

[DATARAM LOGO]

DATARAM CORPORATION

2005 ANNUAL REPORT

Table of Contents

- 1 Chairman's Letter
- 2 Management's Discussion and Analysis
of Financial Condition and Results
of Operations
- 6 Financial Review
- 20 Selected Financial Data

[PICTURE OF ROBERT TARANTINO]

Chairman's Letter

To Our Shareholders

It is my pleasure to report on our fiscal 2005 performance and our outlook for the future.

Fiscal 2005 was a year of continued earnings growth for the Company. As a leading independent provider of advanced memory to OEMs, compatible memory for network servers and memory for supercomputers, our strategy is to focus on specialized and high capacity memory and not to try and compete in the ultra price sensitive commodity sector of the market. The benefits of this are reflected in our operating results. For fiscal 2005, we achieved:

Revenue growth of 6% to \$65.7 million.

Operating earnings growth of 63% to \$3.9 million.

Cash flow generated from operating activities of \$3.7 million.

Open market stock repurchases totaling \$1.5 million.

Working capital growth of 44% to \$19.5 million. A current ratio of 5.9 to 1, with cash and equivalents increasing by 37% to \$9.3 million.

The outlook for further performance improvements in fiscal 2006 is positive. Servers are at the center of corporate networks and the Internet, and our products enhance server performance. The activities of Internet users, service providers and large corporations are placing increasing demands on information technology infrastructure. Today's network expansion supports rapid growth in data and file transmission, multimedia content and broadband communications. As a consequence, users will need more servers with more memory in them.

Year-over year, our selling, general and administrative costs declined by approximately \$1.3 million, or 11%. Additionally, as part of our normal operational reviews, we implemented a limited staff reduction in the fourth quarter, which is expected to reduce our expenses in fiscal 2006 by approximately \$1.0 million. This action will further increase our already considerable operating leverage. We believe that our present infrastructure is more than sufficient to support continued profitable growth. In the last two years, we have achieved meaningful year over year performance improvements and expect the trend to continue.

Our Board of Directors' goal has always been to build shareholder value. We have in the past, had significant stock repurchase programs and in this year's fourth quarter the Company repurchased \$1.5 million worth of stock. After reviewing our cash management options, the Board of Directors also decided to initiate a quarterly cash dividend of \$0.05 per share, which was announced on May 31, 2005. It is the intention of the Board that this be the first in a series of regular quarterly dividends. We believe this decision is an important step to building long-term value for our shareholders.

On behalf of the Company's Board of Directors and management team, I would like to thank our shareholders for their continued support and our employees for their hard work and dedication.

In closing, we must mention an event which deeply saddened everyone connected with the Company, the passing on December 5, 2004 of Richard Holzman. Dick contributed over 27 years of service to the Company as a valued member of the Board of Directors. He also served as a member of the Board's Audit Committee, Compensation and Stock Option Committee and Nominating Committee. He always graciously gave his wise counsel and guidance to Dataram's executives. Above all, he exhibited a great deal of integrity in everything he did. Although Dick will never be forgotten, the greatest gift we can bestow upon his memory is to continue to sustain the vibrancy of our organization for the benefit of shareholders. We are committed to this goal.

July 22, 2005

Robert V. Tarantino
Chairman of the Board of Directors,
President and Chief Executive Officer

Page 1

Management's Discussion and Analysis of Financial Condition and
Results of Operations

Overview

Dataram is a developer, manufacturer and marketer of large capacity memory products primarily used in high performance network servers and

workstations. The Company provides customized memory solutions for original equipment manufacturers (OEMs) and compatible memory for leading brands including Dell, HP, IBM, Silicon Graphics and Sun Microsystems. The Company also manufactures a line of memory products for Intel motherboard based servers for sale to OEMs and channel assemblers.

The Company's memory products are sold worldwide to original equipment manufacturers, distributors, value-added resellers and end users. The Company has a manufacturing facility in the United States with sales offices in the United States, Europe and Japan.

The Company is an independent memory manufacturer specializing in high capacity memory and competes with several other large independent memory manufacturers as well as the original equipment manufacturers mentioned above. The primary raw material used in producing memory boards is dynamic random access memory (DRAM) chips. The purchase cost of DRAM chips typically represents approximately 75% of the total cost of a finished memory board. Consequently, average selling prices for computer memory boards are significantly dependent on the pricing and availability of DRAM chips.

Results of Operations

The following table sets forth consolidated operating data expressed as a percentage of revenues for the periods indicated.

Years Ended April 30,	2005	2004	2003
Revenues	100.0%	100.0%	100.0%
Cost of sales	75.8	74.7	73.9
Gross profit	24.2	25.3	26.1
Engineering and development	2.0	2.1	2.9
Selling, general and administrative	16.2	19.3	32.1
Restructuring charges	-	-	7.1
Asset impairment charge	-	-	21.5
Earnings (loss) from operations	6.0	3.9	(37.5)
Other income (expense), net	0.3	0.2	(0.2)
Earnings (loss) before income tax expense (benefit)	6.3	4.1	(37.7)
Income tax expense (benefit)	(3.9)	0.4	(8.5)
Net earnings (loss)	10.2	3.7	(29.2)

Fiscal 2005 Compared With Fiscal 2004

Revenues for fiscal 2005 were \$65.7 million compared to \$62.0 million in fiscal 2004. The growth in revenue came primarily from sales to OEMs, which accounted for approximately 50% of revenue in fiscal 2005, compared to approximately 36% in fiscal 2004. Revenues from the sale of memory for the compatibles market declined by approximately 18% in fiscal 2005 from fiscal 2004. This reduction is primarily attributable to reduced sales volume of the Company's products for Intel motherboard based servers sold to channel assemblers. This market has become extremely price sensitive and the Company has chosen not to compete for certain customers' business

in this market.

Overall volume as measured by gigabytes shipped increased by approximately 8% in fiscal 2005 from fiscal 2004. Average selling price per gigabyte declined by approximately 2% in fiscal 2005 compared to the prior year.

