

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-02-08** | Period of Report: **1995-12-31**
SEC Accession No. **0000950144-96-000340**

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FILER

CEM CORP

CIK: **793933** | IRS No.: **561019741** | State of Incorporation: **NC** | Fiscal Year End: **0630**
Type: **10-Q** | Act: **34** | File No.: **000-15383** | Film No.: **96513427**
SIC: **3823** Industrial instruments for measurement, display, and control

Mailing Address
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MATTHEWS NC 28106-0200

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3100 SMITH FARM RD
MATTHEWS NC 28106
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED DECEMBER 31, 1995

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: 0-15383

CEM CORPORATION

(Exact name of registrant as specified in its charter)

North Carolina

56-1019741

(State of Incorporation)

(I.R.S. Employer Identification No.)

3100 Smith Farm Road, Matthews, NC

28105

(Address of principal executive offices)

(Zip Code)

Post Office Box 200, Matthews, North Carolina 28106

(Mailing address of principal executive offices)

(704) 821-7015

(Registrant's telephone number, including area code)

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

Yes No
--- ---

3,645,024 shares of the issuer's \$.05 par value common stock, its only class of common stock, were outstanding as of January 31, 1996.

Page 1 of 13

PART I. FINANCIAL INFORMATION

QUARTERLY REPORT ON FORM 10-Q
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Quarter Ended December 31, 1995
CEM Corporation
Matthews, North Carolina

The condensed financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to

make the information presented not misleading. It is suggested that these condensed financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1995.

3

CEM CORPORATION
 CONDENSED CONSOLIDATED BALANCE SHEETS
 DECEMBER 31 AND JUNE 30, 1995
 (UNAUDITED)

<TABLE>
 <CAPTION>

	December 31 -----	June 30 -----
ASSETS		
<S>	<C>	<C>
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 2,899,000	\$ 2,078,000
Short-term available-for-sale investments....	3,500,000	3,000,000
Short-term held-to-maturity investments.....	0	1,000,000
Trade receivables.....	7,320,000	6,733,000
Inventories.....	5,059,000	4,997,000
Deferred taxes and other.....	769,000	658,000
	-----	-----
Total current assets.....	19,547,000	18,466,000
LONG-TERM HELD-TO-MATURITY INVESTMENTS.....	2,027,000	2,031,000
PROPERTY, PLANT AND EQUIPMENT, NET.....	5,716,000	5,868,000
OTHER ASSETS.....	347,000	288,000
	-----	-----
	\$ 27,637,000	\$ 26,653,000
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses.....	\$ 2,150,000	\$ 2,788,000
Deferred income.....	1,075,000	1,099,000
Income taxes payable.....	411,000	532,000
	-----	-----
Total current liabilities.....	3,636,000	4,419,000
LONG-TERM DEBT, NET OF CURRENT MATURITIES.....	1,504,000	1,578,000
DEFERRED TAXES.....	91,000	64,000
SHAREHOLDERS' EQUITY.....	22,406,000	20,592,000
	-----	-----
	\$ 27,637,000	\$ 26,653,000
	=====	=====

</TABLE>

See accompanying notes to condensed consolidated financial statements.

4

CEM CORPORATION
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 FOR THE THREE MONTHS ENDED DECEMBER 31, 1995 AND 1994
 (UNAUDITED)

<TABLE>
<CAPTION>

	1995	1994
<S>	<C>	<C>
Net sales.....	\$ 8,731,000	\$ 8,332,000
Cost of goods sold.....	3,490,000	3,472,000
Gross profit.....	5,241,000	4,860,000
Selling, general and administrative expenses.....	3,085,000	2,935,000
Research and development expenses.....	687,000	590,000
Income from operations.....	1,469,000	1,335,000
Investment income.....	111,000	44,000
Other income (expense), net.....	(39,000)	(4,000)
Income before income taxes.....	1,541,000	1,375,000
Provision for income taxes.....	540,000	490,000
Net income.....	\$ 1,001,000	\$ 885,000
Net income per common and common equivalent share.....	\$.27	\$.24
Weighted average common and common equivalent shares outstanding.....	3,741,000	3,734,000

</TABLE>

See accompanying notes to condensed consolidated financial statements.

