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 September 30, 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 November 15, 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 per share data)

	September 30 1999	December 31 1998
ASSETS		
Current Assets:		
Cash and cash equivalents	$ -	$ 40
Accounts receivable, less allowance	9,144	7,722
Inventories:		
Finished goods	6,111	7,122
Work in process	732	1,240
Raw materials and supplies	1,297	4,907
	8,140	13,269
Prepaid expenses and other current assets	154	424
Total current assets	17,438	21,455
Property, plant and equipment:		
Land	202	219
Buildings	2,062	2,179
Machinery and equipment	10,206	16,216
	12,470	18,614
Less accumulated depreciation	7,914	12,573
	4,556	6,041
Other assets	996	895
Goodwill, less accumulated amortization	389	505
Total assets	$ 23,379	$ 28,896

See notes to condensed consolidated financial statements

ACME UNITED CORPORATION

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

	September 30 1999	December 31 1998
LIABILITIES		
Current Liabilities:		
Notes payable	$ 928	$ 882
Accounts payable	2,882	4,422
Other accrued liabilities	3,577	3,590
Current portion of long term debt	8,976	8,944
Total current liabilities	16,363	17,838
Long term debt, less current portion	355	6,382
Total liabilities	16,718	24,220

STOCKHOLDERS' EQUITY Common stock, par value $2.50:		
Authorized-4,000,000 shares		
issued-3,482,495 shares, including treasury stock	8,706	8,706
Additional paid-in capital	2,233	2,233
Retained-earnings deficit	(2,363)	(4,380)
Accumulated other comprehensive loss-translation adjustment	(1,267)	(1,235)
Treasury stock, at cost-105,007 shares	(648)	(648)
Total stockholders' equity	6,661	4,676
Total liabilities and stockholders' equity	$ 23,379	$ 28,896

See notes to condensed consolidated financial statements

ACME UNITED CORPORATION

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

	Three Months Ended September 30		Nine Months Ended September 30	
	1999	1998	1999	1998
Revenues:				
Net sales	$ 9,327	$10,651	$26,710	$29,395
Other income	31	124	295	248
Total revenues	9,358	10,775	27,005	29,643
Costs and expenses:				
Cost of goods sold	7,091	8,291	20,587	22,696
Selling, general and administrative expenses	1,963	2,227	5,900	6,477
Interest expense	239	412	845	1,113
Total expenses	9,293	10,930	27,332	30,286
Income (loss) from continuing operations before income taxes	65	(155)	(327)	(643)
Income taxes	(71)	(2)	(46)	15
Income (loss) from continuing operations	136	(153)	(281)	(658)
Discontinued operations:				
Gain on sale of discontinued operations	---	---	2,101	---
Income from discontinued operations	---	223	198	755
	---	223	2,299	755
Net income	136	70	2,018	97
Other comprehensive income (expense) - foreign currency translation	47	34	(31)	3
Comprehensive income	$ 183	$ 104	$ 1,987	$ 100
Earnings (loss) per share:				
Continuing operations	$ 0.04	$ (0.05)	$ (0.08)	$ (0.19)
Discontinued operations	---	0.07	0.68	0.22
Net income	$ 0.04	$ 0.02	$ 0.60	$ 0.03
Weighted average number of common shares outstanding- denominator used for per share computations	3,377	3,370	3,377	3,369

See notes to condensed consolidated financial statements

ACME UNITED CORPORATION

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

	Nine Months Ended September 30	
	1999	1998
Operating Activities:		

Net income	$ 2,018	$ 97
Adjustments to reconcile net income to net cash used by operating activities:		
Gain on sale of discontinued operations	(2,101)	---
Depreciation	504	782
Amortization	20	17
Gain on disposal of property, plant, and equipment	(24)	(90)
Changes in operating assets and liabilities:		
Accounts receivable	(1,603)	(5,007)
Inventories	1,741	1,720
Prepaid expenses and other current assets	270	(259)
Other assets	(101)	(15)
Accounts payable	(1,540)	311
Other accrued liabilities	(1,936)	836
Net cash used by operating activities	(2,752)	(1,608)
Investing Activities:		
Capital expenditures	(412)	(1,474)
Proceeds from sale of property, plant, and equipment	141	446
Proceeds from sale of medical division	8,156	---
Net cash provided (used) by investing activities	7,885	(1,028)
Financing Activities:		
Net proceeds (payments) on short term borrowing arrangements	(5,235)	2,125
Proceeds on long term debt	2,500	785
Payments on long term debt	(2,440)	---
Stock options exercised	---	34
Net cash (used) provided by financing activities	(5,175)	2,944
Effect of exchange rate changes on cash	2	(2)
Net change in cash and cash equivalents	(40)	306
Cash and cash equivalents at beginning of period	40	25
Cash and cash equivalents at end of period	$ (0)	$ 331

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 consolidated balance sheet as of December 31, 1998 was derived from the audited consolidated balance sheet as of that date. The results of operations for the nine months ended September 30, 1999 are not necessarily indicative of the results to be expected for the full year.

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 condensed consolidated statements of operations for 1998 have been reclassified to reflect the discontinuance of the medical business segment.

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

	Nine Months Ended September 30		Three Months Ended September 30
	1999	1998	1998
Net sales...........................	$5,630,000	$7,752,000	$2,732,000
Costs and expenses..................	5,432,000	6,997,000	2,509,000
Income from operations..............	$ 198,000	$ 755,000	$ 223,000
Earnings per share..................	$ .06	$ .22	$ .07

Income taxes related to the medical business are not material.

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.

