Annual Management Report*

Caution regarding forward-looking statements

This Annual Management Report contains certain forward-looking statements with respect to the Company. These forward-looking statements are identified by the use of terms and phrases such as “anticipate”, “believe”, “estimate”, expect”, “intend”, “may”, “plan”, “predict”, “project”, “will”, “would”, as well as the negative of these terms and similar terminology, including references to assumptions.

Forward-looking statements, by their nature, necessarily involve risks and uncertainties that could cause actual results to differ materially from those contemplated by these forward-looking statements. Results indicated in forward-looking statements may differ materially from actual results for a number of reasons which the Company has identified in the 2014 Annual Information Form under "Narrative Description of the Business - Risk Factors", and other risks detailed from time to time in the Company's continuous disclosure documents.

The reader is cautioned that the factors to which we refer above are not exhaustive of the factors that may affect any of the Company’s forward-looking statements. The reader is also cautioned to consider these and other factors carefully and not to put undue reliance on forward-looking statements.

The Company made a number of assumptions in making forward-looking statements in this Annual Management Report. The Company considers the assumptions on which these forward-looking statements are based to be reasonable.

These statements reflect current expectations regarding future events and operating performance and speak only as of the date of release of this Annual Management Report, and represent the Company’s expectations as of that date. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.

Non International Financial Reporting Standards (IFRS) financial measures

The Company discloses adjusted net earnings, which includs or excluds certain amounts that are not considered representative of performance measures and financial recurrence of the Company. Management believes that this measure is useful in understanding and analysing the operational performance of the Company.

The Company discloses in this MD&A under the section “Results” a reconciliation between net earnings and adjusted net earnings.

Adjusted net earnings are not an earnings measure recognised by IFRS and does not have a standardised meaning prescribed by IFRS. Therefore, adjusted net earnings as discussed in this MD&A may not be compared to similar measures presented by other issuers. This measure of performance should not be considered as an alternative as an indicator of performance, but rather as additional information.

Same store revenues are not an earnings measure recognised by IFRS and does not have a standardised meaning prescribed by IFRS. Therefore, same store sales as discussed in this MD&A may not be compared to similar measures presented by other issuers.

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* The financial information is in Canadian dollars and has been prepared in accordance with International Financial Reporting Standards (IFRS).

Results

For the fiscal year ended December 31, 2014, the Company's revenue (delivered sales) increased by $6,613,000 to $701,356,000, from the $694,743,000 recorded in the 2013 year. Same store revenues (delivered sales) decreased by 1.8% for the same period. Although, during the fiscal year ended December 31, 2014, client orders increased by $14,400,000 to $722,352,000 from the $707,952,000 recorded in 2013. This increase occurred during the last quarter of 2014 and was not entirely reflected in the Company's revenues for the fiscal year ended December 31, 2014. Same store client orders remained comparable to the fiscal year ended December 31, 2013. Net income for the fiscal year ended December 31, 2014, stood at $48,647,000 compared with $57,254,000 for the previous fiscal year. Basic earnings per share decreased from $1.24 in 2013 to $1.08 in 2014.

The 0.70% decrease of gross margin for the fiscal year ended December 31, 2014, is primarily due to the sale of products with lower margins as well as the effect of foreign currency exchange rates on cost of sales.

Recognition of the cost of options in earnings had a minimal impact on basic net earnings per share in 2014 and 2013.

During the fourth quarter of 2013, the Company re-evaluated the amortized cost of their Asset-backed commercial paper (MAV). The Company concluded that the market for MAV showed signs of a liquid market with indications of bids and offers varying between approximately 80% and 90% depending on the class of the papers. Based on this information, the Company recorded an impairment reversal of $5,400,000 before taxes ($4,674,000 net of taxes) or $0.10 basic earnings per share.

The share repurchase program contributed to a decrease of $0.02 to basic earnings per share during the year.

Excluding these effects, the variation of net earnings would have decreased by $3,583,000 or $0.08 basic earnings per share.