Revenues for the fiscal years ended April 30, 2005 and 2004 by geographic region were:

	Year ended April 30, 2005	Year ended April 30, 2004
United States	\$ 50,210,000	\$ 43,780,000
Europe	8,716,000	10,994,000
Other(principally Asia Pacific Region)	6,758,000	7,210,000
Consolidated	\$ 65,684,000	\$ 61,984,000

Cost of sales was \$49.8 million in fiscal 2005 or 75.8 percent of revenue compared to \$46.3 million or 74.7 percent of revenue in fiscal 2004. Fiscal 2005 cost of sales included royalty expense of approximately \$469,000, or 0.7% of revenue compared to \$1,058,000, or 1.7% of revenue in fiscal 2004. The 2004 royalty expense level was attributable to an agreement entered into with a company that allowed the Company to use their patented technology through the date of the agreement. The Company ceased manufacturing products using this technology in fiscal 2004. Management expects that cost of sales as a percentage of revenue will generally be approximately 75%, which is in line with its historical norm. Fluctuations either up or down of 3% or less in any given period are not unusual and can result from many factors, some of which are a rapid change in the price of DRAMs, a change in product mix possibly resulting from a large order or series of orders for a particular product or a change in customer mix.

Engineering and development costs amounted to \$1.3 million in both fiscal 2005 and fiscal 2004. The Company maintains its commitment to the timely introduction of new memory products.

Selling, general and administrative costs were \$10.7 million in fiscal 2005 versus \$12.0 million in fiscal 2004. This reduction in expense is primarily the result of reduced salary and employee related costs due to reduced workforce. Additionally, approximately \$560,000 of the expense reduction was from reduced levels of depreciation and amortization expenses as certain assets were fully depreciated in the prior year. The balance of expense reduction was primarily the result of reduced salary and employee related costs due to a lower workforce level.

Other income (expense), net for fiscal year 2005 totaled \$202,000 versus \$119,000 in fiscal 2004. Fiscal 2005 other income consisted primarily of \$94,000 of net interest income, \$33,000 of foreign currency transaction gains and \$75,000 of gains on sale of certain assets. Fiscal 2004 other income consisted primarily of \$6,000 of net interest income, \$47,000 of foreign currency transaction gains and \$66,000 of gains on sale of certain assets.

Income tax expense (benefit) for fiscal 2005 was (\$2.6 million) versus \$252,000 in fiscal 2004. After six successive quarters of profitability and review of its future operating plans, management concluded in April, 2005, that it is more likely than not that the Company will utilize all of its

net operating loss ("NOL") carry forwards. As a result, fiscal 2005 income tax benefit includes a reversal of the valuation allowance, totaling approximately \$2.6 million, that the Company had previously placed on its NOL carry forwards. Fiscal 2004 expense represents a provision for state income tax expense only as the Company utilized a portion of its NOL carry forwards to offset any federal tax due and therefore recorded no federal income tax expense. As of April 30, 2005, the Company has a NOL carry forward of approximately \$10.8 million which can be used to offset future

taxable income.

Fiscal 2004 Compared With Fiscal 2003

Revenues for fiscal 2004 were \$62.0 million compared to \$53.5 million in fiscal 2003. The growth in revenue came primarily from sales to OEMs, which accounted for approximately 36% of revenue in fiscal 2004, compared to approximately 16% in fiscal 2003. Revenues from the sale of memory for the compatibles market grew by approximately 5% to approximately \$39.7 million in fiscal 2004 from fiscal 2003. Overall volume as measured by gigabytes shipped increased by approximately 25% in fiscal 2004 from fiscal 2003. Average selling price per gigabyte declined by approximately 8% in fiscal 2004 compared to the prior year.

Cost of sales was \$46.3 million in fiscal 2004 or 74.7 percent of revenue compared to \$39.5 million or 73.9 percent of revenue in fiscal 2003. Fiscal 2004 cost of sales included royalty expense of approximately \$1,058,000, or 1.7% of revenue compared to \$464,000, or 0.8% of revenue in fiscal 2003. The 2004 increase is attributable to an agreement entered into with a company that allowed the Company to use their patented technology through the date of the agreement.

Engineering and development costs amounted to \$1.3 million in fiscal 2004 compared to \$1.5 million in fiscal 2003. The reduction in cost is primarily attributable to workforce reductions that occurred in fiscal 2003.

Selling, general and administrative costs were \$12.0 million in fiscal 2004 versus \$17.2 million in fiscal 2003. The decline in expense is primarily the result of savings in personnel costs as a result of restructurings that occurred in the first and fourth quarter of fiscal 2003. These restructurings resulted in workforce reductions of approximately 24% and 28%, respectively and were recorded as a separate expense totaling \$3.8 million in fiscal 2003. Additionally, in Fiscal 2003, the Company recorded a separate asset impairment charge of approximately \$11.5 million, primarily related to the write-off of its purchased goodwill, net of the effect of certain foreign exchange translation gains.

Other income (expense), net for fiscal year 2004 totaled \$119,000 versus (\$84,000) in fiscal 2003. Fiscal 2004 income consisted primarily of \$6,000 of net interest income, \$47,000 of foreign currency transaction gains and \$66,000 of gains on sale of certain assets. Fiscal 2003 other expense consisted of \$84,000 of net interest expense.

Income tax expense (benefit) for fiscal 2004 was \$252,000 versus (\$4.6 million) in fiscal 2003. Fiscal 2004 expense represents a provision for state income tax expense only as the Company utilized a portion of its federal NOL carry forwards to offset any federal tax due and therefore recorded no federal income tax expense.

Liquidity and Capital Resources

The Company's cash and working capital position remains strong. Working capital at the end of fiscal 2005 amounted to \$19.5 million, including cash and cash equivalents of \$9.3 million, compared to working capital of \$13.5 million, including cash and cash equivalents of \$6.8 million in fiscal 2004. Current assets at year end were 5.9 times current liabilities compared to 3.5 at the end of fiscal 2004.

Inventories at the end of fiscal 2005 were \$2.4 million compared to fiscal 2004 year end inventories of \$2.5 million. Inventory levels for both years are within a normal range relative to the Company's revenue levels.

The Company generated \$3.7 million of cash flows from operating activities primarily as a result of net earnings of \$6.7 million reduced by the non-cash deferred tax benefit of \$3.2 million. Cash used in investing activities totaled \$303,000 and consisted primarily of capital expenditures. Cash used in financing activities totaled \$938,000 and consisted primarily of common stock repurchases reduced by proceeds from stock option exercises of \$567,000.

Capital expenditures were \$316,000 in fiscal 2005 compared to \$160,000 in

fiscal 2004. Capital expenditures in both fiscal years were unusually low. Fiscal 2006 capital expenditures are expected to be between \$500,000 and \$600,000. At the end of fiscal 2005, contractual commitments for capital purchases were zero.

On June 15, 1999 the Company announced an open market repurchase plan providing for the repurchase of up to 500,000 shares of the Company's common stock. On December 4, 2002, the Company announced a second plan providing for the repurchase of up to an additional 500,000 shares. As of April 30, 2005, the total number of shares authorized for purchase under the program is 223,646 shares. The Company repurchased 311,504 shares of its common stock in fiscal 2005 at a total price of approximately \$1.5 million.

