

DIRECTORS' REPORT TO SHAREHOLDERS

The Power Corporation group of companies, our investment funds and 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.

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 benefit from the strength of our approach to balance sheet management, our risk

management culture, our credit 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, as well as a resilient portfolio of high-quality companies in the Pargesa group.

Our investment activities continued to demonstrate their return potential in 2013. In applying the Power Corporation investment principles and taking advantage of the Corporation's expertise, knowledge and relationships, these businesses provide solid returns and diversification.

FINANCIAL RESULTS

Power Corporation of Canada's operating earnings attributable to participating shareholders were \$959 million or \$2.08 per participating share for the year ended December 31, 2013, compared with \$947 million or \$2.06 per share in 2012.

Subsidiaries contributed \$1,048 million to Power Corporation's operating earnings in 2013, compared with \$1,092 million in 2012. Results from corporate activities represented a net charge of \$37 million in 2013, compared with a net charge of \$95 million in 2012.

Other items, not included in operating earnings, were a gain of \$18 million in 2013, compared with a net charge of \$131 million in 2012.

As a result, net earnings attributable to participating shareholders were \$977 million or \$2.12 per share for 2013, compared with \$816 million or \$1.78 per share in 2012.

Dividends declared totalled \$1.16 per share in 2013, unchanged from 2012.

\$650 BILLION	\$959 MILLION	\$2.08	10.4%	\$586 MILLION	\$1.16
CONSOLIDATED ASSETS AND ASSETS UNDER MANAGEMENT	OPERATING EARNINGS ATTRIBUTABLE TO PARTICIPATING SHAREHOLDERS	OPERATING EARNINGS PER PARTICIPATING SHARE	RETURN ON EQUITY BASED ON OPERATING EARNINGS	TOTAL DIVIDENDS DECLARED	DIVIDENDS DECLARED PER PARTICIPATING SHARE

2013

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.

RESULTS OF GROUP COMPANIES

POWER FINANCIAL

Power Financial's operating earnings attributable to common shareholders for the year ended December 31, 2013 were \$1,708 million or \$2.40 per share, compared with \$1,678 million or \$2.37 per share in 2012.

Other items represented a contribution of \$188 million in 2013, compared with a charge of \$60 million in 2012.

Net earnings attributable to common shareholders, including other items, were \$1,896 million or \$2.67 per share, compared with \$1,618 million or \$2.29 per share in 2012.

Dividends declared by Power Financial totalled \$1.40 per common share in 2013, unchanged from 2012.

GREAT-WEST LIFECO

Great-West Lifeco's operating earnings attributable to common shareholders, a non-IFRS financial measure, were \$2.1 billion or \$2.108 per share in 2013, compared with \$1.9 billion or \$2.049 per share in 2012.

Great-West Lifeco's return on equity (ROE) of 15.0 per cent on operating earnings and 16.6 per cent on net earnings for the twelve months ended December 31, 2013 continued to rank among the strongest in the financial services sector.

Other measures of Great-West Lifeco's performance in 2013 include:

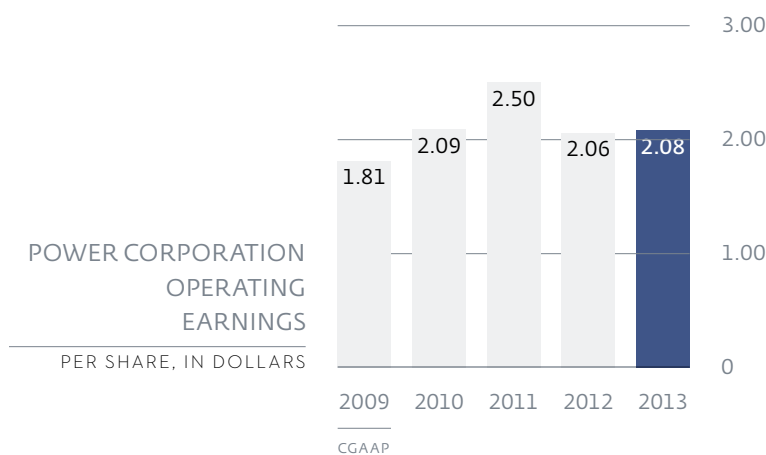
- > Premiums and deposits of \$74.8 billion, compared with \$60.2 billion in 2012.
- > An increase in general fund and segregated fund assets from \$253.9 billion in 2012 to \$325.9 billion in 2013.
- > Total assets under administration at December 31, 2013 of \$758 billion, compared with \$546 billion twelve months ago.

