FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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FILER

CHERRY CORP
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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
FORM 10Q

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

For the quarterly period ended November 30, 1993

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE EXCHANGE ACT OF 1934 (No Fee Required)

For the transition period from ( ) to ( )

Commission File No. 0-8955

THE CHERRY CORPORATION

DELAWARE	36-2977756
(State of other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
3600 Sunset Avenue, Waukegan, IL	60087
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code:
(708) 662-9200

Not Applicable

(Former name, former address and former fiscal year if changed since last report)

Indicate by check mark whether the registrant:

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

(X) Yes ( ) No

4,649,967 Common Shares were outstanding as of November 30, 1993.

<TABLE>

THE CHERRY CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

<CAPTION>

<S>	<C> November 30, 1993 (Unaudited)	<C> February 28, 1993 (Note 1)
ASSETS:		
Cash and equivalents	$ 2,513	$ 1,331
Receivables, net of allowances	44,840	42,821
Inventories (Note 2)	32,273	32,091
Income taxes, net	1,982	1,800
Prepaid expenses	2,200	2,509
Total Current Assets	83,808	80,552
Land, buildings and equipment, net	94,279	93,365
Investment in affiliate and other assets	10,979	9,302
TOTAL ASSETS	$189,066	$183,219
LIABILITIES AND STOCKHOLDERS' INVESTMENT:		
Short-term debt	$ 4,984	$ 1,479
Accounts payable	12,503	13,644
Payroll related accruals	8,592	7,904
Other accruals	13,109	7,782
Current maturities of long-term debt	4,882	5,952
Total Current Liabilities	$ 44,070	$ 36,761
Long-term debt	44,648	50,817
Deferred taxes and credits	11,276	13,627
Stockholders' Investment:		
Common stock	4,650	4,644
Additional paid-in capital	10,019	9,979
Retained earnings	69,304	62,009
Cumulative translation adjustments	5,099	5,382
Total Stockholders' Investment	89,072	82,014
TOTAL LIABILITIES AND STOCKHOLDERS' INVESTMENT	$189,066	$183,219

<FN>
The accompanying notes are an integral part of the consolidated financial statements.
</TABLE>

<TABLE>

THE CHERRY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(UNAUDITED)
(Dollars in Thousands Except Share Data)

<CAPTION>

	Three Months Ended November 30		Nine Months Ended November 30	
<S>	<C> 1993	<C> 1992	<C> 1993	<C> 1992
Net Sales	$ 72,954	$ 69,206	$ 204,390	$ 200,028
Cost of Products Sold	51,633	49,683	146,800	141,910
Gross Margin	21,321	19,523	57,590	58,118
Expenses:				
Engineering	3,696	3,587	11,105	10,461
Distribution	5,806	5,609	17,323	16,201
Administration	6,480	6,204	18,459	18,387
	15,982	15,400	46,887	45,049
Operating Income	5,339	4,123	10,703	13,069
Interest Expense, Net	(939)	(1,236)	(2,895)	(4,023)
Other Income, Net	381	205	1,136	519
Earnings Before Income Taxes, Extraordinary Credit and Cumulative Effect of Change in Accounting Principle	4,781	3,092	8,944	9,565
Income Tax Provision	1,724	1,078	3,191	3,533
Earnings before Extraordinary Credit and Cumulative Effect of Change in Accounting Principle	3,057	2,014	5,753	6,032
Extraordinary Tax Credit	-	670	-	2,097
Cumulative Effect of Change in Method of Accounting for Income Taxes (Note 3)	-	-	1,542	-
Net Earnings	$ 3,057	$ 2,684	$ 7,295	$ 8,129
Earnings per Share:				
Before Extraordinary Tax Credit and Cumulative Effect of Change in Accounting Principle	$ .66	$ .44	$ 1.24	$ 1.32
Extraordinary Tax Credit	-	.15	-	.46
Cumulative Effect of Change in Accounting Principle	-	-	.33	-
Net Earnings	$ .66	$ .59	$ 1.57	$ 1.78
Average Shares Outstanding	4,649,967	4,593,603	4,647,468	4,577,154

<FN>
The accompanying notes are an integral part of the consolidated financial statements.
</TABLE>

<TABLE>

THE CHERRY CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)
(Dollars in Thousands)

