Directors' Report to Shareholders

Amidst a challenging market, Power Corporation remained focused on its key principles to create long-term shareholder value. Anchored by its core investment in Power Financial, the Corporation delivered consistent earnings despite the impact of equity market declines in the third and fourth quarters of 2018. The Corporation continued to invest in and develop its diversified investment platforms as part of its focus to deliver sustainable long-term value.

During the year, the Corporation and its operating companies continued to reallocate capital and resources to further their value creation objectives:

- Sagard Holdings introduced new asset classes to its line-up of managed assets and exited its U.S. mid-cap public equity strategy;
- Power Energy realized a gain on the disposal of its hydro electric business and redirected capital to its burgeoning solar and wind operations;
- The Corporation also ended its nearly 50-year association with La Presse.

In March 2019, Power Corporation announced its intention to repurchase up to $1.35 billion of its Subordinate Voting Shares through a substantial issuer bid. Great-West Lifeco and Power Financial also launched substantial issuer bids to purchase up to $2 billion and $1.65 billion of their common shares, respectively. Power Corporation believes that the bid to repurchase shares in the current market environment at attractive market valuations is an opportune use of its capital resources.

The Corporation and its subsidiaries continued to maintain their strong capital positions and have the financial resources required to pursue their long-term strategies.

During 2018, Great-West Lifeco increased its dividend by 6 per cent in February, Power Financial increased its dividend by 5 per cent in March, and Pargesa approved a 2.5 per cent dividend increase in May. Power Corporation followed, announcing a 6.6 per cent increase in the quarterly dividend in May.

Financial Results

Power Corporation's net earnings[1] were $1,287 million or $2.77 per share for the year ended December 31, 2018, comparable with the 2017 results. Adjusted net earnings[1][2] were $1,438 million or $3.09 per share, compared with $1,560 million or $3.36 per share in 2017.

Contributions from Power Financial and investment activities to Power Corporation's net earnings and adjusted net earnings were:

	2018		2017	
In millions	Net Earnings	Adjusted Net Earnings[2]	Net Earnings	Adjusted Net Earnings[2]
Power Financial	$1,474	$1,498	$1,126	$1,400
Sagard Investment Funds, China AMC and Other investments	$164	$164	$445	$445
Corporate and Other subsidiaries	$(351)	$(224)	$(285)	$(285)
	$1,287	$1,438	$1,286	$1,560

Contributions from investments including the Sagard Investment Funds, China AMC and Other investments were lower in 2018, reflecting the impact of the decline in the global equity markets in the third and fourth quarters of 2018.

Dividends declared on the Corporation's participating shares totalled $1.50 per share, compared with $1.41 per share in 2017.

[1] Attributable to participating shareholders.

[2] Adjusted net earnings is a non-IFRS financial measure. Please refer to the reconciliation of IFRS and non-IFRS financial measures in the Review of Financial Performance.

Results of Group Companies

POWER FINANCIAL

Rapid change is occurring within the financial services industry, driven by the same forces that are sweeping across other industries and our society at large. The ease of doing business in one industry very quickly becomes the expected norm in another, while at the same time technology is blurring the lines between industries and redefining who companies in the Power Financial group will need to compete with. The companies in our group are embracing the opportunities and the challenges presented by this rapid pace of change. They are investing in enhancing their current business models to better serve existing clients and to appeal to a broader set of new ones. They are also investing in emerging new business models that will drive our success in the future. While many of these investments come at a cost to shorter-term financial returns, our group companies are striving to maintain an appropriate balance between near-term profitability and long-term growth. The group is intently focused on the goal of creating shareholder value by pursuing a combination of internal strategies and external capital deployment and redeployment opportunities.

At December 31, 2018, Power Corporation held a 65.5 per cent economic interest in Power Financial.

Power Financial's net earnings were $2,245 million or $3.15 per share for the year ended December 31, 2018, compared with $1,717 million or $2.41 per share in 2017.

Adjusted net earnings[1] were $2,282 million or $3.20 per share in 2018, compared with $2,135 million or $2.99 per share in 2017. Adjusted net earnings[1] were the highest in the company's history.

