Overview

$1,275 MILLION
NET EARNINGS ATTRIBUTABLE TO PARTICIPATING SHAREHOLDERS

$1,238 MILLION
OPERATING EARNINGS[1] ATTRIBUTABLE TO PARTICIPATING SHAREHOLDERS

$587 MILLION
TOTAL DIVIDENDS DECLARED

$713 BILLION
CONSOLIDATED ASSETS AND ASSETS UNDER MANAGEMENT

$2.77
NET EARNINGS PER PARTICIPATING SHARE

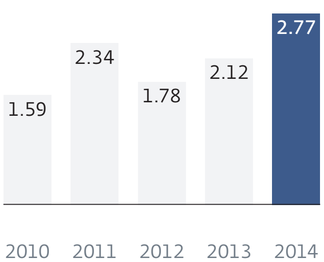
$2.69
OPERATING EARNINGS[1] PER PARTICIPATING SHARE

$1.16
DIVIDENDS DECLARED PER PARTICIPATING SHARE

11.7%
RETURN ON EQUITY BASED ON OPERATING EARNINGS

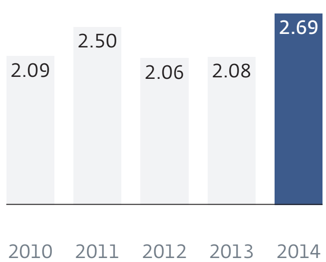
Net earnings

Per share, in dollars



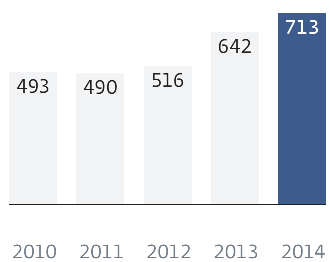
Operating earnings[1]

Per share, in dollars



Consolidated assets and assets under management

In billions of dollars



[1] Non-IFRS financial measures. Please refer to the reconciliation of non-IFRS financial measures to financial measures in accordance with IFRS in the Review of Financial Performance.

Directors' Report to Shareholders

Power Corporation delivered strong financial results in 2014, led by its financial services business, which reported the highest earnings in its history, and the value of its investment platforms, which grew by almost 20 per cent to $2.4 billion,[1] also their highest level in the Corporation's history.

North American equity markets maintained their robust performance in 2014 and European financial markets reflected modest improvements in the region's economic conditions. The interest rate environment continued to be challenging as the U.S. began to move towards higher, more normalized rates while the interest rate outlook elsewhere was flat or lower. Amidst these challenging and complex economic conditions, we are focused on maintaining the business strategies, risk management culture, capital and liquidity to deliver superior shareholder returns.

FINANCIAL RESULTS

Power Corporation's operating earnings attributable to participating shareholders were $1,238 million or $2.69 per participating share for the year ended December 31, 2014, compared with $959 million or $2.08 per share in 2013.

Other items, not included in operating earnings, were a contribution of $37 million in 2014, compared with $18 million in 2013.

Net earnings attributable to participating shareholders were $1,275 million or $2.77 per share for 2014, compared with $977 million or $2.12 per share in 2013.

Dividends declared totalled $1.16 per share in 2014, unchanged from 2013.

RESULTS OF GROUP COMPANIES

POWER FINANCIAL

Power Financial's operating earnings attributable to common shareholders for the year ended December 31, 2014 were $2,105 million or $2.96 per share, compared with $1,708 million or $2.40 per share in 2013.

Other items represented a contribution of $31 million in 2014, compared with $188 million in 2013.

Net earnings attributable to common shareholders were $2,136 million or $3.00 per share, compared with $1,896 million or $2.67 per share in 2013.

On March 18, 2015, Power Financial increased its quarterly dividend by 6.4% to $0.3725 per share. This was the first dividend increase by the Corporation since the start of the financial crisis in the fall of 2008.

[1] Including Sagard funds and their cash, IntegraMed at fair value, as well as CITIC, China AMC, and investments in private equity and hedge funds.

GREAT-WEST LIFECO

Great-West Lifeco's operating earnings attributable to common shareholders were $2.5 billion or $2.549 per share in 2014, compared with $2.1 billion or $2.108 per share in 2013.

Net earnings attributable to common shareholders were $2.5 billion or $2.549 per common share, compared with $2.3 billion or $2.340 per common share a year ago.

Great-West Lifeco maintained a strong return on equity (ROE) of 15.7 per cent, based on both operating and net earnings for the twelve months ended December 31, 2014.

The Minimum Continuing Capital and Surplus Requirements (MCCSR) ratio for Great-West Life was 224 per cent on a consolidated basis at December 31, 2014. 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 2014, Great-West Lifeco's companies grew organically and through acquisitions in their target segments, while investing in initiatives that will strengthen the businesses and position them for growth in the years to come. Through their continued focus on growth, Great-West Lifeco achieved a major milestone in 2014 – over $1 trillion in assets under administration.

