UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10-K

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

For the fiscal year ended December 31, 2004

OR

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

Commission file number 01-07698

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	06825
(Address of principal executive offices)	(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
$2.50 par value Common Stock	American Stock Exchange

Securities registered pursuant to Section 12 (g) of the Act: None

Indicate by check mark whether the registrant (l) 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 by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. (X)

The aggregate market value of the voting stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter was $20,843,160. Registrant had 3,577,671 shares outstanding as of March 14, 2005 of its $2.50 par value Common Stock.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act).
YES [ ] NO [X]

Documents Incorporated By Reference

(1) Proxy Statement for the annual meeting scheduled for April 25, 2005 is incorporated into 2004 10-K, Part III.

PART I
Item 1. Business

General

Acme United Corporation (together with its subsidiaries the "Company") was organized as a partnership in 1867 and incorporated in 1882 under the laws of the State of Connecticut. The Company's operations are in the United States, Canada, Europe (sited in Germany) and Asia (sited in Hong Kong). The operations in the United States, Canada and Europe are primarily involved in product development, manufacturing, marketing, sales, administrative and distribution activities. The operation in Hong Kong is involved in sourcing, quality control and sales activities. Net sales in 2004 were the following: United States - $32.5 million, Canada - $6.0 million, Europe - $3.7 million and Hong Kong - $1.2 million.

During the year ended December 31, 2002, the Company restructured its European operations, closing its facility in England and moving those operations to Germany.

Financial information concerning net sales and long-lived assets by geographic area appears in Note 10 of the notes to consolidated financial statements.

The operations of the Company consist of a single reportable segment. The Company sells cutting devices, measuring instruments and safety products for school, office, home and industrial use in the United States, Canada, Europe and Asia. The company competes with many companies in each market and geographic area.

Principal products within the cutting device category are scissors, shears, guillotine paper trimmers, rotary paper trimmers, rotary cutters, hobby knives and blades, utility knives and medical cutting instruments. Products introduced in 2003 and 2004 included proprietary titanium bonded scissors and trimmers. Principal products within the measuring instrument category are rulers, math tools and tape measures. Products introduced in 2004 included a new line of Westcott math tools and professional grade aluminum rulers. Principal products within the safety product category are first aid kits, personal protection products and over-the-counter medication refills. Products introduced in 2004 included the Physicians Care(TM) branded line of over-the-counter medications.

Independent manufacturer representatives and direct sales are primarily used to sell the Company's line of consumer products to wholesale, contract and retail stationery distributors, office supply super stores, school supply distributors, industrial distributors, wholesale florists and mass market retailers. The Company had three customers with sales of 10% or more of total sales in 2004. Net sales to the Company's three major customers, Staples, Inc., Office Max, and United Stationers, Inc., represented approximately 43% in 2004, 46% in 2003 and 46% in 2002.

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 back-to-school business.

On May 28, 2004, the Company purchased the scissor and cutting business of Clauss Cutlery, a division of Alco Industries, Inc. The purchase price was the aggregate value of inventory, trademarks and brand names totaling $446,754. Sales of Clauss products for seven months in 2004 were $1.7 million. Clauss Cutlery was founded in 1877 in Fremont, Ohio and at one time was the largest manufacturer of scissors in the world. Clauss products have a strong presence in the industrial and floral markets. Its scissors and cutting tools are distributed by most major industrial distributors and are sold to the auto, textile, food processing, and electronic industries. The Clauss business has been integrated into the Company's existing operations.

Other

Environmental Rules and Regulations - The Company believes that it is in compliance with applicable environmental laws. The Company believes no major financial impact is expected to result from current and future compliance with these rules and regulations.

Employment - As of year-end 2004, the Company employed 103 people, all of whom are full time and none of whom are covered by union contracts. Employee relations are considered good and no foreseeable problems with the work force are evident.

Item 2. Properties

Acme United Corporation is headquartered at 1931 Black Rock Turnpike, Fairfield, Connecticut in 5,700 square feet of leased space. The Company owns and leases manufacturing and warehousing facilities in the United States totaling 80,000 square feet and leases 44,000 square feet of warehousing space in Canada. Distribution for Europe is presently being conducted at a 48,000 square foot owned facility in Solingen, Germany.

Management believes that the Company's facilities, whether leased or owned, are adequate to meet its current needs and should continue to be adequate for the foreseeable future.

Item 3. Legal Proceedings

The Company is involved from time to time in disputes and other litigations in the ordinary course of business including certain environmental and other matters. The Company presently believes that there will not be a material adverse impact on financial position, results of operations, or liquidity from these matters.

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

There were no matters submitted to a vote of the security holders of the Company through the solicitation of proxies or otherwise during the fourth quarter of the year ended December 31, 2004.

PART II

Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters

The Company's Common Stock is traded on the American Stock Exchange under the symbol "ACU". The following table sets forth the high and low sale prices on the American Stock Exchange for the Common Stock for the periods indicated:

Year Ended December 31, 2004	High	Low	Dividends Declared
Fourth Quarter	$16.50	$ 8.58	$ .02
Third Quarter	9.28	6.66	.02
Second Quarter	7.74	5.31	.02
First Quarter	6.39	5.22	
Year Ended December 31, 2003			
Fourth Quarter	$ 5.51	$ 5.09	
Third Quarter	5.59	4.60	
Second Quarter	4.03	3.50	
First Quarter	3.40	3.03	

As of March 14, 2005 there were approximately 1,300 holders of record of the Company's Common Stock.

Issuer Purchases of Equity Securities

On July 23, 2003, the Company announced a stock repurchase program of 150,000 shares. The program does not have an expiration date. The following table discloses the shares repurchased under the program for the quarter ended December 31, 2004:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of shares Purchased as Part of Publicly Announced Program	Maximum Number of Shares that may yet be Purchased Under the Program
October	2,000	$8.60	82,330	67,670

Item 6. Selected Financial Data

FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA
(All figures in thousands except per share data)

	2004	2003	2002	2001	2000
Net Sales	$ 43,381	$ 34,975	$ 30,884	$ 33,082	$ 31,921
Net Income	$ 3,238	$ 1,222	$ 660	$ 1,280	$ 1,061
Total Assets	$ 23,009	$ 19,743	$ 17,614	$ 20,173	$ 21,118
Long Term Debt, Less Current Portion	$ 55	$ 2,752	$ 2,032	$ 2,875	$ 4,925
Net Income					
Per Share (Basic)	$ 0.96	$ 0.37	$ 0.19	$ 0.37	$ 0.30
Per Share (Diluted)	$ 0.85	$ 0.34	$ 0.19	$ 0.36	$ 0.30

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Information

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.

Critical Accounting Policies

The following discussion and analysis of financial condition and results of operations are based upon the Company's consolidated financial statements, which have been prepared in conformity with accounting principles generally accepted in the United States of America. The Company's significant accounting policies are more fully described in Note 2 of Notes to Consolidated Financial Statements. However, certain accounting estimates are particularly important to the understanding of the Company's financial position and results of operations and require the application of significant judgment by the Company's management or can be materially affected by changes from period to period in economic factors or conditions that are outside the control of management. The Company's management uses their judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on historical operations, future business plans and projected financial results, the terms of existing contracts, the observance of trends in the industry, information provided by customers and information available from other outside sources, as appropriate. The following discusses the Company's critical accounting policies and estimates.

Estimates. Operating results may be effected by certain accounting estimates. The most sensitive and significant accounting estimates in the financial statements relate to customer rebates, asset valuation allowances for deferred income tax assets, obsolete inventories, potentially uncollectible accounts receivable, and accruals for income taxes. Accruals for customer rebates are based on executed contracts and anticipated sales levels, which are monitored monthly. Management critically evaluates the potential realization of deferred income tax benefits as well as the likely usefulness of inventories and the collectability of accounts receivable. Accruals for income taxes or benefits often require interpretations of complex tax rules and regulations, which may be subsequently challenged. There have been no significant changes in estimates for any period presented by the accompanying financial statements nor have there been any changes in accounting principles or practices.

Revenue Recognition. The Company recognizes revenue from sales of its products when ownership transfers to the customers. Ownership transfers from the Company to its customer upon shipment of the Company's products. When right of return exists, the Company recognizes revenue in accordance with SFAS 48, Revenue Recognition When Right of Return Exists.

Intangible Assets. Intangible assets with a finite useful life are recorded at cost upon acquisition and amortized over the term of the related contract. Intangible assets held by the Company with a finite useful life include deferred financing costs, patents, and trademarks. Deferred financing costs are amortized over the term of the related debt. Patents and trademarks are amortized over their estimated useful life. The weighted average amortization period of intangible assets at December 31, 2004 is 13 years. The Company reviews the value recorded for intangibles to assess recoverability from future operations using undiscounted cash flows. Impairments are recognized in operating results to the extent the carrying value exceeds fair value determined based on the net present value of estimated future cash flows. The projection of future cash flows requires the Company to make estimates about the amount of future revenues. The actual future results could differ significantly from these estimates, and resulting changes in the estimates of future cash flows could be significant and could affect the recoverability of intangible assets. During 2004, the Company's net book value of intangible assets increased from $252,960 to $559,646. This increase was primarily due to the acquisition of certain trademarks as part of the Company's acquisition of Clauss Cutlery.

Accounting for Stock-Based Compensation. At December 31, 2004, the Company has one stock-based employee compensation plan. The Company has elected to adopt the disclosure only provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, and continues to measure costs for its employee stock compensation plans by using the accounting methods prescribed by APB Opinion No. 25, Accounting for Stock Issued to Employees, which allows that no compensation cost be recognized unless the exercise price of the options granted is less than the fair market value of the Company's stock at date of grant.

Results of Operations 2004 Compared with 2003

Net sales increased $8,405,988 or 24% in 2004 to $43,380,648 compared to $34,974,660 in 2003. Excluding the favorable effect of currency gains in Canada and Europe net sales increased 22%. The sales increase was mainly driven by a 23% growth in the U.S. due to the success of new products, market share gains and the newly acquired Clauss Cutlery business. Clauss contributed approximately $1,700,000 to 2004 net sales. Combined sales in Europe and Canada increased by 14% (5% in constant currency). The new business in Hong Kong generated $1,230,000 in 2004. These were primarily shipments to global customers.

Gross profit was 45% of net sales in 2004 compared to 38% of net sales in 2003. The increased percentage of new products coupled with positive impacts from product rationalization efforts in Europe were the main reasons for the improved gross margins. The Company also improved productivity due to higher volumes and cost cutting measures.

Selling, general and administrative expenses were $14,162,082 in 2004 compared with $10,646,395 in 2003, an increase of $3,515,687. SG&A expenses were 33% of net sales in 2004 compared to 30% in 2003. Direct selling related expenses increased by $516,000. Other major contributors to the increase in SG&A expenses were market research, new product development, the new sourcing and quality control office in Hong Kong and the addition of sales and marketing personnel in North America and Europe.

Interest expense for 2004 was $157,335 compared with $235,265 for 2003, a $77,930 decrease. This is attributable to the decline in average debt.

Net other income was $7,203 in 2004 compared to net other income of $91,172 in

2003. The change primarily relates to foreign currency transaction losses of $110,519 the Company incurred in 2004, as opposed to a foreign currency gain of $105,984 in 2003. The 2003 results were partially offset by the settlement of a $175,000 lawsuit in Germany in March of 2003.

Income before income taxes was $5,340,316 in 2004 compared with $2,342,271 in 2003, an increase of $2,998,045. Pretax income for North America and Asia increased by approximately $2.4 million. The European operations lost $470,000 in 2004 compared to a loss of $1,100,000 in 2003. The 2003 loss included one time expenses of approximately $400,000.

The effective tax rate in 2004 was 39% compared to 48% in 2003. The improvement is principally due to the lower losses in Europe, for which the benefit cannot be utilized to offset taxable earnings in North America.

Results of Operations 2003 Compared with 2002

Net sales increased $4,091,090, or 13% in 2003 to $34,974,660 compared to $30,883,570 in 2002. Excluding the favorable effect of currency gains in Canada and Europe net sales increased 10%. The sales increase was mainly driven by growth in the U.S. due to the success of new products, market share gains and new customers. International sales were down 9% in local currency principally due to discontinuing certain product lines in the UK business and a generally weak economy in Germany.

Gross profit was 38% of net sales in 2003 compared to 34% of net sales in 2002. The introduction of new products coupled with improved product mix in the U.S., positive impacts from product rationalization efforts in Europe and overall productivity gains were the main reasons for the improved gross margins.

Selling, general and administrative expenses were $10,646,395 in 2003 compared with $9,528,080 in 2002, an increase of $1,118,315 or 12%. SG&A expenses were 30% of net sales in 2003 compared to 31% in 2002. Major contributors to the increase were market research, new product development and the addition of sales executives in Canada and Europe.

Interest expense for 2003 was $235,265 compared with $605,344 for 2002, a $370,079 decrease. This is attributable to the decline in average debt and lower interest rates.

Net other income was $91,172 in 2003 compared to net other income of $146,614 in 2002. The change from 2002 primarily relates to the settlement of a $175,000 lawsuit in Germany in March of 2003 partially offset by gains on the sale of fixed assets.

Income before income taxes was $2,342,271 in 2003 compared with $97,276 in 2002, an increase of $2,244,995. Pretax income for the U.S. business was $3,142,489 compared to $942,776 in 2002. Pretax income for the Canadian business increased from $50,000 in 2002 to $298,000 in 2003. The European operations lost $1,100,000 in 2003 compared to a loss of $500,000, excluding restructuring charges (see Note 15) in 2002. The higher loss was principally due to lower sales, a one-time expense of $175,000 for settlement of a lawsuit in Germany and the adverse effect of a weaker dollar on translated results.

Income tax expense for 2003 was $1,120,440 compared to an income tax benefit of $562,218 in 2002. In 2002, the Company recognized a significant one-time income tax benefit associated with liquidating its UK business. The benefit recognized was substantially in excess of income taxes computed at the statutory rate. In 2003, consolidated income before income taxes includes losses of foreign subsidiaries with no income tax benefit, resulting in a high effective income tax rate.

