

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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
JUNE 30, 2002; 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 August 2, 2002 - 8,712,111 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 No

RIMAGE CORPORATION
FORM 10-Q
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FOR THE QUARTER ENDED JUNE 30, 2002

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RIMAGE CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
June 30, 2002 and December 31, 2001
(Unaudited)

Assets	June 30, 2002	December 31, 2001

<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	\$ 5,187,617	\$ 4,978,871
Marketable securities	27,532,520	23,131,393
Trade accounts receivable, net of allowance for doubtful accounts and sales returns of \$693,000 and \$715,000, respectively	6,305,782	5,008,176
Inventories	3,162,191	3,624,701
Prepaid expenses and other current assets	294,168	211,941
Prepaid income taxes	-	764,523
Deferred income taxes-current	1,063,108	1,063,108

Total current assets	43,545,386	38,782,713

Property and equipment, net	1,373,154	1,608,197
Deferred income taxes-noncurrent	57,468	57,468
Other noncurrent assets	4,342	6,004

Total assets	\$ 44,980,350	\$ 40,454,382
=====		

Liabilities and Stockholders' Equity

Current liabilities:		
Trade accounts payable	\$ 2,737,260	\$ 2,102,178
Accrued compensation	1,064,066	1,054,572
Accrued other	1,114,117	962,379
Income tax payable	369,267	-
Deferred income and customer deposits	1,171,326	1,031,862

Total current liabilities	6,456,036	5,150,991

Long-term liabilities

-

68,750

	Total liabilities	\$	6,456,036	\$	5,219,741
=====					
Stockholders' equity:					
	Common stock, \$.01 par value, authorized 30,000,000 shares, issued and outstanding 8,711,295 and 8,635,537, respectively		87,113		86,355
	Additional paid-in capital		16,105,310		15,779,533
	Retained earnings		22,605,397		19,670,369
	Accumulated other comprehensive loss		(273,506)		(301,616)

	Total stockholders' equity		38,524,314		35,234,641

Commitments and contingencies					
	Total liabilities and stockholders' equity	\$	44,980,350	\$	40,454,382

</TABLE>

See accompanying condensed notes to consolidated financial statements

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RIMAGE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
(unaudited)

<TABLE>				
<CAPTION>				
	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2002	2001	2002	2001

<S>				
Revenues	\$12,309,527	\$ 9,003,983	\$22,195,898	<C>
\$19,200,115				
Cost of revenues	6,202,666	4,532,842	11,341,964	
9,391,626				

	Gross profit	6,106,861	4,471,141	10,853,934
9,808,489				

Operating expenses:				
Research and development	1,012,523	1,076,092	1,890,247	
2,349,181				
Selling, general and administrative	2,503,244	2,192,242	4,801,267	
4,657,120				

	Total operating expenses	3,515,767	3,268,334	6,691,514
7,006,301				

	Operating income	2,591,094	1,202,807	4,162,420
2,802,188				

Other income (expense):				
Interest, net	223,347	293,215	435,822	
623,529				
Gain (loss) on currency exchange	21,007	(52,119)	21,158	
(273,542)				
Other, net	494	6,903	2,691	
(6,388)				

	Total other income, net	244,848	247,999	459,671
343,599				

Income before income taxes	2,835,942	1,450,806	4,622,091	
3,145,787				
Income taxes	1,035,119	519,848	1,687,063	
1,163,941				
Net income	\$ 1,800,823	\$ 930,958	\$ 2,935,028	\$
1,981,846				
Income per basic share	\$ 0.21	\$ 0.11	\$ 0.34	\$
0.23				
Income per diluted share	\$ 0.19	\$ 0.10	\$ 0.31	\$
0.21				
Basic weighted average shares outstanding	8,705,099	8,726,495	8,690,880	
8,712,559				
Diluted weighted average shares and assumed conversion shares	9,496,105	9,545,555	9,487,623	
9,561,222				

