

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D. C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 1995

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND  
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)

(203) 332-7330

\_\_\_\_\_  
Registrant's telephone number, including area code

\_\_\_\_\_  
Former name, former address and former fiscal year, if changed since last report

Indicate by check mark whether the registrant (1) has filed all reports  
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of  
1934 during the preceding 12 months (or for such shorter period that the  
registrant was required to file such reports), and (2) has been subject to such  
filing requirements for the past 90 days.

Yes  No

Registrant had 3,337,620 shares outstanding as of May 11, 1995 of its \$ 2.50  
par value Common Stock.

PART 1 - FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

ACME UNITED CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

ASSETS

MARCH 31                      DECEMBER 31  
1995                              1994  
(UNAUDITED)

Current Assets:		
Cash and cash equivalents	\$ 660,675	\$ 450,480
Accounts receivable	8,159,728	7,893,838
Inventories:		
Finished Goods	12,969,200	11,227,978
Work in process	5,438,200	5,246,507
Raw materials & supplies	4,675,936	4,525,053
Deferred income taxes	356,897	356,874
Prepaid expenses and other current assets	829,348	747,758
Total current assets	<u>33,089,984</u>	<u>30,448,488</u>
Plant, property and equipment		
Land	812,879	756,625
Buildings	4,804,127	4,580,669
Machinery and equipment	16,531,531	16,063,066
Additions	248,115	-
Total plant, property and equipment	<u>22,396,652</u>	<u>21,400,360</u>
Less, accumulated depreciation	13,487,110	12,852,430
Net plant, property and equipment	<u>8,909,542</u>	<u>8,547,930</u>
Licensing agreements	1,599,757	1,705,416
Other assets	1,327,197	1,330,109
Goodwill	851,757	856,480
Total assets	<u>\$45,778,237</u> =====	<u>\$42,888,423</u> =====

See notes to financial statements

ACME UNITED CORPORATION AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS

LIABILITIES

	MARCH 31 1995 (UNAUDITED)	DECEMBER 31 1994
Current Liabilities:		
Accounts payable	\$ 3,438,671	\$ 2,473,125
Notes payable due within one year	4,917,680	4,000,069
Accrued liabilities:		
Pension	536,222	470,400
Employee benefit claims	490,188	435,041
Other accrued liabilities	2,158,268	2,035,705
Total current liabilities	<u>11,541,039</u>	<u>9,414,340</u>
Deferred income taxes	928,680	1,003,893
Long term debt	15,127,072	14,387,590
Total liabilities	<u>27,596,791</u>	<u>24,805,823</u>

STOCKHOLDERS' EQUITY

Common stock, par value \$2.50:		
authorized 4,000,000 shares;		
Issued 3,384,620, outstanding		
3,337,620	8,461,550	8,461,550
Treasury Stock, 47,000 shares	(357,631)	(357,631)

Additional paid-in capital	2,145,119	2,145,119
Retained earnings	8,905,899	8,973,803
Translation adjustment	(973,491)	(1,140,241)
Total stockholders' equity	<u>18,181,446</u>	<u>18,082,600</u>
Total liabilities and stockholders' equity	<u>\$45,778,237</u>	<u>\$42,888,423</u>

See notes to financial statements

ACME UNITED CORPORATION AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31	
	1995	1994
Net Sales	\$12,896,891	\$12,310,708
Other income	23,206	49,402
	<u>12,920,097</u>	<u>12,360,110</u>
Costs and expenses:		
Cost of goods sold	9,276,192	9,031,685
Selling, general and administrative expense	3,343,999	3,193,437
Interest expense	456,688	356,962
	<u>13,076,879</u>	<u>12,582,084</u>
Loss before income taxes	(156,782)	(221,974)
Provision (benefit) for income taxes	(88,878)	(85,279)
Net loss	<u>\$ (67,904)</u>	<u>\$ (136,695)</u>
Weighted average common and dilutive common equivalent shares	<u>3,353,899</u>	<u>3,337,620</u>
Loss per common share	<u>\$ (.02)</u>	<u>\$ (.04)</u>

