



POWER CORPORATION  
OF CANADA

ADDRESS

BY

**ANDRÉ DESMARAIS**

DEPUTY CHAIRMAN, PRESIDENT  
AND CO-CHIEF EXECUTIVE OFFICER

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**ANNUAL MEETING OF SHAREHOLDERS**

THURSDAY, MAY 15, 2014

## Forward-Looking Statements

Certain statements in these materials, 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 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 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 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 included in these 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 15, 2014

Thank you all for joining us this morning.

Last year was one of tremendous loss for us all, with the passing of my father. His contribution to the Corporation spanned more than fifty years. In his remarks, my brother will pay homage to this remarkable man.

The Power Corporation group of companies, our investment funds and our other investments performed well in 2013, with increased returns from the financial services businesses and a meaningful contribution from investing activities. Equity markets in North America increased significantly, while European markets improved more modestly as economies continued to recover. As well, interest rates moved upward, reflecting the improving global economic conditions. Our results indicate that we have the strategies, risk management culture, capital and liquidity to navigate these economic conditions successfully and that investment gains represent an attractive upside to our business.

### **FINANCIAL RESULTS FOR 2013**

Power Corporation of Canada reported operating earnings of \$959 million in 2013, compared with \$947 million in 2012.

Net earnings were \$977 million, compared with \$816 million in 2012.

### **GROUP COMPANIES' RESULTS**

Turning to the financial results of the companies in our group.

#### **POWER FINANCIAL**

Power Corporation holds 65.8% of the common equity of Power Financial Corporation.

Power Financial and its subsidiaries experienced positive momentum across its businesses in 2013, leading to an elevated sense of optimism for the future across the group.

Operating earnings were \$1,708 million in 2013, compared with \$1,678 million in 2012. Net earnings were \$1,896 million, compared with \$1,618 million in 2012.

For the first time since the financial crisis began, the Power Financial group made a significant acquisition in the financial services industry, with Great-West Lifeco's €1.3 billion purchase of Irish Life in July 2013. The acquisition establishes the group as the leading insurance company in Ireland and is expected to be accretive to Power Financial and Great-West Lifeco. Combining the business of Irish Life and Canada Life in Ireland under the Irish Life brand name will help ensure that the new Irish Life maintains and builds on its leading positions in the life, pensions and investment management sectors in Ireland. Integration is well underway and on target for completion in mid-2015.

## G R E A T - W E S T L I F E C O

Power Financial holds a 71% interest in Great-West Lifeco, which has operations in Canada, the United States and Europe.

Great-West Lifeco reported operating earnings of \$2.052 billion in 2013, compared with \$1.946 billion in 2012. Excluding the impact of the Irish Life acquisition and macro hedging losses, Great-West Lifeco's operating earnings were \$2,175 million in 2013.

A year ago, Great-West Lifeco named Paul Mahon as its new President and Chief Executive Officer, replacing a very able Allen Loney who retired after a 42-year career with the group.

A key focus for Mr. Mahon and the team at Great-West Lifeco is building the company's presence in the U.S., the largest financial services market in the world.

Earlier this year, Great-West Lifeco announced the appointment of Putnam Investments President and CEO Robert Reynolds to the leadership role of President and CEO, Great-West Lifeco U.S. Mr. Reynolds is also becoming President and CEO of Great-West Financial, replacing Mitchell Graye, who is retiring. Mr. Graye provided tremendous leadership over his more than 20 years with the company.

In his expanded role, Mr. Reynolds will work with the leadership teams of Great-West Financial and Putnam Investments, which will remain separate entities.

The company also announced the integration of Putnam Investments' full-service retirement business into that of Great-West Financial.

This was followed in early April by the announcement of Great-West Financial's acquisition of the J.P. Morgan Retirement Plan Services large-market record-keeping business.

This combined retirement organization will be the second-largest retirement services provider in the United States, serving close to 7 million people, and having US\$387 billion of assets under administration. In combination, these changes strategically position our companies to play a pivotal role in meeting the retirement needs of Americans.

