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

FORM 10-K

(Mark one)

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

for the fiscal year ended December 31, 2004

OR

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

for the transition period from _____________ to ____________

Commission file number: 0-10546

LAWSON PRODUCTS, INC.
(Exact Name of Registrant as Specified in 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)

Registrant's telephone number, including area code: (847) 827-9666

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of each exchange on which registered
None	None

Securities registered pursuant to Section 12(g) of the Act:

COMMON STOCK, $1.00 PAR VALUE
(Title of class)

Indicate by check mark whether the Registrant (l) 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss.229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No__

The aggregate market value of the Registrant's voting stock held by non-affiliates (based upon the per share closing price of $38.15) on June 30, 2004 was approximately $186,824,000.

As of March 1, 2005, 9,189,513 shares of Common Stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents are incorporated into this Form 10-K by reference:

Part III incorporates information by reference to the registrant's definitive proxy statement, to be filed with the Securities and Exchange Commission within 120 days after the close of the fiscal year.

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"SAFE HARBOR" STATEMENT UNDER THE SECURITIES LITIGATION REFORM ACT OF 1995: This Annual Report on Form 10-K contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 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. These statements are based on management's current expectations, intentions or beliefs and are subject to a number of factors, assumptions and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. Factors that could cause or contribute to such differences or that might otherwise impact the business include, but are not limited to, the following risk factors:

- Lawson's business strategy requires the Company to carry a significant amount of inventory in order to meet rapid processing of customer orders. This strategy increases the likelihood that portions of Lawson's inventory may become obsolete.

- Disruptions of Lawson's information systems could adversely affect the Company. The Company depends upon our information systems to help process orders, to manage inventory and accounts receivable collections, to purchase, sell and ship products, to maintain cost-effective operations, and to service customers. Any disruption in the operation of Lawson's information systems could have a material adverse effect on the Company.

- There is an ongoing risk that orders may be cancelled or rescheduled due to fluctuations in Lawson's customers' business needs or purchasing budgets. The cancellation or rescheduling of orders may cause operating results to fluctuate.

- A limited number of the Company's stockholders can exert significant influence over the Company. As of February 1, 2005, the Port family collectively beneficially owned 50.9% of the outstanding shares of common stock. The share ownership would permit these stockholders, if they chose to act together, to exert significant influence over the outcome of stockholder votes, including votes concerning the election of directors, by-law amendments, possible mergers, corporate control contests and other significant corporate transactions.

- The Company operates in highly competitive markets. Some of the Company's competitors have a greater variety of merchandise, financial resources, services, personnel resources and competitive pricing than Lawson.

- Those related to general economic conditions and market conditions in the markets and industries the Company serves. In the event of economic downturn Lawson could experience customer bankruptcies, reduced volume of business from its existing customers and lost volume due to customer plant shutdowns or consolidations.

- The risks of war, terrorism, and similar hostilities may adversely affect operating results. In addition to having an impact on general economic conditions, events such as the attacks of September 11, 2001 and the recent conflict in Iraq may adversely affect revenues and Lawson's ability to service customers.

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.

PART I

ITEM 1. BUSINESS.

Lawson Products, Inc. ("Lawson" or the "Company") was incorporated in Illinois in 1952 and reincorporated in Delaware in 1982. The Company has four reportable segments: (i) maintenance, repair and replacement distribution in the U.S.; (ii) international maintenance, repair and replacement distribution in Canada; (iii) original equipment manufacturer distribution and manufacturing in the U.S. and (iv) international original equipment manufacturer distribution in the United Kingdom and Mexico. Please see Note O in the Notes to the Consolidated Financial Statements, included elsewhere in this Annual Report on Form 10-K, for additional information regarding segment results and sales by geographic regions.

OVERVIEW

Lawson is an international distributor and marketer of systems, services and products to the industrial, commercial and institutional maintenance, repair and replacement ("MRO") marketplace. The Company also manufactures, sells and distributes specialized component parts to the original equipment marketplace ("OEM"), including automotive, appliance, aerospace, construction and transportation industries.

Lawson markets its products primarily through a network of approximately 1,800 independent sales agents. In addition, Lawson also markets its products through inside sales representatives.

PRODUCTS

The Company is a seller and distributor of systems, services and products to the MRO and OEM marketplaces. The Company also manufactures and distributes production and specialized component parts to the OEM marketplace. The Company offers over 900,000 expendable maintenance, repair and replacement products. These products may be divided into three broad categories: Fasteners, Fittings and Related Parts, such as screws, nuts, rivets and other fasteners; Industrial Supplies, such as hoses and hose fittings, lubricants, cleansers, adhesives and other chemicals, as well as files, drills, welding products and other shop supplies; and Automotive and Equipment Maintenance Parts, such as primary wiring, connectors and other electrical supplies, exhaust and other automotive parts. The Company estimates that these categories of products accounted for the following percentages of its total consolidated net sales for 2004, 2003 and 2002, respectively:

	PERCENTAGE OF CONSOLIDATED NET SALES		
	2004	2003	2002
Fasteners, Fittings and Related Parts	44%	43%	44%
Industrial Supplies	47	48	47
Automotive and Equipment Maintenance Parts	9	9	9
	100%	100%	100%

Substantially all of the Company's MRO products are manufactured by others and must meet the Company's specifications. Approximately 90% of the Company's products are sold under the Company labels. Substantially all MRO products distributed by the Company are purchased by the Company in bulk and subsequently repackaged in smaller quantities. The Company regularly uses a large number of suppliers and has no long-term or fixed price contracts with any of them. Most of the Company's MRO products are purchased from several sources, and the Company believes that the loss of any single supplier would not significantly affect its operations. No single supplier accounted for more than 3% of the Company's purchases in 2004.

In the OEM business, the Company sources most products based on customer specifications through a variety of domestic and international suppliers. A portion of OEM products are manufactured by the Company, primarily precision engineered machine parts. In addition to customer-oriented products, the OEM business provided supply chain management services such as in-plant inventory management and automatic re-stock programs.

MARKETS

The Company's principal markets are as follows:

In-Plant and Building Maintenance. This market includes facilities engaged in a broad range of manufacturing and processing activities, as well as institutions such as hospitals, universities, school districts and government units. The Company estimates that approximately 42% of 2004 net sales were made to customers in this market.

Heavy Duty Equipment Maintenance. Customers in this market include operators of trucks, buses, agricultural implements, construction and road building equipment, mining, logging and drilling equipment and other off-the-road equipment. The Company estimates that approximately 24% of 2004 net sales were made to customers in this market.

Original Equipment Manufacturers. This market includes supplying production lines engaged in a broad range of manufacturing and processing activities with component parts. The Company estimates that approximately 18% of 2004 net sales were made to customers in this market.

Vehicle Maintenance and Transportation. Customers in this market include automobile service center chains, independent garages, automobile dealers, car rental agencies and other fleet operators. The Company estimates that approximately 16% of 2004 net sales were made to customers in this market.

At December 31, 2004, the Company had approximately 295,000 customers, the largest of which accounted for approximately 1% of net sales during 2004. Sales were made through a force of approximately 1,800 independent sales representatives. Independent sales representatives are compensated on a commission basis and are responsible for repayment of commissions on their respective uncollectible accounts. Sale force management includes 44 regional managers who coordinate regional marketing efforts. The Company had approximately 1,390 employees at December 31, 2004.

The Company's products are sold in all 50 states, the District of Columbia, Mexico, Puerto Rico, Canada and the United Kingdom. The Company believes that an important factor in its success is its ability to service customers promptly. During the past five years, more than 99.2% of all orders for stocked inventory were shipped to the customer within 24 hours after an order was received by the Company. This rapid delivery is facilitated by computer controlled order entry and inventory control systems in each general distribution center. Sales Representatives in the field are equipped with technology to automatically transmit customer orders. Customer orders are delivered by common carriers.

INVENTORY

The Company is required to carry significant amounts of inventory in order to meet its high standards of rapid processing of customer orders. The Company has historically funded its working capital requirements internally. Such internally generated funds, along with a $50 million unsecured revolving line of credit, are expected to finance the Company's future growth and working capital requirements.

DISTRIBUTION AND MANUFACTURING FACILITIES

The Company's MRO products are primarily stocked in and distributed from ten general distribution centers located in: Addison, Illinois; Reno, Nevada; Farmers Branch, Texas; Suwanee, Georgia; Fairfield, New Jersey; Mississauga, Ontario, Canada; Bradley Stoke (Bristol) England and Guadalajara, Mexico; Vernon Hills, Illinois and Charlotte, North Carolina. OEM products are primarily stocked in and distributed primarily from five centers located in Des Plaines, Illinois; Memphis, Tennessee; Lenexa, Kansas; Portage, Wisconsin and Cincinnati, Ohio. Certain OEM products are manufactured at the Company's plant in Decatur, Alabama. In the opinion of the Company, all existing facilities are in good condition and are well maintained. All are being used substantially to capacity on a single shift basis, except the manufacturing facility in Decatur, Alabama which operates two shifts and the inbound facility in Des Plaines, Illinois, which operates two shifts. Further expansion of warehousing capacity may require new or expanded warehouses, some of which may be located in new geographical areas.

INTERNATIONAL OPERATIONS

Approximately 9% of the Company's net sales came from international sales, primarily in Canada, the United Kingdom and Mexico.

Canadian operations are conducted at the Company's 85,000 square foot general distribution center in Mississauga, Ontario, a suburb of Toronto. These operations constituted approximately 5% of the Company's net sales during 2004.

Operations in the United Kingdom are conducted under the name of Assembly Component Systems Limited from a 10,000 square foot general distribution center in Bradley Stoke (Bristol) England. These operations constituted approximately 2% of the Company's net sales during 2004.

Operations in Mexico are conducted under the name of Lawson Products de Mexico, S de R.L. de C.V. from a 10,000 square foot facility in Guadalajara, Mexico. These operations constituted approximately 2% of the Company's net sales during 2004.