Contractual Obligations

The following table summarizes the amounts of payments due during the periods specified under the Company's contractual obligations as of December 31, 2004:

dollars in thousands Contractual Obligations	Payments Due by Period			
	Less than 1 Year	1--3 Years	4--5 Years	More than 5 Years

Long-Term Debt Obligations	$1,379	$ 10	$ 10	$ 35
Operating Lease Obligations	221	187	98	-
Total	$1,600	$ 197	$ 108	$ 35

Off-Balance Sheet Transactions

The Company did not engage in any off-balance sheet transactions during 2004.

Liquidity and Capital Resources

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

	2004	2003
Working Capital	$11,548,809	$10,777,397
Current Ratio	2.37	2.76
Long-Term Debt to Equity Ratio	0.4%	27.0%

The increase in working capital in 2004 is attributable to a 31% increase in accounts receivables due to fourth quarter sales growth of 35%. Inventory increased by only 3% due to improved inventory management. Days Sales Outstanding (DSO) decreased from 64 in 2003 to 61 in 2004 due to improved collection efforts. Operating activities generated net cash of approximately $4.31 million in 2004 compared with $1.75 million in 2003.

During September 2004, the Company renewed its revolving loan agreement, which originally allowed for borrowings up to a maximum of $10,000,000 based on a borrowing base formula, which applied specific percentages to balances of accounts receivable and inventory. The renewal modified several characteristics of the original agreement, the most significant of which are reducing the interest rate to LIBOR plus 1.50 percent from LIBOR plus 1.75%, eliminating the borrowing base formula, allowing the Company to borrow up to $10,000,000, regardless of its inventory and receivable levels, and extending the maturity of the loan to June 30, 2007. As of December 31, 2004, $1,249,384 was outstanding and $8,750,616 was available for borrowing under this agreement. It is estimated that all long-term debt under this loan agreement will be paid off in 2005. However, the Company may draw down additional funds under this loan agreement in the future.

Due to the provisions of the revolving loan agreement, the Company, among other things, is restricted with respect to additional borrowings, investments, mergers and property and equipment purchases. Further, the Company is required to maintain specific amounts of tangible net worth, and a specified debt service coverage ratio, and a fixed charge coverage ratio, all as defined by the agreement. The Company was in compliance with all covenants as of and through December 31, 2004 and believes these financial covenants will continue to be met for the remainder of the term of the debt.

Capital expenditures during 2004 were $443,330, which were, in part, financed with debt. Capital expenditures in 2005 are not expected to differ materially from recent years.

The Company believes that cash generated from operating activities together with funds available under the revolving loan agreement, is expected, under current conditions, to be sufficient to finance the Company's planned operations in 2005.

Recently Issued Accounting Standards

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 123 (revised 2004) (Statement 123 (R)"), "Share-Based Payment", which revised SFAS No. 123, "Accounting for Stock-Based Compensation". This statement supercedes APB Opinion No. 25, "Accounting for Stock Issued to Employees". The revised statement addresses the accounting for share-based payment transactions with employees and other third parties, eliminates the ability to account for share-based compensation transactions using APB 25 and requires that the compensation costs relating to such transactions be recognized in the consolidated statement of operations. The revised statement is effective as of the first interim period beginning after June 15, 2005. Acme will adopt the statement on July 1, 2005 as required. The impact of adoption of Statement 123 (R) cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had Acme adopted Statement 123 in prior periods, the impact of that standard would have approximated the impact of Statement 123 as described in the disclosure of pro forma net income (loss) and net income (loss) per share in the stock-based compensation accounting policy note included in Note 2 to the consolidated financial statements.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4," to clarify that abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage) should be recognized as current period charges, and that fixed production overheads should be allocated to inventory based on normal capacity of production facilities. This statement is effective for Acme's fiscal year 2006. Acme is in the process of evaluating whether the adoption of SFAS 151 will have a significant impact on our overall results of operations or financial position.

Item 7A. Qualitative and Quantitative Disclosure about Market Risk

The Company's debt portfolio and associated interest rates follow:

(dollars in thousands)	2005	2006	2007	2008	2009	Thereafter	Total	Fair Value
Current Liabilities:								
Notes payable	$42	$0	$0	$0	$0	$0	$42	$42
Average interest rate	3.9%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%	3.9%
Long-term Debt (including current portion):								
Amount at fixed rate	$171	$5	$5	$5	$5	$35	$226	$226
Average interest rate	7.4%	7.0%	7.0%	7.0%	7.0%	7.0%	7.3%	
Amount at variable rate	$1,208	$0	$0	$0	$0	$0	$1,208	$1,208
Average interest rate	3.9%	0.0%	0.0%	0.0%	0.0%	0.0%	3.9%	

Interest Rate Risk:

The Company's interest expense on debt is most sensitive to changes in the level of United States interest rates. To mitigate the impact of these fluctuations, the Company periodically evaluates alternative interest rate arrangements. In 2000, the Company entered into an interest rate swap agreement with a bank to minimize exposure to interest rate changes for $3.5 million of debt. The swap agreement expired on January 19, 2003.

Foreign Currency Risk:

The Company's currency exposures vary, but are concentrated in the Canadian dollar, British pound, and Euro. Purchases by the Hong Kong office are in U.S. dollars.

At times, the Company utilizes forward foreign exchange contracts to hedge specific transactions with third parties denominated in foreign currencies. The terms of these forward foreign exchange contracts are typically 90 days to a year. Because the contracts are acquired for specific transactions, they are an effective hedge against fluctuations in the value of the foreign currency underlying the transaction. At December 31, 2004, the Company's Canadian subsidiary had entered into a forward foreign exchange contract to reduce the risk of the Company's Canadian subsidiary's purchases of inventory in a currency other than the Canadian subsidiary's functional currency, the Canadian dollar. The Company has hedged the risk of foreign currency fluctuations for approximately $1.5 million of inventory purchases in 2005 by the Canadian subsidiary. The fair value of the foreign exchange contract totaled approximately $82,000 at December 31, 2004 and is reported as a liability and a component of accumulated other comprehensive loss in the statement of stockholders' equity.

The Company does not enter into financial instruments for speculation or trading purposes.

The Company and its foreign subsidiaries utilize bank loans to finance their operations. To mitigate foreign currency risk, foreign loans are denominated in the local currency of the foreign subsidiary wherever possible.

Inflation

Inflation had a negligible effect on the Company's operations during 2004 and 2003. The Company estimates that inflationary effects, in the aggregate, were generally recovered or offset through increased pricing or cost reductions in both years.

Item 8. Financial Statements and Supplementary Data

Acme United Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31, 2004, 2003 and 2002

	2004	2003	2002
Net Sales	$ 43,380,648	$ 34,974,660	$ 30,883,570
Costs and Expenses:			
Cost of Goods Sold:			
Before inventory write-off related to restructuring	23,728,118	21,841,901	20,244,139
Inventory write-off related to restructuring	-	-	206,133
	23,728,118	21,841,901	20,450,272
Selling, General and Administrative Expenses	14,162,082	10,646,395	9,528,080
Restructuring charges	-	-	349,212
Income before Non Operating Items	5,490,448	2,486,364	556,006
Non Operating Items:			
Interest Expense	157,335	235,265	605,344
Other Income (Expense)-Net	7,203	91,172	146,614
Income before Income Taxes	5,340,316	2,342,271	97,276
Income Taxes (Benefit)	2,101,911	1,120,440	(562,218)
Net Income	$ 3,238,405	$ 1,221,831	$ 659,494
Earnings Per Share:			
Basic	$ 0.96	$ 0.37	$ 0.19
Diluted	$ 0.85	$ 0.34	$ 0.19

See accompanying notes.

Acme United Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEETS
December 31, 2004 and 2003

	2004	2003
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,930,394	$ 1,390,641
Accounts receivable, less allowance	8,884,807	6,795,212
Inventories	8,389,228	8,179,081
Deferred income taxes	279,201	286,213
Prepaid expenses and other current assets	484,532	259,972
Total current assets	19,968,162	16,911,119
Plant, Property and Equipment:		
Land	250,692	234,866
Buildings	2,796,286	2,643,608
Machinery and equipment	6,101,802	5,772,432
Total plant, property and equipment	9,148,780	8,650,906
Less accumulated depreciation	6,853,349	6,266,115
Net plant, property and equipment	2,295,431	2,384,791
Goodwill	88,828	88,828
Intangible assets, less accumulated amortization	559,646	252,960
Intangible pension asset	96,536	105,312

Total Assets	$ 23,008,603	$ 19,743,010
LIABILITIES		
Current Liabilities:		
Notes payable	$ 41,884	$ 141,113
Accounts payable	2,316,480	1,742,655
Other accrued liabilities	4,682,360	2,214,605
Current portion of long-term debt	1,378,629	2,035,349
Total current liabilities	8,419,353	6,133,722
Deferred income taxes	131,228	155,829
Long-term debt, less current portion	55,307	2,751,960
Other	420,251	522,875
Total Liabilities	9,026,139	9,564,386
STOCKHOLDERS' EQUITY		
Common Stock, par value $2.50: authorized 8,000,000 shares; issued - 3,849,512 shares in 2004 and 3,652,812 shares in 2003, including treasury stock	9,623,780	9,132,030
Treasury Stock, at cost, 436,091 shares in 2004 and 387,261 shares in 2003	(1,874,611)	(1,621,813)
Additional paid-in capital	2,231,003	2,028,574
Accumulated other comprehensive loss	(1,031,587)	(1,370,441)
Retained earnings	5,033,879	2,010,274
Total Stockholders' Equity	13,982,464	10,178,624
Total Liabilities and Stockholders' Equity	$ 23,008,603	$ 19,743,010

See accompanying notes.

Acme United Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years ended December 31, 2004, 2003 and 2002

	Outstanding Shares of Common Stock	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total
Balances, December 31, 2001	3,410,051	$ 9,033,280	$ (936,996)	$ 2,037,823	$ (1,591,157)	$ 128,949	$ 8,671,899
Net Income						659,494	659,494
Translation Adjustment					119,864		119,864
Change in Fair Value of Derivative Financial Instruments					163,735		163,735
Income Taxes Relating to Derivative Financial Instruments					(60,500)		(60,500)
Change in Minimum Pension Liability					(1,509,574)		(1,509,574)
Income Taxes Relating to Minimum Pension Liability					560,818		560,818
Comprehensive Loss							(66,163)
Issuance of Common Stock	39,000	97,500		(8,718)			88,782
Purchase of Treasury Stock	(65,800)		(214,713)				(214,713)
Balances, December 31, 2002	3,383,251	$ 9,130,780	$(1,151,709)	$ 2,029,105	$ (2,316,814)	$ 788,443	$ 8,479,805
Net Income						1,221,831	1,221,831
Translation Adjustment					670,941		670,941
Change in Fair Value of Derivative Financial Instruments					26,974		26,974
Income Taxes Relating to Derivative Financial Instruments					(9,401)		(9,401)
Change in Minimum Pension Liability					412,912		412,912
Income Taxes Relating to Minimum Pension Liability					(155,053)		(155,053)
Comprehensive Income							2,168,204
Issuance of Common Stock	500	1,250		(531)			719
Purchase of Treasury Stock	(118,200)		(470,104)				(470,104)
Balances, December 31, 2003	3,265,551	$ 9,132,030	$(1,621,813)	$ 2,028,574	$ (1,370,441)	$2,010,274	$10,178,624
Net Income						3,238,405	3,238,405
Translation Adjustment					328,028		328,028
Change in Fair Value of Derivative Financial Instruments					(82,268)		(82,268)
Change in							

Minimum Pension Liability					132,463		132,463
Income Taxes Relating to Minimum Pension Liability					(39,369)		(39,369)
Comprehensive Income							3,577,259
Distribution to Shareholders						(214,800)	(214,800)
Issuance of Common Stock	196,700	491,750		202,429			694,179
Purchase of Treasury Stock	(48,830)		(252,798)				(252,798)
Balances, December 31, 2004	3,413,421	$ 9,623,780	$(1,874,611)	$ 2,231,003	$ (1,031,587)	$5,033,879	$13,982,464

See accompanying notes.

Acme United Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOW
Years ended December 31, 2004, 2003 and 2002

	2004	2003	2002
Operating activities:			
Net income	$ 3,238,405	$ 1,221,831	$ 659,494
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	492,361	433,645	482,880
Amortization	29,986	24,406	79,607
Deferred income taxes	(56,958)	540,600	(548,467)
(Gain) Loss on disposal of plant, property and equipment	59,156	(174,528)	25,464
Non-cash restructuring charges	-	-	293,153
Changes in operating assets and liabilities			
Accounts receivable	(1,974,964)	(342,197)	133,698
Inventories	(64,949)	(1,017,075)	2,103,118
Prepaid expenses and other current assets	(213,326)	286,147	75,120
Other assets	-	-	(33,738)
Accounts payable	540,792	311,798	(786,147)
Other accrued liabilities	2,260,338	468,000	(841,939)
Total adjustments	1,072,436	530,796	982,748
Net cash provided by operating activities	4,310,841	1,752,627	1,642,242
Investing activities:			
Purchase of plant, property and equipment	(443,330)	(424,537)	(484,088)
Purchase of patents and trademarks	(336,673)	(115,615)	(114,216)
Proceeds from sales of plant, property and equipment	51,583	250,196	58,597
Net cash used by investing activities	(728,420)	(289,956)	(539,707)
Financing activities:			
Net (repayments) borrowings on notes payable and revolving credit facilities	(855,458)	108,297	(554,495)
Payments of long term debt	(2,612,137)	(305,548)	(13,254)
Debt issuance costs	-	-	11,209
Distributions to shareholders	(143,007)	-	-
Purchase of treasury stock	(252,798)	(470,247)	(214,713)
Issuance of Common Stock	694,179	862	88,782
Net cash used by financing activities	(3,169,221)	(666,636)	(682,471)
Effect of exchange rate changes	126,553	(3,064)	6,069
Net change in cash and cash equivalents	539,753	792,971	426,134
Cash and cash equivalents at beginning of year	1,390,641	597,670	171,536
Cash and cash equivalents at end of year	$ 1,930,394	$ 1,390,641	$ 597,670

See accompanying notes.

Acme United Corporation and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Operations

The operations of Acme United Corporation (the Company) consist of a single reportable segment, which operates in the United States, Canada, Germany and Hong Kong. Principal products are scissors, shears, rulers, first aid kits, and related products which are sold primarily to wholesale, contract and retail stationery distributors, office supply super stores, school supply distributors, drug store retailers and mass market retailers.