See notes to financial statements

ACME UNITED CORPORATION  
CONSOLIDATED STATEMENT OF CASH FLOW  
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31	
	1995	1994
Cash flows from operating activities:		
Net loss	\$ (67,904)	\$ (136,695)
Adjustments for non-cash transactions		
Depreciation	350,374	309,624
Amortization	140,316	137,896
Deferred tax charges/(credits)	(175,936)	3,555
Change in assets and liabilities		
Decrease in accounts receivable	189,491	496,335
(Increase) in inventory	(1,589,165)	(904,499)

(Increase) in prepaid expenses and other current assets	(47,126)	(174,307)
(Increase) in other assets	(22,271)	(15,704)
Increase in accounts payable	840,688	100,897
(Decrease) in income taxes payable	(35,658)	-
(Decrease) in other liabilities	(121,960)	(137,631)
Total adjustments	<u>(471,247)</u>	<u>(183,834)</u>
Net cash used by operations	<u>(539,151)</u>	<u>(320,529)</u>
Cash flow from investing activities:		
Capital expenditures	(246,338)	(300,356)
Net cash used for investing activities	<u>(246,338)</u>	<u>(300,356)</u>
Cash flows from financing activities:		
Net borrowings	994,194	745,023
Net cash provided by financing activities	<u>994,194</u>	<u>745,023</u>
Effect of exchange rate changes on cash	1,490	(179,255)
Net change in cash and cash equivalents	210,195	(55,117)
Cash and cash equivalents at beginning of year	450,480	318,660
Cash and cash equivalents	<u>\$ 660,675</u>	<u>\$ 263,543</u>
	=====	=====

See notes to financial statements

ACME UNITED CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. In the opinion of Management, the accompanying consolidated financial statements contain all adjustments necessary to present fairly the financial position as of March 31, 1995 and December 31, 1994 and the results of its operations for the three month periods ended March 31, 1995 and March 31, 1994 and changes in the cash flows for the three months then ended. The financial statements reflect all recurring adjustments but do not include all of the disclosures normally required by generally accepted accounting principles or those normally made in the annual Form 10-K filing. Please refer to the Company's annual report for year ended December 31, 1994 for such disclosures.

2. The results of operations for the three months ended March 31, 1995 are not necessarily indicative of the results to be expected for the full year.

3. Net Income (loss) per share is based on the weighted average number of common shares and dilutive common equivalent shares (common stock options) outstanding using the treasury stock method.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF THE CONSOLIDATED STATEMENTS OF OPERATION

RESULTS OF OPERATIONS

Net Sales

Consolidated net sales increased \$586,000 or 5% for the three month period ended March 31, 1995 as compared to the similar period in 1994 which can be

mainly attributed to increased sales volume. Net sales for consumer operations increased \$668,000 or 9% for the three month period in 1995 over 1994 primarily because of volume increases in the U.S. Net sales for medical operations decreased \$82,000 or 2% for the three month period in 1995 over 1994 because of lower volume.

Net sales from U.S. operations were \$8,521,000 for the three month period ended March 31, 1995, an increase of \$673,000 or 9%. Foreign operations net sales were \$4,376,000 for the three month period which resulted in a decrease of \$87,000 or 2% compared to 1994. Foreign operation sales were favorably impacted as a result of the strength in the German mark and the British pound.

#### Gross Profit Margin

The consolidated gross profit margin for the three month period ended March 31, 1995 was 28% as compared to 27% in 1994. The medical division margins decreased to 37% for the three month period in 1995 as compared to 38% for 1994 which can be attributed to higher costs. The consumer division gross profit was 23% and 20% for the three month period in 1995 and 1994, respectively. Margins improved on US consumer and declined on foreign operations.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses increased \$151,000 or 5% for the three month period ended March 31, 1995 over 1994 which is primarily attributable to inflationary increases and the effect of a stronger German mark and British pound.

