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**Q.E.P. CO., INC. REPORTS FISCAL 2016  
NINE MONTHS AND THIRD QUARTER SALES AND EARNINGS**

**RECORD NINE MONTHS SALES – \$237.4 MILLION  
RECORD THIRD QUARTER SALES – \$77.5 MILLION**

**NINE MONTHS NET INCOME – \$4.3 MILLION  
THIRD QUARTER NET INCOME – \$0.9 MILLION**

**BOCA RATON, FLORIDA— January 5, 2016—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 29, 2016.

The Company reported net sales of \$237.4 million for the nine months ended November 30, 2015, an increase of \$6.1 million or 2.6% from the \$231.3 million reported in the same period of fiscal 2015. As a percentage of net sales, gross margin was 26.7% in the first nine months of fiscal 2016 compared to 27.4% in the first nine months of fiscal 2015.

Net sales for the third quarter of fiscal 2016 were \$77.5 million and reflected a gross margin of 25.9% compared to net sales of \$74.6 million and a gross margin of 27.5% for the third quarter of fiscal 2015.

Lewis Gould, Chairman of the Company’s Board of Directors, commented: "Our Associates are working diligently to continue our profit improvement through increases in sales and lowering our costs. We have been positively affected by lower operating expenses, which are reflected in our North American operations. However, we are impacted by foreign exchange rate changes which have a significant effect on our Income Statement. We are continuing the process of simplifying our operations and driving to be a low cost supplier."

Net sales for the three and nine month periods ended November 30, 2015 as compared to the comparable periods in the prior fiscal year reflect growth across multiple product lines in the US, including tile tools, adhesives and wood flooring products. Australia continued to see the expansion of its carpet related business compared to the prior year period while Europe experienced slower growth. The impact in foreign exchange rates continued to negatively affect both the purchasing power of the Company’s international operations and the translation of international results.

The Company’s gross margin was adversely affected by the effect of foreign currency rates on the purchasing power in our international operations, inventory valuation adjustments, and product returns and mix.

Operating expenses for the first nine months and third quarter of fiscal 2016 were \$55.9 million and \$18.5 million, respectively, or 23.5% and 23.9% of net sales in those periods, compared to \$59.1 million and \$19.4 million, respectively, or 25.5% and 25.9% of net sales in the comparable fiscal 2015 periods. The decrease in operating expenses was driven by targeted decreases in US marketing costs and the favorable translation impact of foreign currency movements.

The decrease in interest expense during fiscal 2016 as compared to fiscal 2015 is principally the result of the repayment of \$7.2 million outstanding under term loan facilities during fiscal 2016.

The provision for income taxes as a percentage of income before taxes for the first nine months and third quarter of fiscal 2016 was 35.0% in each period, compared to 33.2% and 36.0%, respectively, for the comparable periods of fiscal 2015. 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.

Net income for the first nine months and third quarter of fiscal 2016 was \$4.3 million and \$0.9 million, respectively, or \$1.34 and \$0.26, respectively, per diluted share. For the comparable periods of fiscal 2015, net income was \$2.1 million and \$0.5 million, respectively, or \$0.65 and \$0.16, respectively, per diluted share.

Earnings before interest, taxes, depreciation and amortization (EBITDA) and non-operating income for the first nine months and third quarter of fiscal 2016 was \$10.8 million and \$2.7 million, respectively, as compared to \$8.2 million and \$2.5 million, respectively, for the comparable periods of fiscal 2015.

