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Q.E.P. CO., INC. REPORTS FISCAL 2015
NINE MONTH AND THIRD QUARTER SALES AND EARNINGS

NINE MONTH SALES – $231.3 MILLION
THIRD QUARTER SALES – $74.6 MILLION

NINE MONTH NET INCOME – $2.1 MILLION
THIRD QUARTER NET INCOME – $0.5 MILLION

BOCA RATON, FLORIDA—January 12, 2015—Q.E.P. CO., INC. (OTC: QEPC.PK) (the "Company") today reported its consolidated results of operations for the first nine months and third quarter of its fiscal year ending February 28, 2015.

The Company reported net sales of $231.3 million for the nine months ended November 30, 2014 compared to $232.3 million reported for the same period of fiscal 2014. As a percentage of net sales, gross profit was 27.4% in the first nine months of fiscal 2015 compared to 28.6% in the first nine months of fiscal 2014.

Net sales for the third quarter of fiscal 2015 totaled $74.6 million, an increase of $2.1 million over the $72.4 million reported for the third quarter of fiscal 2014. Gross profit as a percent of net sales in the third quarter of fiscal 2015 was 27.5% compared to 29.0% for the third quarter of fiscal 2014.

Lewis Gould, the Company's chairman, commented: "Although the quarter was less than expected, we have continued to make significant changes in our operations directed at improving future profitability. Importantly, Brian Kura recently joined the QEP organization as an Executive Vice President with the task of increasing sales and profits while overhauling our sales and marketing activities. Separately, we are in the early stages of moving our primary Canadian operation to a new lower-cost facility. This is occurring in the midst of a continuing strengthening of the American dollar that has the effect of reducing the purchasing power of our international operations. Mr. Gould concluded, "In the face of these challenges, our sales continue at a strong pace and we are continuing our capital improvement projects. I am personally very confident of your company's future."

Net sales for the nine-month period ended November 30, 2014 compared to the comparable period in the prior fiscal year reflects the expansion of our product lines with existing customers in the Company's international operations and the contribution of our Faus and Plasplugs acquisitions offset by the impact of a significant North American customer's discontinued purchases of certain products during the second quarter of fiscal 2014. Overall, changes in currency exchange rates had a modest negative impact on reported sales for the nine-month period ended November 30, 2014 compared to the comparable period in the prior fiscal year.

The growth in net sales for the third quarter of fiscal 2015 compared to the third quarter of prior fiscal year also reflects the expansion of our product lines with existing customers in the Company's international operations and the contribution of our Faus acquisition offset by the net unfavorable impact on reported sales from changes in currency exchange rates.

The decrease in the Company's gross profit as a percentage of net sales for both the quarter and year-to-date as compared to the comparable periods in the prior fiscal year principally reflects changes in product mix, reduced pricing in our North American mass merchant channel and increases in the cost of raw materials. In addition, during the third quarter currency exchange rates more adversely affected the purchasing power of the Company's international operations.

Operating expenses for the first nine months and third quarter of fiscal 2015 were $59.1 million and $19.4 million, respectively, or 25.5% and 25.9%, respectively, of net sales in those periods, compared to $57.5 million and $18.3 million, respectively, or 24.7% and 25.3%, respectively, for the comparable periods of fiscal 2014. The increase in operating expenses is primarily the result of growth in international sales, integration costs associated with the acquisitions in Europe, and certain US general and administrative expenses, partially offset by decreases in US selling expenses and corporate compensation expenses. In addition, during the first nine months and the third quarter, currency exchange rates had a net favorable effect on operating expenses of the Company's international operations compared to the comparable periods of the prior fiscal year.

Non-operating income for the first nine months of fiscal 2014 reflects the gain on the sale and leaseback of the Company's primary Canadian facility. Non-operating expenses for the first nine months of fiscal 2015 and for the three months ended November 30, 2014 and 2013 include the impact of a settlement of a third party obligation associated with a prior year acquisition and modest additional costs associated with a fire at our main Australian facility during the last fiscal year.

The increase in interest expense for fiscal 2015 as compared to fiscal 2014 is primarily the result of new term loan facilities.

The provision for income taxes as a percentage of income before taxes for the first nine months and third quarter of fiscal 2015 was 33.2% and 36.0%, respectively, compared to 26.0% and 31.0%, respectively, for the comparable periods of fiscal 2014. The effective tax rate in both fiscal years reflects the relative contribution of the Company's earnings sourced from its international operations. The effective tax rate in fiscal 2015 also reflects the second quarter benefit of certain employment related US state income tax credits while the effective tax rate in fiscal 2014 also reflects the favorable rate impact of the sale of our Canadian property.

