UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

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FORM 10-Q

[X] Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the quarterly period ended June 30, 2003.

or

[ ] Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from ______ to _______

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Commission file no. 0-10546

LAWSON PRODUCTS, INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| DELAWARE | 36-2229304 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| | |
|---|---|
| 1666 EAST TOUHY AVENUE, DES PLAINES, ILLINOIS | 60018 |
| (Address of principal executive offices) | (Zip Code) |

Registrant's telephone no., including area code: (847) 827-9666

NOT APPLICABLE

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes |X| No |_|

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
9,490,111 SHARES, $1 PAR VALUE, AS OF JULY 15, 2003.

## PART I - FINANCIAL INFORMATION

### ITEM 1 FINANCIAL STATEMENTS

LAWSON PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

| (AMOUNTS IN THOUSANDS, EXCEPT SHARE DATA) | JUNE 30, 2003 (UNAUDITED) | DECEMBER 31, 2002 |
|---|---|---|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | $ 6,791 | $ 7,591 |
| Marketable securities | 590 | 696 |

| | | |
|---|---|---|
| Accounts receivable, less allowance for doubtful accounts | 45,760 | 42,990 |
| Inventories | 64,272 | 63,851 |
| Miscellaneous receivables and prepaid expenses | 9,623 | 11,170 |
| Deferred income taxes | 3,293 | 3,463 |
| Total Current Assets | 130,329 | 129,761 |
| Property, plant and equipment, less allowances for depreciation and amortization | 39,448 | 39,519 |
| Investments in real estate | 1,565 | 1,305 |
| Deferred income taxes | 12,178 | 11,987 |
| Goodwill | 28,649 | 28,649 |
| Other assets | 14,459 | 14,610 |
| Total Assets | $ 226,628 | $ 225,831 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | |
| Current Liabilities: | | |
| Accounts payable | $ 7,078 | $ 8,085 |
| Accrued expenses and other liabilities | 19,367 | 23,638 |
| Total Current Liabilities | 26,445 | 31,723 |
| Accrued liability under security bonus plans | 20,576 | 20,614 |
| Other | 11,562 | 11,151 |
| | 32,138 | 31,765 |
| Stockholders' Equity: | | |
| Preferred Stock, $1 par value: Authorized - 500,000 shares; Issued and outstanding - None | -- | -- |
| Common Stock, $1 par value: Authorized - 35,000,000 shares; Issued and outstanding-(2003 - 9,490,111 shares; 2002- 9,494,011 shares) | 9,490 | 9,494 |
| Capital in excess of par value | 2,262 | 2,387 |
| Retained earnings | 157,235 | 152,495 |
| Accumulated other comprehensive income | (942) | (2,033) |
| Total Stockholders' Equity | 168,045 | 162,343 |
| Total Liabilities and Stockholders' Equity | $ 226,628 | $ 225,831 |

See notes to condensed consolidated financial statements.

LAWSON PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(AMOUNTS IN THOUSANDS, EXCEPT PER SHARE DATA)

| | FOR THE THREE MONTHS ENDED JUNE 30, | | FOR THE SIX MONTHS ENDED JUNE 30, | |
|---|---|---|---|---|
| | 2003 | 2002 | 2003 | 2002 |
| Net sales | $ 97,109 | $ 99,890 | $ 193,184 | $ 195,636 |
| Cost of goods sold (Note B) | 35,034 | 35,343 | 69,582 | 69,047 |
| Gross profit | 62,075 | 64,547 | 123,602 | 126,589 |
| Selling, general and administrative expenses | 54,505 | 56,995 | 109,770 | 113,037 |
| | 1,246 | -- | 1,246 | -- |
| Operating income | 6,324 | 7,552 | 12,586 | 13,552 |
| Investment and other income | 388 | 535 | 747 | 1,018 |
| Interest expense | 7 | 31 | 7 | 104 |
| Income before income taxes | 6,705 | 8,056 | 13,326 | 14,466 |
| Provision for income taxes | 2,564 | 3,360 | 5,427 | 5,938 |
| Net income | $ 4,141 | $ 4,696 | $ 7,899 | $ 8,528 |
| Net income per share of common stock: | | | | |
| Basic | $ 0.44 | $ 0.49 | $0.83 | $ 0.89 |
| Diluted | $ 0.44 | $ 0.49 | $0.83 | $ 0.88 |
| Cash dividends declared per share of common stock | $ 0.16 | $ 0.16 | $0.32 | $ 0.32 |
| Weighted average shares outstanding: | | | | |
| Basic | 9,490 | 9,611 | 9,491 | 9,619 |
| Diluted | 9,506 | 9,643 | 9,509 | 9,647 |

See notes to condensed consolidated financial statements.

