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Q.E.P. CO., INC. REPORTS FISCAL 2016 FIRST QUARTER SALES AND EARNINGS

QUARTERLY SALES – $78.3 MILLION
QUARTERLY NET INCOME – $1.3 MILLION

BOCA RATON, FLORIDA—July 28, 2015—Q.E.P. CO., INC. (OTC: QEPC.PK) (the "Company") today reported its consolidated results of operations for the first quarter of its fiscal year ending February 29, 2016.

The Company reported net sales of $78.3 million for the three months ended May 31, 2015, a decrease of $1.4 million from the $79.7 million reported in the same period of fiscal 2015. As a percentage of net sales, gross profit was 27.1% in the first three months of fiscal 2016 compared to 27.7% in the first three months of fiscal 2015.

Lewis Gould, Chairman of the Company's Board of Directors, commented: "I am pleased to report positive results and a continuing momentum for your company. Although we still face the challenge of the strong American dollar putting pressure on our international margins, we have continued to make progress. In spite of the effects of changes in currency rates, the combination of expanded sales and decreased costs has improved our core profitability." Mr. Gould concluded, "This positive trend in profitability continued after the end of our first quarter as we continue to maintain a vigilant eye on new selling opportunities and on our cost structure."

The change in net sales for the current fiscal quarter as compared to the first quarter of fiscal year 2015 reflects growth in most of our core US and international businesses offset by modest anticipated decreases in certain US distribution channels, volatility in our flooring manufacturing business, and most significantly, the net negative translation impact from changes in currency exchange rates.

The Company's gross margin was 27.1% for the first quarter of fiscal 2016 as compared to 27.7% for the first quarter of the prior fiscal year. The change in gross margin reflects the positive impact of improvements in product mix and reduced raw materials costs more than offset by the negative impact from the decreased purchasing power in our international operations relating to changes in currency exchange rates.

Operating expenses for the first three months of fiscal 2016 were $19.0 million, compared to $20.1 million for the same period in fiscal 2015, or 24.2% and 25.3% of net sales, respectively. Operating expenses declined as a percentage of net sales principally as a result of an overall decrease in personnel and marketing costs partially offset by certain non-recurring relocation costs. Aggregate operating expenses were also beneficially affected internationally by overall movements in currency exchange rates.

Interest expense increased modestly in the first three months of fiscal 2016 compared to the same period in fiscal 2015 as a result of an increase in average borrowings.

The provision for income taxes as a percentage of income before taxes for the first three months of fiscal 2016 and 2015 was 35.0% and 33.7%, respectively, reflecting an increase in the relative contribution to earnings from operations in higher tax jurisdictions.

Net income for the first three months of fiscal 2016 and 2015 was $1.3 million and $1.1 million, respectively, or $0.39 and $0.33, respectively, per diluted share.

Earnings before interest, taxes, depreciation and amortization (EBITDA) was $3.3 million for both the first quarter of fiscal 2016 and the first quarter of fiscal year 2015:

		For the Three Months Ended May 31,	
		2015	2014
Net income		$ 1,268	$ 1,088
Add back:	Interest	320	300
	Provision for income taxes	683	554
	Depreciation and amortization	1,070	1,319
EBITDA		$ 3,341	$ 3,261

Cash provided by operations was $3.0 million for the first quarter of fiscal 2016 whereas operations used $0.2 million of cash flow during the first quarter of fiscal 2015 reflecting a decreased overall investment in working capital during the current fiscal quarter as compared to the prior fiscal year. During the first quarter of fiscal 2016, cash from operations, existing cash balances and proceeds from the sale of property were used principally to reduce aggregate debt by $4.6 million and fund capital expenditures whereas, in the prior fiscal year's first quarter, cash balances were increased through increased borrowings.

Working capital at the end of the Company's fiscal 2016 first quarter was $36.1 million, an increase of $1.6 million from $34.5 million at the end of the 2015 fiscal year. Aggregate debt at the end of the Company's fiscal 2016 first quarter decreased to $40.6 million from $45.4 million at the end of the 2015 fiscal year. Net of cash balances, aggregate debt decreased to 48% of equity at May 31, 2015 from 53% at February 28, 2015.

