Directors' Report to Shareholders

The Power Corporation family of companies and investments had a very strong year in 2011, with stable results from the financial services businesses and a meaningful contribution from investing activities. While 2011 showed continued progress in global economic recovery, the year was nonetheless challenging. Interest rates were low and the economy and equity markets showed progress during the first half. This largely reversed itself during the second half of the year. Our results indicate that we have the risk-management culture, capital and liquidity to navigate these economic conditions successfully and that investment gains represent an attractive upside to our business.

2011

$499.6 BILLION	$1,152 MILLION	$574 MILLION
CONSOLIDATED ASSETS AND ASSETS UNDER MANAGEMENT	OPERATING EARNINGS ATTRIBUTABLE TO PARTICIPATING SHAREHOLDERS	DIVIDENDS DECLARED
13.0%	$2.50	$1.16
RETURN ON EQUITY BASED ON OPERATING EARNINGS	OPERATING EARNINGS PER PARTICIPATING SHARE	DIVIDENDS DECLARED PER PARTICIPATING SHARE

Mission

Enhancing shareholder value by actively managing operating businesses and investments which can generate long-term, sustainable growth in earnings and dividends. Value is best achieved through a prudent approach to risk and through responsible corporate citizenship. Power Corporation aims to act like an owner with a long-term perspective and a strategic vision anchored in strong core values.

Power Corporation's financial services companies are focused on providing protection, asset management, and retirement savings products and services. We continue to believe that the demographic trends affecting retirement savings, coupled with strong evidence that advice from a qualified financial advisor creates added value for our clients, reinforce the soundness of our strategy of building an advice-based multi-channel distribution platform in North America. Our companies continue to benefit from the strength of our approach to balance sheet management, our sustainable risk-management culture, credit investing skills and the resilience of our distribution channels. We believe that this approach has produced industry-leading results at Great-West Lifeco and IGM Financial, not to mention a resilient portfolio of high-quality companies in the Pargesa group.

In 2011, our investment activities demonstrated their return potential. By applying the Power Corporation investment principles and taking advantage of the Corporation's expertise, knowledge and relationships, these businesses provided superior returns and diversification. The Sagard funds, whose management entities are wholly owned by Power Corporation, all performed well in 2011. They consist of Sagard Europe, which focuses on European private equity and harvested some noticeable gains in 2011, Sagard Capital, which invests in core shareholder stakes in small and mid-size companies in the United States, and Sagard China, which actively manages Chinese "A", "B", and "H" share equity holdings. Power's North American Limited Partnership investments also produced attractive returns. The most notable addition to our investment activities during the year was the acquisition of a 10 per cent stake in China Asset Management Co. Ltd., which was finalized in December.

FINANCIAL RESULTS

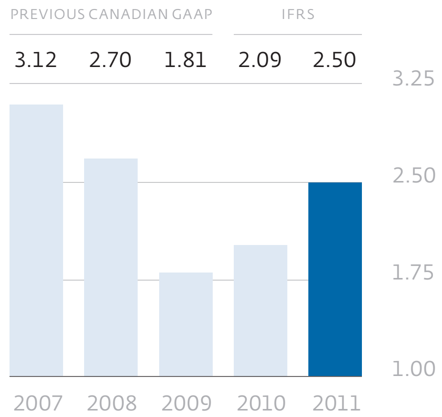
Power Corporation of Canada's operating earnings attributable to participating shareholders were $1,152 million or $2.50 per participating share for the year ended December 31, 2011, compared with $957 million or $2.09 per share in 2010. This represents an increase of 19.9 per cent on a per share basis.

Subsidiaries contributed $1,150 million to Power Corporation's operating earnings for the twelve-month period ended December 31, 2011, compared with $1,097 million in the corresponding period in 2010, an increase of 4.8 per cent. Results from corporate activities represented a contribution of $43 million in the twelve-month period ended December 31, 2011, compared with a net charge of $99 million in the same period in 2010.

Other items, not included in operating earnings, were a charge of $77 million in 2011. Other items in the corresponding period in 2010 were a charge of $230 million. Other items in 2011 represents the Corporation's share of other items of Power Financial as discussed below, as well as a non-cash impairment charge of $72 million related to the Corporation's investment in CITIC Pacific.

As a result, net earnings attributable to participating shareholders were $1,075 million or $2.34 per share for 2011, compared with $727 million or $1.59 per share in the corresponding period in 2010.