LAWSON PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(AMOUNTS IN THOUSANDS)

| | FOR THE SIX MONTHS ENDED JUNE 30, 2003 | FOR THE SIX MONTHS ENDED JUNE 30, 2002 |
|---|---|---|
| Operating activities: | | |
| Net income | $ 7,899 | $ 8,528 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 3,255 | 3,454 |
| Changes in operating assets and liabilities | (8,196) | (1,139) |
| Other | 1,831 | 1,768 |
| Net Cash Provided by Operating Activities | 4,789 | 12,611 |
| Investing activities: | | |
| Additions to property, plant and equipment | (2,508) | (3,605) |
| Purchases of marketable securities | (2,059) | (4,679) |
| Proceeds from sale of marketable securities | 2,166 | 5,632 |
| Other | 100 | 356 |
| Net Cash Used in Investing Activities | (2,301) | (2,296) |
| Financing activities: | | |
| Purchases of treasury stock | (127) | (2,284) |
| Proceeds from revolving line of credit | 4,000 | 26,000 |
| Payments on revolving line of credit | (4,000) | (35,000) |
| Dividends paid | (3,037) | (3,079) |
| Other | (124) | 1,249 |
| Net Cash Used in Financing Activities | (3,288) | (13,114) |
| Decrease in Cash and Cash Equivalents | (800) | (2,799) |
| Cash and Cash Equivalents at Beginning of Period | 7,591 | 6,987 |
| Cash and Cash Equivalents at End of Period | $ 6,791 | $ 4,188 |

See notes to condensed consolidated financial statements.

## PART I - NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

A) As contemplated by the Securities and Exchange Commission, the accompanying consolidated financial statements and footnotes have been condensed and therefore, do not contain all disclosures required by generally accepted accounting principles. Reference should be made to Lawson Products, Inc.'s (the "Company") Annual Report on Form 10-K for the year ended December 31, 2002. The Condensed Consolidated Balance Sheet as of June 30, 2003, the Condensed Consolidated Statements of Income for the three and six month periods ended June 30, 2003 and 2002 and the Condensed Consolidated Statements of Cash Flows for the six month periods ended June 30, 2003 and 2002 are unaudited. In the opinion of the Company, all adjustments (consisting only of normal recurring accruals) have been made, which are necessary to present fairly the results of operations for the interim periods. Operating results for the three and six month periods ended June 30, 2003 are not necessarily indicative of the results that may be expected for the year ending December 31, 2003.

B) Inventories (consisting of primarily finished goods) at June 30, 2003 and cost of goods sold for the three and six month periods ended June 30, 2003 were based on perpetual inventory records. Inventories (consisting of primarily finished goods) at June 30, 2002 and cost of goods sold for the three and six month periods ended June 30, 2002 were determined through the use of estimated gross profit rates. The difference between actual and estimated gross profit in 2002 was adjusted in the fourth quarter. In 2002, this adjustment increased net income by approximately $1,955,000.

C) Total comprehensive income and its components, net of related tax, for the first three and six months of 2003 and 2002 are as follows (in thousands):

| | Three months ended June 30, 2003 | 2002 |
|---|---|---|
| Net income | $4,141 | $4,696 |
| Foreign currency translation adjustments | 750 | 342 |
| Comprehensive income | $4,891 | $5,038 |

| | Six months ended June 30, 2003 | 2002 |
|---|---|---|
| Net income | $7,899 | $8,528 |
| Foreign currency translation adjustments | 1,091 | 225 |
| Comprehensive income | $8,990 | $8,753 |

The components of accumulated other comprehensive income, net of related tax, at June 30, 2003 and December 31, 2002 are as follows (in thousands):

| | 2003 | 2002 |
|---|---|---|
| Foreign currency translation adjustments | $ (942) | $(2,033) |
| Accumulated other comprehensive income | $ (942) | $(2,033) |