(Unaudited)

Note 4 -- Debt and Liquidity

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 $928,000 is outstanding at September 30, 1999.

Long term debt consisted of the following:

(all amounts in thousands)

	September 30 1999	December 31 1998
Notes payable:		
U.S. and Canada arrangements......	$ 7,905	$ 6,614
Other............................	1,426	8,712
	9,331	15,326
Less current portion	8,976	8,944
	$ 355	$ 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.) 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%. At September 30, 1999, outstanding debt under the Company's arrangements in the U.S. and Canada was $7,905,000 which has been classified as current and $438,000 was available for additional borrowing. The Company is currently negotiating with lenders to refinance these arrangements to extend the maturity date beyond December 31, 2000. Without such adequate debt financing the Company would be unable to fund its obligations as they become due in the ordinary course of business. The Company believes it will be successful in refinancing these arrangements.

Under the aforementioned debt 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, and a specified debt service coverage ratio, as defined. The Company is in compliance with the covenants and believes that they will be met for the remainder of the arrangement's term. Substantially all assets are pledged as collateral for debt.

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

For the Three and Nine Months Ended September 30, 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 September 30, 1999 were $9,327,000 compared with $10,651,000 for 1998, or 12% lower. In March 1999, the Company sold its medical business to Medical Action Industries, Inc. Efforts were focused on building inventory to comply with contractual obligations arising from this sale in addition to shipping medical inventory to Medical Action Industries, Inc., which slowed shipments of consumer product thereby negatively impacting results from continuing operations.

Domestic consumer sales were $6,826,000 for the third quarter of 1999 compared to $7,287,000, a 6% decrease. Domestic consumer sales backorder for the third quarter of 1999 was $708,000 compared with $352,000 for the third quarter of 1998, or 2 times higher. Had backorder levels been equal to prior year, sales would have been 1.5% lower.

International sales decreased by 26% for the third quarter. European sales decreased mainly due to weak sales in the United Kingdom, as a slowing economy and competitive pressures negatively impacted results in the third quarter. In addition, a rationalization program of lower margin products reduced sales in Canada when compared to the previous year.

Net sales were $26,710,000 for the first nine months of 1999, compared with net sales of $29,395,000, or 9% lower, for the first nine months of 1998. Sales declines in Canada and England were the main reasons for the lower sales.

Gross Profit

The gross profit from continuing operations for the third quarter of 1999 was $2,236,000 (24.0% of net sales) compared with $2,360,000 (22.2% of net sales) for the third quarter of 1998. Product sourcing alternatives positively impacted costs in the U.S. consumer business which led to an increase in gross margin from 24.2% in 1998 to 28.2% in the third quarter of 1999. The international gross margin rose to 15.9% in the third quarter of 1999 from 14.9% 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 and the discontinuing of lower margin products in Canada. For the first nine months of 1999, gross profit was $6,123,000, or 23.0% of net sales, compared with $6,699,000, or 22.8%, for the first nine months of 1998.

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

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses for the third quarter of 1999 were $1,963,000 (21.1% of net sales) compared with $2,227,000 (20.9% of net sales) for the same period of 1998, a decrease of $264,000, or 13.5%. The primary reason for the decrease is staff reductions. Management is continuing to investigate other potential SG&A cost saving programs. For the first nine months of 1999, SG&A expenses were $5,900,000 (22.1% of net sales) compared with $6,477,000 (22.0% of net sales) for the same period of 1998.

Income (Loss)

Net income for the first nine months of 1999 is $2,018,000, or 60 cents per share. Net income for the first nine months of 1999 includes a realized gain on the sale of the medical business of $2,101,000. Income from continuing operations for the third quarter of 1999 is $136,000, or 4 cents per share, compared with a loss of $153,000, or 5 cents per share, for the third quarter of 1998. For the first nine months of 1999, the loss from continuing operations was $281,000, or 8 cents per share compared with a loss of $658,000, or 19 cents per share in the first nine months of 1998.

Financial Condition

Liquidity and Capital Resources

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

	September 30, 1999	December 31, 1998
Working capital..................	$1,075,000	$3,616,000
Current ratio....................	1.07 to 1	1.20 to 1
Long-term debt to equity ratio....	.05	1.37

During the first nine months of 1999, the total debt decreased by $5,995,000 compared to total debt at December 31, 1998.

Debt of $7,905,000 as of September 30, 1999 is classified as current to reflect its maturity date of April 30, 2000. The Company is currently in negotiations with lenders to refinance these loans. Without such adequate debt financing the Company would be unable to fund its obligations as they become due in the ordinary course of business. The Company fully expects to secure new debt financing by the end of the year.

Capital expenditures for the next 12 months are not expected to exceed $250,000 and are expected to be financed by cash provided by investing activities and future operating activities.

Year 2000

The Company has completed the assessment phase of its Year 2000 compliance program and has completed modifications and testing of its information technology and other internal systems.

The Company has gathered 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 November 1999.

Estimated costs for the Year 2000 compliance program are $125,000. Of these costs, the Company expects that approximately $50,000 will be charged to operations as expenses. The project was essentially complete subsequent to the third quarter of 1999; and the majority of the costs associated with the completion were incurred after the third quarter of 1999.

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

None.

Item 5 -- Other Information

None.

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

None.

SIGNATURES

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

ACME UNITED CORPORATION

By /s/ WALTER C. JOHNSEN

Walter C. Johnsen
President and
Chief Executive Officer

Dated: November 15, 1999

By /s/ RONALD P. DAVANZO

Ronald P. Davanzo
Vice President and
Chief Financial Officer

Dated: November 15, 1999

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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.
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