SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

|X| QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2001

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 Q4823

ACME UNITED CORPORATION
(Exact name of registrant as specified in its charter)

CONNECTICUT	06-0236700
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1931 BLACK ROCK TURNPIKE, Fairfield, Connecticut	06432
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (203) 332-7330

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 |_|

Registrant had 3,508,305 shares outstanding as of April 19, 2001 of its $2.50 par value Common Stock.

ACME UNITED CORPORATION

PART I. FINANCIAL INFORMATION

ACME UNITED CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)
(all amounts in thousands, except per share data)

	March 31 2001	December 31 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 49	$ 22
Accounts receivable, less allowance	6,923	5,973
Inventories:		
Finished goods	7,303	7,980
Work in process	564	493
Raw materials and supplies	1,276	1,549
	9,143	10,022
Prepaid expenses and other current assets	1,128	433
Total current assets	17,243	16,450
Property, plant and equipment:		
Land	168	180
Buildings	2,023	2,007
Machinery and equipment	6,380	6,545
	8,571	8,732
Less accumulated depreciation	5,601	5,610
	2,970	3,122
Other assets	1,382	1,374
Goodwill, less accumulated amortization	168	172
Total assets	$21,763	$21,118

See notes to condensed consolidated financial statements.

ACME UNITED CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS - continued
(UNAUDITED)
(all amounts in thousands, except per share data)

	March 31 2001	December 31 2000
LIABILITIES		
Current liabilities:		

Notes payable	$ 692	$ 504
Accounts payable	2,243	2,260
Other accrued liabilities	3,050	3,139
Current portion of long term debt	2,705	2,085
Total current liabilities	8,690	7,988
Long term debt, less current portion	4,830	4,925
Other	378	313
Total liabilities	13,898	13,226
STOCKHOLDERS' EQUITY Common stock, par value $2.50: authorized 8,000,000 shares; issued 3,613,312 shares, including treasury stock	9,033	9,033
Treasury stock, at cost-105,007 shares	(648)	(648)
Additional paid-in capital	2,038	2,038
Retained-earnings deficit	(922)	(1,152)
Accumulated other comprehensive loss:		
Translation adjustment	(1,475)	(1,379)
Derivative Financial Instrument losses	(162)	--
	(1,637)	(1,379)
Total stockholders' equity	7,865	7,892
Total liabilities and stockholders' equity	$ 21,763	$ 21,118

See notes to condensed consolidated financial statements.

ACME UNITED CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE (LOSS) INCOME
(UNAUDITED)
(all amounts in thousands, except per share data)

	Three Months Ended March 31	
	2001	2000
Net sales	$ 7,950	$ 8,041
Costs and expenses:		
Cost of goods sold	5,114	5,222
Selling, general and administrative expenses	2,412	2,424
	7,526	7,646
Income before non operating items	424	395
Non operating items:		
Interest expense	203	206
Other income	(21)	(18)
Income before income taxes	242	207
Income taxes	12	--
Net income	230	207
Other comprehensive (expense) income -		
Foreign currency translation	(96)	12
Cumulative effect of change in accounting for derivative financial instruments	(104)	--
Change in fair value of derivative financial instruments	(58)	--

Other comprehensive (expense) income -	(258)	12
Comprehensive (loss) income	$ (28)	$ 219
Basic earnings per share	$ 0.07	$ 0.06
Diluted earnings per share	$ 0.06	$ 0.06
Weighted average number of common shares outstanding- denominator used for basic per share computations	3,508	3,507
Weighted average number of dilutive stock options outstanding	65	12
Denominator used for diluted per share computations	3,573	3,519

See notes to condensed consolidated financial statements.