COMPETITION

The Company encounters intense competition from several national distributors and manufacturers and a large number of regional and local distributors. Due to the nature of its business and the absence of reliable trade statistics, the Company cannot estimate its position in relation to its competitors. However, the Company recognizes that some competitors may have greater financial and personnel resources, handle more extensive lines of merchandise, operate larger facilities and price some merchandise more competitively than the Company. Although the Company believes that the prices of its products are competitive, it endeavors to meet competition primarily through the quality of its product line, its response time and its delivery systems.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers all of whose terms of office expire on May 10, 2005, are as follows:

NAME AND PRESENT POSITION WITH COMPANY	AGE	YEAR FIRST ELECTED TO PRESENT OFFICE	OTHER OFFICES HELD DURING THE PAST FIVE YEARS
Robert J. Washlow Chairman of the Board, Chief Executive Officer and Director	60	1999	Mr. Washlow has been Chairman of the Board and Chief Executive Officer since August 1999. Prior thereto, Mr. Washlow was Executive Vice President-Corporate Affairs beginning in 1998 and served as Secretary beginning in 1985. Mr. Washlow was a member of the Office of the President from 1999 to 2003.
Sidney L. Port Vice Chairman of the Board of Directors and Director	94	2003	Mr. Port has been Vice Chairman of the Board since 2003. Prior thereto, Mr. Port was Chairman of the Executive Committee of the Board of Directors for more than five years.
Jeffrey B. Belford President and Chief Operating Officer	58	2004	Mr. Belford became Chief Operating Officer in 1999 and President in 2004. Mr. Belford was a member of the Office of the President from 1999 to 2003. Prior to 1999, Mr. Belford was Executive Vice President - Operations.
Roger F. Cannon Executive Vice President, Field Sales Strategy and Development	56	2004	Mr. Cannon was elected Vice President, Field Sales Strategy and Development in 2004. He was a member of the Office of the President from 1999 to 2003. Prior to 1999, Mr. Cannon was Executive Vice President, Sales - Marketing from 1997-1999, and Vice President Central Field Sales from 1991-1997.
Thomas J. Neri Executive Vice President, Finance, Planning and Corporate Development; Chief Financial Officer and Treasurer	53	2004	Mr. Neri was elected Executive Vice President, Finance, Planning and Corporate Development; Chief Financial Officer and Treasurer in 2004. Prior thereto, Mr. Neri was a business consultant from 2000 to 2003. From 1993 to 2000, Mr. Neri was President and Publisher of Pioneer Newspapers, Inc., a subsidiary of Hollinger International, a publicly held international publishing company.
Neil E. Jenkins Executive Vice President; Secretary and General Counsel	55	2004	Mr. Jenkins was elected Executive Vice President in 2004. From 2000 to 2003 Mr. Jenkins served as Secretary and General Counsel of the Company.
Jerome Shaffer Vice President and Special Advisor to the Chief Executive Officer and Director	77	2004	Mr. Shaffer was elected Vice President and Special Advisor to the Chief Executive Officer in 2004. For more than five years prior thereto, Mr. Shaffer was Vice President and Treasurer of the Company. Mr. Shaffer has been a director of the Company since 1987.

Joseph L. Pawlick Senior Vice President, Accounting	62	2003	Mr. Pawlick was elected Senior Vice President, Accounting in 2003. From 1999 to 2003, Mr. Pawlick was the Chief Financial Officer of the Company. Prior to 1999, Mr. Pawlick was Vice President, Controller and Assistant Secretary of the Company since 1987.

AVAILABLE INFORMATION

The Company's internet address is: www.lawsonproducts.com. The Company makes available free of charge through its website its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act and Section 16 reports as soon as reasonably practicable after such documents are electronically filed with the Securities and Exchange Commission. Our internet website and the information contained therein or incorporated therein are not intended to be incorporated into this Annual Report on Form 10-K.

ITEM 2. PROPERTIES.

The Company owns two facilities located in Des Plaines, Illinois, (152,600 and 27,000 square feet, respectively). These buildings contain the Company's main administrative activities and an inbound warehouse facility that principally supports the Addison, Illinois facility and all Lawson distribution facilities for the MRO businesses. The Company also leases a facility in Des Plaines, Illinois (114,000 square feet). This building contains administrative and warehouse activities. Additional administrative, warehouse and distribution facilities owned by the Company are located in Addison, Illinois (90,000 square feet); Fairfield, New Jersey (61,000 square feet); Reno, Nevada (97,000 square feet); Suwanee, Georgia (105,000 square feet); Farmers Branch, Texas (54,500 square feet); and Mississauga, Ontario, Canada (85,000 square feet). The Company also leases administrative office space (25,300 square feet) in Independence, Ohio. Chemical products are distributed from an owned facility in Vernon Hills, Illinois (105,400 square feet) and welding products are distributed from an owned facility located in Charlotte, North Carolina (40,000 square feet). Administrative, warehouse and distribution facilities in Bradley Stoke (Bristol) England (10,000 square feet) are leased by the Company. Administrative and distribution facilities in Guadalajara, Mexico (10,000 square feet) are leased by the Company. Production components are distributed from leased facilities in Des Plaines, Illinois (21,400 square feet) Memphis, Tennessee, (26,300 square feet), Lenexa, Kansas (40,500 square feet), Portage, Wisconsin (18,000 square feet) and Cincinnati, Ohio (7,000 square feet). The Company owns a facility in Decatur, Alabama (61,000 square feet) from which it manufacturers and distributes production components. From time to time, the Company leases additional warehouse space near its present facilities. Management believes that the current facilities are adequate to meet its needs. See Item 1, "Business - Distribution and Manufacturing Facilities" for further information regarding the Company's properties.

ITEM 3. LEGAL PROCEEDINGS.

There is no material pending litigation to which the Company, or any of its subsidiaries, is a party or to which any of their property is subject.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

No matter was submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this Report.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

The Company's Common Stock is traded on the NASDAQ National Market System under the symbol of "LAWS." The approximate number of stockholders of record at December 31, 2004 was 746. The following table sets forth the high and low closing sale prices as reported on the NASDAQ National Market System during the last two years for the periods presented. The table also indicates the cash dividends for each outstanding share of common stock paid by the Company during such periods.

	2004			2003		
	HIGH	LOW	CASH DIVIDENDS PAID PER SHARE	HIGH	LOW	CASH DIVIDENDS PAID PER SHARE
First Quarter	$34.49	$28.61	$.18	$30.81	$23.04	$ .16
Second Quarter	38.15	32.67	.18	28.48	24.40	.16
Third Quarter	41.63	35.85	.18	29.87	25.76	.16
Fourth Quarter	51.25	41.46	.18	34.74	27.47	.16

The following table provides information about purchases that the Company made during the quarter ended December 31, 2004 of equity securities that are registered by the Company pursuant to Section 12 of the Exchange Act.

PERIOD	TOTAL NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE	TOTAL NUMBER OF SHARES PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	MAXIMUM NUMBER (OR APPROXIMATE DOLLAR VALUE) OF SHARES THAT MAY YET BE PURCHASED UNDER THE PLANS OR PROGRAMS
October 1, 2004 through October 31, 2004.........	15,768	$41.70	15,768	590,790
November 1, 2004 through November 30, 2004	13,940	$46.28	13,940	576,850
December 1, 2004 through December 31, 2004.........	39,687	$50.24	39,687	537,163

ITEM 6. SELECTED FINANCIAL DATA.

The following selected financial data should be read in conjunction with the Consolidated Financial Statements of the Company and Notes thereto included elsewhere in this Annual Report. The income statement data and balance sheet data is for, and as of the end of each of, the years in the five-year period ended December 31, 2004, are derived from the audited Financial Statements of the Company.

(dollars in thousands, except per share data)

	2004	PERCENT CHANGE	2003	2002	2001	2000
Net Sales(1)	$419,652	7.9%	$389,091	$387,456	$379,407	$348,967
Income Before Income Taxes(2)	33,438	34.3%	24,892	23,189	17,142	47,566
Net Income(3)	21,425	32.3%	16,196	12,447	8,787	28,136
Per Share of Common Stock:						
Basic Net Income	$2.28	33.3%	$1.71	$1.30	$0.91	$2.85
Diluted Net Income	2.27	33.5%	1.70	1.30	0.91	2.85
Total Assets	260,550	5.5%	246,943	225,831	234,206	222,721
Noncurrent Liabilities	37,271	1.5%	36,714	31,765	40,520	28,946
Stockholders' Equity	180,332	4.0%	173,351	162,343	159,898	159,912
Return on Average Equity (percent)	12.0	25.0%	9.6	7.7	5.4	18.6
Return on Assets (percent)	8.2	25.4%	6.6	5.5	3.8	12.6
Stockholders' Equity per share(4)	19.16	4.9%	18.26	16.96	16.51	16.22
Cash Dividends Declared	0.72	9.1%	0.66	0.64	0.64	0.60
Basic Weighted Average Shares 0utstanding	9,410	(0.9)%	9,492	9,570	9,685	9,860
Diluted Weighted Average Shares Outstanding	9,430	(0.9)%	9,511	9,596	9,708	9,874

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1 Net sales for 2004, 2003, 2002 and 2001 were also positively impacted by the acquisition of the North American Industrial Products and Kent Automotive Divisions of Premier Farnell PLC in March 2001.

2 During 2003 the Company recorded a $2,789 pretax loss related to the sale of Lawson Products Limited, the Company's former UK subsidiary. In 2001, income before taxes included charges of $11,881 related to the write-off of capitalized software and implementation costs related to an enterprise information system project which the Company decided to discontinue as well as a promotional program related to the acquisition of Premier Operations. During 2000, the Company recorded a gain of $3,502 as a result of the sale of the Company's interest in a real estate investment.

3 In 2003, the income tax expense included a $2,157 reduction to reflect the partial utilization of a capital loss generated by the sale of the Company's former UK subsidiary. In 2003 and 2002, the Company recorded $1,477 and $421 respectively, after tax, of charges for compensation arrangements related to management personnel reductions. The Company adopted SFAS No. 142 as of January 1, 2002. Therefore, the Company discontinued amortization of goodwill for 2002 and thereafter. Net income for 2001 was reduced by $731 related to goodwill amortization. In 2001, the Company recorded charges for the write-off of capitalized software and implementation costs related to an enterprise information system project which the Company decided to discontinue as well as a promotional program related to the acquisition of Premier operations. Together, these charges reduced net income by $7,159. During 2000, the Company recorded a gain of $2,136 as a result of the sale of the Company's interest in a real estate investment.

4 These per share amounts were computed using basic weighted average shares outstanding for all periods presented.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

SUMMARY OF FINANCIAL PERFORMANCE

	2004	% OF SALES	2003	% OF SALES	2002	% OF SALES
(Dollars in thousands, except per share data)						
Net sales	$419,652	100.0%	$389,091	100.0%	$387,456	100.0%
Cost of goods sold	155,971	37.2	141,124	36.3	137,129	35.4
Gross Profit	263,681	62.8	247,967	63.7	250,327	64.6
Operating expenses	232,870	55.5	225,226	57.9	228,516	59.0
Operating income	30,811	7.3	22,741	5.8	21,811	5.6
Other	2,627	0.6	2,151	0.6	1,378	0.4
Income before taxes	33,438	8.0	24,892	6.4	23,189	6.0
Income tax expense	12,013	2.9	8,696	2.2	10,742	2.8
Net Income	$21,425	5.1%	$16,196	4.2%	$12,447	3.2%
Diluted earnings per share	$2.27		$1.70		$1.30	
Total assets	260,550		246,943		225,831	
Return on assets	8.2%		6.6%		5.5%	
Stockholders' equity (%)	180,332		173,351		162,343	
Return on avg. equity (%)	12.0%		9.6%		7.7%	

Lawson achieved solid financial results in 2004, including record sales of approximately $420 million. The Company effectively managed costs, resulting in strong operating income leverage and earnings growth. For 2004, net income per share increased by 33.5% to $2.27 per share from $1.70 per share in 2003.

Management's discussion and analysis of operating results below focuses on the MRO and OEM businesses. These businesses represent the domestic and international segments of the respective businesses. For additional information on the Company's segment reporting, refer to Note O--Segment Reporting in the Notes to Consolidated Financial Statements.

