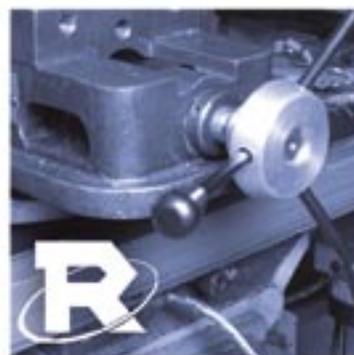


LAWSON PRODUCTS, INC. ANNUAL REPORT 2005



Delivering CONFIDENCE Through
People, Service, Solutions & Products

Five Year 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. 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, 2005, are derived from the audited Financial Statements of the Company.

<i>(Dollars in thousands, except per share data)</i>	2005	Percent Change	2004	2003	2002	2001
Net Sales ¹	\$450,185	9.9%	\$409,565	\$379,561	\$383,780	\$376,482
Income from Continuing Operations Before Income Taxes ²	36,555	10.6%	33,047	27,796	27,421	18,251
Income from Continuing Operations	21,460	0.1%	21,444	19,480	16,679	9,896
Income (Loss) from Discontinued Operations ³	5,278	278.8%	(19)	(3,284)	(4,232)	(1,109)
Net Income ^{3 4 5}	26,738	24.8%	21,425	16,196	12,447	8,787
Basic Income (Loss) Per Share of Common Stock:						
Continuing Operations	\$2.36	3.5%	\$2.28	\$2.05	\$1.74	\$1.02
Discontinued Operations	0.58	n/m	(0.00)	(0.35)	(0.44)	(0.11)
	\$2.94	28.9%	\$2.28	\$1.71	\$1.30	\$0.91
Diluted Income (Loss) Per Share of Common Stock:						
Continuing Operations	\$2.36	4.0%	\$2.27	\$2.05	\$1.74	\$1.02
Discontinued Operations	0.58	n/m	(0.00)	(0.35)	(0.44)	(0.11)
	\$2.94	29.5%	\$2.27	\$1.70	\$1.30	\$0.91
Total Assets	\$279,224	7.2%	\$260,550	\$246,943	\$225,831	\$234,206
Noncurrent Liabilities	41,256	10.7%	37,271	36,714	31,765	40,520
Stockholders' Equity	185,425	2.8%	180,332	173,350	162,343	159,898
Return on Average Equity (percent)	14.9	n/m	12.1	9.6	7.7	5.4
Return on Assets (percent)	9.6	n/m	8.2	6.6	5.5	3.8
Stockholders' Equity Per Share ⁶	\$20.42	6.6%	\$19.16	\$18.26	\$16.96	\$16.51
Cash Dividends Declared Per Share ⁶	0.80	11.1%	0.72	0.66	0.64	0.64
Basic Weighted Average Shares Outstanding	9,082	(3.5)%	9,410	9,492	9,570	9,685
Diluted Weighted Average Shares Outstanding	9,099	(3.5)%	9,430	9,511	9,596	9,708

¹ Net sales for 2005 include the acquisition of Rutland Tool & Supply Co. in December 2005 and exclude amounts from the Company's discontinued operations as discussed in Note C to the 2005 financial statements.

² Amounts for 2001 included charges of \$11,881 related to the write-off of capitalized software and implementation costs related to an discontinued enterprise information system project as well as a promotional program related to the acquisition of Premier Operations.

³ In 2005, the Company recorded a \$7,495 after tax loss related to the operations and closing of its remaining UK business. Also in 2005, the Company realized an after tax gain of \$12,189 related to the sale of the Company's investment in real estate. The loss from discontinued operations for 2003 primarily relates to a \$2,789 pretax loss related to the sale of Lawson Products Limited, the Company's former UK MRO business. The 2002 and 2001 losses from discontinued operations primarily relate to inventory write-offs in the Company's UK business.

