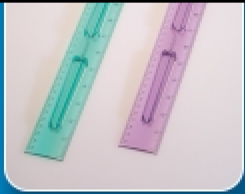
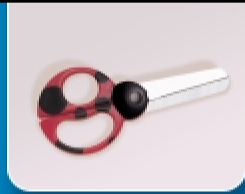
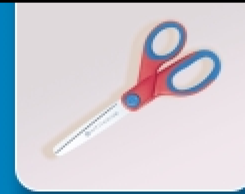





2003 Annual Report

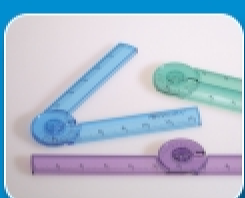
Acme United

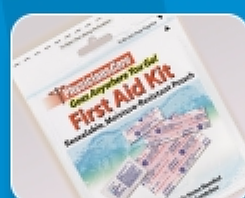


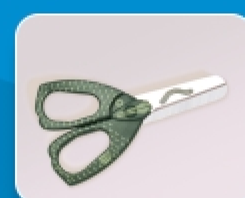
focus on innovation

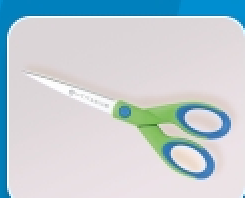
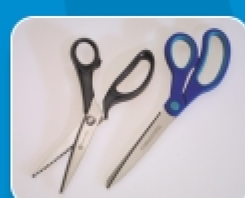
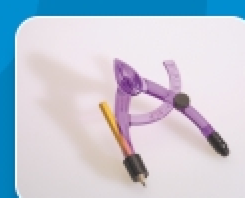
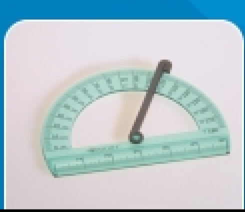
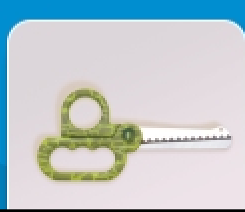


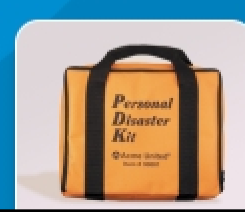










Acme United Corporation is one of the largest worldwide suppliers of cutting devices, measuring instruments and safety products for the school, home, and office markets. The company has facilities in the U.S., Canada, England, Germany, Hong Kong and China. We aspire:

- To be the leading supplier of cutting, measuring, and safety products to offices, schools and homes worldwide.
- To be known for quality and innovation in all the categories in which we participate.
- To enter new categories with innovation that surpasses the competition.

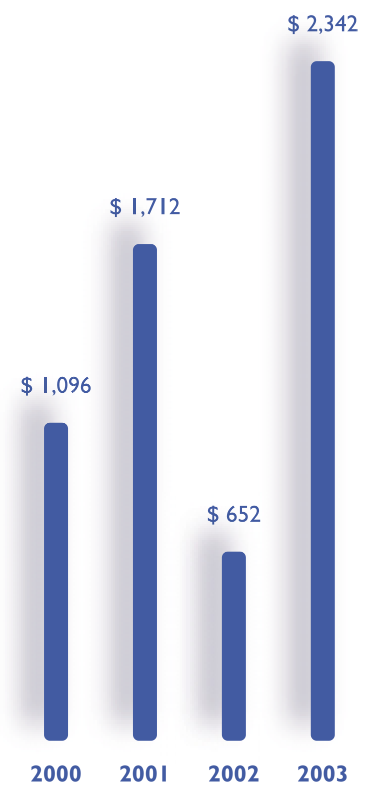
On the cover…

we proudly feature some of the dozens of new products released in 2003. In all, over 60 new products were brought to market.

Financial Highlights

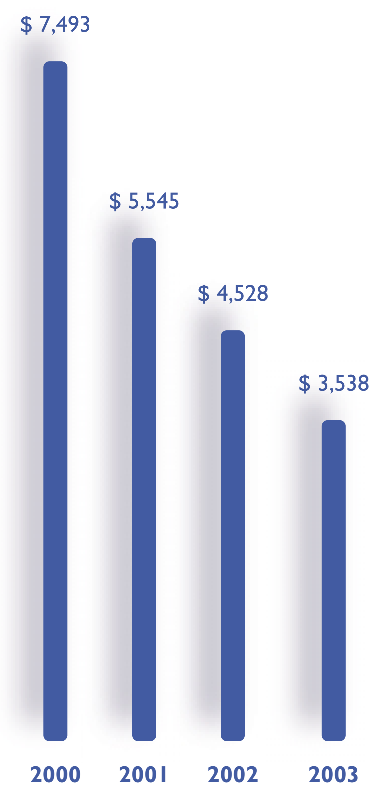
(Amounts in thousands except per share data)

	2003	2002	2001
Operating Results			
Net Sales	$ 34,975	$ 30,884	$ 33,082
Net Income	1,222	659	1,280
Net Income Per Share	0.34	0.19	0.36
Financial Positions at December 31			
Working Capital	$ 10,777	$ 8,516	$ 8,760
Total Assets	20,023	17,614	20,173
Total Net Debt	3,538	4,528	5,545
Shareholders' Equity	10,179	8,480	8,672



Pre-Tax Income

(dollars in thousands)



Total Net Debt

(dollars in thousands)

To My Fellow Shareholders

Acme United generated strong results in 2003. Net sales were $35.0 million, an increase of 12% over 2002. Pretax income tripled to $2.2 million. Net income was $1.2 million, an increase of 44%. Total debt less cash declined 20% to $3.5 million despite the repurchase of 3% of the Company's outstanding common stock and internal financing of our growth.

Our sales increased due to successful new product introductions and market share gains. Innovation is reinforced relentlessly and is part of our culture. Products introduced during the past 36 months accounted for 23% of domestic sales in 2003, and there is a 3-year pipeline of planned introductions.

Acme's patented titanium scissor line continues to make inroads in the market. Our proprietary titanium steel blades increase the hardness of the cutting edge, and provide sharpness longevity far beyond traditional scissors. The technology is being applied to our new titanium paper trimmers and a range of future new introductions.

We successfully introduced a new line of patented measuring and math products during 2003. Acme's commercial customers have enthusiastically purchased our new line of high-quality aluminum rulers with professional graphics. Our back-to-school customers endorsed our new ergonomically designed rulers, compasses, and protractors.

