



LAWSON Products

Lawson Products, Inc. Announces Increased Sales and Earnings for Third Quarter, 2005

October 25, 2005

DES PLAINES, Ill., Oct. 25 /PRNewswire-FirstCall/ -- Lawson Products, Inc. (Nasdaq: LAWS) today reported an 18 percent increase in net earnings to \$6.6 million for the third quarter of 2005, compared to \$5.6 million in the third quarter of 2004. Earnings per diluted share increased 23.7 percent to \$0.73 in the third quarter of 2005, versus \$0.59 per share in the same period last year.

The increase in earnings is attributed largely to a nearly 10 percent jump in net sales this quarter, to \$117.8 million, compared to sales of \$107.4 million in the third quarter of 2004. The increase in net sales is the result of greater penetration of existing markets and successful pricing management programs to accommodate product cost increases.

Earlier this year, Lawson implemented targeted marketing initiatives to improve penetration in several markets serviced by the Company, including government and military markets. Throughout the third quarter, Lawson increased its penetration of existing customers and obtained new customers across its markets.

"Our management team is excited about the sales growth achieved in the latest quarter, which included higher sales growth in each consecutive month throughout the quarter," said Robert J. Washlow, Chairman and CEO. "We believe that our customers value the ready availability of Lawson's product lines and the high level of professional service provided by our sales representatives. Even during difficult supply environments such as we have seen in our industry since the second half of 2004, we continued to focus on maintaining a high standard of service and availability of top quality products to keep our customers businesses running at the lowest overall cost."

In addition to sales growth achieved during the third quarter, the implementation of cost management and pricing management programs resulted in enhanced gross profit margins. Third quarter 2005 gross profit margins were 63.1 percent, compared to 62.1 percent in the prior year quarter.

Lawson faced industry-wide increases in transportation and raw material costs over the past year, but the Company's cost management programs have enabled Lawson to increase gross profit margins throughout the year in 2005, from 61.2 percent in the first quarter to 61.4 percent and 63.1 percent in the second and third quarters, respectively. Management successfully implemented cost management programs including purchasing improvements, expense management, and changes to freight programs, while maintaining the Company's high customer service levels.

The increase in net earnings for the third quarter 2005 was driven by operating income growth of 26.6 percent to \$10.5 million, compared to \$8.3 million in the prior year quarter. Strength in operating results more than offset the slight negative impact of a higher effective tax rate caused by higher foreign operating losses in 2005 as a result of reduced business with a large customer.

"The initiatives taken earlier this year have delivered significant results, as shown in the dramatic increase in both operating earnings and earnings per share during the third quarter," Washlow said. "Management intends to continue to monitor the changing business environment and respond appropriately with a goal of continuing to drive profits and top-line growth."

LAWSON

Lawson Products is an international leader in selling and distributing systems, services and products to the industrial, commercial and institutional maintenance, repair and replacement market. 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 release contains certain forward-looking statements that involve risks and uncertainties. The terms "may," "should," "could," "anticipate," "believe," "continues," "estimate," "expect," "intend," "objective," "plan," "potential," "project" and similar expressions are intended to identify forward-looking statements. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that are difficult to predict. Such statements speak only as of the date of the news release and are subject to a variety of risks and uncertainties, many of which are beyond the company's control, which could cause actual results to differ materially from the expectations. These risks include, but are not limited to: excess and obsolete inventory; disruptions of the company's information systems; risks of rescheduled or cancelled orders; increases in commodity prices; the influence of controlling stockholders; competition and competitive pricing pressures; the effect of general economic conditions and market conditions in the markets and industries the company serves; the risks of war, terrorism, and similar hostilities; and, all of the factors discussed in the company's Annual Report on Form 10-K for the year ended Dec. 31, 2004 and Form 10-Q for the quarters ended March 31, 2005 and June 30, 2005. The company undertakes no obligation to update any such factor or to publicly announce the results of any revisions to any forward-looking statements contained herein whether as a result of new information, future events or otherwise.

LAWSON PRODUCTS, INC., CONSOLIDATED INCOME STATEMENT

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2005	2004	2005	2004
Net Sales	\$117,836,802	\$107,379,928	\$338,473,949	\$312,480,764
Gross Profit	74,299,860	66,712,666	209,622,087	197,756,379

Operating Expenses 63,777,696 58,399,477 182,223,670 171,189,568

Operating Income 10,522,164 8,313,189 27,398,417 26,566,811

Income

Before Taxes 11,048,028 9,048,035 29,275,611 28,301,261

Provision

for Income Taxes 4,458,000 3,462,000 12,122,000 10,872,000

Net Income \$6,590,028 \$5,586,035 \$17,153,611 \$17,429,261

Net Income per share of

Common Stock:

Basic \$0.73 \$0.59 \$1.88 \$1.85

Diluted \$0.73 \$0.59 \$1.88 \$1.84

Weighted Average Shares

Outstanding:

Basic 9,017,899 9,390,337 9,112,054 9,439,655

Diluted 9,034,747 9,422,258 9,131,215 9,467,505

Lawson Products, Inc. Condensed Consolidated Balance Sheets

September 30, December 31,
2005 2004
(UNAUDITED)

Current Assets:

Cash and Cash Equivalents \$14,542,530 \$28,871,594

Receivables, Net 56,361,200 52,129,231

Inventories, Net 72,235,350 65,686,622

Other Current Assets 13,641,826 11,289,142

Total Current Assets 156,780,906 157,976,589

Property, Plant and
Equipment, Net

39,721,012 42,452,261

Other Assets, Net 62,930,188 60,120,733

Total Assets \$259,432,106 \$260,549,583

Current Liabilities \$40,054,114 \$42,947,151

Other Noncurrent
Liabilities

40,303,335 37,270,975

Stockholders' Equity 179,074,657 180,331,457

Total Liabilities
and Equity

\$259,432,106 \$260,549,583

SOURCE Lawson Products, Inc.
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