YEAR ENDED DECEMBER 31, 2004 COMPARED TO YEAR ENDED DECEMBER 31, 2003

Revenues and Gross Profit

Net sales increased by $30.6 million to $419.7 million in 2004 compared to $389.1 million in 2003, a 7.9% increase.

The following table presents the Company's net sales results for its MRO and OEM businesses for the past two years:

	2004	2003
MRO	$337.9	$321.0
OEM	81.8	68.1
	$419.7	$389.1

MRO sales grew by $16.9 million or 5.3% in 2004. Increases in average unit selling prices were the primary driver of MRO sales growth in 2004. Changes in product sales mix and the effects of selling price increases contributed to the increase in average unit selling prices in 2004. MRO sales increase was also due to enhanced account penetration, growth in government programs, and an improved business climate.

OEM sales grew by $13.7 million or 20.1% in 2004 compared to 2003, driven by domestic and international growth. The OEM business added new customers and increased sales to existing customers in 2004.

Gross profit increased by $15.7 million or 6.3%, to $263.7 million in 2004 compared to $248.0 million in 2003. As a percent of sales, gross profit decreased to 62.8% in 2004 from 63.7% in 2003. The decline in overall gross profit margins is primarily related to the rapid sales growth in the OEM lower margin segment. As discussed above, OEM segment sales increased at a 20.1% rate in 2004 compared to 5.3% in the MRO segment, having the effect of reducing consolidated gross profit margins compared to 2003.

MRO segment gross profit margins increased from 71.3% in 2003 to 71.8 % in 2004. As a result of price increases implemented in 2004, average selling prices increased and drove gross profit margins higher.

Operating Expenses and Operating Income

Operating expenses increased by 3.4% or $7.6 million to $232.9 million in 2004 compared to $225.2 million in 2003. The increase in operating expenses is primarily the result of higher compensation costs, including a $2.6 million charge for Stock Appreciation Rights, reflecting the accounting for the impact of the 51.8% increase in Lawson's stock price from $33.07 at December 31, 2003 to $50.19 at December 31, 2004. Other compensation costs increased, including sales commissions, as a result of higher MRO sales in 2004.

As a percentage of sales, operating expenses decreased from 57.9% in 2003 to 55.5% in 2004, primarily as the result of productivity improvements and the Company's ability to leverage its operating cost infrastructure over a larger revenue base.

Operating income increased by 35.5% in 2004 to $30.8 million. This increase is the result of net sales increases and improved operating expense leverage, offset somewhat by lower consolidated gross profit margins.

Other Income and Expense

Other income consists primarily of rental income from the Company's investment in a real estate partnership, as well as other miscellaneous income and expenses. For 2004, other income increased by $0.5 million as a result of life insurance death benefits paid to the Company.

Provision for Income Taxes

The effective tax rates for 2004 and 2003 were 35.9% and 34.9%, respectively. In 2004, the effective tax rate included the impact of $1.9 million of tax free proceeds from executive life insurance. In 2003, the effective tax rate included the effect of a $2.2 million tax provision reduction to reflect the partial utilization of a capital loss carryback generated by the 2003 sale of the Company's MRO business in the United Kingdom.

Net Income

Net income increased by $5.2 million or 32.3% to $21.4 million in 2004 from $16.2 million in 2003. The factors that affected net income comparisons have been discussed above. Per share net income comparisons were positively impacted by the Company's share repurchase program.

YEAR ENDED DECEMBER 31, 2003 COMPARED TO YEAR ENDED DECEMBER 31, 2002

Revenues and Gross Profit

The following table presents the Company's net sales results for its MRO and OEM businesses for 2003 and 2002:

	2003	2002
MRO	$321.0	$323.4
OEM	68.1	64.1
	$389.1	$387.5

Net sales increased by $ 1.6 million, or 0.4 % in 2003 compared to 2002. The table above illustrates that OEM sales increased $ 4.0 million (6.2%) in 2003 while MRO sales declined $ 2.4 million (0.7 %). In the OEM segment, the Company increased key account penetration and expanded its international business. Overall, international sales growth in the OEM segment offset a slight decline in U.S. OEM sales in 2003. The MRO segment continued to face difficult market conditions in 2003, particularly in the United States. MRO sales gains in Canada for 2003 were offset by sales declines in domestic MRO business in 2003.

Gross profit decreased by $2.3 million, or 0.9%, to $248.0 million during 2003 from $250.3 million in 2002. This decrease resulted partially from product mix, as the Company sold a lower percentage of MRO products as a percentage of total sales in 2003 as compared to 2002. In 2003, MRO gross profit was 71.3% of sales, compared to 72.4% in 2003. OEM gross profit margins increased in 2003 to 28.8% of sales, compared to 25.3% in 2002.

Operating Expenses and Operating Income

Operating expenses decreased by $3.3 million, or 1.4%, to $225.2 million (57.9% of sales) in 2003 from $228.5 million (59.0% of sales) in 2002. The decline in operating expenses was attributable to the Company's continuing efforts to contain and reduce costs. Lower sales agent compensation and benefit costs more than offset increases in other expenses, principally wages and a loss of approximately $2.8 million in connection with the sale of the MRO operations of the Company's former UK subsidiary. The decrease in sales agent compensation and benefits resulted principally from the expiration of a special promotional program ending in the second quarter of 2002.

Operating income increased by $0.9 million, or 4.3%, to $22.7 million in 2003 from $21.8 million in 2002. The increase resulted primarily from lower operating expenses noted above, partially offset by lower gross profit and higher other charges.

Other Income and Expense

Other income consists primarily of rental income. For 2003, other income increased by $0.8 million primarily due to the consolidation of the Company's investment in a real estate partnership beginning in July of 2003.

Provision for Income Taxes

The effective income tax rates were approximately 34.9% and 46.3%, respectively, for 2003 and 2002. The decrease in the effective tax rate was primarily attributable to a $2.2 million reduction of the income tax provision to reflect the partial utilization of a capital loss carryback generated by the 2003 sale of Lawson Products Limited, the Company's former subsidiary in the United Kingdom.

Net Income

Net income increased by $3.7 million, or 30.1%, to $16.2 million during 2003 from $12.5 million in 2002, while income per share increased 31.0% to $1.70 in 2003 from $1.30 in 2002. The principal factors affecting net income and earnings per share were lower income taxes and higher operating income, as discussed above. Per share net income for 2003 and 2002 was positively impacted by the Company's share repurchase program.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows from operations and an unused $50 million unsecured line of credit (entered into in February 2001) have been sufficient to fund operating requirements, cash dividends and capital improvements. Cash flows from operations and the line of credit are also expected to finance the Company's future growth.

Cash flows provided by operations for 2004, 2003 and 2002 were $25.8 million, $27.9 million and $29.7 million, respectively. The decline in 2004 was principally attributable to increasing operating assets, primarily accounts receivable and inventory, more than offsetting the $ 5.2 million increase in net income. The decline in 2003 from 2002 was due primarily to increasing operating assets, primarily accounts receivable and cash value of life insurance more than offsetting the $3.7 million increase in net income. Working capital at December 31, 2004 and 2003 was approximately $ 115.0 million and $ 107.9 million, respectively. At December 31, 2004 the current ratio was 3.7 to 1 as compared to 3.9 to 1 at December 31, 2003.

Over the past three years, the Company has made the following purchases of its common stock:

Year Purchased	Shares Purchased	Cost (In millions)	Year Authorized by Board
2004	249,236	$9.6	2000
2003	20,186	0.6	2000
2002	196,250	5.6	1999/2000

In October 2004, the Company's Board of Director's authorized the purchase of up to 500,000 shares of the Company's common stock in addition to that previously authorized. There is no expiration relative to this authorization. At December 31, 2004, 500,000 shares were available for purchase pursuant to the 2004 authorization and 37,163 shares were available for purchase pursuant to the 2000 Board authorization. Funds to purchase these shares were provided by investments and cash flows from operations.

Additions to property, plant and equipment were $ 3.8 million, $5.7 million and $6.7 million, respectively, for 2004, 2003 and 2002. Capital expenditures were principally related to improvement of existing facilities and the purchase of related equipment as well as the development of software. For 2004, the Company incurred lower facility expansion expenditures as compared to prior years.

Future contractual obligations consisted of the following at December 31, 2004:

(In thousands)	2005	2006	2007	2008	2009	2010 and thereafter	Total
Rents	$3,502	$2,936	$2,488	$1,685	$1,482	$2,256	$14,349
Mortgage payable	1,573	-	-	-	-	-	1,573
Deferred compensation	733	614	349	326	155	13,007	15,184
Security bonus plan (1)	-	-	-	-	-	21,528	21,528
Total contractual cash obligations	$5,808	$3,550	$2,837	$2,011	$1,637	$36,791	$52,634

(1) Payments to beneficiaries of the security bonus plan are made on a lump sum basis at time of retirement. No such obligations exist at December 31, 2004.

BUSINESS DISPOSALS

Sale of MRO Operations in United Kingdom: During the fourth quarter of 2003, the Company completed the sale of its United Kingdom MRO subsidiary. As stated above, in connection with the sale of this operation, the Company incurred a loss of $2.8 million, including inventory write-offs of $1.8 million. The Company's OEM customers in the United Kingdom will be serviced through a newly formed entity, Assembly Component Systems Limited.

CRITICAL ACCOUNTING POLICIES

The Company has disclosed its accounting policies in Note B to the Consolidated Financial Statements. The following provides supplemental information to these accounting policies as well as information on the accounts requiring more significant estimates.

Allowance for Doubtful Accounts - Methodology: The Company evaluates the collectibility of accounts receivable based on a combination of factors. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations (e.g., bankruptcy filings, substantial down-grading of credit ratings), a specific reserve for bad debts is recorded against amounts due to reduce the receivable to the amount the Company reasonably believes will be collected. For all other customers, the Company recognizes reserves for bad debts based on the Company's historical experience of bad debt write-offs as a percent of accounts receivable outstanding. If circumstances change (i.e., higher than expected defaults or an unexpected material adverse change in a major customer's ability to meet its financial obligations), the estimates of the recoverability of amounts due the Company could be revised by a material amount.

Inventories - Slow Moving and Obsolescence: The Company carries significant amounts of inventories, which is a part of the Company's strategy as a competitive advantage in its ability to fulfill the vast majority of our customers' orders the same day received. However, this strategy also increases the chances that portions of the inventory have decreased in value below their carrying cost. To reduce inventory to a lower of cost or market value, the Company records a reserve for slow-moving and obsolete inventory. The Company defines obsolete as those inventory parts on hand which the Company plans to discontinue to offer to its customers. Slow-moving inventory is monitored by examining reports of parts which have not been sold for extended periods. The Company records the reserve needed based on its historical experience of how much the selling prices must be reduced to move these obsolete and slow-moving products. If experience or market conditions change, estimates of the reserves needed could be revised by a material amount.

Impact of Inflation and Changing Prices: The Company has historically been able to pass on to its customers most increases in product costs. Accordingly, gross margins have not been materially impacted. The impact from inflation has historically been more significant on the Company's fixed and semi-variable operating expenses, primarily wages and benefits, although to a lesser degree in recent years due to moderate inflation levels.

