

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2003

OR

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

For the transition period from _____ to _____

Commission file number Q4823

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

CONNECTICUT

(State or other jurisdiction
of incorporation or organization)

06-0236700

(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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Registrant had 3,373,251 shares outstanding as of April 30, 2003 of its \$2.50 par value Common Stock.

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ACME UNITED CORPORATION

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PART I. FINANCIAL INFORMATION

ACME UNITED CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(all amounts in thousands, except per share data)

	March 31 2003	December 31 2002
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 789	\$ 597
Accounts receivable, less allowance	6,059	6,410
Inventories:		
Finished goods	5,791	5,307
Work in process	489	374
Raw materials and supplies	932	994
	-----	-----
	7,212	6,675
Prepaid expenses and other current assets	571	517
Deferred income taxes	459	733
	-----	-----
Total current assets	15,090	14,932
	-----	-----
Property, plant and equipment:		
Land	205	198
Buildings	2,286	2,302
Machinery and equipment	5,251	5,801
	-----	-----
	7,742	8,301
Less accumulated depreciation	5,473	6,019
	-----	-----
	2,269	2,282
Other assets	286	311
Deferred income taxes	26	-
Goodwill	89	89
	-----	-----
Total assets	\$ 17,760	\$ 17,614
	=====	=====

See notes to condensed consolidated financial statements.

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ACME UNITED CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS - continued
(UNAUDITED)

(all amounts in thousands, except per share data)

	March 31 2003	December 31 2002
	-----	-----
LIABILITIES		
Current liabilities:		
Notes payable	\$ -	\$ 362
Accounts payable	1,206	1,296
Other accrued liabilities	1,587	2,027
Current portion of long-term debt	3,397	2,731
	-----	-----
Total current liabilities	6,190	6,416
Long-term debt, less current portion	2,061	2,033

Other	732	685
Total liabilities	8,983	9,134
STOCKHOLDERS' EQUITY Common stock, par value \$2.50: authorized 8,000,000 shares; issued 3,613,312 shares, including treasury stock	9,131	9,131
Treasury stock, at cost - 279,061 shares in 2003 and 269,061 shares in 2002	(1,184)	(1,152)
Additional paid-in capital	2,029	2,029
Retained earnings	866	788
Accumulated other comprehensive loss:		
Translation adjustment	(1,116)	(1,350)
Minimum pension liability	(949)	(949)
Derivative financial instrument	-	(17)
Total stockholders' equity	8,777	8,480
Total liabilities and stockholders' equity	\$ 17,760	\$ 17,614

See notes to condensed consolidated financial statements.

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ACME UNITED CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME
(UNAUDITED)

(all amounts in thousands of dollars, except per share amounts)

	Three Months Ended March 31	
	2003	2002
Net sales	\$ 7,189	\$ 6,754
Costs and expenses:		
Cost of goods sold	4,307	4,612
Selling, general and administrative expenses	2,301	1,943
	6,608	6,555
Income before non operating items	581	199
Non operating items:		
Interest expense	79	146
Other (income)expense	150	(84)
	229	62
Income before income taxes	352	137
Income tax expense	274	15
Net income	78	122
Other comprehensive (expense) income -		
Foreign currency translation	234	(36)
Change in fair value of derivative financial instrument less deferred income taxes of \$9 in 2003 and \$19 in 2002	17	31
Comprehensive income	\$ 329	\$ 117
Basic earnings per share	\$ 0.02	\$ 0.03
Diluted earnings per share	\$ 0.02	\$ 0.03
Weighted average number of common shares outstanding- denominator used for basic per share computations	3,378	3,410
Weighted average number of dilutive stock options outstanding	102	202
Denominator used for diluted per share computations	3,480	3,612

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See notes to condensed consolidated financial statements

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ACME UNITED CORPORATION
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(UNAUDITED) (all amounts in thousands of dollars)

	Three Months Ended March 31	
	2003	2002
Operating Activities:		
Net income	\$ 78	\$ 122
Adjustments to reconcile net income to net cash provided (used) by operating activities:		
Depreciation	104	125
Amortization	6	34
Deferred income taxes	274	
Changes in operating assets and liabilities:		
Accounts receivable	391	(839)
Inventories	(410)	455
Prepaid expenses and other current assets	2	(157)
Other assets	33	
Accounts payable	117	(532)
Other accrued liabilities	(591)	(382)
Total adjustments	(74)	(1,296)
Net cash provided (used) by operating activities	4	(1,174)
Investing Activities:		
Purchase of plant, property and equipment	(114)	(54)
Purchase of patents and trademarks	(17)	
Net cash (used) by investing activities	(131)	(54)
Financing Activities:		
Net short-term borrowings	321	1,248
Payments of long-term debt		(29)
Purchase of 10,000 shares of common stock in 2003 for treasury	(32)	
Net cash provided by financing activities	289	1,219
Effect of exchange rate changes	30	(36)
Net change in cash and cash equivalents	192	(45)
Cash and cash equivalents at beginning of period	597	172
Cash and cash equivalents at end of period	\$ 789	\$ 127