Acme expanded its line of safety products, and has become the primary consolidator of these items in the commercial office market. Our line of hearing, eye, and head protection continues to grow, and benefits from increased priority in the workplace. We also introduced new first aid and disaster kits late in the year, which have now been placed in broad distribution.

Gross margins increased to 42.3% in 2003 compared to 39.7% in the prior year. We achieved operating efficiencies from increased volumes, productivity enhancements, and new products.

Acme increased spending to improve the support of our customers. We upgraded our forecasting software, expanded our electronic order entry capabilities, and instituted weekly sales reviews at the store and warehouse levels for a number of our customers. We increased our commitment to their advertising and promotional programs, and were proactive in providing new product samples. We built inventory levels to respond to surges in demand and unanticipated sales. These investments will continue to increase as we strive to become the best global supplier of our products.

"Our sales increased due to successful new product introductions and market share gains."

We opened our new subsidiary, Acme United (Asia Pacific), Ltd., in Hong Kong in November 2003. This is an important strategic step. The new office facilitates global sales directly from Hong Kong, provides the platform for sales into Asia, and enhances our direct import program to customers worldwide. We expect to improve our product consolidation capabilities and strengthen our logistics reach. The new subsidiary will also expand our engineering and quality assurance activities in Asia.

I would like to thank our customers for their support during 2003, and commit that we will continue working to become their best supplier of cutting, measuring, and safety products.

Our employees made the objectives set forth last year happen. They worked with great intensity and I thank them with enthusiasm.

We have an aggressive plan in 2004 and are committed to delivering another year of performance.

Thank you for your support.

Sincerely,

Walter C. Johnsen

President and CEO

"Innovation is reinforced relentlessly and is part of our culture."

Office & Home

From office to home, Acme United products offer consumers a wide variety of choices for specific cutting needs.

Scissors

Acme introduced new titanium office scissors in 2003 that were enthusiastically received by our customers. These products gained momentum throughout the year, and we expanded our titanium technology to related cutting items in other markets.

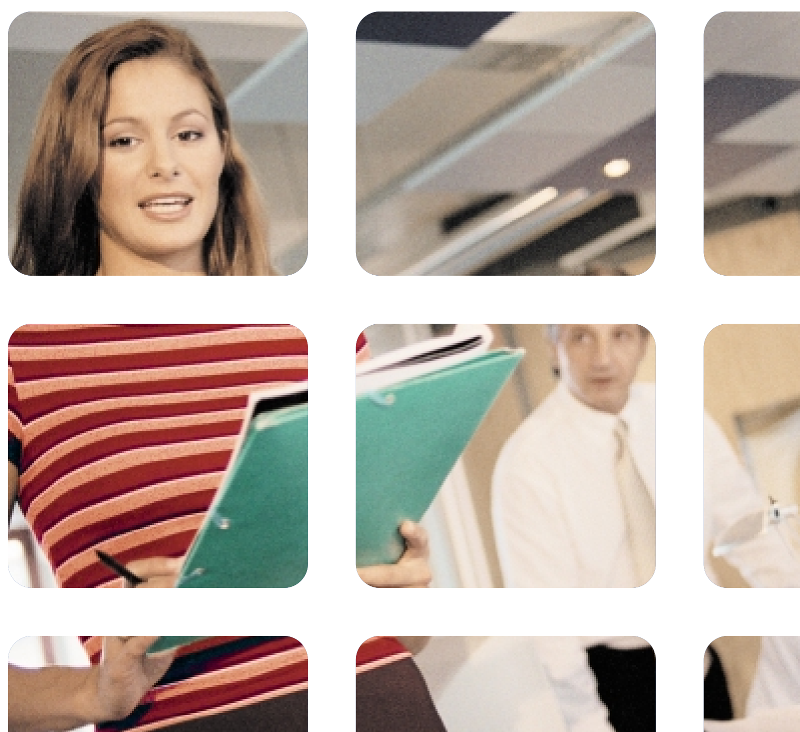
A proprietary sewing line was successfully introduced in early 2003, featuring titanium blades, unique handles, and distinctive packaging. These titanium sewing scissors stay sharp longer and provide smoother cutting on multiple layers of fabric than competitive products.

Acme also introduced new titanium kitchen shears and snips for cutting meat, fish, and produce. These exceptional products provide many benefits including anti-bacterial handles and titanium blades that stay sharp and resist corrosion. All the kitchen products are dishwasher safe.

We reinvigorated our long-standing Eversharp® and Kleencut® brands, which have a strong history in the commercial market. We leveraged their heritage in the consumer market, and introduced new proprietary designs for a major U.S. retailer.

Guillotine Paper Trimmers

We launched our paper trimmer line in 2003. This product family ranges from opening price point items to our proprietary titanium trimmers with unique handles and storage compartments. We are excited about the prospects of this line, and have an aggressive new product development program underway.



School Products

The launch of over two dozen new school products resulted in an exceptionally strong back-to-school selling season.

In 2003, Acme United brought innovation to the school market with the introduction of several new proprietary lines designed to excite retailers and consumers. Key product introductions included:

Scissor Critters™ — the launch of four new animal-shaped scissors created a stir with consumers. The popular designs included "Lady" the ladybug, "Croc" the crocodile, "Flutter" the butterfly and "Guppy" the freshwater fish. This line received American Graphic Design Awards for products and packaging. More designs are planned as well as accessory products.

Titanium for Kids! — four new children's titanium scissors with playful colors and vibrant packaging. While designed for kids, these products provide terrific adult performance.

Westcott™ Translucent Math Products — new translucent math products, all created by Acme United, were brought to market. The line re-energized commodity products including protractors, compasses, rulers and pencil sharpeners. Designs incorporated multi functional aspects, such as the Folding Ruler with Protractor, and unique designs, including a Pencil Holder with Sharpener.

Smooth Grip Scissors — a composition that almost feels like silk was incorporated into a scissor handle. In addition to the finish, a unique design was created that featured translucent handles. Significant product extensions are underway for 2004.

ZigZagz Interchangeable Blade Scissors — this Acme United proprietary design:

- provides craft blades that are safe for children
- eliminates the need to buy multiple craft scissors
- capitalizes on the current demand in scrapbooking
- is particularly well-suited for schools, and the product has been well received for its strong cutting performance

The interchangeable blade feature optimizes space and investment for our retail partners as well as for consumers, allowing them to stock or purchase a single product that procides multiple cutting patterns.

New product packaging was introduced for the children's scissors lines, featuring contemporary graphics and an age suitability icon system. This helps the consumer select the appropriate scissors for each child.

Safety Products

We are committed to developing products that add value for our customers.