Although the Company expects that future costs of replacing warehouse and distribution facilities will rise due to inflation, such higher costs are not anticipated to have a material effect on future earnings.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

The Company, through its foreign subsidiaries, distributes products in Canada, the United Kingdom and Mexico. As a result, the Company is from time to time exposed to market risk relating to the impact of foreign currency exchange rates. A hypothetical 10% adverse movement in exchange rates would increase income by $38,000 in 2004 to offset the loss by the foreign subsidiaries.

The Company had no loans outstanding as of December 31, 2004 under its revolving line of credit.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The following information is presented in this report:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 31, 2004 and 2003.

Consolidated Statements of Income for the Years ended December 31, 2004, 2003 and 2002.

Consolidated Statements of Changes in Stockholders' Equity for the Years ended December 31, 2004, 2003 and 2002.

Consolidated Statements of Cash Flows for the Years ended December 31, 2004, 2003 and 2002.

Notes to Consolidated Financial Statements.

Schedule II

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Lawson Products, Inc.

We have audited the accompanying consolidated balance sheets of Lawson Products, Inc. and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2004. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Lawson Products, Inc. and subsidiaries at December 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects the information set forth therein.

As discussed in Note B to the financial statements, in 2003 the Company changed its method of accounting for its investment in a real estate partnership.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Lawson Products, Inc. and subsidiaries internal control over financial reporting as of December 31, 2004, based on criteria established in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 10, 2005 expressed an unqualified opinion thereon.

/s/Ernst & Young LLP

Chicago, Illinois
March 10, 2005

LAWSON PRODUCTS, INC.
CONSOLIDATED BALANCE SHEETS

(Dollars in Thousands)	DECEMBER 31, 2004	DECEMBER 31, 2003
Assets		
Current assets:		
Cash and cash equivalents	$ 28,872	$ 23,555
Accounts receivable, less allowance for doubtful accounts (2004 -$1,986, 2003 - $2,121)	52,129	47,972
Inventories	65,687	59,817
Miscellaneous receivables	2,081	4,773
Prepaid expenses	7,479	6,666
Deferred income taxes	1,729	1,975
Total Current Assets	157,977	144,758
Property, plant and equipment, at cost, less allowances for depreciation and amortization (2004 - $58,837; 2003 - $58,692)	42,452	44,905
Other assets:		
Cash value of life insurance	15,089	13,201
Deferred income taxes	14,779	13,201
Goodwill, less accumulated amortization	28,649	28,649
Other intangible assets, less accumulated amortization (2004 - $1,335; 2003 - $1,219)	1,365	1,481
Other	239	748
	60,121	57,280
	$ 260,550	$ 246,943
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 8,746	$ 8,240
Accrued expenses and other	32,628	27,176
Current portion of long term debt	1,573	1,462
Total Current Liabilities	42,947	36,878
Noncurrent liabilities and deferred credits:		
Accrued liability under security bonus plans	21,528	20,823
Long term debt	--	1,573
Deferred compensation and other liabilities	15,743	14,318
	37,271	36,714
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 - 2004- 9,280,935 shares; 2003 - 9,493,511 shares	9,281	9,494
Capital in excess of par value	3,467	2,667
Retained earnings	167,187	161,831
	179,935	173,992
Accumulated other comprehensive income (loss)	397	(641)
Stockholders' equity	180,332	173,351
	$ 260,550	$ 246,943

See notes to consolidated financial statements

LAWSON PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF INCOME

(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)	YEAR ENDED DECEMBER 31, 2004	2003	2002
Net sales	$ 419,652	$389,091	$387,456
Cost of goods sold	155,971	141,124	137,129
Gross profit	263,681	247,967	250,327
Selling, general and administrative expenses	231,762	221,189	226,571
Other charges	--	2,459	360
Provision for doubtful accounts	1,108	1,578	1,585
Operating Income	30,811	22,741	21,811
Interest and dividend income	122	194	53
Interest expense	(184)	(131)	(154)
Other income - net	2,689	2,088	1,479
	2,627	2,151	1,378
Income Before Income Taxes	33,438	24,892	23,189
Income tax expense	12,013	8,696	10,742
Net Income	$ 21,425	$ 16,196	$ 12,447
Net Income Per Share of Common Stock:			
Basic	$ 2.28	$ 1.71	$ 1.30
Diluted	$ 2.27	$ 1.70	$ 1.30

See notes to consolidated financial statements

LAWSON PRODUCTS, INC.
CHANGES IN STOCKHOLDERS' EQUITY
CONSOLIDATED STATEMENTS

(DOLLARS IN THOUSANDS)	COMMON STOCK, $1 PAR VALUE	CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	COMPREHENSIVE INCOME
Balance at January 1, 2002	$9,629	$913	$151,554	$(2,198)	$ --
Net income			12,447		12,447
Other comprehensive loss, net of tax: Adjustment for foreign currency translation				165	165
Comprehensive income for the year					$ 12,612
Cash dividends declared			(6,115)		
Stock issued under employee stock plans	61	1,510			
Purchase and retirement of common stock	(196)	(36)	(5,391)		
Balance at December 31, 2002	9,494	2,387	152,495	(2,033)	
Net income			16,196		$ 16,196
Other comprehensive income, net of tax: Adjustment for foreign currency translation				1,392	1,392
Comprehensive income for the year					$ 17,588
Cash dividends declared			(6,265)		
Stock issued under employee stock plans	20	285			
Purchase and retirement of common stock	(20)	(5)	(595)		
Balance at December 31, 2003	9,494	2,667	161,831	(641)	
Net income			21,425		$ 21,425
Other comprehensive income, net of tax: Adjustment for foreign currency translation				1,038	1,038
Comprehensive income for the year					$ 22,463
Cash dividends declared			(6,751)		
Stock issued under employee stock plans	36	884			
Purchase and retirement of common stock	(249)	(84)	(9,318)		
Balance at December 31, 2004	$9,281	$3,467	$167,187	$397	

See notes to consolidated financial statement

LAWSON PRODUCTS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in Thousands)	YEAR ENDED DECEMBER 31,		
	2004	2003	2002
Operating activities			
Net income	$ 21,425	$ 16,196	$ 12,447
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	5,299	5,359	5,506
Amortization	1,393	1,744	1,321
Provision for allowance for doubtful accounts	1,108	1,578	1,585
Deferred income taxes	(1,775)	(476)	(2,177)
Deferred compensation and security bonus plans	5,060	5,466	2,704
Payments under deferred compensation and security bonus plans	(2,832)	(2,099)	(1,635)
Income from investments in real estate	---	(360)	(600)
Changes in operating assets and liabilities:			
Accounts receivable	(5,265)	(5,888)	1,165
Inventories	(5,870)	4,902	1,692
Prepaid expenses and other assets	(89)	(2,678)	5,557
Accounts payable and accrued expenses	5,998	3,176	1,958
Other	1,383	991	129
Net Cash Provided by Operating Activities	25,835	27,911	29,652
Investing activities			
Additions to property, plant and equipment	(3,784)	(5,734)	(6,655)
Other	250	286	756
Net Cash Used in Investing Activities	(3,534)	(5,448)	(5,899)
Financing Activities			
Proceeds from revolving line of credit	---	4,000	36,500
Payments on revolving line of credit	---	(4,000)	(50,500)
Payments on mortgage payable	(1,462)	(805)	---
Purchases of common stock	(9,651)	(620)	(5,623)
Proceeds from exercise of stock options	920	305	1,571
Dividends paid	(6,791)	(6,075)	(6,138)
Net Cash Used in Financing Activities	(16,984)	(7,195)	(24,190)
Increase (Decrease) in Cash and Cash Equivalents	5,317	15,268	(437)
Cash and Cash Equivalents at Beginning of Year	23,555	8,287	8,724
Cash and Cash Equivalents at End of Year	$ 28,872	$23,555	$ 8,287

See notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (DOLLARS IN THOUSANDS)

NOTE A - DESCRIPTION OF BUSINESS

Lawson Products, Inc. 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 ("OEM").

NOTE B - SUMMARY OF MAJOR ACCOUNTING POLICIES

Principles of Consolidation: The accompanying consolidated financial statements include the accounts and transactions of the Company and its wholly owned and majority owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition: Sales and associated cost of goods sold are recognized when products are shipped and title passes to customers.

Shipping and Handling Fees and Costs: Costs related to shipping and handling fees are included on the Income Statement in the caption Selling, general and administrative expenses and totaled $11,565, $11,159 and $11,898 in 2004, 2003 and 2002, respectively.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Investment in Real Estate Partnership: The Company's investment in real estate, representing a limited partnership interest, was carried on the basis of the equity method until June 30, 2003. The Company adopted FIN 46 as of July 1, 2003, which has resulted in the consolidation of the Company's investment in a limited partnership, which owns an office building in Chicago, Illinois. An officer and member of the Board of Directors of the Company is the 1.5% general partner. (See Note I) The operations of the partnership consist of rental of the building under a long-term lease and the servicing of the non-recourse mortgage. The activities are insignificant for separate disclosure.

Inventories: Inventories which consist of principally finished goods are stated at the lower of cost (first-in, first-out method) or market. (See Note E)

Property, Plant and Equipment: Provisions for depreciation and amortization are computed by the straight-line method for buildings using useful lives of 20 to 30 years and by the double declining balance method for machinery and equipment, furniture and fixtures and vehicles using useful lives of 3 to 10 years.

Investment Tax Credits: Investment tax credits on assets leased to others are deferred and amortized over the useful life of the related asset.

Cash Equivalents: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Stock Options: Stock options are accounted for under Accounting Principles Board Opinion No. 25 (APB 25), "Accounting For Stock Issued to Employees." Under APB 25, the Company uses the intrinsic value method where no compensation expense is recognized because the exercise price of the stock options granted equals the market price of the underlying stock at the date of grant.

The following table shows the effect on net income and earnings per share if the Company had applied the fair value recognition provision of FASB Statement No. 123, "Accounting for Stock-Based Compensation."

	2004	2003	2002
Net income - as reported	$ 21,425	$16,196	$12,447
Deduct: Total stock based employee compensation expense determined under fair value method, net of tax	(6)	(27)	(38)
Net income - pro forma	21,419	16,169	12,409
Basic earnings per share - as reported	2.28	1.71	1.30
Diluted earnings per share - as reported	2.27	1.70	1.30

Basic earnings per share - pro forma	2.28	1.70	1.30
Diluted earnings per share - pro forma	2.27	1.70	1.29

For purposes of pro forma disclosures, the estimated fair value of options granted is amortized as an expense over the option's vesting period. The pro forma effect on net income is not representative of the pro forma effect on net income in future years because grants made in 1996 and later years have an increasing vesting period.

Goodwill and Other Intangibles: Goodwill represents the cost of business acquisitions in excess of the fair value of identifiable net tangible assets acquired. (See Note G)

Foreign Currency Translation: The financial statements of foreign entities have been translated in accordance with Statement of Financial Accounting Standards No. 52 and, accordingly, unrealized foreign currency translation adjustments are reflected as a component of stockholders' equity. Realized foreign currency transaction gains and losses were not significant for the years ended December 31, 2004, 2003 and 2002.