On June 21, 2004, the Company entered into a credit facility with a bank, which provides for up to a \$5 million revolving credit line. Advances under the facility are limited to 75% of eligible receivables, as defined in the agreement. The agreement provides for LIBOR rate loans and base rate loans at an interest rate no higher than the bank's base commercial lending rate. The Company is required to pay a commitment fee equal to 1/4 of one percent per annum on the unused commitment. The agreement contains certain restrictive covenants, specifically a trailing twelve month profitability requirement, a current asset to current liabilities ratio, a total liabilities to tangible net worth ratio and certain other covenants, as defined in the agreement. The agreement was amended on April 4, 2005. The effect of the amendment was to increase the limit of the Company's combined open market stock repurchases and dividend payments to \$2.5 million per year from \$1.0 million per year without prior waiver. The Company is in compliance with all covenants of the agreement and there were no borrowings against the credit line in fiscal 2005. The agreement expires on June 21, 2006. The Company intends to renew the agreement prior to the expiration date.

Page 3

Management believes that the Company's cash flows generated from operations will be sufficient to meet short term liquidity needs as the Company does not expect any unforeseen demands beyond general operating requirements for cash. Management further believes that its working capital together with internally generated funds from its operations and its bank line of credit are adequate to finance the Company's long term operating needs and future capital requirements.

On July 29, 2002, the Company entered into an agreement to sell its undeveloped land for a price of \$3.0 million. The agreement was amended on October 20, 2004. The amendment extended the term of the agreement to September 29, 2005. The agreement, as amended, provides for closing to occur no later than September 29, 2005. Additionally, the agreement is subject to certain contingencies and as such may be terminated prior to closing. The land is carried at cost on the Company's balance sheet at a value of \$875,000 and is shown as an asset held for sale. The resulting gain on the sale will be recorded upon consummation of the transaction and when all contingencies have been satisfied.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of April 30, 2005 are as follows:

	Operating leases
Year ending April 30:	
2006	\$ 465,000
2007	48,000
2008 and thereafter	0
	<u>\$ 513,000</u>

At April 30, 2005, the Company had open purchase orders outstanding totaling \$3.7 million, primarily for inventory items to be delivered in the first quarter of fiscal 2006. These purchase orders are cancelable.

Inflation has not had a significant impact on the Company's revenue and operations.

New Accounting Pronouncements

In December, 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"). SFAS 123R addresses the accounting for transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. SFAS 123R supersedes APB No. 25 and requires that such transactions be accounted for using a fair-value based method. SFAS 123R requires companies to recognize an expense for compensation cost related to share-based payment arrangements, including stock options and employee stock purchase plans. The Company is required to implement the proposed standard no later than May 1, 2006. The Company is currently evaluating option valuation methodologies and assumptions related to its stock compensation plans.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4". SFAS 151, amends ARB 43, Chapter 4, to clarify that abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage) should be recognized as current-period charges. In addition, this Statement requires that allocation of fixed production overheads to the cost of conversion be based on the normal capacity of the production facilities. The provisions of this Statement shall be effective for the Company beginning May 1, 2006. The Company does not believe that this statement will have a material effect on the Company's consolidated financial statements.

Critical Accounting Policies

In December 2001, the Securities and Exchange Commission ("SEC") published a Commission Statement in the form of Financial Reporting Release No. 60 which requested that all registrants discuss their most "critical accounting policies" in management's discussion and analysis of financial condition and results of operations. The SEC has defined critical accounting policies as those that are both important to the portrayal of a company's financial condition and results, and that require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. While the Company's significant accounting policies are summarized in Note 1 to the consolidated financial statements included in this Annual Report, it believes the following accounting policies to be critical:

Revenue Recognition- Revenue is recognized when title passes upon shipment of goods to customers. The Company's revenue earning activities involve delivering or producing goods. The following criteria are met before revenue is recognized: persuasive evidence of an arrangement exists, shipment has occurred, selling price is fixed or determinable and collection is reasonably assured. The Company does experience a minimal level of sales returns and allowances for which the Company accrues a reserve at the time of sale in accordance with SFAS No. 48, "Revenue Recognition When Right of Return Exists". Estimated warranty costs are accrued by management upon product shipment based on an estimate of future warranty claims.

Income Taxes-The Company utilizes the asset and liability method of accounting for income taxes in accordance with the provisions of 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. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax

assets will not be realized. At April 30, 2005, the Company considered certain tax planning strategies in its assessment as to the recoverability of its tax assets. 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

Page 4

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.

Use of Estimates- The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including deferred tax asset valuation allowances and certain other reserves 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. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the consolidated financial statements in the period they are determined to be necessary. Some of the more significant estimates made by management include the allowance for doubtful accounts and sales returns, the deferred tax asset valuation allowance and other operating allowances and accruals. Actual results could differ from those estimates.

Quantitative and Qualitative Disclosure About Market Risk

The Company does not invest in market risk sensitive instruments. The Company's investments during the past fiscal year have consisted of overnight deposits with banks. The average principal sum invested was approximately \$7.7 million and the weighted average effective interest rate for these investments was approximately 1.5%. The Company's rate of return on its investment portfolio changes with short-term interest rates, although such changes will not affect the value of its portfolio. The Company's objective in connection with its investment strategy is to maintain the security of its cash reserves without taking market risk with principal.

The Company purchases and sells primarily in U.S. dollars. The Company sells in foreign currency (primarily Euros) to a limited number of customers and as such incurs some foreign currency risk. At any given time, approximately 5 to 10 percent of the Company's accounts receivable are denominated in currencies other than U.S. dollars. At present, the Company does not purchase forward contracts as hedging instruments, but could do so as circumstances warrant.

Common Stock Information

The Common Stock of the Company is traded on the NASDAQ National Market with the symbol "DRAM". The following table sets forth, for the periods indicated, the high and low prices for the Common Stock.

	2005		2004	
	High	Low	High	Low
First Quarter	\$10.39	\$ 6.40	\$ 3.98	\$ 2.42
Second Quarter	7.63	5.42	4.79	3.41
Third Quarter	7.10	5.27	7.12	3.75
Fourth Quarter	6.34	3.91	9.34	4.96

At April 30, 2005 there were approximately 7,000 shareholders.

On May 31, 2005 the Board of Directors approved a \$0.05 per share

quarterly dividend payable on June 29, 2005 to shareholders of record as of June 15, 2005. The Directors' intention is that this dividend is the first in a series of regular \$0.05 per share quarterly dividends.