ACME UNITED CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(all amounts in thousands)

	Three Months Ended March 31	
	2001	2000
Operating Activities:		
Net income	$ 230	$ 207
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation	115	208
Amortization	33	50
Gain on sale of property, plant, and equipment	--	(12)
Changes in operating assets and liabilities:		
Accounts receivable	(950)	(318)
Inventories	879	(543)
Prepaid expenses and other current assets	(695)	(215)
Other assets	(8)	3
Accounts payable	(17)	(99)
Other accrued liabilities	(89)	39
Total adjustments	(732)	(887)
Net cash used by operating activities	(502)	(680)
Investing Activities:		
Capital expenditures	(16)	(70)
Proceeds from sale of property, plant, and equipment	--	60
Net cash used by investing activities	(16)	(10)
Financing Activities:		
Net borrowings on short term borrowing arrangements	662	1,272
Borrowings of long term debt	--	325
Payments of long term debt	(19)	(870)
Debt issuance costs	(2)	(117)
Net cash provided by financing activities	641	610
Effect of exchange rate changes	(96)	(8)

Net increase (decrease) in cash and cash equivalents	27	(88)
Cash and cash equivalents at beginning of period	22	88
Cash and cash equivalents at end of period	$ 49	$ --

See notes to condensed consolidated financial statements.

Notes to CONDENSED CONSOLIDATED Financial Statements

(Unaudited)

Note 1 -- Basis of Presentation

In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments necessary to present fairly the financial position, results of operations and cash flows. However, the financial statements do not include all of the disclosures normally required by generally accepted accounting principles or those normally made in the Company's annual report on Form 10-K. Please refer to the Company's annual report on Form 10-K for the year ended December 31, 2000 for such disclosures. The condensed consolidated balance sheet as of December 31, 2000 was derived from the audited consolidated balance sheet as of that date. The results of operations for the three months ended March 31, 2001 are not necessarily indicative of the results to be expected for the full year.

The Company has reclassified certain amounts in prior periods to conform to the current presentation.

Note 2 -- Contingencies

The Company has been involved in certain environmental and other matters. Additionally, the Company has been involved in numerous legal actions relating to the use of certain latex products, which the Company distributes, but does not manufacture. The Company is one of many defendants. The Company has been released from the majority of the lawsuits. While five lawsuits remain, they are still in preliminary stages and it has not been determined whether the Company's products were involved. Based on information available, the Company believes there will not be a material adverse impact on financial position, results of operations, or liquidity, from these matters, either individually or in aggregate.

Note 3 -- Derivative Financial Instruments

As of January 1, 2001, the Company adopted Financial Accounting Standards Board Statement No.133, Accounting for Derivative Instruments and Hedging Activities (Statement 133) which was issued in June, 1998 and its amendments Statements 137, Accounting for Derivative Instruments and Hedging Activities--Deferral of the Effective Date of FASB Statement No. 133 and 138, Accounting for Derivative Instruments and Certain Hedging Activities issued in June 1999 and June 2000, respectively (collectively referred to as Statement 133).

As a result of adopting Statement 133, the Company recognizes all derivative financial instruments, such as interest rate swap contracts and foreign exchange contracts, in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Changes in the fair value of derivative financial instruments are either recognized periodically in income or in shareholders' equity as a component of comprehensive income depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value hedge or cash flow hedge. Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in income along with the portions of the changes in the fair values of the hedged items that relate to the hedged risk(s). Changes in fair values of derivatives accounted for as cash flow hedges, to the extent they are effective as hedges, are recorded in other comprehensive income net of deferred taxes if applicable. Changes in fair values of derivatives not qualifying as hedges are reported in income.

The adoption of Statement 133, resulted in a cumulative effect of an accounting change of $104,277 which decreased other comprehensive income.

Prior to January 1, 2001, the Company also used interest rate swap contracts and foreign exchange contracts for hedging purposes. For interest rate swaps, the net amounts paid or received and net amounts accrued through the end of the accounting period were included in interest expense. Unrealized gains or losses on interest rate swap contracts were not recognized in income. For foreign currency forward contracts hedging firm commitments, the effects of movements in currency exchange rates on those instruments were recognized when the related operating revenue was recognized. Realized gains and losses were included in other assets and liabilities and recognized in income when the future transaction occurred or at the time the transaction was no longer expected to occur.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Three Months Ended March 31, 2001

Results of Operations

Net Sales

Traditionally, the Company's sales are stronger in the second and third quarters, and weaker in the first and fourth quarters of the fiscal year due to the seasonal nature of the business specific to the back-to-school season. Consolidated net sales for the quarter ended March 31, 2001 were $7,950,000 compared with $8,041,000 for 2000, a 1% decrease. Excluding the negative impact of foreign currency fluctuations, sales would have increased 1% for the quarter.