Net income for the first nine months and third quarter of fiscal 2015 was $2.1 million and $0.5 million, respectively, or $0.65 and $0.16, respectively, per diluted share. For the comparable periods of fiscal 2014, net income was $8.6 million and $1.6 million, respectively, or $2.59 and $0.50 per diluted share.

Earnings before interest, taxes, depreciation, amortization, non-operating income and restructuring charges (EBITDAR) for the first nine months and third quarter of fiscal 2015 was $8.2 million and $2.5 million, respectively, as compared to $12.2 million and $3.8 million, respectively, for the comparable periods of fiscal 2014.

	For the Three Months Ended November 30,		For the Nine Months Ended November 30,	
	2014	2013	2014	2013
Net income	$ 516	$ 1,648	$ 2,121	$ 8,555
Add (deduct):				
Restructuring charges	-	60	-	60
Non-operating items	14	19	146	(3,360)
Interest expense, net	357	234	1,007	722
Provision for income taxes	290	740	1,052	3,000
Depreciation and amortization	1,282	1,070	3,873	3,189
EBITDAR	$ 2,459	$ 3,771	$ 8,199	$ 12,166

Cash provided by operations during the first nine months of fiscal 2015 was $3.3 million compared to $3.7 million for the same period in the prior year reflecting both the decrease in cash from operations offset by lower investments in working capital. During fiscal 2015, the Company's increased cash balances as well as funding for acquisitions, capital expenditures and the Company's continuing treasury stock program were provided from borrowings and cash from operations. During the first nine months of fiscal 2014, investments in acquisitions totaled $23.8 million. These acquisitions, combined with capital expenditures and the Company's treasury stock purchases were funded through a combination of borrowings, proceeds from the sale of a Canadian property and cash from operations.

Working capital at the end of the Company's fiscal 2015 third quarter was $39.3 million compared to $28.8 million at the end of the 2014 fiscal year. Aggregate debt at the end of the Company's fiscal 2015 third quarter was $47.2 million or 70.0% of equity compared to $41.4 million or 61.9% of equity at the end of the 2014 fiscal year.

The Company will be hosting a conference call to discuss these results and to answer your questions at 10:00 a.m. Eastern Time on Wednesday, January 14, 2015. If you would like to join the conference call, dial 1-888-401-4668 toll free from the US or 1-719-325-2402 internationally approximately 10 minutes prior to the start time and ask for the Q.E.P. Co., Inc. Third Quarter Conference Call / Conference ID 7372075. A replay of the conference call will be available until midnight January 21, 2015 by calling 1-877-870-5176 toll free from the US and entering pin number 7372075; internationally, please call 1-858-384-5517 using the same pin number.

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Q.E.P. Co., Inc., founded in 1979, is a world class, worldwide provider of innovative, quality and value-driven flooring and industrial solutions. As a leading manufacturer, marketer and distributor, QEP delivers a comprehensive line of hardwood and laminate flooring, flooring installation tools, adhesives and flooring related products targeted for the professional installer as well as the do-it-yourselfer. In addition, the Company provides industrial tools with cutting edge technology to the industrial trades. Under brand names including QEP®, ROBERTS®, HarrisWood®, Fausfloor®, Capitol®, Nupla®, HISCO®, Ludell®, Porta-Nails®, Elastiment®, Vitrex®, Homelux®, Tilerite®, PRCI®, Plasplugs®, Tomecanic® and Benetiere®, the Company markets over 7,000 products. The Company sells its products to home improvement retail centers, specialty distribution outlets, municipalities and industrial solution providers in 50 states and throughout the world.

This press release contains forward-looking statements, including statements regarding future profitability, operating efficiencies, sales and marketing activities, cost savings, currency exchange movements and capital improvements. These statements are not guarantees of future performance and actual results could differ materially from our current expectations.