Page 5

DATARAM CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
April 30, 2005 and 2004
(In thousands, except share and per share amounts)

	2005	2004	
Assets			
Current assets:			
Cash and cash equivalents		\$ 9,281	\$ 6,806
Trade receivables, less allowance for doubtful accounts and sales returns of \$325 in 2005 and \$320 in 2004		8,397	8,846
Inventories:			
Raw materials	1,136		1,302
Work in process	77		102
Finished goods	1,156		1,133
	2,369	2,537	
Deferred income taxes		3,258	723
Other current assets		130	92
Total current assets	23,435	19,004	
Deferred income taxes		630	-
Property and equipment:			
Land (held for sale)	875		875
Machinery and equipment		12,205	11,934
	13,080	12,809	
Less accumulated depreciation and amortization	11,052		9,951
Net property and equipment	2,028	2,858	
Other assets	54		50
	\$26,147	\$21,912	
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	2,528		3,862
Accrued liabilities	1,438		1,646
Total current liabilities	3,966	5,508	
Stockholders' equity:			
Common stock, par value \$1.00 per share.			
Authorized 54,000,000 shares; issued and outstanding 8,361,500 in 2005 and 8,526,519 in 2004			
	8,361		8,527
Additional paid-in capital	4,566		4,676
Retained earnings	9,254		3,201
Total stockholders' equity	22,181	16,404	

Commitments and contingencies

\$26,147	\$21,912
<u>=====</u>	<u>=====</u>

See accompanying notes to consolidated financial statements.

Page 6

DATARAM CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
Years ended April 30, 2005, 2004 and 2003
(In thousands, except per share amounts)

	2005	2004	2003
	<u>-----</u>	<u>-----</u>	<u>-----</u>
Revenues	\$ 65,684	\$ 61,984	\$ 53,529
Costs and expenses:			
Cost of sales	49,816	46,311	39,529
Engineering and development	1,300	1,284	1,539
Selling, general and administrative	10,653	11,985	17,204
Restructuring charges	-	-	3,805
Asset impairment charge	-	-	11,535
	<u>61,769</u>	<u>59,580</u>	<u>73,612</u>
Earnings (loss) from operations	3,915	2,404	(20,083)
Other income (expense):			
Interest income	115	23	34
Interest expense	(21)	(17)	(118)
Currency gain	33	47	-
Other income	75	66	-
	<u>202</u>	<u>119</u>	<u>(84)</u>
Earnings(loss)before income tax expense (benefit)	4,117	2,523	(20,167)
Income tax expense (benefit)	(2,598)	252	(4,563)
Net earnings (loss)	<u>\$ 6,715</u>	<u>\$ 2,271</u>	<u>\$(15,604)</u>
Net earnings(loss) per common share:			
Basic	\$ 0.78	\$ 0.27	\$(1.84)
Diluted	<u>\$ 0.74</u>	<u>\$ 0.25</u>	<u>\$(1.84)</u>

See accompanying notes to consolidated financial statements.

Page 7

DATARAM CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended April 30, 2005, 2004 and 2003

(In thousands)

2005 2004 2003

Cash flows from operating activities:

Net earnings (loss) \$ 6,715 \$ 2,271 \$(15,604)

Adjustments to reconcile net earnings

(loss)to net cash provided by

operating activities:

Asset impairment charge - - 11,535
Non-cash restructuring charges - - 1,003
Depreciation and amortization 1,133 1,847 3,925
Bad debt expense 38 7 152

Deferred income tax benefit (3,165) - (1,294)

Changes in assets and liabilities:

Decrease (increase) in trade and other receivables 411 (2,561) 5,033
Decrease in inventories 168 318 2,580
Decrease (increase) in income tax receivable - 3,138 (2,438)
(Increase) decrease in other current assets (38) 19 345
(Increase) decrease in other assets (4) (26) 384
Increase (decrease) in accounts payable (1,334) 654 (3,490)
Increase (decrease) in accrued liabilities (208) (1,332) 1,290

Net cash provided by operating activities 3,716 4,335 3,421

Cash flows from investing activities:

Additions to property and equipment (316) (160) (673)
Proceeds from sale of property and equipment 13 19 -

Net cash used in investing activities (303) (141) (673)

Cash flows from financing activities:

Repayments under revolving line of credit - - (3,800)
Purchase and subsequent cancellation of shares of common stock (1,505) - (524)
Proceeds from sale of common shares under stock option plan (including tax benefits) 567 112 420

Net cash provided by (used in) financing activities (938) 112 (3,904)

Net increase (decrease) in cash and cash equivalents 2,475 4,306 (1,156)

Cash and cash equivalents at beginning of year 6,806 2,500 3,656

Cash and cash equivalents at end of year \$ 9,281 \$ 6,806 \$ 2,500

Supplemental disclosures of cash flow information:

Cash paid during the year for:

Interest \$ 18 \$ 16 \$ 125
Income taxes \$ 476 \$ 2 \$ 92

See accompanying notes to consolidated financial statements.

DATARAM CORPORATION AND SUBSIDIARIES
 Consolidated Statements of Stockholders' Equity and Comprehensive Income(loss)
 Years ended April 30, 2005, 2004 and 2003
 (In thousands, except share amounts)

	Additional Common stock	paid-in capital	Accumulated Retained earnings (loss)	Total other comprehen- sive income equity	holders' equity
Balance at April 30, 2002	\$ 8,494	\$ 4,405	\$ 16,830	\$ 99	\$ 29,828
Issuance of 166,200 shares under stock option plans, including income tax benefit of \$25	166	254	-	-	420
Purchase and subsequent cancellation of 162,600 shares	(163)	(65)	(296)	-	(524)
Comprehensive Income: Foreign exchange translation adjustment, net of tax	-	-	-	(99)	(99)
Net loss	-	-	(15,604)	-	(15,604)
Total comprehensive loss			(15,703)		
Balance at April 30, 2003	\$ 8,497	\$ 4,594	\$ 930	\$ -	\$ 14,021
Issuance of 29,300 shares under stock option plans, including income tax benefit of \$7	30	82	-	-	112
Net Income	-	-	2,271	-	2,271
Balance at April 30, 2004	\$ 8,527	\$ 4,676	\$ 3,201	\$ -	\$ 16,404
Issuance of 146,485 shares under stock option plans, including income tax benefit of \$122	146	421	-	-	567
Purchase and subsequent cancellation of 311,504 shares	(312)	(531)	(662)	-	(1,505)
Net Income	-	-	6,715	-	6,715
Balance at April 30, 2005	\$ 8,361	\$ 4,566	\$ 9,254	\$ -	\$ 22,181

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements
(Dollars in thousands, except per share amounts)

(1) Significant Accounting Policies

Description of Business

Dataram Corporation is a worldwide provider of server and workstation memory. The Company offers a specialized line of gigabyte-class memory for entry to enterprise-level servers and workstations as well as customized memory solutions for original equipment manufacturers.