In Canada, Great-West Lifeco's companies achieved milestones in both sales and asset levels in their insurance and wealth management businesses, which strengthened their industry-leading positions in these segments. To sustain this solid performance, Great-West Lifeco continued to invest in its people, products, innovation capabilities and digital services.

In Europe, Great-West Lifeco maintains leading market positions in its chosen markets and is continuing to invest in these diverse businesses. Coupled with a conservatively managed investment portfolio, Great-West Lifeco's European operations have made a consistently strong earnings contribution to the company's ongoing success.

Great-West Lifeco substantially completed the integration of Irish Life, another significant milestone, within a vibrant and recovering Irish economy. To support bringing together the Canada Life and Irish Life brands, the company re-launched the Irish Life brand with an innovative campaign that positions it for future growth.

In the United States, Great-West Lifeco's U.S. operations were transformed and invigorated as the company implemented a new leadership structure that enables it to leverage the combined strengths of its core businesses and pursue expanded market opportunities.

In 2014, the company acquired J.P. Morgan's Retirement Plan Services (RPS) large-market record-keeping business, expanding the Great-West Financial footprint in the U.S. retirement services business. As part of this acquisition, a new combined brand – Empower Retirement – was launched to consolidate and support the retirement services businesses of Great-West Financial, RPS and Putnam Investments.

Empower Retirement has emerged as the second-largest retirement services provider in the United States, with over seven million participants serviced in retirement plans, representing more than US$415 billion in plan assets.

In 2014, Putnam Investments made solid strides toward its objective of becoming one of the premier asset management firms in the industry. On the investment front, *Barron's*/Lipper named Putnam one of the best mutual fund families – No. 6 out of 56 – for the five-year period ending December 31, 2014, based on investment performance across asset classes. Since 2009, Putnam has consistently been recognized as a top fund family – across multiple time periods – in this prestigious annual survey.

IGM FINANCIAL

IGM Financial and its operating companies experienced an increase in operating earnings and assets under management in 2014.

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 $826 million or $3.27 per share in 2014, compared with $764 million or $3.02 per share in 2013.

Net earnings available to common shareholders were $753 million or $2.98 per share in 2014, compared with $762 million or $3.02 per share in 2013.

Total assets under management at December 31, 2014 totalled $142 billion, compared with total assets under management of $132 billion at December 31, 2013, an increase of 7.7 per cent.

Investors Group's consultant-driven financial planning model continued to deliver high value to its clients, as evidenced by its outstanding client satisfaction scores. The consultant network continues to grow, now surpassing 5,000 consultants in number, the largest ever. These factors contributed to strong sales of mutual funds and other products and low redemption rates, resulting in a record level of client assets under management.

Mackenzie Investments, also part of IGM Financial, continued to invest in a number of key initiatives in 2014 to execute on its new investor-focused vision and strategy. The product line-up was revitalized, pricing was simplified and significant talent was added to an already strong investment team.

IGM Financial continues to build its business through its extensive network of distribution opportunities, delivering high-quality advice and innovative, flexible solutions for investors. The company's investment in technology and operations continues to help it manage its resources effectively and develop long-term growth in the business.

PARGESA

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

In addition to its strategic holdings, GBL is developing an incubator-type portfolio comprised of: interests of a smaller size in a limited 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 SF339 million in 2014, compared with SF251 million in 2013. Including non-operating earnings consisting primarily of gains on the partial disposals by GBL of its interests in Total and in Suez Environnement, Pargesa's net earnings in 2014 were SF637 million, compared with SF394 million in 2013.

Albert Frère has announced that he will step down as Director and CEO of GBL and will not seek another term as Vice-Chairman and Executive Director of Pargesa. Mr. Frère has worked in partnership with Power Corporation and Power Financial since 1981 and has been a key player in the growth and success of Pargesa and GBL for more than three decades. Power Corporation would like to acknowledge and thank Albert Frère for his exceptional contribution to the group.

COMMUNICATIONS AND MEDIA

Gesca owns the French-language news medium *La Presse*, whose content is available on several platforms: the free La Presse+ digital edition for tablets, the paper version of *La Presse*, the La Presse mobile application for smartphones and the website LaPresse.ca, a top Canadian site for news and information in French.

La Presse is known for its distinctive, rich and diversified national and international coverage of news and current events and exclusive reports, as well as for its columnists and reporters, whose work has been widely recognized, winning many awards for excellence in journalism.

The year 2014 was marked by steady growth in the readership of the La Presse+ digital edition, up 45 per cent in one year to reach a weekly average of more than 438,000 tablet readers. La Presse has reached an agreement allowing the *Toronto Star* to develop a new tablet edition based on the La Presse+ digital platform solution, with the launch planned for the fall of 2015.