In addition, Putnam Investments' results have been nothing short of remarkable. At the end of 2008, Putnam had no mutual fund assets in the top decile, 10% in the top quartile, 36% above median and 35% in the bottom quartile. These are 5-year trailing performance numbers as compiled by Lipper. At the end of the last quarter, Putnam had 24% of its assets in the top decile, 65% in the top quartile, 85% above median and virtually no assets in the bottom quartile.

This performance was recognized by *Barron's* magazine, which in February ranked Putnam second for the year among the 60 companies it tracks across all asset classes, and also ranked Putnam second among all fund families on a five-year performance basis.

The market has noticed. Putnam's sales market share has more than doubled since 2012. Mutual fund net sales grew to US\$2.4 billion in the quarter, their highest level since the first quarter of 2001, and total assets under management are now above US\$150 billion.

I will now turn to Great-West Lifeco's business in Canada, which is led by Dave Johnston, President and Chief Operating Officer.

In Canada, the company's products and services impact the lives of more than 12 million Canadians.

During 2013, Great-West's Canadian operations delivered over \$1.1 billion in earnings – up 11% over the prior year and the highest historical earnings performance ever.

With a strong focus on organic growth, Great-West Life has achieved leading market shares across all of its products, from individual insurance and wealth management products to employer-based health, insurance and retirement programs.

In Europe, Great-West Lifeco, through its Canada Life and Irish Life subsidiaries, has operations in the United Kingdom, Isle of Man, Germany and Ireland. Net earnings were \$701 million in 2013, almost 14% higher than in 2012.

Great-West's European and Reinsurance operations are led by Arshil Jamal.

## I G M F I N A N C I A L

Power Financial's other significant financial services subsidiary is IGM Financial, in which it holds a 62.2% interest.

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

Operating earnings for 2013 were \$764 million, up from \$746 million in 2012.

I will now turn to IGM Financial's operating subsidiaries.

Investors Group is led by Murray Taylor, President and Chief Executive Officer. He is also Co-President and Chief Executive Officer at IGM.

Investors Group continued to set itself apart in 2013 by offering personal, comprehensive financial planning through 109 region offices, represented by 4,673 consultants to approximately one million clients across Canada.

Mutual fund sales were \$6.7 billion in 2013, compared with \$5.8 billion in 2012, an increase of more than 15 per cent. The redemption rate on long-term mutual funds was 9.4 per cent during 2013, compared with 10 per cent during 2012, and well below industry levels.

A year ago, Jeff Carney was appointed President and Chief Executive Officer of Mackenzie Investments and Co-President and Chief Executive Officer of IGM, after many years of excellent service by Charlie Sims.

Mackenzie conducts business with 250 dealer firms who collectively have 30,000 financial advisors choosing to work with the company. And through them, Mackenzie serves over 1 million Canadians. It also reaches institutional clients through its growing relationships with consultants across the globe.

Mutual fund gross sales were \$6.7 billion, compared with \$5.5 billion in 2012, an increase of 22 per cent, and the highest level in five years. Mutual fund net redemptions were \$0.5 billion in 2013, compared with net redemptions of \$2.0 billion during 2012.

## INDUSTRY MATTERS

Yesterday, at the Power Financial Annual Meeting of shareholders, Mr. Orr made a number of comments on the approach taken by the Canadian Securities Administrators or CSA on the debate on mutual fund fees. We, at Power, also believe in fair value, choice and cost transparency for the consumer of financial products. Our subsidiaries have begun to offer discounted series units for those investors who do not need financial advice. For those who do need advice, we think they should have a choice between different payment models, and such a choice requires that the industry be transparent about how it charges fees. The issues, on the whole, are more complex than they might appear and in order to avoid unintended consequences, careful consideration, research and deliberation is advisable – this is the approach that the CSA appears to be taking, and one that will hopefully lead to the right decisions being made in the long-term best interests of Canadians.