Page 4 of 13

5

CEM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE SIX MONTHS ENDED DECEMBER 31, 1995 AND 1994
(UNAUDITED)

<TABLE>
<CAPTION>

	1995	1994
<S>	<C>	<C>
Net sales.....	\$ 16,192,000	\$ 15,478,000
Cost of goods sold.....	6,684,000	6,488,000
Gross profit.....	9,508,000	8,990,000
Selling, general and administrative expenses.....	5,743,000	5,576,000
Research and development expenses.....	1,387,000	1,208,000
Income from operations.....	2,378,000	2,206,000
Investment income.....	213,000	99,000
Other income (expense), net.....	(8,000)	9,000
Income before income taxes.....	2,583,000	2,314,000
Provision for income taxes.....	905,000	809,000
Net income.....	\$ 1,678,000	\$ 1,505,000
Net income per common and common equivalent share.....	\$.45	\$.40
Weighted average common and common equivalent shares outstanding.....	3,753,000	3,752,000

</TABLE>

See accompanying notes to condensed consolidated financial statements.

Page 5 of 13

6

CEM CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED DECEMBER 31, 1995 AND 1994
(UNAUDITED)

<TABLE>
<CAPTION>

	1995	1994
	-----	-----
<S>	<C>	<C>
NET CASH PROVIDED BY OPERATING ACTIVITIES.....	\$ 648,000	\$ 767,000
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Sale of available-for-sale investments.....	503,000	2,100,000
Maturity of held-to-maturity investments.....	1,000,000	0
Purchase of available-for-sale investments....	(1,000,000)	(500,000)
Purchase of held-to-maturity investments.....	0	(1,004,000)
Capital expenditures, net.....	(338,000)	(549,000)
	-----	-----
Net cash provided by investing activities..	165,000	47,000
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on long-term debt.....	(12,000)	(11,000)
Proceeds from issuance of common stock.....	418,000	223,000
Repurchase of common stock.....	(397,000)	(1,868,000)
	-----	-----
Net cash provided by (used in) financing activities.....	9,000	(1,656,000)
	-----	-----
EFFECTS OF EXCHANGE RATES ON CASH.....	(1,000)	14,000
	-----	-----
Net increase (decrease) in cash and cash equivalents.....	821,000	(828,000)
Cash and cash equivalents at beginning of period.....	2,078,000	2,502,000
	-----	-----
Cash and cash equivalents at end of period.....	\$ 2,899,000	\$ 1,674,000
	=====	=====

</TABLE>

See accompanying notes to condensed consolidated financial statements.

Page 6 of 13

7

CEM CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

The financial information included herein is unaudited; however, such information reflects all adjustments (consisting of normal recurring adjustments) which are, in the opinion of management, necessary for a fair presentation of results for the interim periods.

2. INVENTORIES

The components of inventories at current cost at December 31 and June 30, 1995 are as follows:

<TABLE>
<CAPTION>

	December 31	June 30
	-----	-----
<S>	<C>	<C>
Parts and raw materials.....	\$ 2,606,000	\$ 2,559,000
Work-in-process and finished goods.....	2,453,000	2,438,000
	-----	-----
	\$ 5,059,000	\$ 4,997,000
	=====	=====

</TABLE>

3. NET INCOME PER SHARE

The computation of net income per common share is based on the weighted average number of common shares outstanding for each period after adding dilutive common stock equivalents. Common stock equivalents consist of dilutive stock options using the treasury stock method. Fully diluted net income per share is not presented because it approximates net income per common share.

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

The following table sets forth, for the three-month periods indicated, the percentages which certain components of the condensed consolidated statements of income bear to net sales and the percentage of change of such components from the same period of the prior year.

<TABLE>
<CAPTION>

	Three Months Ended		
	12/31/95	12/31/94	% Change
	-----	-----	-----
<S>	<C>	<C>	<C>
Net sales.....	100.0%	100.0%	4.8%
Cost of goods sold.....	40.0	41.7	0.5
	-----	-----	
GROSS PROFIT.....	60.0	58.3	7.8
Selling, general and administrative expenses.....	35.3	35.2	5.1
Research and development expenses.....	7.9	7.1	16.4
	-----	-----	
INCOME FROM OPERATIONS.....	16.8	16.0	10.0
Investment income.....	1.3	0.5	152.3
Other income (expense), net.....	(0.5)	0.0	875.0
	-----	-----	
INCOME BEFORE INCOME TAXES.....	17.6	16.5	12.1
Provision for income taxes.....	6.2	5.9	10.2
	-----	-----	
NET INCOME.....	11.4%	10.6%	13.1
	=====	=====	