Safety Products

Acme United is a leading supplier of safety products, including first aid kits, and hearing, eye, and head protection. We are committed to developing products that add value for our customers. What follows are some examples of our new items.

Acme introduced its Physicians Care brand of over-the-counter medications in 2003. Initial medications include aspirin, acetaminophen, and ibuprofen, with others to follow in 2004. There has been excellent commercial placement of these products.

We developed a personal disaster kit in response to strong corporate demand. This kit was designed to meet basic personal needs during the initial 24 hours after a disaster. Packed in a soft-sided, orange zippered case, it contains basic items such as bottled water, food bars, a flashlight, and an emergency blanket.

One of the most exciting new products is our new Physicians Care brand of on-the-go first aid kits. These kits provide transportable essentials in a lightweight, resealable pouch. They are ideal for the briefcase, pocketbook, desk, or car, and are now placed at retail.

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, 2003

OR

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

Commission file number 0-4823

ACME UNITED CORPORATION

Exact name of registrant as specified in its charter

Connecticut	**06-0236700**
(State or other jurisdiction of Identification No.)	*(I.R.S. Employer incorporation or organization)*
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)

Registrant had 3,340,551 shares outstanding as of March 4, 2004 of its $2.50 par value Common Stock. The aggregate market value of the voting stock held by non-affiliates of the registrant as of March 4, 2004 was approximately $18,439,842.

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 26, 2004 is incorporated into 2003 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. During the year ended December 31, 2002, the Company restructured its European operations, closing its facility in England and moving those operations to Germany. The Company's continuing operations are in the United States, Canada, Germany and Hong Kong. Financial information concerning net sales and long-lived assets by geographic area appears in Note 10 of the notes to consolidated financial statements.

The Company manufactures and sells cutting devices, measuring instruments and safety products for school, office and home use in the United States, Canada and Europe. In addition to local competitors in each country, the Company competes with imported products from Asia.

Independent manufacturer representatives are primarily used to sell its line of consumer products to wholesale, contract and retail stationery distributors, office supply super stores, school supply distributors, and mass market retailers. The Company had three customers with sales of 10% or more of total sales.

Other

Environmental Rules and Regulations – Environmental rules and regulations regarding hazardous waste control and electroplating effluent have been complied with and 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, the Company employed 90 people, most 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.

Properties owned by the Company in Fremont, North Carolina and Solingen, Germany are collateralized by notes and mortgages. The leased facilities are occupied under leases for terms ranging from less than one year to five years.

Item 3. Legal Proceedings

The Company has been involved in certain environmental and other matters. Based on information currently 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.

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, 2003.

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, 2003	High	Low
Fourth Quarter	$5.51	$5.09
Third Quarter	5.59	4.60
Second Quarter	4.03	3.50
First Quarter	3.40	3.03

Year Ended December 31, 2002		
Fourth Quarter	$3.76	$3.09
Third Quarter	3.89	3.50
Second Quarter	4.70	3.70
First Quarter	4.10	3.51

As of March 4, 2004 there were approximately 1,300 holders of record of the Company's Common Stock.

The Company did not pay cash dividends on its Common Stock in 2003 and 2002.

Item 6. Selected Financial Data

FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA

(All figures in thousands except per share data)	2003	2002	2001	2000	1999
Net Sales (A)	$34,975	$30,884	$33,082	$31,921	$34,597
Income/(Loss) from Continuing Operations	$ 1,222	$ 660	$ 1,280	$ 1,061	$ (156)
Total Assets	$20,023	$17,614	$20,173	$21,118	$20,767
Long Term Debt, Less Current Portion	$ 2,752	$ 2,032	$ 2,875	$ 4,925	$ 5,013
Income/(Loss) from Continuing Operations Per Share (Diluted)	$ 0.34	$ 0.19	$ 0.36	$ 0.30	$ (0.05)

(A) Restated to reflect the implementation of EITF 00-25 in 2002.

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

Operating results may be effected by certain accounting estimates and critical accounting policies. The most sensitive and significant accounting estimates and/or critical accounting policies in the financial statements relate to revenue recognition, 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 collectablity 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, which materially affect them. Changes in accounting practices have been limited to the adoption of required new standards; the impact of which has also been insignificant to reported net income and financial position.

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.

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. In connection with this adoption, expense related to payments made to customers is classified as a reduction of sales for all years presented.

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 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 compare to a loss of $500,000, excluding restructuring charges, 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.

Results of Operations 2002 Compared with 2001

Net sales decreased $2,198,033, or 7% in 2002 to $30,883,570 compared to $33,081,603 in 2001. Net sales in the United States decreased $655,000 or 3% due to weak economic conditions. International net sales decreased $1,543,000 or 16%. This was primarily due to discontinuing certain product lines in the UK business in an effort to focus more on the Company's core products.

Gross profit was 33.8% of net sales in 2002 compared to 32.5% of net sales in 2001. Excluding the inventory write-down associated with the Acme United Limited (UK) liquidation, gross profit was 34.5% of net sales in 2002. The introduction of new products and productivity gains on existing products were the main reasons for the improved gross margins.

Selling, general and administrative expenses ("SG&A") were $9,528,080 in 2002 compared with $8,284,751 in 2001, an increase of $1,243,329 or 15%. SG&A expenses were 31% of net sales compared to 25% in 2001. Planned investments in new product development and the addition of key management positions in Canada and Europe were the main reasons for the increase.

Operating income in 2002 was $556,006 compared with $2,469,589 in 2001. Excluding restructuring charges, operating income was $1,111,351 in 2002, a decrease of $1,358,238. The decrease was mainly due to the increased spending in SG&A and lower sales in the UK, which was partially offset by improved productivity in cost of sales.

Interest expense for 2002 was $605,344, compared with $790,910 for 2001, a $185,566 decrease mainly attributable to the decline in debt and lower interest rates. Total debt less available cash declined to $4.5 million at December 31, 2002 compared to $5.5 million at December 31, 2001.

Net other income was $146,614 in 2002 compared to net other income of $33,547 in 2001. The change from 2001 is principally due to non-recurring foreign exchange transaction losses associated with a cross border loan in 2001.

In 2002, the Company recognized a significant one-time income tax benefit associated with liquidating Acme United Limited (UK). The benefit recognized was substantially in excess of income taxes computed at the statutory rate.