Principles of Consolidation

The consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany transactions and balances have been eliminated.

Until the closure of the Company's manufacturing operations in Denmark in the fourth quarter of fiscal 2003, the financial statements of its foreign subsidiaries were translated using the local currency as their functional currency. That is, assets and liabilities of the foreign subsidiaries were translated using the exchange rates in effect at the date of the balance sheet while the results of operations of those foreign subsidiaries were translated using the average exchange rates in effect for each year. Differences arising upon translation were then included as part of accumulated other comprehensive income (loss) in the Consolidated Statements of Stockholders' Equity and Comprehensive Income (loss). The closure of the operations in Denmark required the reversal of the balance in the cumulative foreign currency translation account in accumulated other comprehensive income (loss) since this event represented a substantial liquidation of those operations and such amount is included in the computation of the overall loss on the transaction (see note 2). Subsequently, the Company's foreign subsidiaries' act only as sales offices which are deemed to be essentially branches of the US company and the functional currency of these sales offices is considered to be the US dollar. Accordingly, from the date of this change, any amounts denominated in a currency other than the US dollar are being recorded at the balance sheet rate of exchange and gains and losses arising from changes in foreign currency rates for those assets and liabilities are being reported in the consolidated statements of operations.

Cash and Cash Equivalents

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

Inventory

Inventories are stated at the lower of cost or market, with cost 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 and amortization rates are based on the estimated useful lives or lease terms for capital leases, whichever is shorter, 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.

Goodwill and Acquired Intangible Assets

In accordance with Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets", goodwill and intangible assets with indefinite useful lives are no longer amortized, but instead tested for impairment at least annually in accordance with the provisions of SFAS No. 142. SFAS No. 142 also requires that intangible assets with finite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment periodically.

On April 28, 2003, the Company restructured its worldwide operations. As part of the restructuring, the Company closed its production facility in Aarhus, Denmark. As a consequence of this action, the Company concluded that the estimated fair value of its acquired business had no remaining value and the Company wrote-off its purchased goodwill of approximately \$11.1 million (see note 2).

Long-Lived Assets

Long-lived assets consist of property, plant and equipment. SFAS No. 144 provides a single accounting model for long-lived assets to be disposed of. SFAS No. 144 also changes the criteria for classifying an asset as held for sale, broadens the scope of businesses to be disposed of that qualify for reporting as discontinued operations and changes the timing of recognizing losses on such operations.

In accordance with SFAS No. 144, long-lived assets, such as property, plant and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less cost to sell, and no longer depreciated.

The Company reviews long-lived assets for impairment whenever events or changes in business circumstances occur that indicate that the carrying amount of the assets may not be recoverable. Impairments are recognized when the expected future undiscounted cash flows derived from such assets are less than their carrying value. For such cases, losses are recognized for the difference between the fair value and the carrying amount. The Company considers various valuation factors, principally discounted cash flows, to assess the fair values of long-lived assets.

Revenue Recognition

Revenue is recognized when title passes upon shipment of goods to customers. The Company's revenue earning activities involve delivering or producing goods. The following criteria are met before revenue is recognized: persuasive evidence of an arrangement exists, shipment has occurred, selling price is fixed or determinable and collection is reasonably assured. The Company does experience a minimal level of sales returns and allowances for which the Company accrues a reserve at the time of sale in accordance with SFAS No. 48, "Revenue Recognition When Right of Return Exists".

Product Development and Related Engineering

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

Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes in accordance with the provisions of 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 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 and accounts receivable. 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.

In fiscal 2005, sales to one customer accounted for approximately 33% of revenues and 32% of accounts receivable at April 30, 2005. In fiscal 2004, sales to one customer accounted for approximately 22% of revenues. In fiscal 2003 no customer generated revenues of 10% or greater.

Net Earnings/(Loss) Per Share

Net Earnings/(Loss) Per Share is presented in accordance with SFAS No. 128, "Earnings Per Share". Basic net earnings/(loss) per share is calculated by dividing net earnings/(loss) by the weighted average number of common shares outstanding during the period. Diluted net earnings per share in fiscal 2005 and 2004 was calculated in a manner consistent with basic net earnings per share except that the weighted average number of common shares outstanding also includes the dilutive effect of stock options outstanding (using the treasury stock method). During fiscal 2003, the Company excluded the dilutive effect of options to purchase 1,515,350 shares of common stock in the calculation of diluted net loss per share because they were anti-dilutive. As such, the numerator and denominator used in computing basic and diluted net loss per share were equal.

The following presents a reconciliation of the numerator and denominator used in computing Basic and Diluted net earnings per share for fiscal 2005 and 2004.

	Year ended April 30, 2005		
	Earnings (numerator)	Shares (denominator)	Per share amount
	_____	_____	_____
Basic net earnings per share			
- net earnings and weighted average common shares outstanding	\$ 6,715	8,571,000	\$.78
Effect of dilutive securities			
- stock options	-	541,000	
Diluted net earnings per share			
- net earnings, weighted average common shares outstanding and effect of stock options	\$ 6,715	9,112,000	\$.74
	=====	=====	=====

	Year ended April 30, 2004		
	Earnings (numerator)	Shares (denominator)	Per share amount
	_____	_____	_____

Basic net earnings per share
 - -net earnings and weighted
 average common shares
 outstanding \$ 2,271 8,502,000 \$.27

Effect of dilutive securities
 - -stock options - 405,000

Diluted net earnings per share
 - -net earnings, weighted
 average common shares
 outstanding and effect of
 stock options \$ 2,271 8,907,000 \$.25

Diluted net earnings (loss) per common share does not include the effect of options to purchase 443,700 shares of common stock for the year ended April 30, 2005 because they are anti-dilutive.

Diluted net earnings (loss) per common share does not include the effect of options to purchase 463,080 shares of common stock for the year ended April 30, 2004 because they are anti-dilutive.

Product Warranty

The majority of the Company's products are intended for single use; therefore, the Company requires limited product warranty accruals. The Company accrues estimated product warranty cost at the time of sale and any additional amounts are recorded when such cost are probable and can be reasonably estimated.

