Acme United Corporation is one of the largest suppliers of cutting devices, measuring instruments, first aid kits, safety products and related items for consumers. The Company's subsidiary in the United Kingdom, Acme United Ltd., sells office products, medical scissors, household scissors and shears, and houseware products. The Canadian subsidiary, Acme United Limited, is one of the largest marketers of scissors, rulers and general office supplies in Canada. The German subsidiary, Emil Schlemper GmbH, manufactures scissors, shears and manicure implements.

March 15, 2002

To my fellow shareholders:

Acme United Corporation had a successful year in 2001. We reported revenue and earnings growth in a very difficult environment, and continued to build for the future.

Net sales in 2001 were $36.2 million compared to $34.4 million in the prior year, an increase of 5%. The company reported net income in 2001 of $1.3 million versus $1.1 million in 2000, an increase of 21%. Earnings per share were $.36 in 2001 compared to $.30 in 2000.

Pre-tax income increased 56% to $1.7 million. Cash generated from operations was approximately $2.0 million. Total debt decreased from $7.5 million in 2000 to $5.7 million in 2001. Sales per employee increased from $106,000 in 1997 to $299,000 in 2001.

In the second half of the year, the Board, recognizing the low valuation of the company stock, authorized the repurchase of 150,000 shares. To date the company has purchased 98,254 shares.

Acme's sales of cutting and measuring devices increased during the year. New products continued to be a cornerstone of our growth. We expanded the Tagit! family of personalized scissors, rulers, and desk top accessories, and placed these items throughout our distribution channels. We began shipping our patented carton opener with strong retail support. In November, Acme introduced the first titanium scissors to its entire customer base.

During 2001, Acme strengthened its position in the office market with greater penetration in the superstores and wholesalers, and increased its product range at the major school supply distributors. The Company began selling to a large drug chain, and increased its sales to the mass market. All segments of the domestic and Canadian businesses grew. The English and German operations had lower sales, but were more focused on the core Acme product lines.

Revenues in the safety category increased in the fourth quarter of 2001. Sales of latex and vinyl gloves, barrier masks, first aid kits, and germicidal wipes were higher than previous years. Acme is a key supplier of these items in the office market, and provided nearly flawless service at a time of urgency.

We believe that Acme now provides its customers with innovative products at the world's lowest total costs. This driving force is enhanced by outstanding customer service and a sense of urgency. Our customers are responding.

The Company's gross margins increased from 35 percent in 2000 to 38 percent in 2001 due to productivity improvements, strict attention to costs, and new product introductions. We take our costs very seriously, and strive to simplify our operations at every step. These efforts are paying off.

Our financial strength improved in 2001. Shareholder equity increased from $7.9 million to $8.7 million during the year. We increased our book value to $2.54 per share. Our long term debt to equity reached a record low of 33%. Our working capital increased to $8.8 million.

Acme continued to build its management team. We hired strong executives in marketing, information systems, and international finance. We recruited experienced managing directors in the U.K and Canada, and strengthened the sales team in Canada. I am very pleased to welcome these talented individuals, and look forward to building our business with them.

On a special note, James A. Brownrigg retired as General Manager of our Canadian subsidiary after 48 years of outstanding service to Acme. Jim's dedication and tireless work ethic is an inspiration for all Acme employees. We thank him and wish him well.

We look to 2002 with confidence as we build on the many successes of 2001. Thank you for your support.

Sincerely,

Walter C. Johnsen
President and CEO

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, 2001

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 incorporation or organization)	(I.R.S. Employer Identification No.)
1931 Black Rock Turnpike Fairfield, Connecticut	06432
(Address of principal executive offices)	(Zip Code)

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

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 3,410,051 shares outstanding as of March 1, 2002 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 1, 2002 was approximately $13,981,209.

Documents Incorporated By Reference

(1) Proxy Statement for the annual meeting scheduled for April 22, 2002 incorporated into 2001 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. On March 22, 1999 the Company sold its medical segment. Prior thereto, the Company operated two business segments - consumer and medical. The Company's continuing operations are in the United States, Canada, England and Germany. Financial information concerning net sales and long-lived assets by geographic area appears in Note 11 of the notes to consolidated financial statements.

Consumer

The Company manufactures and sells cutting devices, measuring instruments and safety products for school, office and home use. The Company is a major supplier of cutting devices, measuring instruments, and safety products in the United States; a marketer of scissors, shears, rulers and other office products in Canada; a supplier of scissors, shears and other office products in England; and a manufacturer of scissors and shears in Germany. 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 with wholesale, contract and retail stationery distributors, office supply super stores, school supply distributors, and mass market retailers. The Company had three customers with sales to each in excess of 10% of total net sales in 2001.

A seasonal surge in revenues arises from March through July which is attributed to sales in the educational field, primarily through school supply distributors and mass market retailers. Unfilled order backlog at year end 2001 was $217,282 compared to $291,526 in 2000.

Medical

The Company entered the medical products field in 1965, producing disposable medical scissors and instruments in bulk for hospital distributors. In 1972, the Company's Medical Products Division began marketing its own line of products. New products were added to the procedure tray line every year to meet the specialized needs of hospitals, clinics and convalescent homes. In 1978, wound dressings were introduced by the Company. Bandage products were added in January 1992, when the Company acquired the major portion of the United States medical products business of SePro Healthcare, Inc., the United States subsidiary of Seton Healthcare Group, plc of Oldham, England. The Company entered into distribution agreements with Seton Healthcare International Limited for exclusive United States rights to an extensive line of state-of-the-art pressure therapy bandages and specialized wound dressings. Subsequently, in March 1997, the Company sold its distribution rights of certain wound care products to Seton Healthcare International Limited. Under the agreement, Acme continued to distribute the products for a portion of 1997.

On March 22, 1999, the Company sold the medical business to Medical Action Industries, Inc.

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 121 persons, most of whom are full time and none 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, owns a facility in Germany, and leases 44,000 square feet of warehousing space in Canada and 6,000 square feet of warehousing space in England.