</TABLE>

RESULTS OF OPERATIONS - THREE MONTHS ENDED DECEMBER 31, 1995:

Sales growth primarily resulted from increased unit sales of the Company's microwave digestion system in Asia and Germany. Results in the United States were mixed, due in part to weakness in government related business because of the budget impasse. In the U.S. sales for environmental applications, which had been declining, stabilized; and the demand in the process control food market showed improvement compared to the first quarter of fiscal 1996. Initial Environmental Protection Agency action for our new microwave extraction system,

which was expected in December 1995, was delayed due to the government shutdown. The timing of this regulatory action remains uncertain. Foreign sales increased as a percentage of total sales from 44% to 48%.

Gross profit margins increased as a result of the increase in sales from the Company's European subsidiaries which, on a consolidated basis, generally carry higher margins than U.S. sales.

The Company continues to control its selling, general and administrative expenses which increased proportionally with sales and remained relatively flat as a percentage of sales. Research and development expenses increased as the Company plans to introduce a new product in the second half of fiscal 1996. The new product will be based on a unique platform which will provide laboratory and industrial users with new capabilities for preparing samples and conducting other routine procedures faster, safer and more reliably.

The increase in investment income resulted from long-term investments that were not present in the prior year.

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

The following table sets forth, for the six-month periods indicated, the percentages which certain components of the condensed consolidated statements of income bear to net sales and the percentage of change of such components from the same period of the prior year.

<TABLE>
<CAPTION>

	Six Months Ended		
	12/31/95	12/31/94	% Change
<S>	<C>	<C>	<C>
Net sales.....	100.0%	100.0%	4.6%
Cost of goods sold.....	41.3	41.9	3.0
	-----	-----	
GROSS PROFIT.....	58.7	58.1	5.8
Selling, general and administrative expenses.....	35.4	36.0	3.0
Research and development expenses.....	8.6	7.8	14.8
	-----	-----	
INCOME FROM OPERATIONS.....	14.7	14.3	7.8
Investment income.....	1.3	0.6	115.2
Other income (expense), net.....	0.0	0.0	NM
	-----	-----	
INCOME BEFORE INCOME TAXES.....	16.0	14.9	11.6
Provision for income taxes.....	5.6	5.2	11.9
	-----	-----	
NET INCOME.....	10.4%	9.7%	11.5
	=====	=====	

</TABLE>

RESULTS OF OPERATIONS - SIX MONTHS ENDED DECEMBER 31, 1995:

Sales growth primarily resulted from the same factors that affected the second quarter of fiscal 1996. Foreign sales increased as a percentage of total sales from 41% to 48%.

Selling, general and administrative expenses increased slightly and decreased as a percentage of sales due to the Company's efforts to control these costs. Research and development expenses increased as the Company continued its internal development efforts on new products. The Company expects research and development expenses to remain between 8% and 10% of net sales for the foreseeable future.

The increase in investment income resulted from long-term investments that were not present in the prior year.

The Company's effective tax rate did not change significantly and approximated the federal statutory rate. Management does not expect the rate to change significantly in fiscal 1996.

10

LIQUIDITY AND CAPITAL RESOURCES:

At December 31, 1995, the Company had cash and short-term investments of approximately \$6.4 million as compared to \$6.1 million at June 30, 1995. The increase in cash primarily resulted from operating activities. The increase in accounts receivable, and decrease in accounts payable and accrued expenses reflects temporary timing differences. Long-term investments were unchanged at \$2.0 million.

During the six months ended December 31, 1995, the Company used approximately \$0.4 million to acquire 30,000 shares of the Company's common stock under the stock repurchase program. As of December 31, 1995, approximately \$2.0 million remains authorized for the repurchase of the Company's common stock.

Management believes that working capital, planned capital expenditures, debt servicing and stock repurchases can be funded currently with cash on hand and cash generated from operations. The Company has never paid and does not anticipate paying cash dividends in the foreseeable future.

PART II. OTHER INFORMATION

ITEMS 1, 2, 3 and 5 are not applicable and are omitted.

