

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND
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.)

75 Kings Highway Cutoff, Fairfield, Connecticut 06430

(Address of principal executive offices) (Zip Code)

(203) 332-7330

Registrant's telephone number, including area code

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 No

Registrant had 3,337,620 shares outstanding as of August 11, 1995 of its \$ 2.50 par value Common Stock.

PART 1 - FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

ACME UNITED CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets

ASSETS

	June 30 1995 (Unaudited)	December 31 1994
Current Assets:		
Cash and cash equivalents	\$ 352,937	\$ 450,480

Accounts and other receivables	10,944,703	7,893,838
Inventories:		
Finished goods	12,662,800	11,227,978
Work in process	5,607,000	5,246,507
Raw materials & supplies	4,467,558	4,525,053
Deferred income taxes	357,075	356,874
Prepaid expenses and other current assets	618,400	747,758
Total current assets	<u>35,010,473</u>	<u>30,448,488</u>
Plant, Property and Equipment:		
Land	809,308	756,625
Buildings	4,791,799	4,580,669
Machinery and equipment	16,460,477	16,063,066
Additions	537,538	-
Total plant, property and equipment	<u>22,599,122</u>	<u>21,400,360</u>
Less, accumulated depreciation	13,796,489	12,852,430
Net plant, property and equipment	<u>8,802,633</u>	<u>8,547,930</u>
Licensing agreements	1,494,099	1,705,416
Other assets	1,231,084	1,330,109
Goodwill	839,372	856,480
Total assets	<u>\$ 47,377,661</u>	<u>\$ 42,888,423</u>

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See notes to financial statements

ACME UNITED CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets

LIABILITIES

	June 30 1995 (Unaudited)	December 31 1994
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Current Liabilities:		
Accounts payable	\$ 2,644,104	\$ 2,473,125
Notes payable due within one year	5,664,970	4,000,069
Accrued liabilities:		
Pension	527,125	470,400
Employee benefit claims	487,828	435,041
Other accrued liabilities	2,273,247	2,035,705
Total current liabilities	<u>11,597,274</u>	<u>9,414,340</u>
Deferred income taxes	789,120	1,003,893
Long term debt	16,530,925	14,387,590
Total liabilities	<u>28,917,319</u>	<u>24,805,823</u>

STOCKHOLDERS' EQUITY

Common stock, par value \$2.50:		
authorized 4,000,000 shares;		
Issued 3,384,620, outstanding		
3,337,620	8,461,550	8,461,550
Treasury Stock, 47,000 shares	(357,631)	(357,631)
Additional paid-in capital	2,145,119	2,145,119
Retained earnings	9,147,487	8,973,803
Translation adjustment	(936,183)	(1,140,241)
Total stockholders' equity	<u>18,460,342</u>	<u>18,082,600</u>
Total liabilities and stockholders' equity	<u>\$ 47,377,661</u>	<u>\$ 42,888,423</u>

<FN>
See notes to financial statements

ACME UNITED CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations

Unaudited

	Three months ended		Six months ended	
	June 30 1995	June 30 1994	June 30 1995	June 30 1994
Net Sales	\$14,470,395	\$14,244,816	\$27,367,286	\$26,721,194
Other income	15,126	80,250	38,332	129,652
	<u>14,485,521</u>	<u>14,325,066</u>	<u>27,405,618</u>	<u>26,850,846</u>
Costs and expenses:				
Cost of goods sold	10,290,173	10,305,125	19,566,365	19,502,480
Selling, general and administrative expense	3,387,458	3,399,065	6,731,457	6,592,502
Interest expense	496,274	374,472	952,962	731,434
	<u>13,076,879</u>	<u>14,078,662</u>	<u>27,250,784</u>	<u>26,826,416</u>
Income before income taxes	311,616	246,404	154,834	24,430
Provision (benefit) for income taxes	70,028	43,612	(18,850)	(41,667)
Net income	<u>\$ 241,588</u>	<u>\$ 202,792</u>	<u>\$ 173,684</u>	<u>\$ 66,097</u>
Weighted average common and dilutive common equivalent shares	<u>3,355,122</u>	<u>3,337,620</u>	<u>3,359,489</u>	<u>3,337,620</u>
Income per common share	<u>\$.07</u>	<u>\$.06</u>	<u>\$.05</u>	<u>\$.02</u>

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See notes to financial statements

ACME UNITED CORPORATION
Consolidated Statement of Cash Flows
Unaudited

Six months ended

	June 30 1995	June 30 1994
Cash flows from operating activities:		
Net income	\$ 173,684	\$ 66,097
Adjustments for non-cash transactions:		
Depreciation	706,342	629,267
Amortization	280,651	278,006
Deferred tax charges/(credits)	(256,065)	(86,086)
(Gain) on sale of property, plant and equipment	(6,436)	-
Change in assets and liabilities:		
(Increase) in accounts receivable	(2,608,765)	(1,521,489)
(Increase) in inventory	(1,247,993)	(566,015)
(Increase) in prepaid expenses and other current assets	144,990	(85,408)
Decrease in other assets	46,025	24,437
Increase/(decrease) in accounts payable	59,825	(1,068,849)
Increase in income taxes payable	132,915	286,148
(Decrease) in other liabilities	(162,026)	(104,198)
Total adjustments	<u>(2,910,537)</u>	<u>(2,214,187)</u>
Net cash used by operations	<u>(2,736,853)</u>	<u>(2,148,090)</u>
Cash flow from investing activities:		
Capital expenditures	(538,014)	(617,693)
Proceeds from sales of property, plant and equipment	6,459	6,940
Net cash used for investing activities	<u>(531,555)</u>	<u>(610,753)</u>