</TABLE>

See accompanying condensed notes to the consolidated financial statements

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

	Six months ended June 30,	
	2002	2001
Cash flows from operating activities:		
Net income	\$ 2,935,028	\$
1,981,846		
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	375,387	
183,102		
Change in reserve for excess and obsolete inventories	50,335	
42,874		
Change in reserve for allowance for doubtful accounts	(21,999)	
(63,482)		
Loss on sale of property and equipment	550	
22,434		
Changes in operating assets and liabilities:		
Trade accounts receivable	(1,275,607)	
4,233,917		
Inventories	412,175	
(1,070,966)		
Prepaid income taxes	764,523	
359,785		
Prepaid expenses and other current assets	(82,227)	
12,537		
Trade accounts payable	635,082	
(491,252)		
Accrued compensation	(308,939)	
(333,400)		
Accrued other	470,171	
(199,924)		
Income taxes payable	369,267	
-		
Deferred income and customer deposits	139,464	

(11,426)			

	Net cash provided by operating activities	4,463,210	
4,666,045			

Cash flows from investing activities:			
	Purchase of marketable securities	(4,401,127)	
-			
	Purchase of property and equipment	(139,232)	
(531,265)			
	Other noncurrent assets	(19,569)	
(35,399)			

	Net cash used in investing activities	(4,559,928)	
(566,664)			

Cash flows from financing activities-			
	Proceeds from stock option/warrant exercises	326,535	
152,836			
	Other non current liabilities	(68,750)	
-			

	Net cash provided by financing activities	257,785	
152,836			

	Effect of exchange rate changes on cash	47,679	
(41,071)			

	Net increase in cash and cash equivalents	208,746	
4,211,146			
	Cash and cash equivalents, beginning of period	4,978,871	
21,136,132			

	Cash and cash equivalents, end of period	\$ 5,187,617	\$
25,347,278			
=====			
=			
Supplemental disclosures of net cash paid during the period for:			
	Income taxes	\$ 481,796	\$
709,376			

</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-Recordable (DVD-R) 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 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 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.

(2) INVENTORIES

Inventories consist of the following as of:

	June 30, 2002	December 31, 2001

Finished goods and demonstration equipment	\$1,036,433	\$1,179,963
Work-in-process	532,680	379,215
Purchased parts and subassemblies	1,593,078	2,065,523

	\$3,162,191	\$3,624,701

(Continued)

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

(3) COMPREHENSIVE INCOME

Comprehensive income is defined as net income and other changes in shareholders' equity from transactions and other events from sources other than shareholders. The components of and changes in other comprehensive income (loss) are as follows (in 000's):

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	2002	2001	2002	2001
<S>	<C>	<C>	<C>	<C>
Net income	\$ 1,801	\$ 931	\$ 2,935	\$ 1,982
Other comprehensive income (loss):				
Foreign currency translation adjustment	110	(25)	100	(76)
Net unrealized gains (losses) on securities	(21)	--	(72)	--
Total other comprehensive income	\$ 1,890	\$ 906	\$ 2,963	\$ 1,906

</TABLE>

(4) FOREIGN CURRENCY CONTRACTS

The Company enters into forward foreign exchange contracts to hedge inter-company receivables denominated in Euros arising from sales to its subsidiary in Germany. Gains or losses on forward foreign exchange contracts are recognized in net earnings on a current basis over the term of the contracts.

As of June 30, 2002, the Company had twenty-eight outstanding foreign currency contracts totaling \$2,521,000. These contracts mature in 2002 and bear rates between .8650 and .9624 U.S. Dollars per Euro. As of June 30, 2002, the fair value of foreign currency contracts is \$263,000 and is recorded in other current liabilities.

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. Percentage amounts may not total due to rounding.

	Percent (%)		Percent (%)	Percent (%)		Percent
	of Revenues		Incr/(Decr)	of Revenues		
Incr/(Decr)	Three Months Ended		Between	Six Months Ended		
Between	June 30,		Periods	June 30,		
Periods						
	2002	2001	2002 vs. 2001	2002	2001	2002 vs.
2001						
<S>	<C>	<C>	<C>	<C>	<C>	
<C>						
Revenues	100.0	100.0	36.7	100.0	100.0	
15.6						
Cost of revenues	(50.4)	(50.3)	36.8	(51.1)	(48.9)	
20.8						
Gross profit	49.6	49.7	36.6	48.9	51.1	
10.6						
Operating expenses:						
Research and development	(8.2)	(12.0)	(5.9)	(8.5)	(12.2)	
(19.5)						
Selling, general and admin	(20.3)	(24.3)	14.2	(21.6)	(24.3)	
3.1						
Operating income	21.0	13.4	115.4	18.8	14.6	
48.5						
Other income, net	2.0	2.7	(1.3)	2.1	1.8	
33.8						
Income before income taxes	23.0	16.1	95.5	20.8	16.4	
46.9						
Income tax expense	(8.4)	(5.8)	99.1	(7.6)	(6.1)	
44.9						
Net income	14.6	10.3	93.4	13.3	10.3	
48.1						