Year Ended	Balance Beginning of Year	Charges to Costs and Expenses	Balance End Deductions of Year	Balance End of Year
April 30, 2005	\$ 54	9	(9)	\$ 54
April 30, 2004	\$ 54	26	(26)	\$ 54
April 30, 2003	\$ 54	23	(23)	\$ 54

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

Fair Value of Financial Instruments

The fair value of financial instruments is determined by reference to market data and other valuation techniques as appropriate. The Company believes that there is no material difference between the fair value and the reported amounts of financial instruments in the consolidated balance

sheets.

Stock Based Compensation

At April 30, 2005, the Company has stock-based employee and director compensation plans, which are described more fully in Note 5. The Company accounts for those plans under the recognition and measurement principles of APB Opinion No. 25, "Accounting for Stock Issued to Employees," and related Interpretations. No stock-based compensation cost is reflected in net income for stock options, as all options granted under those plans had an exercise price equal to the market value of the underlying common stock on the date of the grant.

The following table illustrates the effect on net earnings (loss) and earnings (loss) per share if the Company had applied the fair value recognition provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") to stock-based employee compensation:

	Years ended April 30		
	2005	2004	2003
Net earnings (loss), as reported	\$ 6,715	\$ 2,271	\$(15,604)
Deduct: Total stock-based employee compensation expense determined under the fair value method for all awards, net of tax	(97)	(784)	(885)
Pro forma net earnings (loss)	\$ 6,618	\$ 1,487	\$(16,489)
Basic and diluted net earnings (loss) per common share:			
Basic:			
As reported	\$.78	\$.27	\$(1.84)
Pro forma under SFAS 123	.77	.17	(1.94)
Diluted:			
As reported	\$.74	\$.25	\$(1.84)
Pro forma under SFAS 123	.73	.17	(1.94)

The 2005 expense includes a pro forma tax benefit from the reversal of the valuation allowance on certain pro forma net operating losses from previous years.

Page 12

The fair value of each stock option granted during the year is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	2005	2004	2003
Expected life (years)	7.5	7.5	7.5
Expected volatility	52%	57%	72%
Expected dividend yield	-	-	-
Risk-free interest rate	3.0%	3.0%	5.0%
Weighted average fair value of options granted during the year	\$ 3.22	\$ 2.50	\$ 2.19

(2) Restructuring of Operations

During the fourth quarter of fiscal 2003, the Company announced a restructuring of its operations. As part of this restructuring, the

Company closed its production facility in Aarhus, Denmark, which was acquired as part of an acquisition of a business in 2001. The Company consolidated all manufacturing into its facility located in Bucks County, Pennsylvania. As a result, the Company reduced its workforce by approximately 28 percent and incurred a consolidated pretax charge of approximately \$3,800 in the fourth quarter of fiscal 2003, which consisted primarily of additional depreciation and amortization of fixed assets in Denmark, a provision for leasehold impairment, a write down of inventory and severance payments. Additionally, the Company wrote-off its purchased goodwill from the 2001 acquisition of \$11,144. Of these amounts, \$300 was charged to cost of sales, with the balance recorded as restructuring charges of \$3,065 million and asset impairment charges of \$11,535, which is net of the effect of certain foreign exchange translation gains. Additional restructuring charges, primarily related to severance costs, of \$740 were recorded in June, 2002 and were paid in fiscal 2003. The Company entered into lease termination agreements totaling approximately \$1,000 and had severance obligations totaling approximately \$850. The lease termination and severance obligations were paid in fiscal 2004.

(3) Long-Term Debt

On June 21, 2004, the Company entered into a two year credit facility with a bank, which provides for up to a \$5,000 revolving credit line. Advances under the facility are limited to 75% of eligible receivables, as defined in the agreement. The agreement provides for LIBOR rate loans and base rate loans at an interest rate no higher than the bank's base commercial lending rate. The Company is required to pay a commitment fee equal to 1/4 of one percent per annum on the unused commitment. The agreement contains certain restrictive covenants, specifically a trailing twelve month profitability requirement, a current asset to current liabilities ratio, a total liabilities to tangible net worth ratio and certain other covenants, as defined in the agreement which the Company was in compliance with at April 30, 2005. The agreement was amended on April 4, 2005. The effect of the amendment was to increase the limit of the Company's combined open market stock repurchases and dividend payments to \$2,500 per year from \$1,000 per year without prior waiver. During fiscal 2005, there were no borrowings under the credit facility. The Company is in compliance with all covenants of the agreement and there were no borrowings against the credit line in fiscal 2005.

(4) Income Taxes

Income tax expense(benefit)for the years ended April 30 consists of the following:

	2005	2004	2003	
	<u> </u>	<u> </u>	<u> </u>	
Current:				
Federal	\$ 82	\$ 47	\$ (3,307)	
Foreign	-	-	37	
State	169	205	1	
	<u> </u>	<u> </u>	<u> </u>	
	251	252	(3,269)	
Deferred:				
Federal	(2,849)	-	(1,247)	
Foreign	-	-	-	
State	-	-	(47)	
	<u> </u>	<u> </u>	<u> </u>	
	(2,849)	-	(1,294)	
Total income tax expense (benefit)	<u> </u>	<u> </u>	<u> </u>	\$(4,563)
	<u>=====</u>	<u>=====</u>	<u>=====</u>	

The actual income tax expense (benefit) differs from "expected" tax expense (benefit) (computed by applying the U. S. corporate tax rate of 35% to earnings before income taxes) as follows:

	2005	2004	2003
	<u> </u>	<u> </u>	<u> </u>
Computed "expected" tax expense(benefit)	\$ 1,441	\$ 883	\$(7,058)
State income taxes(net of Federal income tax benefit)	112	150	(30)
Difference in federal graduated rates	(41)	-	202
Foreign taxes	-	-	37
Change in valuation allowance	(2,569)	-	2,504
Utilization of net operating Losses	(1,217)	(1,191)	-
Alternative minimum tax	-	232	-
Other	(324)	178	(218)
	<u> </u>	<u> </u>	<u> </u>
	\$(2,598)	\$ 252	\$(4,563)
	<u> </u>	<u> </u>	<u> </u>

Page 14

The tax effect of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	2005	2004
	<u> </u>	<u> </u>
Deferred tax assets:		
Compensated absences, principally due to accrual for financial reporting purposes	\$ 155	\$ 94
Accounts receivable, principally due to allowance for doubtful accounts and sales returns	120	119
Property and equipment, principally due to differences in depreciation	61	142
Inventory	200	143
Foreign tax credit	53	-
Domestic net operating losses	3,689	4,944
Alternative minimum tax	273	217
Total gross deferred tax assets	<u>4,551</u>	<u>5,659</u>
Less valuation allowance	<u>-</u>	<u>(3,777)</u>
Net deferred tax asset	4,551	1,882
Deferred tax liabilities:		
Investment in wholly-owned subsidiary, principally due to unremitted earnings of DISC	(663)	(663)
Other	-	(496)
Total gross deferred tax liabilities	<u>(663)</u>	<u>(1,159)</u>
Net deferred tax assets	<u>\$ 3,888</u>	<u>\$ 723</u>

During fiscal 2005, the Company recognized deferred tax assets since management now believes that it is more likely than not that such assets will be realized through future taxable income or certain tax planning strategies. The Company has U.S. net operating loss carry forwards of approximately \$10,849, which can be used to offset income through 2023.