Income Per Share: Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution from the exercise or conversion of securities into common stock, such as stock options.

Reclassifications: Certain amounts have been reclassified in the 2003 and 2002 financial statements to conform with the 2004 presentation.

NOTE C - BUSINESS COMBINATION

Sale of Lawson Products Limited, UK Subsidiary:
In the fourth quarter of 2003, the Company sold its UK subsidiary, Lawson Products Limited, engaged primarily in the business of MRO sales, to a third party for approximately $647. The purchase price is in the form of a note payable to the Company over two years. Prior to the sale, the Company transferred certain assets and liabilities related to the OEM portion of this business to a newly formed subsidiary, Assembly Components Systems Limited. The sale of Lawson Products Limited resulted in a pre-tax loss of approximately $2,789, largely related to inventory write-offs and termination costs associated with the sale. This loss is classified in Selling, general and administrative expenses in the statement of income. This business was part of the Company's OEM International distribution segment.

The sale also generated approximately $22,441 in capital losses for tax purposes. The Company was able to carryback $6,163 of the capital loss to offset capital gains in prior years tax returns. The effect of the carryback resulted in $2,157 of tax benefit in 2003 for financial statement purposes. A valuation allowance has been provided for the remainder of the capital loss due to the uncertainty of utilization.

NOTE D - OTHER CHARGES

In 2003, the Company recorded charges totaling $2,459 for severance payable to several members of management. Benefits of $1,175 and $422 were paid in 2004 and 2003 respectively. The remaining benefits will be paid through 2006.

During 2002, the Company recorded a charge of $568 for severance payable to several members of management and a $208 adjustment to the reserve resulting from a severance settlement. Benefits of $92 and $155 were paid in 2004 and 2003 respectively. The remaining benefits will be paid in future years.

The table below shows an analysis of the Company's reserves for other charges:

Description of Item	Severance and Related Expenses
Balance January 1, 2002	$1,458
Charged to earnings 2002	568
Cash paid in 2002	(942)
Non-cash utilization	---
Adjustment to reserves	(208)
Balance December 31, 2002	876
Charged to earnings 2003	2,459
Cash paid in 2003	(859)
Balance December 31, 2003	2,476
Cash paid in 2004	(1,434)
Balance December 31, 2004	$1,042

NOTE E - INVENTORIES

The following is a summary of inventories and reserve for excess and obsolete inventory.

	2004	2003
Inventories	$ 68,759	$ 64,958
Reserve for excess and obsolete inventory	(3,072)	(5,141)
	$ 65,687	$ 59,817

NOTE F - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of:

	2004	2003
Land	$ 8,472	$ 8,389
Buildings and improvements	51,839	51,556
Machinery and equipment	30,084	30,143
Furniture and fixtures	5,611	5,749
Vehicles	359	432
Capitalized software	4,372	6,771
Construction in progress	552	557
	101,289	103,597
Accumulated Depreciation and amortization	(58,837)	(58,692)
	$ 42,452	$ 44,905

NOTE G- GOODWILL AND OTHER INTANGIBLES

The Company adopted FASB statement No. 142 "Goodwill and Other Intangibles" as of January 1, 2002. The Company performed its annual impairment test in the fourth quarter of 2004 and determined the Company's goodwill was not impaired.

Intangible assets subject to amortization were as follows:

December 31, 2004	Gross Balance	Accumulated Amortization	Net Carrying Amount
Trademarks and tradenames	$1,747	$935	$812
Customer lists	953	400	553
	$2,700	$1,335	$1,365

December 31, 2003	Gross Balance	Accumulated Amortization	Net Carrying Amount
Trademarks and tradenames	$1,747	$851	$896
Customer lists	953	368	585
	$2,700	$1,219	$1,481

Trademarks and tradenames are being amortized over a weighted average 15.14 years. Customer lists are being amortized over 13.96 years. Amortization expense, all of which was included in the MRO distribution segment, for the intangible assets was $116, $518 and $377 in 2004, 2003 and 2002, respectively. Amortization expense for each of the next five years is estimated to be $83 per year.

NOTE H - ACCRUED EXPENSES AND OTHER

Accrued expenses and other liabilities consist of the following:

	2004	2003
Salaries, commissions and other compensation	$11,369	$ 6,802
Accrued other charges	1,042	2,476
Accrued and withheld taxes, other than income taxes	2,644	2,591
Accrued profit sharing contributions	3,626	3,448
Accrued stock performance rights	2,081	654
Accrued self-insured health benefits	1,560	1,800
Cash dividends payable	1,670	1,709
Other	8,636	7,696
	$32,628	$27,176

NOTE I - LONG TERM DEBT

On July 1, 2003, the Company adopted FIN No. 46 which has resulted in the Company's consolidated of an investment in a limited partnership which owns an office building in Chicago, Illinois. In conjunction with the consolidation of its investment, the Company has recorded long-term debt, which represents a non-recourse mortgage payable relative to the building. The interest rate of the non-recourse mortgage payable is 7.315%, with a maturity date of December 31, 2005. The building and the land have a net carrying value of $4,184, which are included in property, plant and equipment. The remaining assets, none of which are significant, are recorded in other assets.

The Company's mortgage obligations in effect at December 31, 2004 and 2003, with respect to this office building, amounted to approximately $1,573 and $3,035, respectfully. Mortgage payments are payable as follows: 2005-$1,573. Interest expense related to the mortgage totaled $171 and $124 in 2004 and 2003, respectfully.

On February 21, 2001, the Company entered into a $50 million unsecured multi-currency line of credit. The Company had no loans outstanding under the line at December 31, 2004 and 2003. Amounts outstanding under the line carry interest at 1.5% below the prime rate or .75% over LIBOR. The line matures on February 21, 2006. The line requires the Company to meet certain covenants, all of which were met on December 31, 2004. The Company paid interest of $0, $7 and $220, respectively, in 2004, 2003 and 2002.

NOTE J - STOCK PLANS

The Incentive Stock Plan (Plan), provides for the issuance of shares of Common Stock to non-employee directors, officers and key employees pursuant to stock options, stock performance rights (SPRs), stock purchase agreements and stock awards. As of December 31, 2004, 519,327 shares of Common Stock were available for issuance under the Plan.

In 2003 and 2002, the Company granted SPRs pursuant to the Plan. These SPRs have exercise prices ranging from $24.64 to $33.15 per share. These SPRs vest at 20% per year and entitle the recipient to receive a cash payment equal to the excess of the market value of the Company's common stock and the SPR price when the SPRs are surrendered. Compensation expense for the SPRs in 2004, 2003 and 2002 was $2,620, $410 and $244, respectively.

Additional information with respect to SPRs is summarized as follows:

	Average SPR Exercise Price	# of SPR's
Outstanding January 1, 2002 (1)	$ 26.90	230,350
Granted (2)	30.74	18,000
Outstanding December 31, 2002	27.18	248,350
Granted (3)	27.85	31,500
Exercised	26.77	(1,900)
Outstanding December 31, 2003	27.26	277,950
Exercised	26.76	(66,450)
Canceled	27.45	(22,500)
Outstanding December 31, 2004	$ 27.41	189,000

(1) Includes 84,560 SPRs vested at December 31, 2004
(2) Includes 5,200 SPRs vested at December 31, 2004
(3) Includes 1,000 SPRs vested at December 31, 2004

The Plan permits the grant of incentive stock options, subject to certain limitations, with substantially the same terms as non-qualified stock options. Non-employee directors are not eligible to receive incentive stock options. Stock options are not exercisable within six months from date of grant and may not be granted at prices less than the fair market value of the shares at the dates of grant. Benefits may be granted under the Plan through December 16, 2006.

Additional information with respect to the Plan is summarized as follows:

	Average Price	Option Shares
Outstanding January 1, 2002	$22.87	172,990
Granted	---	---
Exercised	22.73	(50,954)
Canceled or expired	---	---
Outstanding December 31, 2002	22.93	122,036
Canceled	---	---
Exercised	22.50	(19,686)
Canceled or expired	---	---
Outstanding December 31, 2003	23.01	102,350
Granted	---	---
Exercised	23.62	(31,350)
Canceled or expired	22.70	(21,450)
Outstanding December 31, 2004	$22.75	49,550

Exercisable options at:	Weighted Average Price	Option Shares
December 31, 2004	$22.75	49,550
December 31, 2003	$22.99	99,600
December 31, 2002	$22.90	114,286

As of December 31, 2004, the Company had the following outstanding options:

Exercise Price	$22.44 - $22.50	$23.56	$26.75
Options Outstanding	40,550	8,000	1,000
Weighted Average Exercise Price	$22.49	$23.56	$26.75
Weighted Average Remaining Life	1.9	5.4	3.3
Options Exercisable	40,550	8,000	1,000
Weighted Average Exercise price	$22.49	$23.56	$26.75

Disclosure of pro forma information regarding net income and net income per share is required by FASB Statement No. 123, "Accounting for Stock-Based Compensation," and has been determined as if the Company had accounted for its employee stock options under the fair value method of that Statement. The fair value of these options was estimated at the date of grant using the Black-Scholes options pricing model.

No options were granted in 2004, 2003 or 2002. See Note B Stock Options for impact of options granted prior to 2001 on pro forma earnings per share.

NOTE K - PROFIT SHARING AND SECURITY BONUS PLANS

The Company and certain subsidiaries have a profit sharing plan for office and warehouse personnel. The amounts of the companies' annual contributions are determined by the board of directors subject to limitations based upon operating results.

The plan also has a 401(k) defined contribution saving feature. This feature, available to all participants, was provided to give employees a pre-tax investment vehicle to save for retirement. The Company does not match the contributions made by plan participants.

The Company and its subsidiaries also have in effect security bonus plans for the benefit of their regional managers and independent sales representatives, under the terms of which participants are credited with a percentage of their yearly earnings. Of the aggregate amounts credited to participants' accounts, 25% vests after five years and an additional 5% vests each year thereafter. For financial reporting purposes, amounts are charged to operations over the vesting period.

Provisions for profit sharing and security bonus plans aggregated $5,979, $5,301and $5,689 for the years ended December 31, 2004, 2003 and 2002, respectively.

NOTE L - INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. In addition, deferred income taxes include net operating loss carryforwards of foreign subsidiaries which do not expire. The Company also has a capital loss related to the 2003 sale of the Company's UK MRO business. A valuation allowance was recorded for a portion of the $22,441 capital loss due to the uncertainty of the Company's ability to realize the capital loss against future capital gains prior to expiration in 2008. Significant components of the Company's deferred tax assets and liabilities as of December 31 are as follows:

Deferred Tax Assets:	2004	2003
Compensation and benefits	$16,185	$15,237
Inventory	3,447	3,011
Net operating loss carryforwards of subsidiaries	2,619	2,619
Capital Loss	5,580	5,697
Accounts receivable	762	669
Other	-	345
Total Deferred Tax Assets	28,593	27,578
Valuation allowance for deferred tax assets	(8,199)	(8,316)
Net Deferred Tax Assets	20,394	19,262
Deferred Tax Liabilities:		
Property, plant & equipment	1,191	2,381
Other	2,694	1,705
Total Deferred Tax Liabilities	3,886	4,086
Total Net Deferred Tax Assets	$16,508	$15,176

Net Deferred Tax Assets:	2004	2003
Total Current Deferred Income Taxes	$ 1,729	$ 1,975
Total Noncurrent Deferred Income Taxes	14,779	13,201
Total Net Deferred Tax Assets	$16,508	$15,176

Net deferred tax assets include the tax impact of items in comprehensive income of $(214) and $345 at December 31, 2004 and 2003, respectively.

