

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, 1997 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.

11,124,714 Shares, \$1 par value, as of July 18, 1997.

LAWSON PRODUCTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Amounts in thousands) June 30, 1997 December 31, 1996

(UNAUDITED)

ASSETS

Current Assets:

Cash and cash equivalents	\$ 11,537	\$ 14,515
Marketable securities	11,305	14,266
Accounts receivable, less allowance for doubtful accounts	32,890	30,326
Inventories (Note B)	41,144	37,047
Miscellaneous receivables and prepaid expenses	6,342	6,340
Deferred income taxes	680	606
Total Current Assets	103,898	103,100
Marketable securities	12,623	13,453
Property, plant and equipment, less allowances for depreciation and amortization	40,216	40,053
Investments in real estate	3,409	3,305
Deferred income taxes	3,973	3,758
Other assets	12,451	11,493
Total Assets	\$176,570	\$175,162

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:		
Accounts payable	\$ 5,909	\$ 6,007
Accrued expenses and other liabilities	14,001	15,850
Income taxes	1,777	2,493
	-----	-----
Total Current Liabilities	21,687	24,350
	-----	-----
Accrued liability under security bonus plans	13,365	12,887
Other	9,610	9,179
	-----	-----
	22,975	22,066
	-----	-----
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 - (1997 - 11,124,714 shares; 1996 - 11,311,464 shares)	11,125	11,311
Capital in excess of par value	515	512
Retained earnings	120,845	117,234
	-----	-----
	132,485	129,057
Other	(577)	(311)
	-----	-----
Total Stockholders' Equity	131,908	128,746
	-----	-----
Total Liabilities and Stockholders' Equity\$176,570\$175,		
	=====	=====
		162

See notes to condensed consolidated financial statements.

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,
	1997	1996	1997	1996
Net sales	\$70,390	\$63,479	\$136,273	\$119,587
Investment and other income	362	419	780	1,050
	-----	-----	-----	-----
	70,752	63,898	137,053	120,637
Cost of goods sold (Note B)	24,105	20,752	46,836	37,430
Selling, general and administrative expenses	37,184	35,042	72,805	68,314
	-----	-----	-----	-----
	61,289	55,794	119,641	105,744
Income before income taxes	9,463	8,104	17,412	14,893
Provision for income taxes	3,814	3,375	7,041	6,140
	-----	-----	-----	-----
Net income	\$ 5,649	\$ 4,729	\$ 10,371	\$ 8,753
	=====	=====	=====	=====
Net income per share of common stock	\$0.51	\$0.41	\$0.93	\$0.75
	=====	=====	=====	=====
Cash dividends declared per share of common stock	\$0.13	\$0.13	\$0.26	\$0.26
	=====	=====	=====	=====
Weighted average shares outstanding	11,128	11,601	11,173	11,613
	=====	=====	=====	=====

See notes to condensed consolidated financial statements.

/TABLE

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

(Amounts in thousands)

For the
Six months ended
June 30,

	1997	1996
	-----	-----
Operating activities:		
Net income	\$ 10,371	\$ 8,753
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,463	1,942
Changes in operating assets and liabilities	(10,814)	(7,098)
Other	1,072	1,276
	-----	-----
Net Cash Provided by Operating Activities	3,092	4,873
	-----	-----
Investing activities:		
Additions to property, plant and equipment	(2,711)	(1,841)
Purchases of marketable securities	(91,284)	(239,963)
Proceeds from sale of marketable securities	94,854	252,279
Acquisition of Automatic Screw Machine Products, net of cash acquired	---	(10,506)
Other	40	90
	-----	-----
Net Cash Provided by Investing Activities	899	59
	-----	-----
Financing activities:		
Purchases of treasury stock	(4,062)	(2,095)
Dividends paid	(2,919)	(3,027)
Other	12	---
	-----	-----
Net Cash Used in Financing Activities	(6,969)	(5,122)
	-----	-----
Decrease in Cash and Cash Equivalents	(2,978)	(190)
Cash and Cash Equivalents at Beginning of Period	14,515	10,432
	-----	-----
Cash and Cash Equivalents at End of Period	\$ 11,537	\$ 10,242
	=====	=====

See notes to condensed consolidated financial statements.

/TABLE

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, 1996. The Condensed Consolidated Balance Sheet as of June 30, 1997, the Condensed Consolidated Statements of Income for the three and six month periods ended June 30, 1997 and 1996 and the Condensed Consolidated Statements of Cash Flows for the six month periods ended June 30, 1997 and 1996 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, 1997 are not necessarily indicative of the results that may be expected for the year ending December 31, 1997.

B) Inventories (consisting of primarily finished goods) at June 30, 1997 and cost of goods sold for the six month periods ended June 30, 1997 and 1996 were determined through the use of estimated gross profit rates.

