

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 March 31, 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.

11,135,533 Shares, \$1 par value, as of April 17, 1998.

LAWSON PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands)

	March 31, 1998 (unaudited)	December 31, 1997
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 16,135	\$ 10,248
Marketable securities	13,720	11,638
Accounts receivable, less allowance for doubtful accounts	33,933	33,714
Inventories (Note B)	43,005	41,788
Miscellaneous receivables and prepaid expenses	6,195	5,760
Deferred income taxes	843	836
Total Current Assets	113,831	103,984
Marketable securities	17,656	21,713
Property, plant and equipment, less allowances for depreciation and amortization	42,233	40,963
Investments in real estate	3,843	3,731
Deferred income taxes	4,942	4,447
Other assets	14,895	14,136
Total Assets	\$ 197,400	\$ 188,974

LIABILITIES AND STOCKHOLDERS' EQUITY
Current Liabilities:

Accounts payable	\$	6,255	\$	4,928
Accrued expenses and other liabilities		17,686		17,902
Income taxes		4,934		1,641
Total Current Liabilities		28,875		24,471
Accrued liability under security bonus plans		14,233		14,000
Other		10,799		10,578
		25,032		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 - 11,135,533 shares; 1997 - 11,135,233 shares)		11,136		11,135
Capital in excess of par value		777		770
Retained earnings		131,672		128,708
Accumulated other comprehensive income		(92)		(688)
Total Stockholders' Equity		143,493		139,925
Total Liabilities and Stockholders' Equity	\$	197,400	\$	188,974

See notes to condensed consolidated financial statements.

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

(UNAUDITED)

(Amounts in thousands, except per share data)

	For the Three Months Ended		March 31,	
	1998		1997	
Net sales	\$	70,363	\$	65,883
Investment and other income		641		418
		71,004		66,301
Cost of goods sold (Note B)		24,828		22,731
Selling, general and administrative expenses		38,448		35,621
		63,276		58,352
Income before income taxes		7,728		7,949
Provision for income taxes		3,205		3,227
Net income	\$	4,523	\$	4,722
Net income per share of common stock:				
Basic	\$	0.41	\$	0.42
Diluted	\$	0.40	\$	0.42
Cash dividends declared per share of common stock	\$	0.14	\$	0.13
Weighted average shares outstanding:				
Basic		11,135		11,209
Diluted		11,175		11,209

See notes to condensed consolidated financial statements.

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

(UNAUDITED)

(Amounts in thousands)

	For the Three Months Ended March 31,	
	1998	1997
Operating activities:		
Net income	\$ 4,523	\$ 4,722
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,403	1,111
Changes in operating assets and liabilities	1,330	(1,586)
Other	517	478
Net Cash Provided by Operating Activities	7,773	4,725
Investing activities:		
Additions to property, plant and equipment	(2,601)	(1,339)
Purchases of marketable securities	(59,005)	(61,986)
Proceeds from sale of marketable securities	61,171	61,080
Other	100	---
Net Cash Used in Investing Activities	(335)	(2,245)
Financing activities:		
Purchases of treasury stock	---	(3,761)
Dividends paid	(1,559)	(1,508)
Other	8	---
Net Cash Used in Financing Activities	(1,551)	(5,269)
Increase/(Decrease) in Cash and Cash Equivalents	5,887	(2,789)
Cash and Cash Equivalents at Beginning of Period	10,248	14,515
Cash and Cash Equivalents at End of Period	\$ 16,135	\$ 11,726

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 March 31, 1998, the Condensed Consolidated Statements of Income for the three month periods ended March 31, 1998 and 1997 and the Condensed Consolidated Statements of Cash Flows for the three month periods ended March 31, 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 quarter ended March 31, 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 March 31, 1998 and cost of goods sold for the three month periods ended March 31, 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 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 quarter of 1998 and 1997 are as follows:

	1998	1997
Net income	\$4,522,749	\$4,722,157
Unrealized gains(losses) on securities	148,000	(130,000)
Foreign currency translation adjustments	447,858	(241,921)
Comprehensive income	\$5,118,607	\$4,350,236

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

	1998	1997
Unrealized gain on securities	\$ 711,000	\$ 563,000
Foreign currency translation adjustments	(802,837)	(1,250,695)
Accumulated other comprehensive income	\$ (91,837)	\$ (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 at March 31, 1998 and 1997 are as follows:

	1998	1997
Basic weighted average shares outstanding	11,135,383	11,209,214
Dilutive impact of options outstanding	39,388	---
Dilutive weighted average shares outstanding	11,174,771	11,209,214

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 March 31, 1998 and the related condensed consolidated statements of income and cash flows for the three month periods ended March 31, 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 review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated financial statements referred to above for them to be in conformity with 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

April 17, 1998

ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS

Net sales for the three month period ended March 31, 1998 increased 6.8% to \$70,363,000 relative to the similar period of 1997. The sales gain reflects increased contribution from substantially all Lawson operations.

Net income declined 4.8% to \$4,523,000 (\$.40 per diluted share) for the three months ended March 31, 1998 from \$4,723,000 (\$.42 per share) for the comparable period of 1997. This decrease is primarily attributable to lower gross margins and higher selling costs due to a restructuring of the sales force in the first quarter, which more than offset the gains in net sales noted above. Per share net income for 1998 and 1997 was positively impacted by the Company's share repurchase program.

Cash flows provided by operations for the three months ended March 31, 1998 increased to \$7,773,000 from \$4,725,000 in the similar period of the prior year. This increase was due primarily to an increase in operating liabilities (principally accounts payable and income taxes payable), which more than offset the decline in net income from the comparable 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 \$2,601,000 and \$1,339,000, respectively, for the three months ended March 31, 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 three months of 1997, the Company expended \$3,761,000 to acquire 174,000 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 March 31, 1998 have been retired.

Part II

OTHER INFORMATION

Items 1, 2, 3, 4 and 5 are inapplicable and have been omitted from this report.

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 April 17, 1998

/s/ Bernard Kalish
Bernard Kalish
Chairman of the Board

Dated April 17, 1998

/s/ Joseph L. Pawlick
Joseph L. Pawlick
Vice President and Controller

April 17, 1998

Board of Directors
Lawson Products, Inc.

We are aware of the incorporation by reference in the Registration Statement (Form S-8 No. 33-17912 dated November 4, 1987) of Lawson Products, Inc. of our report dated April 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 March 31, 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

5
1,000

	3-MOS	
	DEC-31-1998	
	MAR-31-1998	
		16,135
		31,376
		35,616
		1,683
		43,005
	113,831	
		71,429
	29,196	
	197,400	
28,875		
		0
0		
		0
		11,136
		132,357
197,400		
		70,363
	71,004	
		24,828
	24,828	
	0	
	273	
	10	
	7,728	
	3,205	
4,523		
	0	
	0	
		0
	4,523	
	0.41	
	0.40	