Income (loss) before income taxes for the years ended December 31, consisted of the following:

	2004	2003	2002
United States	$32,182	$27,728	$27,906
Foreign	1,256	(2,836)	(4,717)
	$33,438	$24,892	$23,189

The provisions for income taxes for the years ended December 31, consisted of the following:

	2004	2003	2002
Current:			
Federal	$11,652	$7,422	$10,972
State	2,136	1,750	1,947
	13,788	9,172	12,919
Deferred benefit	(1,775)	(476)	(2,177)
	$12,013	$8,696	$10,742

The reconciliation between the effective income tax rate and the statutory federal rate is as follows:

	2004	2003	2002
Statutory federal rate	35.0%	35.0%	35.0%
Increase (decrease) resulting from:			
State income taxes, net of federal income tax benefit	4.2	4.6	5.5
Foreign losses	1.2	6.7	9.3
Capital loss carryback	---	(8.7)	---
Executive life insurance	(2.0)	(2.9)	2.1
Other items, net	(2.5)	0.2	(5.6)
Provision for income taxes	35.9%	34.9%	46.3%

Income taxes paid for the years ended December 31, 2004, 2003, and 2002 amounted to $12,097, $10,523 and $13,392, respectively.

NOTE M - COMMITMENTS

The Company's minimum rental commitments, principally for equipment, under noncancelable leases in effect at December 31, 2004, amounted to approximately $14,349. Such rentals are payable as follows:

2005	2006	2007	2008	2009	2010 and thereafter
$3,502	$2,936	$2,488	$1,685	$1,482	$2,256

Total rental expense for the years ended December 31, 2004, 2003 and 2002 amounted to $3,009, $3,977 and $3,669 respectively.

NOTE N - INCOME PER SHARE

The computation of basic and diluted earnings per share consisted of the following:

	Year ended December 31, 2004	2003	2002
Numerator:			
Net income	$21,425	$16,196	$12,447
Denominator:			
Denominator for basic income per share - weighted average shares	9,410	9,492	9,570
Effect of dilutive securities:			
Stock option plans	20	19	26
Denominator for diluted income per share - adjusted weighted average shares	9,430	9,511	9,596
Basic income per share	$2.28	$1.71	$1.30
Diluted income per share	$2.27	$1.70	$1.30

NOTE O - SEGMENT REPORTING

The Company has four reportable segments: Maintenance, Repair and Replacement distribution in the U.S. (MRO-US), International Maintenance, Repair and Replacement distribution in Canada (MRO-CAN), Original Equipment Manufacturer distribution and manufacturing in the U.S. (OEM-US), and International Original Equipment Manufacturer distribution in the United Kingdom and Mexico (OEM-INTL). The operations of the Company's MRO distribution segments distribute a wide range of MRO parts to repair and maintenance organizations by the Company's force of independent sales agents.

The operations of the Company's OEM segments manufacture and distribute component parts to OEM manufacturers through a network of independent sales agents as well as internal sales employees.

The Company's reportable segments are distinguished by the nature of products distributed and sold, types of customers, manner of servicing them, and geographical location.

The Company evaluates performance and allocates resources to reportable segments primarily based on operating income. The accounting polices of the reportable segments are the same as those described in the summary of significant policies except that the Company records its federal and state deferred tax assets and liabilities at corporate. Intersegment sales are not significant.

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

	Year Ended December 31, 2004	2003	2002
Net sales			
MRO - US	$316,099	$302,047	$306,863
MRO - CAN	21,806	18,976	16,505
OEM - US	64,632	54,147	55,547
OEM - INTL	17,115	13,921	8,541
Consolidated total	$419,652	$389,091	$387,456
Operating Income (loss)			
MRO - US	$ 27,112	$ 24,993	$ 23,828
MRO - CAN	2,313	1,494	1,051
OEM - US	2,326	537	2,490
OEM - INTL	(940)	(4,283)	(5,558)
Consolidated total	$ 30,811	$ 22,741	$ 21,811
Capital expenditures			
MRO - US	$ 2,798	$ 2,792	$ 4,634
MRO - CAN	323	1,234	944
OEM - US	561	1,565	869
OEM - INTL	102	143	208

Consolidated total	$ 3,784	$ 5,734	$ 6,655
Depreciation and amortization			
MRO - US	$ 5,345	$ 5,592	$ 5,650
MRO - CAN	253	175	121
OEM - US	856	804	799
OEM - INTL	238	532	257
Consolidated total	$ 6,692	$ 7,103	$ 6,827
Total assets			
MRO - US	$174,777	$168,783	$154,832
MRO - CAN	18,519	17,137	13,989
OEM - US	40,275	36,076	33,181
OEM - INTL	10,471	9,771	8,379
Segment total	244,042	231,767	210,381
Corporate	16,508	15,176	15,450
Consolidated total	$260,550	$246,943	$225,831
Goodwill			
MRO - US	$ 22,104	$22,104	$22,104
MRO - CAN	4,294	4,294	4,294
OEM - US	2,251	2,251	2,251
OEM - INTL	-	-	-
Consolidated total	$ 28,649	$28,649	$28,649

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

	Year Ended December 31,		
	2004	2003	2002
Total operating income for reportable segments	$30,811	$22,741	$21,811
Interest and dividend income	122	194	53
Interest expense	(184)	(131)	(154)
Other - net	2,689	2,088	1,479
Income before income taxes	$33,438	$24,892	$23,189

Financial information related to the Company's operations by geographic area consisted of the following:

	Year Ended December 31,		
	2004	2003	2002
Net sales			
United States	$380,731	$356,194	$362,410
Canada	21,806	18,976	16,505
Other foreign countries	17,115	13,921	8,541
Consolidated total	$419,652	$389,091	$387,456

	Year Ended December 31,		
	2004	2003	2002
Long-lived assets			
United States	$62,677	$65,064	$62,157
Canada	8,269	8,199	7,139
Other foreign countries	155	291	376
Consolidated total	$71,101	$73,554	$69,672

Net sales are attributed to countries based on the location of customers. Long-lived assets consist of total property, plant and equipment and goodwill.

NOTE P - SUMMARY OF UNAUDITED QUARTERLY RESULTS OF OPERATIONS

Unaudited quarterly results of operations for the years ended December 31, 2004 and 2003 are summarized as follows:

	Quarter ended			
2004	Mar. 31	Jun. 30	Sept. 30	Dec. 31
(Dollars in thousands, except per share data)				
Net sales	$100,658	$104,443	$107,380	$107,171
Cost of goods sold	35,261	38,796	40,667	41,247
Income before income taxes1	10,527	8,726	9,048	5,137
Provision for income taxes2	4,001	3,409	3,462	1,141
Net income	6,526	5,317	5,586	3,996
Net income per share of common stock				
Basic and Diluted	0.69	0.56	0.59	0.43
Diluted weighted average shares				
outstanding	9,515	9,475	9,422	9,343

	Quarter ended			
2003	Mar. 31	Jun. 30	Sept. 30	Dec. 31
(Dollars in thousands, except per share data)				
Net sales	$96,075	$97,109	$99,301	$96,606
Cost of goods sold	34,548	35,034	35,349	36,193
Income before income taxes3	6,621	6,705	7,488	4,078
Provision for income taxes4	2,863	2,564	3,124	145
Net income5	3,758	4,141	4,364	3,933
Net income per share of common stock				
Basic and Diluted	0.40	0.44	0.46	0.41
Diluted weighted average shares				
outstanding	9,511	9,506	9,511	9,519

1 The fourth quarter includes incentive compensation expense of $1,736 related to stock performance rights and a $881 increase to employee compensation accruals.

2 The fourth quarter includes a $560 reduction of the tax provision to reflect tax exempt income related to executive life insurance and charitable contributions of inventory.

3 The fourth quarter includes a $2,789 pre tax loss related to the sale of Lawson Products Limited, the Company's former UK subsidiary.

4 The fourth quarter includes a $2,157 reduction of the tax provision to reflect the partial utilization of a capital loss generated by the sale of the Company's former UK subsidiary.

5 The second, third and fourth quarters, respectively, included $751, $240 and $486 of charges for compensation arrangements related to management personnel reductions.

SCHEDULE II

LAWSON PRODUCTS, INC. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS

(In Thousands)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS - DESCRIBE (A)	BALANCE AT END OF PERIOD
Allowance deducted from assets to which it applies: Allowance for doubtful accounts:				
Year ended December 31, 2004	$2,121	$1,108	$1,243	$1,986
Year ended December 31, 2003	1,830	1,578	1,287	2,121
Year ended December 31, 2002	1,803	1,585	1,558	1,830

Note A - Uncollected receivables written off, net of recoveries.

(In Thousands)

DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO COSTS AND EXPENSES	DEDUCTIONS - DESCRIBE (B)	BALANCE AT END OF PERIOD
Reserve for excess and obsolete inventory:				
Year ended December 31, 2004	$5,141	$631	$2,700	$3,072
Year ended December 31, 2003	5,420	1,445	1,724	5,141
Year ended December 31, 2002	2,344	3,076	0	5,420

Note B - Disposal of excess and obsolete inventory

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

The Company's chief executive officer and chief financial officer have concluded, based on their evaluation as of the end of the period covered by this report, that the Company's "disclosure controls and procedures" (as defined in the Securities Exchange Act of 1934, as amended, Rules 13a-15(e) and 15d-15(e)) were effective to ensure that information required to be disclosed by the Company (including its consolidated subsidiaries) in the reports that the Company files or submits under the Securities Exchange Act of 1934 was recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f). The Company's management conducted an evaluation, with the participation of the Company's chief executive officer and chief financial officer, of the effectiveness of its internal control over financial reporting based on the framework in Internal Control--Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Based on this evaluation, described above under COSO criteria, the Company's management concluded that our internal control over financial reporting was effective as of December 31, 2004.

Ernst & Young LLP, the Company's independent registered public accounting firm, have issued an attestation report on the Company's management assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2004, which is included herein.

CHANGES IN INTERNAL CONTROLS

There were no changes in our internal control over financial reporting that occurred during the our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

TO THE STOCKHOLDERS AND BOARD OF DIRECTORS

LAWSON PRODUCTS, INC.

We have audited management's assessment, included in the accompanying consolidated financial statements, that Lawson Products, Inc. and subsidiaries maintained effective internal control over financial reporting as of December 31, 2004 based on criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Lawson Products, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that the transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion management's assessment that Lawson Products, Inc. and subsidiaries maintained effective internal control over financial reporting as of December 31, 2004, is fairly stated, in all material respects based on the COSO criteria. Also, in our opinion, Lawson Products, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2004, based on the COSO criteria.