Liquidity and Capital Resources

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

	2003	2002
Working Capital	$10,777,397	$8,515,910
Current Ratio	2.68	2.33
Long-Term Debt to Equity Ratio	27.0%	24.0%

The increase in working capital and increase in the current ratio in 2003 is attributable to a 10% increase in accounts receivables and inventories. Inventory in constant currency increased by 15% due to sales growth and increased safety stock. Days Sales Outstanding (DSO) decreased from 69 in 2002 to 63 in 2003 due to improved collection efforts. Operating activities generated net cash of approximately $1.75 million in 2003 compared with $1.6 million in 2002.

On August 2, 2002, the Company entered into a new revolving loan agreement (the Agreement). The Agreement 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 inventories. All outstanding borrowings are due on July 31, 2005. At December 31, 2003 $4,109,612 is outstanding and $2,524,346 is available under the Agreement based on this formula. Throughout 2004, the Company expects to have a minimum of approximately $2,500,000 outstanding under the Agreement. As such, amounts borrowed in excess of that amount are classified as part of the current portion of long-term debt. Amounts outstanding under the Agreement bear interest at the LIBOR rate plus 1.75 percent (2.87% at December 31, 2003).

On August 22, 2000 the Company borrowed $700,000 under a loan agreement to refinance a mortgage. The loan is 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, which will reduce the final installment due on August 1, 2020. At December 31, 2003 and 2002, the loan balance was $364,117 and $671,873, and the interest rate was 9.78%, respectively. In order to reduce interest costs, it is management's intension to payoff the loan in 2004.

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 or through December 31, 2003 and believes these financial covenants will continue to be met for the remainder of the term of the debt.

Capital expenditures during 2003 were $424,537, which were, in part, financed with debt. Capital expenditures in 2004 are not expected to differ materially from recent years.

Cash generated from operating activities together with funds available under the Agreement, is expected under current conditions to be sufficient to finance the Company's planned operations in 2004.

Item 7A. Qualitative and Quantitative Disclosure about Market Risk
The Company's debt portfolio and associated interest rates follows:
(dollars in thousands)

	2004	2005	2006	2007	2008	Thereafter	Total	Fair Value
Current Liabilities:								
Notes payable	$ 141						$ 141	$ 141
Average interest rate	4.2%						4.2%	4.2%
Long-term Debt:								
Amount at fixed rate	$ 72	$ 80	$88	$97	$106	$216	$ 658	$ 658
Average interest rate	8.8%	8.8%	8.9%	8.9%	8.9%	8.4%	8.7%	
Amount at variable rate	$ 1,964	$2,166	$ 0	$ 0	$ 0	$ 0	$4,130	$4,130
Average interest rate	5.0%	5.0%	0.0%	0.0%	0.0%	0.0%	5.0%	

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 manufactures products in the United States. Further, the Company engages in intracompany sales which are denominated in currencies other than those of the operating entity making the sale. As such, these transactions give rise to foreign currency risk. The Company's currency exposures vary, but are concentrated in the Canadian dollar, British pound, and Euro.

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 under 90 days. 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. Forward foreign exchange contracts for such transactions were not material at December 31, 2003 and 2002. The Company does not hedge intracompany sales nor does it 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. In 2001, the Company entered into a forward foreign exchange contract and currency option agreement to hedge its U.S. denominated intercompany loan of $2.0 million to its Canadian subsidiary.

Inflation
Inflation had a negligible effect on the Company's operations during 2003 and 2002. The Company estimates that inflationary effects, in the aggregate, were generally recovered or offset through increased pricing or cost reductions in both years.

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.

Item 8. Financial Statements and Supplemental Data

Acme United Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF OPERATIONS

For the years ended December 31,

	2003	2002	2001
Net Sales	$34,974,660	$30,883,570	$33,081,603
Costs and Expenses:			
Cost of Goods Sold:			
Before inventory write-off related to restructuring	21,841,901	20,244,139	22,327,263
Inventory write-off related to restructuring	—	206,133	—
	21,841,901	20,450,272	22,327,263
Selling, General and Administrative Expenses	10,646,395	9,528,080	8,284,751
Restructuring charges	—	349,212	—
Income before Non Operating Items	2,486,364	556,006	2,469,589
Non Operating Items:			
Interest Expense	235,265	605,344	790,910
Other Income (Expense) – Net	91,172	146,614	33,547
Income before Income Taxes	2,342,271	97,276	1,712,226
Income Taxes (Benefit)	1,120,440	(562,218)	431,822
Net Income	$ 1,221,831	$ 659,494	$ 1,280,404
Earnings Per Share:			
Basic	$ 0.37	$ 0.19	$ 0.37
Diluted	$ 0.34	$ 0.19	$ 0.36

See accompanying notes.

Acme United Corporation and Subsidiaries

CONSOLIDATED BALANCE SHEETS

December 31,

	2003	2002
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 1,390,641	$ 597,670
Accounts receivable, less allowance	7,075,099	6,410,210
Inventories	8,179,081	6,674,654
Deferred income taxes	286,213	733,193
Prepaid expenses and other current assets	259,972	516,626
Total current assets	17,191,006	14,932,353
Plant, Property and Equipment:		
Land	234,866	197,968
Buildings	2,643,608	2,301,553
Machinery and equipment	5,772,432	5,801,022
Total plant, property and equipment	8,650,906	8,300,543
Less accumulated depreciation	6,266,115	6,019,095
Net plant, property and equipment	2,384,791	2,281,448
Deferred income taxes	—	35,528
Goodwill	88,828	88,828
Intangible assets, less accumulated amortization	252,960	161,751
Intangible pension asset	105,312	114,088
Total Assets	$20,022,897	$17,613,996
LIABILITIES		
Current Liabilities:		
Notes payable	$141,113	$362,210
Accounts payable	1,742,655	1,295,974
Other accrued liabilities	2,494,492	2,027,282
Current portion of long-term debt	2,035,349	2,730,977
Total current liabilities	6,413,609	6,416,443
Deferred income taxes	155,829	—
Long-term debt, less current portion	2,751,960	2,032,486
Other	522,875	685,262
Total Liabilities	9,844,273	9,134,191
STOCKHOLDERS' EQUITY		
Common Stock, par value $2.50: authorized 8,000,000 shares; issued – 3,652,812 shares in 2003 and 3,652,312 shares in 2002, including Treasury Stock	9,132,030	9,130,780
Treasury Stock, at cost, 387,261 shares in 2003 and 269,061 shares in 2002	(1,621,813)	(1,151,709)
Additional paid-in capital	2,028,574	2,029,105
Accumulated other comprehensive loss	(1,370,441)	(2,316,814)
Retained earnings	2,010,274	788,443
Total Stockholders' Equity	10,178,624	8,479,805
Total Liabilities and Stockholders' Equity	$20,022,897	$17,613,996

See accompanying notes.

