

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 10/31/97 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 December 3, 1997, there were 2,922,805 shares outstanding.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

<TABLE>

Dataram Corporation And Subsidiary
Consolidated Balance Sheets
October 31, 1997 and April 30, 1997

	(Unaudited)	(Audited)
	October 31, 1997	April 30, 1997
<S>	<C>	<C>
Assets		
Current Assets:		
Cash and cash equivalents	\$ 7,395,644	\$ 6,835,671
Trade receivables, less allowance for doubtful accounts and sales returns of \$647,000 at October 31, 1997 and \$800,000 at April 30, 1997	9,824,276	8,473,228

Inventories	3,242,908	4,395,813
Other current assets	565,551	572,376
Total current assets	<u>21,028,379</u>	<u>20,277,088</u>
Property and equipment, at cost:		
Land	875,000	875,000
Machinery and equipment	7,845,959	6,840,378
	<u>8,720,959</u>	<u>7,715,378</u>
Less: accumulated depreciation and amortization	5,711,832	5,461,632
Net property and equipment	<u>3,009,127</u>	<u>2,253,746</u>
Other assets	7,380	5,730
	<u>\$ 24,044,886</u>	<u>\$ 22,536,564</u>
	October 31, 1997	April 30, 1997

Liabilities and Stockholders' Equity

Current liabilities:		
Accounts payable	\$ 5,601,534	\$ 4,144,946
Accrued liabilities	575,637	1,093,380
Total current liabilities	<u>6,177,171</u>	<u>5,238,326</u>
Deferred income taxes	1,013,000	1,013,000
Stockholders' Equity:		
Common stock, par value \$1.00 per share.		
Authorized 18,000,000 shares; issued		
2,965,605 at October 31, 1997		
and 3,077,449 at April 30, 1997	2,965,605	3,077,449
Additional paid-in capital	2,303,069	2,452,677
Retained earnings	11,586,041	10,755,112
Total stockholders' equity	<u>16,854,715</u>	<u>16,285,238</u>
	<u>\$ 24,044,886</u>	<u>\$ 22,536,564</u>

See accompanying notes to consolidated financial statements.

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Dataram Corporation and Subsidiary
Consolidated Statements of Operations
Three and Six Months Ended October 31, 1997 and 1996
(Unaudited)

	1997		1996	
	2nd Quarter	Six Months	2nd Quarter	Six Months
<S>	<C>	<C>	<C>	<C>
Revenues	\$ 20,067,735	\$ 38,215,027	\$ 17,167,956	\$ 34,616,246
Costs and expenses:				
Cost of sales	15,402,781	30,037,758	13,332,847	27,220,820
Engineering and development	301,389	524,967	249,408	479,090
Selling, general and administrative	2,908,762	5,188,921	2,012,622	3,846,374
	<u>18,612,932</u>	<u>35,751,646</u>	<u>15,594,877</u>	<u>31,546,284</u>
Earnings from operations	1,454,803	2,463,381	1,573,079	3,069,962

Other income (expense), net				
Other income, net	0	2,000	16,607	16,607
Interest income, net	75,053	139,747	59,721	128,289
	<u>75,053</u>	<u>141,747</u>	<u>76,328</u>	<u>144,896</u>
Earnings before income taxes	1,529,856	2,605,128	1,649,407	3,214,858
Income tax provision	585,000	991,000	635,000	1,236,000
Net earnings	<u>\$ 944,856</u>	<u>\$ 1,614,128</u>	<u>\$ 1,014,407</u>	<u>\$ 1,978,858</u>

Net earnings per share of common stock				
Primary	\$.30	\$.51	\$.30	\$.56
Fully Diluted	<u>\$.30</u>	<u>\$.51</u>	<u>\$.30</u>	<u>\$.55</u>

Weighted average number of common shares outstanding				
Primary	3,134,128	3,161,913	3,391,312	3,554,602
Fully Diluted	<u>3,134,128</u>	<u>3,161,913</u>	<u>3,422,084</u>	<u>3,593,519</u>

See accompanying notes to consolidated financial statements.

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Dataram Corporation and Subsidiary
Consolidated Statements of Cash Flows
Six Months Ended October 31, 1997 and 1996
(Unaudited)

	1997	1996
<S>	<C>	<C>
Cash flows from operating activities:		
Net earnings	\$ 1,614,128	\$ 1,978,858
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	250,200	349,800
Bad debt expense	172,992	191,283
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(1,524,040)	2,536,059
Decrease in inventories	1,152,905	107,046
Decrease in other current assets	6,825	401,963
Increase in other assets	(1,650)	0
Increase (decrease) in accounts payable	1,456,588	(2,959,089)
Increase (decrease) in accrued liabilities	(517,743)	168,948
Increase in income taxes payable	0	177,169
	<u>2,610,205</u>	<u>2,952,037</u>
Net cash provided by operating activities	2,610,205	2,952,037
	<u>2,610,205</u>	<u>2,952,037</u>
Cash flows from investing activities:		
Purchase of property and equipment	(1,005,581)	(147,916)
Net cash used in investing activities	<u>(1,005,581)</u>	<u>(147,916)</u>

Cash flows from financing activities:

Proceeds from sale of common shares under stock option plan	57,000	21,400
Purchase of and retirement of common shares	(1,101,651)	(3,571,539)
Net cash used in financing activities	(1,044,651)	(3,550,139)
Net increase (decrease) in cash and cash equivalents	559,973	(746,018)
Cash and cash equivalents at beginning of year	6,835,671	8,482,447
Cash and cash equivalents at end of period	\$ 7,395,644	\$ 7,736,429

Supplemental disclosures of cash flow information:

Cash paid during the period for:

Interest	\$ 0	\$ 26,586
Income taxes	\$ 923,000	\$ 560,000

See accompanying notes to consolidated financial statements.