D) Earnings per Share

The calculation of dilutive weighted average shares outstanding for the three and six months ended June 30, 2003 and 2002 are as follows (in thousands):

| | Three months ended June 30, 2003 | 2002 |
|---|---|---|
| Basic weighted average shares outstanding | 9,490 | 9,611 |
| Dilutive impact of options outstanding | 16 | 32 |
| Dilutive weighted average shares outstanding | 9,506 | 9,643 |

| | Six months ended June 30, 2003 | 2002 |
|---|---|---|
| Basic weighted average shares outstanding | 9,491 | 9,619 |
| Dilutive impact of options outstanding | 18 | 28 |
| Dilutive weighted average shares outstanding | 9,509 | 9,647 |

E) Revolving Line of Credit

In March 2001 the Company entered into a $50 million revolving line of credit. The revolving line of credit matures five years from the closing date and carries an interest rate of prime minus 150 basis points floating or LIBOR plus 75 basis points, at the Company's option. Interest is payable quarterly on prime borrowings and at the earlier of quarterly or maturity with respect to the LIBOR contracts.

The line of credit contains certain financial covenants regarding interest coverage, minimum stockholders' equity and working capital, all of which the Company was in compliance with at June 30, 2003. The Company had no borrowings outstanding under the line at June 30, 2003, and December 31, 2002.

F) Special Charges

The Company recorded a $1.2 million charge for termination benefits of four executives in the second quarter of 2003.

The table below shows an analysis of the Company's reserves for severance and related expenses for the first six months of 2003 and 2002:

| | Six months ended June 30, 2003 | 2002 |
|---|---|---|
| Balance at beginning of year | $ 876 | $1,458 |
| Charged to earnings | 1,246 | -- |
| Cash paid | (283) | (482) |
| Balance at June 30 | $1,839 | $ 976 |

G) Intangible Assets

Intangible assets subject to amortization, included within other assets, were as follows (in thousands):

| June 30, 2003 | Gross Balance | Accumulated Amortization | Net Carrying Amount |
|---|---|---|---|
| Trademarks and tradenames | $1,747 | $760 | $ 987 |
| Customer Lists | 953 | 124 | 829 |
| | $2,700 | $884 | $1,816 |

| | December 31, 2002 | | |
|---|---|---|---|
| | Gross Balance | Accumulated Amortization | Net Carrying Amount |
| Trademarks and tradenames | $1,747 | $668 | $1,079 |
| Customer Lists | 953 | 33 | 920 |
| | $2,700 | $701 | $1,999 |

Trademarks and tradenames are being amortized over a weighted average 15.1 years. Customer lists are being amortized over 15.2 years. Amortization expense for intangible assets is expected to be $322,000, $176,000, $143,000, $143,000 and $98,000 for 2003 and the next four years, respectively.

H) Accounting for Stock-Based Compensation

The Company adopted FASB Statement No. 148, "Accounting for Stock Based Compensation - Transition and Disclosure." This Statement requires additional disclosure within interim financial statements. The following tables show the effect on net income and earnings per share as required by FASB Statement No. 123, "Accounting for Stock-Based Compensation."

| | Three Months Ended June 30, | |
|---|---|---|
| In thousands | 2003 | 2002 |
| Net income-as reported | $4,141 | $4,696 |
| Deduct: Total stock based employee compensation expense determined under fair value method, net of tax | (9) | (13) |
| Net income-pro forma | 4,132 | 4,683 |
| Basic and diluted earnings per share-as reported | .44 | .49 |
| Basic earnings per share-pro forma | .44 | .49 |
| Diluted earnings per share pro forma | .43 | .49 |

| | Six Months Ended June 30, | |
|---|---|---|
| In thousands | 2003 | 2002 |
| Net income-as reported | $7,899 | $8,528 |
| Deduct: Total stock based employee compensation expense determined under fair value method, net of tax | (16) | (22) |
| Net income-pro forma | 7,883 | 8,506 |
| Basic earnings per share-as reported | .83 | .89 |
| Diluted earnings per share-as reported | .83 | .88 |
| Basic and diluted earnings per share-pro forma | .83 | .88 |

A $223,000 reversal of a compensation expense accrual relative to stock performance rights was recorded in the first six months of 2003. The first six months of 2002 includes $68,000 in compensation expense relative to stock performance rights.

I) Segment Reporting

The Company has four reportable segments: Maintenance, Repair and Replacement (MRO) distribution; Original Equipment Manufacturer (OEM) distribution and manufacturing; International Maintenance, Repair and Replacement (INTLMRO) distribution in Canada; and International Original Equipment Manufacturer (INTLOEM) distribution in Mexico and the United Kingdom.

