CONFORMED

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2000; OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _________________ TO _________________.

COMMISSION FILE NUMBER: 0-20728

RIMAGE CORPORATION

(Exact name of Registrant as specified in its charter)

Minnesota	41-1577970
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

7725 Washington Avenue South, Edina, MN 55439

(Address of principal executive offices)

952-944-8144

(Registrant's telephone number, including area code)

NA

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

Common Stock outstanding at May 5, 2000 - 8,423,169 shares \ of $.01 par value Common Stock.

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 __X__ No _____

RIMAGE CORPORATION
FORM 10-Q
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FOR THE QUARTER ENDED MARCH 31, 1999

RIMAGE CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2000 and December 31, 1999

<TABLE>
<CAPTION>

Assets	March 31, 2000 (unaudited)	December 31, 1999
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$ 15,069,811	13,539,297
Trade accounts receivable, net of allowance for doubtful accounts and sales returns of $320,000 and $321,000, respectively	8,922,571	6,189,774
Inventories	2,675,976	2,644,510
Interest receivable	125,714	124,854
Prepaid expenses and other current assets	192,802	197,539
Deferred income taxes-current	637,000	637,000
Total current assets	27,623,874	23,332,974
Property and equipment, net	831,829	901,657

Deferred income taxes-noncurrent	237,437	237,437
Other noncurrent assets	110,307	151,017
Total assets	$ 28,803,447	24,623,085

</TABLE>

See accompanying condensed notes to consolidated financial statements

<TABLE>
<CAPTION>

Liabilities and Stockholders' Equity	March 31, 2000 (unaudited)	December 31, 1999
<S>	<C>	<C>
Current liabilities:		
Trade accounts payable	3,039,535	2,698,140
Income taxes payable	1,206,058	312,154
Accrued compensation	873,907	1,021,326
Accrued other	820,978	721,496
Deferred income and customer deposits	927,737	792,760
Total current liabilities	6,868,215	5,545,876
Stockholders' equity:		
Common stock, $.01 par value, authorized 10,000,000 shares, issued and outstanding 8,259,113 and 8,154,717, respectively	82,591	79,624
Additional paid-in capital	13,290,551	12,611,700
Retained earnings	8,765,891	6,611,784
Accumulated other comprehensive income - foreign currency translation adjustment	(203,801)	(225,899)
Total stockholders' equity	21,935,232	19,077,209
Total liabilities and stockholders' equity	$ 28,803,447	24,623,085

</TABLE>

RIMAGE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations

(Unaudited)

<TABLE>
<CAPTION>

<S>	Three Months Ended March 31, 2000 <C>	1999 <C>
Revenues	$ 13,157,219	$ 8,641,233
Cost of revenues	6,020,498	4,184,442
Gross profit	7,136,721	4,456,791
Operating expenses:		
Research and development	724,899	822,142
Selling, general and administrative	2,415,246	2,040,501
Merger	541,396	-
Total operating expenses	3,681,541	2,862,643
Operating income from continuing operations	3,455,180	1,594,148
Other income (expense):		
Interest, net	201,892	49,124
Loss on currency exchange	(104,910)	(70,618)
Other, net	(77,796)	23,569
Total other income, net	19,186	2,075
Income from continuing operations before income taxes	3,474,366	1,596,223
Income tax expense	1,320,259	611,935
Income from continuing operations	2,154,107	984,288
Discontinued operations:		
Income from operations of discontinued Services Division, net of applicable income taxes	-	110,670
Net income	$ 2,154,107	$ 1,094,958
Income per basic share:		
Continuing operations	$ 0.26	$ 0.13
Discontinued operations	-	0.01
Net income per basic share	$ 0.26	$ 0.14

Income per diluted share:		
Continuing operations	$ 0.22	$ 0.11
Discontinued operations	-	0.01
Net income per diluted share	$ 0.22	$ 0.12
Basic weighted average shares outstanding	8,158,228	7,816,746
Diluted weighted average shares and assumed conversion shares	9,614,157	9,283,299

See accompanying condensed notes to the consolidated financial statements

RIMAGE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(unaudited)

	Three months ended March 31, 2000	1999
Cash flows from operating activities:		
Net income	$ 2,154,107	$ 1,094,958
Adjustments to reconcile net income to net cash provided by operating activities:		
(Income) loss from discontinued operations	-	(110,669)
Depreciation and amortization	180,759	116,545
Change in reserve for excess and obsolete inventories	(102)	90,517
Change in allowance for doubtful accounts and sales returns	(993)	(22,283)
Gain on sale of property and equipment	-	(27,489)
Changes in operating assets and liabilities:		
Trade accounts receivable	(2,734,004)	256,093
Inventories	(31,364)	(287,771)
Interest receivable	(860)	(40,255)
Prepaid expenses and other current assets	6,937	(96,279)
Trade accounts payable	341,395	(4,276)
Income taxes payable	893,904	492,437
Accrued expenses	(47,937)	(221,045)
Deferred income and customer deposits	134,977	10,791
Net cash provided by operating activities	896,819	1,251,274