Acme United Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Year ended December 31,

	Outstanding Shares of Common Stock	Common Stock	Treasury Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings (Deficit)	Total
Balances, December 31, 2000	3,508,305	$9,033,280	$ (648,000)	$2,037,823	$(1,379,028)	$(1,151,455)	$ 7,892,620
Net Income						1,280,404	1,280,404
Translation Adjustment					(91,321)		(91,321)
Cumulative Effect of a Change in Accounting for Derivative Financial Instruments					(104,207)		(104,207)
Change in Fair Value of Derivative Financial Instruments					(86,502)		(86,502)
Income Taxes Relating to Derivative Financial Instruments					69,901		69,901
Unrealized Gains on Available-for-Sale Securities					474,551		474,551
Gains Reclassified to Comprehensive income					(474,551)		(474,551)
Comprehensive Income							1,068,275
Purchase of Treasury Stock	(98,254)		(288,996)				(288,996)
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 Loss							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

See accompanying notes.

Acme United Corporation and Subsidiaries

CONSOLIDATED STATEMENTS OF CASH FLOW

Year ended December 31,

	2003	2002	2001
Operating activities:			
Net income	$1,221,831	$659,494	$1,280,404
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation	433,645	482,880	566,438
Amortization	24,406	79,607	157,568
Deferred income taxes	540,600	(548,467)	349,965
(Gain) Loss on disposal of plant, property and equipment	(174,528)	25,464	333,906
Gain on sale of marketable equity securities	—	—	(474,551)
Non-cash restructuring charges	—	293,153	—
Changes in operating assets and liabilities			
Accounts receivable	(342,197)	133,698	(465,627)
Inventories	(1,017,075)	2,103,118	1,219,659
Prepaid expenses and other current assets	286,147	75,120	(374,117)
Other assets	—	(33,738)	93,269
Accounts payable	311,798	(786,147)	(221,195)
Other accrued liabilities	468,000	(841,939)	(416,329)
Total adjustments	530,796	982,748	768,986
Net cash provided by operating activities	1,752,627	1,642,242	2,049,390
Investing activities:			
Purchase of plant, property and equipment	(424,537)	(484,088)	(308,062)
Purchase of patents and trademarks	(115,615)	(114,216)	—
Proceeds from sales of plant, property and equipment	250,196	58,597	139,987
Proceeds from sale of marketable equity securities		—	474,551
Net cash (used) provided by investing activities	(289,956)	(539,707)	306,476
Financing activities:			
Net (repayments) borrowings on notes payable and revolving credit facilities	108,297	(554,495)	(1,721,293)
Payments of long term debt	(305,548)	(13,254)	(77,013)
Debt issuance costs	—	11,209	(27,217)
Purchase of 118,200 common shares in 2003 and 65,000 common shares in 2002 for treasury	(470,247)	(214,713)	(288,996)
Issuance of Common Stock	862	88,782	—
Net cash used by financing activities	(666,636)	(682,471)	(2,114,519)
Effect of exchange rate changes	(3,064)	6,069	(91,321)
Net change in cash and cash equivalents	792,971	426,134	150,026
Cash and cash equivalents at beginning of year	597,670	171,536	21,510
Cash and cash equivalents at end of year	$1,390,641	$597,670	$ 171,536

See accompanying notes.

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 $105,984 in 2003, $57,000 in 2002, and $(153,000) in 2001.

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 $199,101 in 2003 and $205,213 in 2002.

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, 2003 is 12 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 January 1, 2003. Had Statement No. 142 been in effect as of the beginning of 2001, amortization expense for the year ended December 31, 2001 would have been reduced by $28,000, increasing net income by the same amount with no effect on earnings per share.

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, 2003, 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 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 if the company had applied the fair value method under SFAS No. 123, Accounting for Stock Based Compensation, to stock based employee compensation.

	2003	2002	2001
Net income, as reported	$1,221,831	$659,494	$1,280,404
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(84,985)	(88,646)	(231,390)
Pro forma net income	$1,136,846	$570,848	$1,049,014
Basic-as reported	$ 0.37	$ 0.19	$ 0.37
Basic-pro forma	$ 0.34	$ 0.17	$ 0.29
Diluted-as reported	$ 0.34	$ 0.19	$ 0.36
Diluted-pro forma	$ 0.32	$ 0.16	$ 0.29

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 ($347,130 in 2003, $385,066 in 2002 and $147,115 in 2001) are charged to operations as incurred.

Shipping Costs – Shipping costs ($1,439,615 in 2003, $1,272,115 in 2002, and $1,189,930 in 2001) 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 ($669,065 in 2003, $766,058 in 2002, and $506,557 in 2001) 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., Boise, and United Stationers, Inc., represented approximately 41% of net sales in 2003, 44% in 2002, and 43% in 2001.

Consideration paid to a reseller – As of January 1, 2002, the Company also 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. The adoption of EITF 00-25 had no effect on net income or earnings per share. Selling, general and administrative expenses for the year ended December 31, 2001 have been reclassified to conform to the new classification resulting in a $3,083,000 decrease of selling, general and administrative expenses and net sales for that period.

Derivatives – As of January 1, 2001, the Company adopted Financial Accounting Standards Board (FASB) 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, 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.

The adoption of Statement 133 resulted in a cumulative effect of an accounting change of $104,207 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.

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

3. Inventories

Inventories consist of:	2003	2002
Finished goods	$7,252,114	$5,306,846
Work in process	119,796	373,860
Materials and supplies	807,171	993,948
	$8,179,081	$6,674,654

Inventories are stated net of valuation allowances for obsolescence of $374,665 in 2003 and $407,881 in 2002.

4. Intangible Assets

Intangible assets consist of:	2003	2002
Deferred financing costs	$ 70,577	$ 70,577
Patents	216,869	109,151
Trademarks	12,962	5,065
	300,408	184,793
Accumulated amortization	47,448	23,042
	$ 252,960	$ 161,751

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, 2003, 2002, and 2001, was $21,262, $139,589, and $123,229, respectively. Amortization expense for patents and trademarks for the year ended December 31, 2003 was $3,144. There was no amortization expense in 2002 or 2001 on patents and trademarks. The estimated aggregate amortization expense for each of the next five succeeding years are as follows: 2004 – $29,929; 2005 – $23,014; 2006 – $13,335; 2007 – $13,335 and 2008 – $13,335.