The $3,583,000 variation in net adjusted earnings in 2014 breaks down as follows:

	(in thousands of $)	
	2014	2013
Net earnings	**48 647**	57 254
Impairment reversal MAV (net of taxes)	**-**	(4 674)
Change in option costs (net of taxes)	**151**	(199)
Adjusted net earnings	**48 798**	52 381
Minus: Adjusted net earnings for the 2013 period	**52 381**	
Variation	**(3 583)**	

This decrease in adjusted and after-tax operating income is allocated as follows:

(in thousands of $)

	Increase (decrease) retail operations	**Increase (decrease) Investment**	**Increase (decrease) adjusted operating income**
1st quarter 2014	(2 031)	(401)	(2 432)
2nd quarter 2014	(1 447)	1 861	414
3rd quarter 2014	2 133	401	2 534
4th quarter 2014	(3 924)	(175)	(4 099)
Total:	**(5 269)**	**1 686**	**(3 583)**

The decrease in retail operations of $7,208,000 before tax or $5,269,000 after tax can be explained by the decrease of gross margins and by the increase of certain expenses.

	(in thousands $) **2014**
Decrease in gross margin	**2 301**
Building maintenance	**700**
Amortization	**1 407**
Pension funds	**1 257**
Marketing expenses	**1 400**
Administrative expenses	**143**
Total :	**7 208**

Annual Financial Information
(In thousands of dollars, except per share amounts)

	2014 $	2013 $
Revenue	**701 356**	694 743
Net earnings	**48 647**	57 254
Total assets	**362 350**	306 296
Net earnings per share		
basic	**1,08**	1,24
diluted	**1,08**	1,24
Dividends per share	**0,24**	0,24

Financial Position and Dividends

Cash and investments increased by $42,502,000 during the year. Investments consist primarily of banker's acceptances, government bonds, as well as preferred and common stock, which at the close of the year had a market value of $157,665,000, including cash.

As of December 31, 2014, the working capital was $16,973,000, an increase of $3,211,000 from the preceding year. The Company's year-end shareholders' equity increased from $197,882,000 in 2013 to

$255,426,000 in 2014. As of December 31, 2014, the carrying amount per share was $5.68, compared with $4.37 on the same date in 2013.

During the twelve-month period ended December 31, 2014, no options were exercised or granted. As at December 31, 2014, options for 251,850 Class “A” Subordinate Shares were outstanding, representing 0.58% of the Company's issued and outstanding shares, and 5,710,864 options, representing 13.21% of the Company's issued and outstanding shares, may still be granted pursuant to the Plan. The outstanding options may be exercised at a price of $17.85 per Class “A” Subordinate Shares.

The number of the Company’s outstanding shares changed again during the 12-month period ended December 31, 2014, due to the share redemption program implemented on March 13th, 2014 and the conversion of Class “B” Multiple Voting Shares. Accordingly, 306,300 Class “A” Subordinate Shares were redeemed by the Company and cancelled, whereas 62,484 Class “B” Multiple Voting Shares were converted into the same number of Class “A” Subordinate Shares. As a result of these changes, as at December 31, 2014, there were 1,748,796 Class “B” Multiple Voting Shares and 43,212,904 Class “A” Subordinate Shares outstanding.

During the fiscal year, the Company paid eligible dividends of $0.24 per share to holders of Class “A” Subordinate Shares and Class “B” Multiple Voting Shares.

Company Pension Plans and Treatment of future actuarial gains and losses

In 2014, the Company established the accounting cost of pension benefits according to the International Financial Reporting Standards (IFRS).

The accounting cost of pension benefits acquired by employees is determined by actuarial calculations based on management’s best estimate assumptions, with the exception of the discount rate used to calculate the present value of projected pension liabilities, which is dictated by IFRS standards.

In accordance with these standards, a discount rate of 4.10% was used as at December 31, 2014, whereas a discount rate of 4.95% was used in the previous valuation. The discount rate must reflect the rate of return of high quality corporate bonds which match the cash flows of the Pension Plans.

The company also changed the methodology for assessing the Refundable Tax Account, following the publication of a paper in December 2014 by the Accounting Standards Board (AcSB) with regards to Retirement Compensation Arrangements. The Refundable Tax Account is now valued at its discounted value, whereas before it was valued at its face value. This change resulted in a recognized loss in the OCI of $2,573,000.