2. Accounting Policies

Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Principles of Consolidation - The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All significant intercompany accounts and transactions are eliminated in consolidation.

Translation of Foreign Currency - For foreign operations, assets and liabilities are translated at rates in effect at the end of the year; revenues and expenses are translated at average rates in effect during the year. Resulting translation adjustments are made directly to accumulated other comprehensive loss. Foreign currency transaction gains and losses are recognized in operations. Foreign currency transaction gains (losses), which are included in other income (expense), were ($110,519) in 2004, $105,984 in 2003, and $57,000 in 2002.

Cash Equivalents - Investments with an original maturity of three months or less at the date of purchase are considered cash equivalents.

Accounts Receivable - Accounts receivable are shown less an allowance for doubtful accounts of $210,914 in 2004 and $199,102 in 2003.

Inventories - Inventories are stated at the lower of cost, determined by the first in, first out method, or market.

Plant, Property and Equipment and Depreciation - Plant, property and equipment is recorded at cost. Depreciation is computed by the straight-line method over the estimated useful lives of the assets which range from 3 to 30 years.

Asset Impairments - The Company evaluates the propriety of the carrying amounts of its long-lived assets, including goodwill, at least annually, or when current events and circumstances indicate a potential impairment. The Company believes that there are no significant impairments of the carrying amounts of such assets and no reduction in their estimated useful lives is warranted.

Intangible Assets - Intangible assets with a finite useful life are recorded at cost upon acquisition and amortized over the term of the related contract. Intangible assets held by the Company with a finite useful life include deferred financing costs, patents, and trademarks. Deferred financing costs are amortized over the term of the related debt. Patents and trademarks are amortized over their estimated useful life. The weighted average amortization period of intangible assets at December 31, 2004 is 13 years.

Goodwill - As of January 1, 2002, the Company adopted Financial Accounting Standards Board Statement No. 142, Goodwill and Other Intangible Assets (FAS 142) and as such no longer amortizes goodwill but rather tests it annually for impairment. There was no impairment of goodwill at December 31, 2004 and December 31, 2003.

Deferred Income Taxes - Deferred income taxes are provided on the differences between the financial statement and tax bases of assets and liabilities, and on operating loss carryovers, using enacted tax rates in effect in years in which the differences are expected to reverse.

Accounting for Stock-Based Compensation - At December 31, 2004, the Company has one stock-based employee compensation plan, which is described more fully in Note 11. The Company has elected to adopt the disclosure only provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, and continues to measure costs for its employee stock compensation plans by using the accounting methods prescribed by APB Opinion No. 25, Accounting for Stock Issued to Employees, which allows that no compensation cost be recognized unless the exercise price of the options granted is less than the fair market value of the Company's stock at date of grant. Accordingly, no stock-based employee compensation cost is reflected in net income, as all options granted had an exercise price equal to the market value of the underlying common stock on the date of grant. The following table illustrates the effect on net income and earnings per share as if the Company had applied the fair value method under SFAS No. 123, Accounting for Stock Based Compensation, to stock based employee compensation.

	2004	2003	2002
Net income, as reported	$ 3,238,405	$ 1,221,831	$ 659,494
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(76,929)	(84,985)	(88,646)
Pro forma net income	$ 3,161,476	$ 1,136,846	$ 570,848
Basic-as reported	$ 0.96	$ 0.37	$ 0.19
Basic-pro forma	$ 0.94	$ 0.34	$ 0.17
Diluted-as reported	$ 0.85	$ 0.34	$ 0.19
Diluted-pro forma	$ 0.83	$ 0.32	$ 0.16

Revenue Recognition - The Company recognizes revenue from sales of its products when ownership transfers to the customers. Ownership transfers from the Company to its customer upon shipment of the Company's products. When right of return exists, the Company recognizes revenue in accordance with SFAS 48, Revenue Recognition When Right of Return Exists.

Research and Development - Research and development costs ($456,905 in 2004, $347,130 in 2003 and $385,066 in 2002) are charged to operations as incurred.

Shipping Costs - Shipping costs ($1,684,448 in 2004, $1,439,615 in 2003 and $1,272,115 in 2002) are included in selling, general and administrative expenses.

Advertising Costs - The Company expenses the production costs of advertising the first time the advertising takes place. Advertising costs ($1,109,217 in 2004, $669,065 in 2003 and $766,058 in 2002) are included in selling, general and administrative expenses.

Concentrations - The Company performs ongoing credit evaluations of its customers and generally does not require collateral. Allowances for credit losses are provided and have been within management's expectations. Net sales to the Company's three major customers, Staples, Inc., Office Max, and United Stationers, Inc., represented approximately 43% in 2004, 46% in 2003 and 46% in 2002.

Consideration paid to a reseller - As of January 1, 2002, the Company adopted the Emerging Issues Task Force consensus No. 00-25, Vendor Income Statement Characterization of Consideration Paid to a Reseller of a Vendor's Products (EITF 00-25). As such, the Company recognizes consideration paid to a reseller of its product as a reduction of the selling price of its products and, therefore, reduces revenue in the Company's statement of operations.

Derivatives - The Company accounts for derivative financial instruments consistent with the requirements of Financial Accounting Standards Board (FASB) Statement No. 133, Accounting for Derivative Instruments and Hedging Activities (Statement 133) and its amendments Statements 137, Accounting for Derivative Instruments and Hedging Activities-Deferral of the Effective Date of FASB Statement No. 133, and Statement No. 138, Accounting for Derivative Instruments and Certain Hedging Activities. The Company recognizes all derivative financial instruments, such as interest rate swap contracts, forward foreign exchange contracts, and foreign currency option 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 operations or in stockholders' equity as a component of accumulated other comprehensive income (loss) 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 operations 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 (loss) income net of deferred income taxes. Changes in fair value of derivatives used as hedges of the net investment in foreign operations are reported in other comprehensive income (loss) as part of the cumulative translation adjustment. Changes in fair values of derivatives not qualifying as hedges are reported in operations.

Reclassifications - Certain prior year amounts have been reclassified to conform to the current year presentation.

3. Inventories

Inventories consist of:	2004	2003
Finished goods	$ 7,739,109	$ 7,252,114
Work in process	91,697	119,796
Materials and supplies	558,422	807,171
	$ 8,389,228	$ 8,179,081

Inventories are stated net of valuation allowances for obsolescence of $620,538 in 2004 and $374,665 in 2003.

4. Intangible Assets

Intangible assets consist of:	2004	2003
Deferred financing costs	$ 70,577	$ 70,577
Patents	283,866	216,869
Trademarks	282,637	12,962
	637,080	300,408
Accumulated amortization	77,434	47,448
	$ 559,646	$ 252,960

During the year ended December 31, 2002, the Company refinanced its revolving loan and wrote-off unamortized deferred financing costs of $53,380. The Company capitalized additional financing costs of $48,773 on the new loan. Amortization expense for deferred financing costs for the years ended December 31, 2004, 2003, and 2002, was $13,615, $21,262 and $139,589, respectively. Amortization expense for patents and trademarks for the years ended December 31, 2004 and 2003 was $16,371 and $3,144, respectively. There was no amortization expense in 2002 on patents and trademarks. The estimated aggregate amortization expense for each of the next five succeeding years are as follows: 2005 - $52,994; 2006 -$43,315; 2007 - $43,315; 2008 - $43,315 and 2009 - $43,315.

5. Other Accrued Liabilities

Other accrued liabilities consist of:	2004	2003
Vendor rebates	$ 2,517,666	$ 1,756,973
Other	2,584,945	980,507
	$ 5,102,611	$ 2,737,480

The increase in the other portion of Other Accrued liabilities primarily relates to a higher tax liability in the U.S.A. as the Company utilized all outstanding tax loss carry forwards in 2003.

6. Pension and Profit Sharing

United States employees, hired prior to July 1, 1993, are covered by a funded, defined benefit pension plan. The benefits are based on years of service and the average compensation of the highest three consecutive years during the last ten years of employment. In December 1995, the Company's Board of Directors approved an amendment to the United States pension plan ceasing all future benefit accruals as of February 1, 1996, without terminating the pension plan. The Company uses a December 31 measurement date for the pension plan.

The plan asset weighted average allocation at December 31, by asset category, are as follows:

Asset Category	2004	2003
Equity	71%	67%
Fixed Income	25%	28%
Other	4%	5%
Total	100%	100%

The Company's investment policy is to minimize risk by balancing investments between equity and fixed income, utilizing a weighted average approach of 65% equity securities, 30% fixed income funds, and 5% cash investments. Plan funds are invested in long term obligations with a history of moderate to low risk.

At December 31, 2004 and 2003, equity securities include 30,000 shares of the Company's Common Stock having a market value of $471,000 and $162,000 at those dates, respectively.

Other disclosures related to the pension plan follow:

	2004	2003
Assumptions used to determine benefit obligation:		
Discount rate	5.75%	6.00%
Changes in benefit obligation:		
Benefit obligation at beginning of year	$ (3,527,592)	$ (3,710,070)
Interest cost	(206,327)	(221,265)
Service cost	(35,000)	(35,000)
Actuarial loss	(173,813)	22,957
Benefits and plan expenses paid	461,299	415,786
Benefit obligation at end of year	(3,481,433)	(3,527,592)
Changes in plan assets:		
Fair value of plan assets at beginning of year	3,418,066	3,278,460
Actual return on plan assets	495,728	555,392
Benefits and plan expenses paid	(461,299)	(415,786)
Fair value of plan assets at end of year	3,452,495	3,418,066
Funded status	(28,938)	(109,525)
Unrecognized actuarial loss	964,199	1,096,662
Unrecognized prior service costs	96,536	105,312
Minimum pension liability, including intangible pension asset of $96,536 in 2004 and $105,312 in 2003	(1,060,735)	(1,201,974)
Accrued benefit costs	$ (28,938)	$ (109,525)

Accrued benefits costs are included in other accrued liabilities.

	2004	2003	2002
Assumptions used to determine net periodic benefit cost:			
Discount rate	6.00%	6.50%	6.50%
Expected return on plan assets	8.00%	8.00%	8.50%
Components of net benefit (expense) income:			
Interest cost	$ 206,327	$ 221,265	$ 253,046
Service cost	35,000	35,000	35,000
Expected return on plan assets	(257,424)	(246,124)	(339,765)
Amortization of prior service costs	8,776	8,776	8,776
Amortization of actuarial gain	67,972	80,687	9,205
	$ 60,651	$ 99,604	$ (33,738)

Acme United Corporation employs a building block approach in determining the long-term rate of return for plan assets. Historical markets are studied and long-term historical relationships between equities and fixed income are preserved congruent with the widely-accepted capital market principle that assets with higher volatility generate return over the long run. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined.

The following table discloses the change in other comprehensive income:

	2004	2003	2002
Decrease (increase) in minimum liability included in other comprehensive income, excluding income tax effect	$ 132,463	$ 412,912	$ (1,509,514)

The following benefits, which reflect expected future service, as appropriate, are expected to be paid:

2005	$ 386,763
2006	373,162
2007	359,629
2008	362,522
2009	351,383
Years 2010 - 2014	1,471,356

The Company also has a qualified, non-contributory profit sharing plan covering substantially all United States employees. Annual Company contributions are determined by the Compensation Committee. For the years ended December 31, 2004, 2003 and 2002, contributions amounted to a 50% match up to the first 6% of employee contributions. Total contribution expense under this plan approximated $63,000, $61,000, $57,000 for 2004, 2003 and 2002, respectively.

7. Income Taxes

The amounts of income taxes (benefit) reflected in operations follow:

	2004	2003	2002
Current:			
Federal	$ 1,714,456	$ 513,057	$ (31,751)
State	211,927	66,783	18,000
Foreign	232,486	-	-
	2,158,869	579,840	(13,751)
Deferred:			
Federal	(70,436)	557,886	(437,330)
State	4,397	2,813	(116,519)
Foreign	9,081	(20,099)	5,382
	(56,958)	540,600	(548,467)
	$ 2,101,911	$ 1,120,440	$ (562,218)

The current state tax provision is comprised of taxes on income, the minimum capital tax and other franchise taxes related to the jurisdictions in which the Company's facilities are located.

A summary of United States and foreign income (loss) before income taxes follows:

	2004	2003	2002
United States	$ 4,927,741	$ 3,142,489	$ 942,776
Foreign	412,575	(800,218)	(845,500)
	$ 5,340,316	$ 2,342,271	$ 97,276

The following schedule reconciles the amounts of income taxes (benefit) computed at the United States statutory rate to the actual amounts reported in operations.

	2004	2003	2002
Federal income taxes at 34% statutory rate	$ 1,815,707	$ 796,372	$ 33,074
State and local taxes, net of federal income tax effect	147,373	80,199	(29,123)
Permanent items	(31,907)	(25,710)	(2,709)
Write-off intercompany investment	-	-	(567,438)
Non-recognition of foreign tax loss carryforwards	170,738	269,579	3,978
Provision (benefit) for income taxes	$ 2,101,911	$ 1,120,440	$ (562,218)

Income taxes paid, net of refunds received, were $1,390,967 in 2004, $850,600 in 2003, and $24,501 in 2002.

	2004	2003
Deferred income tax liabilities:		
Plant, property and equipment	$ 156,227	$ 174,939
Other		26,440
	156,227	201,379
Deferred income tax assets:		
Asset valuations	195,048	188,979
Operating loss carryforwards and credits	1,418,433	1,278,341
Pension	24,999	1,545
Other	1,627	2,773
	1,640,107	1,471,638
Net deferred income tax asset before valuation allowance	1,483,880	1,270,259
Valuation allowance	(1,335,907)	(1,139,875)
Net deferred income tax asset	$ 147,973	$ 130,384

The Company provides deferred income taxes on foreign subsidiary earnings, which are not considered permanently reinvested. Earnings permanently reinvested would become taxable upon the sale or liquidation of a foreign subsidiary or upon the remittance of dividends. Foreign subsidiary earnings of $2,189,000 and $1,666,000 are considered permanently reinvested as of December 31, 2004 and 2003, respectively, and the amount of deferred income taxes thereon cannot be reasonably determined.