At December 31, 2018, Power Financial's assets under administration were $1.57 trillion and assets under management were $854 billion.

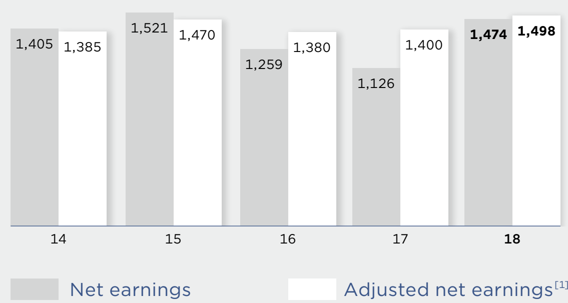
Dividends declared by Power Financial totalled $1.73 per common share, compared with $1.65 per common share in 2017.

On March 20, 2019, Power Financial announced a 5.2 per cent increase in the quarterly dividend on its common shares, from $0.4330 to $0.4555 per share.

EARNINGS (as reported by):

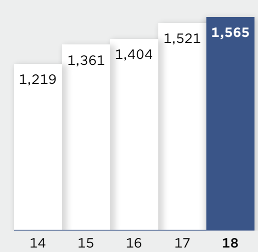
In millions		2018	2017
Great-West Lifeco	Net earnings	$2,961	$2,149
	Adjusted net earnings[1]	$3,017	$2,647
IGM Financial	Net earnings	$767	$602
	Adjusted net earnings[1]	$792	$728
Pargesa	Net earnings	SF361	SF382
	Adjusted net earnings[1][2]	SF317	SF384

Power Financial's Contribution to Power Corporation's Earnings
In millions of dollars



Power Financial's Assets under Administration
In billions of dollars

$1,565
BILLION



[1] Adjusted net earnings is a non-IFRS financial measure. Please refer to the reconciliation of IFRS and non-IFRS financial measures in the Review of Financial Performance in each of the Power Financial, Great-West Lifeco, IGM Financial and Pargesa sections.

[2] Described as Economic operating income by Pargesa.

GREAT-WEST LIFECO

Great-West Lifeco's operating companies continue to respond to changing customer expectations which are being reshaped by generational shifts, advances in technology and evolving regulation. At the heart of this change is a focus on making it easier for customers and advisors to work with its companies to achieve their goals.

$3.0 BILLION
NET EARNINGS AND ADJUSTED NET EARNINGS

The company delivered solid results across all of its businesses in 2018 and maintained its strong capital position and industry-leading credit ratings. This strength and stability positions Lifeco to extend and grow its business. Lifeco's clear purpose to meet the diverse and changing needs of its customers and advisors along with disciplined execution of its strategy is the key to building long-term shareholder value. As the company moves forward with its strategy, it will deploy capital to both strengthen and extend existing businesses and to capture new and emerging growth opportunities.

Capital is being deployed through both strategic investments in existing businesses and mergers and acquisitions (M&A) to reshape the growth profile. M&A activities are focused on deploying capital in businesses that better align with Lifeco's strategic and shareholder growth objectives. A great example of this is the acquisition of Retirement Advantage in the U.K. where Lifeco increased scale in an existing business while expanding its business model to include high-growth equity-release mortgage products, new to the group. Another example is the recently announced disposition of Lifeco's individual life insurance and annuity business in the United States via reinsurance. This transaction, expected to close in the second quarter of 2019, will further strengthen Lifeco's capital position and will allow it to focus on the U.S. retirement and asset management markets.

Lifeco's net earnings were $3.0 billion in 2018, an increase of 38 per cent compared to 2017. Adjusted net earnings were $3.0 billion or $3.05 per common share in 2018, compared with $2.6 billion or $2.68 per common share in 2017. The 2017 adjusted net earnings included a loss of $175 million related to estimated hurricane claims reflected in the third quarter 2017 results.

Lifeco reported return on equity based on net earnings of 14.0 per cent and on adjusted net earnings (a non-IFRS financial measure) of 14.3 per cent.

Total assets under administration at December 31, 2018 were $1.4 trillion, a 3.6 per cent increase from December 31, 2017.

In February of 2019, Lifeco announced a 6 per cent increase in its quarterly dividend.