	For the Three Months Ended November 30,		For the Nine Months Ended November 30,	
	2015	2014	2015	2014
Net income	\$ 850	\$ 516	\$ 4,338	\$ 2,121
Add: Interest expense, net	264	357	871	1,007
Provision for income taxes	458	290	2,336	1,052
Depreciation and amortization	1,114	1,282	3,299	3,873
Non-operating expense	-	14	-	146
EBITDA before non-operating expense	<u>\$ 2,686</u>	<u>\$ 2,459</u>	<u>\$ 10,844</u>	<u>\$ 8,199</u>

Cash provided by operations during the first nine months of fiscal 2016 was \$10.5 million as compared to \$3.3 million in the first nine months of fiscal 2015, reflecting the increase in operating income net of nominal changes in working capital. During fiscal 2016, the Company's capital expenditures were funded through cash from operations. Additional funds from operations were used, along with cash balances, to reduce debt. During the first nine months of fiscal 2015, investments in an acquisition and capital expenditures were funded through a combination of borrowings and cash from operations.

Working capital at the end of the Company's fiscal 2016 third quarter was \$39.7 million compared to \$34.5 million at the end of the 2015 fiscal year. Aggregate debt, net of available cash balances, at the end of the Company's fiscal 2016 third quarter was \$24.4 million or 35% of equity, a decrease of \$10.5 million compared to \$34.9 million or 53% of equity at the end of the 2015 fiscal year mainly due to the payment of approximately \$7.6M of debt during this 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 Thursday, January 7, 2016. If you would like to join the conference call, dial 1-888-430-8705 toll free from the US or 1-719-457-2648 internationally approximately 10 minutes prior to the start time and ask for the Q.E.P. Co., Inc. Third-Quarter Conference Call / Conference ID 9122345. A replay of the conference call will be available until midnight January 14, 2016 by calling 1-877-870-5176 toll free from the US and entering pin number 9122345; 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®, Capitol®, Harris®Wood, Fausfloor®, Vitrex®, Homelux®, TileRite®, PRCI®, Nupla®, HISCO®, Plasplugs, Ludell®, Porta-Nails®, Tomecanic®, Bénètiere® and Elastiment®, 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 economic conditions, sales growth, product development and marketing, operating expenses, cost savings and currency exchange rates. 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)

	<b>For the Three Months Ended November 30,</b>		<b>For the Nine Months Ended November 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Net sales</b>	\$ 77,454	\$ 74,572	\$ 237,427	\$ 231,327
Cost of goods sold	57,407	54,045	174,027	167,918
<b>Gross profit</b>	<u>20,047</u>	<u>20,527</u>	<u>63,400</u>	<u>63,409</u>
<b>Operating expenses:</b>				
Shipping	6,655	7,224	21,071	22,320
General and administrative	6,531	6,522	19,116	19,124
Selling and marketing	5,362	5,705	15,940	17,959
Other income, net	(73)	(101)	(272)	(320)
Total operating expenses	<u>18,475</u>	<u>19,350</u>	<u>55,855</u>	<u>59,083</u>
<b>Operating income</b>	1,572	1,177	7,545	4,326
Non-operating expense	-	(14)	-	(146)
Interest expense, net	<u>(264)</u>	<u>(357)</u>	<u>(871)</u>	<u>(1,007)</u>
<b>Income before provision for income taxes</b>	1,308	806	6,674	3,173
Provision for income taxes	<u>458</u>	<u>290</u>	<u>2,336</u>	<u>1,052</u>
<b>Net income</b>	<u>\$ 850</u>	<u>\$ 516</u>	<u>\$ 4,338</u>	<u>\$ 2,121</u>
<b>Net income per share:</b>				
Basic	<u>\$ 0.27</u>	<u>\$ 0.16</u>	<u>\$ 1.35</u>	<u>\$ 0.65</u>
Diluted	<u>\$ 0.26</u>	<u>\$ 0.16</u>	<u>\$ 1.34</u>	<u>\$ 0.65</u>
<b>Weighted average number of common shares outstanding:</b>				
Basic	<u>3,206</u>	<u>3,224</u>	<u>3,208</u>	<u>3,243</u>
Diluted	<u>3,228</u>	<u>3,248</u>	<u>3,230</u>	<u>3,265</u>



**Q.E.P. CO., INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In thousands)

(Unaudited)

