the listener/reader in understanding the Corporation's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and the listener/reader is cautioned that such statements may not be appropriate for other purposes. These statements may include, without limitation, statements regarding the operations, business, financial condition, expected financial results, performance, prospects, opportunities, priorities, targets, goals, ongoing objectives, strategies and outlook of the Corporation and its subsidiaries, as well as the outlook for North American and international economies for the current fiscal year and subsequent periods. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "seeks", "intends", "targets", "projects", "forecasts" or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could".

By its nature, this information is subject to inherent risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the Corporation's and its subsidiaries' control, affect the operations, performance and results of the Corporation and its subsidiaries and their businesses, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to: the impact or unanticipated impact of general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, management of market liquidity and funding risks, changes in accounting policies and methods used to report financial condition (including uncertainties associated with critical accounting assumptions and estimates), the effect of applying future accounting changes, business

competition, operational and reputational risks, technological change, changes in government regulation and legislation, changes in tax laws, unexpected judicial or regulatory proceedings, catastrophic events, the Corporation's and its subsidiaries' ability to complete strategic transactions, integrate acquisitions and implement other growth strategies, and the Corporation's and its subsidiaries' success in anticipating and managing the foregoing factors.

The listener/reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements. Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including that the list of factors in the previous paragraph, collectively, are not expected to have a material impact on the Corporation and its subsidiaries. While the Corporation considers these assumptions to be reasonable based on information currently available to management, they may prove to be incorrect.

Other than as specifically required by applicable Canadian law, the Corporation undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date on which such statement is made, or to reflect the occurrence of unanticipated events, whether as a result of new information, future events or results, or otherwise.

Additional information about the risks and uncertainties of the Corporation's business and material factors or assumptions on which information contained in forward-looking statements is based is provided in its disclosure materials, including its most recent Management's Discussion and Analysis and its most recent Annual Information Form, filed with the securities regulatory authorities in Canada and available at [www.sedar.com](http://www.sedar.com).

Certain financial terms which may be included in statements today or in the accompanying materials, such as operating earnings, are non-IFRS financial measures that do not have a standard meaning and may not be comparable to similar measures used by other entities. Please refer to the Corporation's annual and most recent interim Management's Discussion and Analysis for more information, including how such measures are defined, an explanation of their purpose and a reconciliation of the non-IFRS measures to the corresponding IFRS measures, where comparable IFRS measures exist.

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

POWER CORPORATION OF CANADA

May 13, 2016

Thank you, Mr. Chairman.

And thank you all for joining us this morning. We are delighted to be back in Montréal for this year's Annual General Meeting.

It is a pleasure for me to report to you on developments at Power Corporation during the past year.

**FINANCIAL RESULTS FOR 2015**

Power Corporation delivered record financial results in 2015, led by its financial services business, which reported the highest earnings in its history, and through earnings from its investment platforms, also at their highest level in the Corporation's history.

Power Corporation of Canada reported operating earnings of \$1.6 billion in 2015, compared with \$1.2 billion in 2014.

Net earnings were \$1.8 billion, compared with \$1.3 billion in 2014.

**RESULTS FOR THE FIRST QUARTER OF 2016**

Before discussing the Group companies' results, I will now briefly report on Power Corporation's results for the first quarter of 2016. Operating earnings were \$191 million, compared with \$349 million in 2015.

Our share of earnings from Power Financial has decreased by \$58 million. Results have also been negatively impacted by income from investments which were \$87 million lower due to impairment losses in 2016. In contrast, 2015 had excellent gains from, in particular, Sagard China.

Furthermore, there was the impact of an impairment charge due to the continued challenges at LafargeHolcim and the related share price decline. This decreased the Corporation's net earnings by approximately \$200 million. This is a non-cash charge.

Despite lower results this quarter, we believe that the building and strengthening of our businesses will augur well for the future, such that we can continue to deliver positive results to our shareholders.

## **DIVIDENDS**

As a measure of our confidence, I am pleased to announce that at its meeting this morning, your Board of Directors declared a quarterly dividend on the Participating Preferred and Subordinate Voting Shares of 33.50 cents per share, thus increasing Power Corporation's previous dividend by 7.6%.

Strong earnings in 2015 at Power Financial and in our investment activities, recent dividend increases by the Corporation's principal subsidiaries and positive momentum in underlying businesses all contributed to the Board's decision to increase the Corporation's dividend again this year.

## **GROUP COMPANIES' RESULTS**

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

### **P O W E R F I N A N C I A L**

Power Corporation holds 65.6% of the common equity of Power Financial Corporation.

Power Financial also reported record earnings in 2015. Operating earnings were \$2.2 billion in 2015 and net earnings were \$2.3 billion.

Dividends were increased in 2015 and again in March of 2016 to an annualized rate of \$1.57 per share.