In December 2004, the FASB issued FSP No. FAS 109-2, Accounting and Disclosure Guidance for the Foreign Earnings Repatriation provision within the American Jobs Creation Act of 2004 ("AJCA"). The AJCA provides a one-time 85% dividends received deduction for certain foreign earnings that are repatriated under a plan for reinvestment in the United States, provided certain criteria are met. FSP No. 109-2 is effective immediately and provides accounting and disclosure guidance for the repatriation provision. FSP No. 109-2 allows companies additional time to evaluate the effects of the law on its unremitted earnings for the purpose of applying the "indefinite reversal criteria" under APB Opinion No. 23, Accounting for Income Taxes - Special Areas, and requires explanatory disclosures from companies that have not yet completed the evaluation. The Company is currently evaluating the effects of the provision and its impact on the consolidated financial statements. The Company is currently analyzing this evaluation for 2005. The range of possible amounts of unremitted earnings that is being considered for repatriation under this provision is between zero and $2,189,000. The related potential range of income tax is between zero and $745,000.

Due to the uncertain nature of the realization of the Company's deferred income tax assets based on past performance and carry forward expiration dates, the Company has recorded a valuation allowance for the amount of deferred income tax assets which are not expected to be realized. This valuation allowance is subject to periodic review, and if the allowance is reduced, the tax benefit will be recorded in future operations as a reduction of the Company's tax expense.

At December 31, 2004, the Company has tax operating loss carry forwards aggregating $4,453,024, all of which are applicable to Germany, and can be carried forward indefinitely.

8. Debt

Long term debt consists of:

	2004	2003
Notes payable:		
North American arrangements	$ 1,207,500	$ 4,493,729
Other	226,436	293,580
	1,433,936	4,787,309
Less current portion	1,378,629	2,035,349
	$ 55,307	$ 2,751,960

During September 2004, the Company renewed its revolving loan agreement, which originally allowed for borrowings up to a maximum of $10,000,000 based on a borrowing base formula, which applied specific percentages to balances of accounts receivable and inventory. The renewal modified several characteristics of the original agreement, the most significant of which are reducing the interest rate to LIBOR plus 1.50% from LIBOR plus 1.75%, eliminating the borrowing base formula, allowing the Company to borrow up to $10,000,000, regardless of its inventory and receivable levels, and extending the maturity of the loan to June 30, 2007. As of December 31, 2004, $1,249,384 was outstanding and $8,750,616 was available for borrowing under this agreement. It is estimated that all long-term debt will be paid off in 2005. Amounts outstanding under the Agreement bear interest at the LIBOR rate plus 1.50% (3.90% at December 31, 2004).

The Company had maintained an interest rate swap agreement, which fixed the effective interest rate at 7.18% for $3,500,000 of debt under the previous revolving loan agreement. The swap agreement expired January 19, 2003.

On August 22, 2000 the Company borrowed $700,000 under a loan agreement with a bank to refinance a mortgage. The loan was payable in monthly installments of $6,928, including interest at the Federal Home Loan Bank of Seattle fixed advanced rate, plus 3.0%, adjusting every five years, through August 1, 2020 and a final installment of $500,800, plus interest, due on August 1, 2020. During the year ended December 31, 2003, the Company made prepayments on the loan amounting to $279,999. During the year ended December 31, 2004, the Company paid the final balance on the loan amounting to $364,117.

The Company, among other things, is restricted with respect to additional borrowings, investments, mergers, and property and equipment acquisitions. Further, the Company is required to maintain specific amounts of tangible net worth, a specified debt service coverage ratio, and a fixed charge coverage ratio, all as defined in the revolving loan agreement. The Company is in compliance with these financial covenants at December 31, 2004.

Maturities of long-term debt for the next five years follow: 2005 - $1,378,629; 2006- $4,837; 2007 - $4,837; 2008 - $4,837; and 2009 - $4,837.

Interest paid was $157,335 in 2004, $235,265 in 2003 and $605,344 in 2002.

9. Commitments and Contingencies

The Company leases certain office, manufacturing and warehouse facilities and various equipment under non-cancelable operating leases. Total rent expense was $309,107 in 2004, $252,294 in 2003 and $165,854 in 2002. Minimum annual rental commitments under non-cancelable leases with initial or remaining terms of one year or more as of December 31, 2004 to their expiration follow: 2005 - $221,491; 2006 - $133,511; 2007 - $53,157; 2008 - $49,542; and 2009 - $48,496.

The Company is involved from time to time in disputes and other litigation in the ordinary course of business, including certain environmental and other matters. The Company presently believes that there will not be a material adverse impact on financial position, results of operations, or liquidity from these matters.

10. Geographic Data

Net sales of the Company's continuing operations by geographic area follow (000's omitted):

	2004	2003	2002
United States	$ 32,511	$ 26,482	$ 22,773
Canada	5,986	5,611	5,098
Europe	3,654	2,882	3,013
Hong Kong	1,230	-	-
	$ 43,381	$ 34,975	$ 30,884

Long-lived assets by geographic area follow (000's omitted):

	2004	2003	2002
United States	$ 1,189	$ 1,300	$ 1,326
Canada	182	156	157
Europe	874	854	798
Hong Kong	50	75	-
	$ 2,295	$ 2,385	$ 2,281

11. Stock Option Plans

The Company's amended and restated stock option plan, which provides incentive and nonqualified stock options for up to 790,000 shares of the Company's Common Stock to officers and key employees (the Employee's Plan), terminated on February 24, 2002. Options previously granted under the Employee's Plan continue to vest and to be exercisable in accordance with their terms, however, no new options may be granted under the Employee's Plan. The Employee's Plan provided for the purchase of shares of the Company's Common Stock at a price of not less than 100% of its fair market value at the date of grant. Generally, options granted under the Employee's Plan prior to June 24, 1996 vested immediately or within a year; after June 24, 1996, 25% of options granted vest immediately with the balance vesting over the next three years. The term of options issued cannot exceed 10 years from the date of grant.

Effective February 26, 2002, the Company adopted a new officers' and key employee's stock option plan which provides incentive and nonqualified stock options for up to 150,000 shares of the Company's Common Stock to officers and key employees (the New Employee's Plan). The New Employee's Plan provided for the purchase of shares of the Company's Common Stock at a price of not less than 100% of its fair market value at the date of grant. The term of options issued cannot exceed 10 years from the date of grant.

The Company also has a stock option plan which provides nonqualified stock options for up to 160,000 shares of the Company's Common Stock to non-salaried directors (the Director's Plan). The original Director's Plan, as approved at the 1996 Annual Meeting, granted 10,000 options to new directors elected to the Board at the 1996 Annual Meeting, which vested one year after the grant date. The Director's Plan was amended in 1997 to grant 10,000 options to directors elected at the 1997 Annual Meeting, who were first elected prior to the 1996

Annual Meeting, which vested immediately. The Director's Plan was amended again in 1998 to grant 2,500 options to each director re-elected to the Board at the annual meeting. These options vest immediately.

During 2003 and 2002, an additional 2,500 options were granted to each director. Also during 2003, 10,000 options were issued to one new director. The Director's Plan provides for the purchase of shares of the Company's Common Stock at a price of not less than 100% of its fair value at the date of grant.

A summary of changes in options issued under the Company's two stock option plans follows:

	2004	2003	2002
Options outstanding at the beginning of the year	867,150	766,850	830,350
Options granted	6,500	102,500	30,500
Options forfeited	(3,750)	(1,700)	(55,000)
Options exercised	(196,700)	(500)	(39,000)
Options outstanding at the end of the year	673,200	867,150	766,850
Options exercisable at the end of the year	622,263	747,940	635,000
Common stock available for future grants at the end of the year	60,500	64,500	167,000
Weighted average price of options:			
Granted	$ 5.50	$ 3.89	$ 3.94
Forfeited	4.33	2.67	3.35
Exercised	3.53	2.53	2.28
Outstanding	3.27	3.31	3.23
Exercisable	3.19	3.26	3.29

A summary of options outstanding at December 31, 2004 follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$1.25 to $2.49	204,600	4	$ 2.13	204,600	$ 2.13
$2.50 to $3.65	265,850	7	3.05	257,850	3.04
$3.66 to $5.00	118,250	4	4.01	84,188	4.03
$5.01 to $7.25	84,500	3	5.65	75,625	5.68
	673,200			622,263	

The weighted average remaining contractual life of outstanding stock options is 5 years.

The Company applies APB Opinion No. 25, Accounting for Stock Issued to Employees and related interpretations to recognize compensation expense under its stock option plans. As such, no expense is recognized if, at the date of grant, the exercise price of the option is at least equal to the fair market value of the Company's Common Stock. No compensation expense related to the Company's stock option plans was required to be recognized for its plans in 2004, 2003 and 2002 except as discussed in Note 17.

The weighted average fair value at the date of grant for options granted during 2004, 2003, and 2002 was $2.59, $1.79, $1.82 per option, respectively.

The fair value of options at the date of grant was estimated using the Black-Scholes model with the following weighted average assumptions:

	2004	2003	2002
Expected Life in Years	5	5	5

Interest Rate	3.84%	3.00%	3.00%
Volatility	0.527	0.480	0.491
Dividend Yield	1.09%	0%	0%

12. Earnings Per Share

The calculation of earnings per share follows:

	2004	2003	2002
Numerator:			
Net income	$ 3,238,405	$ 1,221,831	$ 659,494
Denominator:			
Denominator for basic earnings per share			
Weighted average shares outstanding	3,364,033	3,317,231	3,400,151
Effect of dilutive employee stock options	442,995	240,663	155,575
Denominator for dilutive earnings per share	3,807,028	3,557,894	3,555,726
Basic earnings per share	$ 0.96	$ 0.37	$ 0.19
Dilutive earnings per share	$ 0.85	$ 0.34	$ 0.19

For 2003 and 2002, 87,000 and 79,000 stock options, respectively, were excluded from diluted earnings per share calculations because they would have been anti-dilutive.

13. Accumulated Other Comprehensive Loss

The components of the accumulated other comprehensive loss follow:

	Translation Adjustment	Derivative Financial Instruments	Minimum Pension Liability	Total
Balances, January 1, 2003	$ (1,350,485)	$ (17,573)	$ (948,756)	$ (2,316,814)
Change in Fair Value of Derivative Financial Instruments		26,974		26,974
Income Taxes Relating to Derivative Financial Instruments		(9,401)		(9,401)
Change in Fair Value of Minimum Pension Liability			412,912	412,912
Income Taxes Relating to Minimum Pension Liability			(155,053)	(155,053)
Translation Adjustment	670,941			670,941
Balances, December 31, 2003	(679,544)	0	(690,897)	(1,370,441)
Change in Fair Value of Derivative Financial Instruments		(82,268)		(82,268)
Change in Fair Value of Minimum Pension Liability			132,463	132,463
Income Taxes Relating to Minimum Pension Liability			(39,369)	(39,369)
Translation Adjustment	328,028			328,028
Balances, December 31, 2004	$ (351,516)	$ (82,268)	$ (597,803)	$ (1,031,587)

14. Financial Instruments

The following methods and assumptions were used by the Company in estimating its fair value disclosures for financial instruments:

Cash and cash equivalents: The carrying amount reported in the balance sheet for cash and cash equivalents approximates fair value.

Accounts receivable and accounts payable: The carrying amounts reported in the balance sheet for accounts receivable and accounts payable approximate fair value.

Long-and short-term debt: The carrying amounts of the Company's borrowings under its short-term notes payable and revolving credit arrangements approximate their fair value. The fair values of the Company's long-term debt are estimated using discounted cash flow analyses, based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

Forward foreign exchange contracts and interest rate swaps: The fair values of the Company's forward foreign currency contracts and interest rate swaps are estimated based on dealer quotes.

The carrying amounts and fair values of the Company's financial instruments follow (000's omitted):

	2004		2003	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalent	$ 1,930	$ 1,930	$ 1,391	$ 1,391
Accounts receivable	8,885	8,885	6,795	6,795
Accounts payable	(2,316)	(2,316)	(1,743)	(1,743)
Short term notes payable	(42)	(42)	(141)	(141)
Long term debt	(1,434)	(1,434)	(4,787)	(4,787)
Forward foreign exchange contract	(82)	(82)		

Derivative Financial Instruments

The Company uses derivatives for cash flow hedging purposes as part of its risk management strategy. Following is a summary of the Company's risk management strategies and derivatives and the effect of them on the Company's consolidated financial statements.

The Company and its foreign subsidiaries utilize bank loans to finance their operations. To mitigate foreign currency risk, foreign loans are denominated in the local currency of the foreign subsidiary wherever possible.

In September 2004, the Company entered into a forward foreign currency contract to hedge forecasted 2005 inventory purchases by the Company's Canadian subsidiary in a foreign currency other than the Canadian subsidiary's functional currency, the Canadian dollar. The fair value of the forward foreign currency contract totaled $82,268 and is reflected as a liability and component of accumulated other comprehensive loss in the accompanying consolidated balance sheet.

In 2000, the Company entered into an interest-rate swap agreement that effectively converted a portion of its floating-rate debt to a fixed-rate basis through January 19, 2003, the agreement maturity date, thus reducing the impact of interest-rate changes on future income. During 2003 and 2002, the Company recognized expense of $26,874 and $174,122 respectively, related to the net amounts paid and accrued on interest rate swaps, which are included in interest expense in each year's respective consolidated statements of income.

15. Restructuring Charges

In 2002, restructuring charges of approximately $555,000 were recorded as a result of certain strategic and operating changes initiated by the Company's management related to liquidating Acme United Limited (AUL), a United Kingdom subsidiary. The restructuring charges consisted of a write-down of inventories of $206,000, accounting and legal costs of $95,000, lease cancellation costs of $90,000, a write-off of goodwill of $69,000, severance costs of $55,000, other closing costs of $22,000, a write-off of uncollectible accounts receivable of $9,000 and write-offs of equipment of $9,000. As of December 31, 2002, the restructuring was substantially complete and approximately $36,000 remained in accrued restructuring charges, primarily related to accounting and legal costs. The Company terminated five employees as part of the restructuring.