	<b>For the Three Months Ended November 30,</b>		<b>For the Nine Months Ended November 30,</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
<b>Net income</b>	\$ 850	\$ 516	\$ 4,338	\$ 2,121
Unrealized currency translation adjustments	<u>(451)</u>	<u>(812)</u>	<u>(932)</u>	<u>(941)</u>
<b>Comprehensive income</b>	<u><u>\$ 399</u></u>	<u><u>\$ (296)</u></u>	<u><u>\$ 3,406</u></u>	<u><u>\$ 1,180</u></u>

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

	<b>November 30, 2015 (Unaudited)</b>	<b>February 28, 2015</b>
<b>ASSETS</b>		
Cash	\$ 12,827	\$ 10,576
Accounts receivable, less allowance for doubtful accounts of \$356 and \$404 as of November 30, 2015 and February 28, 2015, respectively	40,182	39,924
Inventories	45,484	44,121
Prepaid expenses and other current assets	2,568	3,057
Deferred income taxes	661	660
<b>Current assets</b>	<b>101,722</b>	<b>98,338</b>
Property and equipment, net	20,014	21,713
Deferred income taxes, net	3,793	3,835
Intangibles, net	17,160	18,721
Other assets	566	600
<b>Total Assets</b>	<b>\$ 143,255</b>	<b>\$ 143,207</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Trade accounts payable	\$ 19,475	\$ 18,097
Accrued liabilities	16,747	13,111
Lines of credit	23,793	24,895
Current maturities of notes payable	2,032	7,759
<b>Current liabilities</b>	<b>62,047</b>	<b>63,862</b>
Notes payable	11,370	12,781
Other long term liabilities	726	765
<b>Total Liabilities</b>	<b>74,143</b>	<b>77,408</b>
Preferred stock, 2,500 shares authorized, \$1.00 par value; 337 shares issued and outstanding at November 30, 2015 and February 28, 2015	337	337
Common stock, 20,000 shares authorized, \$.001 par value; 3,802 and 3,800 shares issued, and 3,208 and 3,214 shares outstanding at November 30, 2015 and February 28, 2015, respectively	4	4
Additional paid-in capital	10,723	10,679
Retained earnings	68,314	63,983
Treasury stock, 594 and 586 shares held at cost at November 30, 2015 and February 28, 2015, respectively	(6,714)	(6,584)
Accumulated other comprehensive income	(3,552)	(2,620)
<b>Shareholders' Equity</b>	<b>69,112</b>	<b>65,799</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$ 143,255</b>	<b>\$ 143,207</b>

**Q.E.P. CO., INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(Unaudited)

	<b>For the Nine Months Ended November 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Operating activities:</b>		
Net income	\$ 4,338	\$ 2,121
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,299	3,873
Other non-cash adjustments	132	392
Changes in assets and liabilities, net of acquisition:		
Accounts receivable	(1,185)	447
Inventories	(2,158)	(3,965)
Prepaid expenses and other assets	482	53
Trade accounts payable and accrued liabilities	5,595	423
Net cash provided by operating activities	<u>10,503</u>	<u>3,344</u>
<b>Investing activities:</b>		
Proceeds from sale of property	348	144
Capital expenditures	(881)	(914)
Acquisition	-	(401)
Net cash used in investing activities	<u>(533)</u>	<u>(1,171)</u>
<b>Financing activities:</b>		
Net borrowings (repayments) under lines of credit	(469)	(968)
Net borrowings (repayments) of notes payable	(7,139)	8,405
Purchase of treasury stock	(90)	(670)
Dividends	(7)	(7)
Net cash provided by (used in) financing activities	<u>(7,705)</u>	<u>6,760</u>
<b>Effect of exchange rate changes on cash</b>	<u>(14)</u>	<u>(12)</u>
<b>Net (decrease) increase in cash</b>	2,251	8,921
Cash at beginning of period	<u>10,576</u>	<u>2,621</u>
<b>Cash at end of period</b>	<u><u>\$ 12,827</u></u>	<u><u>\$ 11,542</u></u>