5. Other Accrued Liabilities

Other accrued liabilities consist of:	2003	2002
Vendor rebates	$2,036,860	$1,438,154
Other	980,507	1,274,390
	$3,017,367	$2,712,544

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	2003	2002
Equity	67%	65%
Fixed Income	28%	31%
Other	5%	4%
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, 2003 and 2002, equity securities include 30,000 shares of the Company's Common Stock having a market value of $162,000 and $112,800 at those dates, respectively.

Other disclosures related to the pension plan follow:

	2003	2002
Assumptions used to determine benefit obligation:		
Discount rate	6.00%	6.50%
Changes in benefit obligation:		
Benefit obligation at beginning of year	$(3,710,070)	$(3,647,962)
Interest cost	(221,265)	(253,046)
Service cost	(35,000)	(35,000)
Actuarial loss	22,957	(230,337)
Benefits and plan expenses paid	415,786	456,275
Benefit obligation at end of year	(3,527,592)	(3,710,070)
Changes in plan assets:		
Fair value of plan assets at beginning of year	3,278,460	4,212,515
Actual return on plan assets	555,392	(477,780)
Benefits and plan expenses paid	(415,786)	(456,275)
Fair value of plan assets at end of year	3,418,066	3,278,460
Funded status	(109,526)	(431,610)
Unrecognized actuarial loss	1,096,662	1,509,574
Unrecognized prior service costs	105,312	114,088
Minimum pension liability, including intangible pension asset of $105,312 in 2003 and $114,088 in 2002	(1,201,974)	(1,623,662)
Accrued benefit costs	$ (109,526)	$ (431,610)

Accrued benefits costs are included in other accrued liabilities.

	2003	2002	2001
Assumptions used to determine net periodic benefit cost:			
Discount rate	6.50%	6.50%	7.25%
Expected return on plan assets	8.00%	8.50%	8.50%
Components of net benefit income:			
Interest cost	$221,265	$253,046	$319,163
Service cost	35,000	35,000	35,000
Expected return on plan assets	(246,124)	(339,765)	(487,315)
Amortization of prior service costs	8,776	8,776	8,776
Amortization of actuarial gain	80,687	9,205	—
Settlement loss	—	—	102,386
	$ 99,604	$ (33,738)	$ (21,990)

In 2001, the pension plan made settlement distributions of $793,165 to certain plan beneficiaries. Such payments resulted in a $102,386 settlement loss.

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 long-term portfolio return is established via a building block approach and proper consideration of diversification and rebalancing. Peer data and historical returns are reviewed to check for reasonability and appropriateness.

The following table discloses the change in other comprehensive income:

	2003	2002
Decrease (increase) in minimum liability included in other comprehensive income	$412,912	$(1,509,574)

Contributions and Estimated Future Benefit Payments:

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

2004	$400,500
2005	386,547
2006	371,647
2007	357,950
2008	358,701
Years 2009 – 2013	1,555,491

Acme United expects to contribute approximately $29,000 to its pension plan in 2004.

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. Through December 31, 2001, contributions amounted to 2% of eligible employee earnings and a 50% match up to the first 2% of employee contributions. For the years ended December 31, 2003 and 2002, contributions amounted to a 50% match up to the first 6% of employee contributions. Total contribution expense under this plan approximated $61,000, $57,000, $51,000 for 2003, 2002 and 2001, respectively.

7. Income Taxes

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

	2003	2002	2001
Current:			
Federal	$513,057	$(31,751)	$31,708
State	66,783	18,000	50,213
Foreign	—	—	(64)
	579,840	(13,751)	81,857
Deferred:			
Federal	557,886	(437,330)	300,887
State	2,813	(116,519)	49,078
Foreign	(20,099)	5,382	—
	540,600	(548,467)	349,965
	$1,120,440	$(562,218)	$431,822

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:

	2003	2002	2001
United States	$3,142,489	$942,776	$2,269,128
Foreign	(800,218)	(845,500)	(556,902)
	$2,342,271	$97,276	$1,712,226

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

	2003	2002	2001
Federal income taxes at 34% statutory rate	$ 796,372	$ 33,074	$582,157
State and local taxes, net of federal income tax effect	80,199	(29,123)	70,528
Permanent items	(25,710)	(2,709)	16,373
Write-off intercompany investment	—	(567,438)	
On Recognition (realization) of foreign operations tax loss carryforwards (net)	269,579	3,978	(237,236)
Provision (benefit) for income taxes	$1,120,440	$(562,218)	$431,822

Income taxes paid, net of refunds received, were $850,600 in 2003, $24,501 in 2002, and $11,341 in 2001.

	2003	2002
Deferred income tax liabilities:		
Plant, property and equipment	$174,939	$213,868
Other	26,440	47,800
	201,379	261,668
Deferred income tax assets:		
Asset valuations	188,979	307,410
Financial instruments	—	9,401
Operating loss carryforwards and credits	1,278,341	1,676,130
Pension	1,545	116,382
Other	2,773	51,843
	1,471,638	2,161,166
Net deferred income tax asset before valuation allowance	1,270,259	1,899,498
Valuation allowance	(1,139,875)	(1,130,777)
Net deferred income tax asset	$130,384	$768,721

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 $1,666,000 and $1,287,000 are considered permanently reinvested as of December 31, 2003 and 2002, respectively, and the amount of deferred income taxes thereon cannot be reasonably determined.

Due to the uncertain nature of the realization of the Company's deferred income tax assets based on pastperformance 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. For the year ended December 31, 2003, the valuation allowance on the Canadian net operating loss was reversed creating an income tax benefit in the current period of $157,753.

At December 31, 2003, the Company has tax operating loss carry forwards aggregating $4,024,000. The portion applicable to Germany of $3,884,000 can be carried forward indefinitely. Carry forwards applicable to Canada of $57,000 expire from 2005 – 2007.

8. Debt

Long term debt consists of:

	2003	2002
Notes payable:		
North American arrangements	$4,493,729	$4,486,485
Other	293,580	276,978
	4,787,309	4,763,463
Less current portion	2,035,349	2,730,977
	$2,751,960	$2,032,486

On August 2, 2002, the Company entered into a new revolving loan agreement (the Agreement). The Agreement 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 inventories. All outstanding borrowings are due July 31, 2005. At December 31, 2003, $4,109,612 is outstanding and $2,524,346 is available under the Agreement based on this formula. Throughout 2004, the Company expects to have a minimum of $2,530,000 outstanding underthe Agreement. As such, amounts borrowed in excess of $2,530,000 are classified as part of the current portion of long-term debt. Amounts outstanding under the Agreement bear interest at the LIBOR rate plus 1.75 percent (2.87% at December 31, 2003).