Return on shareholders' equity remains high at 14.3% during 2015.

### **GREAT-WEST LIFECO**

Power Financial holds a 71.4% interest in Great-West Lifeco.

Great-West Lifeco's operating earnings attributable to common shareholders were \$2.8 billion in 2015.

Great-West Lifeco is led by Paul Mahon, President and Chief Executive Officer, who was appointed to this role in 2013. The company has growth-oriented leadership teams in place in each of Canada, the U.S. and Europe.

The company's products and services impact the lives of more than 12 million people – one in three Canadians.

It operates under three great brands – Great-West Life, London Life and Canada Life, which have been built upon many years of making and keeping promises – well over 100 years at each company. Together, these companies have leading market shares across virtually all product segments of the insurance industry in Canada.

Great-West Life is focused upon improving the financial, physical and mental well-being of Canadians.

Looking to the United States, Robert Reynolds, President and Chief Executive Officer of Great-West Lifeco U.S., leads the company's operations, which support the financial security of millions of Americans across our insurance, retirement and asset management businesses.

Great-West Financial has operated in the U.S. for over 100 years. In 2015, the company launched a new brand identity that positions it for the future. This new identity renews its commitment to providing innovative life insurance, annuities and executive benefits solutions for customers.

Edmund Murphy is the President of Empower Retirement, which was created in 2014 through the combination of the retirement businesses of Great-West Financial, Putnam and J.P. Morgan. Today, more than 8 million people have put their trust in Empower – making it the second-largest retirement services provider in the United States.

The multi-year investment in Empower is paying off with employers showing their support for its market-leading offerings. Two weeks ago, Empower was named the U.S. industry's *Retirement Leader of the Year*.

The expertise and capabilities of our people underscore our strong and growing position in the U.S., leveraging collaboration across Empower, Putnam and Great-West Financial.

Great-West Lifeco's European operations bring together diverse insurance and wealth management businesses in the United Kingdom, Ireland and Germany. Its European brands – Canada Life and Irish Life – are deeply rooted and well respected.

In the U.K., Canada Life is the number one provider of group insurance products and is also a significant provider of retirement income products, including payout annuities.

In 2013, Great-West Lifeco acquired Irish Life, the leading life insurance company in Ireland. In 2015, Irish Life continued to build on its leading market position and to contribute positively to Great-West Lifeco's earnings.

## **IGM FINANCIAL**

Power Financial's other significant financial services subsidiary is IGM Financial, in which it holds a 65.0% interest.

IGM is one of Canada's premier personal financial services companies, and one of the country's largest managers and distributors of managed asset products. The company serves the financial needs of Canadians through multiple businesses, including Investors Group, Mackenzie Investments and Investment Planning Counsel.

Operating earnings were \$796 million in 2015.

Total assets under management at December 31, 2015 totalled \$134 billion.

Murray J. Taylor, Co-President and Chief Executive Officer of IGM and, for the past 12 years, President and Chief Executive Officer of Investors Group, retired from the company at its annual meeting in Winnipeg last week after a 40-year career with the Power Financial group of companies. Under his leadership, Investors Group greatly enhanced the quality and breadth of the products, services and advice it provides to clients and expanded its network of consultants across Canada.

Jeffrey R. Carney has been appointed President and Chief Executive Officer of Investors Group. Since May 2013, he has served as President and Chief Executive Officer of Mackenzie Financial Corporation. Mr. Carney was also appointed as President and Chief Executive Officer of IGM Financial, a position he has shared with Mr. Taylor for the past three years.

Also last week, Mackenzie Financial announced that Mr. Barry McNerney was joining our group and will be appointed President and Chief Executive Officer of Mackenzie Financial, replacing Mr. Carney. Mr. McNerney has over 25 years of experience in the investment management business and has held senior leadership positions at several leading financial institutions in the United States and Canada.

Investors Group celebrates its 90th anniversary this year. Much has changed in 90 years, but its commitment to financial planning and supportive advice has stood the test of time. As an aside, Power Corporation also celebrated its 90th anniversary last year.

Investors Group continued to set itself apart by offering personal, comprehensive financial planning through 114 region offices, represented by over 5,300 consultants, to approximately one million clients across Canada. Mutual fund assets were \$74.9 billion at the end of 2015.

During the past several years, Mackenzie has been on a journey to establish market leadership. There is still much to be done, but great progress has been made. Mackenzie has made a tremendous investment in resources and people in its investment management division. The 28 new mutual funds Mackenzie has launched since 2013 have delivered \$1.3 billion in net flows.

## **PARGESA GROUP**

I will now turn to the Pargesa group. Paul Desmarais, Jr. is Chairman and Executive Director of Pargesa, and he works closely with Arnaud Vial, who is Managing Director. At December 31, 2015, together with the Frère group of Belgium, Power Financial held a 55.5% equity interest in Pargesa. Pargesa in turn held a 50% equity interest in the Belgian holding company Groupe Bruxelles Lambert, or “GBL,” which owns the major holdings of the group.