Page 15

(5) Stock Option Plans

The Company has a 1992 incentive and non-statutory stock option plan for the purpose of permitting certain key employees to acquire equity in the Company and to promote the growth and profitability of the Company by attracting and retaining key employees. In general, the plan allowed granting of up to 2,850,000 shares, adjusted for stock splits, of the Company's common stock at an option price to be no less than the fair market value of the stock on the date such options are granted. Under option agreements granted under the plan, the holder of the option may purchase 20% of the common stock with respect to which the option has been granted on or after the first anniversary of the date of the grant and an additional 20% of such shares on or after each of the four succeeding anniversary dates. At April 30, 2005, 806,410 of the outstanding options are exercisable. No further options may be granted under this plan.

The Company also has a 2001 incentive and non-statutory stock option plan for the purpose of permitting certain key employees to acquire equity in the Company and to promote the growth and profitability of the Company by attracting and retaining key employees. In general, the plan allows granting of up to 1,800,000 shares of the Company's common stock at an option price to be no less than the fair market value of the Company's common stock on the date such options are granted. Currently, options granted under the plan vest ratably on the annual anniversary date of the grants. Vesting periods for options currently granted under the plan range from one to four years. At April 30, 2005, 165,225 of the outstanding options are exercisable.

The status of the plans for the three years ended April 30, 2005, is as follows:

Options Outstanding			
	Exercise price	Weighted average	
Shares	per share	exercise price	
Balance April 30, 2002	1,443,050	\$ 1.708-24.250	\$ 4.785
Granted	156,800	2.990-3.830	3.017
Exercised	(156,000)	1.708-2.375	2.349
Cancelled	(108,500)	2.990-24.250	7.440
Balance April 30, 2003	1,335,350	1.708-24.250	4.646
Granted	130,000	4.090	4.090
Exercised	(29,300)	2.990-3.604	3.573
Cancelled	(69,850)	2.990-24.250	7.641
Balance April 30, 2004	1,366,200	1.708-24.250	4.463
Granted	120,500	6.500-6.750	6.729
Exercised	(153,450)	1.708-7.980	3.474
Cancelled	(78,400)	2.990-24.250	10.539
Balance April 30, 2005	1,254,850	\$ 1.708-24.250	\$ 4.422

The Company also granted non-qualified options to acquire 150,000 shares of common stock to certain employees. These options are exercisable at a price of \$9.875 per share, which represents the fair value at the date of grant and expire ten years after the date of grant. Of each option, 20% are exercisable on or after the first anniversary of the date of the grant and an additional 20% on or after each of the four succeeding anniversary dates. During fiscal year 2003, 50,000 of these shares were cancelled. At April 30, 2005, 80,000 of the outstanding options are exercisable.

The Company also periodically grants nonqualified stock options to non-employee directors of the Company. These options are granted for the purpose of retaining the services of directors who are not employees of

the Company and to provide additional incentive for such directors to work to further the best interests of the Company and its shareholders. The options granted to these non-employee directors are exercisable at a price representing the fair value at the date of grant, and expire ten years after date of grant. Of each option, 100% are exercisable one year after the date of grant. At April 30, 2005, 112,000 of the outstanding options are exercisable.

Page 16

The status of the non-employee director options for the three years ended April 30, 2005, is as follows:

Options Outstanding			
	Shares	Exercise price per share	Weighted average exercise price
Balance April 30, 2002	204,750	\$ 2.313-7.980	\$ 3.822
Granted	40,000	2.990	2.990
Exercised	(10,000)	2.813	2.813
Cancelled	(154,750)	2.813	2.813
Balance April 30, 2003	80,000	2.990-7.980	5.485
Granted	40,000	4.090	4.090
Exercised	-	-	-
Cancelled	-	-	-
Balance April 30, 2004	120,000	2.990-7.980	5.020
Granted	40,000	6.750	6.750
Exercised	(16,000)	2.990-4.090	3.540
Cancelled	-	-	-
Balance April 30, 2005	144,000	\$ 2.990-7.980	\$ 5.665

The following table summarizes information about stock options outstanding at April 30, 2005:

Options outstanding		Options exercisable	
Range of exercise price	Number out- standing at April 30, 2005	Number Weighted average exercise price	Number exercis- able at April 30, 2005
\$1.708- 2.813	632,300	2.21	\$ 2.66 632,300
2.990- 3.604	257,500	5.25	3.24 203,600
4.090- 7.980	470,950	6.34	6.27 217,675
9.875-11.380	102,100	5.92	9.88 81,260
24.250	36,000	5.25	24.25 28,800
	1,498,850	4.35	\$ 4.91 1,163,635

Page 17

(6) Accrued Liabilities

Accrued liabilities consist of the following at April 30:

2005 2004

Severance costs (1)	\$ 438	\$ -
Payroll, including vacation	296	344
Taxes	163	136
Royalties (See note 7)	80	755
Commissions	135	125
Other	326	286
	<u>\$ 1,438</u>	<u>\$ 1,646</u>

(1) To be paid in fiscal 2006.

(7) Commitments

Leases

The Company and its subsidiaries occupy various facilities and operate various equipment under operating lease arrangements. Rent charged to operations pursuant to such operating leases amounted to approximately \$840 in 2005, \$692 in 2004 and \$1,552 in 2003.

Future minimum lease payments under non-cancelable operating leases (with initial or remaining lease terms in excess of one year) as of April 30, 2005 are as follows:

Year ending April 30:	Operating Leases
2006	\$ 465
2007	48
2008 and thereafter	-
	<u>Total minimum lease payments \$ 513</u>

At April 30, 2005, the Company had open purchase orders outstanding totaling \$3,661 primarily for inventory items to be delivered in the first quarter of fiscal 2006. These purchase orders are cancelable.