Cash flows from investing activities:		
Purchase of property and equipment	(70,221)	(224,770)
Proceeds from the sale of property, plant, equipment and intangibles	-	27,489
Other noncurrent assets	38,379	(294,598)
Receipts from sales-type leases	-	7,217
Net cash used in investing activities	(31,842)	(484,662)
Cash flows from financing activities-		
Proceeds from stock option exercise	681,818	339,902
Cash provided by discontinued operations	-	266,883
Effect of exchange rate changes on cash	(16,281)	(46,830)
Net increase in cash	1,530,514	1,326,567
Cash and cash equivalents, beginning of period	13,539,297	7,488,450
Cash and cash equivalents, end of period	$ 15,069,811	$ 8,815,017
Supplemental disclosures of net cash paid during the period for:		
Income taxes	$ 240,447	$ 52,030

</TABLE>

See accompanying condensed notes to the consolidated financial statements

RIMAGE CORPORATION AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(1) BASIS OF PRESENTATION AND NATURE OF BUSINESS

Rimage Corporation (the Company) develops, manufactures and distributes high performance CD-Recordable (CD-R) and DVD publishing and duplication systems, and continues to support its long-term involvement in diskette duplication and publishing equipment.

The accompanying unaudited consolidated financial statements of the Company have been prepared pursuant to the rules of the Securities and Exchange Commission. These financial statements should be read in conjunction with the more detailed financial statements and notes thereto included in the Company's most recent annual report on Form 10-K.

The Company extends unsecured credit to its customers as well as credit to a limited number of authorized distributor wholesalers, who in turn provide warehousing, distribution, and credit to a network of authorized value added resellers. These distributors and value added resellers sell and service a variety of hardware and software products.

In the opinion of management, the accompanying consolidated financial statements reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations and cash flows of the Company for the periods presented. Certain previously reported amounts have been reclassified to conform with the current presentation.

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 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.

(Continued)

(2) DISCONTINUED OPERATIONS

On June 30, 1999, the Company completed the sale of the inventory, fixed assets and intangible assets of its Boulder, Colorado based Services Division to a third party. Accordingly, the consolidated financial statements of the Company report separately the operating results of this discontinued division. Revenues of the Services Division were $1,135,000 for the three months ended March 31, 1999.

(3) ACQUISITION

On March 1, 2000, the Company issued 331,664 shares of its common stock in exchange for all outstanding stock of Cedar Technologies, Inc. ("Cedar"), a manufacturer of CD-R desktop publishing and duplication equipment. Such shares were restricted as of March 31, 2000, pursuant to future registrations. The Company also assumed the obligations to issue 149,376 shares of its common stock upon exercise of outstanding options of Cedar and 118,596 shares of its common stock upon exercise of outstanding warrants of Cedar. The business combination has been accounted for as a pooling-of-interests combination, and accordingly, the consolidated financial statements for periods prior to the combination have been restated to include the accounts and results of operations of Cedar.

The results of operations previously reported by the separate enterprises and the combined amounts presented in the accompanying consolidated financial statements are summarized below.

<TABLE>
<CAPTION>

(in '000s)	Three Months Ended March 31, 2000 (unaudited)	Three Months Ended March 31, 1999 (unaudited)	Years Ended 1999	Years Ended 1998
<S>	<C>	<C>	<C>	<C>
Revenues:				
Rimage	11,586	7,516	36,313	28,530
Cedar	1,571	1,125	5,041	2,836

Combined	13,157	8,641	41,354	31,366
Income (loss) from continuing operations:				
Rimage	2,078	985	5,854	5,594
Cedar	76	(1)	108	199
Combined	2,154	984	5,962	5,793

</TABLE>

(Continued)

RIMAGE CORPORATION AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(4) INVENTORIES

Inventories consist of the following as of:

<TABLE>
<CAPTION>

<S>	March 31, 2000 (unaudited) <C>	December 31, 1999 <C>
Finished goods and demonstration equipment	$ 1,239,241	$ 1,196,706
Work-in-process	187,308	102,585
Purchased parts and subassemblies	1,249,427	1,345,219
	$ 2,675,976	$ 2,644,510

</TABLE>

(5) COMPREHENSIVE INCOME

The Company's only item of other comprehensive income relates to foreign currency translation adjustments, and is presented separately on the balance sheet as required. If presented on the statement of operations for the three months ended March 31, 2000 and 1999, comprehensive income would be $22,098 more than reported net income and $141,428 less than reported net income, respectively, due to foreign currency translation adjustments.