See notes to condensed consolidated financial statements

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Notes to CONDENSED CONSOLIDATED Financial Statements
(UNAUDITED)

Note 1 -- Basis of Presentation

In the opinion of management, the accompanying condensed consolidated financial statements include all adjustments necessary to present fairly the financial position, results of operations and cash flows. However, the financial statements do not include all of the disclosures normally required by accounting principles generally accepted in the United States of America or those normally made in the Company's annual report on Form 10-K. Please refer to the Company's annual report on Form 10-K for the year ended December 31, 2002 for such

disclosures. The condensed consolidated balance sheet as of December 31, 2002 was derived from the audited consolidated balance sheet as of that date. The results of operations for interim periods are not necessarily indicative of the results to be expected for the full year.

Note 2 -- Contingencies

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

Note 3 -- Accounting for Stock-Based Compensation

At March 31, 2003, 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 greater 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.

	March 31 2003	March 31 2002
Net income, as reported	\$ 77,834	\$ 121,677
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related income tax effects	18,977	23,025
Pro forma net income	\$ 58,857	\$ 98,652
Basic-as reported	\$ 0.02	\$ 0.03
Basic-pro forma	\$ 0.02	\$ 0.03
Diluted-as reported	\$ 0.02	\$ 0.03
Diluted-pro forma	\$ 0.02	\$ 0.03

Note 4 -- Litigation Settlement

As a result of significant developments in the first quarter of 2003 the Company's German subsidiary settled litigation for \$175,000. This exceeded previous accruals by \$153,000 and has been charged to expense.

Note 5 -- Income taxes

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.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Three Months Ended March 31, 2003

Results of Operations

Net Sales

Traditionally, the Company's sales are stronger in the second and third quarters, and weaker in the first and fourth quarters of the fiscal year due to the seasonal nature of the business specific to the back-to-school season. Consolidated net sales for the quarter ended March 31, 2003 were \$7,189,000 compared with \$6,755,000 for 2002, a 6% increase. Excluding the favorable effect of currency gains in Canada and Europe the net sales increase represented 4%. The sales increase was mainly driven by a 13% increase in the U.S. due to the success of new product launches. International sales were down 18% in local currency principally due to discontinuing certain product lines in the UK business and a weak economy in Germany.

Gross Profit

The gross profit for the first quarter of 2003 was \$2,882,000 (40% of net sales) compared to \$2,143,000 (32% of net sales) for the first quarter of 2002. The introduction of new products coupled with higher sales to a significant customer 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. The U.S. accounted for approximately 60% of the 8% point improvement. Gross margin is expected to vary in future quarters depending on product, customer and entity mix.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses for the first quarter of 2003 were \$2,301,000 (32% of net sales) compared with \$1,943,000 (29% of net sales) for the same period of 2002, an increase of \$358,000. Major contributors to the increase were market research, new product development and the addition of sales executives in Canada and Europe.

Interest Expense

Interest expense for the first quarter of 2003 was \$79,000, compared with \$147,000 for 2002, a \$68,000 decrease. This is mainly attributable to the decline in debt and lower interest rates. Total debt declined to \$5,548,000 million at March 31, 2003 compared to \$6,871,000 million at March 31, 2002.

Other Expense

Net other expense was \$150,000 in the first quarter of 2003 compared to net other income of \$84,000 in the first quarter of 2002. The change from 2002 relates to the settlement of a lawsuit in Germany in late March of 2003 and the gain on sale of equipment in 2002.

Income Before Income Taxes

Income before income taxes was \$352,000 in the first quarter of 2003 compared with \$137,000 in the first quarter of 2002, an increase of \$215,000. Pretax income for North America was \$730,000 compared to \$312,000 in 2002. The European operations lost \$378,000 including a one-time expense of \$175,000 for settlement of a lawsuit. The pretax loss in Europe for the first quarter of 2002 was \$175,000.

Income Taxes

Income tax expense for the first quarter of 2003 was \$274,000 compared to \$15,000 in the first quarter of 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 taxes includes losses in foreign subsidiaries with no income tax benefit resulting in a high effective income tax rate.