## PARGESA GROUP

I will now turn to the Pargesa group in Europe. Together with the Frère group of Belgium, Power Financial holds a 55.5% equity interest in Pargesa. Arnaud Vial was recently appointed Managing Director of Pargesa, working closely with Pargesa Chairman and Executive Director, Paul Desmarais. At December 31, 2013, Pargesa held a 50% equity interest in the Belgian holding company Groupe Bruxelles Lambert, or “GBL”.

During 2013, GBL acquired a 15% interest in SGS, a Swiss-based company which is the world’s leading inspection, verification, testing and certification company.

And Lafarge, in which GBL owns 21% of the equity, announced a proposed merger with Holcim, to form the world’s largest supplier to the construction materials industry. If approved, GBL will own approximately 10% of the new entity.

Pargesa reported operating earnings of SF251 million in 2013, compared with SF346 million in 2012. The decrease was mainly attributable to non-cash charges.

I will now turn to our various other investments, starting with Asia.

## ASIA

### CITIC PACIFIC

Power Corporation holds a 4.3% interest in CITIC Pacific, whose contribution to Power's results consists of dividend income. In 2013, CITIC Pacific had a profit of \$1 billion and paid dividends of \$8 million to Power.

CITIC Pacific recently announced its projected acquisition of 100% of CITIC Limited, the main operating entity of the CITIC Group. The transaction is expected to expand CITIC Pacific's net assets by over 4 times, providing it with new exposure to the financial services sector and enabling it to be better positioned to capture growth opportunities in China. The transaction is subject to shareholder and regulatory approval.

### CHINA ASSET MANAGEMENT CO. LTD.

Power Corporation holds a 10% stake in China Asset Management Co. Ltd. (China AMC). It is recognized as the leading company in the Chinese asset management sector.

As at December 31, 2013, China AMC managed 44 mutual funds with assets under management of \$43 billion, compared to \$38 billion at the end of 2012. China AMC declared and paid its first dividend in 2013 since Power Corporation acquired its interest in 2011.

Let me now say a few words about Power's fund business.

## INVESTMENT IN FUNDS

Power Corporation has been developing its investment fund businesses since the launch of its first fund in 2002. 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, long-term perspective and governance model. As an investor, Power Corporation's style is characterized by a value approach with the discipline of deep and detailed fundamental analysis. We impact investments, where appropriate, through involvement and close dialogue with investee companies. Each Sagard investment platform has been established with separate, experienced and dedicated management teams, with strong analysis capabilities, and is overseen by members of Power's senior management team. The fair value of the Corporation's investment in the Sagard funds increased to \$1,032 million at December 31, 2013, compared to \$797 million at the end of 2012.

## SAGARD EUROPE

The Sagard Europe private equity funds are managed by Sagard SAS, a subsidiary of the Corporation based in Paris. The Sagard 1 and Sagard 2 funds target mid-sized companies in France, Belgium and Switzerland. A new fund, Sagard 3, was launched in 2013. To date, Power has invested a total of \$419 million in the Sagard 1, Sagard 2 and Sagard 3 funds. The Corporation has received distributions from these funds totalling \$405 million, and the value of the remaining investments at December 31, 2013 is \$184 million.

## SAGARD U.S.

Sagard Capital Partners, L.P. is a U.S. limited partnership indirectly owned by Power Corporation. To date, Power has invested \$302 million in Sagard Capital and the value of these investments at December 31, 2013, had grown to \$527 million.

Sagard Capital acquires positions in publicly traded small- and mid-cap companies based in North America, and offers a unique and highly differentiated value proposition. Working in collaboration with the management teams of investee companies, through an active but non-hostile approach, Sagard Capital looks to support management's efforts to unlock the long-term potential of businesses. It has built a team that combines financial, strategic and operational skills that is dedicated to this value-added investment approach. The combination of these diverse characteristics enables Sagard Capital to be singularly focused on long-term returns as impact investors.

## 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 direct investments, referred to as Sagard China, had a fair value of \$321 million as at December 31, 2013, compared to \$287 million in 2012.