Financial information for the Company's reportable segments consisted of the following:

| In thousands | Three Months Ended June 30, 2003 | 2002 |
|---|---|---|
| Net sales | | |
| MRO distribution | $ 75,326 | $ 78,878 |
| OEM distribution & manufacturing | 13,325 | 14,576 |
| International MRO distribution | 4,901 | 4,426 |
| International OEM distribution | 3,557 | 2,010 |
| Consolidated total | $ 97,109 | $ 99,890 |
| Operating income (loss) | | |
| MRO distribution | $ 6,108 | $ 6,822 |
| OEM distribution & manufacturing | (332) | 1,055 |
| International MRO distribution | 690 | 480 |
| International OEM distribution | (142) | (805) |
| Consolidated total | $ 6,324 | $ 7,552 |

The reconciliation of segment profit to consolidated income before income taxes consisted of the following:

| In thousands | Three Months Ended March 31, 2003 | 2002 |
|---|---|---|
| Total operating income from Reportable segments | $ 6,324 | $ 7,552 |
| Investment and other income | 388 | 535 |
| Interest expense | (7) | (31) |
| Income before income taxes | $ 6,705 | $ 8,056 |

| In thousands | Six Months Ended June 30, 2003 | 2002 |
|---|---|---|
| Net sales | | |
| MRO distribution | $ 150,373 | $ 154,659 |
| OEM distribution & manufacturing | 27,596 | 29,060 |
| International MRO distribution | 9,287 | 8,301 |
| International OEM distribution | 5,928 | 3,616 |
| Consolidated total | $ 193,184 | $ 195,636 |
| Operating income (loss) | | |
| MRO distribution | $ 12,212 | $ 12,314 |
| OEM distribution & manufacturing | 143 | 2,122 |
| International MRO distribution | 1,014 | 430 |
| International OEM distribution | (783) | (1,314) |
| Consolidated total | $ 12,586 | $ 13,552 |

The reconciliation of segment profit to consolidated income before income taxes consisted of the following:

| In thousands | Six Months Ended June 30, 2003 | 2002 |
| --- | --- | --- |
| Total operating income from Reportable segments | $ 12,586 | $ 13,552 |
| Investment and other income | 747 | 1,018 |
| Interest expense | (7) | (104) |
| Income before income taxes | $ 13,326 | $ 14,466 |

Asset information related to the Company's reportable segments consisted of the following:

| In thousands | June 30, 2003 | December 31, 2002 |
| --- | --- | --- |
| Total assets | | |
| MRO distribution | $ 150,689 | $ 155,439 |
| OEM distribution & manufacturing | 34,631 | 32,574 |
| International MRO distribution | 15,745 | 13,989 |
| International OEM distribution | 10,092 | 8,379 |
| Total for reportable segments | 211,157 | 210,381 |
| Corporate | 15,471 | 15,450 |
| Consolidated total | $ 226,628 | $ 225,831 |

At December 31, 2002, the carrying value of goodwill within each reportable segment was as follows (in thousands):

| | |
| --- | --- |
| MRO distribution | $22,104 |
| OEM distribution & manufacturing | 2,251 |
| International MRO distribution | 4,294 |
| International OEM distribution | -- |
| | $28,649 |

J) Impact of Recently Issued Accounting Standards

The Financial Accounting Standards Board (FASB) recently issued Interpretation No. 46, "Consolidation of Variable Interest Entities." The Interpretation explains how to identify variable interest entities (VIE) and how an enterprise assesses its interest in a VIE to decide whether to consolidate the VIE. It requires existing unconsolidated VIEs to be consolidated if the Company is the primary beneficiary. A primary beneficiary of a VIE is a party that absorbs a majority of the entity's expected losses, receives a majority of its expected residual returns, or both. This Interpretation applies immediately to VIEs created after January 1, 2003 and for the Company's interim period beginning July 1, 2003 for VIEs, which the Company acquired prior to February 1, 2003. The Company is evaluating the Interpretation, which may require the Company's consolidation of its investment in a real estate property, which is a building in Chicago, Illinois. The Company does not believe they are exposed to any potential loss on its investment.

## Independent Accountants' Review Report

Board of Directors and Stockholders
Lawson Products, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of Lawson Products, Inc. and subsidiaries as of June 30, 2003 and the related condensed consolidated statements of income for the three-month and six-month periods ended June 30, 2003 and 2002 and the condensed consolidated statements of cash flows for the six-month periods ended June 30, 2003 and 2002. These financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data, and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the United States, which will be performed for the full year with the objective of expressing an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States.