16. Quarterly Data (unaudited)

Quarters (000's omitted, except per share data)

2004	First	Second	Third	Fourth	Total
Net Sales	$ 8,567	$ 12,298	$ 11,595	$ 10,921	$ 43,381
Cost of Goods Sold	4,848	6,779	6,142	5,959	23,728
Net Income	392	1,075	1,017	754	3,238
Basic Earnings Per Share	$ 0.12	$ 0.32	$ 0.30	$ 0.22	$ 0.96
Diluted Earnings Per Share	$ 0.11	$ 0.29	$ 0.26	$ 0.19	$ 0.85

2003	First	Second	Third	Fourth	Total
Net Sales	$ 7,189	$ 10,142	$ 9,538	$ 8,106	$ 34,975
Cost of Goods Sold	4,307	6,221	6,367	4,946	21,842
Net Income	78	615	302	227	1,222
Basic Earnings Per Share	$ 0.02	$ 0.18	$ 0.09	$ 0.07	$ 0.37
Diluted Earnings Per Share	$ 0.02	$ 0.17	$ 0.08	$ 0.06	$ 0.34

Earnings per share are computed independently for each of the quarters presented. Therefore, the sum of the quarterly earnings per share may not necessarily equal the total for the year.

17. Capital Structure

In 2004, the Company issued 196,700 shares of common stock with proceeds of $694,179 upon the exercise of outstanding stock options. The Company also repurchased 48,830 shares of common stock for treasury. The shares were purchased at fair market value, with a total cost to the Company of $252,798. During the first quarter, an additional $31,225 of compensation expense was charged to operating results as a result of the Company's repurchase of 16,000 shares within six months of exercise of certain options by a terminated employee.

18. Business Combination

On May 28, 2004, the Company purchased Clauss Cutlery, a division of Alco Industries, Inc. The purchase price was the aggregate value of inventory, trademarks and brand names totaling $446,754. Included in the purchase price was a stand-by letter of credit the Company issued in the amount of $230,000 for a trademark from Alco Industries, Inc. that was renewed by the U.S. Patent and Trademark Office on July 13, 2004. The letter of credit was set-up to expire on May 28, 2005, if the trademark was not renewed. Since the trademark was renewed prior to the expiration date, Alco Industries, Inc. enforced the letter of credit and drew down the funds. Included in the accompanying Statement of Operations are the operations of the acquired business since the date of acquisition. Proforma operating information for the periods prior to the acquisition is not provided because of the immateriality of the transaction on a proforma basis.

19. Impairment of Equipment

During the second quarter of 2004, the Company abandoned its ruler manufacturing equipment. In accordance with FASB 144, Accounting for the Impairment or Disposal of Long-Lived Assets, the Company recorded an impairment loss of $84,820, or $0.02 a share, for the full amount of the assets at the time of abandonment.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Acme United Corporation

We have audited the accompanying consolidated balance sheets of Acme United Corporation and subsidiaries as of December 31, 2004 and 2003, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2004. Our audits also included the financial statement schedule listed in the Index at

Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Acme United Corporation and subsidiaries at December 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2004, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP

Hartford, Connecticut
February 14, 2005

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There have been no disagreements with accountants related to accounting and financial disclosures in 2004.

Item 9A. Controls and Procedures

(a) Evaluation of Internal Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of our disclosure controls and procedures, which included inquiries made to certain other of our employees. Based on their evaluation, our Chief Executive Officer and Chief Financial Officer have each concluded that, as of December 31, 2004, our disclosure controls and procedures were effective and sufficient to ensure that we record, process, summarize and report information required to be disclosed by us in our periodic reports filed under the Securities and Exchange Commission's rules and forms.

(b) Changes in Internal Control over Financial Reporting

During the quarter ended December 31, 2004, there were no changes in our internal control over financial reporting that materially affected, or was reasonably likely to materially affect, this control.

PART III

Item 10. Directors and Executive Officers of the Registrant

The following table sets forth certain information with respect to the directors and executive officers of the Company. All directors of the Company hold office until the next annual meeting of the shareholders or until their successors have been elected and qualified. Executive officers are elected by the Board of Directors to hold office until their successors are elected and qualified.

Name	Age	Position Held with Company

Walter C. Johnsen	54	President, Chief Executive Officer and Director
Gary D. Penisten	73	Chairman of the Board and Director
Brian S. Olschan	48	Executive Vice President, Chief Operating Officer and Director
Paul G. Driscoll	44	Vice President, Chief Financial Officer, Secretary and Treasurer
George R. Dunbar	81	Director
Richmond Y. Holden, Jr.	51	Director
Wayne R. Moore	73	Director
Stevenson E. Ward III	59	Director
Susan H. Murphy	53	Director

Walter C. Johnsen has served as director since 1995 and as President and Chief Executive Officer since November 30, 1995. Prior to that he was Executive Vice President since January 24, 1995. He also was Chief Financial Officer from March 26, 1996 until June 30, 1996. Before joining the Company he was Vice Chairman and a principal of Marshall Products, Inc., a medical supply distributor.

Gary D. Penisten has served as director since 1994 and Chairman of the Board since February 27, 1996. From 1977 to 1988, he was Senior Vice President of Finance, Chief Financial Officer and a Director of Sterling Drug Inc. in New York City. From 1974 to 1977 he served as Assistant Secretary of the United States Navy. Prior to that he was employed by General Electric for twenty-one years.

Brian S. Olschan served as Senior Vice President-Sales and Marketing from September 10, 1996 until February 22, 1999. Effective January 23, 1999, he was promoted to Executive Vice President and Chief Operating Officer. From 1984 to 1996, he was employed by General Cable Corporation in various executive positions including Vice President and General Manager of the Cordset and Assembly Business from 1994 to 1996.

Paul G. Driscoll has served as Vice President and Chief Financial Officer, Secretary and Treasurer since October 2, 2002. Mr. Driscoll joined Acme as Director International Finance on March 19, 2001. From 1997 to 2001 he was employed by Ernest and Julio Gallo Winery including two years in Japan as Director of Finance and Operations. Prior to Gallo he served in several increasingly responsible positions in Sterling Winthrop Inc. in New York City and Sanofi S.A. in France.

George R. Dunbar has served as director since 1977. He is currently President of The U.S. Baird Corporation and Dunbar Associates, a municipal management consulting firm. He is a former Chief Administrative Officer for the City of Bridgeport and served as President (1972-1987) of the Bryant Electric Division of Westinghouse Electric Corporation, manufacturer of electrical distribution and utilization products, Bridgeport, Connecticut.

Richmond Y. Holden, Jr. has served as director since 1998. He has served as President and Chief Executive Officer of J.L. Hammett Co. since 1992; Executive Vice President from 1989 to 1992. J.L. Hammett Co. is a distributor and online retailer of educational products throughout the United States, and is one of the largest distributors to the K-12 educational marketplace.

Wayne R. Moore has served as director since 1976. He is presently Chairman Emeritus of The Producto Machine Company, manufacturer of machine tools, special machines, and tool die and mold components. He was Chairman of the Board of The Producto Machine Company and the Moore Special Tool Company, manufacturer of machine tools, measuring machines and metrology products. Mr. Moore was Chairman of the U.S. Machine Tool Builders/ Association for Manufacturing Technology (1985-1986) and Committee Member of U.S. Eximbank (1984). He is a Trustee of the American Precision Museum and on the Board of advisors of the Fairfield University School of Engineering.

Stevenson E. Ward III has served as director since 2001. He is presently Vice President and Chief Financial Officer of Triton Thalassic Technologies, Inc. From 1999 through 2000, Mr. Ward served as Senior Vice President - Administration of Sanofi-Synthelabo, Inc. He also served as Executive Vice President (1996 - 1999) and Chief Financial Officer (1994 - 1995) of Sanofi, Inc. and Vice President, Pharmaceutical Group, Sterling Winthrop, Inc. (1992 - 1994). Prior to joining Sterling he was employed by General Electric.

Susan H. Murphy has served as director since 2003. She is presently Vice President for Student and Academic Services at Cornell University. From 1985 through 1994, Ms. Murphy served as Dean of Admissions and Financial Aid. Ms. Murphy has been employed at Cornell since 1978.

The Company has adopted a Code of Conduct that is applicable to our employees, including the Chief Executive Officer, Chief Financial Officer and Controller. The Code of Conduct is available in the investor relations section on our website at www.acmeunited.com

If we make any substantive amendments to the Code of Conduct which apply to our Chief Executive Officer, Chief Financial Officer or Controller or grant any waiver, including any implicit waiver, from a provision of the Code of Conduct to our executive officers, we will disclose the nature of the amendment or waiver on our website or in a report on Form 8-K.

Item 11. Executive Compensation

The information contained in Acme United Corporations Proxy Statement Dated March 28, 2005, with respect to executive compensation, is incorporated here in by reference in response to this item.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information contained in Acme United Corporations Proxy Statement Dated March 28, 2005, with respect to security ownership of certain beneficial owners and management, is incorporated here in by reference in response to this item.

Item 13. Certain Relationships and Related Transactions

(None)

Item 14. Principal Accountant Fees and Services

The information contained in Acme United Corporations Proxy Statement Dated March 28, 2005, with respect to principal accountant fees and services, is incorporated here in by reference in response to this item.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements.

- Consolidated Balance Sheets
- Consolidated Statements of Operations
- Consolidated Statements of Changes in Stockholders' Equity
- Consolidated Statements of Cash Flows
- Notes to Consolidated Financial Statements
- Report of Independent Registered Public Accounting Firm

(a)(2) Financial Statement Schedules

- Schedule 2--Valuation and Qualifying Accounts
- Schedules other than those listed above have been omitted because of the absence of conditions under which they are required or because the required information is presented in the Financial Statements or Notes thereto.

(a)(3) The exhibits listed under Item 15(b) are filed or incorporated by reference herein.

(b) Exhibits.

The exhibits listed below are filed as part of this Annual Report on form 10-K. Certain of the exhibits, as indicated, have been previously filed and are incorporated herein by reference.

Exhibit No.	Identification of Exhibit
3(i)	Certificate of Organization of the Company (1)
	Amendment to Certificate of Organization of Registrant dated September 24, 1968 (1)
	Amendment to Certificate of Incorporation of the Company dated April 27, 1971 (2)
	Amendment to Certificate of Incorporation of the Company dated June 29, 1971 (2)
3(ii)	Bylaws of the Company
4	Specimen of Common Stock certificate (2)
10.1	Non-Salaried Director Stock Option Plan dated April 22, 1996* (3)

10.1(a)	Amendment No. 1 to the Non-Salaried Director Stock Option Plan *(4)
10.1(b)	Amendment No. 2 to the Non-Salaried Director Stock Option Plan *(5)
10.2	1992 Amended and Restated Stock Option Plan* (6)
10.2(a)	Amendment No. 1 to the Amended and Restated Stock Option Plan* (7)
10.2(b)	Amendment No. 2 to the Amended and Restated Stock Option Plan* (8)
10.2(c)	Amendment No. 3 to the Amended and Restated Stock Option Plan* (9)
10.2(d)	Amendment No. 4 to the Amended and Restated Stock Option Plan* (9)
10.3	Acme United Employee Stock Option Plan dated February 26, 2002*
10.4	Severance Pay Plan dated September 28, 2004*
10.5	Salary Continuation Plan dated September 28, 2004*
21	Subsidiaries of the Registrant
23	Consent of Ernst & Young, Independent Auditors
31.1	Certification of Walter Johnsen pursuant to Rule 13a-14(a) and 15d-14(a) and Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Paul Driscoll pursuant to Rule 13a-14(a) and 15d-14(a) and Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Walter Johnsen pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Paul Driscoll pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Indicates a management contract or a compensatory plan or arrangement

(1) Previously filed in S-1 Registration Statement No. 230682 filed with the Commission on November 7, 1968 and amended by Amendment No. 1 on December 31, 1968 and by Amendment No. 2 on January 31, 1969.

(2) Previously filed as an exhibit to the Company's Form 10-K filed in 1971.

(3) Previously filed in the Company's Form S-8 Registration Statement No. 333-26739 filed with the Commission on May 9, 1997.

(4) Previously filed in the Company's Form S-8 Registration Statement No. 333-84505 filed with the Commission on August 4, 1999.

(5) Previously filed in the Company's Form S-8 Registration Statement No. 333-70348 filed with the Commission on September 21, 2000.

(6) Previously filed as an exhibit to the Company's Proxy Statement filed on March 29, 1996.

(7) Previously filed in the Company's Form S-8 Registration Statement No. 333-26737 filed with the Commission on May 9, 1997.

(8) Previously filed in the Company's Form S-8 Registration Statement No. 333-84499 filed with the Commission on August 4, 1999.

(9) Previously filed in the Company's Form S-8 Registration Statement No. 333-70346 filed with the Commission on September 27, 2001.

SCHEDULE II
Acme United Corporation and Subsidiaries
VALUATION AND QUALIFYING ACCOUNTS
For the years ended December 31, 2004, 2003 and 2002

	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions and Other Adjustments	Balance at End of Period
2004				
Allowance for doubtful accounts	$ 199,102	$ 123,809	$ 111,997	$ 210,914
Allowance for inventory obsolescence	374,665	425,127	179,253	620,538
Deferred income tax asset valuation allowance	1,139,875	196,032	-	1,335,907
2003				
Allowance for doubtful accounts	$ 205,213	$ 61,924	$ 68,035	$ 199,102
Allowance for inventory obsolescence	407,881	273,447	306,663	374,665
Deferred income tax asset valuation allowance	1,130,777	9,098	-	1,139,875
2002				
Allowance for doubtful accounts	$ 209,508	$ 71,998	$ 76,293	$ 205,213
Allowance for inventory obsolescence	273,260	216,512	81,891	407,881
Deferred income tax asset valuation allowance	1,552,666	-	421,889	1,130,777

EXHIBIT 21

PARENTS AND SUBSIDIARIES

The Company was organized as a partnership in 1867 and incorporated in 1882 under the laws of the State of Connecticut as The Acme Shear Company. The corporate name was changed to Acme United Corporation in 1971.

There is no parent of the registrant.

Registrant has the following subsidiaries, all of which are totally held:

Name	Country of Incorporation
Acme United Limited	Canada
Acme United Europe GmbH	Germany
Acme United (Asia Pacific) Limited	Hong Kong

All subsidiaries are active and included in the consolidated financial statements.