#### Interest Expense

Interest expense increased \$100,000 for the three month period ended March 31, 1995 as compared to 1994 which is attributable to increased average borrowings and higher interest rates on the U.S. revolving line of credit.

#### Provision for Income Taxes

The effective tax rate for the three month period ended March 31, 1995 was 57% as compared to 38% for 1994. The consolidated effective tax rates vary from year to year because income (loss) before taxes vary from year to year by country of operation and the statutory rates and laws vary by country of operation.

#### Liquidity and Capital Commitments

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

	March 31, 1995	December 31, 1994
Working capital	\$21,549,000	\$21,035,000
Current ratio	2.87 to 1	3.23 to 1
Long term debt to equity ratio	.83	.80

Capital expenditures were \$246,000 for the three month period ended March 1995. The 1995 capital expenditures are expected to be approximately \$1,200,000.

The Company has a \$13,000,000 U.S. revolving line of credit due to expire in March 1997 and foreign overdraft arrangements due to expire at various times in 1995. Based on maintaining the U.S. revolving line of credit and foreign overdraft arrangements, current cash balances and cash flow from operations, the Company believes it can meet capital expenditure and other planned financial commitments in 1995.

## PART II - OTHER INFORMATION

### Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

- (a) The Annual Meeting was held on April 24, 1995.

- (b) The following individuals were elected Directors at the meeting and comprise the entire Board.

	Votes for	Votes withheld
David W. Clark, Jr.	3,055,832	99,340
George R. Dunbar	3,055,750	99,422
James F. Farrington	3,057,625	97,547
Walter C. Johnsen	3,057,675	97,497
Newman M. Marsilius	3,055,700	99,472
Wayne R. Moore	3,055,832	99,340
Gary D. Penisten	3,055,832	99,340
Dwight C. Wheeler II	3,055,545	99,627
Henry C. Wheeler	3,055,737	99,435

- (c) Coopers & Lybrand L.L.P. were appointed as Auditors for the Company for the year 1995 with 3,129,566 shares voting for the appointment, 20,623 shares voting against the appointment, 4,983 abstentions and 38,798 broker non-votes.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) No Form 8-K was filed by the Company during the three months ended March 31, 1995.

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

---

(Registrant)

Date: May 11, 1995

Stephen T. Bajda

---

Stephen T. Bajda  
Senior Vice President-Finance

Date: May 11, 1995

Richard L. Windt

---

Richard L. Windt  
Controller

<ARTICLE> 5

<PERIOD-TYPE>	3-MOS	
<FISCAL-YEAR-END>		DEC-31-1995
<PERIOD-START>		JAN-01-1995
<PERIOD-END>		MAR-31-1995
<CASH>		660675
<SECURITIES>		0
<RECEIVABLES>		7301726
<ALLOWANCES>		216822
<INVENTORY>		23083336
<CURRENT-ASSETS>		33098984
<PP&E>		22396652
<DEPRECIATION>		13487110
<TOTAL-ASSETS>		45778237
<CURRENT-LIABILITIES>		11541039
<BONDS>		15127072
<COMMON>		8461550
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<OTHER-SE>		9719896
<TOTAL-LIABILITY-AND-EQUITY>		45778237
<SALES>		12896891
<TOTAL-REVENUES>		12920097
<CGS>		9276192
<TOTAL-COSTS>		9276192
<OTHER-EXPENSES>		0
<LOSS-PROVISION>		37647
<INTEREST-EXPENSE>		456688
<INCOME-PRETAX>		(156782)
<INCOME-TAX>		(88878)
<INCOME-CONTINUING>		(67904)
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		(67904)
<EPS-PRIMARY>		(.02)
<EPS-DILUTED>		(.02)