Dividends declared on Great-West Lifeco's common shares were \$1.23 in 2013, unchanged from the prior year.

Great-West Lifeco's companies benefit from prudent and conservative investment policies and practices with respect to the management of their consolidated assets. Its conservative product underwriting standards and disciplined approach to introducing new products have proved beneficial for the company and its subsidiaries over the long term. Also, Great-West Lifeco's approach to asset and liability management has minimized exposure to interest rate movements. The company continues to offer segregated fund guarantees in a prudent and disciplined manner, thereby limiting its risk exposure. As a result, Great-West Lifeco's balance sheet is one of the strongest in the industry.

The Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio for Great-West Life was

DIRECTORS' REPORT TO SHAREHOLDERS



223 per cent on a consolidated basis at December 31, 2013. This measure of capital strength is slightly higher than the upper end of Great-West Life's target operating range of 175–215 per cent.

In Canada, Great-West Lifeco's companies maintained leading market positions in 2013 in their individual and group businesses, and experienced strong organic growth. This was achieved by focusing on three broad goals: improving products and services for clients and advisors, maintaining strong financial discipline, and improving tools, information and processes to enable greater productivity and effectiveness.

The group retirement services business recorded strong growth, the group insurance business had strong sales in all segments while continuing to experience excellent persistency, and individual segregated fund and mutual fund businesses maintained positive net cash flows. Individual insurance sales in Canada remained constant and sales of proprietary retail investment funds increased 4.9 per cent year over year.

The Canadian operations offer group retirement and savings plans that are tailored to the unique needs of small, medium and large businesses and organizations. Group capital accumulation plans are a core business for Great-West Life. Providing an engaging experience for its plan members continues to be a top priority for this business.

Together, Great-West Lifeco's subsidiaries Great-West Life, London Life and Canada Life remain Canada's number one provider of individual insurance solutions. From term, universal and participating life insurance to individual disability and critical illness insurance, their broad range of products gives advisors choice and flexibility in meeting clients' diverse individual needs.

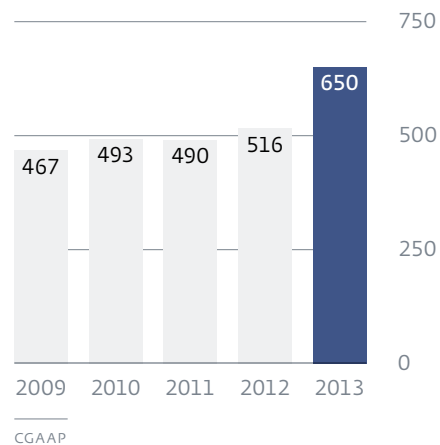
In the United States, Great-West Life & Annuity's new Great-West Financial® brand and the various initiatives of the company's five-year strategic plan contributed to solid growth in 2013.

In a survey conducted by *Plan Adviser* magazine, 401(k) plan advisors voted Great-West Financial No. 1 in best value for price and best wholesalers.

Improved name recognition combined with strategic initiatives contributed to a 39 per cent increase in sales in 2013 over the previous year. The company experienced strong momentum in its deferred contribution retirement business, its Individual Retirement Account business and in its annuity sales through institutional partners.

Putnam's assets under management ended 2013 at US\$150 billion, reflecting strong market conditions and sales momentum from several key product offerings.

POWER CORPORATION
CONSOLIDATED ASSETS
AND ASSETS UNDER
MANAGEMENT
IN BILLIONS OF DOLLARS



In 2013, Putnam continued its focus on investment performance and innovation, highlighted by the introduction of six new funds to pursue new drivers of return, innovative income solutions, and lower volatility. Putnam’s “New Ways of Thinking” campaign is designed to help investors address the dynamic set of ongoing market challenges, and is supported by the firm’s awareness-building efforts.