Manufacturing for Europe is presently being conducted at a 48,000 square foot owned plant 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 contingent 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 four lawsuits remain, they are still in preliminary stages and it has not been determined whether the Company's products were involved. Based on information available, the Company believes there will not be a material adverse impact on financial position, results of operations, or liquidity, from these matters, either individually or in aggregate.

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 fiscal year ended December 31, 2001.

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:

	High	Low
Year Ended December 31, 2001		
First Quarter	$3.95	$2.375
Second Quarter	3.80	2.3125
Third Quarter	3.50	2.85
Fourth Quarter	4.00	2.60
Year Ended December 31, 2000		
First Quarter	$2.75	$0.9375

Second Quarter	3.375	1.875
Third Quarter	3.8125	2.875
Fourth Quarter	3.6875	2.125

As of March 15, 2002 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 2001 and 2000. The Company presently intends to retain earnings to finance business improvements.

Item 6. Selected Financial Data

FIVE YEAR SUMMARY OF SELECTED FINANCIAL DATA (All figures in thousands except per share data)

	2001	2000	1999	1998 (A)	1997 (A)
Net Sales	$36,165	$34,413	$35,857	$37,762	$34,157
Income/(Loss) from Continuing Operations	$ 1,280	$ 1,061	$ (156)	$(2,364)	$(2,847)
Total Assets	$20,173	$21,118	$20,767	$28,896	$29,327
Long Term Debt, Less Current Portion	$ 2,875	$ 4,925	$ 5,013	$ 6,382	$11,825
Income/(Loss) from Continuing Operations Per Share (Diluted)	$ 0.36	$ 0.30	$ (0.05)	$ (0.70)	$ (0.85)

<FN>
(A) As restated to reflect the sale of the medical business on March 22, 1999, which is reported as discontinued operations.
</FN>

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

Acme United Corporation (the "Company") sold its medical business segment in March 1999, and has classified the operating results of this segment as discontinued operations in the accompanying financial statements. Prior thereto the Company operated in two principal business segments - consumer and medical. The Company's continuing operations consist of a single reportable consumer segment which operates in the United States, Canada, England and Germany.

On March 22, 1999, the Company sold its medical business, including customer lists, inventory, and certain equipment for cash of approximately $8.15 million resulting in a gain of approximately $2.1 million. The Company used the net proceeds from the sale to reduce debt. The sale of the medical business enabled management to focus its sales efforts on scissors, rulers, and first aid kits in the consumer market. The Company believes the consumer market provides a strong foundation for growth.

The following comments on the results of operations relate exclusively to the continuing operations of the Company's consumer business. In addition, operating results may be effected by certain accounting estimates. The most sensitive and significant accounting estimates in the financial statements relate to asset valuation allowances for accounts receivable and slow moving and obsolete inventories. Management critically evaluates the collectibility of its accounts receivable and the salability of its inventories, reducing the carrying amount of accounts receivable to net realizable value and inventories to the lower of cost or market. Management believes that asset valuation allowances for the periods presented are stated at reasonable amounts based on the best available information.

Results of Operations 2001 Compared with 2000

Net sales increased $1,752,008, or 5% in 2001 to $36,164,603 compared to $34,412,595 in 2000. Net sales in the United States increased $3,055,547 or 13% due to the increased sales in the mass market and the superstores. Foreign net sales decreased $1,303,539 or 12% primarily due to discontinuing a distribution agreement with a third party in England.

Gross profit was 38% of net sales in 2001 compared to 35% of net sales in 2000. The introduction of new products coupled with improved operating efficiencies in North America were the main reasons for the improvement.

Selling, general and administrative (SG&A) expenses were $11,367,751 in 2001 compared with $9,748,187 in 2000, an increase of $1,619,564 or 17%. Strategic advertising and the addition of key management positions were the main reasons for the increase. SG&A expenses were 31.4% of net sales compared to 28.3% in 2000. In 2001, the Company increased catalog and other product placement payments to certain significant customers. Expense relating to such payments totaled $3,083,000 in 2001 as compared to $2,492,000 in 2000. On January 1, 2002, the Company will adopt Emerging Issues Task Force consensus No. 00-25, Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products which requires such amounts be classified as a reduction of sales.

Net other income was $33,547 in 2001 compared to net other expense of $406,211 in 2000. The change from 2000 is principally due to a gain on the sale of marketable equity securities of $474,551 which was offset by a loss on disposals of equipment and foreign exchange losses. In 2000, the expense related primarily to losses on the disposal of property, plant and equipment.

Interest expense decreased $136,039 in 2001 to $790,910 compared to $926,949 in 2000 due to lower borrowings and lower interest rates.

The Company's effective income tax rate increased to 25% in 2001 as compared to 3% in 2000. Please refer to Note 8. The Company expects to utilize its remaining federal and state net operating loss carryforwards in 2002. Further, the Company expects its tax rate in 2002 to approximate 38%.

Results of Operations 2000 Compared with 1999

Net sales from continuing operations decreased $1,444,261 in 2000 to $34,412,595 compared to $35,856,856 in 1999. Beginning in the first quarter of 2000, the Company classified outgoing freight expense as selling expense. Outgoing freight expenses for 2000 and 1999 were $1,117,645 and $1,547,365, respectively. Such costs were previously recorded as a reduction of net sales. Net sales in the United States decreased $1,746,012 or 6.9% due to the loss of a $3.5 million customer in the first quarter of 2000. Foreign net sales increased $301,751 or 2.8% primarily due to strong sales in England and Canada.

Gross profit was 35% of net sales in 2000 compared to 28% of net sales in 1999. Gross profit improved in North American entities due to resourcing of scissor products to Asia at lower costs coupled with aggressive purchasing practices and improvements in manufacturing productivity.

Selling, general and administrative expenses were $9,748,187 in 2000 compared with $9,265,689 in 1999, an increase of $482,498 or 5%, mainly due to an increase in advertising.

