SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1999

OR

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

For the transition period from ______ to ______

Commission file number Q4823

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

CONNECTICUT	06-0236700
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
75 Kings Highway Cutoff, Fairfield, Connecticut	06430
(Address of principal executive offices)	(Zip Code)

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

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

Registrant had 3,377,488 shares outstanding as of May 14, 1999 of its $2.50 par value Common Stock.

ACME UNITED CORPORATION

PART I. FINANCIAL INFORMATION

ACME UNITED CORPORATION

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

	March 31 1999	December 31 1998
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 549	$ 40
Accounts receivable, less allowance	8,190	7,722
Inventories:		
Finished goods	4,653	7,122
Work in process	810	1,240
Raw materials and supplies	3,206	4,907
	8,669	13,269
Prepaid expenses and other current assets	1,206	424
Total current assets	18,614	21,455
Property, plant and equipment:		
Land	203	219
Buildings	2,074	2,179
Machinery and equipment	13,446	16,216
	15,723	18,614
Less accumulated depreciation	10,117	12,573
	5,606	6,041
Other assets	906	895
Goodwill, less accumulated amortization	394	505
Total assets	$ 25,520	$ 28,896

See notes to condensed consolidated financial statements.

ACME UNITED CORPORATION

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

	March 31 1999	December 31 1998
LIABILITIES		
Current Liabilities:		
Notes payable	$ 853	$ 882
Accounts payable	3,589	4,422
Other accrued liabilities	5,011	3,590
Current portion of long term debt	2,736	8,944
Total current liabilities	12,189	17,838
Long term debt, less current portion	6,969	6,382
Total liabilities	19,158	24,220
STOCKHOLDERS' EQUITY		
Common stock, par value $2.50 : Authorized-4,000,000 shares; issued-3,482,495 shares in 1999		

and 1998, including treasury stock	8,706	8,706
Additional paid-in capital	2,233	2,233
Retained-earnings deficit	(2,623)	(4,380)
Accumulated other comprehensive loss - translation adjustment	(1,306)	(1,235)
Treasury stock, at cost -105,007 shares	(648)	(648)
Total stockholders' equity	6,362	4,676
Total liabilities and stockholders' equity	$ 25,520	$ 28,896

See notes to condensed consolidated financial statements.

ACME UNITED CORPORATION

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

	Three Months Ended March 31	
	1999	1998
Revenues:		
Net sales	$ 7,570	$ 8,471
Other income	177	53
Total revenues	7,747	8,524
Costs and expenses:		
Cost of goods sold	6,077	6,531
Selling, general and administrative expenses	1,868	2,036
Interest expense	358	338
	8,303	8,905
Loss from continuing operations before income tax benefit	(556)	(381)
Income tax benefit	(14)	(5)
Net loss from continuing operations	(542)	(376)
Discontinued operations:		
Gain on sale of discontinued operations	2,101	---
Income from discontinued operations	198	284
	2,299	284
Net income (loss)	1,757	(92)
Other comprehensive expense - foreign currency translation	(71)	(12)
Comprehensive income (loss)	$ 1,686	$ (104)
Earnings (loss) per share:		
Continuing operations	$ (0.16)	$ (0.11)
Discontinued operations	0.68	0.08
Net income (loss)	$ 0.52	$ (0.03)
Weighted average number of common shares outstanding- denominator per share computations	3,377	3,368

See notes to condensed consolidated financial statements.