According to IFRS standards, the plans presented a surplus of $13,415,000 as at December 31, 2014. In 2013, the surplus was of $29,934,000. This decrease in surplus over the last year is mainly due to an actuarial loss related to the decrease in the discount rate, which was offset by a gain on investment returns, and special contributions made by the Company to fund the solvency deficits of the plans.

For the 2014 fiscal year, the pension expense amounted to $8,952,000 while contributions made by the Company for all plans combined amounted to $11,738,000, of which $6,294,000 was for current service and $5,444,000 for past service (compared to a pension expense of $7,695,000 in 2013).

As at December 31, 2014, the company has an accrued benefit assets included in the balance sheet of $13,039,000 (liability of $22,931,000 as at December 31, 2013). This reversal is caused by an absence of solvency deficit as at December 31, 2013.

The current IFRS standards result in a more predictable pension expense. For 2015, the pension expense is estimated between $7,000,000 and $8,000,000.

An actuarial valuation for funding purposes of the plans as at December 31, 2013 revealed a surplus on a solvency basis of $3,319,000.

The financial position of the plans will once again be subject to an actuarial valuation for funding purposes as at December 31, 2014, the results of which will be known in the course of 2015. Despite the good performance of investments and special contributions made by the company in 2014, a deficit on a solvency basis is anticipated due to the significant decline in bond yields during the year.

Finally, it is worth noting that the anticipated adoption of a new mortality table in 2015 for the actuarial valuation on a solvency basis could create a significant increase in the plans' liabilities. The effects of this expected modification will be assessed in the actuarial valuation as at December 31, 2015.

Related Party Transactions

In 2014, the Company paid management fees of $1,128,000 to Gestion Maurice Tanguay, a Company controlled by certain officers of the Company. This management contract started in 1990 and is renewed annually.

During the 2014 year, in the normal course of business, the Company incurred total rental expenses of $878,000 with the same Company that have been recognized at the exchange amount. The Company is committed under leases expiring in December 2018 and December 2024 representing total commitments of $6,541,000.

Commitments

Payments due by period (in $)

	Total	0-1 year	1-3 years	4-5 years	After 5 years
Operating leases*	45 437	6 969	10 594	8 679	19 195

* The Company is obligated under operating leases to pay future minimum annual rent for land and buildings.

Accounting Policies and Accounting Estimates

Accounting principles used in preparing the consolidated financial statements are described in Note 3 to the financial statements. The major accounting estimates pertain to inventory reserves and accrued volume discounts. Inventory reserves are calculated by analyzing all inventories for obsolete or damaged products as well as for low-turnover items. The reserve is based on many years of historic retail experience. For volume discounts, a reasonable estimate of amounts receivable is based on existing agreements with the Company's suppliers. The rebates associated with unsold merchandise are deducted from inventory at the close of the period.

Financial Instruments

The Company operates retail outlets in 36 locations across Quebec. A significant portion of the Company's sales are realized through the offering of financing solutions, by third-party credit providers, to the Company's customers. The cost of financing these sales is assumed by the Company, and is expensed as the associated sales are realized. The Company assumes no credit risk in these transactions. The Company's working capital is composed primarily of accounts receivable, inventories and cash on hand, while its short-term liabilities are towards suppliers of goods and services, customer deposits, as well as the debt relating to the share option plan. The statement of cash flows from operating activities discloses annual fluctuations in each working capital item. The Company has surplus cash that is invested and investments are recorded at market value as indicated in Note 3 and Note 7 to the financial statements as of December 31, 2014. The Company has no hedges against its investments in U.S. funds and assumes 100% of any market fluctuations for these investments. Furthermore, the Company assumes the risks interest rate fluctuations have on its fixed-income investments, as well as the risks stock market fluctuations have on the value of investments the Company has in publicly traded companies. Over time, this policy has been wholly beneficial.

The Company owns most its stores and distribution centers, such that commitments regarding leasing contracts are relatively insignificant with regard to its overall activities as detailed in Note 9 to the financial statements. The Company holds no hedging contracts or any other type of derivative products.

