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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the quarterly period ended 07/31/98 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 1-8266

DATARAM CORPORATION

(Exact name of registrant as specified in its charter)

New Jersey 22-1831409

(State or other jurisdiction of I.R.S. Employer Identification No.)
incorporation or organization)

P.O. Box 7528, Princeton, NJ 08543

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (609) 799-0071

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

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

Yes No
— —

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date. Common Stock (\$1.00 par value): As of August 31, 1998, there were 2,781,405 shares outstanding.

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PART 1. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Basis of Presentation

The information at July 31, 1998 and for the three months ended July

31, 1998 and 1997, is unaudited but includes all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary to state fairly the financial information set forth therein in accordance with generally accepted accounting principles. The interim results are not necessarily indicative of results to be expected for the full fiscal year. These financial statements should be read in conjunction with the audited financial statements for the year ended April 30, 1998 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission.

Significant Accounting Policies

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Dataram International Sales Corporation (a Domestic International Sales Corporation (DISC)). All significant intercompany transactions and balances have been eliminated.

Cash and cash equivalents

Cash and cash equivalents consist of unrestricted cash, money market preferred stock and commercial paper with original maturities of three months or less.

Inventory valuation

Inventories are valued at the lower of cost or market, with costs determined by the first-in, first-out method.

Property and equipment

Property and equipment is recorded at cost. Depreciation is generally computed on the straight-line basis. Depreciation rates are based on the estimated useful lives which range from three to five years for machinery and equipment. When property or equipment is retired or otherwise disposed of, related costs and accumulated depreciation are removed from the accounts. Repair and maintenance costs are charged to operations as incurred.

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Revenue recognition

Revenue from product sales is recognized when the related goods are shipped to the customer and all significant obligations of the Company have been satisfied. Estimated warranty costs are accrued.

Product development and related engineering

The Company expenses product development and related engineering costs as incurred. Engineering effort is directed to development of new or improved products as well as ongoing support for existing products.

Income taxes

The Company follows the asset and liability method of accounting for income taxes in accordance with the provisions of Statement of Financial Accounting Standards SFAS No. 109, "Accounting for Income Taxes". Under the asset and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. Under SFAS No. 109, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that the tax rate changes.

Concentration of credit risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of cash and cash equivalents. The Company maintains its cash and cash equivalents in financial institutions and brokerage accounts. To the extent that such deposits exceed the maximum insurance levels, they are uninsured. The Company performs ongoing evaluations of its customers' financial condition, as well as general economic conditions and, generally, requires no collateral from its customers.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

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Dataram Corporation And Subsidiary
Consolidated Balance Sheets
July 31, 1998 and April 30, 1998

(Unaudited) (Audited)
July 31, 1998 April 30, 1998

Assets

Current Assets:

Cash and cash equivalents	\$ 10,709,917	\$ 7,529,906
Trade receivables, less allowance for doubtful accounts and sales returns of \$500,000 at July 31, 1998 and \$450,000 at April 30, 1998	7,621,950	10,075,838
Inventories	2,369,728	2,923,165
Other current assets	643,925	493,013
Total current assets	<u>21,345,520</u>	<u>21,021,922</u>

Property and equipment, at cost:

Land	875,000	875,000
Machinery and equipment	9,362,225	8,805,875
	<u>10,237,225</u>	<u>9,680,875</u>

Less: accumulated depreciation
and amortization

	6,587,979	6,245,979
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Net property and equipment	<u>3,649,246</u>	<u>3,434,896</u>
Other assets	10,380	7,380

\$ 25,005,146 \$ 24,464,198
=====

Liabilities and Stockholders' Equity

Current liabilities:

Accounts payable	\$ 3,150,634	\$ 4,698,786
Accrued liabilities	1,647,599	1,548,315
Income taxes payable	808,693	236,116
Total current liabilities	<u>5,606,926</u>	<u>6,483,217</u>

Deferred income taxes	1,013,000	1,013,000
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Stockholders' Equity:

Common stock, par value \$1.00 per share.
Authorized 18,000,000 shares; issued

and outstanding 2,781,405 at July 31, 1998		
and at April 30, 1998	2,781,405	2,781,405
Additional paid-in capital	2,125,871	2,125,871
Retained earnings	13,477,944	12,060,705
	<u> </u>	<u> </u>
Total stockholders' equity	18,385,220	16,967,981
	<u>\$ 25,005,146</u>	<u>\$ 24,464,198</u>
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Dataram Corporation and Subsidiary
Consolidated Statements of Earnings
Three Months Ended July 31, 1998 and 1997
(Unaudited)

	1998	1997
Revenues	\$ 17,750,162	\$ 18,147,292
Costs and expenses:		
Cost of sales	12,269,849	14,634,977
Engineering and development	331,610	223,578
Selling, general and administrative	2,936,961	2,280,159
	<u>15,538,420</u>	<u>17,138,714</u>
Earnings from operations	2,211,742	1,008,578
Other income (expense)		
Other income net	0	2,000
Interest income, expense net	116,497	64,694
	<u>116,497</u>	<u>66,694</u>
Earnings before income taxes	2,328,239	1,075,272
Income tax expense	911,000	406,000
	<u> </u>	<u> </u>
Net earnings	<u>\$ 1,417,239</u>	<u>\$ 669,272</u>
	=====	=====

Net earnings per share of common stock:

Basic	\$.51	\$.22
	<u> </u>	<u> </u>
Diluted	\$.46	\$.21
	<u> </u>	<u> </u>
	=====	=====

Weighted average number of common
shares outstanding

Basic	2,781,405	3,053,603
	<u> </u>	<u> </u>
Diluted	3,063,154	3,199,120
	<u> </u>	<u> </u>
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Dataram Corporation and Subsidiary
Consolidated Statements of Cash Flows
Three Months Ended July 31, 1998 and 1997
(Unaudited)

1998 1997

Cash flows from operating activities:

Net earnings	\$ 1,417,239	\$ 669,272
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	342,000	125,100
Bad debt expense	103,580	87,649
Changes in assets and liabilities:		
Decrease (Increase) in trade receivables	2,350,308	(395,044)
Decrease in inventories	553,437	1,404,678
Increase in other current assets	(150,912)	(108,134)
Increase in other assets	(3,000)	(1,550)
Decrease in accounts payable	(1,548,152)	(913,433)
Increase (decrease) in accrued liabilities	99,284	(481,056)
Increase in income taxes payable	572,577	391,000

Net cash provided by operating activities	3,736,361	778,482
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Cash flows from investing activities:

Purchase of property and equipment	(556,350)	(603,745)
Net cash used in investing activities	(556,350)	(603,745)

Cash flows from financing activities:

Proceeds from sale of common shares under stock option plan	0	57,000
Purchase and cancellation of common stock	0	(359,558)
Net cash used in financing activities	0	(302,558)

Net increase (decrease) in cash and cash equivalents	3,180,011	(127,821)
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Cash and cash equivalents at beginning of year	7,529,906	6,835,671
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Cash and cash equivalents at end of period	\$ 10,709,917	\$ 6,707,850
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Supplemental disclosures of cash flow information:

Cash paid during the period for:

Interest	\$ 38,751	\$ 37,453
Income taxes	\$ 365,200	\$ 43,058

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

As of July 31, 1998, working capital amounted to \$15.7 million reflecting a current ratio of 3.8 compared to working capital of \$14.5 million and a current ratio of 3.2 as of April 30, 1998.

The Company's financial condition remains strong. The Company has a \$12 million unsecured line of credit with a bank, of which \$6 million is scheduled to expire in October 1998 and \$6 million expires in October 1999. The Company intends to renew any expiring portion of the facility by the expiration date and maintain a \$12 million total facility. At the end of the quarter there was no amount outstanding under the line of credit. With its current working capital balance and the line of credit, management believes that it will be able to support its growth and other capital needs for the foreseeable future.

The Company's products are all year 2000 compliant. The Company has completed its upgrade of its manufacturing, accounting, production and inventory control systems and software and these systems and software are now year 2000 compliant. The Company has numerous personal computers and peripheral devices which are currently being tested for year 2000 compliance. None of these devices are involved in mission critical applications and the Company intends to upgrade or replace any non year 2000 compliant devices by the end of the current fiscal year. Management estimates that the financial impact of the upgrade will not have a material effect on the Company's consolidated financial condition, results of operations and liquidity.