For the third time in five years, *Barron’s* ranked Putnam among the top fund families based on total return across asset classes. Putnam also ranked second among all fund families assessed over the past five years.

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.

In July 2013, Great-West Lifeco completed the acquisition of Irish Life. The closing of this transaction marked a significant milestone for its companies in Ireland. Combining the businesses 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.

With a continued focus on delivering outstanding service, Irish Life business continued to grow in 2013.

Life and pension sales and asset management inflows outperformed the market and the company gained market share. All business units continue to perform well.

IGM FINANCIAL

IGM Financial and its operating companies experienced an increase in operating earnings and assets under management in 2013.

Investors Group and Mackenzie Investments, the company’s principal businesses, continued to generate business growth through product innovation, improved sales, pricing enhancements, additional investment management resources and overall resource management throughout the year.

IGM Financial is well diversified through its multiple distribution channels, product types, investment management units and fund brands. Assets under management are diversified by country of investment, industry sector, security type and management style.

Operating earnings available to common shareholders, excluding other items, were \$764 million or \$3.02 per share in 2013, compared with \$746 million or \$2.92 per share in 2012.

Net earnings available to common shareholders were \$762 million or \$3.02 per share in 2013, compared with \$759 million or \$2.97 per share in 2012.

DIRECTORS' REPORT TO SHAREHOLDERS

Total assets under management at December 31, 2013 totalled \$131.8 billion. This compared with total assets under management of \$120.7 billion at December 31, 2012, an increase of 9.2 per cent.

Dividends were \$2.15 per share for the year, unchanged from the prior year.

Investors Group continued to expand the number of its region offices in 2013, for a total of 109 across Canada. Its consultant network grew by 155 during the same period. As at December 31, 2013, there were 4,673 consultants working with clients to help them understand the benefits of long-term financial planning.

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. In July, it introduced a new series of funds for households with financial assets in excess of \$500,000, which provides separate pricing for fund management and an advisory fee charged to client accounts.

Investors Group mutual fund assets under management were \$68.3 billion at the end of 2013, compared with \$60.6 billion at the end of 2012. Mutual fund sales were \$6.7 billion, compared with \$5.8 billion in 2012, an increase of more than 15 per cent. The company's redemption rate on long-term mutual funds was 9.4 per cent during 2013, compared with 10 per cent during 2012. Net sales of mutual funds in 2013 were \$159 million.

Mackenzie undertook several important initiatives in 2013. The company simplified and restructured its product lineup to be more relevant and launched in-demand funds to meet the evolving needs of investors and advisors. It also introduced a new series of funds, offering a channel-appropriate fee structure to "do-it-yourself" investors. Mackenzie maintained its focus on delivering consistent long-term investment performance by attracting key

investment management talent and analytical personnel as it continued to support advisors in all aspects of their business.

Mackenzie's total assets under management were \$65.3 billion at the end of 2013, compared with \$61.5 billion at December 31, 2012. Mutual fund assets under management were \$46.0 billion, compared with \$40.4 billion at December 31, 2012. Mutual fund gross sales were \$6.7 billion, compared with \$5.5 billion in 2012, an increase of 22 per cent, and reflects Mackenzie's best result in the last five years. Mutual fund net redemptions were \$0.5 billion in 2013, compared with net redemptions of \$2.0 billion during 2012.

IGM Financial continues to build its business through its extensive network of distribution opportunities delivering high-quality advice and innovative, flexible solutions for investors. Its investment in technology and operations continue to help the company manage its resources effectively and develop long-term growth in the business. The strength of IGM's businesses, combined with its association with the Power Financial Corporation group of companies, gives IGM Financial a strong foundation to build upon.