(6) STOCK SPLIT

On April 7, 2000, the Company effected a 3 for 2 stock split in the form of a 50% dividend. All references in the financial statements and related notes to per share information, stock options, weighted average number of shares, as well as the number of common shares outstanding for all prior years presented, have been retroactively adjusted to reflect this stock split.

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

The following table sets forth, for the periods indicated, selected items from the Company's consolidated statements of operations, shown in thousands.

	Three months ended March 31,		
	2000	1999	% Change
Revenues	$13,157	$8,641	52.3%

Cost of Revenues	6,020	4,184	43.9
	-----	-----	
Gross Margin	7,137	4,457	60.1
Operating Expenses	3,682	2,863	28.6
	-----	-----	
Operating Income	3,455	1,594	116.8

RESULTS OF OPERATIONS

This report contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ significantly from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, changes in media or method used for distribution of software, technological changes in products offered by the Company or its competitors and changes in general conditions in the computer market.

As discussed in Note 2 of the Condensed Notes of the Consolidated Financial Statements, the Company divested of its Services Division during the second quarter of 1999. The comments that follow pertain to the Company's continuing operations which also includes its Cedar operations as discussed in Note 3 of the Condensed Notes of the Consolidated Financial Statements.

REVENUE. Revenue from continuing operations increased 52.3% from $8.6 million during the first quarter of 1999 to $13.2 million during the first quarter of 2000. The increase in revenues was due to continued growth within the music fulfillment industry, utilizing both kiosk and internet fulfillment applications. The increase was also due to the continued growth of the Company's Rimage Perfect Partner Channel program. The Company added 20 new channel partners to its program during the first quarter of 2000.

As of and for the three months ended March 31, 2000, foreign revenues from unaffiliated customers, operating earnings, and net identifiable assets were $2,756,000, $94,000 and $2,955,000, respectively. As of and for the three months ended March 31, 1999, foreign revenues from unaffiliated customers, operating income, and net identifiable assets were $2,522,000, $425,000 and $2,917,000, respectively. The revenue growth is due to increasing penetration of CD-R products in the European markets.

GROSS PROFIT. Gross profit as a percent of revenues was 54.2% during the first quarter of 2000 compared to 51.6% of revenues from continuing operations during the same period of 1999. The increase was a result of cost control measures and efficiencies recognized in the Company's manufacturing process coupled with increased sales of newly released higher margin products.

OPERATING EXPENSE. Operating expense during the first quarter of 2000 was $3.7 million, or 28.0% of revenues, compared to $2.9 million, or 33.1% of revenues from continuing operations, during the first quarter of 1999. The increase in expense was primarily a result of merger expenses incurred from the acquisition of Cedar. Research and development expense during the first quarter of 2000 was $725,000, or 5.5% of revenues, compared to $822,000, or 9.5% of revenues from continuing operations, during the first quarter of 1999. These decreases were a result of timing differences of the Company's engineering projects.

OTHER INCOME/(EXPENSE). The Company recognized net interest income of $202,000 during the first quarter of 2000 compared to $49,000 during the first quarter of 1999 on cash investments from continuing operations. Other income was negatively impacted by foreign currency transaction losses during the first quarter of both 2000 and 1999.

INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES. The significant increase in revenue derived from CD-R related product sales combined with only marginal increases in operating expense to support those revenues, caused income from continuing operations before income taxes to increase from $1.6 million during the first quarter of 1999 to $3.5

million during the first quarter of 2000.

INCOME TAXES. The provision for income taxes represents federal, state, and foreign income taxes on earnings before income taxes. Income tax expense for the first quarter of 2000 amounted to $1,320,000 or 38% of income from continuing operations before income taxes.

LIQUIDITY AND CAPITAL RESOURCES

The Company expects to fund its anticipated cash requirements (including the anticipated cash requirements of its capital expenditures) with internally generated funds and, if required, from the Company's existing credit agreement.

Current assets are $27,624,000 as of March 31, 2000 as compared to $23,333,000 as of December 31, 1999. The allowance for doubtful accounts as a percentage of receivables was 3% and 5% as of March 31, 2000 and December 31, 1999, respectively. This decrease is due to sales returns remaining relatively constant compared to increasing revenues. Current liabilities increased approximately 24% to $6,868,000 as of March 31, 2000 from $5,546,000 as of December 31, 1999, reflecting an increase in income taxes payable and accounts payable.