ITEM 4. Submission of Matters to a Vote of Security Holders

At the Registrant's Annual Meeting of Shareholders held on November 8, 1995, the following matters were submitted to a vote of the shareholders of the Registrant:

1. Election of four nominees to the Board of Directors of the Registrant for terms ending at the Annual Meeting of Shareholders in 1996:

<TABLE>

<CAPTION>

Nominee -----	Shares Voted in Favor -----	Shares Withheld -----	Shares Not Voted -----
<S>	<C>	<C>	<C>
Michael J. Collins	3,137,218	5,872	476,073
Ronald A. Norelli	3,137,218	5,872	476,073
John L. Chanon	3,137,218	5,872	476,073
John D. Correnti	3,136,018	7,072	476,073

</TABLE>

2. Approval of amendments to the CEM Corporation 1993 Nonqualified Stock Option Plan for Non-Employee Directors by a vote of 2,609,173 shares in favor and 442,293 shares against, with 91,624 shares abstaining and 281,174 shares of broker non-votes.
3. Ratification of the selection of Coopers & Lybrand, L.L.P. as independent public accountants to audit the Corporation's financial statements for the fiscal year ending June 30, 1996, which was approved by a vote of 3,136,128 shares in favor and 1,283 shares against, with 5,679 shares abstaining.

11

PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

(10) CEM Corporation 1993 Nonqualified Stock Option Plan for Non-Employee Directors, as amended.

(11) Statement of Computation of Earnings per Share

(27) Financial Data Schedule (filed in electronic format only)
This schedule shall not be deemed filed for purposes of
Section 11 of the Securities Act of 1933 or Section 18 of
the Securities Exchange Act of 1934 or otherwise be
subject to the liabilities of such sections, nor shall
it be deemed a part of any registration statement to
which it relates.

(b) Reports on Form 8-K:

No Reports on Form 8-K were filed during the quarter ended
December 31, 1995.

Page 11 of 13

12

CEM CORPORATION
SIGNATURE

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.

Date: February 8, 1996

CEM CORPORATION

BY: /s/ Richard N. Decker

Richard N. Decker
Secretary, Treasurer and
Chief Financial Officer

Page 12 of 13

13

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.

EXHIBITS

ITEM 6(A)

Quarterly Report on Form 10-Q

For the quarter ended December 31, 1995

Commission File Number: 0-15383

CEM CORPORATION
EXHIBIT INDEX

Exhibit Number:	Exhibit Description
-----	-----
10	CEM Corporation 1993 Nonqualified Stock Option Plan for Non-Employee Directors, as amended
11	Computation of Earnings per Share
27	Financial Data Schedule (filed in electronic format only)

Page 13 of 13

CEM CORPORATION

1993 NONQUALIFIED STOCK OPTION PLAN
FOR NON-EMPLOYEE DIRECTORS

1. PURPOSE. This Plan is intended to provide Directors who are not employees of the Company a sense of proprietorship and personal involvement in the development and financial success of the Company and to encourage such Directors to remain with and to devote their best efforts to the Company.

2. DEFINITIONS. Whenever used in the Plan, unless the context clearly indicates otherwise, the following terms shall have the following meanings:

- (a) "Act" means the Securities Exchange Act of 1934, as amended.
- (b) "Board" or "Board of Directors" means the Board of Directors of the Company.
- (c) "Common Stock" means the Common Stock, \$.05 par value, of the Company and any other stock or securities resulting from the adjustment thereof or substitution therefor as described in Section 8 below.
- (d) "Company" means CEM Corporation, a North Carolina corporation, and any corporation succeeding to the Company's rights and obligations hereunder.
- (e) "Director" means a member of the Board of Directors of the Company who is not a regular employee of the Company or its subsidiaries.
- (f) "Disability" means the condition which results when an individual has become permanently and totally disabled within the meaning of Section 105(d)(4) of the Internal Revenue Code of 1986.
- (g) "Fair Market Value", with respect to a share of the Common Stock on a particular date, shall be (i) if such Common Stock is listed on a national securities exchange or a foreign securities exchange or traded on the National Market System, the closing sale price of the Common Stock on said date on the national securities exchange, the foreign securities exchange or the National Market System on which the Common Stock is principally traded, or, if no sales occur on said date, then on the next preceding date on which

there were such sales of Common Stock, or (ii) if the Common Stock shall not be listed on a national securities exchange or a foreign securities exchange or traded on the National Market System, the mean between the closing bid and asked prices last reported by the National Association of Securities Dealers, Inc. for the over-the-counter market on said date or, if no bid and asked prices are reported on said

2

date, then on the next preceding date on which there were such quotations, or (iii) if at any time quotations for the Common Stock shall not be reported by the National Association of Securities Dealers, Inc. for the over-the-counter market and the Common Stock shall not be listed on any national securities exchange or any foreign securities exchange or traded on the National Market System, the fair market value based on quotations for the Common Stock by market makers or other securities dealers as determined by the Board of Directors in such manner as the Board may deem reasonable.