Dividends paid totalled $1.16 per share in 2011, unchanged from 2010.



POWER CORPORATION OPERATING EARNINGS

Per share, in dollars

GROUP COMPANIES' RESULTS

POWER FINANCIAL CORPORATION

Power Financial's operating earnings attributable to common shareholders for the year ended December 31, 2011 were $1,729 million or $2.44 per share, compared with $1,625 million or $2.30 per share in the corresponding period in 2010. This represents an increase of 6.2 per cent on a per share basis.

The increase in operating earnings reflects primarily the increase in the contribution from the Corporation's subsidiaries, Great-West Lifeco and IGM Financial.

For the twelve-month period ended December 31, 2011, other items represented a charge of $7 million, compared with a charge of $157 million in the corresponding period in 2010.

Other items in 2011 include a contribution of $88 million representing Power Financial's share of non-operating earnings of Great-West Lifeco. In the fourth quarter of 2011, Great-West Lifeco re-evaluated and reduced the litigation provision established in the third quarter of 2010, which positively impacted Great-West Lifeco's common shareholders' net earnings for 2011 by $223 million. Additionally, Great-West Lifeco established a provision of $99 million in respect of the settlement of litigation relating to its ownership in a U.S.-based private equity firm.

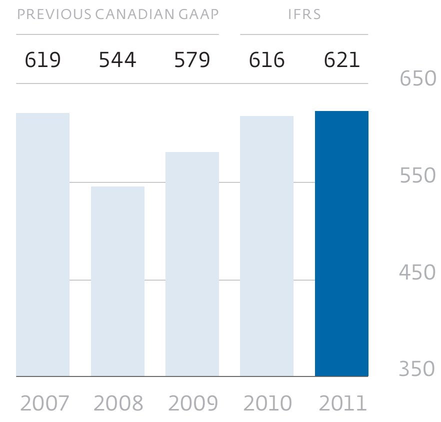
Other items in 2011 also include a charge of $133 million representing Power Financial's share of GBL's €650 million write-down of its investment in Lafarge.

Including other items, net earnings attributable to common shareholders were $1,722 million or $2.43 per share for the year ended December 31, 2011, compared with $1,468 million or $2.08 per share in 2010.

Dividends paid by Power Financial Corporation totalled $1.40 per common share in 2011, unchanged from 2010.

POWER CORPORATION TOTAL ASSETS UNDER ADMINISTRATION

In billions of dollars



GREAT-WEST LIFECO

Great-West Lifeco's financial condition remains very solid as a result of its continued strong performance in 2011. The company delivered superior results compared to peer companies in its industry due to strong organic growth of premiums and deposits, and solid investment performance, despite challenging market conditions.

Great-West Lifeco reported operating earnings attributable to common shareholders of $1,898 million for 2011, compared with $1,819 million for 2010. Great-West Lifeco's return on equity (ROE) of 16.6 per cent on operating earnings and 17.6 per cent on net earnings for the twelve months ended December 31, 2011 continued to rank among the strongest in the financial services sector.

Other measures of Great-West Lifeco's performance in 2011 include:

> Premiums and deposits of $62.3 billion, compared with $59.1 billion in 2010.

> An increase in general fund and segregated fund assets from $229.4 billion to $238.8 billion in 2011.

> Total assets under administration at December 31, 2011 of $502 billion, compared to approximately $487 billion a year ago.

The dividend on Great-West Lifeco's common shares remained unchanged in 2011.

Great-West Lifeco's capital position remains very strong. The Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio for Great-West Life was 204 per cent on a consolidated basis at December 31, 2011. This measure of capital strength remains at the upper end of the target operating range.

At December 31, 2011, Great-West Lifeco held cash and cash equivalents of approximately $600 million, the net result of capital transactions since the third quarter of 2008. As this cash is held at Great-West Lifeco, it is not reflected in the regulatory capital ratios of its operating subsidiaries. It augments Great-West Lifeco's capital and liquidity position, thereby enhancing the company's capability to take advantage of market opportunities.

In Canada, Great-West Lifeco's companies maintained leading market positions in their individual and group businesses. Individual insurance sales in Canada increased 6 per cent and sales of proprietary retail investment funds increased 3 per cent year over year. The Canadian operations have experienced strong organic growth by focusing on diversified distribution, prudent product and service enhancements, and expense management.