## OTHER INVESTMENTS IN FUNDS

Power Corporation has also invested for many years, directly or through wholly-owned subsidiaries, in a number of third-party private equity funds and hedge funds. The fair value of these investments was \$410 million at December 31, 2013. Over the years, these investments have produced solid returns and have been a positive contributor to the Corporation's profitability.

Altogether, the value of the Corporation's investment in all funds, including the Sagard funds and other investment funds, is \$1.442 billion.

## POWER ENERGY CORPORATION

Power Corporation is also investing in the renewable energy sector.

Through its wholly owned subsidiary, Power Energy Corporation, Power holds investments in energy-related operating companies that can provide stable and growing long-term recurring cash flows. At December 31, 2013, Power Energy had invested \$118 million in Potentia Solar, a solar energy power producer based in Ontario, and Eagle Creek Renewable Energy, a U.S.-based owner and operator of hydropower facilities.

## COMMUNICATIONS

Turning to our communications interests.

For some time the North American newspaper industry has faced major challenges, particularly over the last ten years. Technological innovation has radically changed the way and speed at which people communicate. The impact on readership habits, circulation and advertising has been profound. These challenges have been compounded by the recent recession and the slow return to growth, which has resulted in restructuring, layoffs and consolidation within the newspaper industry.

In view of these new competitive realities and following a fundamental analysis of its situation, the ownership and management of *La Presse* embarked three years ago on a dramatic change in its business model building on its essential role as a valued content provider to society.

On April 18, 2013, *La Presse* launched La Presse+, a free digital edition for iPad combining the best in print media, mobile applications, video and the Web. It is the most downloaded free application in the Newsstand and News categories on the App Store in Canada. With this year's April 23 launch of the application's Android version, La Presse+ has now been installed on close to 500,000 tablets.

People read La Presse+ for an average of 44 minutes on weekdays, 73 minutes on Saturday, and 50 minutes on Sunday. Such engagement is extremely rare in the digital media industry.

La Presse+ also stands out for its ability to reach working adults aged 25 to 54, with an attractive profile for advertisers, who make up 58% of its readership, a fact that has quickly garnered industry attention.

It should be noted that during the past year La Presse+ has received a number of major awards and honours, in addition to extensive media coverage both in Canada and abroad.

We are proud that such an innovation was developed right here at home, by a North American, French-language media outlet, at a time when the worldwide newspaper industry is undergoing unprecedented challenges to its very survival.

*La Presse's* new business model has had a promising first year of operation, not only in terms of readership but also in terms of advertising revenue. La Presse+ already represents more than 30% of total *La Presse* ad revenues. However, we must remain cautious in our outlook. All in all, *La Presse* still has some way to go before the sustainability of this innovative move can be confirmed.

## **CORPORATE SOCIAL RESPONSIBILITY**

Amid the progress we have made in 2013, we have also advanced on our corporate social responsibility (CSR) strategies and programs, at both the Power Corporation level and within our subsidiaries. Power Corporation and its group companies are committed to conducting their businesses with integrity, following environmentally sound practices and contributing to the communities where they are present. We actively encourage and support our employees in their volunteering efforts.

The companies under Great-West Lifeco and IGM Financial have long distinguished themselves for the charitable contributions and general support they provide to their communities, and have won many awards for their efforts and the dedication of their employees. As a group, we also work co-operatively to share best practices and identify new opportunities, such as participation in the Carbon Disclosure Project, which we have embraced.

For the Power Corporation group of companies, Corporate Social Responsibility is something that we live on a daily basis, recognizing that it is a critical building block of a successful business strategy, and a key component of achieving long-term sustainable performance.

## **RESULTS FOR THE FIRST QUARTER OF 2014**

I will now briefly report on Power Corporation's results for the first quarter of 2014.

Operating earnings were \$224 million, compared with \$247 million in 2013.

Net earnings were \$242 million, compared with \$225 million in 2013, an increase of 8.2%.

## **DIVIDENDS**

I am also 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 29 cents per share, thus maintaining Power Corporation's previous dividend.

## **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 solid results we achieved. I also thank the clients of our group of companies for the trust and support they have shown.

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



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