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Net Income

Net income for the first quarter of 2003 was \$78,000, or 2 cents per share (diluted), compared to a net income of \$122,000, or 3 cents per share (diluted) for the same period of 2002.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS-Continued

For the Three Months Ended March 31, 2003

Financial Condition

Liquidity and Capital Resources

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

	March 31, 2003 -----	December 31, 2002 -----
Working capital.....	\$8,900,000	\$8,516,000
Current ratio.....	2.44 to 1	2.33 to 1
Long-term debt to equity ratio.....	23.0%	24.0%

During the first three months of 2003, total debt increased by \$332,000 compared to total debt at December 31, 2002 principally as a result of net additional short-term borrowings to fund inventory purchases in anticipation of next quarter's seasonal sales volume.

The Company has a revolving loan agreement, which allows for borrowings up to a maximum of \$10,000,000 based on a formula, which applies specific percentages to balances of accounts receivable and inventory. Interest is payable monthly and is charged at the LIBOR rate plus 1.75 percent. As of March 31, 2003, \$4,481,612 was outstanding and \$2,429,460 was available for borrowing under this agreement. Maturities of long-term debt follow: 2004 - \$2,913,000, 2005 - \$1,120,000, and 2006 - \$448,612. All outstanding borrowings are due on July 31, 2005.

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

Safe Harbor for Forward-looking Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS-Continued
For the Three Months Ended March 31, 2003

Item 3. Quantitative and Qualitative Disclosure About Market Risk

There are no material changes in market risks since our most recent filing on Form 10-K for the year ended December 31, 2002.

Item 4. Controls and Procedures

(a) Evaluation of Internal Controls and Procedures

As of a date within 90 days prior to the date of the filing of this report, 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 our disclosure controls and procedures are 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 Controls

Subsequent to the date of their evaluation, there have not been any significant changes in our internal controls or in other factors that could significantly affect these controls, including any corrective action with regard to significant deficiencies and material weaknesses.

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PART II. OTHER INFORMATION

Item 1 -- Legal Proceedings

None.

Item 2 -- Changes in Securities

None.

Item 3. -- Defaults Upon Senior Management

None

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

- A. The Annual Meeting was held on April 28, 2003.
- B. The following individuals were elected Directors at the Meeting and comprise the entire Board.

	Votes for -----	Votes against -----	Votes withheld -----
George R. Dunbar	3,213,194	156,219	177,892
Richmond Y. Holden, Jr.	3,213,873	155,540	177,892
Walter C. Johnsen	3,263,873	105,540	177,892
Wayne R. Moore	3,213,799	155,614	177,892
Susan H. Murphy	3,213,673	155,740	177,892
Brian Olschan	3,213,873	155,540	177,892
Gary D. Penisten	3,263,799	105,614	177,892
Stevenson E. Ward III	3,213,873	155,540	177,892
	-----	-----	-----
	3,194,330	174,287	178,688

- C. Approval of an Amendment to the Company's Certificate of Incorporation to broaden the indemnification of directors and officers to the fullest extent permitted by applicable law and limiting the liability of directors was approved.

Item 5 -- Other Information

None.

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

Exhibit 99.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Form 8-K was filed by the Company on April 29, 2003.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ACME UNITED CORPORATION

By /s/ WALTER C. JOHNSEN

Walter C. Johnsen
President and
Chief Executive Officer

Dated: April 30, 2003

By /s/ PAUL G. DRISCOLL

Paul G. Driscoll
Vice President and
Chief Financial Officer

Dated: April 30, 2003

(13)

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:

1. I have reviewed this quarterly report on Form 10-Q of Acme United Corporation;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures 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 quarterly report is being reported;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to filing date of this quarterly report March 31, 2003; and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of March 31, 2003;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's

- ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b) any fraud, whether or not material, that involves management or other employees who have significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

By /s/ WALTER C. JOHNSEN

 Walter C. Johnsen
 President and
 Chief Executive Officer

Dated: April 30, 2003

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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:

1. I have reviewed this quarterly report on Form 10-Q of Acme United Corporation;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures 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 quarterly report is being reported;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date 90 days prior to filing date of this quarterly report March 31, 2003; and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of March 31, 2003;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have significant role in the registrant's

internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

By /s/ PAUL G. DRISCOLL

Paul G. Driscoll
Vice President and
Chief Financial Officer

Dated: April 30, 2003

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Exhibit 99.1

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 quarterly report on Form 10-Q for the quarterly period ended March 31, 2003 (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(b), 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: April 30, 2003

By /s/ PAUL G. DRISCOLL

Paul G. Driscoll
Vice President and
Chief Financial Officer

Dated: April 30, 2003

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