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Q.E.P. CO., INC. REPORTS FISCAL 2017
SIX MONTH AND SECOND QUARTER SALES AND EARNINGS

SIX MONTH SALES – $160.2 MILLION
SECOND QUARTER SALES – $80.1 MILLION

SIX MONTH NET INCOME – $4.5 MILLION
SECOND QUARTER NET INCOME – $2.3 MILLION

BOCA RATON, FLORIDA— October 5, 2016—Q.E.P. CO., INC. (OTC: QEPC.PK) (the "Company") today reported its consolidated results of operations for the first six months and second quarter of its fiscal year ending February 28, 2017.

The Company reported net sales of $160.2 million for the six months ended August 31, 2016, an increase of $0.2 million or 0.1% from the $160.0 million reported in the same period of fiscal 2016. As a percentage of net sales, gross margin was 28.2% in the first six months of fiscal 2017 compared to 27.1% in the first six months of fiscal 2016.

Net sales for the second quarter of fiscal 2017 were $80.1 million and reflected a gross margin of 28.1% compared to net sales of $81.7 million and a gross margin of 27.1% for the second quarter of fiscal 2016.

Lewis Gould, Chairman of the Company's Board of Directors, commented, "In spite of the numerous headwinds and pressure on our worldwide companies, I am pleased to report additional profit and a decrease in our debt balance this year to date."

Net sales for both the six and three month periods ended August 31, 2016 as compared to the same period in the prior fiscal year reflects mixed growth across product categories, net of the impact of changes in inventory purchasing patterns of certain retail customers and the negative effects of foreign currency rate changes, particularly in the UK during the second quarter.

The Company's gross margin as a percentage of net sales for both year-to-date and the second quarter increased compared to the prior fiscal year periods. The Company benefited from changes in the product mix and management of costs, which were offset by the negative impact of changes in foreign currency rates.

Operating expenses for the first six months and second quarter of fiscal 2017 were $37.5 million and $18.7 million, respectively, or 23.4% and 23.3% of net sales in those periods, compared to $37.4 million and $18.4 million, respectively, or 23.4% and 22.5% of net sales in the comparable fiscal 2016 periods. The relatively unchanged Operating expense trend was driven by targeted increases in US marketing programs, offset by

decreased shipping costs related to customer and product mix and the favorable translation impact of foreign currency movements.

Non-operating income for the first six months and the second quarter of fiscal 2017 represents a gain on the sale of certain non-core assets of the Company.

The decrease in interest expense during fiscal 2017 as compared to fiscal 2016 is principally the result of the repayment of $5.6 million outstanding under a term loan facility in the first quarter of fiscal 2016.

The provision for income taxes as a percentage of income before taxes for the first six months and second quarter of fiscal 2017 was 37.5% in each period, compared to 35.0% in each period for the comparable periods of fiscal 2016. The effective tax rate in both fiscal years reflects the relative contribution of the Company's earnings sourced from its international operations.

Net income for the first six months and second quarter of fiscal 2017 was $4.5 million and $2.3 million, respectively, or $1.41 and $0.73, respectively, per diluted share. For the comparable periods of fiscal 2016, net income was $3.5 million and $2.2 million, respectively, or $1.08 and $0.69, respectively, per diluted share.

Earnings before interest, taxes, depreciation and amortization (EBITDA) and non-operating income for the first six months and second quarter of fiscal 2017 was $9.6 million and $4.8 million, respectively, as compared to $8.2 million and $4.8 million, respectively, for the comparable periods of fiscal 2016.

	For the Three Months Ended August 31,		For the Six Months Ended August 31,	
	2016	2015	2016	2015
Net income	$ 2,343	$ 2,220	$ 4,528	$ 3,488
Add: Interest expense, net	291	287	572	607
Provision for income taxes	1,407	1,195	2,718	1,878
Depreciation and amortization	977	1,115	1,993	2,185
Gain on sale of business	(184)	-	(184)	-
EBITDA before non-operating income	$ 4,834	$ 4,817	$ 9,627	$ 8,158

Cash provided by operations during the first six months of fiscal 2017 was $3.0 million as compared to $3.5 million in the first six months of fiscal 2016, reflecting both the increase in operating income and additional net investments in working capital. In both the current and prior year six month fiscal periods, the Company's capital expenditures, investments and treasury stock purchases were funded through cash from operations as additional funds from operations were used, along with cash balances, to reduce debt.