License Agreements

The Company has entered into certain licensing agreements with varying terms and conditions. The Company is obligated to pay royalties on certain of these agreements. In fiscal 2004, an agreement was reached with another company to use their patented technology through the date of the agreement. Royalties totaling \$660 were accrued in fiscal 2004 and paid in fiscal 2005. The Company ceased using this technology in fiscal 2004.

Legal Proceedings

The Company is not involved in any claim or legal action, which in the opinion of management, would have a material effect on the Company's consolidated financial position, results of operations or liquidity.

(8) Employee Benefit Plan

The Company has a defined contribution plan (the Plan) which is available to all qualified employees. Employees may elect to contribute a portion of their compensation to the Plan, subject to certain limitations. The Company contributes a percentage of the employee's contribution, subject to a maximum of 6 percent of the employee's eligible compensation, based on the employee's years of service. The Company's matching contributions aggregated approximately \$268, \$273 and \$258 in 2005, 2004 and 2003, respectively.

(9) Revenues by Geographic Location

The Company operates in one business segment and develops, manufactures and markets a variety of memory systems for use with servers and workstations which are manufactured by various companies. Revenues and total assets for 2005, 2004 and 2003 by geographic region is as follows:

	United States	Europe	Other	Consolidated
April 30, 2005				
Revenues	\$ 50,210	\$ 8,716	\$ 6,758	\$ 65,684
Total assets	\$ 25,866	\$ 281	\$ 0	\$ 26,147
Long lived assets	\$ 2,028	\$ 0	\$ 0	\$ 2,028
April 30, 2004				
Revenues	\$ 43,780	\$ 10,994	\$ 7,210	\$ 61,984
Total assets	\$ 20,963	\$ 949	\$ 0	\$ 21,912
Long lived assets	\$ 2,811	\$ 47	\$ 0	\$ 2,858
April 30, 2003				
Revenues	\$ 29,495	\$ 13,180	\$ 10,854	\$ 53,529
Total assets	\$ 15,398	\$ 4,809	\$ 0	\$ 20,207
Long lived assets	\$ 4,473	\$ 91	\$ 0	\$ 4,564

(10) Quarterly Financial Data (Unaudited)

Fiscal 2005	Quarter Ended			
	July 31	October 31	January 31	April 30
Revenues	\$15,791	\$20,322	\$14,431	\$15,140
Gross profit	4,051	4,506	3,010	4,301
Net earnings	1,167	1,526	147	3,875
Net earnings per diluted common and common equivalent share	.13	.17	.02	.44

Fiscal 2004	Quarter Ended			
	July 31	October 31	January 31	April 30
Revenues	\$12,267	\$12,638	\$17,131	\$19,948
Gross profit	3,449	3,006	4,208	5,010
Net earnings(loss)	171	(162)	732	1,530
Net earnings(loss)per diluted common and common equivalent share	.02	(.02)	.08	.17

Earnings (loss) per share is calculated independently for each quarter and therefore may not equal the total for the year.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Dataram Corporation:

We have audited the accompanying consolidated balance sheets of Dataram Corporation and subsidiaries as of April 30, 2005 and 2004, and the related consolidated statements of operations, stockholders' equity and comprehensive income (loss), and cash flows for each of the years in the

three-year period ended April 30, 2005. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of Dataram Corporation and subsidiaries as of April 30, 2005 and 2004, and the results of their operations and their cash flows for each of the years in the three-year period ended April 30, 2005, in conformity with U.S. generally accepted accounting principles.

KPMG LLP

Short Hills, New Jersey
July 8, 2005

Selected Financial Data

(Not covered by independent auditors' report)
(In thousands, except per share amounts)

Years Ended April 30,	2005	2004	2003	2002	2001
Revenues	\$ 65,684	\$ 61,984	\$ 53,529	\$ 81,190	\$ 130,577
Net earnings (loss)	6,715	2,271	(15,604)	(8,101)	8,595
Basic earnings (loss) per share	.78	.27	(1.84)	(.95)	1.01
Diluted earnings (loss) per share	.74	.25	(1.84)	(.95)	.88
Current assets	23,435	19,004	15,619	21,800	34,690
Total assets	26,147	21,912	20,207	42,562	65,281
Current liabilities	3,966	5,508	6,186	8,287	14,157
Long-term debt	-	-	-	3,800	10,000
Total stockholders' equity	22,181	16,404	14,021	29,828	38,043
Cash dividends (1)	-	-	-	-	-

(1) On May 31, 2005 the Board of Directors approved a \$0.05 per share quarterly dividend payable on June 29, 2005 to shareholders of record as of June 15, 2005. The Directors' intention is that this dividend is the first in a series of regular \$0.05 per share quarterly dividends.

DIRECTORS AND CORPORATE OFFICERS

Directors

Robert V. Tarantino
Chairman of the Board of Directors,
President and Chief Executive Officer
of Dataram Corporation

Thomas A. Majewski*
Principal, Walden Inc.

Bernard L. Riley*
Private Investor

Roger C. Cady*
Principal, Arcadia Associates

*Member of audit committee

Corporate Officers

Robert V. Tarantino
President and Chief Executive Officer

Mark E. Maddocks
Vice President, Finance and
Chief Financial Officer

Jeffrey H. Duncan
Vice President of Manufacturing
and Engineering

Anthony M. Lougee
Controller

Thomas J. Bitar
Secretary
Member, Dillon, Bitar & Luther, L.L.C.

Corporate Headquarters

Dataram Corporation
186 Princeton Road (Route 571)
West Windsor, NJ 08550
609-799-0071

Auditors

KPMG LLP
Short Hills, NJ

General Counsel

Dillon, Bitar & Luther, L.L.C.
Morristown, NJ

Transfer Agent and Registrar

Wachovia Bank
Customer Information Center
1525 West W.T. Harris Boulevard

Building 3C3
Charlotte, NC 28288

Stock Listing

Dataram's common stock is listed on the NASDAQ with the trading symbol DRAM.

Annual Meeting

The annual meeting of shareholders will be held on Tuesday, September 13, 2005, at 2:00 p.m. at Dataram's corporate headquarters at:
186 Princeton Road (Route 571)
West Windsor, NJ 08550

Form 10-K

A copy of the Company's annual report on Form 10-K filed with the Securities & Exchange Commission is available without charge to shareholders.

Address requests to:

Vice President, Finance
Dataram Corporation
186 Princeton Road (Route 571)
West Windsor, NJ 08550

Corporate Headquarters
Dataram Corporation
186 Princeton Road (Route 571)
West Windsor, NJ 08550
Toll Free: 800-DATARAM
Phone: 609-799-0071
Fax: 609-799-6734
www.dataram.com