EXHIBIT 23

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 333-84499, 33-98918, 333-26737, and 333-70346) pertaining to the Acme United Corporation Amended and Restated Stock Option Plan, the Registration Statements (Form S-8 Nos. 333-84505, 333-26739, and 333-70348) pertaining to the Acme United Corporation Non-Salaried Director Stock Option Plan and the Registration Statement (Form S-8 No. 333-84509) pertaining to the Acme United Corporation Deferred Compensation Plan for Directors and Acme United Corporation Deferred Compensation Plan for Walter C. Johnsen of our report dated February 14, 2005, with respect to the consolidated financial statements and schedule of Acme United Corporation and subsidiaries included in the Annual Report (Form 10-K) for the year ended December 31, 2004.

/s/ Ernst & Young LLP

Hartford, Connecticut
March 15, 2005

Exhibit 31.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned officer of Acme United Corporation (the "Company") hereby certifies to my knowledge that the Company's annual report on Form 10-K for the annual period ended December 31, 2004 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed to be a part of the Report or "filed" for any purpose whatsoever.

By /s/ WALTER C. JOHNSEN

Walter C. Johnsen
President and
Chief Executive Officer

Dated: March 17, 2005

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Acme United Corporation and will be retained by Acme United Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 31.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned officer of Acme United Corporation (the "Company") hereby certifies to my knowledge that the Company's annual report on Form 10-K for the annual period ended December 31, 2004 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed to be a part of the Report or "filed" for any purpose whatsoever.

By /s/ PAUL G. DRISCOLL

Paul G. Driscoll
Vice President and
Chief Financial Officer

Dated: March 17, 2005

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to Acme United Corporation and will be retained by Acme United Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Pursuant to the requirements of Section 13 or 15(d) 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, on March 17, 2005.

ACME UNITED CORPORATION
(Registrant)

Signatures	Titles
s/ Walter C. Johnsen -------------------------------- Walter C. Johnsen	President, Chief Executive Officer and Director
s/ Gary D. Penisten -------------------------------- Gary D. Penisten	Chairman of the Board and Director
s/ Brian S. Olschan -------------------------------- Brian S. Olschan	Executive Vice President, Chief Operating Officer and Director
s/ Paul G. Driscoll -------------------------------- Paul G. Driscoll	Vice President, Chief Financial Officer, Secretary and Treasurer
s/ George R. Dunbar -------------------------------- George R. Dunbar	Director
s/ Richmond Y. Holden, Jr. -------------------------------- Richmond Y. Holden, Jr.	Director
s/ Wayne R. Moore -------------------------------- Wayne R. Moore	Director
s/ Susan H. Murphy -------------------------------- Susan H. Murphy	Director

s/ Stevenson E. Ward III

Stevenson E. Ward III   Director

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, WALTER C. JOHNSEN, certify that:

I have reviewed this annual report on Form 10-K of Acme United Corporation;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ WALTER C. JOHNSEN

Walter C. Johnsen
President and
Chief Executive Officer

Dated: March 17, 2005

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, PAUL G. DRISCOLL, certify that:

I have reviewed this annual report on Form 10-K of Acme United Corporation;

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

By /s/ PAUL G. DRISCOLL

Paul G. Driscoll
Vice President and
Chief Financial Officer

Dated: March 17, 2005

Exhibit 3(ii)

Adopted April 25, 1961,
Amended September 26, 1977
Further Amended April 22, 1980,
January 25, 1982, April 23, 1990,
June 29, 1993, October 24, 1994,
December 20, 1994 and December 20,1995

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Adopted on April 25, 1961
by Common Shareholders
at Annual Meeting
Amended September 26, 1977,
Further Amended April 22, 1980,
January 25, 1982, April 23, 1990,
June 29, 1993, October 24, 1994,
December 20, 1994 and December 20, 1995

BY-LAWS
OF
ACME UNITED CORPORATION

ARTICLE 1. Offices. The principal office of the Corporation in the State of Connecticut shall be located in the Town of Fairfield, County of Fairfield, Connecticut. The Corporation may have such other offices, either within or without the State of Connecticut, as the Board of Directors may designate or as the business of the Corporation may require from time to time.

ARTICLE 2. Shareholders.

Section 1. Annual Meeting. The annual meeting of the shareholders shall be held on the fourth Monday of April in each year, for the purpose of electing Directors and for the transaction of such-other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday in the State of Connecticut, such meeting shall be held on the next succeeding business day. If the election of Directors shall not be held on the day designated herein for any annual meeting of the shareholders, or at any adjournment thereof, the Board of Directors shall cause the election to be held at a special meeting of the shareholders as soon thereafter as conveniently may be.

Section 2. Special Meetings. Special meetings of the shareholders, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President or by the Board of Directors, and shall be called by the President at the request of the holders of not less than one-tenth (1/10) of all the outstanding shares of the Corporation entitled to vote at the meeting.

Section 3. Place of Meetings. Meetings of shareholders shall be held at the offices of the Corporation in Fairfield or at such other place as may be designated by the President or the Board of Directors of the Corporation.

Section 4. Notice of Meetings. Written or printed notice stating the place, day and hour of the meeting and, in case of a special meeting, the purpose or purposes for which the meeting is called, shall be given by or at the direction of the President or Secretary to each shareholder of record entitled to vote at such meeting, by leaving such notice with him or at his residence or usual place of business, or by mailing a copy thereof addressed to him at his last known post office address as last shown on the stock records of the Corporation, postage prepaid, not less than ten (10) days before the date of such meeting.

ARTICLE 2. Shareholders (continued)

Section 5. Closing of Transfer Books or Fixing of Record Date. For the purpose of determining shareholders entitled to notice of or to vote at any meeting of shareholders or any adjournment thereof, or in order to make a determination of shareholders for any other proper purpose, the Board of Directors of the Corporation may provide that the stock transfer books shall be closed for a stated period but not to exceed, in any case, fifty days. If the stock transfer books shall be closed for the purpose of determining shareholders entitled to notice of or to vote at a meeting of shareholders, such books shall be closed for at least ten days immediately preceding such meeting. In lieu of closing the stock transfer books, the Board of Directors may fix in advance a date as the record date for any such determination of shareholders, such date in any case to be not more than fifty days and, in case of a meeting of the shareholders, not less than ten days prior to the date on which the particular action, requiring such determination of shareholders, is to be taken. If the stock transfer books are not closed and no record date is fixed for the determination of the shareholders entitled to notice of or to vote at a meeting of shareholders, the date on which notice of the meeting is mailed shall be the record date for such determination of shareholders. When a determination of shareholders entitled to vote at any meeting of shareholders has been made as provided in this section, such determination shall apply to any adjournment thereof.

Section 6. Voting Lists. The officers or agent having charge of the stock transfer books for shares of the Corporation shall make, at least five days before each meeting of shareholders of which at least ten (10) days' notice is given a complete list or other equivalent record of the shareholders entitled to vote at such meeting, arranged in alphabetical order, with the address of, and the number and class of shares held by each. Such list or other equivalent record shall, for a period of five days prior to such meeting, be kept on file at the principal office of the Corporation and shall be subject to inspection by any shareholder during usual business hours for any proper purpose in the interest of the shareholder as such or of the Corporation and not for speculative or trading purposes, or for any purpose inimical to the interest of the Corporation or of its shareholders. Such list or other equivalent record shall also be produced and kept open at the time and place of the meeting and shall be subject for any such proper purpose to such inspection during the whole time of the meeting. The original share transfer books shall be prima facie evidence as to who are the shareholders entitled to inspect such list or other equivalent record.

ARTICLE 2. Shareholders (continued)

Section 7. Quorum. A majority of the outstanding shares of the Corporation, entitled to vote, represented in person or by proxy, shall constitute a quorum at a meeting of shareholders. If less than a majority of the outstanding shares are represented at a meeting, a majority of the shares so represented may adjourn the meeting from time to time without further notice.

At such adjourned meeting at which a quorum shall be present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The shareholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum.

Section 8. Proxies. At all meetings of shareholders, a shareholder may vote by proxy executed in writing by the shareholder or by his duly authorized attorney-in-fact. Such proxy shall be filed with the Secretary of the Corporation before or at the time of the meeting. No proxy shall be valid after eleven months from the date of its execution, unless it specifies the length of time for which it is to continue in force or limits its use to a particular meeting not yet held.

Section 9. Voting of Shares. Each outstanding share entitled to vote shall be entitled to one vote upon each matter submitted to a vote at a meeting of shareholders.

Section 10. Voting of Shares By Certain Holders. Shares standing in the name of another corporation may be voted by such officer, agent or proxy as the by-laws of such corporation may prescribe, or, in the absence of such provision, as the Board of Directors of such corporation may determine.

Shares held by an administrator, executor, a guardian or conservator may be voted by him, either in person or by proxy, without a transfer of such shares into his name. Shares standing in the name of a trustee may be voted by him, either in person or by proxy, but no trustee shall be entitled to vote shares held by him without a transfer of such shares into his name.

Shares standing in the name of a receiver may be voted by such receiver and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if authority so to do be contained in an appropriate order of the court by which such receiver was appointed.

A shareholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee, and thereafter the pledgee shall be entitled to vote the shares so transferred.

ARTICLE 2. Shareholders (continued)

Section 10. Voting of Shares By Certain Holders (continued)

Shares of its own stock belonging to the Corporation or held by it in a fiduciary capacity shall not be voted, directly or indirectly, at any meeting, and shall not be counted in determining the total number of outstanding shares at any given time.

At all shareholders' meetings, any vote, if so requested by any shareholder, shall be by ballot, and the name of each shareholder so voting shall be written upon each ballot with the number of shares held by him.

Section 11. Notification of Nominations.

Nominations for the election of Directors may be made by the Board of Directors or by any shareholder entitled to vote for the election of Directors. Any shareholder entitled to vote for the election of Directors at a meeting may nominate persons for election as Directors only if written notice of such shareholder's intent to make such nomination is given, either by personal delivery or by United States mail, postage prepaid, to the Secretary of the Company not later than (i) with respect to an election to be held at an annual meeting of shareholders, 60 days in advance of such meeting, and (ii) with respect to an election to be held at a special meeting of shareholders for the election of Directors, the close of business of the seventh day following the date on which notice of such meeting is first given to shareholders. Each such notice shall set forth: (a) the name and address of the shareholder who intends to make the nomination and of the person or persons to be nominated, (b) a representation that such shareholder is a holder of record of stock of the Company entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice

(c) a description of all arrangements or understandings between such shareholder and each nominee and any other person or persons (naming such person or persons) pursuant to which the nomination or nominations are to be made by such shareholders, (d) Such other information regarding each nominee proposed by such shareholder as would have been required to be included in a proxy statement filed pursuant to the proxy rules of the Securities and Exchange Commission had each nominee been nominated, or intended to be nominated by the Board of Directors, and (e) the consent of each nominee to serve as a Director of the Company if elected. The chairman of a shareholder meeting may refuse to acknowledge the nomination of any person not made in compliance with the foregoing procedure.

ARTICLE 3. Board of Directors.

Section 1. General Powers. The business and affairs of the Corporation shall be managed by its Board of Directors.

ARTICLE 3. Board of Directors (continued)

Section 2. Number, Tenure and Qualifications. The number of Directors of the Corporation shall be not less than five nor more than nine. The Directors shall be elected at the annual meeting of shareholders and each Director shall hold office until the next annual meeting of shareholders and until his successor shall have been elected and qualified. Directors need not be residents of the State of Connecticut or shareholders of the Corporation.

In the event that a total of nine Directors are not elected at the annual meeting of the shareholders, an additional Director or additional Directors may be elected at any special meeting of the shareholders to hold office until the next annual meeting of the shareholders, or until a successor or successors shall be elected and shall have qualified, provided that the total number of Directors elected shall at no time exceed nine.

Section 3. Vacancies. Vacancies in the Board of Directors, because of death, resignation or for any other reason, shall be filled by the remaining Directors.

Section 4. Regular Meetings. A regular meeting of the Board of Directors shall be held after the annual meeting of shareholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Connecticut, for the holding of additional regular meetings without other notice than such resolution.

Section 5. Special Meetings. Special meetings of the Board of Directors may be called by or at the request of the President or any two Directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Connecticut, as the place for holding any special meeting of the Board of Directors called by them.

Section 6. Notice. Notice of any special meeting shall be given at least two days prior thereto by written notice delivered personally or mailed to each Director at his business address, or by telegram. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. If notice be given by telegram, such notice shall be deemed to be delivered when the telegram is delivered to the telegraph company. Any Director may waive notice of any meeting. The attendance of a Director at a meeting shall constitute a waiver of notice of such meeting, except where a Director attends a meeting for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. The notice shall give the time and place of the meeting, and in the case of a special meeting, the objects thereof.

Section 7. Quorum. A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, but if less than such majority is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice.

ARTICLE 3. Board of Directors (continued)

Section 8. Manner of Acting. The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

Section 9. Compensation. By resolution of the Board of Directors, the Directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors, and may be paid a fixed sum for attendance at each meeting of the Board of Directors and/or a stated salary as Director. No such payment shall preclude any Director from serving the Corporation in any other capacity and receiving compensation therefore.

Section 10. Presumption of Assent. A Director of the Corporation who is present at a meeting of the Board of Directors at which action on any corporate matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the Minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

Section 11. Annual Reports. At the annual meeting of the shareholders, the Chairman or the President shall submit a report on the condition of the Corporation's business.

Section 12. Executive Committee. The Board of Directors may elect from its membership an executive committee having such number of members as may be prescribed from time to time by the Board of Directors, which members of the executive committee may be elected for such terms as may be prescribed by the Board of Directors provided, however, that the term of office of any member of the executive committee shall not extend beyond the term for which such member is elected a Director of the Corporation.

The Board of Directors may fill any vacancy in the executive committee, or any other committee.

During the intervals between the meetings of the Board of Directors, the executive committee shall possess and may exercise all the powers of the Board of Directors in the management and direction of the affairs of the Corporation in all matters in which specific directions shall not be given by the Board of Directors.

All action by the executive committee shall be reported to the Board of Directors at the next meeting succeeding such action, and shall be subject to review and alteration by the Board of Directors provided that no rights of third parties shall be affected by such review, or alteration.

Regular minutes of the proceedings of the executive committee shall be kept in a book provided for that purpose.

The executive committee shall determine and fix its rules with respect to meetings and of procedure, and the number required for a quorum and shall meet and conduct business as provided by such rules.

