SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D. C. 20549

FORM 10-Q

Quarterly Report under Section 13 or 15(d) of
The Securities Exchange Act of 1934

For Quarter Ended June 30, 1998   Commission file no. 0-10546

LAWSON PRODUCTS, INC.
- ---
(Exact name of registrant as specified in its charter)

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

1666 East Touhy Avenue, Des Plaines, Illinois	60018
(Address of principal executive offices)	(Zip Code)

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

Not applicable
- ---
Former name, former address and former fiscal year, if changed since last report.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.
11,135,633 Shares, $1 par value, as of July 17, 1998.

LAWSON PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands, except per share data)	June 30, 1998 (UNAUDITED)	December 31, 1997
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 14,905	$ 10,248
Marketable securities	13,660	11,638
Accounts receivable, less allowance for doubtful accounts	33,883	33,714
Inventories (Note B)	43,875	41,788
Miscellaneous receivables and prepaid expenses	7,736	5,760
Deferred income taxes	856	836
Total Current Assets	114,915	103,984
Marketable securities	13,228	21,713
Property, plant and equipment, less allowances for depreciation and amortization	41,829	40,963
Investments in real estate	3,956	3,731
Deferred income taxes	4,727	4,447
Other assets	14,861	14,136

Total Assets	$	193,516	$	188,974
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities:				
Accounts payable	$	5,363	$	4,928
Accrued expenses and other liabilities		16,277		17,902
Income taxes		1,243		1,641
Total Current Liabilities		22,883		24,471
Accrued liability under security bonus plans		14,572		14,000
Other		9,595		10,578
		24,167		24,578
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 - (1998 - 11,135,633 shares; 1997 - 11,135,233 shares)		11,136		11,135
Capital in excess of par value		780		770
Retained earnings		134,842		128,708
Accumulated other comprehensive income		(292)		(688)
Total Stockholders' Equity		146,466		139,925
Total Liabilities and Stockholders' Equity	$	193,516	$	188,974

See notes to condensed consolidated financial statements.

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

(UNAUDITED)

(Amounts in thousands, except per share data)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	1998	1997	1998	1997
Net sales	$72,535	$70,390	$142,897	$136,273
Investment and other income	636	362	1,278	780
	73,171	70,752	144,175	137,053
Cost of goods sold (Note B)	24,876	24,105	49,704	46,836
Selling, general and administrative expenses	40,028	37,184	78,476	72,805
	64,904	61,289	128,180	119,641
Income before income taxes	8,267	9,463	15,995	17,412
Provision for income taxes	3,538	3,814	6,743	7,041
Net income	$4,729	$ 5,649	$ 9,252	$ 10,371
Net income per share of common stock:				
Basic	$ 0.42	$ 0.51	$ 0.83	$ 0.93
Diluted	$ 0.42	$ 0.51	$ 0.83	$ 0.93
Cash dividends declared per share of common stock	$ 0.14	$ 0.13	$ 0.28	$ 0.26
Weighted average shares outstanding:				
Basic	11,136	11,128	11,135	11,173
Diluted	11,161	11,140	11,167	11,179

See notes to condensed consolidated financial statements.

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

(UNAUDITED)

(Amounts in thousands)

	For the Six Months Ended June 30, 1998	1997
Operating activities:		
Net income	$ 9,252	$ 10,371
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,789	2,463
Changes in operating assets and liabilities	(7,568)	(10,814)
Other	(183)	1,072
Net Cash Provided by Operating Activities	4,290	3,092
Investing activities:		
Additions to property, plant and equipment	(3,504)	(2,711)
Purchases of marketable securities	(102,548)	(91,284)
Proceeds from sale of marketable securities	109,201	94,854
Other	325	40
Net Cash Provided by Investing Activities	3,474	899
Financing activities:		
Purchases of treasury stock	---	(4,062)
Dividends paid	(3,118)	(2,919)
Other	11	12
Net Cash Used in Financing Activities	(3,107)	(6,969)
Increase/(Decrease) in Cash and Cash Equivalents	4,657	(2,978)
Cash and Cash Equivalents at Beginning of Period	10,248	14,515
Cash and Cash Equivalents at End of Period	$ 14,905	$ 11,537

See notes to condensed consolidated financial statements.