The Pargesa group has been very busy over the past few years positioning its portfolio of companies for future growth, as my brother will address in a few moments.

Pargesa reported operating earnings of the equivalent of \$407 million in 2015.

## **INVESTMENT ACTIVITIES**

I will now turn to our various other investments.

Power Corporation conducts investment activities, built upon a network of historic relationships, to provide superior long-term returns on a diversified basis. These investment activities include the Sagard funds and long-standing interests in China.

Since the launch of its first fund in 2002 in Europe, Power Corporation has continued to develop these investments. Currently, the Corporation operates equity investment funds in three geographical regions under the Sagard name – Sagard Europe, Sagard Capital (United States) and Sagard China. Each of the Sagard businesses adheres closely to Power’s investment philosophy and governance model.

As an investor, Power Corporation’s style is characterized by a value approach which emphasizes the discipline of deep and detailed fundamental analysis. We impact investments, where appropriate, through involvement and close dialogue with investee companies.

## **SAGARD EUROPE**

The Sagard Europe funds invest in mid-sized private companies based in France, Belgium, Luxembourg and Switzerland with the objective of seeking to have a significant influence. Pargesa and GBL have also invested in Sagard Europe. As at December 31, 2015, Power had invested a total of \$551 million in the Sagard Europe funds. The Corporation has received distributions from these funds totalling \$537 million since inception, and the value of the investments is \$257 million as at December 31, 2015, compared with \$153 million in 2014.

## **SAGARD CAPITAL**

Sagard Capital in the United States mainly invests in mid-cap public companies based in North America. In certain circumstances, Sagard Capital will seek control of companies that have superior growth and return profiles. As at December 31, 2015, the fair value of the fund was \$951 million, compared with \$626 million in 2014.

## **SAGARD CHINA**

Power Corporation began participating in Chinese equities through the Chinese stock market in 2005 and in the Hong Kong stock market in 2010. These investments, referred to as Sagard China, had a fair value of \$666 million as at December 31, 2015, compared with \$403 million in 2014.

## **THIRD-PARTY PRIVATE EQUITY AND HEDGE FUNDS**

Power Corporation has also invested for many years, directly or through wholly owned subsidiaries, in a number of third-party private equity and hedge funds. The fair value of these investments was \$494 million at December 31, 2015. Over the years, these investments have produced solid returns and have been a positive contributor to the Corporation's profitability.

We have seen in the past that income from investments is very volatile in nature due to the effect of markets as well as the timing of realizations. Although volatile, income from investments was \$740 million over the past 5 years or approximately \$37 million per quarter on average. The fair value of the Sagard and third-party funds increased from \$1.0 billion at December 31, 2010 to \$2.4 billion in 2015.

## **CHINA ASSET MANAGEMENT CO. LTD.**

Power Corporation holds a 10% stake in China Asset Management Co. Ltd. (China AMC), which was purchased in 2011. It was one of the first asset management companies that was approved by the China Securities Regulatory Commission and is recognized as a leading company in the Chinese asset management sector.

As at December 31, 2015, China AMC managed 53 mutual funds having assets under management of US\$148 billion, compared to US\$84 billion at the end of 2014. Its net earnings in Canadian dollars were \$289 million in 2015, compared with \$215 million in 2014.

## **POWER ENERGY CORPORATION**

Power Corporation is also investing in the renewable energy sector.

Through its wholly owned subsidiary, Power Energy Corporation, Power invests in and develops renewable energy companies that can provide stable and growing long-term recurring cash flows. At December 31, 2015, Power Energy had invested a total of \$174 million in Potentia Solar, a rooftop solar power producer based in Ontario, and Eagle Creek Renewable Energy, a U.S.-based owner and operator of hydropower facilities.

## **INTEGRAMED**

Our wholly owned subsidiary IntegraMed is the largest network of assisted reproductive medicine clinics in North America. Through both its owned and managed clinics, it serves patients in the U.S. and Canada in their efforts to have children. We are excited that IntegraMed is looking to build the North American leader in fertility services.

## **COMMUNICATIONS**

Turning now to our communications interests.

Today, it is vital for media organizations to implement new and innovative technology solutions to facilitate their transition to digital, and grow their audiences as well as their revenues. In this regard, La Presse is a true industry pioneer with its free digital tablet edition, La Presse+, which has significantly changed the company's business model. La Presse+ resulted from a large-scale transformation conducted in partnership with employees and labour unions, and has quickly become a mass medium in Québec. Its readers are younger on average than those of the printed newspaper and have high levels of engagement. In a world where several newspapers are trying a variety of approaches to ensure their survival, the remarkable results achieved by La Presse+ have enabled La Presse to cease publishing its weekday print edition as of January 1, 2016.