The Company also transferred its interest rate swap agreement, which fixes the effective interest rate at 7.18 percent for $3,500,000 of debt under the Agreement. The swap agreement expired January 19, 2003.

On August 22, 2000 the Company borrowed $700,000 under a loan agreement with another bank to refinance a mortgage. The loan is 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, which will reduce the final installment due on August 1, 2020. At December 31, 2003 and 2002, the interest rate was 9.78%. The loan is collateralized by a First Trust Deed and Assignment of Rents on the property located 701 South Wilson Street in Fremont, North Carolina.

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. The Company believes these financial covenants will continue to be met.

Maturities of long-term debt for the next five years follow: 2004 – $2,035,349; 2005 – $2,245,598; 2006 – $87,809; 2007 – $96,908 and 2008 – $105,716.

Interest paid was $235,265 in 2003, $605,344 in 2002, and $790,910 in 2001.

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 $252,294 in 2003, $165,854 in 2002, and $170,111 in 2001. Minimum annual rental commitments under non-cancelable leases with initial or remaining terms of one year or more as of December 31, 2003 to their expiration follow: 2004 – $237,329; 2005 – $194,426; 2006 – $34,363; 2007 – $32,047; and 2008 – $975.

The Company has been involved in certain environmental and other matters. Based on information available, the Company believes that there will not be a material adverse impact on financial position, results of operations, or liquidity, from these matters, either individually or in aggregate.

10. Geographic Data

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

	2003	2002	2001
United States	$26,482	$22,773	$23,428
Canada	5,611	5,098	5,511
England	—	758	1,986
Germany	2,882	2,255	2,157
Hong Kong	—	—	—
	$34,975	$30,884	$33,082

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

	2003	2002	2001
United States	$1,300	$1,326	$1,446
Canada	156	157	67
England	—	—	6
Germany	854	798	740
Hong Kong	75	—	—
	$2,385	$2,281	$2,259

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:

	2003	2002	2001
Options outstanding at the beginning of the year	766,850	830,350	640,850
Options granted	102,500	30,500	232,000
Options cancelled	(1,700)	(55,000)	(42,500)
Options exercised	(500)	(39,000)	—
Options outstanding at the end of the year	867,150	766,850	830,350
Options exercisable at the end of the year	747,940	635,000	535,650
Common stock available for future grants at the end of the year	64,500	167,000	21,025
Weighted average price of options:			
granted	$3.89	$3.94	$2.97
cancelled	2.67	3.35	4.09
exercised	2.53	2.28	—
outstanding	3.31	3.23	3.16
exercisable	3.26	3.29	3.41

A summary of options outstanding at December 31, 2003 follows:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	**Number Outstanding**	**Weighted-Average Remaining Contractual Life (Years)**	**Weighted-Average Exercise Price**	**Average Number Exercisable**	**Weighted-Exercise Price**
$1.25 to $2.49	218,100	6	$2.13	218,100	$2.13
$2.50 to $3.65	362,550	7	3.17	307,840	3.19
$3.66 to $5.00	207,000	5	3.91	148,500	3.89
$5.01 to $7.25	79,500	4	5.66	73,500	5.68
	867,150			747,940	

The weighted average remaining contractual life of outstanding stock options is 6 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 2003, 2002 and 2001.

The weighted average fair value at the date of grant for options granted during 2003, 2002, and 2001 is $1.79, $1.82, $1.57 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:

	2003	**2002**	**2001**
Expected Life in Years	5	5	5
Interest Rate	3.00%	3.00%	3.00%
Volatility	0.480	0.491	0.585
Dividend Yield	0%	0%	0%

12. Earnings Per Share

The calculation of earnings per share follows:

	2003	2002	2001
Numerator:			
Net income	$1,221,831	$659,494	$1,280,404
Denominator:			
Denominator for basic earnings per share			
Weighted average shares outstanding	3,317,231	3,400,151	3,487,658
Effect of dilutive employee stock options	240,663	155,575	107,952
Denominator for dilutive earnings per share	3,557,894	3,555,726	3,595,610
Basic earnings per share	$ 0.37	$ 0.19	$ 0.37
Dilutive earnings per share	$ 0.34	$ 0.19	$ 0.36

For 2003, 2002, and 2001, 629,245, 610,775, and 721,898 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, 2002	$(1,470,349)	$(120,808)	$ —	$(1,591,157)
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 Fair Value of Minimum Pension Liability			(1,509,574)	(1,509,574)
Income Taxes Relating to Minimum Pension Liability			560,818	560,818
Translation Adjustment	119,864			119,864
Balances, December 31, 2002	(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)

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.

Foreign exchange contracts and interest rate swaps:
The fair values of the Company's 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):

	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalent	$1,391	$1,391	$598	$598
Accounts receivable	7,075	7,075	6,410	6,410
Accounts payable	(1,743)	(1,743)	(1,296)	(1,296)
Short term notes payable	(141)	(141)	(362)	(362)
Long term debt	(4,787)	(4,787)	(4,763)	(4,763)
Interest rate swap obligation	—	—	(27)	(27)

Derivative Financial Instruments

At December 31, 2002, derivative financial instruments consist of interest rate swaps. The Company uses such derivatives for fair value or cash flow hedging purposes as part of its risk management strategy. Following is a summary of the Company's risk management strategies and the effect of them on the Company's consolidated financial statements. The Company's interest rate swap agreement expired in January, 2003.

Fair Value Hedging Strategy

At times, the Company utilizes forward foreign exchange contracts to hedge certain firm commitments with third parties denominated in foreign currencies. The terms of these forward foreign exchange contracts are typically under 90 days. 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. There were no forward foreign exchange contracts held at December 31, 2003 or 2002.

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.

Ineffective portions of fair value hedges were not material in 2003.

Cash Flow Hedging Strategy

In 2000, the Company entered into 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, 2002 and 2001, the Company recognized expense of $26,874, $174,122 and $95,471 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. For the year ended December 31, 2003, interest rate swap was judged to be effective.

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. There will be no further terminations and all severance costs related to the restructuring have been paid. The Company expects to continue to retain the majority of AUL's customers and sell products to them through its German subsidiary. As of December 31, 2003, approximately $1,000 remained in accrued restructuring charges.