We have also audited, in accordance with standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Lawson Products, Inc. and subsidiaries as of December 31, 2004 and 2003 and the related consolidated statements of income, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2004 of Lawson Products, Inc. and subsidiaries and our report dated March 10, 2005 expressed an unqualified opinion thereon.

/s/Ernst & Young LLP

Chicago, Illinois
March 10, 2005

ITEM 9B. OTHER INFORMATION

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

a. Directors

The information required by this Item is set forth in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on May 10, 2005, under the caption "Election of Directors" and "Section 16(a), Beneficial Ownership Reporting Compliance," which information is incorporated herein by reference.

b Executive Officers

The information required by this Item is set forth under the caption Item 1 - Business under "Executive Officers of the Registrant."

c. Audit Committee

Information on the Company's Audit Committee is contained under the caption "Board of Directors Meetings and Committees" in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on May 10, 2005, which is incorporated herein by reference.

The Company had determined that Mitchell Saranow, member of the Audit Committee of the Board of Directors, qualifies as an "audit committee financial expert" as defined in Item 401(h) of Regulation S-K, and that Mr. Saranow is "independent" as the term is used in Item 7(d)(3)(iv) of Schedule 14A under the Securities Exchange Act.

d. Code of Business Conduct

The Company has adopted a Code of Ethics applicable to all employees. This code is applicable to Senior Financial Executives including the principle executive officer, principle financial officer and principle accounting officer of the Company. The Company's Code of Ethics is available on the Company's web site at www.lawsonproducts.com. The Company intends to post on its web site any amendments to, or waivers from its Code of Ethics applicable to Senior Financial Executives. The Company will provide shareholders with a copy of its Code of Ethics without charge upon written request directed to the Company's Secretary at the Company's address.

The Audit, Compensation and Nominating and Corporate Governance committees have each adopted a charter for their respective committees. These charters may be viewed on the Corporation's website, www.lawsonproducts.com, and copies may be obtained by request to the Secretary of the Company at the Company's address.

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this Item is set forth in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on May 10, 2005, under the caption "Remuneration of Executive Officers," which information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this Item is set forth in the Company's Proxy Statement for the Annual Meeting of Stockholders to be held on May 10, 2005 under the captions "Securities Beneficially Owned by Principal Stockholders and Management," and "Equity Compensation Plan Information", which information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by this Item is set forth in the Company's Proxy Statement for the Annual Meeting of stockholders to be held on May 10, 2005 under the caption "Election of Directors" and "Certain Relationships and Related Transactions" which information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required under this Item is set forth in the Company's Proxy Statement for the Annual Meeting of stockholders to be held on May 10, 2005 under the caption "Fees Paid to Independent Auditors" which information is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a) (1) Financial Statements

The following information is presented in this report:

Consolidated Balance Sheets as of December 31, 2004 and 2003.

Consolidated Statements of Income for the Years ended December 31, 2004, 2003 and 2002.

Consolidated Statements of Changes in Stockholders' Equity for the Years ended December 31, 2004, 2003 and 2002.

Consolidated Statements of Cash Flows for the Years ended December 31, 2004, 2003 and 2002.

Notes to Consolidated Financial Statements.

(2) Financial Statement Schedule

The following consolidated financial statement schedule of Lawson Products, Inc. and subsidiaries is included in Item 15(d):

Schedule II - Valuation and Qualifying Accounts is submitted with this report.

All other schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not submitted because they are not applicable or are not required under Regulation S-X or because the required information is included in the financial statements or notes thereto.

(3) Exhibits.

3(a) Certificate of Incorporation of the Company, as amended, incorporated herein by reference to Exhibit 3(a) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1988.

3(b) Amended and Restated By-laws of the Company, incorporated herein by reference to Exhibit 3(b) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.

*10(c)(1) Lawson Products, Inc. Incentive Stock Plan, incorporated herein by reference to Appendix A to the Company's Proxy Statement for the Annual Meeting of Stockholders held on May 11, 1999.

*10(c)(2) Salary Continuation Agreement between the Company and Mr. Sidney L. Port dated January 7, 1980 incorporated herein by reference from Exhibit 10(c)(2) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991.

*10(c)(3) Employment Agreement between the Company and Mr. Jerome Shaffer, incorporated herein by reference from Exhibit 10(c)(9) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1985.

*10(c)(3.1) First Amendment to Employment Agreement between the Company and Mr. Jerome Shaffer, dated as of August 1, 1996, incorporated herein by reference from Exhibit 10(c)(6.1) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.

*10(c)(4) Employment Agreement between the Company and Jeffrey B. Belford dated March 1, 2005, incorporated herein by reference from Exhibit 10(c)(4) to the Company's Current Report on Form 8-K dated March 4, 2005.

*10(c)(5) Amended and Restated Executive Deferral Plan, incorporated herein by reference from Exhibit 10(c)(7) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.

*10(c)(6) Employment Agreement dated March 1, 2005 between the Company and Roger F. Cannon, incorporated herein by reference to Exhibit 10(c)(6) to the Company's Current Report on Form 8-K dated March 4, 2005.

*10(c)(7) Agreement between the Company and Bernard Kalish dated July 31, 1999, incorporated herein by reference from Exhibit 10(c)(8) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.

*10(c)(8) Lawson Products, Inc. Stock Performance Plan, incorporated herein by reference from Exhibit 10(c)(8) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.

*10(c)(9) Lawson Products, Inc. 2002 Stock Equivalents Plan for Non Employee Directors, incorporated herein by reference from Exhibit 10(c)(9) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.

*10(c)(10) Lawson Products, Inc. Long-Term Capital Accumulation Plan, incorporated herein by reference from Exhibit 10(c)(10) to the Company's Current Report on Form 8-K dated October 21, 2004.

*10(c)(11) Employment Agreement dated January 1, 2004 between the Company and Robert Washlow, incorporated herein by reference to Exhibit 10(c)(10) to the Company's Current Report on Form 8-K dated December 28, 2004.

*10(c)(12) Employment Agreement dated March 9, 2005 between the Company and Thomas J. Neri, incorporated herein by reference to Exhibit 10(c)(12) to the Company's Current Report on Form 8-K dated March 14, 2005.

*10(c)(13) Employment Agreement dated March 9, 2005 between the Company and Neil E. Jenkins, incorporated herein by reference to Exhibit 10(c)(13) to the Company's Current Report on Form 8-K dated March 14, 2005.

*10(c)(14) Form of Shareholder Value Appreciation Rights Award Agreement

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*Indicates management employment contracts or compensatory plans or arrangements.

*10(c)(15)	Form of Restricted Stock Award and Acknowledgement
*10(c)(16)	Form Letter regarding Stock Performance Rights
14	Code of Ethics of the Company, incorporated herein by reference from Exhibit 14 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.
21	Subsidiaries of the Company.
23	Consent of Ernst & Young LLP.
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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*Indicates management employment contracts or compensatory plans or arrangements.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Date: March 16, 2005

By: /s/ Robert J. Washlow

Robert J. Washlow, Chairman of the Board and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below this day of March 16, 2005, by the following persons on behalf of the registrant and in the capacities indicated.

Signature	Title
/s/ Robert J. Washlow Robert J. Washlow	Chairman of the Board, Chief Executive Officer and Director (principal executive officer)
/s/ Thomas Neri Thomas Neri	Executive Vice President, Finance, Planning and Corporate Development; Chief Financial Officer; and Treasurer (principal financial officer)
/s/ Joseph L. Pawlick Joseph L. Pawlick	Senior Vice President-Accounting (principal accounting officer)
/s/ Jerome Shaffer Jerome Shaffer	Vice President and Special Advisor to the Chief Executive Officer and Director
/s/ James T. Brophy James T. Brophy	Director
/s/ Ronald B. Port, M.D. Ronald B. Port, M.D.	Director
/s/ Sidney L. Port Sidney L. Port	Director
/s/ Robert G. Rettig Robert G. Rettig	Director
/s/ Mitchell H. Saranow Mitchell H. Saranow	Director

/s/ Lee S. Hillman - --------------------------------- Lee S. Hillman	Director
/s/ Wilma J. Smelcer - --------------------------------- Wilma J. Smelcer	Director

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
3(a)	Certificate of Incorporation of the Company, as amended, incorporated herein by reference to Exhibit 3(a) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1988.
3(b)	Amended and Restated By-laws of the Company, incorporated herein by reference to Exhibit 3(b) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.
*10(c)(1)	Lawson Products, Inc. Incentive Stock Plan, incorporated herein by reference to Appendix A to the Company's Proxy Statement for the Annual Meeting of Stockholders held on May 11, 1999.
*10(c)(2)	Salary Continuation Agreement between the Company and Mr. Sidney L. Port, dated January 7, 1980, incorporated herein by reference from Exhibit 10(c)(2) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991.
*10(c)(3)	Employment Agreement between the Company and Mr. Jerome Shaffer, incorporated herein by reference from Exhibit 10(c)(9) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1985.
*10(c)(3.1)	First Amendment to Employment Agreement between the Company and Mr. Jerome Shaffer, dated as of August 1, 1996, incorporated herein by reference from Exhibit 10(c)(6.1) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996.
*10(c)(4)	Employment Agreement between the Company and Jeffrey B. Belford dated March 1, 2005, incorporated herein by reference to Exhibit 10(c)(4) to the Company's Current Report on Form 8-K dated March 4, 2005.
*10(c)(5)	Amended and Restated Executive Deferral Plan, incorporated herein by reference from Exhibit 10(c)(7) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1995.
*10(c)(6)	Employment Agreement dated March 1, 2005 between the Company and Roger F. Cannon, incorporated herein by reference to Exhibit 10(c)(6) to the Company's Current Report on Form 8-K dated March 4, 2005.
*10(c)(7)	Agreement between the Company and Bernard Kalish dated July 31, 1999, incorporated herein by reference from Exhibit 10(c)(8) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1999.
*10(c)(8)	Lawson Products, Inc. Stock Performance Plan, incorporated herein by reference from Exhibit 10(c)(8) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000.
*10(c)(9)	Lawson Products, Inc. 2002 Stock Equivalents Plan for Non Employee Directors, incorporated herein by reference from Exhibit 10(c)(9) to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2002.
*10(c)(10)	Lawson Products, Inc. Long-Term Capital Accumulation Plan, incorporated herein by reference from Exhibit 10(c)(10) to the Company's Current Report on Form 8-K dated October 21, 2004.
*10(c)(11)	Employment Agreement dated January 1, 2004 between the Company and Robert Washlow, incorporated herein by reference to Exhibit 10(c)(10) to the Company's Current Report on Form 8-K dated December 28, 2004.
*10(c)(12)	Employment Agreement dated March 9, 2005 between the Company and Thomas J. Neri, incorporated herein by reference to Exhibit 10(c)(12) to the Company's Current Report on Form 8-K dated March 14, 2005.

