LAWSON Products

Lawson Products Reports Increases in Sales and Net Income for 2002

February 26, 2003

DES PLAINES, Ill., Feb. 26 /PRNewswire-FirstCall/ -- Lawson Products, Inc. (Nasdaq: LAWS) reported net income for 2002 increased 41.6% to $12.4 million. Net income per share was $1.30 for the year, an increase of 42.9%. Fourth quarter net income for 2002 was $.2 million compared to a loss of $1.8 million in the similar period of 2001. Net income per share was $.02 for the fourth quarter of 2002 as compared to a $.18 loss per share for the fourth quarter of 2001. The Company's share repurchase program favorably affected net income per share.

Net sales in 2002 were $387.5 million, an increase of 2.1% over the prior year, which included nine months of the Premier acquisition, establishing a new high in sales volume. The increased sales level for the year is principally attributable to increased sales generated by our OEM business segment and our international business segment. In the fourth quarter of 2002, net sales decreased 3.5% to $93.3 million, reflecting the effects of difficult market conditions and a planned reduction in the number of domestic MRO sales agents.

In the fourth quarter of 2002, the Company recorded after-tax charges of $2.5 million. These charges reflected an inventory write-off by our United Kingdom subsidiary to better reflect the product needs of its current customer base, and restructuring costs to reduce manpower, principally at our Mexican subsidiary. Full year and fourth quarter results for 2001 included after-tax charges of $7.2 million and $5.4 million, respectively, primarily for the write-off of an enterprise software system and for a one-time promotional program.

Inventories and cost of goods sold for the first three quarters of the year are determined through the use of estimated gross profit rates. In the fourth quarter of 2002, the difference between actual and estimated gross profit rates is determined. That adjustment increased net income by approximately $2.0 million and $2.1 million in 2002 and 2001, respectively.

Robert J. Washlow, Chairman of the Board and CEO, reported,

"Full year sales grew $5.6 million and $2.5 million in the OEM and MRO segments, respectively. Improvement in the gross margin of the MRO segment was able to partially offset the effect of the typically lower gross margin of the growing OEM segment. Results were impacted by market conditions, the elimination of under-performing sales agents, and investments in the business to benefit future periods. These investments included the expanded national accounts program, the inside sales group, the e-commerce program, and the expanded sales education program. These channels of marketing and selling products and the enhanced education program are being pursued to enable the Company to be more competitive in the marketplace and are anticipated to provide additional revenue in the future.

"We remain focused on growing sales and long-term net income. Lawson Products, Inc. is strong financially and debt-free. We intend to continue to provide our sales organizations with the tools necessary to stimulate profitable growth."

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, contain 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, effectiveness of our sales and marketing programs, or an economic downturn.

LAWSON PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED SUMMARY OF OPERATIONS

	Three Months Ended December 31,		
	2002	2001	% Change

Net Sales	$93,345,702	$96,777,552	-3.5%
Income (Loss) Before Taxes (a)	2,094,711	(1,447,593)	244.7%
Provision for Income Taxes (b)	1,935,000	304,000	
Net Income (Loss)	159,711	(1,751,593)	109.1%
Net Income (Loss) per share of Common Stock:			
Basic	$0.02	($0.18)	111.1%
Diluted	$0.02	($0.18)	111.1%
Weighted Average Shares Outstanding:			
Basic	9,497,961	9,633,882	
Diluted	9,526,304	9,651,858	

	Twelve Months Ended December 31, 2002	2001	% Change
Net Sales	$387,455,899	$379,407,075	2.1%
Income (Loss) Before Taxes (a)	23,188,915	17,142,193	35.3%
Provision for Income Taxes (b)	10,742,000	8,355,000	
Net Income (Loss)	12,446,915	8,787,193	41.6%
Net Income (Loss) per share of Common Stock:			
Basic	$1.30	$0.91	42.9%
Diluted	$1.30	$0.91	42.9%
Weighted Average Shares Outstanding:			
Basic	9,569,947	9,684,510	
Diluted	9,595,945	9,708,299	

(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 pre-tax income by approximately $3,244,000 and $3,411,000 in 2002 and 2001, respectively.

Full year and fourth quarter pre-tax income results for 2002 were adversely impacted by a $2,080,000 inventory write-off incurred by our U.K. subsidiary and $568,000 of restructuring charges for compensation arrangements related to management personnel reductions.

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 pre-tax income by $8,527,000.

(b) The provision for income taxes was adversely impacted by the U.K. inventory write-off in the fourth quarter of 2002 for which the Company was unable to provide tax benefit.

In the fourth quarter of 2001, the tax expense was unfavorable primarily due to increases in nondeductible expenses as well as losses in the U.K. and Mexico for which no tax benefit was provided.

SOURCE Lawson Products, Inc.