Group retirement services recorded strong growth and group insurance continued to experience strong persistency, while individual segregated funds and mutual funds maintained positive net cash flows.

Together, Great-West Lifeco's operating companies remain Canada's number one provider of individual insurance solutions.

In the United States, Great-West Lifeco's Financial Services businesses continued to post solid results in 2011. While overall sales were down from 2010's record-setting year, a focus on expanded distribution and diverse product offerings contributed to a 23 per cent increase in corporate 401(k) plan sales and a strong jump in regional and national business-owned life insurance cases in 2011.

In 2011, Putnam continued to rebuild its brand and position in the marketplace by focusing on investment performance and innovation, and introduced new ways for investors to cope with volatile markets. For example, the firm launched the Putnam Dynamic Risk Allocation Fund, which it believes may achieve higher returns than a traditional balanced fund with approximately the same volatility and risk. Putnam also established itself as one of the leaders in using social media as a means to interact with its clients and strengthen its brand.

In Europe, Great-West Lifeco has operations through Canada Life in the United Kingdom, Isle of Man, Ireland and Germany.

In 2011, the company continued to face a challenging credit environment as well as a general loss of consumer confidence in investments due to volatility in equity markets. These pressures continued to affect sales volumes. Earnings were again impacted by the required strengthening of reserves for future asset default risk and asset impairments. The earnings impact was somewhat mitigated by both the company's credit risk reduction activities and the opportunity for yield enhancement of gilt holdings (U.K. government-issued securities) due to wider credit spreads.

IGM FINANCIAL

IGM Financial and its operating companies experienced an increase in net earnings in 2011. Average total assets under management increased year over year.

Investors Group and Mackenzie Financial, the company's principal businesses, continued to generate business growth through product innovation, investment management, resource management, and distribution expansion throughout the year.

Operating earnings available to common shareholders for the year ended December 31, 2011 were $833 million or $3.22 per share, compared with $759 million or $2.89 per share in 2010.

Net earnings available to common shareholders, including other items, for the year ended December 31, 2011 were $901 million or $3.48 per share, compared with $731 million or $2.78 per share in 2010.

Total assets under management at December 31, 2011 totalled $118.7 billion, compared with $129.5 billion at December 31, 2010, a decrease of 8.3 per cent. The decrease was driven primarily by declining stock market levels in the last half of the year.

Dividends were $2.10 per share for the year, up from $2.05 in the prior year.

The Investors Group consultant network continued to expand by opening five new region offices during 2011. The company now has 106 region offices across Canada. There were 4,608 consultants at December 31, 2011.

Investors Group mutual fund assets under management were $57.7 billion at the end of 2011, compared with $61.8 billion in 2010. Mutual fund sales were $6.0 billion, compared with mutual fund sales in 2010 of $5.7 billion. The redemption rate on long-term mutual funds for 2011 was 8.8 per cent, compared to 8.3 per cent at December 31, 2010. Net sales of mutual funds in 2011 were $39 million.

Investors Group continued to respond to the complex financial needs of its clients by delivering a diverse range of products and services in the context of personalized financial advice. Throughout the year, consultants worked with clients to help them understand the impact of financial market volatility on their long-term financial planning.

Mackenzie's total assets under management were $61.7 billion at the end of 2011, compared with $68.3 billion at December 31, 2010. Total sales were $10.3 billion, down from the prior year's level of $12.2 billion. Total net redemptions for the year were $2.5 billion, compared with $1.5 billion in 2010.

Mackenzie maintained its focus on delivering consistent long-term investment performance true to the multiple styles deployed in the investment process, while emphasizing product innovation and communication with advisors and investors. That focus is evidenced by the strength of Mackenzie's relationships with financial advisors, the work undertaken with investor and advisor education programs, and the company's commitment to focusing on active investment management strategies. During 2011, Mackenzie broadened its investment choices for Canadians by adding several new funds and more options, including tax-deferred solutions.

PARGESA

Directly and through the Belgian holding company Groupe Bruxelles Lambert (GBL), the Pargesa group holds significant positions in six large companies based in Europe: Lafarge, which produces cement and building materials; Imerys, a producer of industrial minerals; Total, in the oil and gas industry; GDF Suez, in electricity and gas; Suez Environnement, in water and waste management; and Pernod Ricard, a leading producer of wines and spirits. The Pargesa group's strategy is to establish a limited number of substantial interests in which it can acquire a position of control or significant influence.