Results of Operations

Revenues for the three month period ended July 31, 1998 were \$17,750,000 compared to revenues of \$18,147,000 for the comparable prior year period. The Company continues to build on the sales/distribution network utilized to sell our products, focusing on increasing the number of corporate customers and distributors.

Cost of sales for the first quarter were 69% of revenues versus 81% for the same prior year period. The decrease in the cost of sales was mainly the result of the Company's focus on providing high-capacity products which generate favorable margins. The Company continues to be first to market with many of its products.

Engineering and development costs in fiscal 1999's first quarter were \$332,000 versus \$224,000 for the same prior year period. The Company continues to maintain its commitment to timely introduction of new memory products as new workstations and computers are introduced.

Selling, general and administrative costs in this year's first quarter were 17% of revenues versus 13% for the same prior year period. Three month total expenditures increased by \$657,000 from the prior year period. This increase is primarily the result of increased investment in the Company's sales and marketing organization to enhance our ability to service new and existing customers.

Other income (expense), net for the first quarter of fiscal 1999 and fiscal 1998, consists primarily of interest income on short term investments.

Safe Harbor Statement

The information provided in this press release may include forward-looking statements relating to future events, such as the development of new products, the commencement of production or the future financial performance of the Company. Actual results may differ from such projections and are subject to certain risks including, without limitation, risks arising from: changes in the price of memory chips, changes in the demand for memory systems for workstations and servers, increased competition in the memory systems industry, delays in developing and commercializing new products and other factors described in the Company's most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission which can be reviewed at <http://www.sec.gov>.

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PART II: OTHER INFORMATION

ITEM 5. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits

27(a). Financial Data Schedule

28(a). Press Release reporting results of First Quarter, Fiscal Year 1998 (Attached).

28(b). Press Release announcing 500,000 share repurchase plan (Attached).

28(c). Press Release announcing Robert V. Tarantino Elected Chairman of Dataram Corporation (Attached).

B. Reports on Form 8-K

No reports on Form 8-K have been filed during the current quarter.

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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.

DATARAM CORPORATION

MARK E. MADDOCKS

Date: _____ By: _____

Mark E. Maddocks
Vice President, Finance
(Principal Financial Officer)

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FOR IMMEDIATE RELEASE CONTACT: Mark Maddocks
Vice-President, Finance
Telephone: (609) 799-0071

ROBERT V. TARANTINO ELECTED CHAIRMAN
OF DATARAM CORPORATION

PRINCETON, NJ September 10, 1998-Dataram Corporation [AMEX: DTM] a leading provider of gigabyte-class memory for high-performance workstations and network servers, today announced that Robert V. Tarantino has been elected Chairman of the Company's board of directors. The election was held at the organizational meeting of directors following the annual meeting of shareholders held on September 9, 1998. Tarantino will assume this responsibility in addition to his current position as President and Chief Executive Officer. The position of chairman of the board has been vacant since April 1997.

Tarantino has served as president of Dataram since 1984 and Chief Executive Officer since 1986. He joined the company in 1970 as a project engineer and advanced through progressively more responsible managerial positions over the following two years. In 1972, Tarantino was elected Vice President of Operations and eight years later became the company's Executive Vice President. He came to Dataram from Princeton University where he worked as a staff engineer in high-energy physics from 1968 to 1970. Prior to Princeton, he worked as a design engineer at RCA's Astro Space Center in Hightstown, New Jersey and Gulton Industries in Metuchen, New Jersey. Tarantino graduated from Villanova University with a B.S. in Electrical Engineering in 1964 and received an M.S. in Electrical Engineering from Rutgers University four years later. He also completed various graduate-level business and marketing courses at Rider University from 1969 to 1971.

Dataram Corporation is a leading provider of gigabyte memory for workstations and network servers, and specializes in the manufacture of large-capacity memory products for Compaq, Digital, HP, IBM, SGI and SUN computers. The company serves users in diverse industries such as manufacturing, finance, government, telecommunications, utilities, research and education. Dataram memory is a cost-effective alternative to purchasing memory directly from the system manufacturer and is priced up to 50% less. Products can usually be delivered within 24 hours of order placement and are backed by a lifetime warranty and express ship replacements program.

Dataram is headquartered in Princeton, New Jersey and is celebrating its 31st year in the computer industry. Additional information is available on the Internet at www.dataram.com.