SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2001

OR

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

For the transition period from ______ to ______

Commission file number Q4823

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

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

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

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

Registrant had 3,508,305 shares outstanding as of July 31, 2001 of its $2.50 par value Common Stock.

ACME UNITED CORPORATION

PART I. FINANCIAL INFORMATION

ACME UNITED CORPORATION

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

	June 30 2001	December 31 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 48	$ 22
Accounts receivable, less allowance	10,049	5,973
Inventories:		
Finished goods	7,034	7,980
Work in process	635	493
Raw materials and supplies	1,744	1,549
	9,413	10,022
Prepaid expenses and other current assets	780	433
Available-for-sale marketable equity security	274	-
Total current assets	20,564	16,450
Property, plant and equipment:		
Land	163	180
Buildings	1,996	2,007
Machinery and equipment	6,244	6,545
	8,403	8,732
Less accumulated depreciation	5,606	5,610
	2,797	3,122
Other assets	1,393	1,374
Goodwill, less accumulated amortization	162	172
Total assets	$ 24,916	$ 21,118

See notes to condensed consolidated financial statements.

ACME UNITED CORPORATION

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

	June 30 2001	December 31 2000
LIABILITIES		
Current liabilities:		
Notes payable	$ 536	$ 504

Accounts payable	2,925	2,260
Other accrued liabilities	3,708	3,139
Current portion of long term debt	3,811	2,085
Total current liabilities	10,980	7,988
Long term debt, less current portion	4,909	4,925
Other	368	313
Total liabilities	16,257	13,226
STOCKHOLDERS' EQUITY Common stock, par value $2.50: authorized 8,000,000 shares; issued 3,613,312 shares, including treasury stock	9,033	9,033
Treasury stock, at cost-105,007 shares	(648)	(648)
Additional paid-in capital	2,038	2,038
Retained-earnings deficit	(457)	(1,152)
Accumulated other comprehensive income (loss):		
Foreign Currency translation adjustment	(1,426)	(1,379)
Derivative financial instrument losses	(155)	-
Unrealized gain on available-for-sale marketable equity security	274	-
	(1,307)	(1,379)
Total stockholders' equity	8,659	7,892
Total liabilities and stockholders' equity	$ 24,916	$ 21,118

See notes to condensed consolidated financial statements.

ACME UNITED CORPORATION

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

	Three Months Ended June 30		Six Months Ended June 30	
	2001	2000	2001	2000
Net sales	$ 10,642	$ 10,201	$ 18,592	$ 18,242
Costs and expenses:				
Cost of goods sold	6,575	6,785	11,689	12,007
Selling, general and administrative expenses	3,464	2,737	5,876	5,161
	10,039	9,522	17,565	17,168
Income before non operating items	603	679	1,027	1,074
Non operating items:				
Interest expense	206	234	409	440
Other income (expense)	81	(21)	102	(3)
Income before income taxes	478	424	720	631
Income taxes	13	10	25	10
Net income	465	414	695	621
Other comprehensive (expense) income -				
Foreign currency translation	49	(78)	(47)	(66)
Cumulative effect of change in accounting for derivative financial instruments	-	-	(104)	-
Change in fair value of derivative financial instruments	7	-	(51)	-
Unrealized gain on available-for-sale marketable equity security	274	-	274	-
Comprehensive income	$ 795	$ 336	$ 767	$ 555

Basic earnings per share	$ 0.13	$ 0.12	$ 0.20	$ 0.18
Diluted earnings per share	$ 0.13	$ 0.12	$ 0.19	$ 0.17
Weighted average number of common shares outstanding- denominator used for basic per share computations	3,508	3,507	3,508	3,507
Weighted average number of dilutive stock options outstanding	107	83	106	54
Denominator used for diluted per share computations	3,615	3,590	3,614	3,561

See notes to condensed consolidated financial statements.

ACME UNITED CORPORATION

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

	Six Months Ended June 30	
	2001	2000
Operating Activities:		
Net income	$ 695	$ 621
Adjustments to reconcile net income to net cash used by operating activities:		
Depreciation	287	342
Amortization	68	90
(Gain) loss on sale of property, plant, and equipment	(64)	12
Changes in operating assets and liabilities:		
Accounts receivable	(4,076)	(2,038)
Inventories	609	(1,003)
Prepaid expenses and other current assets	(347)	(293)
Other assets	(19)	(262)
Accounts payable	665	702
Other accrued liabilities	569	(351)
Total adjustments	(2,308)	(2,801)
Net cash used by operating activities	(1,613)	(2,180)
Investing Activities:		
Capital expenditures	(126)	(223)
Proceeds from sale of property, plant, and equipment	104	233
Net cash (used) provided by investing activities	(22)	10
Financing Activities:		
Net borrowings on short term borrowings	1,748	2,769
Borrowings of long term debt	-	325
Payments of long term debt	(38)	(927)
Debt issuance costs	(2)	(142)
Net cash provided by financing activities	1,708	2,025
Effect of exchange rate changes	(47)	66
Change in cash and cash equivalents	26	(79)
Cash and cash equivalents at beginning of period	22	88
Cash and cash equivalents at end of period	$ 48	$ 9

See notes to condensed consolidated financial statements.

Notes to CONDENSED CONSOLIDATED Financial Statements

(Unaudited)

Note 1 -- Basis of Presentation

In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments necessary to present fairly the financial position, results of operations and cash flows. However, the financial statements do not include all of the disclosures normally required by accounting principles generally accepted in the United States or those normally made in the Company's annual report on Form 10-K. Please refer to the Company's annual report on Form 10-K for the year ended December 31, 2000 for such disclosures. The condensed consolidated balance sheet as of December 31, 2000 was derived from the audited consolidated balance sheet as of that date. The results of operations for the six months ended June 30, 2001 are not necessarily indicative of the results to be expected for the full year.