Net other expense was $406,211 in 2000 compared to net other income of $275,787 in 1999. The change from 1999 is principally due to losses on sales of equipment in 2000 and higher foreign currency transaction gains in 1999.

Interest expense decreased $137,290 in 2000 to $926,949 compared to $1,064,239 in 1999 due to lower borrowings and lower interest rates.

Income tax expense of $35,211 was recognized in 2000 compared to a benefit of $26,554 in 1999. The Company has significant net operating loss carryovers for United States Federal and state and foreign tax reporting purposes. The benefits from such loss carryovers are recognized when they are more likely than not to be realized.

Liquidity and Capital Resources

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

	2001	2000

Working Capital	$8,760,140	$8,462,067
Current Ratio	2.14 to 1	2.06 to 1
Long - Term Debt to Equity Ratio	0.33	0.62

The increase in working capital and current ratio in 2001 reflects improved operating results and asset management. Inventories decreased $1,220,000 or 12% in 2001 while the days sales outstanding (DSO) was reduced from 72 in 2000 to 67 in 2001. Net cash provided by operating activities increased to $2.0 million from $0.5 in 2000.

On January 19, 2000, the Company entered into a loan agreement (the Agreement) with a bank to refinance debt. Under the Agreement the Company may borrow up to $11,500,000 through January 19, 2003 (the maturity date) based on a formula which applies specific percentages to balances of accounts receivable and inventories. Throughout the next twelve months, the Company expects to have a minimum of $1,960,000 million outstanding under this arrangement. As such, amounts borrowed in excess of $1,960,000 million are classified as part of the current portion of long term debt. Under the Agreement, the Company borrowed an additional $325,000 which is payable in monthly installments of $5,417, plus interest, through November 1, 2002 and a final installment of $65,822, plus interest, due December 1, 2002. Amounts outstanding under the Agreement bear interest at varying rates as provided for in the Agreement (5.75% at December 31, 2001). As of December 31, 2001 the North American operations had $3,077,167 million in excess availability under the Agreement.

On August 7, 2000 the Company entered into an interest rate swap with a bank effectively fixing the interest rate at 10.18% for $3.5 million of debt under the Agreement through its maturity date.

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 $830, plus interest at the Federal Home Loan Bank of Seattle fixed advanced rate, plus 3.0% through August 1, 2020 and a final installment of $500,800, plus interest, due on August 1, 2020. A portion of the proceeds from this loan was used to repay amounts borrowed under the Agreement.

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, and a specified debt service coverage ratio, and a fixed charge coverage ratio, all as defined. The Company was in compliance with all covenants as of or through December 31, 2001 and believes these financial covenants will be met for the remainder of the term of the loan.

Capital expenditures during 2001 were $308,062 which were, in part, financed with debt. Capital expenditures in 2002 are not expected to be material.

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 2002.

Item 7A. Qualitative and Quantitative Disclosure about Market Risk

The Company's debt portfolio and associated interest rates follows:
(amounts in thousands)

	2002	2003	2004	2005	2006	Thereafter	Total	Fair Value
Liabilities:								
Notes payable	$ 464						$ 464	$ 464
Average interest rate	9.4%						9.4%	9.4%
Long-term Debt:								
Fixed rate	$ 123	$ 75	$ 21	$ 22	$ 24	$ 98	$ 363	$ 318
Average interest rate	8.1%	8.0%	7.4%	7.4%	7.4%	7.4%	7.3%	
Variable rate	$2,254	$1,970	$ 10	$ 10	$ 10	$ 635	$4,889	$4,889
Average interest rate	5.1%	5.0%	9.8%	9.8%	9.8%	9.8%	5.7%	
Interest Rate Derivative Financial Instruments Related to Debt:								
Interest Rate Swap:								
Notional Amount	$3,500	$3,500					$3,500	$ (190)
Fixed pay rate	7.2%	7.2%						
Variable receive rate	7.0%	7.0%						

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 expires on January 19, 2003.

Foreign Currency Risk:

The Company manufactures products in the United States and Germany and sources products from Asia. The United States Company buys its cutting instruments from China. Such purchases are denominated in US dollars. The Canadian and England companies buy the majority of its products from China in US dollars and are exploring ways to minimize currency risk purchasing in local currencies. Further, the Company engages in intracompany sales which are denominated in currencies other then 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 German mark.

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 transaction were not material at December 31, 2001 and 2000. 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 2001 and 2000. 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 Supplementary Data

Acme United Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF OPERATIONS
For the years ended December 31, 2001, 2000 and 1999

	2001	2000	1999
Net Sales	$ 36,164,603	$ 34,412,595	$ 35,856,856
Costs and Expenses:			
Cost of Goods Sold	22,327,263	22,235,412	25,985,705
Selling, General and Administrative Expenses	11,367,751	9,748,187	9,265,689
	33,695,014	31,983,599	35,251,394
Income before Non-operating Items	2,469,589	2,428,996	605,462
Non-operating Items:			
Interest Expense	790,910	926,949	1,064,239
Other Income/(Expense)-Net	33,547	(406,211)	275,787
Income (Loss) from Continuing Operations before Income Taxes	1,712,226	1,095,836	(182,990)
Income Taxes (Benefit)	431,822	35,211	(26,554)
Income (Loss) from Continuing Operations	1,280,404	1,060,625	(156,436)
Discontinued Operations:			
Income from Discontinued Operations	-	-	223,840
Gain from Sale of Discontinued Operations	-	-	2,101,000
Income from Discontinued Operations	-	-	2,324,840
Net Income	$ 1,280,404	$ 1,060,625	$ 2,168,404
Earnings/(Loss) Per Share:			
Basic:			
Continuing Operations	$ 0.37	$ 0.30	$(0.05)
Discontinued Operations	-	-	0.69
Net Income	$ 0.37	$ 0.30	$ 0.64
Diluted:			
Continuing Operations	$ 0.36	$ 0.30	$(0.05)
Discontinued Operations	-	-	0.69
Net Income	$ 0.36	$ 0.30	$ 0.64

See accompanying notes.