Part I

NOTES TO CONDENSED CONSOLIDATED UNAUDITED FINANCIAL STATEMENTS

A) As contemplated by the Securities and Exchange Commission, the accompanying consolidated financial statements and footnotes have been condensed and therefore, do not contain all disclosures required by generally accepted accounting principles. Reference should be made to the Company's Annual Report to Stockholders for the year ended December 31, 1997. The Condensed Consolidated Balance Sheet as of June 30, 1998, the Condensed Consolidated Statements of Income for the three and six month periods ended June 30, 1998 and 1997 and the Condensed Consolidated Statements of Cash Flows for the six month periods ended June 30, 1998 and 1997 are unaudited. In the opinion of the Company, all adjustments (consisting only of normal recurring accruals) have been made, which are necessary to present fairly the results of operations for the interim periods. Operating results for the three and six month periods ended June 30, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998.

B) Inventories (consisting of primarily finished goods) at June 30, 1998 and cost of goods sold for the three and six month periods ended June 30, 1998 and 1997 were determined through the use of estimated gross profit rates.

C) As of January 1, 1998, the Company adopted FASB Statement 130, "Reporting Comprehensive Income," (SFAS 130). SFAS 130 establishes new rules for reporting and display of comprehensive income and its components; however, the adoption of this Statement had no impact on the Company's net income or stockholders' equity. SFAS 130 requires unrealized gains or losses on the Company's available-for-sale marketable securities and foreign currency translation adjustments to be included in other comprehensive income, which prior to adoption were reported separately in stockholders' equity.

Total comprehensive income and its components, net of related tax, for the first three and six months of 1998 and 1997 are as follows:

	Three months ended June 30	
	1998	1997
Net income	$4,728,753	$ 5,648,375
Unrealized gains on marketable securities	18,000	48,000
Foreign currency translation adjustments	(217,917)	58,728
Comprehensive income	$4,528,836	$ 5,755,103

	Six months ended June 30	
	1998	1997
Net income	$9,251,502	$10,370,532
Unrealized gains(losses) on marketable securities	166,000	(82,000)
Foreign currency translation adjustments	229,951	(183,193)
Comprehensive income	$9,647,453	$10,105,339

The components of accumulated other comprehensive income, net of related tax, at June 30, 1998 and December 31, 1997 are as follows:

	1998	1997
Unrealized gain on marketable securities	$ 729,000	$ 563,000
Foreign currency translation		

adjustments	(1,020,744)	(1,250,695)
Accumulated other comprehensive income	$ (291,744)	$ (687,695)

In June 1997, the Financial Accounting Standards Board issued Statement of Accounting Standards No. 131, Disclosure about Segments of an Enterprise and Related Information (SFAS 131), which is effective for years beginning after December 15, 1997. SFAS 131 establishes standards for the way that public business enterprises report information about operating segments in annual financial statements and requires that those enterprises report selected information about operating segments in interim financial reports. It also establishes standards for related disclosures about products and services, geographic areas and major customers. SFAS 131 is effective for financial statements for fiscal years beginning after December 15, 1997, and therefore the Company will adopt the new requirements retroactively in 1998. Management has not completed its review of SFAS 131, but does not anticipate that the adoption of the statement will have a significant effect on the Company's reported financial disclosures.

D) Earnings per Share

The calculation of dilutive weighted average shares outstanding for the three and six months ended June 30, 1998 and 1997 are as follows:

	Three months ended June 30	
	1998	1997
Basic weighted average shares outstanding	11,135,583	11,127,627
Dilutive impact of options outstanding	25,277	11,973
Dilutive weighted average shares outstanding	11,160,860	11,139,600

	Six months ended June 30	
	1998	1997
Basic weighted average shares outstanding	11,135,476	11,172,843
Dilutive impact of options outstanding	31,531	5,989
Dilutive weighted average shares outstanding	11,167,007	11,178,832

Independent Accountants' Review Report

Board of Directors
Lawson Products, Inc.

We have reviewed the accompanying condensed consolidated balance sheet of Lawson Products, Inc. and subsidiaries as of June 30, 1998 and the related condensed consolidated statements of income and cash flows for the three month and six month periods ended June 30, 1998 and 1997. These financial statements are the responsibility of the Company's management.

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

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

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Lawson Products, Inc. as of December 31, 1997, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the year then ended, not presented herein, and in our report dated February 27, 1998, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 1997, is fairly stated, in all material respects, in relation

to the consolidated balance sheet from which it has been derived.