IGM FINANCIAL

IGM Financial is one of Canada's leading diversified wealth management firms. 2018 was a strong year for IGM, one that included increased net earnings and market share gains in a challenging environment.

$767 MILLION
NET EARNINGS

$792 MILLION
ADJUSTED NET EARNINGS

Throughout the year, volatile financial markets – caused by global trade tensions, political uncertainty, and concerns of market cycle slowdown tested investor and advisor confidence. In these types of environments, clients need the confidence that comes from working with a financial advisor and having well-developed plans to achieve their financial goals. And advisors need the right product solutions and support to meet the needs of investors' increasingly complex financial lives.

In 2018, IGM continued its transformation, which began at Mackenzie Investments in 2013 and at IG Wealth Management in 2016. In 2018, their teams settled into the new IGM Financial shared services model, while senior executives focused on creating a high-performance and agile culture, with a strong emphasis on talent development and recruiting. The company also began to transform, digitize and automate its back office, while establishing an enterprise-wide data platform that will deliver further improvements to its clients. At the end of 2017, IGM introduced its "One IGM approach" which improved efficiencies and reduced non-commission expense growth in 2018. IGM's overall strategy was reaffirmed through two consecutive years of market share gains.

Net earnings were $767 million in 2018, an increase of 27 per cent from 2017. Adjusted net earnings were $792 million or $3.29 per share in 2018, compared with $728 million or $3.02 per share in 2017.

Total assets under management at December 31, 2018 were $149 billion, compared with $157 billion at December 31, 2017.

PARGESA

The Pargesa group, through Belgian holding company Groupe Bruxelles Lambert, holds significant positions in global industrial and services companies based in Europe: Imerys, adidas, Pernod Ricard, SGS, LafargeHolcim, Umicore, Total, GEA, Ontex and Parques.

SF361 MILLION
NET EARNINGS

SF317 MILLION
ADJUSTED NET EARNINGS

GBL seeks to invest in companies with leading positions in their sector and robust business models. As an active investor, it believes in the importance of its influence and role as a creative, challenging and supportive board member.

Since the launch of the portfolio rebalancing strategy in 2012, GBL has completed €16 billion of divestments and acquisitions. This has led to a more diversified portfolio, from both a sector and geographic standpoint, with well-positioned exposure to resilient counter-cyclical assets.

In the Eurozone, the domestic factors having supported the 2017 cyclical upswing, notably the strong labor market performance and accommodative monetary policy, were not sufficient to support growth acceleration in 2018. In the U.K., the political difficulties encountered throughout the negotiations with the European Union and the persistently high uncertainties related to the Brexit outcome have weighed on markets.

During 2018, capitalizing on both their experience as long-term investor and the in-depth knowledge of the industries represented in their portfolio, the GBL team remained active in this turbulent environment. Throughout the year GBL deployed €1.2 billion while maintaining its focus on:

- developing influence with portfolio companies as an active and engaged director, and contributing to improving governance when appropriate;
- seizing appropriate market windows in order to continue to implement the asset rotation strategy and to strengthen positions in certain portfolio assets whose valuation, impacted by the general market trend, became undervalued compared to their fundamentals;
- continuing to pursue the strategic objective of value creation over the long term.

In 2018's volatile market environment, in addition to deploying capital, GBL took advantage of the favourable stock market in the second quarter and sold its entire stake of £498 million in Burberry, generating a capital gain of approximately £83 million.

GBL's net asset value was €16.2 billion at December 31, 2018, compared with €18.9 billion at the end of 2017. As at March 14, 2019, GBL's net asset value increased to €18.6 billion.

In November 2018, the GBL board of directors authorized GBL management to implement a buyback of €250 million in treasury shares. GBL's financial flexibility provides capacity to execute this program, seize new quality investment opportunities and, if necessary, support the development of existing investments.

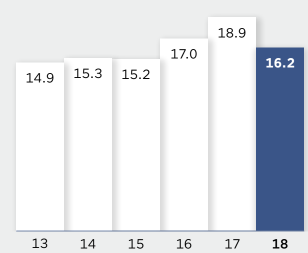
Pargesa reported net earnings of SF361 million in 2018, compared with SF382 million in 2017. Net earnings do not include SF58 million of realized gains on private equity fund investments, due to the adoption of a new accounting standard which changed the way realized gains are reported.