Acme United Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
Years ended December 31, 2001, 2000 and 1999

	Outstanding Shares of Common Stock	Common Stock	Treasury Stock	Additional Paid In Capital	Accumulated Other Comprehensive Loss	Retained Earnings (Deficit)	Total
Balances, December 31, 1998	3,377,488	$ 8,706,238	$(648,000)	$ 2,232,705	$ (1,235,215)	$(4,380,484)	$ 4,675,244
Net Income						2,168,404	2,168,404
Translation Adjustment					(55,223)		(55,223)
Comprehensive Income							2,113,181
Payment of Accrued Compensation	129,567	323,917		(194,351)			129,566
Balances, December 31, 1999	3,507,055	9,030,155	(648,000)	2,038,354	(1,290,438)	(2,212,080)	6,917,991
Net Income						1,060,625	1,060,625
Translation Adjustment					(88,590)		(88,590)
Comprehensive Income							972,035
Exercise of Stock Options	1,250	3,125		(531)			2,594
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 Tax Effect Relating to Derivative Financial Instruments					69,901		69,901
Unrealized Gains on Available-for-Sale Securities					474,551		474,551
Gains Reclassified Into Earnings From Other 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

See accompanying notes.

Acme United Corporation and Subsidiaries
CONSOLIDATED BALANCE SHEETS
December 31, 2001 and 2000

	2001	2000
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 171,536	$ 21,510
Accounts receivable, less allowance	6,438,951	5,973,324
Inventories	8,802,631	10,022,290
Deferred income taxes	240,932	-
Prepaid expenses and other current assets	806,654	432,537
Total current assets	16,460,704	16,449,661
Plant, Property and Equipment:		
Land	170,439	179,502
Buildings	2,071,520	2,006,927
Machinery and equipment	5,609,600	6,545,424
Total plant, property and equipment	7,851,559	8,731,853
Less accumulated depreciation	5,592,575	5,610,250
Net plant, property and equipment	2,258,984	3,121,603
Goodwill and other, less accumulated amortization	157,017	172,096
Other assets	1,296,665	1,374,855
Total Assets	$ 20,173,370	$ 21,118,215
LIABILITIES		
Current Liabilities:		
Notes payable	$ 463,705	$ 503,682
Accounts payable	2,038,524	2,259,719
Other accrued liabilities	2,821,333	3,138,821
Current portion of long-term debt	2,377,002	2,085,372
Total current liabilities	7,700,564	7,987,594
Deferred income taxes	520,996	-
Long-term debt, less current portion	2,874,875	4,924,834
Other	405,036	313,167
Total Liabilities	11,501,471	13,225,595
Commitments and Contingencies		
STOCKHOLDERS' EQUITY		
Common Stock, par value $2.50: authorized 8,000,000 shares; issued - 3,613,312 shares in 2001 and 2000, including Treasury	9,033,280	9,033,280
Treasury Stock, at cost, 203,261 shares in 2001 and 105,007 shares in 2000	(936,996)	(648,000)
Additional paid-in capital	2,037,823	2,037,823

Accumulated other comprehensive loss	(1,591,157)	(1,379,028)
Retained earnings (deficit)	128,949	(1,151,455)
Total Stockholders' Equity	8,671,899	7,892,620
Total Liabilities and Stockholders' Equity	$ 20,173,370	$ 21,118,215

See accompanying notes.

Acme United Corporation and Subsidiaries
CONSOLIDATED STATEMENTS OF CASH FLOW
Years ended December 31, 2001, 2000 and 1999

	2001	2000	1999
Operating activities:			
Net income	$ 1,280,404	$ 1,060,625	$ 2,168,404
Adjustments to reconcile net income to net cash provided by operating activities			
Gain on sale of discontinued operations	-	-	(2,101,000)
Depreciation	566,438	589,527	950,000
Amortization	157,568	159,409	29,710
Loss on disposals of plant, property and equipment	333,906	374,769	240,873
Deferred income taxes	349,965	-	-
Gain on sale of marketable equity securities	(474,551)	-	-
Changes in operating assets and liabilities			
Accounts receivable	(465,627)	742,891	1,004,551
Inventories	1,219,659	(1,706,739)	1,648,394
Prepaid expenses and other current assets	(374,117)	(60,816)	(84,239)
Other assets	93,269	(155,929)	74,254
Accounts payable	(221,195)	(503,553)	(1,659,043)
Other accrued liabilities	(416,329)	6,506	(1,776,461)
Total adjustments	768,986	(553,936)	(1,672,961)
Net cash provided by operating activities	2,049,390	506,689	495,443
Investing activities:			
Capital expenditures	(308,062)	(456,823)	(459,707)
Proceeds from sales of plant, property and equipment	139,987	311,179	384,432
Proceeds from sale of medical division	-	-	8,156,000
Proceeds from sale of marketable equity securities	474,551	-	-
Net cash provided (used) by investing activities	306,476	(145,645)	8,080,725
Financing activities:			
Net (repayments) borrowings on notes payable	(1,721,293)	326,135	(8,031,802)
Borrowings of long term debt	-	1,025,000	2,500,000
Payments of long term debt	(77,013)	(1,462,951)	(2,940,480)
Debt issuance costs	(27,217)	(230,190)	-
Purchases of 98,254 shares of Common Stock for treasury	(288,996)	-	-
Exercise of stock options	-	2,594	-
Net cash used by financing activities	(2,114,519)	(339,412)	(8,472,282)
Effect of exchange rate changes	(91,321)	(88,590)	(55,223)
Net change in cash and cash equivalents	150,026	(66,958)	48,663
Cash and cash equivalents at beginning of year	21,510	88,468	39,805
Cash and cash equivalents at end of year	$ 171,536	$ 21,510	$ 88,468

See accompanying notes.