PARGESA

Through Belgian holding company Groupe Bruxelles Lambert (GBL), the Pargesa group holds significant positions in major companies based in Europe: Imerys, a producer of mineral-based specialties for industry; Lafarge, which produces cement, aggregates and concrete; Total, in the oil, gas and alternative energy industry; GDF Suez, a provider of electricity, natural gas, and energy and environmental services; Suez Environnement, active in water and waste management services; Pernod Ricard, a leader in wines and spirits; and SGS, engaged in testing, inspection and certification.

In addition to its strategic holdings, which will still form most of the portfolio, GBL undertook in 2012 to develop over time: an incubator portfolio comprising interests in a reduced number of listed and unlisted companies—these investments would be smaller commitments than the strategic holdings—and investments in private equity and other funds where GBL acts as an anchor investor.

Pargesa's operating earnings were SF251 million in 2013, compared with SF346 million in 2012. This decrease is mainly attributable to non-cash charges from: the increase in value of call options on shares embedded in the exchangeable and convertible bonds issued by GBL in 2012 and 2013, a lower contribution from Lafarge, and a decrease in the contribution of GDF Suez following GBL's partial disposal of that holding.

Including non-operating income consisting primarily of gains on the partial disposals by GBL of its interest in Total and in GDF Suez, and of an impairment charge recorded by GBL on its investment in GDF Suez, Pargesa's net income in 2013 was SF394 million, compared with SF405 million in 2012.

At the end of December 2013, Pargesa's adjusted net asset value was SF8.8 billion. This represents a value of SF104.2 per Pargesa share, compared with SF90.4 at the end of 2012, an increase of 15.3 per cent.

At the next annual meeting of shareholders on May 6, 2014, Pargesa's board of directors will propose paying a dividend of SF2.64 per bearer share, an increase of 2.7 per cent over last year.

COMMUNICATIONS AND MEDIA

Through wholly owned subsidiaries, Power 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 April 2013, *La Presse* successfully launched its free digital edition for iPad, *La Presse+*, which was instantly popular with readers and advertisers alike. As of the date of this report, the application had been installed on more than 435,000 iPads. 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 services, as well as book and magazine publishing. Through a combination of strategic guidance and partnership development, SVDP helps realize the full potential of its investments. SVDP is mainly active in digital services, most notably through its interest in Workopolis, a leading online recruitment company in Canada, Bytheowner Inc., Canada's largest commission-free property sales network, Tuango Inc., a state-of-the-art Québec group-buying website, and Olive Media, a leading Canadian online sales representation company.

INVESTMENT ACTIVITIES

Power Corporation, through a wholly owned subsidiary, established a new investment platform in 2012, Power Energy, with an objective to invest in the renewable energy sector. Power Energy invests in and develops energy companies that can provide stable and growing long-term recurring cash flows. Power Energy currently holds investments in two companies: 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.

Power Corporation also conducts investment activities that build on historic relationships and take advantage of opportunities that may 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. The income to the Corporation from these investment activities can be volatile, but is expected to produce an attractive return to our shareholders over the long term.

In Asia, Power Corporation holds a 4.3 per cent interest in CITIC Pacific. The company achieved a profit attributable to shareholders of HK\$7.6 billion for the year 2013, a 9 per cent increase from 2012.

At its next annual meeting of shareholders in May 2014, CITIC Pacific is expected to propose a final dividend of HK\$0.25 per share, for a total dividend of HK\$0.35 in 2013, HK\$0.10 lower than in 2012.

The Corporation holds a 10 per cent interest in China AMC, which 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. As at December 31, 2013, China AMC managed 44 mutual funds with assets under management of \$43 billion. In 2013, China AMC declared and paid its first dividend since the Corporation acquired its interest in 2011.

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 geographies under the Sagard name – Sagard Europe, Sagard Capital (United States) and Sagard China. The fair value of the Corporation's investment in the Sagard funds was \$1,032 million at December 31, 2013.

The Sagard Europe funds are managed by Sagard SAS, a wholly owned subsidiary of the Corporation based in Paris, France. Sagard I and Sagard II target mid-sized companies in France, Belgium and Switzerland. A new fund, Sagard 3, was launched in 2013 with a commitment of €200 million by each of Power Corporation and GBL. This fund has made two investments during 2013. As at December 31, 2013, the fair value of the Corporation's investment in these funds was \$184 million.