Pargesa's operating earnings stood at SF343 million in 2011 versus SF466 million in 2010. The decline in income was mainly due to a weakening of the euro against the Swiss franc, Pargesa's reporting currency. The average 2011 rate declined 13.0 per cent and Pargesa recorded a SF55 million exchange loss on the sale of euros resulting from the sale of its interest in Imerys to GBL. Moreover, although Imerys' income rose, its contribution at the Pargesa level declined due to the latter's decreased economic interest in this holding. After the assumption of a SF416 million write-down on GBL's interest in Lafarge, net income showed a SF65 million loss. The write-down had no impact on the group's cash or adjusted net assets.

At the end of December 2011, Pargesa's adjusted net asset value was SF6.7 billion. This represents a value of SF80.0 per Pargesa share, compared with SF99.8 at the end of 2010, a decrease of 19.8 per cent expressed in Swiss francs.

The 2011 financial crisis put a stop to the cyclical upturn in industrial production and international trade that began in 2010. After rebounding sharply in 2010, economic growth slowed again in the second half of last year. The European debt crisis spread to the real economy, as the weakening of European banking systems led to a slowdown in lending, and drastic emergency public spending cuts in some countries had a negative impact on growth. By the end of fiscal 2011, the euro zone had entered a recession.

At its next annual meeting of shareholders on May 16, 2012, Pargesa's board of directors will propose paying a dividend of SF2.57 per holder's share, for a total distribution of SF217.5 million. The dividend per share of SF2.57 represents a 5.5 per cent decrease in Swiss francs, but a 2.4 per cent increase when expressed in euros, the currency in which the portfolio of the group is denominated.

COMMUNICATIONS AND MEDIA

Through wholly owned subsidiaries, the Corporation participates in many sectors of the communications industry.

Gesca holds the Corporation's news media operations, including Canada's leading French-language daily, *La Presse*. The paper is known for its quality national and international coverage, exclusive reports, innovative presentation and columnists whose work has received many awards for excellence in journalism. In 2010, *La Presse* created an in-house team dedicated to the development of digital news products and platforms and launched its popular iPhone application, "La Presse Hockey". Gesca's regional newspapers, Québec City's *Le Soleil*, Ottawa's *Le Droit*, Trois-Rivières' *Le Nouvelliste*, Sherbrooke's *La Tribune*, Chicoutimi's *Le Quotidien* and Granby's *La Voix de l'Est*, are published in compact formats and are deeply embedded institutions in the communities they serve. Gesca also owns LaPresse.ca, a leading French-language point of reference for online news and information in Canada.

Square Victoria Digital Properties (SVDP) holds the Corporation's interest in digital media, television production, book and magazine publishing. SVDP is particularly active in the digital space, most notably through its interest in Workopolis, the leading online recruitment company in Canada, Olive Media, a leading Canadian online sales representation company, and Bytheowner Inc., a Canadian real estate Internet advertising business. SVDP also owns La PresseTélé, one of the leading independent television production companies in Québec.

INVESTMENT ACTIVITIES

Separate from its investment in Group companies, Power Corporation conducts investment activities that build on historic relationships and take advantage of opportunities that may also provide superior long-term returns and diversification for the Corporation. These investments include our long-standing activities in Asia, wholly owned investment businesses and specific investment funds. Readers are cautioned, though, that the income to the Corporation from these investment activities can be volatile, but is expected to produce an attractive return to shareholders over the long run.

ASIA

In Asia, Power Corporation holds an approximately 4.3 per cent interest in CITIC Pacific. The company achieved a profit attributable to shareholders of HK$9.2 billion for the year 2011, a 4 per cent increase from 2010.

The specialty steel sector contributed HK$2.0 billion to CITIC Pacific's profits. Excluding an impairment charge of HK$342 million due to the closure of some outdated furnaces, contribution from the sector increased 11 per cent over 2010. With the addition of new capacity, steel production increased 13 per cent to 6.96 million tons for the year.

The number one priority for CITIC Pacific management continues to be building its iron ore mine in Western Australia and bringing it into production as early as possible. Construction of major facilities for the first production line is in its final phases. Work on the second production line has begun. CITIC Pacific is targeting to begin commissioning the two production lines no later than the end of August and the end of December of 2012, respectively.