Acme United Corporation and Subsidiaries
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Continuing Operations

The continuing operations of Acme United Corporation (the Company) consist of a single reportable "consumer" segment. The consumer segment operates in the United States, Canada, England and Germany. Principal consumer segment 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. Continuous credit evaluations are made of customers; collateral is not required. Allowances for credit losses are provided and have been within management's expectations. Three customers aggregate approximately 43% of net sales for 2001, and two customers aggregate approximately 30% and 26%

of net sales in 2000 and 1999, respectively. The Company sources supply for most of its cutting instruments from China.

2. Discontinued Operations

On March 22, 1999 the Company sold its medical business, including customer lists, inventory, and certain equipment for cash of approximately $8,156,000 realizing a gain of $2,101,000. The consolidated statements of operations for 1999 reflect the discontinuance of the medical business segment. Substantially all assets of the medical business segments were disposed of at December 31, 1999.

The condensed statements of operations relating to the medical business for the year ended December 31, 1999 follow:

Net sales	$ 5,536,000
Costs and expenses	5,312,160
Income from operations (A)	$ 223,840

(A) Income taxes related to the medical business are not material.

3. 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 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 $(153,000) in 2001, $(8,000) in 2000 and $215,000 in 1999.

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 $209,508 in 2001 and $178,227 in 2000.

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. In 2000 and in connection with continued expansion of sourcing of production to facilities outside the United States, the Company disposed of certain equipment no longer in use at a loss of $343,138 and segregated other equipment for transfer and installation in the foreign production facilities. The Company temporarily suspended depreciation on the equipment segregated. Depreciation thereon resumed when the equipment was placed in service in January, 2001. Had depreciation continued in 2000, depreciation expense would have been higher by approximately $200,000 during 2000.

Goodwill - Goodwill represents the excess of the cost of investments in businesses acquired over the net asset values at acquisition. Goodwill is being amortized by the straight line method over periods up to 40 years. Accumulated amortization aggregated $345,651 and $326,434 at December 31, 2001 and 2000, respectively. See Note 16.

Deferred Debt Costs - Deferred Debt Costs are being amortized over the term of the related debt.

Asset Impairments - The Company evaluates the propriety of the carrying amounts of its long-lived assets, including goodwill, as well as their estimated useful lives, 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.

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.

Revenue Recognition - The Company recognizes revenue upon shipment of its products to its customers.

Research and Development - Research and development costs ($147,115 in 2001, $46,368 in 2000 and $18,688 in 1999) are charged to operations as incurred.

Shipping and Handling Costs - Shipping and handling costs ($1,189,930 in 2001, $1,117,645 in 2000, and $1,547,365 in 1999) are included in selling, general and administrative expenses.

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 adopting 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 depending on whether the derivative financial instrument qualifies for hedge accounting, and if so, whether it qualifies as a fair value hedge or cash flow hedge. Generally, changes in fair values of derivatives accounted for as fair value hedges are recorded in operations along with the portions of the changes in the fair values of the hedged items that relate to the hedged risk(s). Changes in fair values of derivatives accounted for as cash flow hedges, to the extent they are effective as hedges, are recorded in other comprehensive income net of applicable deferred income taxes. Changes in fair values of derivatives used as hedges of the net investment in foreign operations are reported in other comprehensive income as part of the cumulative translation adjustment. Changes in fair values of derivatives not qualifying as hedges are reported in operations.

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

Prior to January 1, 2001, the Company also used interest rate swap contracts for hedging purposes. Unrealized gains or losses on interest rate swap contracts were not recognized in operations. For all periods presented, the net amounts paid or received and net amounts accrued through the end of the accounting period were included in interest expense.

Foreign currency forward contracts were minimal prior to January 1, 2001.

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

4. Inventories

Inventories consist of:

	2001	2000

Finished goods	$ 6,553,210	$ 7,979,629
Work in process	404,103	493,169
Materials and supplies	1,845,318	1,549,492
	$ 8,802,631	$10,022,290

5. Other Assets

Other assets consist of:

	2001	2000
Prepaid pension costs	$ 1,158,314	$ 1,136,324
Deferred debt costs and other	138,351	238,501
	$ 1,296,665	$ 1,374,855

6. Other Accrued Liabilities

Other accrued liabilities consist of:

	2001	2000
Vendor rebates and other	$ 2,088,616	$ 1,584,028
Other	732,717	1,554,793
	$ 2,821,333	$ 3,138,821

7. 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.

At December 31, 2001 and 2000, plan assets include 30,000 shares of the Company's Common Stock having a market value of $117,000 and $84,390 at those dates, respectively.

Other disclosures related to the pension plan follow:

	2001	2000
Changes in benefit obligation		
Benefit obligation at beginning of year	$(4,398,446)	$(4,855,049)
Interest cost	(319,163)	(326,614)
Service cost	(35,000)	(35,000)
Amendments	(131,640)	-
Settlement	793,165	-
Actuarial (loss) gain	(47,895)	284,387
Benefits and plan expenses paid	491,017	533,830
Benefit obligation at end of year	(3,647,962)	(4,398,446)
Changes in plan assets		
Fair value of plan assets at beginning of year	5,961,279	6,188,518
Actual return on plan assets	(464,582)	306,591
Settlement	(793,165)	-
Benefits and plan expenses paid	(491,017)	(533,830)
Fair value of plan assets at end of year	4,212,515	5,961,279
Funded status	564,553	1,562,833
Unrecognized actuarial loss (gain)	470,897	(426,509)
Unrecognized prior service cost	122,864	-

Prepaid benefit costs	$ 1,158,314	$ 1,136,324

	2001	2000	1999
Assumptions:			
Discount rate	7.25%	7.25%	7.75%
Expected return on plan assets	8.50%	8.50%	8.50%
Components of net pension income:			
Interest cost	$ 319,163	$ 326,614	$ 338,481
Service cost	35,000	35,000	25,000
Expected return on plan assets	(487,315)	(506,418)	(476,336)
Amortization of prior service cost	8,776	-	-
Amortization of actuarial gain	-	(11,125)	-
Settlement loss	102,386	-	-
	$ (21,990)	$ (155,929)	$ (112,855)

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

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 and have amounted to 2% of eligible employee earnings and a 50% match up to the first 2% of employee contributions. Total contribution expense under this plan approximated $51,000, $42,000, and $51,000 for 2001, 2000 and 1999, respectively.