Quarterly Results (unaudited)
(In thousands of $, except per share amounts)

	March 31		June 30		September 30		December 31	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	$	$	**$**	$	**$**	$	**$**	$
Revenue	**145 118**	151 849	**182 881**	181 411	**190 207**	187 315	**183 150**	174 168
Net earnings	**(1 468)**	1 215	**14 020**	13 574	**18 271**	15 840	**17 824**	26 625
Net earnings per share								
Basic	**(0,03)**	0,03	**0,31**	0,29	**0,40**	0,34	**0,40**	0,58
Diluted	**(0,03)**	0,03	**0,31**	0,29	**0,40**	0,34	**0,40**	0,58

For the three-month period ended December 31, 2014, revenue totaled $183,150,000, an increase of $8,982,000 from $174,168,000 for the corresponding period in 2013. For the three-month period ended December 31, 2014, net earnings amounted to $17,824,000, or $0.40 basic earnings per share, compared with $26,625,000, or $0.58 basic earnings per share for the corresponding period in 2013.

For the three-month period ended December 31, 2014 and 2013 recognition in earnings of the change in the cost of options had a minimal effect on earnings per basic share.

During the fourth quarter 2013, the Company re-evaluated the amortized cost of their Asset-backed commercial paper (MAV). The Company concluded that the market for MAV showed signs of a liquid market with indications of bids and offers vary between approximately 80% and 90% depending on the class of the papers. Based on this information, the Company recorded an impairment reversal of $5,400,000 before taxes ($4,674,000 net of taxes) or $0.10 basic earnings per share.

The share redemption program during the quarter resulted in a $0.01 decrease in basic earnings per share.

Excluding these effects, the variation in net earnings would have been $4,099,000 or $0.09 basic earnings per share which breaks down as follows:

	(in thousands of $)	
	2014	2013
Net earnings	**17 824**	26 625
Impairment reversal MAV (net of taxes)	**-**	(4 674)
Change in option costs (net of taxes)	**4**	(24)
Adjusted net earnings	**17 828**	21 927
Minus: Adjusted net earnings for the 2013 period	**21 927**	
Variation	**(4 099)**	

Operations

During 2014, the Company proceeded with a complete upgrade of all of its websites and plans to implement a distinct e-commerce platform for all of its banners. This upgrade commenced in 2014 and will continue throughout 2015. The Company has already established its e-commerce strategy as well as its web tactics with the help of external advisors and specialists. During the third quarter of 2014, the Company signed a contract and proceeded with the purchase of an e-commerce platform. The implementation of which has also started during this period. The Company has also reviewed its IT systems in order to standardise them throughout the banners, as well as to allow them to be more aligned with our e-commerce strategies. Following this evaluation, the Company has decided to invest in a new IT system for all of its banners. The integration and implementation has also begun and will continue over the next 18 months.

Brault & Martineau

During 2014, the Company proceeded with replacing all the existing signs on our stores for a total cost of approximately $3,500,000. Also, the Company is also presently evaluating the remodeling of all of its furniture and electronic departments. The strategy behind this remodeling is to offer our clients a unique experience in our store that will help allow us to differentiate ourselves from electronic commerce.

EconoMax

During the 2014 fiscal year, the Company proceeded with the opening of 2 stores, in LaSalle and in Joliette. The costs of these stores were incurred during the 2014 fiscal year. In April 2015 the Company intends to open a new store in Granby. The Company has purchased land in Drummondville, where the construction of the store will begin in the first quarter of 2015 for an eventual store opening in 2015. Following the opening in Drummondville, the banner will have 11 stores in the province of Quebec.

Tanguay

The Company proceeded with the purchase of a 200,000 square foot parcel of land in Trois-Rivières, the construction of the store has not yet been established. Finally, the Company closed, following the end of its lease, its electronic store in Place Laurier in Quebec City.