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

Note 2 -- Contingencies

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

Note 3 -- New Accounting Standards

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

As a result of adoption of Statement 133, the Company recognizes all derivative financial instruments, such as interest rate swap contracts and foreign exchange contracts, in the consolidated financial statements at fair value regardless of the purpose or intent for holding the instrument. Changes in the fair value of derivative financial instruments are either recognized periodically in operations or in shareholders' equity as a component of accumulated comprehensive income depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value hedge or cash flow hedge. Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in 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 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 as part of the cumulative translation adjustment. Changes in fair values of derivatives not qualifying as hedges are reported in operations.

The adoption of Statement 133 resulted in a cumulative effect of an accounting change of $104,000 decrease to other comprehensive income.

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

In April 2001, the Emerging Issues Task Force issued consensus No. 00-25, Vendor Income Statement Characterization of Consideration from a Vendor to Retailer (EITF 00-25), which concludes that consideration paid by a company to a reseller of its product is presumed to be a reduction of the selling price of the company's product and, therefore, should be characterized as a reduction of revenue when recognized in the company's income statement. The presumption is overcome and the consideration should be characterized as a cost incurred if, and to the extent that, an identifiable benefit is or will be received from the reseller in return for the consideration and that the company can reasonably estimate the fair value of that benefit. The Company will be required to apply the provisions of EITF 00-25 in the first quarter of 2002. The adoption of EITF 00-25 will have no effect on net income. The company is currently reviewing the consensus to determine its applicability.

Note 4 -- Investment

Marketable equity securities are classified as available-for-sale. Available-for-sale securities are carried at fair value, with the unrealized gains and losses reported in a separate component of stockholder equity. At June 30, 2001, the Company has a single investment with a fair value of $274,000 and a nominal cost.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the Six Months Ended June 30, 2001

Results of Operations

Net Sales

Traditionally, the Company's sales are stronger in the second and third quarters, and weaker in the first and fourth quarters of the fiscal year due to the seasonal nature of the business specific to the back-to-school season. Consolidated net sales for the quarter ended June 30, 2001 were $10,642,000 compared with $10,201,000 for 2000, a 4% increase. Excluding negative effects from foreign currency fluctuations, net sales would have increased 5% for the second quarter. Net sales for the first six months of 2001 were $18,592,000 compared with $18,242,000 for 2000, a 2% increase. Excluding negative effects from foreign currency fluctuations, year-to-date net sales would have increased 4%.

Domestic sales increased 11% in the second quarter of 2001 compared with the same period in 2000. Strong market share gains in the super stores and the mass market more than offset some weakness in the commercial segment, which has been negatively impacted by the U.S. economy. Sales domestically for the first six months of 2001 increased 6% over the prior period. International sales for the second quarter of 2001 were 12% below 2000 levels, 4% of the loss was due to the negative impact of foreign currency fluctuations. Sales growth in Canada driven by market share increases into the office super stores offset weakness in England and Germany. International sales for the first six months were 7% below prior year levels. International sales would have been flat with previous year levels excluding the significant drop in the country currencies in which Acme operates.

Gross Profit

Gross profit for the second quarter of 2001 was $4,067,000 (38.2% of net sales) compared to $3,416,000 (33.5% of net sales) for the second quarter of 2000. Gross profit for the first six months of 2001 was 37.1% of net sales compared to 34.2% in the same period of 2000. The introduction of new products, coupled with improved operating efficiencies in the USA, were the main reasons for the improved gross margins.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses for the second quarter of 2001 were $3,464,000 (32.6% of net sales) compared with $2,737,000 (26.8% of net sales) for the same period of 2000, an increase of $727,000. Strategic advertising investment was the main reason for the increase. SG&A expenses were 31.6% of net sales for the first six months of 2001 versus 28.3% in the comparable period of 2000.

Income

Net income for the second quarter of 2001 is $465,000, (an increase of 12%) or 13 cents per share (diluted) compared to a net income of $414,000, or 12 cents per share (diluted) for the same period of 2000. Net income for the first six months is $695,000, (an increase of 12%) or 19 cents per share (diluted) compared to net income of $621,000, or 17 cents per share (diluted).

Financial Condition

Liquidity and Capital Resources

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

	June 30, 2001	December 31, 2000
Working capital....................	$9,584,000	$8,462,000
Current ratio......................	1.87 to 1	2.06 to 1
Long term debt to equity ratio.....	.57	.62

During the first six months of 2001, total debt increased by $1,710,000 compared to total debt at December 31, 2000 as a result of additional borrowings for higher inventory levels and accounts receivable due to seasonal sales volume. At June 30, 2001, advances to suppliers were approximately $218,000 and are included with prepaid expenses and other current assets.

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

Pending Adoption of Accounting Standard

As discussed in Note 3, in April 2001, the Emerging Issues Task Force issued consensus No. 00-25, Vendor Income Statement Characterization of Consideration from a Vendor to Retailer (EITF 00-25). The company is currently reviewing the consensus to determine its applicability.

Safe Harbor for Forward-looking Statements

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

PART II. OTHER INFORMATION

Item 1 -- Legal Proceedings

None.

Item 2 -- Changes in Securities

None.

Item 3 -- Defaults Upon Senior Securities

None.

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

None.

Item 5 -- Other Information

None.

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

None.

SIGNATURES

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

ACME UNITED CORPORATION

By /s/ WALTER C. JOHNSEN

Walter C. Johnsen
President and
Chief Executive Officer

Dated: July 31, 2001

By /s/ RONALD P. DAVANZO

Ronald P. Davanzo
Vice President and
Chief Financial Officer

Dated: July 31, 2001