8. Income Taxes

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

	2001	2000	1999
Current:			
Federal	$ 31,708	$ 23,500	$ -
State	50,213	11,500	(27,059)
Foreign	(64)	211	505
	$ 81,857	$ 35,211	$ (26,554)
Deferred:			
Federal	$ 300,887	$ -	$ -
State	49,078	-	-
Foreign	-	-	-
	349,965	-	-
Total	$ 431,822	$ 35,211	$ (26,554)

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 manufacturing plants are located.

A summary of United States and foreign income (loss) before income taxes from continuing operations follows:

	2001	2000	1999
United States	$ 2,269,128	$ 1,452,272	$ (61,829)
Foreign	(556,902)	(356,436)	(121,161)
	$ 1,712,226	$ 1,095,836	$ (182,990)

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

	2001	2000	1999
Federal income taxes (benefit) at 34% statutory rate	$ 582,157	$ 372,584	$ (62,217)
State and local taxes, net of federal income tax effect	70,528	70,443	(50,587)
Foreign rate differential	16,373	(9,571)	1,332
Changes in foreign statutory tax rate	-	688,303	-
Deferred income tax asset valuation allowance	(413,274)	(1,023,325)	(334,172)
Foreign permanent differences	94,765	(69,507)	354,249
Other	81,273	6,284	64,841
Provision (benefit) for income taxes	$ 431,822	$ 35,211	$ (26,554)

Income taxes paid, net of refunds received, were $11,341 in 2001, $69,754 in 2000 and $45,871 in 1999.

	2001	2000
Deferred income tax liabilities:		
Plant, property and equipment	$ 150,594	$ 245,411
Pension	416,398	419,698
	566,992	665,109
Deferred income tax assets:		
Asset valuations	125,982	280,880
Financial instruments	69,901	-
Operating loss carryforwards and credits	1,569,697	2,278,549
Other	74,014	71,620
	1,839,594	2,631,049
Net deferred income tax asset before valuation allowance	1,272,602	1,965,940
Valuation allowance	(1,552,666)	(1,965,940)
Net deferred income tax liability	$ (280,064)	$ -

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 $1,258,000 and $1,236,000 are considered permanently reinvested as of December 31, 2001 and 2000, 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 past performance and carryforward 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.

At December 31, 2001, the Company has tax operating loss carryforwards aggregating $4,423,000, which relate primarily to foreign income taxes. Carryforwards applicable to Germany and England of $3,876,549 can be carried forward indefinitely; carryforwards applicable to Canada of $430,317 expire from 2005 - 2007.

9. Debt

The Company has short term lines of credit for its foreign subsidiaries which expire at various times in 2002. The aggregate amount available under these lines is $581,145 of which $463,705 is outstanding at December 31, 2001 and bears interest at rates ranging from local prime to local prime plus 4%. The weighted average interest rate for outstanding borrowings was 9.4% at December 31, 2001 and 10.2% at December 31, 2000.

Long term debt consists of:

	2001	2000
Notes payable:		
North American arrangements	$4,889,035	$6,321,325
Other	362,842	688,881
	5,251,877	7,010,206
Less current portion	2,377,002	2,085,372
	$2,874,875	$4,924,834

On January 19, 2000, the Company entered into a loan agreement (the Agreement) with a bank to refinance debt. Under the Agreement the Company may borrow up to $11,500,000 through January 19, 2003 (the maturity date) based on a formula which applies specific percentages to balances of accounts receivable and inventories. At December 31, 2001, $4,078,500 is outstanding and $3,077,167 is available under the Agreement. Throughout 2002, the Company expects to have a minimum of $1,960,000 outstanding under this arrangement. As such, amounts borrowed in excess of $1,960,000 are classified as part of the current portion of long term debt. Under the Agreement, the Company borrowed an additional $325,000 which is payable in monthly installments of $5,417, plus interest, through November 1, 2002 and a final installment of $65,822, plus interest, due December 1, 2002. Amounts outstanding under the Agreement bear interest at varying rates as provided for in the Agreement (5.75% at December 31, 2001 and 10.5% at December 31, 2000).

On August 7, 2000 the Company entered into an interest rate swap with a bank effectively fixing the interest rate at 10.18% for $3.5 million of debt under the Agreement through its maturity date.

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 $830, plus interest at the Federal Home Loan Bank of Seattle fixed advanced rate, plus 3.0% through August 1, 2020 and a final installment of $500,800, plus interest, due on August 1, 2020. A portion of the proceeds from this loan was used to repay amounts borrowed under the Agreement.

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, 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.

Current maturities of long term debt follow: 2002 - $2,377,002; 2003 - $2,044,629; 2004 - $30,952; 2005 - $32,436 and 2006 - $33,920.

The interest rates of the other notes payable range from 7.40% to 8.25%.

Interest paid was $762,855 in 2001, $822,399 in 2000 and $1,117,048 in 1999.

10. Commitments and Contingencies

The Company leases certain office, manufacturing and warehouse facilities and various equipment under non-cancelable operating leases. Total rent expense was

$170,111 in 2001, $203,135 in 2000 and $461,396 in 1999. Minimum annual rental commitments under non-cancelable leases with initial or remaining terms of one year or more as of December 31, 2001 follow: 2002 - $151,693; 2003 - $124,339; 2004 - $111,223; 2005 - $51,930; 2006 - $782 and thereafter - $782.

The Company has been involved in certain environmental and other contingent 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 four lawsuits remain, they are still in preliminary stages and it has not been determined whether the Company's products were involved. Based on information available, the Company believes that there will not be a material adverse impact on financial position, results of operations, or liquidity, from these matters, either individually or in the aggregate.