Cash flows from financing activities:		
Net borrowings	3,159,955	2,575,400
Net cash provided by financing activities	<u>3,159,955</u>	<u>2,575,400</u>
Effect of exchange rate changes on cash	<u>10,910</u>	<u>(1,362)</u>
Net change in cash and cash equivalents	(97,543)	(184,805)
Cash and cash equivalents at beginning of period	450,480	318,660
Cash and cash equivalents at end of period	<u>\$ 352,937</u>	<u>\$ 133,855</u>
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See notes to financial statements

ACME UNITED CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. In the opinion of Management, the accompanying consolidated financial statements contain all adjustments necessary to present fairly the financial position as of June 30, 1995 and December 31, 1994 and the results of its operations for the three and six month periods ended June 30, 1995 and 1994 and changes in the cash flows for the three and six months then ended. The financial statements reflect all recurring adjustments but do not include all of the disclosures normally required by generally accepted accounting principles or those normally made in the annual Form 10-K filing. Please refer to the Company's annual report for year ended December 31, 1994 for such disclosures.
2. The results of operations for the three and six months ended June 30, 1995 are not necessarily indicative of the results to be expected for the full year.
3. Net Income per share is based on the weighted average number of common shares and dilutive common equivalent shares (common stock options) outstanding using the treasury stock method.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CONSOLIDATED STATEMENTS OF OPERATION

RESULTS OF OPERATIONS

Net Sales

Consolidated net sales increased \$226,000 or 2% and \$646,000 or 2% for the three and six month periods ended June 30, 1995 as compared to the similar periods in 1994. Net sales for consumer operations increased \$340,000 or 3% and \$843,000 or 5% for the three and six month periods in 1995 over 1994 which can be attributed to a 6% and 11% sales increase in U.S. Consumer operations for the three and six months, respectively. Net sales for medical operations decreased \$115,000 or 3% and \$197,000 or 2% for the three and six month periods in 1995 over 1994 mainly due to a volume decrease in some wound care products.

Net sales from U.S. operations were \$9,546,000 and \$18,068,000 for the three and six month periods ended June 30, 1995, an increase of \$256,000 or 3% and \$929,000 or 5%, respectively. Foreign operations net sales were \$4,924,000 and \$9,300,000 for the three and six month periods which resulted in a decrease of \$30,000 or 1% and \$283,000 or 3%, respectively, compared to 1994. Foreign sales were positively impacted on translation by approximately

\$900,000, primarily on the strength of the German mark and British pound.

Gross Profit Margin

The consolidated gross profit margin for the three and six month periods ended June 30, 1995 was 29%, as compared to 28% and 27%, respectively, in 1994. The medical operation margins were 37% for the three and six month periods in 1995 as compared to 38% and 37% for the same periods in 1994 which can be attributed to product sales mix and the decision not to pass on higher costs on selected products because of competitive market conditions. The consumer operation margins were 26% and 25% for the three and six month periods in 1995, compared to 23% and 22%, respectively, which can be attributed to product sales mix, lower manufacturing costs and price increases.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased \$12,000 and increased \$139,000 or 2% for the three and six month periods ended June 30, 1995 over 1994. The Company has selectively reduced costs in 1995 which has been offset by inflationary increases and the effect of a stronger German mark and British pound on the translation of results.

Interest Expense

Interest expense increased \$122,000 and \$222,000 for the three and six month periods ended June 30, 1995 as compared to 1994 which is attributable to increased average borrowings and higher interest rates on the U.S. revolving line of credit.

Provision for Income Taxes

The effective tax rate for the three and six month periods ended June 30, 1995 was 22% and negative 12% as compared to 18% and negative 171% for 1994. The consolidated effective tax rates vary from year to year because income (loss) before taxes vary from year to year by country of operation and the statutory rates and laws vary by country of operation.

Liquidity and Capital Commitments

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

	June 30, 1995	December 31, 1994
Working capital	\$23,413,000	\$21,035,000
Current ratio	3.02 to 1	3.23 to 1
Long term debt to equity ratio	.90	.80

Capital expenditures were \$538,000 and \$618,000 for the six month periods ended June 30, 1995 and 1994. The 1995 capital expenditures are expected to be approximately \$1,200,000.

The Company has a \$13,000,000 U.S. revolving line of credit due to expire in March 1997 and foreign overdraft arrangements due to expire at various times in 1995. Based on maintaining the U.S. revolving line of credit and foreign overdraft arrangements, current cash balances and cash flow from operations, the Company believes it can meet capital expenditure and other planned financial commitments in 1995.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) No Form 8-K was filed by the Company during the three months ended June 30, 1995.

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
(Registrant)

Date: August 11, 1995

Stephen T. Bajda

Stephen T. Bajda
Senior Vice President-Finance

Date: August 11, 1995

Richard L. Windt

Richard L. Windt
Controller

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