ERNST & YOUNG LLP

July 17, 1998

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS

Net sales for the three and six month periods ended June 30, 1998 advanced 3.0% to $72,535,000 and 4.9% to $142,897,000 relative to the comparable periods of 1997. The sales gains reflect increased contribution from substantially all Lawson operations.

Net income for the second quarter declined 16.3% to $4,729,000 ($.42 per diluted share) from $5,649,000 ($.51 per diluted share) for the comparable period of 1997. Net income for the six months ended June 30, 1998 decreased 10.8% to $9,252,000 ($.83 per diluted share) from $10,371,000 ($.93 per diluted share) for the similar period of 1997. These declines are primarily attributable to lower gross margins and higher selling costs due to a restructuring of the sales force, which more than offset the gains in net sales noted above. Per share net income was positively impacted by purchases in 1997 under the Company's share repurchase program.

Cash flows provided by operations for the six months ended June 30, 1998 increased to $4,290,000 from $3,092,000 in the comparable period of the prior year. This increase was due primarily to a smaller increase in operating assets (principally accounts receivable and inventories), which more than offset the decline in net income from the similar period of 1997. Current investments and cash flows from operations are expected to be sufficient to finance the Company's future growth, cash dividends and capital expenditures. Additions to property, plant and equipment were $3,504,000 and $2,711,000, respectively, for the six months ended June 30, 1998 and 1997. Capital expenditures during 1998 primarily reflect costs incurred relative to the construction of a new Lawson outbound facility in Atlanta, Georgia and purchases of computer related equipment. The new facility, expected to be completed during 1999 at a cost of approximately $7,000,000, will be used in place of the Norcross, Georgia facility, which will be closed. Capital expenditures during 1997 primarily reflect costs incurred for the completion of the facilities expansion at the Company's specialty chemical subsidiary, Drummond American Corporation. This project was completed at a cost of approximately $3,000,000.

In 1996, the Board of Directors authorized the purchase of up to 1,000,000 shares of the Company's common stock. No shares were purchased during 1998, while during the first six months of 1997, the Company expended $4,062,000 to acquire 187,500 shares under the 1996 stock repurchase program. To date, 479,500 shares have been purchased relative to the 1996 stock repurchase program. All treasury shares purchased as of June 30, 1998 have been retired.

Part II

OTHER INFORMATION

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

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

(a) The annual meeting of stockholders of Lawson Products, Inc. was held on May 12, 1998.

(b) Not applicable.

(c1) Set forth below is the tabulation of the votes on each nominee for election as a director:

	For	Withheld Authority
Bernard Kalish	9,727,041	866,082
Sidney L. Port	9,729,841	863,282
Robert J. Washlow	9,735,116	858,007

(c2) Set forth below is the tabulation of the votes on the stockholder proposal concerning the sale or merger of the Company:

For	Against	Abstain
1,053,046	8,655,057	48,711

(c3) Set forth below is the tabulation of the votes on the stockholder proposal concerning the elimination of a classified Board of Directors:

For	Against	Abstain
2,755,894	6,963,112	37,808

(d) Not applicable.

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

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

27 Financial Data Schedule

(b) The registrant was not required to file Form 8-K for the most recently completed quarter.

SIGNATURES

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

LAWSON PRODUCTS, INC.
(Registrant)

Dated July 17, 1998 /s/ Bernard Kalish
Bernard Kalish
Chairman of the Board

Dated July 17, 1998 /s/ Joseph L. Pawlick
Joseph L. Pawlick

Vice President and Controller

Exhibit 15

Consent of Independent Auditors

We are aware of the incorporation by reference in the Registration Statement (Form S-8 No. 33-17912 dated November 4, 1987) of Lawson Products, Inc. of our report dated July 17, 1998 relating to the unaudited condensed consolidated interim financial statements of Lawson Products, Inc. which are included in its Form 10-Q for the quarter ended June 30, 1998.

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

ERNST & YOUNG LLP

Chicago, Illinois
July 17, 1998

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6-MOS
DEC-31-1998
JUN-30-1998
14,905
26,888
35,773
1,890
43,875
114,915
72,317
30,488
193,516
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135,330
193,516
142,897
144,175
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49,704
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15,995
6,743
9,252
0
0
0
9,252
0.83
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