Domestic sales were down 1% in the first quarter of 2001 compared with the same period in 2000. International sales for the first quarter of 2001 were 1% below 2000 levels. Strong sales growth in Canada driven by market share increases into the office super stores offset weakness in England and Germany.

Gross Profit

The gross profit for the first quarter of 2001 was $2,836,000 (35.7% of net sales) compared to $2,819,000 (35.1% of net sales) for the first quarter of 2000. The introduction of new products coupled with improved operating efficiencies in the USA were the main reasons for the improved gross margins.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses for the first quarter of 2001 were $2,412,000 (30.3% of net sales) compared with $2,423,000 (30.1% of net sales) for the same period of 2000, a decrease of $11,000. Increases in strategic advertising were more than offset by decreases in general and administrative expenses.

Income

Net income for the first quarter of 2001 is $230,000, or 7 cents per share (basic), 6 cents per share (diluted) compared to a net income of $207,000, or 6 cents per share (basic and diluted) for the same period of 2000.

Financial Condition

Liquidity and Capital Resources

The Company's working capital, current ratio and long term debt to equity ratio follow:

	March 31, 2001	December 31, 2000
Working capital....................	$8,552,000	$8,462,000
Current ratio......................	1.98 to 1	2.06 to 1
Long term debt to equity ratio......	.60	.62

During the first three months of 2001, total debt increased by $525,000 compared to total debt at December 31, 2000 as a result of additional borrowings to fund advances to suppliers and higher inventory levels and higher accounts receivable due to seasonal sales volume. At March 31, 2001, advances to suppliers were about $600,000 and are included with prepaid expenses and other current assets.

Cash expected to be generated from operating activities, together with funds available under an existing loan agreement, is expected, under current conditions, to be sufficient to finance the Company's planned operations for the next 12 months. Over that same period, the Company does not expect to make significant investments in plant, property, and equipment.

Safe Harbor for Forward-looking Statements

Forward-looking statements in this report, including without limitation, statements related to the Company's plans, strategies, objectives, expectations, intentions and adequacy of resources, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements involve risks and uncertainties including without limitation the following: (i) the Company's plans, strategies, objectives, expectations and intentions are subject to change at any time at the discretion of the Company; (ii) the Company's plans and results of operations will be affected by the Company's ability to manage its growth and inventory; and (iii) other risks and uncertainties indicated from time to time in the Company's filings with the Securities and Exchange Commission.

PART II. OTHER INFORMATION

Item 1 -- Legal Proceedings

None.

Item 2 -- Changes in Securities

None.

Item 3 -- Defaults Upon Senior Securities

None.

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

A. The Annual Meeting was held on April 23, 2001.

B. The following individuals were elected Directors at the Meeting and comprise the entire Board.

	Votes for	Votes against	Votes withheld

George R. Dunbar	2,977,942	344,705	185,658
Richard Y. Holden, Jr.	3.027.942	294,705	185,658
Walter C. Johnsen	3,027,942	294,705	185,658
Wayne R. Moore	2,977,785	344,862	185,658
Brian Olschan	3,027,785	294,862	185,658
Gary D. Penisten	3,027,942	294,705	185,658
Stevenson E. Ward III	3,027,942	294,705	185,658

C. An amendment to the Non-Salaried Director Stock Option Plan was approved.

Votes for	Votes against	Votes withheld
627,961	334,752	2,545,592

D. An amendment to the Employee Stock Option Plan was approved.

Votes for	Votes against	Votes withheld
703,579	258,464	2,546,262

Item 5 -- Other Information

None.

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

None.

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.

ACME UNITED CORPORATION

By /s/ WALTER C. JOHNSEN

Walter C. Johnsen
President and
Chief Executive Officer

Dated: May 8, 2001

By /s/ RONALD P. DAVANZO

Ronald P. Davanzo
Vice President and
Chief Financial Officer

Dated: May 8, 2001