ACME UNITED CORPORATION

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

	Three Months Ended March 31 1999	1998
Operating activities:		
Net income (loss)	$ 1,757	$ (92)
Adjustments to reconcile net income to net cash used by operating activities:		
Gain on sale of discontinued operations	(2,101)	---
Depreciation	236	263
Amortization	3	6
Increase in deferred income taxes	---	28
Gain on disposal of property, plant, and equipment	---	(3)
Changes in operating assets and liabilities:		
Accounts receivable	(624)	(410)
Inventories	1,743	255
Prepaid expenses and other current assets	140	(425)
Other assets	(14)	3
Accounts payable	(800)	869
Other accrued liabilities	(1,209)	(692)
Net cash used by operating activities	(869)	(198)
Investing activities:		
Capital expenditures	(242)	(647)
Proceeds from sales of property, plant, and equipment	---	44
Proceeds from sale of discontinued operations	7,156	---
Net cash provided (used) by investing activities	6,914	(603)
Financing activities:		
Proceeds from long-term debt and credit arrangements	1,786	767
Payments on long-term debt and credit arrangements	(7,321)	---
Stock options exercised	---	30
Net cash (used) provided by financing activities	(5,535)	797
Effect of exchange rate changes on cash	(1)	---
Net change in cash and cash equivalents	509	(4)
Cash and cash equivalents at beginning of period	40	25
Cash and cash equivalents at end of period	$ 549	$ 21

See notes to condensed consolidated financial statements.

Notes to CONDENSED CONSOLIDATED Financial Statements

(Unaudited)

Note 1 -- Basis of Presentation

In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments necessary to present fairly the financial position, results of operations and cash flows. However, the financial statements do not include all of the disclosures normally required by generally accepted accounting principles or those normally made in the Company's annual report on Form 10-K. Please refer to the Company's annual report on Form 10-K for the year ended December 31, 1998 for such disclosures. The condensed balance sheet as of December 31, 1998 was derived from the audited financial statements as of that date. The results of operations for the three months ended March 31, 1999 are not necessarily indicative of the results to be expected for the full year.

Because the Company has a loss from continuing operations in the three months ended March 31, 1999 and 1998, the weighted average number of stock options outstanding were anti-dilutive and are excluded from the per share calculations.

Note 2 -- Discontinued Operations

On March 22, 1999 the Company sold its medical business including customer lists, inventory, and certain equipment for approximately $8,156,000 realizing a gain of $2,101,000. The consolidated statements of operations for 1998 have been reclassified to reflect the discontinuance of the medical business segment.

The consolidated statements of operations relating to the medical business follow:

	Three Months Ended March 31 1999	Three Months Ended March 31 1998
Net sales	$ 2,101,000	$ 2,574,000
Costs and expenses	1,903,000	2,290,000
Income from operations	$ 198,000	$ 284,000
Earnings per share	$ .06	$ .08

Income taxes related to the medical business are not material. As of March 31, 1999, $1,000,000 due relating to the sale of the Medical business is classified with prepaid expenses and other assets.

Note 3 -- Contingencies

The Company has been involved in certain environmental matters. Additionally, the Company has been involved in numerous legal actions relating to the use of certain latex products, which the Company distributes, but does not manufacture. The Company is one of many defendants. The Company has been released from the majority of the lawsuits. While a limited number of lawsuits remain, they are still in preliminary stages and there is no indication the Company's products were involved. 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 environmental and product liabilities, either individually or in aggregate.

Note 4 -- Debt

The company has short-term lines of credit for its foreign subsidiaries which are renewable at various times throughout the remainder of 1999. The aggregate amount available under these lines is $1,029,000 of which $853,000 is outstanding at March 31, 1999.

Long term debt consisted of the following:

(all amounts in thousands)

	March 31 1999	December 31 1998
Notes payable:		
Refinanced	$ 8,284	$ 6,614
Other	1,421	8,712
	9,705	15,326

Less current portion	2,736	8,944
	$ 6,969	$ 6,382

On March 22, 1999, the Company used the proceeds from the sale of the medical business to pay down $6,800,000 of outstanding debt.

On April 28, 1999 the Company refinanced its debt arrangements in the U.S. and Canada. Under the new arrangement, the Company may borrow up to $10,500,000 through November 15, 1999 and from January 1, 2000 to April 30, 2000 (the maturity date); between November 16, 1999 and December 31, 1999 the Company may borrow up to $7,250,000. (The amounts the Company may borrow are based on a formula which applies specific percentages to balances of accounts receivable and inventories.) The Company expects to have a minimum of $4,800,000 outstanding under this arrangement through March 2000. In addition, the Company converted $2,500,000 of debt into a term loan payable in monthly installments of $50,000, plus interest commencing May 1, 1999 through April 1, 2000 and a final installment of $1,900,000, plus interest, due April 30, 2000. All amounts borrowed under these arrangements bear interest at the prime base rate, as defined, plus 1.5%. The refinancing has been applied retroactively. On April 29, 1999, outstanding debt under the Company's arrangements in the U.S. and Canada was $8,618,694 and $466,480 was available for additional borrowing.