On March 18, 2015, it was announced that Gesca reached an agreement for the sale of its subsidiary which publishes six daily regional newspapers in the Province of Québec.

POWER ENERGY

Power Corporation established a new subsidiary in 2012 – Power Energy, with an objective to invest in the renewable energy sector. Power Energy invests in and develops renewable energy companies that can provide stable and growing long-term recurring cash flows. Power Energy conducts operations through 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.

INVESTMENT ACTIVITIES

Power Corporation conducts investment activities, built upon historic relationships, to provide superior long-term returns and diversification for the Corporation. These investment activities include the Sagard funds and long-standing interests in China. The income to the Corporation from these investment activities can be volatile, but is expected to produce attractive shareholder returns over the long term.

Since Power Corporation launched its first fund in 2002 in Europe, the Corporation has been developing its investment fund businesses. 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 $1,206 million at December 31, 2014.

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 seek to invest in mid-sized companies throughout 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. As at December 31, 2014, the fair value of the Corporation's investment in these funds was $153 million, compared with $184 million in 2013.

Sagard Capital Partners, L.P., a U.S. limited partnership indirectly owned by Power Corporation, principally invests in mid-cap public companies in the United States. In certain circumstances, Sagard Capital will seek control of companies that have superior growth and return profiles. As at December 31, 2014, the fair value of the fund was $650 million, compared with $527 million in 2013.

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 $403 million as at December 31, 2014, compared with $321 million in 2013. Power Corporation also holds a 0.6 per cent interest in CITIC, a public company whose shares are listed on the Hong Kong Stock Exchange. As at December 31, 2014, the fair value of this investment was $311 million.

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 a leading company in the Chinese asset management sector. As at December 31, 2014, China AMC managed 44 mutual funds with assets under management of $98 billion. As at December 31, 2014, the fair value of this investment was $310 million.

GOVERNANCE

In March 2015, the Corporation's Board of Directors adopted a Board and Senior Management Diversity Policy, expressing its belief in increased diversity on boards, and in business in general. The Board recognizes that gender diversity is a significant aspect of diversity and acknowledges the important role of women in contributing to diversity of perspective in the boardroom and in senior management roles.

As part of its ongoing commitment to effective governance, the Corporation has enhanced its Board assessment process by implementing a formal Board effectiveness survey, which is completed by each of the Directors. The survey assists the Board and its committees in assessing their overall performance and in continuing to improve their deliberations and decision-making process.

CANADA'S RETIREMENT SYSTEM – THE CRISIS THAT WASN'T!

The vast majority of Canadians are on track to sustain their standard of living in retirement. A recent study by the global consulting firm McKinsey & Company concludes that 83 per cent of Canadians are on track and well prepared. McKinsey's work is based upon the most comprehensive survey and analysis of Canadians' financial affairs ever done. And yet, numerous surveys also show that a majority of Canadians believe they will not have enough income in retirement.

There are a number of possible reasons for the major gap between perception and reality. These include lingering fear created by the financial crisis, pension plans reporting funding challenges due to persistent low interest rates, and the financial services industry's call to Canadians for more savings.

Many groups in society are advocating for universal solutions to the "pension crisis," such as an increase in the benefits of the Canada Pension Plan, or the creation of an Ontario Retirement Pension Plan.

These universal pension proposals, while well intentioned, may have some serious negative consequences. By forcing everyone to save more, they reduce today's standard of living, hurting in particular lower- and middle-income Canadians, whose future consumption in retirement is already well provided for through existing programs.

To be clear, there are issues to be addressed in the Canadian retirement system. While our balanced system has resulted in Canada having one of the strongest retirement systems in the world, there are still a number of groups in Canadian society who are not faring well.

The research shows that to be effective the solutions need to be specific and targeted. There are three areas where focus could materially reduce the number of people ill prepared for retirement: facilitating low-cost workplace savings plans for Canadians who work at smaller employers; addressing anomalies in existing government programs that are punitive to single people in old age; and creating collective solutions to help Canadians manage the financial challenge of outliving their individual savings.

Fact-based and targeted solutions to Canada's specific retirement challenges will leave the country in the best financial position to tackle other significant challenges yet to be addressed, such as funding future health care costs for an ever-aging Canadian population.

THE POWER GROUP

Power Corporation closely adheres 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, that have the capacity for sustaining earnings and the expectation for growing earnings and dividends. 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. Our companies have a long and proud history of contributing to the well-being of the communities in which they operate. The principles underlying our approach in this area are outlined later in this report under "Responsible Management."

Your Directors and management seek to deliver attractive long-term shareholder returns. In most any environment, companies with strong balance sheets, sound financial management and prudent liquidity will be best positioned to seize upon the most attractive opportunities. The Power group of companies sees increasing opportunities to grow our business organically and make acquisitions that are strategic as well as accretive.

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 2014, and we look forward to 2015.

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 18, 2015