*10(c)(13)	Employment Agreement dated March 9, 2005 between the Company and Neil E. Jenkins, incorporated herein by reference to Exhibit 10(c)(13) to the Company's Current Report on Form 8-K dated March 14, 2005.
*10(c)(14)	Form of Shareholder Value Appreciation Rights Award Agreement *10(c)(15) Form of Restricted Stock Award and Acknowledgment *10(c)(16) Form Letter regarding Stock Performance Rights
14	Code of Ethics of the Company, incorporated herein by reference from Exhibit 14 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003.
21	Subsidiaries of the Company.
23	Consent of Ernst & Young LLP.
31.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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Indicates management employment contracts or compensatory plans or arrangements.

AWARD AGREEMENT

This Agreement is entered into as of this ________day of ________, ______ by and between Lawson Products, Inc. ("Lawson") and ____________ ("Participant").

WHEREAS, the Compensation Committee of the Board of Directors of Lawson (the "Committee") has selected Participant to receive an award under the Long-Term Capital Accumulation Plan of Lawson (the "Plan"); and

WHEREAS, Participant wishes to accept that award, subject to the terms and conditions of the Plan and this Agreement;

NOW, THEREFORE, Lawson and Participant hereby agree as follows:

1. The award evidenced by this Agreement (the "Award") consists of __________ (________) Shareholder Value Appreciation Rights ("SVARs") with an effective date of __________. This Agreement supersedes and replaces all previous oral or written communications between Lawson and Participant about any award to Participant under the Plan.

2. All aspects of the SVARs evidenced by this Agreement (including but not limited to vesting, valuation, payment and possible forfeiture) shall be governed by this Agreement and by the Plan, a copy of which has been provided to Participant and is hereby acknowledged by Participant, and the terms and conditions of which are incorporated into this Agreement by reference.

3. Without limiting the scope of Section 2, above, Participant acknowledges that:

(a) No payment shall be made with respect to the SVARs constituting the Award unless and until the material terms of the Plan have been approved by a majority vote of the shareholders of Lawson;

(b) As a condition to retaining the SVARs constituting the Award, Participant shall be required to enter into an employment agreement with Lawson including confidentiality and other restrictive covenants, as described in Section 14 of the Plan;

(c) Any amount that would otherwise be payable to Participant or his/her beneficiaries with respect to the SVARs constituting the Award shall be subject to reduction in accordance with Section 13 of the Plan as a result of the special excise tax rules described in Section 13 of the Plan; and

(d) The Committee may amend or terminate any or all of the provisions of the Plan and any or all of the provisions this Agreement in accordance with Section 24 of the Plan.

IN WITNESS WHEREOF, Participant and Lawson have executed this Agreement as of the date set forth above.

LAWSON PRODUCTS, INC.

By:

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Participant

LAWSON PRODUCTS, INC.

FORM OF
RESTRICTED STOCK AWARD AND ACKNOWLEDGEMENT

THIS RESTRICTED STOCK AWARD ("Award") is granted this _____ day of ________, ____, by Lawson Products, Inc., a Delaware corporation (the "Company") to ___________ (the "Director").

WHEREAS, the Company is of the opinion that its interests will be advanced by granting the Director a proprietary interest in it, thus providing the Director with a more direct stake in its welfare and creating a closer relationship between the Director's interests and those of the Company.

NOW, THEREFORE, in consideration of services rendered to the Company by the Director and the services and other conditions required hereunder, the Company hereby grants this Award to the Director on the terms expressed herein.

1. Stock Award. The Company hereby grants to Director an award of ______ shares of common stock of the Company (the "Award Shares"), subject to the nontransferability provision set forth in Section 3, and the other terms and conditions set forth herein. The Director hereby acknowledges and agrees to such restriction and the other terms and conditions set forth herein.

2. Vesting. The Award Shares shall be fully vested on the date of grant.

3. Restriction. The Director shall not sell, assign, transfer, convey, pledge, hypothecate, encumber, donate or otherwise dispose of any of the Award Shares under any conditions (and any attempted disposition shall be void and of no force or effect whatsoever). Upon the earlier of (a) termination of the Director's status as a member of the Board of Directors of the Company or (b) after the third anniversary of the date hereof, such restriction shall lapse.

4. Voting; Dividends. The Director shall have all of the rights and status of a stockholder of the Company in respect of the Award Shares, including the right to vote such shares and to receive dividends or other distributions thereon.

5. Adjustments and Certain Distributions. In the event that, prior to the termination of the restriction hereunder on the Award Shares, the Company shall change the number of issued shares of common stock without receipt of consideration therefore (by stock split, stock dividend or similar action), all stock received by Director in respect of the Award Shares that are then subject to restriction hereunder shall also be held subject to such restriction.

6. Applicable Plan. These Award Shares are granted under and are subject to the terms and conditions of the Lawson Products, Inc. 1999 Incentive Stock Plan, as amended (the "Plan"). Any capitalized terms not defined herein shall be subject to the definitions set forth in the Plan.

7. Prospectus. This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933, as amended. Copies of all documents incorporated by reference into the registration statement shall be furnished by the Company upon written or oral request.

IN WITNESS WHEREOF, the Company has caused this Award to be granted on the date first above written.

LAWSON PRODUCTS, INC.

By: ________________________

ACKNOWLEDGED AND ACCEPTED:

____

Re: Stock Performance Rights

Dear ______:

I am pleased to inform you that the Compensation Committee of the Board of Directors of Lawson Products, Inc. (the "Company") has awarded to you a Stock Performance Right ("SPR") under the Company's Amended Stock Performance Plan ("Plan") in recognition of your valued service to the Company and as an inducement for your continued contribution to the profitability and success of the Company. A complete copy of the Plan is available through the Secretary of the Company.

The SPR will entitle you to a cash payment equal to the appreciation in the fair market value of ________ shares of the Company's Common Stock over a period of time. The fair market value of the Company's Common Stock is now $______, (fair market value is the closing price for the Company's Common Stock, as reported on NASDAQ, for the relevant date).

Your SPR will vest in five equal annual installments on the first, second, third, fourth and fifth anniversaries of the date of its grant, provided that you remain employed by, a member of the Board of Directors of, or a consultant to, Lawson, as the case may be.

The SPR will be fully vested in the event of (a) your death or disability, or, if you are an employee of Lawson, your normal retirement, (b) your retirement from the Board of Directors of Lawson, if you are a director, or (c) upon a change of control (as defined in the Plan).

You may exercise your SPR, to the extent it is then vested, and receive the appreciation in fair market value of the underlying Common Stock in cash at any time on or before ten years from the date hereof, provided you are still employed by, a member of the Board of Directors of, or a consultant to, the Company, as the case may be. The notice of your exercise must be in writing and delivered to the Secretary of the Company and will be effective (and the amount of the appreciation to be paid will be fixed) upon receipt.

Any amount earned during the appreciation period will be paid to you within 30 days of the date of your exercise, subject to withholding, if applicable.

Your SPR does not entitle you to receive dividends, vote or exercise any of the other rights of a holder of Common Stock of the Company.

In the event of a stock dividend, stock split, or other change in the Company's Common Stock by reason of recapitalization, reorganization or like transaction, the Company will make an appropriate adjustment in the number and value of your SPR shares. However, no adjustment will be made if the number of shares of outstanding Common Stock is changed as a result of a purchase of shares by the Company for their fair value or as a result of the issuance of additional shares of Common Stock for their fair value. For these purposes the determination of the Company's Board of Directors that shares are acquired or issued for their fair value will be final and conclusive.

If you die or become permanently disabled, or if you are an employee of Lawson and you retire prior to exercise, or if you are a director of Lawson and you retire from the Board of Directors, your SPR will become fully vested but must be exercised during the one-year period from the date of death, disability or retirement. Unless you or your beneficiary elect to exercise the SPR and receive payment earlier, you or your beneficiary will be deemed to exercise the SPR on the last day of the one-year period and receive payment of the appreciation, if any, measured to that date. You may designate one or more beneficiaries by writing filed with the Secretary of the Company. Beneficiaries may be named contingently or successively and may share in different proportions if so designated.

If you are an employee of Lawson and your employment is terminated for any reason other than death, disability or retirement, or if you are a consultant to Lawson and your consultancy terminates for any reason other than death or disability, your SPR will be deemed to be exercised on the date of termination, but only to the extent then vested by its terms, and you will be entitled to the appreciation in fair market value, if any, of the underlying Common Stock measured to such date.

If you are an employee of or a consultant to Lawson, nothing in this SPR shall confer on you any right to continue in the employ of or remain a consultant to the Company or to interfere with the right of the Company to terminate your relationship at any time.

The Company's obligation with respect to this right will not be funded or secured in any manner, nor will your right to receive payments be assignable or transferable, voluntarily or involuntarily, except as expressly provided herein.

The Company shall be entitled to withhold the amount of any tax attributable to any amount payable hereunder, if applicable.

This SPR will be construed in accordance with and governed by the laws of the State of Delaware.

If you have any questions with respect to this SPR, please feel free to call me.

Very truly yours,

EXHIBIT 21

SUBSIDIARIES OF THE COMPANY

NAME	JURISDICTION OF INCORPORATION
Lawson Products, Inc.	New Jersey
Lawson Products, Inc.	Texas
Lawson Products, Inc.	Georgia
Lawson Products, Inc.	Nevada
Lawson Products, Inc. (Ontario)	Ontario, Canada
LPI Holdings, Inc.	Illinois
Lawson Products de Mexico S. de RL. de C.v.	Mexico
Drummond American Corporation	Illinois
Cronatron Welding Systems, Inc.	North Carolina
Allprocure.com, Inc.1	Missouri
Assembly Component Systems, Inc.	Illinois
Automatic Screw Machine Products Company, Inc.2	Alabama
Assembly Component Systems Limited2	England
LP Service Co.	Illinois
C.B. Lynn Company	Illinois
Superior & Sedgwick Associates (a limited partnership) 3	Illinois

1 owned 65% by the Company
2 subsidiary of Assembly Component Systems, Inc.
3 owned 98.5% by the Company

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-17912) of our reports dated March 10, 2005, with respect to the consolidated financial statements and schedule of Lawson Products, Inc., Lawson Products, Inc. management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Lawson Products, Inc., included in this Annual Report (Form 10-K), for the year ended December 31, 2004.

/s/ Ernst & Young LLP

Chicago, Illinois
March 10, 2005

Exhibit 31.1

CERTIFICATIONS

I, Robert J. Washlow, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) 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

(d) 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: March 16, 2005

/s/ Robert J. Washlow

Robert J. Washlow
Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Thomas Neri, certify that:

1. I have reviewed this Annual Report on Form 10-K 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 internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) 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

(d) 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: March 16, 2005

/s/ Thomas Neri

Thomas Neri
Executive Vice President, Finance, Planning and Corporate Development; Chief Financial Officer; and Treasurer

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 Annual Report of Lawson Products, Inc. (the "Company") on Form 10-K for the period ending December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned Chief Executive Officer and Chief 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

/s/ Thomas Neri

Thomas Neri
Executive Vice President, Finance, Planning and Corporate Development;
Chief Financial Officer; and Treasurer

March 16, 2005

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Lawson Products, Inc. and will be retained by Lawson Products, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

The foregoing certification is being furnished to the Securities and Exchange Commission as an exhibit to the Form 10-K and shall not be considered filed as part of the Form 10-K.