In December 2018, GBL announced changes to its governance which will be effective immediately after its shareholders' meeting of April 23, 2019. Paul Desmarais, Jr. will become Chairman of the Board of Directors and will succeed Gérald Frère who is appointed Vice-Chairman of the Board of Directors and Chairman of the Standing Committee. Ian Gallienne will assume sole operational management of the company as CEO.

At its annual general meeting in April, GBL is expected to propose that its dividend be increased by 2.3 per cent, to €3.07 per share. At its upcoming annual meeting in May, the board of directors of Pargesa is expected to propose a dividend of SF2.56 per bearer share for the 2018 financial year, an increase of 2.4 per cent.

GBL Net Asset Value
In billions of euros

€16.2
BILLION



INVESTMENT ACTIVITIES

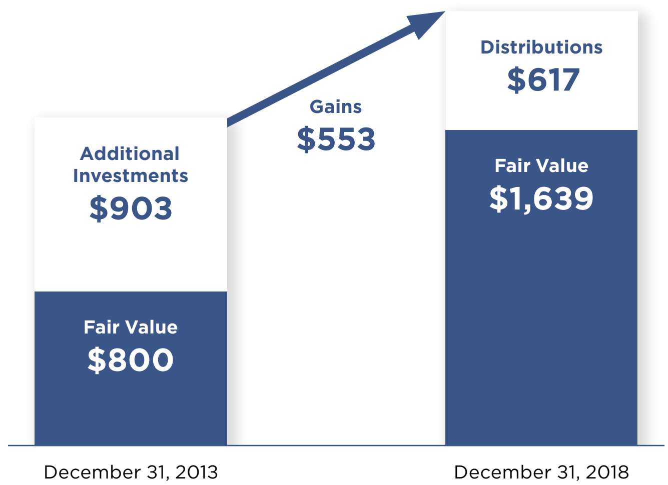
Power Corporation's value creation strategy is designed to capitalize on its long-term relationships to achieve superior investment returns and stable cash flows. As part of the Corporation's diversification strategy, significant investments have been made in non-financial sector investment platforms. Historically many of these investments were held in funds managed by third parties. Since the early 2000s, Power Corporation has been investing and developing its own investment platforms and it has continued to focus on the development of investment platforms and funds in 2018.

SAGARD INVESTMENT FUNDS

Since the launch of its first Sagard fund in 2002 in Europe, Power Corporation has continued to support and develop its investment funds. Currently, the Corporation operates equity investment funds in three geographical regions under the Sagard name – Sagard Europe, Sagard Holdings (North America) and Sagard China. The Sagard investment platforms also act as investment managers for certain investment funds in which third-party investors, the Corporation and associated companies can participate. The Sagard platforms are managed locally by experienced investment professionals who have an in-depth knowledge of the local public and private markets and who benefit from the collaboration within the Power group of companies.

Power Corporation's investment fund activities: leverage its extensive global network and business relationships, aim to achieve long-term capital appreciation through fundamental investment analysis, and seek opportunities to acquire controlling interests in its most promising investments. Each of the Sagard funds adheres to Power Corporation's investment philosophy and governance model.

Sagard Investment Funds
Value Creation since December 31, 2013
In millions



Sagard Europe

The Sagard Europe funds invest in mid-sized private companies based in France, Belgium, Luxembourg and Switzerland. As at December 31, 2018, Power Corporation had invested a total of $776 million in the Sagard Europe funds. The Corporation has received distributions from these funds totalling $929 million since inception, and the fair value of the investments was $391 million at December 31, 2018, compared with $499 million in 2017. The decrease in fair value of the funds was a result of distributions in 2018. Pargesa, GBL and third parties also invest in the Sagard Europe funds.