<CAPTION>

	Nine Months Ended November 30,	
<S>	<C> 1993	<C> 1992
Cash flows from operating activities:		
Net earnings	$ 7,295	$ 8,129
Adjustments to reconcile net earnings to net cash provided by (used for) operating activities:		
Depreciation and amortization	12,982	13,939
Cumulative effect of change in accounting principle	(1,542)	-
(Charges) for restructuring costs	(455)	(1,608)
Provisions for losses on receivables	254	441
(Gain) Loss on sale of land, buildings and equipment	(14)	1,512
(Income) from unconsolidated affiliate	(491)	(504)
Changes in assets and liabilities:		
(Increase) decrease in receivables	(2,908)	(5,583)
(Increase) in inventories	(339)	(450)
(Decrease) increase in accounts payable	(1,245)	1,007
(Decrease) increase in income taxes, net	(202)	445
(Decrease) increase in deferred income taxes	185	107
Decrease in other working capital, excluding cash and short-term debt	6,465	3,424
Total Adjustments	$ 12,690	$ 12,730
Net cash provided by operating activities	19,985	20,859
Cash flows from investing activities:		
Proceeds from sale of land, buildings and equipment	23	204
Expenditures for land, building and equipment	(16,242)	(14,686)
Other	(467)	547
Net cash used by investing activities:	$(16,686)	$(13,935)
Cash flows from financing activities:		
Increase (decrease) in short-term debt	3,694	(7,108)
Principal payments on long-term debt	(11,638)	(9,987)
Proceeds from long-term debt	5,551	9,392
Equity and other transactions	45	369
Net cash provided (used) by financing activities	(2,348)	(7,334)
Effect of exchange rate changes on cash flows	231	48
Net increase (decrease) in cash and equivalents	1,182	(362)
Cash and equivalents, at beginning of year	1,331	4,546
Cash and equivalents, at end of period	$ 2,513	$ 4,184

<FN>
The accompanying notes are an integral part of the consolidated financial statements.
</TABLE>

THE CHERRY CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated balance sheet as of November 30, 1993 and the consolidated statements of earnings and the condensed consolidated statements of cash flows for the three and nine months ended November 30, 1993 and 1992, have been prepared by the Company without audit. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows at November 30, 1993, and for all periods presented, have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's February 28, 1993 Annual Report to Stockholders. The results of operations for the three and nine months ended November 30, 1993 are not necessarily indicative of the operating results for a full year.

2. INVENTORIES

Inventories were as follows:

	November 30 1993	February 28 1993
Finished Goods	$10,710	$11,234
Work-in-Process	11,504	10,570
Component Parts	6,763	7,251
Raw Materials	3,296	3,036
	$32,273	$32,091

3. CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING FOR INCOME TAXES

Effective March 1, 1993, the Company adopted Statement of Financial Accounting Standards No. 109 ("SFAS 109") Accounting for Income Taxes. Under this statement, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. Deferred tax assets are to be recognized for temporary differences that will result in deductible amounts in future years, if in the opinion of management, it is more likely than not that the deferred tax assets will be realized.

The result of adopting SFAS No. 109 is a one time increase to net income of $1.5 million reported as the cumulative effect of a change in accounting principle. This income is primarily the expected benefit of future tax deductions for expenses previously recorded for financial reporting purposes. The Company also recorded additional deferred tax assets related to foreign tax credit carryforwards and pre-merger U.S. NOL carryforwards among other items, however, valuation allowances were provided for these items. The foreign tax credit carryforwards of $1,603 expire in the years 1995 to 1998. The pre-merger U.S. NOL carryforwards of $2,142 expire in 1999 and 2000.

As of March 1, 1993, after having given effect to SFAS No. 109, the Company had recorded the following deferred taxes:

Deferred tax assets	$ 8,361
Less: Valuation Allowance	2,576

Deferred tax assets, net	$ 5,785
	=======
Deferred tax liabilities	$11,646
	=======

The significant temporary differences and carryforwards which give rise to the above deferred tax assets are: reserves not yet deducted for tax purposes ($1,736), foreign tax credit carryforwards ($1,603) and pre-merger U.S. NOL carryforwards ($728). The significant temporary differences giving rise to the deferred tax liabilities are: accelerated depreciation ($7,180) and translation adjustments ($3,591).

The undistributed earnings of the Company's United Kingdom subsidiary and Japanese affiliate will continue to be invested indefinitely. Federal income taxes on distribution of these earnings, if any, would not be significant.

There were no other impacts on net earnings for any periods presented as a result of the adoption of SFAS 109.

4. EMPLOYEE BENEFIT PLANS

The Company currently offers no postretirement benefits to employees other than pensions. Therefore, the Statement of Financial Accounting Standards No. 106 "Employers Accounting for Postretirement Benefits Other Than Pensions" does not apply.

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

Results of Operations

Record net sales of $73.0 million were achieved in the third quarter of the current year and replaced the prior year's record of $69.2 million. Fiscal 1994 third quarter domestic sales increased $7.3 million or 21.8% over the comparable quarter of the prior year, whereas foreign sales declined $3.5 million or 9.9%. Over 94% of the $3.5 million decline in foreign sales relates to foreign currency translation. Otherwise, foreign sales were down only slightly. Steadily improving sales of our automotive products continue to propel the significant increases registered by our domestic operations.

Net sales of $204.4 million for the first nine months of the current year were $4.4 million or 2.2% higher than the comparable period of the prior year. Domestic sales, again led by automotive products, increased $18.9 million or 19.5%, whereas foreign sales declined $14.5 million or 14.1%. Foreign currency translation accounts for approximately 44% of this decline in foreign sales. The recession in Europe combined with reduced demand and increased selling price pressures have all contributed to the lower overall foreign sales. However, third quarter foreign sales were approximately 25% higher than the second quarter of the current year. We doubt the recession in Europe is over, but the near term outlook is better than we've seen in some time, with new order input increasing in the third quarter. Time will tell us if this is sustainable and how rapidly the European economies will recover.