⁴ In 2003, income tax expense includes a \$2,157 reduction to reflect the partial utilization of a capital loss generated by the sale of the Company's former UK MRO business. In 2003 and 2002, the Company recorded \$1,477 and \$421 respectively, of after tax charges for compensation arrangements related to management personnel reductions. The Company adopted SEAS No. 142 as of January 1, 2002. Accordingly, the Company discontinued amortization of goodwill for 2002 and thereafter.

⁵ 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.

⁶ These per share amounts were computed using basic weighted average shares outstanding for all periods presented.

n/m not meaningful

Dear Fellow Shareholders,

We made good progress in the Lawson Family of Businesses last year. Lawson achieved record sales of over \$450 million, an increase of about 10%. We saw solid growth in both our MRO (maintenance and repair operations) and OEM (original equipment manufacturing) business segments. An important part of our mission is to deliver confidence to our customers through our people, services, products and solutions. During 2005, we extended our ability to do so by adding a good deal of depth and breadth to our business. Our inventoried product lines increased substantially as did the number of customers we serviced.

Profitability improved in 2005. Operating income increased about 10%. Return on total assets increased by 17% to 9.6%. The return on average stockholders' equity grew by 23% to 14.9%. Despite the progress, the added operating income measured as a percentage of incremental sales did not indicate the leverage we typically expect. We decided to use funds generated to continue our efforts to enhance and accelerate profitable growth by reinvesting in the business. We did so, and we believe the results of this enhanced investment will be borne out over the long term.

Our financial position is solid. Cash and equivalents totaled more than \$15 million at year end and the Company was debt free. During the year, we spent approximately \$14.5 million purchasing and retiring more than 334,000 Lawson shares. As a reflection of the Company's strong financial condition and its prospects for continued growth, dividends declared by our Board of Directors increased by more than 11% to 80¢ per share. Stockholders received Lawson's 127th consecutive quarterly cash dividend.

One of our continuing objectives is to increase the number of qualified independent sales representatives. During 2005, recently established recruiting, hiring and education programs produced a greater number of higher qualified sales representatives than in prior years. The new additions more than offset turnover we expected from retirements, illnesses, and career changes. At the same time, the average sales volume generated by experienced representatives increased to record levels.

We made good progress in expanding our Call Center. We added twenty inside sales professionals. This was in response to the growing demands of our field sales forces for support in turning "cold calls" into appointments. Field agents are now requesting assistance in providing contact with customers while the agents are servicing the needs of other customers. Our Call Center professionals are also expanding our sales coverage by responding to the needs of customers outside of geographic areas serviced by field agents.

Interactive websites and electronic ordering capabilities have taken a front seat at certain of our business units. We have expanded those capabilities at our OEM business units. At Kent Automotive, a fully interactive website "went live" in early December and the results have been exciting. The word has spread to our other MRO business units. As a result, Lawson, Drummond and Cronatron will have interactive websites in 2006.

We accelerated investments in our information technology and marketing areas as well. With our increased sales, account base, inventoried items, and rapid growth in our special order and custom solutions businesses, the need for more sophisticated information systems became paramount. We responded. Our need for customer data became greater as our marketing talent base was developed. We again invested on an accelerated basis. We are using information systems and our marketing professionals to help drive our profitable growth.

A couple of years ago, we added to our distribution facilities space sufficient to handle about \$500 million of business. That sales level is within sight and we now anticipate the need for additional space. During the fourth quarter, we acquired land adjacent to our Reno distribution facility. We also are planning to establish a distribution center in southern California to house our newest subsidiary. It will also provide space for distribution of fast moving products of our other business units.

We incurred expenses to reconfigure our business in Mexico and to discontinue operations in the United Kingdom. We also recorded expenses to cover the disposition of slow moving inventory throughout our business units.

All of these activities have focused us in our vision of who and what we are: a customer centered, marketing driven, multi-channel, business-to-business sales and distribution company. It is that vision and our actions to achieve it that have put us one year ahead of the five year financial goals we established in the Fall of 2003.