Dataram Corporation and Subsidiary
Notes to Consolidated Financial Statements
October 31, 1997 and April 30, 1997

(1) Cash and cash equivalents consist of unrestricted cash, bankers acceptances, commercial paper and other short term investments. All investments are convertible to cash within a period of approximately thirty days or less.

(2) Inventories consist of the following categories:

	10/31/97	4/30/97
Raw Materials	\$ 1,683,000	\$ 3,369,000
Work In Process	72,000	98,000
Finished Goods	1,488,000	929,000
	<u>\$ 3,243,000</u>	<u>\$ 4,396,000</u>

(3) The Company has an agreement with a bank which provides for a total unsecured line of credit of \$12,000,000 with interest at no higher than one-half percent below the bank's base commercial lending rate. Borrowings under the line of credit are at the convenience of Company management and may be repaid at any time. The line of credit agreement expires in October, 1999, unless otherwise amended or extended.

(4) In September 1992, an incentive stock option plan was adopted by the shareholders which provides for the granting of up to 950,000 shares of common stock to key employees. As of October 31, 1997, options to purchase 539,000 shares at prices ranging from \$5.125 to \$10.75 per share were outstanding. As of October 31, 1997 options to purchase 63,000 shares had been exercised and options to purchase 246,400 shares were exercisable.

In November 1992, March 1993 and September 1996, the Company granted to four non-employee directors of the Company and the Company's outside general counsel five year options to acquire a total of 150,000 shares of the Company's common stock at prices ranging from \$6.94 to \$11.25 per share. In fiscal 1998, 30,000 of these outstanding options were cancelled in accordance with the terms of the plan. As of October 31, 1997, none of these options had been exercised and options to purchase 96,000 shares were exercisable.

The Company has adopted the disclosure-only provisions of SFAS No. 123, and applies APB Opinion 25 in accounting for its plans and, accordingly, cost for stock option plans and stock purchase plans in its financial statements. Had the Company determined compensation cost based on the fair value at the grant date consistent with the provisions of SFAS No. 123, the Company's net earnings would have been reduced to the pro forma amounts indicated below:

(In thousands, except per share amounts)

Quarter ended:	10/31/97	10/31/96
Net earnings as reported	\$ 945	\$ 1,014
Net earnings pro forma	904	989
Net earnings per share as reported	.30	.30
Net earnings per share pro forma	.29	.29
Six months ended:	10/31/97	10/31/96
Net earnings as reported	\$ 1,614	\$ 1,979
Net earnings pro forma	1,532	1,929
Net earnings per share as reported	.51	.55
Net earnings per share pro forma	.48	.54

(5) In July of 1997, the Company announced an open market repurchase plan providing for the repurchase of up to 300,000 shares of the Company's common stock. As of October 31, 1997, 84,800 shares had been purchased under the plan.

(6) Information furnished reflects all adjustments which are, in the opinion of management, necessary to a fair presentation of the results of this interim statement.

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

Liquidity and Capital Resources

As of October 31, 1997, working capital amounted to \$14.9 million reflecting a current ratio of 3.4 compared to working capital of \$15.0 million and a current ratio of 3.9 as of April 30, 1997.

The Company's financial condition remains strong. The Company has a \$12 million unsecured line of credit with a bank, of which \$6 million was scheduled to expire in October 1997 and \$6 million in October 1998. During the current quarter, the agreement was amended to extend the expiration dates to October 1998 and 1999. The line of credit has not been used during the current fiscal year. Management believes that the Company's working capital together with internally generated funds and its bank line of credit are sufficient to finance the Company's operating needs and future capital requirements.

Results of Operations

Revenues for the three month period ending October 31, 1997 were \$20,068,000 compared to revenues of \$17,168,000 for the comparable prior year period. Fiscal 1998 six month revenues totaled \$38,215,000 versus six month revenues of \$34,616,000 for the prior fiscal year. The increase in revenues was the result of increased unit volume offset by declining average selling prices for the Company's products reflecting a decrease in the price of dynamic random access memory chips (DRAMs) which are the primary raw material in memory boards. Total units shipped have increased by approximately 44% in this year's second quarter, versus the second quarter last year.

Cost of sales for the second quarter and six months of fiscal 1998 were 77% and 79%, respectively of revenues versus 78% and 79% for the same prior year periods. Prices for the sixty four and sixteen megabit DRAM continued to decline during the quarter. To minimize the impact of the changes in raw material values, the Company has maintained tight control over inventory levels, while still meeting customer delivery requirements.