The gross margin for the third quarter of the current year increased $1.8 million to $21.3 million from $19.5 million for the comparable period of the prior year. Increased domestic sales volume and cost containment and reduction programs at our foreign locations were the primary reasons for this improvement.

On a year-to-date basis, the gross margin for the current year declined $.5 million to $57.6 million from $58.1 million for the comparable period of the prior year. Manufacturing efficiencies resulting from increases in domestic sales volume were negated by European sales declines.

Operating expenses for the third quarter of the current year were $16.0 million, an increase of $.6 million, over the $15.4 million for the comparable period of the prior year. Domestic operating expenses increased $1.2 million, while foreign operating expenses declined $.6 million. Foreign operating expenses essentially held firm with the entire reduction attributable to favorable currency translation rate effects. The increase in domestic operating expenses relate primarily to additional selling and engineering support in response to our continued growth in domestic sales.

On a year-to-date basis, operating expenses increased $1.8 million, over the comparable prior year period with domestic expenses up $3.1 million and foreign down $1.3 million. Foreign operating expenses were approximately $1.4 million lower than the prior year due to favorable currency translation rate effects. Reasons for the changes between domestic and foreign basically follow those noted for the third quarter above.

As a result of the above factors, operating profit for the third quarter of the current year increased $1.2 million over the comparable period of the prior year, with $1.1 million coming from domestic operations. On a year-to-date basis, operating profit is still down $2.4 million (18%) from the prior year.

Other income,net for the current quarter and nine months averaged $.2 million higher per quarter than the comparable prior year periods primarily from foreign exchange transaction gains in the current year versus losses in the prior year.

Net interest expense for the current quarter and nine month periods declined $.3 million or 24% and $1.1 million or 28%, respectively, from the comparable periods of the prior year. Lower interest rates and reductions in total foreign debt are the primary reasons for the decline in the net interest expense.

The effective tax rate for the current year nine month period was 35.7% versus 36.9% for the comparable period of the prior year. With the majority of current year pre-tax income associated with domestic operations the current year's rate is more closely associated with the U.S. statutory rate than in prior years.

Earnings before extraordinary credit and the cumulative effect of a change in accounting principle were a record $3.1 million or $.66 per share for the current year third quarter versus $2.0 million or $.44 per share for the comparable prior year period. Current year nine month earnings were $5.8 million or $1.24 per share versus $6.0 million or $1.32 per share for the comparable period of the prior year. The change in earnings resulted from the combination of factors noted above.

In the first quarter of the current year, the Company implemented Statement of Financial Accounting Standards No. 109 (SFAS 109) "Accounting for Income Taxes." In accordance with the provisions of SFAS 109, the Company recognized tax assets principally related to the expected benefit of future tax deductions for expenses previously recorded for financial reporting purposes. The resulting $1.5 million benefit($.33 per share) was recorded in the income statement and is reported as a cumulative effect of a change in accounting principle. The implementation of SFAS 109 had no other impact on income for the current year first quarter.

The extraordinary tax credit for the prior year third quarter and nine months results from the utilization of net operating loss carryforwards, primarily from domestic operations, in accordance with the provisions of Accounting Principles Board Opinion No. 11.

Liquidity and Capital Resources

We have continued to make progress in lowering our overall debt, bringing our debt to capital ratio to 38.0% at November 30, 1993 from 41.5% at February 28, 1993.

Consolidated operations generated $20.0 million in cash for the nine month period ended November 30, 1993. Additional financing was obtained from $3.6 million of short-term foreign borrowings and $5.6 million from our long-term domestic credit line.

We invested $16.3 million in capital equipment and repaid $11.6 million of long-term debt, $5.1 million of which was foreign. The effect of exchange rate changes on cash flows and increases in miscellaneous other assets account for the remaining net change in cash.

Despite difficult operating conditions, our foreign facilities continue to generate cash from good working capital management, and contributed approximately $8.1 million of the $20.0 million generated by consolidated operations.

To sustain our strong domestic growth in sales, domestic capital expenditures have been increased and comprise $10.8 million of the consolidated capital expenditures.

The Company has various loan agreements and lines of credit, which together with internally generated funds are considered sufficient to finance working capital and capital asset requirements through February 1994. However, projected growth in fiscal 1995 and beyond will require additional financing and the Company is in the process of analyzing various options available.

During the current fiscal quarter, the Company entered into two uncommitted, unsecured credit facilities totaling $25 million. Under these facilities, the Company is able to borrow funds at a rate of LIBOR plus .75% which is below the rate available to the Company on its domestic revolving credit facility. Since these new facilities are uncommitted, the Company will not cancel its committed revolving credit facility, but will rather utilize the new facilities, while available, to reduce the cost of borrowings.

SIGNATURES

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

THE CHERRY CORPORATION
Registrant

DATE: January 11, 1994   By: Dan A. King
Dan A. King
Treasurer, Secretary and
Corporate Controller