We suffered a misstep to our progress in late December when federal agents executed a search warrant at our corporate offices for records relating to an ongoing investigation. The investigation relates to whether any of the Company's representatives improperly provided gifts or awards to purchasing agents (including government purchasing agents) through the Company's customer loyalty programs. We have and will continue to cooperate with the government. We have also diligently and aggressively undertaken our own internal investigation. At this time, we cannot predict the outcome or effect of either investigation, nor when either will be completed. The outcome could result in criminal sanctions or civil remedies. The Company's financial condition could be negatively affected as could the trading price of its common stock.

This is especially painful for our Company. Lawson was founded more than 50 years ago upon the principles of integrity and trust in its people. I believe the great majority of our 3,500 or more colleagues who earn their livings in Lawson's businesses adhere to those principles. We are extremely proud of our reputation for high quality and integrity in all we do. We will take the actions necessary to protect that reputation. We intend to continually earn the support and confidence our customers place in us.

Also occurring near year end was an event which has positive, long-term implications for our Company. Lawson completed the acquisition of certain assets of Rutland Tool & Supply Company. Headquartered in Whittier, California, Rutland is a 50-year old, \$50 million distributor of metal working products, supplies and machine tools. It sells through multiple channels, including direct mail, catalogs, independent distributors, a call center located at its headquarters, and several of its own retail outlets. Rutland operates retail outlets in southern California, San Jose, Phoenix, Houston, and in the Atlanta area.

Becoming a member of the Family of Businesses gives to Rutland an additional 1,800 sales representatives to market its products. That process started on a controlled basis during December. Early results have exceeded our expectations. The availability of Rutland's 80,000 item product line allowed our field sales forces and inside sales professionals to penetrate new departments of existing customers and sell to new customers as well. We see many advantages from the Rutland acquisition and will pursue them in an orderly fashion.

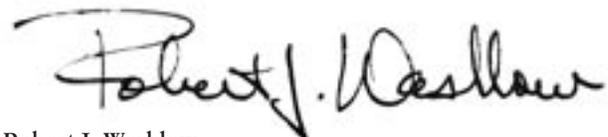
On November 1, 2005, the Company completed the sale of its partnership interest in Superior and Sedgwick Associates. Lawson held a 98.5% limited partner interest in that venture and realized substantial benefits in each of the twenty years of the holding period. The sale produced more cash for Lawson than was needed to complete the Rutland acquisition. The sale was a satisfactory ending to a highly profitable venture which turned into an additional and complimentary line of business for our Family of Businesses.

On balance, the Lawson Family of Businesses had a good, progressive growth year in 2005. Our financial condition is strong and our Company is debt free. We remain a "people" company founded on the integrity of our colleagues and respect for them.

Lawson's mission is to create value by delivering services, solutions and products to ensure our customers' facilities, equipment and production lines run better. That mission is accomplished through our people delivering confidence to our customers. We are equally confident that the investments and strategic decisions we have made during 2005 will benefit our Company over the long term and look forward to further growth in 2006.

Thank you for your continued support and confidence.

Sincerely,



Robert J. Washlow
Chairman of the Board and CEO
Lawson Products, Inc.
April, 2006



Corporate Information

ANNUAL MEETING

The annual meeting of stockholders will be held at 10:00 a.m. Tuesday, May 9, 2006 at Corporate Headquarters.

FORM 10-K

A copy of the Company's 2005 Annual Report on Form 10-K to the Securities and Exchange Commission is available without charge to stockholders upon written request to the Secretary of the Company.

CORPORATE HEADQUARTERS

Lawson Products, Inc.
1666 East Touhy Avenue • Des Plaines, Illinois 60018
847-827-9666
www.lawsonproducts.com

PROFESSIONAL SERVICES

Auditors

Ernst & Young LLP

Legal Counsel

McDermott, Will & Emery
Vedder, Price, Kaufman & Kammholz

SHARE OWNER SERVICES

EquiServe Trust Company, N.A.
P.O. Box 43023 • Providence, RI 02940-3023
Telephone: (877)498-8861

(Operators are available Monday-Friday, 8:30 a.m. to 7:00 p.m. Eastern time. An interactive automated system is available around the clock every day.)