RESULTS OF OPERATIONS

REVENUES. Revenues increased 36.7% to \$12.3 million and 15.6% to \$22.2 million for the three- and six-month periods ended June 30, 2002, respectively, from \$9.0 million and \$19.2 million for the same prior-year periods. The increase in revenues was primarily due to \$2.0 million of sales to Kodak's Qualex wholesale photo finishing labs during the three-month period ended June 30, 2002. This order, which will enable Kodak's Qualex labs to significantly increase their capacity for generating customer photos on CDs, enhances our belief that digital photography represents a growing opportunity for the Company. The increase in revenues was also due to the positive impact on our European operations of the weakening U.S. dollar.

As of and for the six months ended June 30, 2002, foreign revenues from unaffiliated customers, operating income, and net identifiable assets were \$6,453,000, \$219,000 and \$3,699,000, respectively. As of and for the six months ended June 30, 2001, foreign revenues from unaffiliated customers, operating earnings, and net identifiable assets were \$6,290,000, \$214,000 and \$3,360,000,

respectively. The growth is due to increasing penetration in the European markets of sales of CD-R and DVD-R products.

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

GROSS PROFIT. Gross profit as a percent of revenues was 49.6% and 48.9% for the three- and six- month periods ended June 30, 2002, respectively, compared to 49.7% and 51.1% for the same prior-year periods. The decrease during the six-month period ended June 30, 2002 was primarily due to the larger percentage of Desktop Line equipment sales which generally carry a slightly lower margin than our Producer Line of products. The decrease is also due to increased depreciation during the year 2002 related to tooling for the Everest color printer.

OPERATING EXPENSES. Operating expenses during the three- and six-month periods ended June 30, 2002 were \$3.5 million or 28.5% of revenues and \$6.7 million or 30.1% of revenues, respectively compared to \$3.3 million or 36.3% of revenues and \$7.0 million or 36.5% of revenues during the same prior year periods. The decreases in percent were primarily a result of lower research and development expenses due to aggressive product development initiatives during the three- and six-month periods ended June 30, 2001 coupled with the increased sales during the three-month period ended June 30, 2002. Research and development expense during the three- and six-month periods ended June 30, 2002 were \$1.0 million or 8.2% of revenues and \$1.9 million or 8.5% of revenues, respectively compared to \$1.1 million or 12.0% of revenues and \$2.3 million or 12.2% of revenues during the same periods of 2001.

OTHER INCOME/(EXPENSE). The Company recognized net interest income on cash investments from continuing operations of \$223,000 and \$436,000 during the three- and six-month periods ended June 30, 2002 compared to \$293,000 and \$624,000 during the same prior year periods. This decrease is due to a decrease in interest rates. Also included in other income, the Company recognized a \$21,000 gain on foreign currency exchange for both the three- and six-month periods ended June 30, 2002 compared to a loss of \$52,000 and \$274,000 during the same prior year periods.

INCOME BEFORE INCOME TAXES. Income before income taxes during the three- and six-month periods ended June 30, 2002 were \$2.8 million or 23.1% of revenues and \$4.6 million or 20.8% of revenues, respectively compared to \$1.5 million or 16.1% of revenues and \$3.1 million or 16.4% of revenues during the same prior year periods. These increases are primarily due to increased sales within the wholesale photography market.