We have previously audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheet of Lawson Products, Inc. as of December 31, 2002, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended, not presented herein, and in our report dated February 20, 2003, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2002, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ ERNST & YOUNG LLP

July 15, 2003

This Quarterly Report on Form 10-Q for the quarter ended June 30, 2003, contains certain forward-looking statements pertaining to the ability of the Company to finance future growth, cash dividends and capital expenditures, the ability to successfully integrate acquired businesses and certain other matters. These statements are subject to uncertainties and other factors which could cause actual events or results to vary materially from those anticipated. The Company does not undertake any obligation to revise these forward-looking statements to reflect future events or circumstances.

## ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS

### REVENUES

Net sales for the three and six-month periods ended June 30, 2003 decreased 2.8%, from $99.9 million to $97.1 million and 1.3%, from $195.6 million to $193.2 million, respectively, compared to the similar periods of 2002. Combined Maintenance, Repair and Replacement (MRO and INTLMRO) distribution net sales decreased $3.1 million in the second quarter to $80.2 million from $83.3 million and $3.3 million for the six-month period to $159.7 million from $163.0 million. The decreases are primarily attributable to continuing difficult market conditions.

Combined Original Equipment Manufacturer (OEM and INTLOEM) net sales increased $0.3 million in the second quarter to $16.9 million from $16.6 million and $0.8 million in the first six months to $33.5 million from $32.7 million. Sales growth in the INTLOEM segment for the three and six-month periods, resulting principally from increased penetration of existing accounts and the addition of new accounts, more than offset sales declines in the domestic OEM segment.

### OPERATING INCOME

Including a special charge of $1.2 million in the aggregate in the second quarter of 2003, described below, consolidated operating income declined 16.3%, to $6.3 million from $7.6 million in the same period last year. For the six-month period ended June 30, 2003, consolidated operating income decreased 7.1%, to $12.6 million from $13.6 million in the first six months of 2002.

In the second quarter, the combined MRO segments incurred a special charge of $0.7 million for the severance and retirement of certain management personnel which more than offset the Company's continuing efforts to contain and reduce MRO costs. Including the special charge, the combined MRO segments experienced an operating income decrease of $0.5 million in the second quarter.

In the six-month period, operating income for the combined MRO segments increased by $0.5 million. This increase was primarily attributable to the Company's continuing efforts to contain and reduce MRO costs, which more than offset the special charge noted above.

Including a special charge of $0.5 million, described below, the combined OEM segments had an operating loss of $0.5 million for the quarter ended June 30, 2003 compared to operating income of $0.2 million for the similar period of 2002. In the six-month period ended June 30, 2003, the combined OEM segments had an operating loss of $0.6 million compared to operating income of $0.8 million for the same period of 2002. These declines are primarily attributable to the special charge for the severance and retirement of certain management personnel and lower gross margins, principally in the domestic OEM segment, which more than offset the sales gains noted above.

### NET INCOME

In the second quarter of 2003, net income decreased 11.8%, to $4.1 million ($.44 per diluted share), compared to $4.7 million ($.49 per diluted share) in the second quarter of 2002. Net income for the six-month period ended June 30, 2003 declined 7.4%, to $7.9 million ($.83 per diluted share), from $8.5 million ($.88 per diluted share) in the similar period of 2002. The decline in net income for both periods resulted principally from the special charges of $1.2 million ($0.8 million after tax) for severance and retirement programs noted above, offset by a decrease in the effective tax rate. The decline in the effective tax rate was due principally to lower losses internationally. The Company has not historically provided a tax benefit for those losses. Per share net income for 2003 and 2002 was positively impacted by the Company's share repurchase program.

### LIQUIDITY AND CAPITAL RESOURCES

Cash flows provided by operations for the six months ended June 30, 2003 and June 30, 2002 were $4.8 million and $12.6 million, respectively. In 2003, increases in net operating assets, primarily accounts receivable and inventories, negatively impacted cash flows from operations. In 2002, cash flows provided by operating activities were positively impacted by higher net income and decreases in inventories and other assets. Additions to property, plant and equipment were $2.5 million and $3.6 million, respectively, for the six months ended June 30, 2003 and 2002. Capital expenditures for 2003 and 2002 were incurred primarily for improvement of existing facilities and for the purchase of related equipment. In 2002, capital expenditures also included improvements of new leased facilities.