-Financial Information Follows-

Q.E.P. CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(In thousands except per share data)
(Unaudited)

	For the Three Months Ended November 30,		For the Nine Months Ended November 30,	
	2014	**2013**	**2014**	**2013**
Net sales	$ 74,572	$ 72,449	$ 231,327	$ 232,266
Cost of goods sold	54,045	51,468	167,918	165,888
Gross profit	20,527	20,981	63,409	66,378
Operating expenses:				
Shipping	7,224	6,727	22,320	21,691
General and administrative	6,522	6,179	19,124	19,111
Selling and marketing	5,705	5,530	17,959	17,074
Other income, net	(101)	(96)	(320)	(415)
Total operating expenses	19,350	18,340	59,083	57,461
Operating income	1,177	2,641	4,326	8,917
Non-operating income (expense), net	(14)	(19)	(146)	3,360
Interest expense, net	(357)	(234)	(1,007)	(722)
Income before provision for income taxes	806	2,388	3,173	11,555
Provision for income taxes	290	740	1,052	3,000
Net income	$ 516	$ 1,648	$ 2,121	$ 8,555
Net income per share:				
Basic	$ 0.16	$ 0.50	$ 0.65	$ 2.61
Diluted	$ 0.16	$ 0.50	$ 0.65	$ 2.59
Weighted average number of common shares outstanding:				
Basic	3,224	3,274	3,243	3,274
Diluted	3,248	3,294	3,265	3,298

Q.E.P. CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In thousands)
(Unaudited)

	For the Three Months Ended November 30,		For the Nine Months Ended November 30,	
	2014	**2013**	**2014**	**2013**
Net income	$ 516	$ 1,648	$ 2,121	$ 8,555
Unrealized currency translation adjustments, net of tax	(812)	286	(941)	(489)
Comprehensive income	$ (296)	$ 1,934	$ 1,180	$ 8,066

Q.E.P. CO., INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands except per share values)

	November 30, 2014 (Unaudited)	February 28, 2014
ASSETS		
Cash	$ 11,542	$ 2,621
Accounts receivable, less allowance for doubtful accounts of $670 and $ 382 as of November 30, 2014 and February 28, 2014, respectively	43,640	45,726
Inventories	46,195	42,906
Prepaid expenses and other current assets	3,237	3,338
Deferred income taxes	745	744
Current assets	105,359	95,335
Property and equipment, net	22,382	24,353
Deferred income taxes, net	3,917	3,926
Intangibles, net	19,403	21,697
Other assets	448	470
Total Assets	$ 151,509	$ 145,781
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	$ 20,122	$ 21,989
Accrued liabilities	16,055	14,613
Lines of credit	25,537	28,173
Current maturities of notes payable	4,386	1,746
Current liabilities	66,100	66,521
Notes payable	17,252	11,487
Other long term liabilities	805	931
Total Liabilities	84,157	78,939
Preferred stock, 2,500 shares authorized, $1.00 par value; 337 shares issued and outstanding at November 30, 2014 and February 28, 2014	337	337
Common stock, 20,000 shares authorized, $.001 par value; 3,801 shares issued; 3,224 and 3,262 shares outstanding at November 30, 2014 and February 28, 2014, respectively	4	4
Additional paid-in capital	10,664	10,620
Retained earnings	64,244	62,130
Treasury stock, 577 and 539 shares held at cost at November 30, 2014 and February 28, 2014, respectively	(6,408)	(5,701)
Accumulated other comprehensive income	(1,489)	(548)
Shareholders' Equity	67,352	66,842
Total Liabilities and Shareholders' Equity	$ 151,509	$ 145,781

Q.E.P. CO., INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	For the Nine Months Ended November 30,	
	2014	**2013**
Operating activities:		
Net income	$ 2,121	$ 8,555
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,873	3,189
Gain on sale of property	-	(3,379)
Other non-cash adjustments	392	301
Changes in assets and liabilities, net of acquisition:		
Accounts receivable	447	(2,968)
Inventories	(3,965)	(870)
Prepaid expenses and other assets	53	(1,214)
Trade accounts payable and accrued liabilities	423	76
Net cash provided by operating activities	3,344	3,690
Investing activities:		
Acquisitions	(401)	(23,814)
Proceeds from sale of property	144	4,630
Capital expenditures	(914)	(782)
Net cash used in investing activities	(1,171)	(19,966)
Financing activities:		
Net (repayments) borrowings under lines of credit	(968)	19,728
Net borrowings (repayments) of notes payable	8,405	(1,921)
Purchases of treasury stock	(670)	(315)
Stock options repurchased net of options exercised	-	(31)
Dividends	(7)	(7)
Net cash provided by financing activities	6,760	17,454
Effect of exchange rate changes on cash	(12)	(4)
Net increase in cash	8,921	1,174
Cash at beginning of period	2,621	737
Cash at end of period	$ 11,542	$ 1,911