INCOME TAXES. The provision for income taxes represents federal, state, and foreign income taxes on earnings before income taxes. Income tax expense for the three- and six-month periods ended June 30, 2002 amounted to \$1.0 million or 36.5% and \$1.7 million or 36.5% of income before income taxes, respectively. The Company anticipates an effective tax rate of 36.5% for the remainder of 2002. Income tax expense for the three- and six-month periods ended June 30, 2001 amounted to \$520,000 or 35.8% and \$1.2 million or 37%, of income before income taxes, respectively.

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

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. At June 30, 2002 there were no amounts outstanding under the credit agreement.

Current assets are \$43.5 million as of June 30, 2002 compared to \$38.8 million as of December 31, 2001. The allowance for doubtful accounts as a percentage of receivables was 10% and 12% as of June 30, 2002 and December 31, 2001, respectively. Current liabilities are \$6.5 million as of June 30, 2002 compared to \$5.2 million as of December 31, 2001. This increase primarily reflects increased activity with our vendors and additional development cost on current products.

Net cash provided by operating activities was \$4.5 million and \$4.8 million for the six months ended June 30, 2002 and 2001, respectively. Net cash used in investing activities was \$4.6 million and \$567,000 for the six months ended June 30, 2002 and 2001, respectively. This increase was primarily due to purchases of

marketable securities during the first six months of 2002. Net cash provided by financing activities of \$258,000 and \$153,000 during the six months ended June 30, 2002 and 2001, respectively reflected proceeds from stock option and warrant exercises.

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

MARKET RISK DISCLOSURE

The Company has a policy of using forward exchange contracts to hedge net exposures related to its foreign currency-denominated monetary assets and liabilities. The primary objective of these hedging activities is to maintain an approximately balanced position in foreign currencies so that exchange gains and losses resulting from exchange rate changes, net of related tax effects, are minimized. (See footnote 4.)

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

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that involve risks and uncertainties. For this purpose, any statements contained in this report that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "estimate" or "continue" or comparable terminology are intended to identify forward-looking statements. These statements by their nature involve substantial 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 well as other factors not now identified. These forward-looking statements are made as of the date of this report and the Company assumes no obligation to update such forward-looking statements, or to update the reasons why actual results could differ materially from those anticipated in such forward-looking statements.

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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

The Company's Annual Meeting of Stockholders' was held on May 21, 2002. The following members were elected to the Company's Board of Directors to hold office for the ensuing year:

Nominee	In Favor	Withheld
-----	-----	-----
Bernard Aldrich	6,946,144	195,236

Ronald Fletcher	7,088,576	52,804
Thomas Madison	7,088,176	53,204
Richard McNamara	7,087,176	54,204
Steven Quist	7,095,176	46,204
James Reissner	7,087,176	54,204
David Suden	6,948,282	193,098

Item 5. Other Information

Not Applicable.

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Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:
Exhibit No. 11.1 Calculation of Earnings Per Share.
(b) Reports on Form 8-K:
Not applicable.

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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: August 6, 2002

By: /s/ Bernard P. Aldrich

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

Date: August 6, 2002

By: /s/ Robert M. Wolf

Robert M. Wolf
Treasurer

(Principal Accounting Officer)

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. 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>
<CAPTION>

	Three months ended June 30,		Six months ended June 30,	
	2002	2001	2002	2001
<S> Shares outstanding at end of period	8,711,295	8,729,228	8,711,295	8,729,228
Weighted average shares of common stock outstanding	8,705,099	8,726,495	8,690,880	8,712,559
Weighted average shares of assumed conversion shares	791,006	819,060	796,744	848,663
Weighted average shares of common stock and assumed conversion shares	9,496,105	9,545,555	9,487,623	9,561,222
Net income	\$ 1,800,823	\$ 930,958	\$ 2,935,028	\$ 1,981,846
Basic net income per common share	\$ 0.21	\$ 0.11	\$ 0.34	\$ 0.23
Diluted net income per common share	\$ 0.19	\$ 0.10	\$ 0.31	\$ 0.21

</TABLE>

CERTIFICATION

The undersigned certifies pursuant to 18 U.S.C.ss.1350, that:

- (1) The accompanying Report on Form 10-Q fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the accompanying Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 6, 2002

/s/ Bernard P. Aldrich

Bernard P. Aldrich, Chief Executive Officer and Chief Financial Officer