



Lawson Products Reports Record Sales

February 28, 2002

DES PLAINES, Ill., Feb. 28 /PRNewswire-FirstCall/ -- Lawson Products, Inc. (Nasdaq: LAWS) Thursday reported record 2001 fourth quarter net sales of \$96.8 million, an increase of 13.9 percent over the prior year. Full year 2001 net sales of \$379.4 million were also a record and represented an 8.7 percent increase over 2000. Sales increases were noted in most markets served by the Company and include the efforts of approximately 320 outside field and 70 inside sales representatives who joined the Company in the second quarter of 2001, in connection with the Premier Industrial acquisition.

For the fourth quarter of 2001, Lawson incurred a net loss of \$1.8 million (\$.18 per share) compared to net income of \$8.6 million (\$.88 per share) in the prior year's fourth quarter. The loss included a non-cash after-tax charge of \$5.1 million (\$.53 per share) for the write-off of the capitalized software and implementation costs related to an enterprise information system project which the Company discontinued, and a \$300,000 after-tax (\$.03 per share) cost of a special, one-time promotional program provided to certain outside sales representatives. The fourth quarter of 2000 was positively impacted by a \$2.1 million after-tax (\$.22 per share) gain on the sale of a real estate investment.

Excluding the enterprise software write-off, the special promotional program expense in 2001, and the gain on sale of the real estate investment in 2000, adjusted net income in the fourth quarter of 2001 was \$3.7 million (\$.38 per share), a 43 percent decrease from adjusted fourth quarter 2000 net income of \$6.5 million (\$.66 per share).

Full year 2001 net income was \$8.8 million (\$.91 per share), compared to the \$28.1 million (\$2.85 per share) in 2000. Excluding the same three special items discussed above, adjusted net income for the full year 2001 was \$15.9 million, a 39 percent decrease from 2000. Net income per share, excluding special items, was \$1.64 compared to \$2.63 last year.

The following table summarizes the impact on net income of the special items:

	Three months ended		Year ended	
	December 31,		December 31,	
	2001	2000	2001	2000
Net income (loss)				
as reported	\$(1,752)	\$8,596	\$8,787	\$28,136
Special items				
(after tax):				
Write-off of				
Enterprise IT				
project	5,138	---	5,138	---
New sales agent				
promotion program	300	---	2,021	---
Gain on real estate				
investment	---	(2,136)	---	(2,136)
Net income,				
excluding special				
items	\$ 3,686	\$6,460	\$15,946	\$26,000

The decline in net income, excluding special items, for both the quarter and full year ended December 31, 2001 was due to significant increases in selling, general and administrative expenses (S,G&A). The primary factors impacting S,G&A were additional costs to expand the sales forces, higher than anticipated sales expenses due to pricing inconsistencies on certain products acquired in the acquisition, all of which have now been corrected, approximately \$1 million of pre-tax transition costs to integrate the acquired inventory, realign warehouses and upgrade information systems, and increased goodwill amortization charges of \$300,000 in the fourth quarter and \$1.0 million for the year 2001. The additional costs to expand the sales forces are expected to result in increased sales in future years.

Lawson Products' Chief Executive Officer, Robert J. Washlow, commented:

"This past year, we completed the largest, most complex business transaction in the Company's history, added additional depth to the sales forces of each of our businesses, added a new line of business, enhanced our distribution facilities (both domestic and foreign), increased necessary staffing from 1,200 to 1,400 employees, and reduced external borrowings from a mid-year peak of \$23 million to \$14 million at year end. The year 2001 saw significant investments in the future of the 'Lawson Family of Businesses.' We are confident the investments made and other initiatives undertaken in 2001 will provide an enhanced base for profitable growth."

Inventories and cost of goods sold during interim periods are determined through the use of estimated gross profit rates. In the fourth quarter, the difference between actual and estimated gross profit rates is recorded. This adjustment increased net income by approximately \$2.1 million and \$1.3 million in 2001 and 2000, respectively.

Lawson Products is an international seller and distributor of products, systems, and services 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. 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

Three Months Ended
December 31,
2001 2000 % Change

Net Sales	\$96,777,552	\$84,991,473	13.9%
Income (Loss) Before Taxes (A)	(1,447,593)	14,541,480	-110.0%
Provision for Income Taxes	304,000	5,945,000	
Net Income (Loss) (A)	(1,751,593)	8,596,480	-120.4%
Net Income (Loss) per share of Common Stock:			
Basic	(\$0.18)	\$0.89	-120.2%
Diluted	(\$0.18)	\$0.88	-120.5%
Weighted Average Shares Outstanding:			
Basic	9,633,882	9,706,404	
Diluted	9,651,858	9,728,893	

Twelve Months Ended
December 31,
2001 2000 % Change

Net Sales	\$379,407,075	\$348,967,486	8.7%
Income (Loss) Before Taxes (A)	17,142,193	47,565,673	-64.0%
Provision for Income Taxes	8,355,000	19,430,000	
Net Income (Loss) (A)	8,787,193	28,135,673	-68.8%
Net Income (Loss) per share of Common Stock:			
Basic	\$0.91	\$2.85	-68.1%
Diluted	\$0.91	\$2.85	-68.1%
Weighted Average Shares Outstanding:			
Basic	9,684,510	9,859,610	
Diluted	9,708,299	9,873,680	

(A) Inventories and cost of goods sold during interim periods are determined through the use of estimated gross profit rates. The

difference between actual and estimated gross profit rates used for the interim periods is adjusted in the fourth quarter. This adjustment increased net income by approximately \$2,055,000 and \$1,349,000 in 2001 and 2000, respectively.

Full year and fourth quarter results for 2001 were adversely impacted by a non-recurring charge as a result of a decision to discontinue an enterprise project and write off the software and implementation costs. This charge reduced after-tax income by \$5,138,000. In the fourth quarter of 2000, a gain of \$2,136,000, net of income taxes, was recorded relative to the sale of the Company's interest in a real estate investment.

MAKE YOUR OPINION COUNT - Click Here
<http://tbutton.prnewswire.com/prn/11690X65681168>

SOURCE Lawson Products, Inc.

CONTACT: Joseph L. Pawlick, Chief Financial Officer of Lawson Products, Inc., +1-847-827-9666