Profit contribution to CITIC Pacific from the property sector increased 270 per cent to HK$2.2 billion in 2011, with completion and delivery of units in a number of residential projects and twin office towers in Shanghai. Sales in 2011 were affected by measures put in place by the government to regulate the property market. CITIC Pacific believes that the situation is likely to continue for some time, but has confidence in the long-term growth prospects of the real estate market in China.

CITIC Pacific has maintained its declared dividend of HK$0.45 in 2011.

Power Corporation is also involved in selected investment projects in China and, in October 2004, was granted a licence to operate as a Qualified Foreign Institutional Investor (QFII) in the Chinese "A" shares market. As at December 31, 2011, the fair market value of the investments in this program had increased to an amount of $222 million, excluding cash of $12 million. In addition, the Corporation is planning to invest US$50 million in Chinese companies listed on the Hong Kong Stock Exchange ("H" shares) and the Shenzhen or Shanghai Stock Exchange ("B" shares). As at December 31, 2011, the fair value of the "B" and "H" shares program was $35 million, excluding cash of $6 million. Together, the Chinese "A", "B" and "H" share activity is defined by the Corporation as Sagard China.

On December 28, 2011, the Corporation finalized the purchase from CITIC Securities Co. Ltd. of a 10 per cent stake in China Asset Management Co. Ltd. (China AMC) for an amount of approximately CDN$282 million. China AMC was established in 1998 and was one of the first asset management companies approved by the China Securities Regulatory Commission. It is recognized as the leading company in the Chinese asset management sector.

INVESTMENTS IN FUNDS

Sagard Europe, managed by Sagard SAS, a wholly owned subsidiary of the Corporation based in Paris, manages two private equity funds, Sagard 1 and Sagard 2. In 2002, Power Corporation committed to invest €100 million in Sagard Private Equity Partners (Sagard 1), a €535 million European fund, in which GBL also made a commitment totalling €50 million. Sagard 1 completed 12 investments for a total of €501 million. As at December 31, 2011, ten investments had been sold, generating excellent returns and earnings for the Corporation. As of December 31, 2011, Power has received cumulative cash distributions from Sagard 1 in the amount of €273 million, including €81 million in 2011.

Sagard 2, a new fund with the same investment strategy as Sagard 1, was launched in 2006. The new fund closed with €1.0 billion in total commitments. Power Corporation committed to invest €200 million in Sagard 2, and Pargesa and GBL committed to invest €50 million and €150 million respectively. In November 2009, the size of Sagard 2 was reduced by 20 per cent to €810 million, with each investor's commitment being reduced in the same proportion. As of the date hereof, Sagard 2 holds six investments.

In addition, Sagard Capital Partners Management, a U.S.-based wholly owned subsidiary of the Corporation, has been investing in mid-cap publicly listed companies in the United States, taking an active core shareholder approach in a limited number of these companies. The book value of these investments was $236 million as at December 31, 2011, and their historical cost is $183 million.

Over the years, Power Corporation has invested in a number of other selected investment funds, hedge funds and securities. The Corporation holds investments in a limited number of North American-based private equity funds. In general, these funds performed well in 2011, and Power Corporation remains satisfied with the superior rates of return and earnings generated over the years by its private equity portfolio.

GROUP DEVELOPMENTS

The companies in the Power Corporation group were active in the capital markets in February 2012, with the issuance of perpetual preferred shares to improve the quality of capital: Great-West Lifeco issued $250 million of First Preferred Shares, Series P, Power Financial issued $250 million of First Preferred Shares, Series R, and Power Corporation issued $200 million of First Preferred Shares, Series G.

Directors' Report to Shareholders
(CONTINUED)

BOARD OF DIRECTORS

Several Directors will not stand for re-election at the May 2012 Annual Meeting of Shareholders.

The Right Honourable Donald F. Mazankowski was first elected to the Board in 1996, following a distinguished career of public service during which he held the posts of Deputy Prime Minister of Canada, Minister of Finance, President of the Treasury Board, Minister of Transport, Minister of Agriculture and President of the Queen's Privy Council for Canada. He has served on the Executive, Audit, Compensation, Related Party and Conduct Review (as Chairman) and Governance and Nominating Committees of the Board. He has also served for many years on the Boards and Board Committees of Power Financial Corporation, Great-West Lifeco and subsidiaries, and IGM Financial and subsidiaries.