Working capital at the end of the Company's fiscal 2017 second quarter was $43.5 million compared to $38.7 million at the end of the 2016 fiscal year. Aggregate debt, net of available cash balances, at the end of the Company's fiscal 2017 second quarter was $18.0 million or 24.7% of equity, a decrease of $2.1 million compared to $20.1 million or 29.4% of equity at the end of the 2016 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 Tuesday, October 11, 2016. If you would like to join the conference call, dial 1-888-455-

2311 toll free from the US or 1-719-325-2364 internationally approximately 10 minutes prior to the start time and ask for the Q.E.P. Co., Inc. Second-Quarter Conference Call / Conference ID 9856218. A replay of the conference call will be available until midnight October 18, 2016 by calling 1-844-512-2921 toll free from the US and entering pin number 9856218; internationally, please call 1-412-317-6671 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, profit improvements, product development and marketing, operating expenses, cost savings, cash flow, debt 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)

	For the Three Months Ended August 31,		For the Six Months Ended August 31,	
	2016	**2015**	**2016**	**2015**
Net sales	$ 80,080	$ 81,706	$ 160,258	$ 159,973
Cost of goods sold	57,548	59,594	115,117	116,619
Gross profit	22,532	22,112	45,141	43,354
Operating expenses:				
Shipping	7,025	7,106	13,682	14,416
General and administrative	6,504	6,329	12,904	12,585
Selling and marketing	5,291	5,087	11,212	10,578
Other income, net	(145)	(112)	(291)	(198)
Total operating expenses	18,675	18,410	37,507	37,381
Operating income	3,857	3,702	7,634	5,973
Non-operating expense	184	-	184	-
Interest expense, net	(291)	(287)	(572)	(607)
Income before provision for income taxes	3,750	3,415	7,246	5,366
Provision for income taxes	1,407	1,195	2,718	1,878
Net income	$ 2,343	$ 2,220	$ 4,528	$ 3,488
Net income per share:				
Basic	$ 0.73	$ 0.69	$ 1.41	$ 1.09
Diluted	$ 0.73	$ 0.69	$ 1.41	$ 1.08
Weighted average number of common shares outstanding:				
Basic	3,202	3,206	3,199	3,209
Diluted	3,215	3,228	3,217	3,231

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

	For the Three Months Ended August 31,		For the Six Months Ended August 31,	
	2016	**2015**	**2016**	**2015**
Net income	$ 2,343	$ 2,220	$ 4,528	$ 3,488
Unrealized currency translation adjustments	(361)	(363)	143	(481)
Comprehensive income	$ 1,982	$ 1,857	$ 4,671	$ 3,007

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

	August 31, 2016 (Unaudited)	February 29, 2016
ASSETS		
Cash	$ 13,647	$ 15,923
Accounts receivable, less allowance for doubtful accounts of $406 and $377 as of August 31, 2016 and February 29, 2016, respectively	40,990	39,491
Inventories	43,125	42,797
Prepaid expenses and other current assets	3,013	2,234
Current assets	100,775	100,445
Property and equipment, net	18,669	19,538
Deferred income taxes, net	5,276	5,288
Intangibles, net	15,491	15,717
Other assets	371	550
Total Assets	$ 140,582	$ 141,538
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	$ 18,616	$ 18,432
Accrued liabilities	16,611	17,854
Income taxes payable	271	383
Lines of credit	19,737	23,093
Current maturities of notes payable	1,992	2,032
Current liabilities	57,227	61,794
Notes payable	9,945	10,899
Other long term liabilities	589	589
Total Liabilities	67,761	73,282
Preferred stock, 2,500 shares authorized, $1.00 par value; 337 shares issued and outstanding at August 31, 2016 and February 29, 2016	337	337
Common stock, 20,000 shares authorized, $.001 par value; 3,821 and 3,802 shares issued, and 3,208 and 3,198 shares outstanding at August 31, 2016 and February 29, 2016, respectively	4	4
Additional paid-in capital	10,766	10,737
Retained earnings	72,477	67,952
Treasury stock, 612 and 604 shares held at cost at August 31, 2016 and February 29, 2016, respectively	(7,016)	(6,884)
Accumulated other comprehensive income	(3,747)	(3,890)
Shareholders' Equity	72,821	68,256
Total Liabilities and Shareholders' Equity	$ 140,582	$ 141,538

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

	For the Six Months Ended August 31,	
	2016	**2015**
Operating activities:		
Net income	$ 4,528	$ 3,488
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,993	2,185
(Gain)/Loss on sale of business	(184)	-
Other non-cash adjustments	4	117
Changes in assets and liabilities, net of acquisition:		
Accounts receivable	(1,182)	(5,093)
Inventories	(94)	(1,763)
Prepaid expenses and other assets	(514)	591
Trade accounts payable and accrued liabilities	(1,506)	3,934
Net cash provided by operating activities	3,045	3,459
Investing activities:		
Proceeds from sale of property	48	344
Capital expenditures	(802)	(592)
Acquisitions, net of cash aquired	(1,702)	-
Proceeds from sale of business	850	-
Net cash used in investing activities	(1,606)	(248)
Financing activities:		
Net (repayments) under lines of credit	(2,515)	(667)
Net (repayments) of notes payable	(994)	(6,568)
Purchase of treasury stock	(60)	(60)
Dividends	(4)	(4)
Net cash (used in) financing activities	(3,573)	(7,299)
Effect of exchange rate changes on cash	(142)	(4)
Net (decrease) increase in cash	(2,276)	(4,092)
Cash at beginning of period	15,923	10,576
Cash at end of period	$ 13,647	$ 6,484