Sagard Capital Partners, L.P., a U.S. limited partnership indirectly owned by Power Corporation, has been principally investing in mid-cap public companies in the United States. As at December 31, 2013, the fair value of these investments was \$527 million.

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.

Power Corporation has also invested for many years, directly or through wholly owned subsidiaries, in third-party private equity funds and hedge funds. The fair value of these investments was \$381 million as at December 31, 2013.

PROTECTING AND IMPROVING THE LONG-TERM FINANCIAL HEALTH OF CANADIANS

Around the world, countries face the fundamental challenge of protecting and improving the long-term financial health of their citizens. The recent period of economic uncertainty and market volatility has provided a powerful reminder of the importance of careful and long-term planning, both by governments seeking to establish appropriate policies and incentives, and by individuals in their savings and investing choices. Achieving retirement income security requires balancing important and competing objectives, including income adequacy, intergenerational equity, responsibility and individual choice. It is also defined by the specific social, demographic, fiscal, and economic circumstances that each country faces.

In Canada, landmark research by McKinsey & Company to understand the detailed financial situation and behaviour of Canadian households continues to yield important insights. While Canadians appear well prepared for retirement overall, the level of readiness of individual households varies. A close look at each segment of society, analyzed by age and income cohorts, shows that 75 per cent of Canadian households are well prepared for retirement and that a smaller group of 25 per cent need to save more. The 25 per cent who are not ready are the middle and higher income segments.

Indeed, government programs currently provide significant income replacement for most lower and middle income populations. By contrast, higher income households are more reliant on workplace and individual savings, and thus need to save more in order to keep their standard of living upon retirement. The challenges for these segments of society are varied but revolve around their willingness to save, the incentives to do so, and the time period available to save enough for retirement.

Securing the long-term financial health of Canadians is and should continue to be an important priority for Canada. Canada's retirement system is a successful, well-balanced blend of public and private responsibility which offers a mix of government-provided, employer-sponsored and individual savings programs. As such, targeted, incremental changes to the existing system that focus on facilitating and incenting savings are a more efficient, reliable and sustainable way to address Canadians' many different retirement security challenges than one-size-fits-all solutions.

BOARD OF DIRECTORS

Mr. Robert Gratton will not be standing for re-election to the Corporation's Board of Directors at the May 15, 2014 Annual Meeting of Shareholders. Mr. Gratton is Deputy Chairman of Power Corporation. He served as President and Chief Executive Officer of Power Financial from 1990 until 2005, and then as Chairman of its Board until 2008.

He was Chairman, President and Chief Executive Officer of Power Financial's subsidiary, the Montreal Trust Company, from 1982 until 1989. In recognition of his outstanding contribution to the Power group of companies over many years, Mr. Gratton will be appointed by the Board of Directors of the Corporation as Deputy Chairman Emeritus.

DIRECTORS' REPORT TO SHAREHOLDERS

THE POWER GROUP

Power Corporation continues to adhere closely to principles which have been developed over a long period of time. We invest in companies that have a long-term perspective, that maintain a prudent financial structure and that have the capacity for sustainable dividend cash flows. As part of our governance model, we are active owners through our presence on the boards of directors of our controlled companies and through our influence as significant shareholders in our other core investments. Lastly, we invest in a limited number of high-quality, socially responsible companies with sustainable franchises and potential for growth.

Your Directors and management seek to deliver attractive long-term shareholder returns, as reflected in our share price and stable dividend. The Power group of companies sees increasing opportunities to grow our business organically and through strategic and accretive acquisitions. In most any environment, companies with strong balance sheets, sound financial management and prudent liquidity will be well positioned to seize upon opportunity.

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 solid results achieved in 2013 and we look forward to 2014.

On behalf of the Board of Directors,

Signed,

Paul Desmarais, Jr., o.c., o.q.
Chairman and
Co-Chief Executive Officer

March 19, 2014

Signed,

André Desmarais, o.c., o.q.
Deputy Chairman, President and
Co-Chief Executive Officer