Internet: <http://www.equiserve.com>

Access your account via the internet: <http://gateway.equiserve.com>

NASDAQ NATIONAL MARKET

The common stock of Lawson Products is part of the NASDAQ National Market System (Nasdaq: LAWS). Stock quotations are included in the National Market system table in The Wall Street Journal and in leading daily newspapers across the country. These provide the same high, low and closing transaction prices as are shown for securities traded on the New York and other stock exchanges.

BOARD OF DIRECTORS

Robert J. Washlow
Chairman of the Board
Chief Executive Officer

Lee S. Hillman
(President, Liberation
Investment Group, Investment
Advisory Firm)

Robert G. Rettig
(Consultant)
Chairman, Compensation
Committee

Sidney L. Port
Founder and Vice Chairman
of the Board of Directors

Ronald B. Port, M.D.
(Retired Physician)
Chairman, Variance Committee

Mitchell H. Saranow
(Chairman, Saranow Group LLC,
a private investment firm)
Chairman, Nominating and
Governance Committee

James T. Brophy
(Private Investor)
Chairman, Audit Committee

Thomas S. Postek
Investments
(Geneva Investment Management
of Chicago)

Wilma J. Smelcer
(Trustee of Goldman Shehs
Mutual Fund Complex
and Former Chairman,
Bank of America, Illinois)

CORPORATE MANAGEMENT

Robert J. Washlow
Chairman of the Board
Chief Executive Officer

Peter A. Alsberg
Senior Vice President,
Chief Information Officer

Neil E. Jenkins
Executive Vice President, Secretary
and General Counsel

Richard Schwind
Senior Vice President
Corporate Procurement
and Global Account

Jeffrey B. Belford
President and
Chief Operating Officer

Roger F. Cannon
Executive Vice President,
Chief Officer, Field Sales Strategy
and Development

Kenneth E. Malik
Group President,
OEM & International

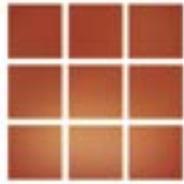
James J. Smith
Vice President,
Human Resources

Thomas Neri
Executive Vice President,
Finance, Planning & Corporate
Development

William Holmes
Vice President,
Treasurer

Michael W. Ruprich
Group President,
MRO and New Channels

Scott Stephens
Senior Vice President,
Chief Financial Officer



Lawson Family of Businesses

Delivering Confidence Through People, Service, Solutions & Products



LAWSON PRODUCTS, DIVISION

and named subsidiaries in Canada and Mexico provide abrasives, electrical items, fasteners, fittings, hardware, hoses, hydraulics, pneumatics, supplies and tools, together with engineering consultations and inventory control solutions for the maintenance and repair requirements of customers.

James W. Degnan
President



CRONATRON WELDING SYSTEMS, INC.

Provides maintenance and repair operations with metallurgical solutions, welding equipment and supplies, wearplate, rods, polymers and powders along with inventory control systems.

Susan J. Collins
President



DRUMMOND AMERICAN CORPORATION

Provides specialty chemical solutions and inventory control systems to industrial and commercial maintenance and repair operations, food service and housekeeping industries.

Roland E. Lazzaro Jr.
President



KENT AUTOMOTIVE

Offers a broad range of specialty, high performance, problem-solving products and systems for the automotive collision and mechanical repair aftermarket.

Thomas E. Pavlick
Vice President and General Manager

ASSEMBLY COMPONENT SYSTEMS, INC.

Provides original equipment manufacturers with just-in-time inventories of custom-ordered component parts using in-plant or vendor-managed inventory systems through electronic commerce mechanisms.

Ken Malik

President and Chief Operating Officer



AUTOMATIC SCREW MACHINE PRODUCTS COMPANY, INC.

Manufacturer of specialized machined parts for the OEM and MRO marketplaces.

Michael Selby

President



C.B. LYNN COMPANY

A custom solutions provider for obtaining special items supplemental to those products, parts and supplies regularly inventoried by the Family of Businesses.