Net cash provided by operating activities was $897,000 and $1,251,000 for the three months ended March 31, 2000 and 1999, respectively. This decrease was primarily the result of timing of collection of trade accounts receivables. Net cash used in investing activities was $32,000 for the three months ended March 31, 2000 compared to $485,000 for the three months ended March 31, 1999. The Company made capital investments to begin producing its color thermal ribbon during the first quarter of 1999. At March 31, 2000, the Company had no significant commitments to purchase additional capital equipment. Net cash provided by financing activities of $682,000 and $340,000 during the three months ended March 31, 2000 and 1999, respectively reflected stock option proceeds.

The Company believes that inflation has not had a material impact on its operations or liquidity to date.

YEAR 2000 READINESS

To date, we have experienced no significant systems or other year 2000 problems in connection with the transition to the year 2000. We will continue to monitor for any year 2000 issues.

NEW EUROPEAN CURRENCY

On January 1, 1999, eleven of the fifteen member countries of the European Union established fixed conversion rates between their existing currencies and the euro, a new European currency, and adopted the euro as their common legal currency (the "Euro Conversion"). Either the euro or a participating country's present currency will be accepted as legal tender from January 1, 1999 to January 1, 2002, from which date forward only the euro will be accepted.

The Company has customers located in European Union countries participating in the Euro Conversion. Such customers will likely have to upgrade or modify their computer systems and software to comply with the euro requirements. The amount of money the Company anticipates spending in connection with product development related to the Euro Conversion is not expected to have a material adverse effect on the Company's results of operations or financial condition. The Euro Conversion may also have competitive implications for the Company's pricing and marketing strategies, which could be material in nature; however, any such impact is not known at this time.

The Company has also modified its internal systems (such as payroll, accounting and financial reporting) to deal with the Euro Conversion. There is no assurance, however, that all problems related to the Euro Conversion will be foreseen and corrected, or that no material disruptions of the Company's business will occur.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

NEW ACCOUNTING PRONOUNCEMENTS

In June of 1999, the FASB issued Statement of Financial Accounting Standard No. 137 "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133" which delays the effective date of Statement No. 133 until fiscal years beginning after June 15, 2000. Statement No. 133 establishes new standards for recognizing all derivatives as either assets or liabilities, and measuring those instruments at fair value. At the present time, the Company does not anticipate that SFAS No. 133 will have a material impact on its financial position or results of operations.

In December 1999, the Securities and Exchange Commission (SEC) released Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements". This bulletin summarizes certain interpretations and practices followed by the SEC in administering the disclosure requirements of the Federal securities laws in applying generally accepted accounting principles to revenue recognition in financial statements. The Company does not believe adoption of this bulletin will have a material impact on our consolidated financial position, results of operations or cash flows.

MARKET RISK DISCLOSURE

The Company does not invest in any derivative financial instruments. See the Company's most recent annual report filed on form 10K (Item 7A.). There has been no material change in this information.

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable.

Item 2. Changes in Securities

Not Applicable.

Item 3. Defaults Upon Senior Securities

Not Applicable.

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

Not Applicable.

Item 5. Other Information

Not Applicable.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit No. 11.1 Calculation of Earnings Per Share.

Exhibit No. 27.1 Financial Data Schedule

(b) Reports on Form 8-K:

Not Applicable.

SIGNATURES

In accordance with the Exchange Act, this report has been signed below by following persons on behalf of the registrant and on the dates indicated.

RIMAGE CORPORATION

Registrant

Date: May 12, 2000 By : /s/ Bernard P. Aldrich

Bernard P. Aldrich
Director, Chief Executive Officer, and President
(Principal Executive Officer)
(Principal Financial Officer)

Date: May 12, 2000 By: /s/ Robert M. Wolf

Robert M. Wolf
Treasurer
(Principal Accounting Officer)

EXHIBIT 11.1

RIMAGE CORPORATION

COMPUTATION OF NET INCOME PER SHARE OF COMMON STOCK

Basic net income per common share is determined by dividing net income by the weighted average number of shares of common stock outstanding, unless the result is anti-dilutive. Diluted net income per common share is determined by dividing net income by the weighted average number of shares of common stock and common share equivalents outstanding, unless the result is anti-dilutive. The following is a summary of the weighted average common shares outstanding and assumed conversion shares:

<TABLE>
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	Three months ended March 31, 2000	1999
<S>	<C>	<C>
Shares outstanding at beginning of period	7,962,358	7,899,338
Common stock issued in stock option/warrant exercise	197,837	229,837
Repurchases of common stock	-	(237,177)
Shares outstanding at end of period	8,259,113	7,891,998
Weighted average shares of common stock outstanding	8,158,228	7,816,746
Common stock equivalents	1,680,621	1,850,249
Weighted average shares of assumed conversion shares	1,455,929	1,466,554
Weighted average shares of common stock and assumed conversion shares	9,614,157	9,283,299
Net income	$2,154,107	$1,094,958
Basic net income per common share	$0.26	$0.14
Diluted net income per common share and assumed conversion shares	$0.22	$0.12

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