



**LAWSON** Products

## Lawson Products Reports Second Quarter

July 20, 2001

DES PLAINES, Ill., July 20 /PRNewswire/ -- Lawson Products, Inc., Friday said net sales for the second quarter of 2001 increased to \$98,980,000, up 10.4 percent compared to the second quarter of last year. For the six-month period ended June 30, 2001, net sales increased to \$182,630,000, up 3.8 percent compared to the prior year. The second quarter's increase in sales is primarily the result of new business generated by new sales representatives and new product lines acquired on March 30, 2001 from Premier Farnell plc.

Non-recurring expenses related to the acquisition, as well as a weakening economy, adversely impacted our second quarter results. Net income for the quarter was \$3,988,000, a decrease of 40.6 percent. Diluted net income per share for the quarter was \$.41, a decrease of 39.7 percent. Net income for the six-month period was \$7,226,000, a 45.1 percent decrease. Diluted net income per share for the six-month period ended June 30, 2001 decreased 43.9 percent to \$.74.

With the addition of the new sales representatives and product lines, selling, general and administrative expenses increased 20.5 percent in the quarter and 13.3 percent for the six-month period. These expense increases were driven by the additional staffing necessary to support our recently expanded internal and external sales activities, expansion of our national accounts group, higher wages and attendant costs, increased goodwill amortization of \$355,000, and direct transition costs of \$978,000 associated with the Premier acquisition, including costs of moving inventory, warehouse realignment, and the upgrading of information systems.

Robert J. Washlow, Chairman and Chief Executive Officer, stated:

"We are investing in sales support functions necessary for our expanded business activities and we are beginning to realize benefits from those investments. However, sales growth has been hampered by continued weakness in the general economic environment. Nevertheless, we recognize several positive trends and remain confident in our ability to grow our business and to improve our operating results as we move forward with increased sales.

The integration into the Lawson Family of Businesses of our newly acquired product lines and an additional 430 sales representatives is proceeding as scheduled. We are now starting to provide to our sales force an expanded product line and additional selling tools with the expectation of facilitating increased sales of products and services to our existing and potential customers. Although we anticipate a near term decline in net income as a result of our expansion activities, we expect improved results as sales continue to grow during the ensuing reporting periods."

Lawson Products is an international seller and distributor of systems, services and products to the industrial, commercial and institutional maintenance, repair and replacement marketplace. The Company also manufactures, sells and distributes production and specialized component parts to the original equipment marketplace, including the automotive, appliance, aerospace, construction and transportation industries.

This press release contains historical information and forward-looking statements and opinions regarding sales growth, expenditures, operating results and financial conditions. Statements looking forward in time are included in this press release pursuant to the "safe harbor" provision of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations or beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The factors that could cause actual results to differ materially from those described in the forward-looking statements include increased competition, seasonality, or an economic downturn.

### LAWSON PRODUCTS, INC. AND SUBSIDIARIES CONSOLIDATED SUMMARY OF OPERATIONS (UNAUDITED)

Three Months Ended June 30,  
2001      2000      % Change

Net Sales (a)	\$98,980,210	\$89,631,861	10.4%
Income Before Taxes (b)	6,926,967	11,381,029	-39.1%
Provision for Income Taxes	2,939,000	4,664,000	
Net Income (b)	\$3,987,967	\$6,717,029	-40.6%

Net Income per share of Common Stock:

Basic	\$0.41	\$0.68	-39.7%
Diluted	\$0.41	\$0.68	-39.7%

Weighted Average Shares Outstanding:

Basic	9,710,569	9,895,435
Diluted	9,739,798	9,907,719

(a) Net sales for 2000 have been restated to reflect a shipping revenue reclassification required by the adoption of Emerging Issues Task Force No. 00-10 in the fourth quarter of 2000.

(b) The Company uses estimated gross profit rates to determine inventories and cost of goods sold during interim periods.

LAWSON PRODUCTS, INC. AND SUBSIDIARIES  
CONSOLIDATED SUMMARY OF OPERATIONS  
(UNAUDITED)

Six Months Ended June 30,  
2001      2000      % Change

Net Sales (a)	\$182,629,841	\$175,911,960	3.8%
Income Before Taxes (b)	12,752,343	22,288,534	-42.8%
Provision for Income Taxes	5,526,000	9,127,000	
Net Income (b)	\$7,226,343	\$13,161,534	-45.1%

Net Income per share of Common Stock:

Basic	\$0.74	\$1.32	-43.9%
Diluted	\$0.74	\$1.32	-43.9%

Weighted Average Shares Outstanding:

Basic	9,710,270	9,990,929
Diluted	9,736,077	9,999,585

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