16. Quarterly Dated (unaudited)

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

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

2002	First	Second	Third	Fourth	Total
Net Sales	$6,754	$ 9,398	$7,867	$6,865	$30,884
Cost of Goods Sold	4,612	6,233	5,204	4,401	20,450
Net Income	122	227	270	40	659
Basic Earnings Per Share	$ 0.03	$ 0.07	$ 0.08	$ 0.01	$ 0.19
Diluted Earnings Per Share	$ 0.03	$ 0.06	$ 0.08	$0.01	$ 0.19

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.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

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, 2003 and 2002, 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, 2003. 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 auditing standards generally accepted in the 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as 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, 2003 and 2002, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2003 in conformity with accounting principles generally accepted in the United States. 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 13, 2004

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 2003.

Item 9A. 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.

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 to the Board of Directors to hold office until their successors are elected and qualified.

Name	Age	Position Held with Company
Walter C. Johnsen	53	President, Chief Executive Officer and Director
Gary D. Penisten	72	Chairman of the Board and Director
Brian S. Olschan	46	Executive Vice President, Chief Operating Officer and Director
Paul G. Driscoll	43	Vice President, Chief Financial Officer, Secretary and Treasurer
George R. Dunbar	80	Director
Richmond Y. Holden, Jr.	50	Director
Wayne R. Moore	72	Director
Stevenson E. Ward III	59	Director
Susan H. Murphy	52	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. From 1991 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. Effective January 23, 1999, he was promoted to Executive Vice President and Chief Operating Officer.

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. and Sanofi S.A.

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 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.

Item 11. Executive Compensation
(Refer to Proxy Statement pages 6-10)

Item 12. Security Ownership of Certain Beneficial Owners and Management
(Refer to Proxy Statement pages 1-2)

Item 13. Certain Relationships and Related Transactions
(None)

Item 14. Principal Accountant Fees and Services
(Refer to Proxy Statement pages 14-15)

PART IV

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Documents filed as part of this report:

1. Financial Statements

Page(s)

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 Ernst & Young LLP, Independent Auditors

2. Financial Statement Schedules

Schedule II – Valuation and Qualifying Accounts

Schedules other than those listed above have been omitted because the required information is contained in the financial statements and notes thereto, or because such schedules are not required or applicable.

3. Exhibits
Exhibit 21 – Parents and Subsidiaries
Exhibit 23 – Consent of Ernst & Young LLP, Independent Auditors
Exhibit 99.1 – Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 302 Of The Sarbanes-Oxley Act Of 2002 – Walter C. Johnsen
Exhibit 99.2 – Certification Pursuant To 18 U.S.C. Section 1350, As Adopted Pursuant To Section 302 Of The Sarbanes-Oxley Act Of 2002 – Paul G. Driscoll

The following basic documents are contained in S-1 Registration Statement No. 230682 filed with the Commission on November 7, 1968 and amended by Substantive Amendment No. 1 on December 31, 1968 and by No. 2 on January 31, 1969:

Certificate of Organization of Registrant
Amendment to Certificate of Incorporation of Registrant dated September 24, 1968
Proof of Common Stock Certificates

The following basic documents were filed with Form 10-K for 1971:

Amendment to Certificate of Incorporation of Registrant dated April 27, 1971
Amendment to Certificate of Incorporation dated June 29, 1971
Proof of Common Stock Certificate
Proof of Preferred Stock Certificate

(b) No Form 8-K was filed by the Company during the quarter ended December 31, 2003.

SCHEDULE II

Acme United Corporation and Subsidiaries

VALUATION AND QUALIFYING ACCOUNTS

For the years ended December 31, 2003, 2002 and 2001

	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions and Other Adjustments	Balance at End of Period
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
2001				
Allowance for doubtful accounts	178,227	106,557	75,276	209,508
Allowance for inventory obsolescence	439,790	—	166,530	273,260
Deferred income tax asset valuation allowance	1,965,940	—	413,274	1,552,666

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
Emil Schlemper GmbH	Germany
Acme United (Asia Pacific) Limited	Hong Kong

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

EXHIBIT 23

Consent of Ernst & Young LLP, Independent Auditors

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 13, 2004, 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, 2003.

/s/ Ernst & Young LLP

Hartford, Connecticut
March 4, 2004

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 annual report on Form 10-K for the annual period ended December 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: March 4, 2004

EXHIBIT 99.2
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, 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/ PAUL G. DRISCOLL

Paul G. Driscoll
Vice President and
Chief Financial Officer

Dated: March 4, 2004

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 6, 2004.

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/ Stevenson E. Ward III Stevenson E. Ward III	Director
s/ Susan H. Murphy Susan H. Murphy	Director

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 annual report on Form 10-K of Acme United Corporation;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 annual 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 annual report December 31, 2003; and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of December 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 annual 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: March 4, 2004

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 annual report on Form 10-K of Acme United Corporation;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 annual 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 annual report December 31, 2003; and

   c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of December 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 annual 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: March 4, 2004

Officers

Walter C. Johnsen
President and Chief Executive Officer

Brian S. Olschan
Executive Vice President and
Chief Operating Officer

Paul G. Driscoll
Vice President and
Chief Financial Officer,
Secretary and Treasurer

James A. Benkovic
Vice President — Consumer Sales

Larry H. Buchtmann
Vice President — Manufacturing

International Key Management

Harry G. Wanless
General Manager
Acme United Limited
(Canada)

Dennis Liang
General Manager
Acme United Limited
(Asia Pacific)

Anthony G. Poole
General Manager
Acme United Europe

Directors

Gary D. Penisten
Chairman of the Board
Acme United Corporation

George R. Dunbar
President (1972 – 1987)
Bryant Electric Division
Westinghouse Electric Corporation

Richmond Y. Holden, Jr.
President and Chief Executive Officer
J.L. Hammett Co.

Walter C. Johnsen
President and Chief Executive Officer
Acme United Corporation

Wayne R. Moore
Director and Chairman Emeritus
The Producto Machine Company

Brian S. Olschan
Executive Vice President and
Chief Operating Officer

Stevenson E. Ward III
Vice President and
Chief Financial Officer
Triton Thalassic Technologies, Inc.

Susan H. Murphy
Vice President for Student
and Academic Services
Cornell University

Corporate Offices

Acme United Corporation
1931 Black Rock Turnpike
Fairfield, Connecticut 06825
203 332 7330

Transfer Agents

American Stock Transfer Company
40 Wall Street
New York, New York 10005

Stock Listing

The stock of Acme United Corporation is traded on the American Stock Exchange under the symbol ACU.

Counsel

Brody, Wilkinson and Ober, P.C.
Southport, Connecticut

Auditors

Ernst & Young LLP
Hartford, Connecticut

Annual Meeting

will be held at 11 a.m. on
Monday, April 26, 2004 at
The American Stock Exchange
86 Trinity Place
New York, New York 10006

Design: The Wyant Simboli Group, Inc.

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