Sagard Holdings

Sagard Holdings was founded in 2005 as a complement to the Corporation's global investment holdings. Today, Sagard Holdings is a multi-strategy alternative asset manager with professionals located in Montréal, Toronto, New York, Paris and Singapore. Sagard Holdings looks to generate attractive returns by matching investment opportunities with flexible capital solutions and pairing entrepreneurs with teams that have deep industry knowledge. Sagard Holdings develops long-term partnerships and empowers the growth of its investments through a unique global network of portfolio companies, limited partners, advisors and other valued relationships. Sagard Holdings invests across four asset classes: equity, private credit, royalties and venture capital.

In 2017, Sagard Holdings launched Sagard Credit Partners LP, a fund which provides credit capital directly to public and private middle-market companies across the U.S. and Canada. In 2018, the fund's committed capital has increased to US$557 million, of which Sagard Holdings has committed US$100 million.

In January 2019, Sagard Holdings announced the launch of Sagard Healthcare Royalty Partners which will invest in the life sciences sector with a focus on investments protected by strong intellectual property. Sagard Healthcare Royalty Partners will invest in various structures including traditional healthcare royalties, royalty securitizations and credit.

Since the fourth quarter of 2018, Sagard Holdings has managed, through Portag3 Ventures, investment funds dedicated to backing innovative financial services companies that have the potential for change and global impact. Portag3 has invested in more than 30 fintech companies and investment funds.

Subsequent to year-end, Sagard Holdings liquidated its public equities portfolio, a strategic decision to redeploy capital within the fund.

At December 31, 2018, the fair value of Sagard Holdings was $579 million, compared with $824 million in 2017; the decrease in fair value is mainly due to the decline in U.S. equity markets and the impairment of one controlled portfolio investment.

Sagard China

Sagard China, based in Shanghai, holds a selective portfolio of minority positions in Chinese companies publicly listed on the Shanghai, Shenzhen, Hong Kong and New York markets, and seeks absolute returns with low volatility. It began participating in Chinese equities through the Chinese stock market in 2005 and in the Hong Kong stock market in 2010. The fair value of Sagard China's investment portfolio was $669 million at December 31, 2018, compared with $784 million in 2017; the decrease in the fair value of the portfolio was due to a significant decline in the Chinese equity markets in the third and fourth quarters of 2018. At March 20, 2019, the CSI 300 has increased by 27 per cent since December 31, 2018.

CHINA ASSET MANAGEMENT

Power Corporation and IGM Financial each hold a 13.9 per cent interest in China AMC, for a combined 27.8 per cent interest.

China AMC is the premier asset management firm in the world's second-largest economy, with more retail clients than the population of Canada. The Corporation's and IGM Financial's combined stake offers the potential to diversify and accelerate earnings growth by participating in a high-growth market that also provides the group with the opportunity to enhance the group's distribution and product capabilities.

In 2018, IGM Financial expanded its international reach, entering the Hong Kong market with the launch of the China AMC Mackenzie Global Strategic Income Fund in partnership with China AMC.

The investment in China AMC provides Power Corporation with an opportunity to leverage the Power group's extensive experience in wealth management and distribution as it works with China AMC. Companies within the group will continue to benefit from the strategic relationship by identifying opportunities to work together on product development and future sub-advisory relationships.

POWER ENERGY

Power Energy was established based upon the Corporation's principles of collaboration and has built trusted relationships in industries that benefit from the global energy transformation. Since 2012, Power Energy has been actively managing investments in the sustainable and renewable energy sector with the goal of building and owning, over the long term, companies that can generate growing and stable cash flows.

Power Energy has invested in companies that develop, own and operate solar and wind generating facilities in North America as well as leading manufacturers of sustainable product solutions. In 2018, Power Energy continued to develop its rapidly expanding footprint and seized on investment opportunities.

Potentia owns and operates rooftop solar generation facilities in Ontario with approximately 150 megawatts of operating solar assets, and manages a pipeline of over 2 gigawatts of solar and wind development projects in Western Canada. In the second half of 2018, Potentia announced that it was selected in four large energy procurement processes in Western Canada to supply a total of 506 megawatts of wind electricity over 20-25 year contracts.