11. Geographic Data

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

	2001	2000	1999
United States	$ 26,511	$ 23,455	$ 25,201
Canada	5,511	5,402	5,428
England	1,986	3,184	2,177
Germany	2,157	2,372	3,051
	$ 36,165	$ 34,413	$ 35,857

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

	2001	2000	1999
United States	$ 1,446	$ 2,114	$ 2,506
Canada	67	87	79
England	6	22	32
Germany	740	899	1,369
	$ 2,259	$ 3,122	$ 3,986

12. Stock Option Plans

The Company has a stock option plan which provides incentive and nonqualified stock options for up to 790,000 shares, including options for 120,000 shares authorized in 2001, of the Company's Common Stock to officers and key employees (the Employee's Plan). The Employee'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 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.

The Company also has a stock option plan which provides nonqualified stock options for up to 160,000 shares, including options for 40,000 shares authorized in 2001, 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 and for subsequent Annual Meetings 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 2001, an additional 5,000 options were granted to each 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:

	2001	2000	1999
Options outstanding at the beginning of the year	640,350	471,325	376,550
Options granted	232,000	187,900	174,000
Options canceled	(42,500)	(17,625)	(79,225)
Options exercised	-	(1,250)	-
Options outstanding at the end of the year	829,850	640,350	471,325
Options exercisable at the end of the year	535,650	436,125	340,694
Common Stock available for future grants at the end of the year	21,025	50,525	70,800
Average price of options:			
Granted	$ 2.97	$ 2.47	$ 2.12
Canceled	$ 4.09	$ 2.72	$ 1.88
Exercised	$ -	$ 2.08	$ -
Outstanding	$ 3.16	$ 3.30	$ 3.65
Exercisable	$ 3.41	$ 3.70	$ 3.95

A summary of options outstanding at December 31, 2001 follows:

Options Outstanding				Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$1.25 to $2.49	260,400	8	2.12	163,950	2.12
$2.50 to $3.65	377,450	8	3.15	179,700	3.30
$3.66 to $5.00	110,500	5	3.85	110,500	3.85
$5.01 to $7.25	81,500	7	5.65	81,500	5.65
	829,850			535,650	

The weighted average remaining contractual life of outstanding stock options is 7 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 2001, 2000 and 1999.

If compensation expense for the Company's stock option plans had been determined using the fair value method under SFAS No. 123, Accounting for Stock Based Compensation, the Company would have reported net income of $1,049,014 ($0.29 a share) for 2001, net income of $878,070 ($.25 a share) for 2000 and a net income of $2,056,538 ($.61 a share) for 1999.

The weighted average fair value at the date of grant for options granted during 2001, 2000 and 1999 is $1.57, $1.44 and $.75 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:

	2001	2000	1999
Expected Life in Years	5	5	5
Interest Rate	3.00%	4.98%	5.67%
Volatility	0.585	0.618	0.273
Dividend Yield	0%	0%	0%

13. Earnings Per Share

The calculations of earnings per share follow:

	2001	2000	1999
Numerator:			
Income (loss) from continuing operations	$ 1,280,404	$ 1,060,625	$ (156,436)
Denominator:			
Denominator for basic earnings (loss) per share			
Weighted average shares outstanding	3,487,658	3,507,326	3,390,977
Effect of dilutive employee stock options	107,952	61,217	-
Denominator for diluted earnings (loss) per share	3,595,610	3,568,543	3,390,977
Basic earnings (loss) per share	$ 0.37	$ 0.30	$ (0.05)
Diluted earnings (loss) per share	$ 0.36	$ 0.30	$ (0.05)

The effects of the weighted average number of stock options outstanding were anti dilutive in 1999 and have been excluded from the dilutive per share calculations. For 2001 and 2000, 721,898 and 579,133 stock options, respectively, were excluded from diluted earnings per share calculations because they would have been anti dilutive.

14. Accumulated Other Comprehensive Loss

The components of accumulated other comprehensive loss follow:

	Translation Adjustment	Derivative Financial Instrument	Unrealized Gain on Available-for Sale Securities	Total
Balance at December 31, 1998	$ (1,235,215)			$ (1,235,215)
Translation adjustment	(55,223)			(55,223)
Balance at December 31, 1999	(1,290,438)			(1,290,438)
Translation adjustment	(88,590)			(88,590)
Balance at December 31, 2000	(1,379,028)			(1,379,028)
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 tax effect relating to derivative financial instruments		69,901		69,901
Unrealized gains on available-for-sale securities			$ 474,551	474,551
Gains reclassified into earnings from other comprehensive income			(474,551)	(474,551)
Translation adjustment	(91,321)			(91,321)
Balance at December 31, 2001	$ (1,470,349)	$ (120,808)	$ -	$ (1,591,157)

In 2001, the Company exercised stock warrants which were received as part of the consideration from the sale of its medical business. The common stock received as a result of this exercise was subsequently sold for a $474,551 gain.

15. 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 its fair value.

Accounts receivable and accounts payable: The carrying amounts reported in the balance sheet for accounts receivable and accounts payable approximate their 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 at December 31 are as follows (000's omitted):

	2001		2000	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalent	$ 172	$ 172	$ 22	$ 22
Accounts receivable	6,439	6,439	5,973	5,973
Accounts payable	(2,039)	(2,039)	(2,260)	(2,260)
Short-term notes payable	(464)	(464)	(504)	(504)
Long-term debt	(5,252)	(5,207)	(7,010)	(6,979)
Interest rate swap obligation	(190)	(190)	-	(104)
Foreign exchange contracts	24	24	-	-

Derivative Financial Instruments

Derivative financial instruments consist of interest rate swaps and foreign exchange contracts. 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.

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. Forward foreign exchange contracts held for such transaction at December 31, 2001 and 2000 were not material.

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 agreements to hedge its U.S. denominated intercompany loan of $2.0 million to its Canadian subsidiary.

Ineffective portions of fair value hedges were not material in 2001.