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, July 29, 2015. If you would like to join the conference call, dial 1-888-337-8198 toll free from the US or 1-719-325-2144 internationally approximately 10 minutes prior to the start time and ask for the Q.E.P. Co., Inc. First Quarter Conference Call / Conference ID 2167196. A replay of the conference call will be available until midnight August 5th by calling 1-877-870-5176 toll free from the US and entering pin number 2167196; 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 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, sales growth, 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)

	For the Three Months Ended May 31, 2015	For the Three Months Ended May 31, 2014
Net sales	**$ 78,267**	**$ 79,707**
Cost of goods sold	57,025	57,628
Gross profit	**21,242**	**22,079**
Operating expenses:		
Shipping	7,310	7,516
General and administrative	6,256	6,588
Selling and marketing	5,491	6,155
Other income, net	(86)	(122)
Total operating expenses	**18,971**	**20,137**
Operating income	**2,271**	**1,942**
Interest expense, net	(320)	(300)
Income before provision for income taxes	**1,951**	**1,642**
Provision for income taxes	683	554
Net income	**$ 1,268**	**$ 1,088**
Net income per share:		
Basic	$ 0.39	$ 0.33
Diluted	$ 0.39	$ 0.33
Weighted average number of common shares outstanding:		
Basic	3,212	3,258
Diluted	3,235	3,280

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

	For the Three Months Ended May 31, 2015	For the Three Months Ended May 31, 2014
Net income	$ 1,268	$ 1,088
Unrealized currency translation adjustments	(118)	286
Comprehensive income	$ 1,150	$ 1,374

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

	May 31, 2015 (Unaudited)	February 28, 2015
ASSETS		
Cash	$ 8,670	$ 10,576
Accounts receivable, less allowance for doubtful accounts of $424 and $404 as of May 31, 2015 and February 28, 2015, respectively	44,466	39,924
Inventories	45,223	44,121
Prepaid expenses and other current assets	3,299	3,057
Deferred income taxes	660	660
Current assets	**102,318**	**98,338**
Property and equipment, net	21,194	21,713
Deferred income taxes	3,806	3,835
Intangibles, net	18,205	18,721
Other assets	587	600
Total Assets	**$ 146,110**	**$ 143,207**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Trade accounts payable	$ 22,134	$ 18,097
Accrued liabilities	15,843	13,111
Lines of credit	26,110	24,895
Current maturities of notes payable	2,128	7,759
Current liabilities	**66,215**	**63,862**
Notes payable	12,316	12,781
Other long term liabilities	748	765
Total Liabilities	**79,279**	**77,408**
Preferred stock, 2,500 shares authorized, $1.00 par value; 337 shares issued and outstanding at May 31, 2015 and February 28, 2015	337	337
Common stock, 20,000 shares authorized, $.001 par value; 3,800 shares issued; 3,206 and 3,214 shares outstanding at May 31, 2015 and February 28, 2015, respectively	4	4
Additional paid-in capital	10,694	10,679
Retained earnings	65,248	63,983
Treasury stock, 594 and 586 shares held at cost at May 31, 2015 and February 28, 2015, respectively	(6,714)	(6,584)
Accumulated other comprehensive income	(2,738)	(2,620)
Shareholders' Equity	**66,831**	**65,799**
Total Liabilities and Shareholders' Equity	**$ 146,110**	**$ 143,207**

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

	For the Three Months Ended May 31, 2015	For the Three Months Ended May 31, 2014
Operating activities:		
Net income	$ 1,268	$ 1,088
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,070	1,319
Other non-cash adjustments	70	26
Changes in assets and liabilities, net of acquisitions:		
Accounts receivable	(4,726)	(1,923)
Inventories	(1,234)	1,283
Prepaid expenses and other assets	(235)	(383)
Trade accounts payable and accrued liabilities	6,763	(1,611)
Net cash provided by (used in) operating activities	2,976	(201)
Investing activities:		
Acquisitions	-	(254)
Proceeds from sale of property	328	52
Capital expenditures	(536)	(163)
Net cash used in investing activities	(208)	(365)
Financing activities:		
Net borrowings (repayments) under lines of credit	1,457	(8,724)
Borrowings of notes payable	-	19,880
Repayments of notes payable	(6,096)	(331)
Purchase of treasury stock	(30)	(119)
Dividends and other	(3)	(3)
Net cash provided by (used in) financing activities	(4,672)	10,703
Effect of exchange rate changes on cash	(2)	1
Net increase (decrease) in cash	(1,906)	10,138
Cash at beginning of period	10,576	2,621
Cash at end of period	$ 8,670	$ 12,759