Lumenpulse, a leading manufacturer of high-performance, specification-grade LED lighting solutions, continued to expand and acquired an 80 per cent equity interest in Sternberg Lanterns Inc., an Illinois-based, employee-owned manufacturer of architectural outdoor and area LED lighting solutions. Power Energy invested an additional $41 million in Lumenpulse in 2018, increasing its ownership to 60.5 per cent.

Lion has sold more than 150 electric Type C school buses in North America and, in May 2018, launched an electric minibus to meet customer needs for paratransit, school and public transportation. Lion is also broadening its vehicle offering by developing an all-electric Class 8 truck in 2019.

Power Energy was presented with an opportunity to sell its interest in Eagle Creek Renewable Energy, a U.S.-based owner and operator of hydroelectric facilities. Power Energy closed the sale of its interest in November 2018 and recognized a pre-tax gain of $62 million on disposal.

Power Energy remains focused on its objective of seeking an annual return of 12 per cent.

Communications and Media

On July 14, 2018, La Presse, a subsidiary, transferred its net assets to a new not-for-profit structure. The change in structure required the repeal of a provision of a Private Act adopted in 1967 regarding the ownership of La Presse.

With the collaboration of the unions, Power Corporation retained responsibility for the funding, on a going-concern basis, of the retirement obligations accrued at the transaction date, which will notably reduce La Presse's future financial burden while benefiting retirees as well as active and inactive employees who have accumulated pensions. La Presse is also benefiting from a financial contribution of $50 million from Power Corporation.

Shareholder Engagement

Power Corporation, along with Power Financial and the companies in our group, continued their efforts to communicate their strategies and their financial and operating results with investors and analysts. Our objective is to continue to enhance the level of engagement and quality of our shareholder communications. A key challenge remains to effectively demonstrate how our ongoing investments relate to value creation. This is particularly important given the increased amount of effort and investment being made in areas where value creation metrics can be different than in our incumbent businesses. We are committed to an active dialogue to continue to enhance our engagement with shareholders.

In Memoriam

Earlier in 2019, we were saddened by the death of Jim Burns. Mr. Burns began his career at Great-West Life in 1953 and served as its President and Chief Executive Officer for many years. He was named President of Power Corporation in 1979 and was the founding President and Chief Executive Officer of Power Financial. An icon of Canadian business and a key architect of the modern insurance business, Mr. Burns laid the groundwork that allowed Power Financial to become the financial services leader it is today. He was instrumental in the first foray of Great-West Life into the United States, establishing a solid beach head in the country upon which he and his successors greatly expanded the business.

In December 2018, we were saddened by the news of the passing of Albert Frère. Mr. Frère was Honorary Chairman and co-controlling shareholder of GBL and former Vice-Chairman of Pargesa, and also served on the Board of Directors of Power Corporation from 1985 to 1995. Established in 1990 by the Honourable Paul G. Desmarais and Mr. Frère, the partnership between the Desmarais and Frère families is one of the hallmarks of Albert Frère's legacy. He played an instrumental role in the development of GBL and Pargesa.

The Corporation is forever grateful to both these men for their invaluable contribution to the group.

The Power Group

Power Corporation closely adheres to principles which have been developed over multiple decades. We invest in companies that have a long-term perspective and maintain a prudent financial structure, a capacity for sustaining earnings and an expectation for growing earnings and dividends. A core tenet of our governance model is active ownership, which is exercised through our presence on the boards of directors of our controlled companies and through our influence as significant shareholders in our non-controlled holdings.

We invest in high-quality, socially responsible companies with sustainable franchises in diverse industries and geographies. 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 to responsible management are outlined later in this report and on www.PowerCorporationCSR.com.

As we look forward, we do so with a conviction that the need for the financial services offered by Power Financial's companies will continue to grow and evolve. Power Financial is well positioned to respond to opportunities ahead.

We also expect that the ability to act on investment opportunities having acceptable risk-adjusted returns will increasingly require local capabilities throughout the world. Our investment activities around the globe, which have been developed through our extensive network of long-term relationships, will provide us with a unique and valuable lens to allocate our capital having regard for our risk appetite.

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. At the Power group of companies, we seek opportunities to grow our business organically and capitalize on 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 our group companies to the strong results achieved in 2018, and we look forward to 2019.

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 20, 2019