(h) "Option" means a stock option granted pursuant to this Plan.

(i) "Optionee" means the person to whom an Option is granted.

(j) "Option Price" is defined in Section 6.

(k) "Plan" means this 1993 Nonqualified Stock Option Plan for Non-Employee Directors, as in effect from time to time.

(l) "Stock Option Agreement" means the written agreement between an Optionee and the Company evidencing the grant of an Option under the Plan and setting forth or incorporating the terms and conditions thereof.

3. ADMINISTRATION. The Plan shall be administered by the Board of Directors. The Board shall have all of the powers necessary to enable it properly to carry out its duties under the Plan, including but not limited to the power and duty to construe and interpret the Plan and to determine all questions that shall arise under the Plan, which interpretations and determinations shall be conclusive and binding upon all persons. Subject to the express provisions of the Plan, the Board may establish from time to time such regulations, provisions and procedures which in its opinion may be advisable in the administration of the Plan.

Notwithstanding the foregoing or any other provision of this Plan to the contrary, no discretion concerning decisions regarding the Plan shall be afforded to a person who is not a "disinterested person" (as defined in the rules and regulations of the Securities and Exchange Commission under Section 16 of the Act, as in effect from time to time). In the event that it is

necessary for the proper administration of the Plan to exercise any such discretion, and the Board is so precluded from exercising such discretion, the Board may delegate any authority to exercise such discretion to a person or committee of persons, each of whom is a "disinterested person" as so defined.

4. ELIGIBILITY; OPTION GRANTS.

(a) Each Director first elected after August 1, 1995 shall automatically be granted an option to purchase 5,000 shares (subject to adjustment or substitution pursuant to Section 8 hereof from the date hereof, irrespective of whether such option has been

2

3

granted) of the Common Stock on the date of election to the Board; provided, that any Director first elected after August 1, 1995 but prior to approval of this Section 4(a) at the 1995 Annual Meeting of Shareholders of the Company shall automatically be granted an option to purchase 5,000 shares (subject to adjustment or substitution pursuant to Section 8 hereof from the date hereof, irrespective of whether such option has been granted) of the Common Stock on the date of approval of this Section 4(a) by the shareholders.

(b) All Directors shall automatically be granted options to purchase the following number of shares (subject to adjustment or substitution pursuant to Section 8 hereof from the date hereof, irrespective of whether such option has been granted) of the Common Stock on each of the following grant dates:

Grant Date	Number of Shares
-----	-----
February 1, 1994	500
February 1, 1995	500
February 1, 1996	1,000
February 1, 1997	1,000
February 1, 1998	1,000

(c) Such automatic grants shall be made pro rata to all Directors if on the date of a grant there shall not be a number of shares sufficient to make all such grants.

5. SHARES AVAILABLE FOR OPTION. The Board of Directors shall reserve for the purposes of the Plan, and by adoption of the Plan does hereby reserve, out of the authorized but unissued Common Stock, a total of 25,000 shares of Common Stock of the Company (subject to adjustment or substitution

pursuant to Section 8 hereof). In the event that an Option granted under the Plan to any Director expires or is terminated unexercised as to any shares covered thereby, such shares shall not thereafter be available for the granting of Options under the Plan and the reserve for such shares shall be terminated.

6. OPTION PRICE. The price at which each share of Common Stock (subject to adjustment pursuant to Section 8 hereof) may be purchased upon the exercise of an Option (the "Option Price") shall be the Fair Market Value of the shares of Common Stock subject to the Option on the date such Option is granted.

7. EXERCISE OF OPTIONS.

(a) Each option granted under the Plan by its terms shall require the Director granted such option to remain available to serve as a Director of the Company for one year from the date of the grant of such option before the right to exercise any part of such option will accrue. A Director may thereafter exercise any or all of such option until the expiration or termination of the option; provided, that not less than 100 shares

3

4

may be purchased at any one time unless the number of shares purchased is the total number at such time purchasable under the option. Subject to earlier termination as provided herein, all options granted under this Plan shall expire ten years from the date of grant thereof.