ARTICLE 3. Board of Directors (continued).

Section 13. Audit Committee. This committee shall consist of not less than three nor more than five members, all of whom shall be non-employee members of the Board of Directors. The main function of this committee is to maintain a direct and separate line of communication between the Board of Directors and the Company's independent auditors.

Section 14. Nominating Committee. All members of the Board of Directors shall serve as a nominating committee to prepare a slate of nominees for election to the Board of Directors at the annual meeting of shareholders or such special meeting of shareholders as may be duly called.

Section 15. Compensation Committee. This committee shall consist of not less than three or more than seven members all of whom shall be non-employee members of the Board. The main function of this committee is to establish the rate of compensation of officers and other employees at or above certain minimum levels established by the Board of Directors.

ARTICLE 4. Officers.

Section 1. Number. The officers of the Corporation shall be a Chairman, a President, a Vice Chairman, one or more Executive Vice Presidents (the number thereof to be determined by the Board of Directors), one or more Senior Vice Presidents (the number thereof to be determined by the Board of Directors), one or more Vice Presidents (the number thereof to be determined by the Board of Directors), a Secretary and a Treasurer, each of whom shall be elected by the Board of Directors. Such other officers and assistant officers as may be deemed necessary may be elected or appointed by the Board of Directors. Any two or more offices may be held by the same person, except the offices of Chairman, President, Vice Chairman, Executive Vice President and Secretary.

Section 2. Election and Term of Office. The officers of the Corporation to be elected by the Board of Directors shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held after each annual meeting of the shareholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until his successor shall have been duly elected and shall have qualified or until his death or until he shall resign or shall have been removed as hereinafter provided.

Section 3. Removal. Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interests of the Corporation would be served thereby, but such removal shall be without prejudice of the contract rights, if any, of the person so removed.

Section 4. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification or otherwise, may be filled by the Board of Directors for the unexpired portion of the term.

ARTICLE 4. Officers (continued)

Section 5. Chairman. The Chairman shall be chosen from the Board of Directors of the Corporation. He shall, when present, preside at all meetings of the Board of Directors and at all meetings of the shareholders at which the President is not present. In the absence of the President, the Chairman shall perform the duties of the President, and when so acting shall have all the powers of and be subject to all the restrictions upon the President. He may sign, with the Secretary or any other proper officer of the Corporation thereunto authorized by the Board of Directors, any deeds, mortgages, bonds, contracts, or other instruments, which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of Chairman and such other duties as may be prescribed by the Board of Directors.

Section 6. President. The President shall be chosen from the Board of Directors. He shall be the principal executive officer of the Corporation and, subject to the control of the Board of Directors, shall in general supervise and control all of the business and affairs of the Corporation. He shall, when present, preside at all meetings of the shareholders and at all meetings of the Board of Directors at which the Chairman is not present. He may sign, with the Secretary or any other proper officer of the Corporation thereunto authorized by the Board of Directors, certificates for shares of the Corporation, any deeds, mortgages, bonds, contracts, or other instruments, which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of President and such other duties as may be prescribed by the Board of Directors.

Section 7. Vice Chairman. The Vice Chairman shall be chosen from the Board of Directors of the Corporation. In the absence of the President and the Chairman, the Vice Chairman shall perform the duties of the President, and when so acting, shall have all the powers and be subject to all the restrictions upon the President. He may sign, with the Secretary or any other proper officer of the Corporation thereunto authorized by the Board of Directors, any deeds, mortgages, bonds, contracts, or other instruments, which the Board of Directors has authorized to be executed, except in cases where the signing and execution thereof shall be expressly delegated by the Board of Directors or by these By-Laws to some other officer or agent of the Corporation, or shall be required by law to be otherwise signed or executed; and in general shall perform all duties incident to the office of Vice Chairman and such other duties as may be prescribed by the Board of Directors.

ARTICLE 4. Officers (continued)

Section 8. The Executive Vice Presidents. In the absence of the President and the Vice Chairman, the Executive Vice President (or in the event there be more than one Executive Vice President, the Executive Vice Presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Executive Vice President may sign, with the Secretary or any Assistant Secretary, certificates for shares of the Corporation; and shall perform such other duties as from time to time may be assigned to him by the President or by the Board of Directors.

Section 9. The Senior Vice Presidents. In the absence of the President, the Vice Chairman and the Executive Vice President, the Senior Vice President (or in the event there be more than one Senior Vice President, the Senior Vice Presidents in the order designated at the time of their election, or in the absence of any designation, then in the order of their election) shall perform the duties of the President, and when so acting, shall have all the powers of and be subject to all the restrictions upon the President. Any Senior Vice President may sign, with the Secretary or an Assistant Secretary, certificates for shares of the Corporation, and shall perform such other duties as from time to time may be assigned to him by the President, or by the Board of Directors.

Section 10. Vice Presidents. The Vice Presidents shall perform such duties as shall be assigned to them by the President, the Executive Vice President, or a Senior Vice President.

Section 11. Secretary. The Secretary shall: (a) keep the minutes of the shareholders' and of the Board of Directors' meetings in one or more books provided for that purpose; (b) see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law; (c) be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all documents the execution of which on behalf of the Corporation under its seal is duly authorized; (d) keep a register of the post office address of each shareholder which shall be furnished to the Secretary by such shareholder; (e) sign with the President, the Executive Vice President, or a Senior Vice President, certificates for shares of the Corporation, the issuance of which shall have been authorized by resolution of the Board of Directors; (f) have general charge of the stock transfer books of the Corporation; and (g) in general perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President, or by the Board of Directors.

ARTICLE 4. Officers (continued)

Section 12. Treasurer. If required by the Board of Directors, the

Treasurer shall give a bond for the faithful discharge of his duties in such sum and with such surety or sureties as the Board of Directors shall determine. He shall: (a) have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for moneys due and payable to the Corporation from any source whatsoever, and deposit all such moneys in the name of the Corporation in such banks, trust companies or other depositaries as shall be selected in accordance with the provisions of ARTICLE 5 of these By-Laws; and (b) in general perform all of the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President, or by the Board of Directors.

Section 13. Assistant Secretaries and Assistant Treasurer. The Assistant Secretaries, when authorized by the Board of Directors, may sign with the President, the Executive Vice President, or a Senior Vice President, certificates for shares of the Corporation the issuance of which shall have been authorized by a resolution of the Board of Directors. The Assistant Treasurers shall respectively, if required by the Board of Directors, give bonds for the faithful discharge of their duties in such sums and with such sureties as the Board of Directors shall determine. The Assistant Secretaries and Assistant Treasurers, in general, shall perform such duties as shall be assigned to them by the Secretary or the Treasurer, respectively, or by the President, or the Board of Directors.

Section 14. Salaries. The salaries of the officers shall be fixed from time to time by the Board of Directors and no officer shall be prevented from receiving such salary by reason of the fact that he is also a Director of the Corporation.

ARTICLE 5. Contracts, Loans, Checks and Deposits.

Section 1. Contracts. The Board of Directors may authorize any officer or officers, agent or agents, to enter into any contract or execute and deliver any instrument in the names of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

Section 2. Loans. No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

Section 3. Checks, Drafts, etc. All checks, drafts or orders for payment of money, notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

Section 4. Deposits. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositaries as the Board of Directors may select.

ARTICLE 6. Certificates for Shares and Their Transfer.

Section 1. Certificates for Shares. Certificates representing shares of the Corporation shall be in such form as shall be determined by the Board of Directors. Such certificates shall be signed by the President or the Executive Vice President or a Senior Vice President and by the Secretary or any Assistant Secretary. All certificates for shares shall be consecutively numbered or otherwise identified. The name and address of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the stock transfer books of the Corporation. All certificates surrendered to the Corporation for transfer shall be cancelled and no new certificate shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except and in the case of a lost, destroyed or mutilated certificate a new one may be issued therefore upon such terms and indemnity to the Corporation as the Board of Directors may prescribe.

Section 2. Transfer of Shares. Transfer of shares of the Corporation shall be made only on the stock transfer books of the Corporation by the holder or record thereof or by his legal representative, who shall furnish proper evidence of authority to transfer, or by his attorney thereunto authorized by a power of attorney duly executed and filed with the Secretary of the Corporation, and on surrender for cancellation of the certificate for such shares. The person in whose name shares stand on the books of the Corporation shall be deemed by the Corporation to be the owner thereof for all purposes.

ARTICLE 7. Fiscal Year. The fiscal year of the Corporation shall begin on the first day of January and end on the thirty-first day of December in each year.

ARTICLE 8. Dividends. The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares in the manner and upon the terms and conditions provided by law and its Articles of Incorporation.

ARTICLE 9. Seal. The Corporation shall have a common seal, which shall contain the words "Acme United Corporation, Bridgeport, Conn., U.S.A." in a circle, within which the words and figures "Bridgeport 1882" shall be contained.

ARTICLE 10. Waiver of Notice. Whenever any notice is required to be given to any shareholder or Director of the Corporation under the provisions of these By-Laws or under the provisions of the Articles of Incorporation or under the provisions of the Connecticut Stock Corporation Act, a waiver thereof in writing, signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to the giving of such notice.

ARTICLE 11. Amendments. These By-Laws may be altered, amended or repealed and new By-Laws may be adopted by the Board of Directors at any regular or special meeting of the Board of Directors provided that notice of the proposed action is contained in the written notice of such meeting.

Exhibit 10.3

ACME UNITED CORPORATION
EMPLOYEE STOCK OPTION PLAN

1. PURPOSE

The purpose of this plan (the "Plan") is to promote the interests of Acme United Corporation (the "Corporation") by enabling its key employees to acquire an increased proprietary interest in the Corporation and thus to share in the future success of the Corporation's business. Accordingly, the Plan is intended as a means not only of attracting and retaining outstanding management personnel but also of promoting a closer identity of interests between employees and stockholders. Since the employees eligible to receive Options under the Plan will be those who are in a position to make important and direct contributions to the success of the Corporation, the Directors believe that the grant of the Options under the Plan will be in the best interests of the Corporation.

2. DEFINITIONS

Unless the context clearly indicates otherwise, the following terms when used in the Plan, shall have the meanings set forth in this Section 2.

(a) "Beneficiary" means the person or persons who shall acquire the right to exercise an option by bequest or inheritance.

(b) "Board of Directors" or "Board" means the Board of the Directors of the Corporation.

(c) "Code" means the Internal Revenue Code of 1986, as amended from time to time.

(d) "Committee" means the Compensation Committee of the Board of Directors, consisting of select Board members who are not employees of the Corporation, but in no event fewer than two (2) such Board members.

(e) "Common Stock" shall mean common stock, par value S2.50 per share, of the Corporation.

(f) "Disability" means a disability as defined in the Corporation's Long-Term Disability Plan, as amended from time to time.

(g) "Fair Market Value" shall mean the closing price for the Common Stock on the date immediately preceding the date on which the option is granted.

(h) "Incentive Stock Option" shall mean a stock option granted pursuant to this Plan and intended to satisfy the requirements of Section 422 of the Code.

(i) "Option" shall mean a stock option granted pursuant to the Plan.

(j) "Optionee" shall mean a person to whom an Option has been granted under the Plan.

(k) "Option Agreement" shall mean the written agreement to be entered into by the Corporation and the Optionee, as provided in Section 6 hereof.

(l) "Retirement" shall mean retirement pursuant to the Retirement Plan for Employees of Acme United Corporation, as amended from time to time.

(m) "Share" shall mean the Common Stock of the Corporation, as adjusted in accordance with Section 16 of the Plan.

(n) "Subsidiary" shall mean any subsidiary corporation of the Corporation within the meaning of Section 424(f)of the Code (or a successor provision of similar import).

Where used herein, unless the context indicates otherwise, words in the masculine form shall be deemed to refer to females as well as to males.

3. SHARES SUBJECT TO THE PLAN

(a) The stock to be covered by the Options is the Common Stock of the Corporation. The aggregate number of shares of Common Stock which may be delivered on exercise of the Options is 150,000 shares, subject to adjustment pursuant to Section 16.

(b) As determined by the Board from time to time, such shares may be previously issued shares reacquired by the Corporation or authorized but unissued shares. If any Option expires or terminates for any reason without having been exercised in full, the Shares covered by the unexercised portion of such Option shall again be available for Options, within the limits specified above.

4. ADMINISTRATION OF THE PLAN

(a) The Plan shall be administered by the Board of Directors of the Corporation, which shall accept, amend, or reject recommendations made by the Committee. In addition to its duties with respect to the Plan stated elsewhere in the Plan, Board shall have full authority, consistent with the Plan, to interpret the Plan, to promulgate such rules and regulations with respect to the Plan as it deems desirable and to make all other determinations necessary or desirable for the administration of the Plan. All decisions, determinations, and interpretations of the Board shall be binding upon all persons.

No member of the Board of Directors or the Committee and no employee of the Corporation shall be liable for any act or action hereunder, whether of omission or commission, by any other member or employee or by any agent to whom duties in connection with the administration of the plan have been delegated in accordance with the provisions of the Plan or, except in circumstances involving his bad faith, for anything done or omitted to be done by himself.

(b) Except as provided in Section 7, it is intended that the stock options granted pursuant to the Plan constitute Incentive Stock Options within the meaning of Section 422 of the Code. The Board shall administer the Plan in such a manner as to establish and maintain such Options as Incentive Stock Options.

(c) The Board may, with the consent of the Optionee, substitute Options which are not intended to be Incentive Stock Options for outstanding Incentive Stock Options. Any such substitution shall not constitute the grant of a new Option for the purposes of this Plan, and shall not require a revaluation of the Option exercised prior to the substituted Option. Any such substitution shall be implemented by an amendment to the applicable Option Agreement or in such other manner as the Board in its discretion shall determine.

(d) The Committee, subject to the approval of the Board, shall make such provision as it deems necessary or appropriate for the withholding of any federal, state, local or other tax required to be withheld with regard to the exercise of an Option under the Plan.

5. EMPLOYEES ELIGIBLE TO RECEIVE OPTIONS

(a) The Board, upon the recommendation of the Committee, shall from time to time in its discretion select the employees to whom the options shall be granted from among the key employees of the Corporation and any Subsidiary.