During the first six months of 2003, the Company purchased 4,600 shares of its own common stock for approximately $127,000 pursuant to the 2000 Board authorization to purchase up to 500,000 shares. In the first six months of 2002, the Company purchased 76,150 shares of its own common stock for approximately $2,284,000. Of these purchases, a total of 73,315 shares were acquired pursuant to the 2000 Board authorization to purchase up to 500,000 shares and 2,835 shares represented the remaining shares authorized for purchase under the 1999 Board authorization to purchase up to 500,000 shares. All shares purchased as of June 30, 2003 have been retired. Funds to purchase these shares were provided by investments and cash flows from operations.

Current investments, cash flows from operations and the $50,000,000 unsecured line of credit are expected to be sufficient to finance the Company's future growth, cash dividends and capital expenditures.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risk at June 30, 2003 from that reported in the Company's Annual Report on Form 10-K for the year ended December 31, 2002.

ITEM 4. CONTROLS AND PROCEDURES

Our Chief Executive Officer and Executive Vice President, Finance (the chief financial officer) have concluded, based on their evaluation as of the end of the period covered by the report, that the Company's "disclosure controls and procedures" (as defined in the Securities and Exchange Act of 1934 Rules 13a-15(e) and 15d-15(e)) are effective to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

## PART II

## OTHER INFORMATION

Items 1, 2, 3 and 5 are inapplicable and have been omitted from this report.

Item 4. Submission of Matters to a Vote of Security Holders.

(a) The annual meeting of stockholders of Lawson Products, Inc. was held on May 13, 2003.

(b) Set forth below is the tabulation of the votes on each nominee for election as a director:

| | For | Withheld Authority |
|---|---|---|
| James T. Brophy | 8,712,337 | 60,644 |
| Mitchell H. Saranow | 8,714,229 | 58,752 |
| Jerome Shaffer | 8,523,183 | 249,798 |

Messers. Kalish, Port and Washlow continue to serve as directors of the Company for terms ending in 2004 and Messers. Port, Rettig and Melzer continue to serve as directors of the Company for terms ending in 2005.

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits

15 Letter from Ernst & Young LLP Regarding Unaudited Interim Financial Information

31 Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-OxleyAct of 2002

32 Certification pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-OxleyAct of 2002

(b) Reports on Form 8-K

Current Report on Form 8-K, filed with the Securities and Exchange Commission on April 17, 2003, regarding the Company's results from operations for the quarter ended March 31, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LAWSON PRODUCTS, INC.
(Registrant)

Dated July 24, 2003

/s/ Robert J. Washlow

Robert J. Washlow
Chief Executive Officer
(principal executive officer)

Dated July 24, 2003

/s/ Richard A. Agostinelli

Richard A. Agostinelli
Executive Vice President, Finance
(principal financial officer)

Exhibit 15

Chicago, Illinois
July 15, 2003

Board of Directors
Lawson Products, Inc.

We are aware of the incorporation by reference in the Registration Statement (Form S-8 No. 33-17912 dated November 4, 1987) of Lawson Products, Inc. of our report dated July 15, 2003 relating to the unaudited condensed consolidated interim financial statements of Lawson Products, Inc. which are included in its Form 10-Q for the quarter ended June 30, 2003.

Pursuant to Rule 436(c) of the Securities Act of 1933 our report is not part of the registration statement prepared or certified by accountants within the meaning of Section 7 or 11 of the Securities Act of 1933.

/s/ ERNST & YOUNG LLP

Exhibit 31

CERTIFICATIONS

I, Robert J. Washlow, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lawson Products, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 24, 2003

/s/ Robert J. Washlow
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Robert  J. Washlow
Chief Executive Officer

CERTIFICATIONS

I, Richard A. Agostinelli, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lawson Products, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 24, 2003

/s/ Richard A. Agostinelli
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Richard A. Agostinelli, Executive Vice President, Finance
(principal financial officer)

Exhibit 32

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Lawson Products, Inc. (the "Company") on Form 10-Q for the period ending June 30, 2003 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer and Executive Vice President, Finance (principal financial officer) of the Company hereby certify, pursuant to 18 U.S.C. ss.1350, as adopted pursuant to ss.906 of the Sarbanes-Oxley Act of 2002 that based on their knowledge: 1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and 2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in the Report.

/s/ Robert J. Washlow

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Robert J. Washlow, Chief Executive Officer
(principal executive officer)

/s/ Richard A. Agostinelli

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Richard A. Agostinelli, Executive Vice President, Finance
(principal financial officer)

July 24, 2003