



Lawson Products Reports Record Sales

October 24, 2001

DES PLAINES, Ill., Oct. 24 /PRNewswire/ -- Lawson Products, Inc., (Nasdaq: LAWS), said Wednesday third quarter sales increased 13.6 percent over the same quarter last year to a new quarterly high of \$100,000,000. Sales for the first nine months of 2001 were a record \$282,630,000, 7.1 percent over the same period last year. The increase in sales is primarily the result of sales growth initiatives introduced during the latter part of 2000 and business generated by sales representatives and product lines acquired on March 30, 2001.

Lawson generated net income of \$3,312,000 for the third quarter 2001, a decrease of 48.1 percent from the same period last year. Diluted net income per share for the quarter was \$.34, a decrease of 47.7 percent. Net income for the nine-month period was \$10,539,000, a 46.1 percent decrease. Diluted net income per share for the nine-month period declined 45.2 percent to \$1.08. These decreases were primarily due to increases in selling, general and administrative expenses and to acquisition expenses relating to the expansion of Lawson's businesses.

Selling, general and administrative expenses increased 23.5 percent for the quarter and 16.7 percent for the nine-month period. Front-end costs relating to the addition of 430 sales representatives, increased commissions and incentives on incremental sales, additional staffing necessary to support expanded sales activity, higher wages and attendant costs, the expansion of the national accounts group, and increased costs relating to medical insurance coverage were primary factors contributing to the increase. Additional factors related to the March 30 acquisition of sales representatives and product lines which affected operating profits included goodwill charges of \$355,000 and \$709,000 recorded in the third quarter and nine month period, respectively, and direct transition costs of approximately \$1 million incurred during the nine-month period relating to moving inventory, warehouse realignment, and the upgrading of information systems.

Chief Executive Officer, Robert J. Washlow, commented: "We have started to benefit from the sales growth initiatives instituted during the latter part of 2000 and from the addition of 430 experienced sales representatives who joined us through the March 30 acquisition. Our sales force now includes over 2,100 sales professionals. The additional costs of supporting sales initiatives and acquisition-related costs reduced earnings for the third quarter and nine-month period. Also, a slowing economy negatively affected our earnings by impeding the performance of our sales force throughout the quarter. The tragic events of September 11 have also had a negative affect on revenues. We anticipate that a return to our expected level of sales increases during the fourth quarter and beyond, the sales force expansion, and growth initiatives will lead to increased earnings. We are pleased with the efforts expended and results achieved by all of our colleagues in connection with the execution of our sales growth initiatives and the acquisition."

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, including Mr. Washlow's statements, contains historical information and forward-looking statements and opinions regarding sales growth, expenditures, operating results, financial conditions, the impact of the events of September 11 and their effect on the Company's revenues, and the Company's ability to return to the expected level of sales increases. 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 September 30,		
	2001	2000	% Change
Net Sales (a)	\$99,999,682	\$88,064,053	13.6%
Income Before Taxes (b)	5,837,443	10,735,659	-45.6%
Provision for Income Taxes	2,525,000	4,358,000	
Net Income (b)	\$3,312,443	\$6,377,659	-48.1%
Net Income per share of Common Stock:			
Basic	\$0.34	\$0.66	-48.5%
Diluted	\$0.34	\$0.65	-47.7%

Weighted Average Shares Outstanding:
 Basic 9,685,520 9,718,296
 Diluted 9,714,872 9,736,908

Nine Months Ended September 30,
 2001 2000 % Change

Net Sales (a) \$282,629,523 \$263,976,013 7.1%

Income
 Before Taxes (b) 18,589,786 33,024,193 -43.7%

Provision
 for Income Taxes 8,051,000 13,485,000

Net Income (b) \$10,538,786 \$19,539,193 -46.1%

Net Income per share of Common Stock:
 Basic \$1.09 \$1.97 -44.7%
 Diluted \$1.08 \$1.97 -45.2%

Weighted Average Shares Outstanding:
 Basic 9,700,381 9,905,572
 Diluted 9,726,165 9,917,479

(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.

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SOURCE Lawson Products, Inc.
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