Risk Factors and Market Trends

The Company is a furniture, electronic and household appliance retail business, and is therefore subject to many risk factors such as:

- Sensitivity to general economic conditions
- Reliance on key personnel
- Investment portfolio risks
- Third-party credit providers of financing solutions for customers
- Labour relations with employees, some of whom are unionized
- Maintaining profitability and managing growth:
    - Highly competitive nature of the retail industry
    - Effectiveness of our marketing programs
    - Ability to adapt to new consumer trends
    - Retention of qualified employees

The Company is also dependent on its information systems, distribution operations, and suppliers.

For a number of years, we have seen an increase in major competitors operating nationally and internationally. Furthermore, the Company has witnessed a decrease in the average unit price of the products it sells, forcing it to innovate by introducing new products.

The majority of sales are realized using financing options offered by third-party credit providers. A significant increase in interest rates or a tightening of credit conditions could have a significant impact on the Company's sales and resulting interest charges. There are no guaranties the Company will be able to continue procuring such advantageous financing solutions for its customers, which would allow the Company to maintain its current growth rates.

It is impossible to isolate and measure the importance of each individual risk to which the Company is exposed. In the past, the Company has managed to adapt to these changes and maintain and increase its market share, notably due to aggressive marketing and advertising campaigns.

As at December 31, 2014, options for 251,850 Class A Subordinate Shares remain outstanding for a total debt of $725,000 Due to fluctuations in the Black-Scholes valuation method, it is impossible to predict the future value of this debt. The debt's redemption, for its part, depends on the option holders' willingness to exercise their options. There are 65 months remaining to exercise the options.

Management Discussion and Outlook for the Future of the Company

The Quebec economy remained under pressure throughout the year. During 2014, more than 100,000 jobs were lost in the province of Quebec alone. Also, the real-estate sector has experienced an important slowdown. This weakness in our economy translates to a significant decrease in consumer spending in our business sector. Even in these difficult market conditions, the Company was able to maintain its revenues in 2014 primarily due to effective leadership by management, a solid market and financial position and its aggressive marketing campaigns.

During the last quarter of 2014 the Company saw its revenues increase substantially compared with the corresponding period of 2013. Management believes that this trend in revenue growth will remain in 2015 due to the considerable decrease in gas prices and the additional decrease in interest rates. This should improve considerably consumer spending in 2015.

Disclosure Controls and Procedures

BMTC Group Inc.'s management evaluated the effectiveness of the design and operation of its disclosure controls and procedures, as defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings. The evaluation was performed under the supervision of BMTC Group Inc.'s Chairman, President and Chief Executive Officer ("CEO"), who also performs functions similar to a Chief Financial Officer ("CFO"). Based on such evaluation of disclosure controls and procedures, the Chairman, President and CEO has concluded that the Company's disclosure controls and procedures were effective as at December 31st, 2014.

Internal Controls Over Financial Reporting

BMTC Group Inc.'s management is responsible for designing internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

BMTC Group Inc.'s management evaluated the effectiveness of the design and operation of its internal control over financial reporting, as defined under National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings. The evaluation was performed under the supervision of BMTC Group Inc.'s Chairman, President and Chief Executive Officer ("CEO"), who also performs functions similar to a Chief Financial Officer ("CFO"). Based on such evaluation of internal control over financial reporting, the Chairman, President and CEO has concluded that the Company's internal control over financial reporting was effective as at December 31st, 2014.

No changes were made in BMTC Group Inc.'s internal control over financial reporting during the period beginning on October 1st, 2014 and ended December 31st, 2014, which have materially affected, or are reasonably likely to materially affect, BMTC Group Inc.'s internal control over financial reporting.

Other Information

This Annual Management Report for the year 2014 provides an analysis of the consolidated results of operations, financial position, and cash flows of BMTC Group inc. and its subsidiaries and should be read in conjunction with the accompanying audited consolidated financial statements for the year ended December 31st, 2014, as well as the Company's 2014 interim management reports. Additional information relating to the Company, including its Annual Information Form, is available on SEDAR at www.sedar.com.

This Annual Management Report is intended to assist in the understanding and assessment of significant changes and trends, as well as risks and uncertainties, related to the Company's results of operations and financial position.

(s) Yves Des Groseillers
Yves Des Groseillers
Chairman of the Board of Directors
President and Chief Executive Officer
February 12th, 2015