Robert Blecha

Vice President and General Manager



SPECTRUM INDUSTRIAL SOLUTIONS

A customized Inventory Management Systems and Solutions provider, servicing customers in-plant, utilizing a wide array of channel options to support uptime goals, achieve supply chain initiatives, system efficiencies, and to provide total cost effectiveness.

Warren Ludvigsen

Vice President



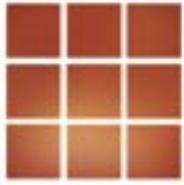
RUTLAND TOOL AND SUPPLY COMPANY

Markets and distributes a broad range of industrial tools, cutting tools, abrasives, machinery, precision instruments, shop supplies and safety products serving industrial machine shops, metalworking shops and maintenance and service departments through catalogs, flyers, showrooms and web solutions.

Andrew Verey

President





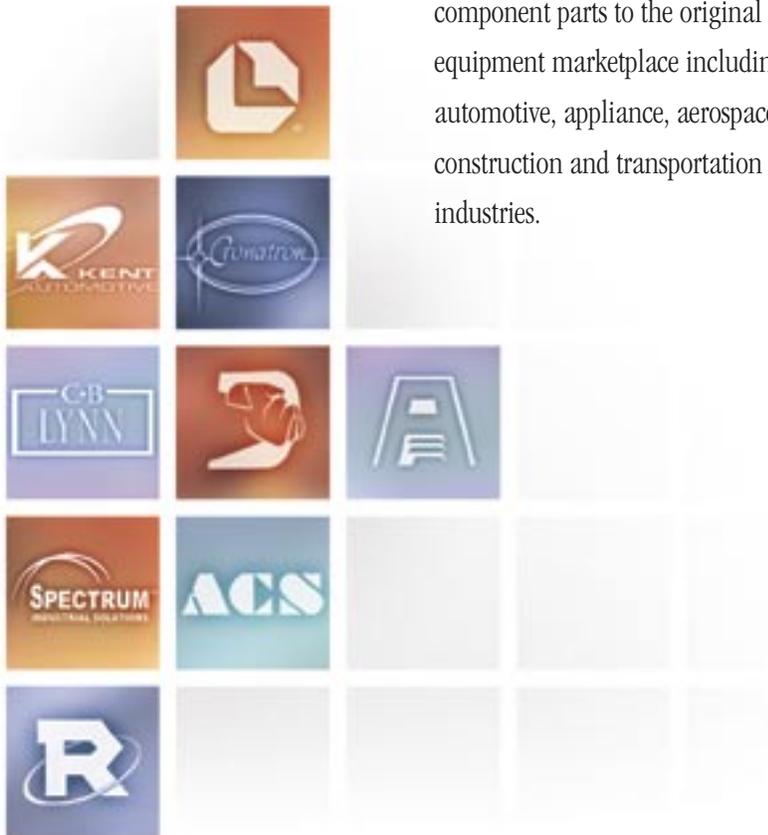
Profile

Lawson Family of Businesses

Lawson Products, Inc. is an international seller and distributor of solutions, services and products to the industrial, commercial, institutional and governmental maintenance, repair and replacement marketplace. The Company also manufactures, sells and distributes specialized component parts to the original equipment marketplace including automotive, appliance, aerospace, construction and transportation industries.

The Company offers to customers over 900,000 products including fasteners, parts, chemical specialties, hardware, welding supplies, metal working supplies, pneumatics, hydraulic and other flexible hose fittings, tools, safety items and electrical and shop supplies.

Customers are currently served from seventeen strategically located facilities by approximately 1,800 sales representatives in the United States, Puerto Rico, Canada and Mexico. Lawson Products was founded in 1952 by Sidney L. Port, Vice Chairman of the Board of Directors.



*Delivering Confidence
Through People,
Service, Solutions
& Products*





LAWSON PRODUCTS, INC.
CORPORATE HEADQUARTERS

1666 East Touhy Avenue
Des Plaines, Illinois 60018
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