Under these arrangements, the Company, among other things, is restricted with respect to dividends, additional borrowings, investments, mergers, distributions, and property and equipment acquisitions. Further, the Company is required to maintain specific amounts of tangible net worth, as defined, commencing June 30, 1999 and a specified debt service coverage ratio, as defined, commencing September 30, 1999. The Company believes these financial covenants will be met. Maturities of long-term debt as of March 31, 1999 which reflect the refinancing are $2,735,602 through March 31, 2000 and $6,969,234 through March 31,2001. Substantially all assets are pledged as collateral for debt, including that portion refinanced.

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

For the Three Months Ended March 31, 1999

Results of Operations

Net Sales

Traditionally, the Company's sales are stronger in the second and third quarters, and weaker in the first and fourth quarters of the fiscal year due to the seasonal nature of the business specific to the back-to-school season. Consolidated net sales for the quarter ended March 31, 1999 were $7,570,000 compared with $8,471,000 for 1998, or 11% lower. In March 1999, the Company sold its medical business to Medical Action Industries, Inc. In the quarter, efforts were focused on building inventory to meet contractual obligations to sell additional medical products to Medical Action Industries, Inc., which slowed production and shipments of consumer products thereby negatively impacting continuing operations. Domestic consumer sales backorder for the first quarter of 1999 was $569,000 compared with $107,000 for the first quarter of 1998, or four times higher. Had backorder levels been equal to prior year, sales would have been only 5% lower.

Domestic sales growth occurred in first aid, manicure implements, and geometry tools offsetting declines in all other categories.

International sales decreased by 14% for the first quarter. Net sales in Canada were down 14%, of which 3% was due to currency fluctuations. The first quarter of 1998 benefited from initial sales related to the acquisition of the Rotex Division of Esselte Canada in December of 1997. Since the acquisition, product rationalization of lower margin products, coupled with the loss of some products sold to a customer negatively impacted the sales. European sales decreased 14% mainly due to weak sales in the United Kingdom, as a slowing economy negatively impacted results in the first quarter.

Gross Profit

The gross profit from continuing operations for the first quarter of 1999 was $1,492,000 (19.7% of net sales) compared with $1,940,000 (22.9% of net sales) for the first quarter of 1998. Manufacturing inefficiencies negatively impacted manufacturing costs in the U.S. consumer business which lead to a decline in gross margin from 27.1% in 1998 to 20.3% in the first quarter of 1999. The international gross margin rose to 18.0% in the first quarter of 1999 from 15.1% in the comparable quarter in 1998. The gain in gross profit was primarily due to savings associated with re-sourcing products acquired from Esselte Canada in 1997.

Management expects to consolidate sourcing product from Asia to leverage its buying power to improve margins.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses for the first quarter of 1999 were $1,868,000 (25% of net sales) compared with $2,009,000 (24% of net sales) for the same period of 1998, a decrease of $141,000, or 7%. The primary reason for the decrease is staff reductions. Management is continuing to investigate other potential SG&A cost saving programs.

Operating Results

Net income for the first quarter of 1999 is $1,757,000, or 52 cents per share. Net income for the first quarter of 1999 includes a realized gain on the sale of the medical business of $2,101,000. The net loss from continuing operations for the first quarter of 1999 is $542,000, or 16 cents per share, compared with net loss of $376,000, or 11 cents per share, for the first quarter of 1998.

Financial Condition

Liquidity and Capital Resources

During the first three months of 1999, the total debt decreased by $4,760,000 compared to total debt at December 31, 1998.

Cash generated from operating activities is expected to be sufficient to meet debt maturities and fund capital expenditures through March 2000. The Company's current credit arrangements coupled with cash expected from operating activities are considered adequate to meet liquidity needs through then.