Since then, the La Presse+ readership has increased by nearly 30 per cent. Three years after its launch, La Presse+ is now viewed on an average of nearly 260,000 unique tablets every weekday. As a result, its circulation now exceeds the most recent highest average weekday circulation reached by the print edition of *La Presse*, which was about 208,000 copies in 2009.

Since 2013, the advertising industry has largely adopted this new medium, which is interactive, effective, and measurable. Today, our digital platforms generate 82 per cent of La Presse's total advertising revenues.

La Presse+ is now positioned as a template for other print dailies to follow as they look to the future and seek to adapt to readers' expectations and the needs of advertisers. Last year, La Presse created Nuglif, a subsidiary consolidating the commercialization, operation and implementation activities of its technology platform for external clients. Last September, its first client, The Toronto Star, successfully launched its Toronto Star Touch digital edition, based on the La Presse+ platform.

## CORPORATE SOCIAL RESPONSIBILITY

The impact that Power and its subsidiary companies have on the economy and society at large goes beyond our financial performance. While the term Corporate Social Responsibility – or CSR – has come to enjoy popular use over the past decade or so, it is something we have long practised at Power Corporation as part of our responsible management philosophy. CSR is an integral part of our corporate DNA that permeates our entire group.

Knowing that our stakeholders have an interest in such information, Power now discloses metrics on various aspects of CSR. It is important to note that while our formal CSR reporting is relatively recent, our CSR activities are long-standing priorities.

You can see on the screen some of Power's achievements in 2015 in this regard, as well as some of the initiatives we are currently working on.

For example, our subsidiaries – including Great-West Lifeco, IGM Financial and La Presse – have similar responsible management programs in place and have made community volunteering and philanthropy integral parts of their business operations. Our employees, both at Power and at our subsidiaries, also play an active role in the community by volunteering their time with charitable organizations.

Responsible management and community involvement are integral parts of our corporate mission. We believe that strong communities create strong businesses and that the volunteer sector, working in partnership with government and business, can build a better society with better opportunities for all Canadians.

## VALUE CREATION

I would now like to discuss an issue which I feel is of interest to all shareholders – value creation and the stock price of our Corporation. Let me elaborate:

- At the end of 2010, Power Corporation's stock price was \$27.67 per share, slightly lower than today's price of approximately \$29.00. The stock price has therefore remained roughly the same over a five-year period.

However:

- In the past five years, our operating earnings per share, which is a key metric for the Corporation, have grown at a compound annual growth rate of 10.2% per year. In fact, our record earnings in 2015, which followed strong earnings in 2014, were higher than the pre-financial crisis earnings high of 2007. As earnings continue to improve, dividends from our subsidiaries have continued to flow through to our shareholders and further improved earnings should continue to positively impact dividend growth.
- During this five-year period, Power's operating earnings per share have grown from \$2.09 to \$3.40 per share in 2015, an increase of 63%.
- Our book value per share in 2010 was \$18.85, and at December 31, 2015, it stood at \$28.19, a 50% increase during this period.
- Our balance sheet is also stronger and capable of absorbing greater shock and volatility, with assets of \$423 billion at December 31, 2015, compared with \$248 billion at the end of 2010, an increase of 71%.

The value of our investments has also grown. The slide that is now on the screen shows the value of our Sagard and third-party funds in 2010 and at the end of 2015. As you can see, the value of these investments has grown from \$1.0 billion to \$2.4 billion in this five-year period. As I stated earlier, income from investments was more than \$700 million over the past 5 years, and \$1.3 billion over the last 10 years, and there are unrealized gains of \$741 million in the Sagard and third party funds. This well-diversified portfolio of investments should continue to produce solid earnings although, as the past has shown us, not always in a consistent manner. We believe that this value has not been fully reflected in the Corporation's stock price. Moreover, we feel that we are well positioned to seize new business opportunities, as we have recently done in the fields of renewable energy and health services. We remain optimistic. Stock prices almost always manage to catch up with quality earnings, which is what we believe Power has been able to deliver, and strives to continue to do always.

## **CHANGES IN BOARD COMPOSITION**

Although the Chairman will properly acknowledge the important contribution of Laurent Dassault, who is leaving the Board today, I would be remiss if I did not add my personal thanks. It has been a real privilege to work with Mr. Dassault over all these years. I would also like to take this opportunity to extend a very warm welcome to former Premier of Manitoba Gary Doer and Christian Noyer, former Governor of the Banque de France, who are being nominated for election to the Board today, and whom my brother will introduce shortly.

## **CONCLUSION**

To conclude, I would like to express our gratitude to the management, directors and employees of Power Corporation and its group companies, who have contributed to the excellent results we achieved. I also thank the clients of our group of companies for the trust and support they have shown us.

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



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