C) On April 30, 1996 the Company purchased substantially all of the assets and liabilities of Automatic Screw Machine Products Company (Automatic) for cash of approximately \$10,746,000. This transaction was accounted for as a purchase, accordingly, the accounts and transactions of Automatic have been included in the consolidated financial statements since the date of acquisition.

D) In February 1997, the Financial Accounting Standards Board issued Statement No. 128, "Earnings per Share," which is required to be adopted on December 31, 1997. At that time, the Company will be required to change the method currently used to compute earnings per share and to restate all prior periods. Under the new requirements for calculating primary earnings per share, the dilutive effect of stock options will be excluded. The impact of Statement 128 on the calculation of primary and fully diluted earnings per share for the six months ended June 30, 1997 and June 30, 1996 is not expected to be material.

The following exhibits are attached to Part I:

1. Letter from independent accountants furnished pursuant to Rule 10.01 (d) of regulation S-X.
2. Letter from independent accountants furnished pursuant to Item 601, #15 of regulation S-K.

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Part I

Independent Accountant's 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, 1997 and the related condensed consolidated statements of income for the three month and six month periods ended June 30, 1997 and 1996 and the condensed consolidated statements of cash flows for the six month periods ended June 30, 1997 and 1996. 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, 1996, 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 21, 1997, 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, 1996, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

ERNST & YOUNG LLP

July 18, 1997

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Part I

July 18, 1997

Board of Directors
Lawson Products, Inc.

We are aware of the incorporation by reference in the Registration Statement (Form S-8 No. 33-17912 dated November 4, 1987) of Lawson Products, Inc. of our report dated July 18, 1997 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, 1997.

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

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Part I

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS

Cash flows provided by operations for the six months ended June 30, 1997 decreased to \$3,092,000 from \$4,873,000 in the comparable period of the prior year. This decline was due primarily to an increase in operating assets and a decrease in operating liabilities, which more than offset the gain in net income from the similar period of 1996. 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 \$2,711,000 and \$1,841,000, respectively, for the six months ended June 30, 1997 and 1996. 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, the total cost of which is approximately \$3,000,000, was completed during the second quarter of 1997. Capital expenditures during 1996 primarily reflect purchases of computer related equipment.

During the second quarter of 1996, the Company purchased substantially all of the assets and liabilities of Automatic Screw Machine Products Company (Automatic), headquartered in Decatur, Alabama, at a cost of approximately \$10,746,000. Automatic is a manufacturer and distributor of production components. The former business operations of Automatic are conducted by new subsidiaries known as Assembly Component Systems, Inc. and Automatic Screw Machine Products Company.

In 1996, the Board of Directors authorized the purchase of up to 1,000,000 shares of the Company's common stock. 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. During the first six months of 1996, the Company spent \$2,095,000 to acquire the remaining 86,000 shares authorized under the 1994 stock repurchase program. All treasury shares purchased as of June 30, 1997 have been retired.

Net sales for the three and six month periods ended June 30, 1997, advanced 10.9% to \$70,390,000 and 14.0% to \$136,273,000 relative to the comparable periods of 1996. The sales gains are principally the result of both an increase in the number of orders processed and sales related to the business acquired in April, 1996.

Net income for the second quarter advanced 19.5% to \$5,649,000 (\$.51 per share) from \$4,729,000 (\$.41 per share) for the similar period of 1996. Net income for the six months ended June 30, 1997 increased 18.5% to \$10,371,000 (\$.93 per share) from \$8,753,000 (\$.75 per share) for the comparable period of 1996. These increases are attributable to the gains in net sales noted above and cost containment efforts, which more than offset lower gross margins. Per share net income for 1997 and 1996 was positively impacted by the Company's share repurchase program.

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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 28, 1997.

(b) Not applicable.

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

	For	Withheld
	Authority	
Hugh Allen	10,116,937	126,469
James T. Brophy	10,118,160	125,246
Jerome Shaffer	10,117,934	125,472

(c2) Set forth below is the tabulation of the votes on the proposal to amend the Company's Incentive Stock Plan:

	For	Against	Abstain
	9,835,824	384,087	23,495

(c3) Set forth below is the tabulation of the votes on the stockholder proposal concerning the sale or merger of the Company:

	For	Against	Abstain
	566,836	8,990,671	58,810

(d) Not applicable.

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

(a) Not applicable.

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

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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 18, 1997

/s/ Bernard Kalish
Bernard Kalish
Chairman of the Board

Dated July 18, 1997

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

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6-MOS

DEC-31-1997
JUN-30-1997
11,537
23,928
32,890
0
41,144
103,898
40,216
0
176,570
21,687
0
11,125
0
0
120,783
136,273
137,053
46,836
46,836
0
520
10
17,412
7,041
10,371
0
0
0
10,371
0.93
0.93

176,570