(b) If an optionee shall cease to be a Director of the Company otherwise than by such optionee's death or Disability, then, subject to Subsection 7(a) hereof, the option shall be exercisable at any time prior to the earlier of (i) the expiration date of such option or (ii) that date which is three months from the date such optionee ceases to be a Director, such three month period to include the date on which such termination occurs. If an optionee ceases to be a Director of the Company as a result of such optionee's death or Disability, then, subject to Subsection 7(a) hereof, the option shall be exercisable at any time prior to the earlier of (i) the expiration date of such option or (ii) that date which is one year from the date such optionee ceases to be a Director. In the event of the death of an optionee, then, subject to Subsection 7(a) hereof, such optionee's option shall be exercisable to the extent herein otherwise provided by the executor or personal representative of the optionee's estate or by any person who acquired the right to exercise such option by bequest under the optionee's will or by inheritance.

(c) Each Option granted under the Plan by its terms shall not be transferable by the Optionee otherwise than by will, or if the Optionee dies intestate, by the laws of descent and distribution, and such Option shall be exercisable during such Optionee's lifetime only by such Optionee. In the event of the death of an Optionee, then such Optionee's Options shall be exercisable to the extent herein provided by the executor or personal representative of the Optionee's estate or by any person who acquired the right to exercise such Option by bequest under the Optionee's will or by inheritance.

(d) Each Option shall be confirmed by a Stock Option Agreement executed by the Company and by the Optionee to whom such Option is granted.

(e) The Option Price for each share of Common Stock purchased pursuant to the exercise of each Option shall, at the time of the exercise of the Option, be paid in full in cash or equivalent. An Option shall be deemed exercised only when written notice of such exercise, together with payment of the Option Price, is received from the Optionee by the Company at its principal office. No Optionee shall have any rights as a shareholder of the Company with respect to Common Stock issuable pursuant to such Optionee's Option until such Option is duly exercised.

(f) To the extent that an Option is not exercised within the period of time prescribed therefor as set forth in the Plan, the Option shall lapse and all rights of the Optionee thereunder shall terminate.

8. ADJUSTMENT OF NUMBER OF SHARES. In the event that a dividend shall be declared upon the Common Stock payable in shares of Common Stock, the number of shares of Common Stock then subject to any Option and the number of shares reserved for issuance pursuant to the Plan shall be adjusted by adding to each such share the number of shares which would be distributable thereon if such share had been outstanding on the date fixed for determining the shareholders entitled to receive such stock dividend. In the event that the outstanding shares of Common Stock generally shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or of another corporation, or changed into or exchanged for cash or property or the right to receive cash or property (but not including any dividend payable in cash or property other than a liquidating distribution), whether through reorganization, recapitalization, stock split-up, combination

of shares, merger or consolidation, then there shall be substituted for each share of Common Stock subject to any Option, and for each share of Common Stock reserved for issuance pursuant to the Plan, the number and kind of shares of stock or other securities or cash or property or right to receive cash or property into which each outstanding share of Common Stock shall be so changed or for which each such share shall be exchanged. In the case of any such substitution or adjustment as provided for in this Section 8, the Option Price for each share covered thereby prior to such substitution or adjustment shall be the Option Price for all shares of stock or other securities or cash or property or right to receive cash or property which shall have been substituted for such share or to which such share shall have been adjusted pursuant to this Section 8. No adjustment or substitution provided for in this Section 8 shall require the Company in any Stock Option Agreement to issue a fractional share and the total substitution or adjustment with respect to each Stock Option Agreement shall be limited accordingly.

9. AMENDMENT OF PLAN. The Board of Directors shall have the right to amend, suspend or terminate the Plan at any time; provided that, except as and to the extent authorized and permitted by Section 8 above, (a) no amendment, suspension or termination shall adversely affect the rights of any Optionee as to any outstanding Option without the consent of such Optionee, subject to any limitation on such rights set forth in the Plan or such Optionee's Stock Option Agreement except for any amendment the Board deems necessary to preserve or provide exemptions from the applicability of Section 16(b) of the Act to the grant, lapse, disposition, cancellation or exercise of Options; and (b) no amendment relating to the determination of the Optionees or of the grant dates or of the number of Options granted to any Optionee, or of the requirement that no discretion concerning decisions regarding the Plan shall be afforded to a person who is not a "disinterested person," shall be made more than once every six months, other than to comport with changes in the Internal Revenue Code of 1986 or the rules thereunder.