Engineering and development costs in fiscal 1998's second quarter and six months were \$301,000 and \$525,000, respectively versus \$249,000 and \$479,000 for the same prior year periods. The Company intends 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 second quarter and six months increased to 14% of revenues from 13% and 11% for the same prior year periods. Three month total expenditures increased by \$896,000 from

the comparable prior year period. Six month selling, general and administrative costs increased by \$1,343,000 in fiscal 1998 versus fiscal 1997. These increases are primarily attributable to legal expenses incurred related to a Complaint filed by Sun Microsystems, Inc. Additionally, the Company has continued to strategically add to its sales department this year to accelerate our ability to service new and existing customers.

Other income (expense), net for the second quarter and six months of fiscal 1998 and 1997 consisted primarily of interest income on short term investments.

PART II: OTHER INFORMATION

ITEM 5. EXHIBITS AND REPORTS ON FORM 8-K

A. Exhibits

27 (a). Financial Data Schedule

99 (a). Press Release reporting results of Second Quarter, Fiscal Year 1998 (Attached).

B. Reports on Form 8-K

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

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: December 8, 1997 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

DATARAM REPORTS SECOND QUARTER
FISCAL 1998 OPERATING RESULTS

PRINCETON, NJ, November 12, 1997 -- Dataram Corporation
(AMEX: DTM)

Benefiting from sustained strong volume in the UNIX and windows NT workstation and server memory market and strong demand for new product introductions, Dataram Corporation achieved higher revenues and solid earnings for the second quarter of fiscal 1998, Robert V. Tarantino, president and chief executive officer, announced today.

For the second quarter ended October 31, 1997, Dataram reported revenues of \$20.1 million compared to \$17.2 million for the year earlier period. Net earnings were \$945,000, or \$.30 per share, versus \$1,014,000, or \$.30 per share, for last year's comparable quarter.

For the six months ended October 31, 1997, Dataram reported revenues of \$38.2 million compared to \$34.6 million for the year earlier period. Net earnings were \$1,614,000, or \$.51 per share, versus \$1,979,000, or \$.55 per share for the comparable prior year period.

Continued....

Dataram Earnings Release - Page 2

Operating results for the current quarter include approximately \$500,000 in legal expense related to the Company's litigation with Sun Microsystems, Inc. "While the Company continues to incur legal expenses that it did not incur in the prior comparable periods, our profitable growth has enabled us to absorb these costs," Tarantino stated. "We will continue our strong defense against Sun's patent claims which we regard as overreaching. At the same time, we will vigorously pursue our antitrust, product disparagement and business interference counterclaims under which Dataram is seeking both compensatory and punitive damages as well as reimbursement of attorneys fees and other legal costs."

"We increased revenues in spite of reduced product selling prices resulting from a decline in the price of DRAM chips," Tarantino said. Average unit selling prices have declined approximately 20% year over year. "Our market -- high performance workstations and servers -- continues to offer profitable opportunities for the Company's broadening array of memory products."

"During the quarter, we continued the expansion of our sales team" he stated. "In addition, we increased capacity at our domestic manufacturing facility and establishing a distribution facility in the United Kingdom to cost efficiently accommodate increased European Community demand. These expenditures are an integral part of our strategy to maximize the many opportunities available to us in our growing market."

Continued....

Dataram Earnings Release - Page 3

An expanded sales force is rapidly increasing Dataram's

customer base in U.S. and foreign markets, Tarantino remarked. Higher volume, combined with economies of scale achieved at the Company's automated manufacturing facility, has improved margins. Dataram also has benefited from being "first to market" with several products, he added.

Tarantino announced that, during the quarter, the Company signed a licensing agreement with Silicon Graphics (SGI) to manufacture memory upgrades for certain SGI high performance servers and workstations. "This is an important step in our continuing efforts to further broaden the customer base for our high-end computer memory products."

Tarantino said the Company maintained its solid financial condition, with strong operating cash flow, no debt and an unsecured \$12 million line of credit. In continuing efforts to enhance shareholder value, the Company, as of October 31, 1997, has repurchased 84,800 of the 300,000 shares of Dataram common stock authorized by the Board of Directors in July, 1997. The purchases were financed from operating cash flow.

"I'm confident that Dataram will sustain its momentum and achieve solid operating gains for the remainder of fiscal 1998," Tarantino concluded.

Dataram develops, manufactures and markets gigabyte memory boards for high performance workstations and servers.

Dataram Earnings Release - Page 4

Dataram Corporation and Subsidiary
 Consolidated Summary Information
 (In thousands except per share amounts)

	Quarter Ended October 31		Six Months Ended October 31	
	1997	1996	1997	1996
Revenues	\$20,068	\$17,168	\$38,215	\$34,616
Net Earnings	\$945	\$1,014	\$1,614	\$1,979
Net Earnings Per Share	\$.30	\$.30	\$.51	\$.55
Average Shares Outstanding	3,134	3,422	3,162	3,594