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 loan maturity date, thus reducing the impact of interest-rate changes on future income.

During 2001 and 2000, the Company recognized expense of $95,471 and $4,875 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. There was no ineffectiveness in 2001 relating to the interest rate swap.

16. New Accounting Standards

In April 2001, the Emerging Issues Task Force issued consensus No. 00-25, Vendor Income Statement Characterization of Consideration Paid to a Reseller of a Vendor's Products (EITF 00-25), which concludes that consideration paid by a Company to a reseller of its product is presumed to be a reduction of the selling price of the Company's product and, therefore, should be characterized as a reduction of revenue when recognized in the Company's income statement. The presumption is overcome and the consideration should be characterized as a cost incurred if, and to the extent that, an identifiable benefit is or will be received from the reseller in return for the consideration and that the company can reasonably estimate the fair value of that benefit. The adoption of EITF 00-25 will have no effect on net income. Selling, general and administrative expenses in the accompanying financial statements include $3,083,000, $2,492,000 and $1,837,000 for 2001, 2000, and 1999, respectively, of consideration paid to retailers. Such consideration will be classified as a reduction of sales when the provisions of EITF 00-25 are applied as required, effective January 1, 2002, for the applicable periods presented.

In June 2001, the FASB issued Statement No. 141, Business Combinations, and Statement No. 142, Goodwill and Other Intangible Assets. Under the latter new statement, goodwill (and other intangible assets deemed to have indefinite lives) will no longer be amortized but will be subject to annual impairment tests. Other intangible assets will be amortized over their useful lives.

The Company will apply the provisions of Statement No. 142 to existing goodwill and other intangible assets beginning January 1, 2002 and those of Statement No. 141 to all future acquisitions. No impairment will result from the initial adoption of Statement No. 142. Further, had Statement No. 142 been in effect as of the beginning of 2001, amortization expense would have been reduced by $19,217, increasing net income the same amount.

17. Quarterly Data (unaudited)

	Quarters ($000's omitted)				
2001	First	Second	Third	Fourth	Total
Net Sales	$ 7,950	$ 10,642	$ 9,014	$ 8,558	$ 36,164
Cost of Goods Sold	5,114	6,575	5,543	5,095	22,327
Net Income	230	465	405	180	1,280
Basic earnings per share	0.07	0.13	0.12	0.07	0.37
Diluted earnings per share	0.06	0.13	0.11	0.06	0.36
2000					
Net Sales	$ 8,041	$ 10,201	$ 8,760	$ 7,411	$ 34,413
Cost of Goods Sold	5,222	6,785	5,612	4,616	22,235
Net Income	207	414	302	138	1,061
Basic and Diluted earnings per share	0.06	0.12	0.09	0.04	0.30

As a result in an unexpected increase in sales in the US in the fourth quarter of 2001, the Company recorded a charge in estimate in its effective tax rate resulting in a change of income taxes of $338,000.

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, 2001 and 2000, 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, 2001. Our audits also included the financial statement schedule listed in the Index at Item 14(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, 2001 and 2000, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2001 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 27, 2002

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 2001.

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	51	President, Chief Executive Officer and Director
Gary D. Penisten	70	Chairman of the Board and Director
Brian S. Olschan	45	Executive Vice President, Chief Operating Officer and Director

Ronald P. Davanzo	39	Vice President, Chief Financial Officer, Secretary and Treasurer
George R. Dunbar	78	Director
Richmond Y. Holden, Jr.	48	Director
Wayne R. Moore	70	Director
Stevenson E. Ward III	57	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. He is a Director of D. E. Foster & Partners L.P., an executive search firm. 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.

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.

Ronald P. Davanzo has served as Vice President and Chief Financial Officer, Secretary and Treasurer since March 18, 1999. Prior to that he was Vice President-International since April 27, 1998. Mr. Davanzo joined Acme on May 19, 1997. From 1985 to 1997 he served in several increasingly responsible positions in Sterling Drug, Inc., Eastman Kodak, and Sanofi S.A. In his final position before joining Acme he was Director of Finance for Sanofi's Oscar de la Renta fragrance business.

George R. Dunbar has served as director since 1977. He is 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 Producto Corp., manufacturer of machine tools, special machines, and tool die and mold components. He was Chairman of the Board of The Producto Machine Company and of Moore Tool Company, manufacturer of machine tools, measuring machines and metrology products. Mr. Moore was Chairman of the Association for Manufacturing Technology/U.S. Machine Tool Builders (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 thru 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.

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)

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) Documents filed as part of this report:

1. Financial Statements

2. Financial Statement Schedules

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

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, 2001.

SCHEDULE II
Acme United Corporation and Subsidiaries VALUATION AND QUALIFYING ACCOUNTS For the years ended December 31, 2001, 2000 and 1999

	Balance at Beginning of Period	Charged to Costs and Expenses	Deductions	Balance at End of Period
2001				
Allowance for doubtful accounts	$ 178,227	$ 106,557	$ 75,276	$ 209,508
Deferred income tax valuation allowance	1,965,940	-	413,274	1,552,666
2000				

Allowance for doubtful accounts	125,862	235,595	183,230	178,227
Deferred income tax valuation allowance	2,989,265	-	1,023,325	1,965,940
1999				
Allowance for doubtful accounts	195,325	64,944	134,107	125,862
Deferred income tax valuation allowance	4,201,344	-	1,212,079	2,989,265

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	State or Country of Incorporation
Acme United Limited	Canada
Acme United, Ltd.	England
Emil Schlemper GmbH	Germany
Westcott Ruler Company, Inc.	New York
The Acme Shear Company	Connecticut

Only Acme United Limited (Canada), Acme United, Ltd. (England) and Emil Schlemper GmbH (Germany) 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 27, 2002, 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, 2001.

/s/ Ernst & Young LLP

Hartford, Connecticut
March 20, 2002

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 15, 2002.

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/ Ronald P. Davanzo ------------------------------ Ronald P. Davanzo	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