Mr. Jerry E.A. Nickerson, Chairman of the Board of H.B. Nickerson and Sons Limited, has been a Director of Power Corporation since 1999, bringing with him many years of business experience. He has chaired the Compensation Committee and has sat on the Executive Committee of the Board. Mr. Nickerson has also served as a Director of Power Financial Corporation and Great-West Lifeco and subsidiaries, and as a member of several committees of these companies' boards. He chaired the Audit Committees of Great-West Lifeco and The Great-West Life Assurance Company from 1994 to 2009 and of other subsidiaries at various times during that period.

Dr. James R. Nininger joined the Board of Power Corporation of Canada in 2001. He was President and Chief Executive Officer of the Conference Board of Canada for many years. He has chaired the Audit Committee of the Board of Power Corporation since May 2002. He has served as well on the Compensation Committee.

Mr. Robert Parizeau has been a director of Power Corporation of Canada since 1985. He is Chairman of AON Parizeau Inc., and has provided the Board with the benefit of many years' involvement in the insurance industry, as well as broad experience in the banking sector and other industries in Canada. He has served as a member of the Audit Committee since 1988.

In addition, and in keeping with the Corporation's practice of maintaining a majority of Directors who are independent of management, several Directors who are also, and will remain, senior officers of the Corporation or its affiliates will not stand for re-election to the Board of Directors. They are Me Guy Fortin, Messrs. Raymond L. McFeetors, Michel Plessis-Bélair, John A. Rae and Dr. Henri-Paul Rousseau.

On behalf of the Board and the shareholders, we wish to thank all of these Directors for their valuable service to Power Corporation of Canada and its affiliates over many years. During their tenure and with the benefit of their judgment and wise counsel, the Power group made several important acquisitions and dispositions, successfully confronted the economic challenges of recent years, and achieved long-term performance of which they should be justifiably proud.

INDUSTRY MATTERS

The evolving savings and retirement readiness of Canadians are matters of vital importance in an environment of volatile economic and market conditions, and demographic pressures due to an aging work force, longer life expectancies and shorter working careers.

Studies show that Canada's retirement system is among the strongest in the OECD, both in terms of income adequacy and system sustainability. One of its key strengths is that it is well balanced between government-provided programs, employer-sponsored plans and individual savings. Notwithstanding the system's relative strength, research suggests that a number of Canadians across different age and income brackets may still not be adequately prepared for retirement, mainly because they do not save enough or do not benefit from participation in a retirement plan. Enhancements to the system can and should be made in order to facilitate and incent Canadians to save more. The retirement readiness of Canadians is best enhanced through targeted, incremental changes to an already well-balanced retirement system which blends public and private responsibility.

Canadians' use of financial advisors is an important factor in enabling them to plan for and live comfortably in retirement. Research by the Investment Funds Institute of Canada demonstrates that people who use a financial advisor have substantially higher investment assets than non-advised households, in each income range and age bracket. Moreover, the relationship with a financial advisor generally starts early in life and, contrary to popular belief, begins when the individual has a relatively low level of financial assets. The value of advice is based upon the impact of a long-term relationship between an individual or household and a financial advisor where saving habits and market discipline are built over time.

THE POWER GROUP

Power Corporation continues to adhere closely to investment principles which have been developed over a long period of time. We invest in the equities of companies that have a long-term perspective, that maintain a prudent financial structure and that have the capacity for sustainable dividend cash flow. We adhere to our governance model in which we are active owners operating through the boards of directors of our controlled companies and present with influence in our core shareholder investments. Lastly, we invest in a limited number of high-quality, socially responsible companies with sustainable franchises and attractive growth prospects.

Your Directors and management seek to deliver attractive long-term shareholder returns, as reflected in our share price and stable dividend growth. While we are seeing the encouraging signs of an economic recovery in North America and improving stability in Europe, the operating environment is still challenging. Nevertheless, the Power Group of companies sees increasing opportunities to grow our business organically and through targeted acquisitions. The environment lends itself to companies with strong balance sheets, sound financial management and prudent liquidity positions taking advantage of these opportunities.

Your Directors wish to express gratitude on behalf of the shareholders for the important contribution made by the management and the employees of our Corporation and its associated companies to the success achieved in 2011 and look forward to 2012.

ON BEHALF OF THE BOARD OF DIRECTORS,

Signed

Paul Desmarais, Jr., O.C., O.Q.
Chairman and
Co-Chief Executive Officer

Signed

André Desmarais, O.C., O.Q.
Deputy Chairman,
President and
Co-Chief Executive Officer

March 14, 2012