10. RESALES OF SHARES. The Company may impose such restrictions on the sale or other disposition of shares issued pursuant to the exercise of Options as the Board deems necessary to comply with applicable securities laws. Certificates for shares issued upon the exercise of Options may bear such legends as the Company deems necessary to give notice of such restrictions.

11. COMPLIANCE WITH LAW AND OTHER CONDITIONS. No shares shall be issued pursuant to the exercise of any Option granted under the Plan prior to compliance by the Company, to the satisfaction of its counsel, with any applicable laws. The Company shall not be obligated to (but may in its discretion) take any action under applicable federal or state securities laws

(including registration or qualification of the Plan, the Options or the Common Stock) necessary for compliance therewith in order to permit the issuance of shares upon the exercise of Options or the immediate resale thereof by Optionees, except for actions (other than registration or qualification) that may be taken by the Company without unreasonable effort or expense and without the incurrence of any material exposure to liability.

12. NONQUALIFIED OPTIONS. Options granted under the Plan will not be treated as "incentive stock options" under Section 422 of the Internal Revenue Code of 1986.

13. EFFECTIVE DATE. The Plan shall be effective on September 16, 1993, subject to approval of the Plan by a plurality of the shares voting on the approval of the Plan at the 1993 Annual Meeting of Shareholders, which was obtained on November 16, 1993. The amendments to Section 4 hereof and this Section 13 shall be effective on August 3, 1995, subject to approval of such amendments by a plurality of the shares voting on the approval of the amendments at the 1995 Annual Meeting of Shareholders. No Options shall be granted under Sections 4(a) and 4(b) hereof, as amended, if approval shall not be obtained prior to the completion of the 1995 Annual Meeting of Shareholders.

CEM CORPORATION
COMPUTATION OF EARNINGS PER SHARE
FOR THE THREE MONTHS ENDED DECEMBER 31, 1995 AND 1994

	1995	1994
	-----	-----
<TABLE>		
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NET INCOME.....	\$ 1,001,000	\$ 885,000
	=====	=====
Weighted average number of shares outstanding....	3,609,000	3,621,000
Number of shares purchasable upon exercise of options, reduced by the number of shares which could have been purchased with proceeds from exercise of such options at average market price.....	132,000	113,000
	-----	-----
Weighted average number of shares outstanding, as adjusted.....	3,741,000	3,734,000
	=====	=====
PRIMARY EARNINGS PER SHARE.....	\$.27	\$.24
	=====	=====
NET INCOME.....	\$ 1,001,000	\$ 885,000
	=====	=====
Weighted average number of shares outstanding....	3,609,000	3,621,000
Number of shares purchasable upon exercise of options, reduced by the number of shares which could have been purchased with proceeds from exercise of such options at the greater of period-end market price or average market price.....	132,000	113,000
	-----	-----
Weighted average number of shares outstanding, as adjusted.....	3,741,000	3,734,000
	=====	=====
EARNINGS PER COMMON SHARE, ASSUMING FULL DILUTION.....	\$.27	\$.24
	=====	=====
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CEM CORPORATION
COMPUTATION OF EARNINGS PER SHARE
FOR THE SIX MONTHS ENDED DECEMBER 31, 1995 AND 1994

	1995	1994
	-----	-----
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NET INCOME.....	\$ 1,678,000	\$ 1,505,000

Weighted average number of shares outstanding....	3,625,000	3,652,000
Number of shares purchasable upon exercise of options, reduced by the number of shares which could have been purchased with proceeds from exercise of such options at average market price.....	128,000	100,000
Weighted average number of shares outstanding, as adjusted.....	3,753,000	3,752,000
PRIMARY EARNINGS PER SHARE.....	\$.45	\$.40
NET INCOME.....	\$ 1,678,000	\$ 1,505,000
Weighted average number of shares outstanding....	3,625,000	3,652,000
Number of shares purchasable upon exercise of options, reduced by the number of shares which could have been purchased with proceeds from exercise of such options at the greater of period-end market price or average market price.....	128,000	100,000
Weighted average number of shares outstanding, as adjusted.....	3,753,000	3,752,000
EARNINGS PER COMMON SHARE, ASSUMING FULL DILUTION.....	\$.45	\$.40

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF CEM CORPORATION FOR THE SIX MONTHS ENDED DECEMBER 31, 1995, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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<EPS-DILUTED>	.45
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<F1>Certain information in the financial data schedule above has been condensed for interim financial reporting pursuant to the rules and regulations of the Securities and Exchange Commission.

</FN>

</TABLE>