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

	March 31, 1999	December 31, 1998
Working capital.....................	$6,425,709	$3,616,421
Current ratio.......................	1.53 to 1	1.20 to 1
Long-term debt to equity ratio.......	1.10	1.37

Year 2000

The Company has completed the assessment phase of its Year 2000 compliance program and is currently completing modifications and testing of its information technology and other internal systems with the exception of Germany. In Germany, the Company has selected a new financial system to mitigate a Year 2000 problem. The Company's goal is to complete implementation of this new system by the end of the second quarter 1999. Financial systems at the Company's other locations are substantially Year 2000 compliant.

The Company is in the process of gathering information about the Year 2000 compliance status of its significant suppliers and is developing a contingency plan for alternative sourcing. The Company's goal is to complete its Year 2000 compliance program by the end of the third quarter 1999.

Estimated future costs for the Year 2000 compliance program range from $225,000 to $275,000 of which approximately $150,000 relates to Germany. Of these costs, the Company expects that $75,000 will be charged to operations as expenses. The costs of this project and its completion date are based on management's best estimates, which were derived from numerous assumptions about future events, including the availability of certain resources, third party remediation plans, and other factors.

The Company continuously monitors its action plans addressing the Year 2000 issue, and is developing contingency plans to address unforeseen problems and "worst case" scenarios. This is potentially a significant issue for most, if not all, companies, with implications which can not be anticipated or predicted with any degree of certainty.

Safe Harbor for Forward-looking Statements

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

PART II. OTHER INFORMATION

Item 1 -- Legal Proceedings

None.

Item 2 -- Changes in Securities

None.

Item 3 -- Defaults Upon Senior Securities

None.

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

A. The Annual Meeting was held on April 26, 1999.

B. The following individuals were elected Directors at the Meeting and comprise the entire Board.

	Votes for	Votes against	Votes withheld
David W. Clark, Jr.	2,333,309	265,548	778,631
George R. Dunbar	2,333,153	265,704	778,631
Richard Y. Holden, Jr.	2,383,293	215,564	778,631
Walter C. Johnsen	2,383,309	215,548	778,631
Peter H. Kamin	2,383,309	215,548	778,631
Wayne R. Moore	2,333,219	265,638	778,631
Gary D. Pennisten	2,383,309	215,548	778,631

Item 5 -- Other Information

None.

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

Form 8-K was filed by the Company on April 6, 1999.

SIGNATURES

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

ACME UNITED CORPORATION

By /s/ WALTER C. JOHNSEN

Walter C. Johnsen
President and
Chief Executive Officer

Dated: May 10, 1999

By /s/ RONALD P. DAVANZO

Ronald P. Davanzo
Vice President and
Chief Financial Officer

Dated: May 10, 1999

<ARTICLE> 5
<LEGEND>
This schedule contains summary financial information extracted from the Condensed Consolidated Balance Sheet and Condensed Consolidated Statement of Operations and is qualified in its entirety by reference to such financial statements.
</LEGEND>
<MULTIPLIER> 1,000

<PERIOD-TYPE>	3-MOS	
<FISCAL-YEAR-END>		DEC-31-1999
<PERIOD-END>		MAR-31-1999
<CASH>		549
<SECURITIES>		0
<RECEIVABLES>		8,390
<ALLOWANCES>		200
<INVENTORY>		8,669
<CURRENT-ASSETS>		18,614
<PP&E>		15,723
<DEPRECIATION>		10,117
<TOTAL-ASSETS>		25,520
<CURRENT-LIABILITIES>		12,189
<BONDS>		0
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		8,706
<OTHER-SE>		(2,344)
<TOTAL-LIABILITY-AND-EQUITY>		25,520
<SALES>		7,570
<TOTAL-REVENUES>		7,747
<CGS>		6,077
<TOTAL-COSTS>		7,945
<OTHER-EXPENSES>		0
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		358
<INCOME-PRETAX>		1,743
<INCOME-TAX>		(14)
<INCOME-CONTINUING>		(542)
<DISCONTINUED>		2,299
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		1,757
<EPS-PRIMARY>		.52
<EPS-DILUTED>		.52