(b) Members of the Board of Directors who are not regular salaried employees of the Corporation or a Subsidiary shall not be eligible to receive Options.

(c) An individual employee may receive more than one Option.

6. OPTION AGREEMENT

(a) No Option shall be exercised by an Optionee unless he or she shall have executed and delivered an Option Agreement.

(b) Appropriate officers of the Corporation are hereby authorized to execute and deliver Option Agreements in the name of the Corporation as directed from time to time by the Board.

7. GRANTS OF OPTIONS

(a) The Board, acting upon the recommendation of the Committee, shall in it discretion determine the time or times when Options shall be granted and the number of shares of Common Stock to be subject to each Option.

(b) The aggregate fair market value (determined as of the date the Option is granted) of the stock with respect to which Incentive Stock Options are exercisable for the first time by an individual during any calendar year (under all stock option plans of the Corporation and its Subsidiaries) shall not exceed $100,000.00.

(c) No Incentive Stock Option shall be granted to an employee who, at the time the Option is granted, owns (within the meaning of Section 422(b)(6) of the code) stock possessing more than ten percent of the total combined voting power of all classes of stock of the Corporation unless the following requirements are satisfied: (i) notwithstanding the provisions of Section 8, the purchase price for each share of common stock subject to an Option shall be at least 110 percent of the fair market value of the Common Stock subject to the Option at the time the Option is granted; and (ii) the Option is not exercisable after the expiration of five (5) years from the date such Option is granted.

(d) The Board may in its discretion grant Options that are not intended to constitute Incentive Stock Options.

(e) Each Option shall be evidenced by an Option Agreement, in such form as the Board shall from time to time approve, which shall state the terms and conditions of the Option in accordance with the Plan, and also shall contain such additional provisions as may be necessary or appropriate under applicable laws, regulations, and rules.

8. OPTION PRICE

Subject to Section 7(c), the purchase price for each share of Common Stock subject to an Option shall be one hundred percent (100%) of the Fair Market Value of the Common Stock on the date the Option is granted provided, however, that the purchase price shall not be less than the par value of the Common Stock which is the subject of the Option.

9. OPTION PERIOD; EXERCISE RIGHTS

a) Each Option shall be for such term as the Board shall determine, but not more than ten years from the date it is granted, and shall be subject to earlier termination as provided in Section 1O.

b) Options shall be exercisable in accordance with the following schedule: 25% one day after date of grant; 25% one day after first year anniversary of date of grant; 25% one day after second year anniversary of date of grant; 25% one day after third year anniversary of date of grant.

c) Upon the purchase of shares of Common Stock under an Option, the Stock certificate or certificates may, at the request of the purchaser, be issued in his name and the name of another person as joint tenants with the right of survivorship.

d) The exercise of each Option granted under the Plan shall be subject to the condition that if at any time the Corporation shall determine in its discretion that the listing, registration, or qualification of any shares of Common Stock otherwise deliverable upon such exercise upon any securities exchange or under any State or Federal law, or the consent or approval of any regulatory body, is necessary or desirable as a condition of, or in connection with, such exercise or the delivery or purchase of shares thereunder, then in any such event such exercise shall not be effective unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Corporation. Any such postponement shall not extend the time within which the Option may be exercised; and neither the Corporation nor its directors or officers shall have any obligation or liability to the Optionee or to a Beneficiary with respect to any shares of Common Stock as to which the Option shall lapse because of such postponement.

10. EXERCISE RIGHTS UPON TERMINATION OF EMPLOYMENT

(a) Retirement
Except as provided in paragraph (e) of this section 10, if an Optionee retires under a retirement or pension plan of the Corporation or of a Subsidiary, the Optionee's Option shall terminate one year after the date of such retirement but in no event later than the date on which it would have expired if the Optionee had not retired, provided, however, that if the Option is exercised later than three months from the date of such retirement such Option shall not constitute an Incentive Stock Option. During such period the Optionee may exercise the Option in whole or in part notwithstanding the limitations of Section 9(b) or any limitation that may have been set by the Board pursuant thereto.

(b) Disability
Except as provided in paragraph (e) of this section 10, if an Optionee becomes disabled, the Optionee may exercise the Option (i) within one year after the date of Disability, but in no event later than the date on which it would have expired if the Optionee had not become disabled, or (ii) within such other period, not exceeding three years after the date of Disability, as shall be prescribed in the Option Agreement; provided, however, that if the Option is exercised later than one year after the date of Disability, it shall not constitute an Incentive Stock Option. During such period the Optionee may exercise the Option in whole or in part notwithstanding the limitations of Section 9(b) or any limitation that may have been set by the Board pursuant thereto.

(c) Death
If an Optionee dies during a period in which he or she is entitled to exercise an Option (including the period referred to in paragraphs (a),(b),(d),and (e)of this Section 1O), the Option may be exercised at any time within one year from the date of the Optionee's death, but in no event later than the date on which it would have expired if the Optionee had lived, by the Optionee's Beneficiary, in whole or in part notwithstanding the limitations of Section 9(b) or any limitation that may have been set by the Board pursuant thereto.

(d) Termination of Employment for Any Other Reason
Except as provided in paragraph (e) of this section 10, if an Optionee ceases to be employed by the Corporation or a Subsidiary for any reason other than retirement, disability, or death, the Optionee's Option shall terminate 30 days after the date of such cessation of employment, but in no event later than the date on which it would have expired if such cessation of employment had not occurred. During such period the option may be exercised only to the extent that the Optionee was entitled to do so under Section 9(b) at the date of cessation of employment unless the Board, in its sole and nonreviewable discretion, permits exercise of the Option to a greater extent. Except to the extent required by law, the employment of an Optionee shall not be deemed to have ceased upon his or her absence from the Corporation or a Subsidiary on a leave of absence granted in accordance with the usual procedure of the Corporation or Subsidiary.

(e) Notwithstanding any language of the Plan to the contrary, if an Optionee ceases to be employed by the Corporation or a Subsidiary and becomes, or continues to be, a member of the Board of Directors prior to the time the Optionee's Option(s) would have otherwise expired pursuant to this Section 10, the Optionee's Option(s) shall continue to vest in accordance with Section 8(b) hereof and shall continue to be exercisable for the remainder of the term of the Option(s); provided, that, if an Optionee described in this Section 10(e) ceases to be a member of the Board of Directors for any reason, the Optionee's Option(s) shall terminate in accordance with the provisions of Section 2.4(a) of the Amended and Restated Acme United Corporation Non-Salaried Director Stock Option Plan. Any Option which is not exercised by the Optionee within the three-month period immediately following the Optionee's termination of employment, or, in the case of termination of employment on account of Disability, within one year after the date of Disability, shall cease to be an Incentive Stock Option.

11. METHOD OF EXERCISE

(a) Each exercise of an Option shall be by written notice to the Secretary of the Corporation, stating the number of shares to be purchased. An Option may be exercised with respect to all, or any part of, the Shares of Common Stock as to which it is exercisable at the time.

(b) The purchase price of the shares being purchased shall be paid in full at the time the Option is exercised. Such payment shall be made in cash in United States currency.

12. NONTRANSFERABILITY OF OPTIONS

Each Option shall be nonassignable and nontransferable by the Optionee other than by will or by the laws of descent and distribution. Each Option shall be exercisable during the Optionee's lifetime only by the Optionee.

13. SHAREHOLDER RIGHTS

No person shall have any rights of a shareholder by virtue of an Option except with respect to shares actually issued to him and registered on the transfer books of the Corporation, and the issuance of shares shall confer no retroactive right to dividends.

14. USE OF PROCEEDS

The proceeds received by the Corporation from the sale by it of shares of Common Stock to persons exercising an Option pursuant to the Plan will be used for the general purposes of the Corporation or any Subsidiary.

15. GENERAL PROVISIONS

The grant of an Option in any year shall not give the Optionee any right to similar grants in future years or any right to be retained in the employ of the Corporation or any Subsidiary.

16. ADJUSTMENT UPON CHANGES IN CAPITALIZATION

If there is a change in the number or kind of outstanding shares of the Corporation's stock by reason of a stock dividend, stock split, recapitalization, merger, consolidation, combination, or other similar event, appropriate adjustments shall be made by the Board to the number and kind of shares subject to the Plan, the number and kind of shares under Options then outstanding, the maximum number of shares available for Options or the Option Price and other relevant provisions.

17. EFFECT OF MERGER OR OTHER REORGANIZATION

If the Corporation shall be the surviving corporation in a merger or other reorganization, an Option shall extend to stock and securities of the Corporation to the same extent that a holder of that number of Shares immediately before the merger or consolidation corresponding to the number of Shares covered by the Option would be entitled to have or obtain stock and securities of the Corporation under the terms of the merger or consolidation. If the Corporation dissolves, sells substantially all of its assets, is acquired in a stock for stock or securities exchange, or is a party to a merger or other reorganization in which it is not the surviving corporation, then each Option shall be exercisable within the period of sixty (60) days commencing upon the date of the action of the shareholders (or the Board if shareholders' action is not required) is taken to approve the transaction and upon the expiration of that period all Options and all rights thereto shall automatically terminate.

18. TERMINATION; AMMENDMENTS

(a) The Board may at any time terminate the Plan. Unless the Plan shall previously have been terminated by the Board, it shall terminate on February 26, 2012. No Option may be granted after such termination.

(b) The Board may at any time or times amend the Plan or amend any outstanding Option for the purpose of satisfying the requirements of any changes in applicable laws or regulations or for any other purpose which at the time may be permitted by law.

(c) Except as provided in Section 16, no such amendment shall, without the approval of the shareholders of the Corporation: (i) increase the maximum number of shares of Common Stock for which the Options may be granted under the Plan; (ii) reduce the Option price of outstanding Options; (iii) extend the period during, which Options may be granted; (iv) materially increase in any other way the benefits accruing to Optionees; or (v) change the class of persons eligible to be Optionees.

(d) No termination or amendment of the Plan shall without the consent of an Optionee or Beneficiary, adversely affect the Optionee's or Beneficiary's right under any Option previously granted, but it shall be conclusively presumed that any adjustment for changes in capitalization in accordance with Section 16 hereof does not adversely affect any such right.

19. EFFECTIVE DATE

The effective date of the Plan is February 26, 2002.

20. GOVERNING LAW

The Plan shall be construed and its provisions enforced and administered in accordance with and under the laws of Connecticut except to the extent that such laws may be superseded by any Federal law.

Exhibit 10.4

ACME UNITED CORPORATION

Severance Pay Plan

This Severance Pay Plan shall apply to each officer of the Company at the level of Vice President or above under the age of 65.

The Policy pertains to the termination of employment or the equivalent by the Company for any other reason than gross misconduct or having reached the age of 65, the normal retirement age. This Plan applies unless the Salary Continuation Plan applies. For purposes of this Policy, termination or equivalent shall mean any of the following conditions:

1. Employment is terminated involuntarily, including termination as a result of death but excluding termination as a result of disability.
2. The equivalent of termination means: 1) that the responsibility, status, or compensation of the person is reduced or 2) transfer of the person to any unreasonably distant location from the current location.

The severance benefit for any reason other than death shall be determined on the basis of one month's salary for each year of service to the Company. Except that the minimum number of months applies if it produces a larger benefit. The severance benefit as a result of death of the Officer is one months' salary times the number of months indicated below.

Schedule of Benefits

		Termination	
Officer level	Death	Minimum	Maximum
Director of the Company who is also an Officer of the Company at the level of Executive Vice President or above	9 mos.	9 mos.	30 mos.
Senior Vice President and Vice President	6 mos.	6 mos.	18 mos.

END

Revised September 28, 2004

Exhibit 10.5

ACME UNITED CORPORATION

Salary Continuation Plan

This Salary Continuation Plan shall apply to each Officer of the Company at the level of Corporate Vice President or above, under the age of 65.

This Plan shall apply to such Officers only in the event of the disposition of the Company. A disposition of the Company for purposes of this Plan shall include: 1) a sale of substantially all the assets of the Company or a successor or of a Division with more than 50% of the sales of the Company in the preceding full year of operations, such that shareholder approval is required pursuant to state law or corporate charter, 2) the acquisition by any person or group of persons, acting in concert, of legal or beneficial ownership of fifty percent (50%) or more of the voting stock of the Company, or its successor.

Benefits under this Plan shall be paid to any Officer in the event that he or she resigns or is discharged within one (1) year of the disposition of the Company. An Officer may resign and qualify for the benefits of this policy if the disposition description above has occurred. An Officer shall be deemed to be discharged if: 1) the Officer's employment is terminated involuntarily; 2) the responsibility, status, or compensation of an Officer is reduced; 3) the Officer is transferred to a location unreasonably distant from his or her current location. Such benefits shall be payable as follows:

Base salary: The monthly salary rate being paid to the officer at the date of disposition times the number of "months of compensation payable" in the schedule below.

Incentive Bonus: The average monthly payment for the prior three taxable years times the number of "months of compensation payable" in the schedule.

Insurance benefits: Continuation into the future medical, life and AD&D insurance which was in effect at the date of disposition for the number of "months of compensation payable" in the schedule.

The amounts due the Officer(s) under the Plan for Base Salary and Incentive Bonus shall be paid in a lump sum no later than thirty (30) days after the date that such an Officer submits a notice to the Board (or its successor) that he or she is entitled to and wishes to exercise his or her right to benefits within the meaning of the Plan. The same level of insurance extant at the time of disposition, or at time of notification if greater, will be made available to the Officer over the number of months in the schedule.

Officer Title	Months of compensation payable
Director of the Company who is also an Officer of the Company at the level of Executive Vice President or above	36 months
Senior Vice President and Vice President	24 months

Notwithstanding the above, such benefits will be available to any Director of the Company who is also an Officer of the Company at the level of Executive Vice President or above within two (2) years following the date of disposition.

This Plan will remain in effect until modified or terminated by action of the Board of Directors provided that benefits payable to any Officer shall not be reduced, nor shall any rights accruing to any Officer hereunder be diminished.

Nothing contained in the Plan shall be deemed to provide benefits to any such Officer in the event of resignation or discharge in the absence of a disposition of substantially all, of the Company, nor shall this Plan be deemed an employment contract.

The Company shall reimburse any Officer for reasonable legal fees incurred in enforcing the terms of this Plan provided such Officer prevails in such action.

END

Revised September 28, 2004