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, 1997; 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)

612-944-8144
(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 12, 1997 -- 3,084,500 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
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FOR THE QUARTER ENDED MARCH 31, 1997

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RIMAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

ASSETS	MARCH 31, 1997	DECEMBER 31, 1996
Current assets:	(unaudited)	
<S>	<C>	<C>
Cash	$ 19,646	$ 117,322
Trade accounts receivable, net of allowance for doubtful accounts and sales returns of $1,074,833 and $1,084,910, respectively	7,178,095	5,070,738
Inventories (note 2)	3,597,534	4,027,553
Income tax receivable	626,000	818,790
Prepaid expenses and other current assets	447,442	293,037
Current installments of investment in sales-type leases	202,757	217,952
Total current assets	12,071,474	10,545,392
Property and equipment, net	7,278,206	7,814,430
Investment in sales-type leases, net of current installments	138,131	182,332
Goodwill	909,228	929,407
Other noncurrent assets	475,831	537,944
Total assets	$ 20,872,870	$ 20,009,505
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of notes payable (note 4)	$ 6,681,466	$ 6,052,709
Current installments of capital lease obligations	319,528	311,343
Trade accounts payable	4,848,028	4,295,400
Accrued expenses	1,373,389	1,746,912
Deferred income and customer deposits	583,683	429,822
Total current liabilities	13,806,094	12,836,186
Capital lease obligations, less current installments	2,948,185	3,031,759
Total liabilities	16,754,279	15,867,945
Minority interest in inactive subsidiary	57,907	57,907
Stockholders' equity:		
Common stock	30,845	30,845
Additional paid-in capital	10,447,798	10,447,798
Accumulated deficit	(6,315,261)	(6,330,291)
Foreign currency translation adjustment	(102,698)	(64,699)
Total stockholders' equity	4,060,684	4,083,653
Total liabilities and stockholders' equity	$ 20,872,870	$ 20,009,505

See accompanying notes to consolidated financial statements

</TABLE>

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RIMAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 1997	1996
<S>	<C>	<C>
Revenues	$ 10,826,773	$ 11,050,506
Cost of revenues	8,262,083	7,881,997
Gross profit	2,564,690	3,168,509
Operating expenses:		
Engineering and development	556,693	776,848
Selling, general and administrative	1,735,918	2,210,886
Total operating expenses	2,292,611	2,987,734
Operating earnings	272,079	180,775
Other (expense) income :		
Interest	(267,138)	(139,447)
Gain (loss) on currency exchange	(2,419)	5,093
Other, net	12,508	25,054
Total other expense, net	(257,049)	(109,300)
Earnings before income taxes	15,030	71,475
Income tax expense	0	24,000
Net earnings	$ 15,030	$ 47,475
Net earnings per common and common equivalent share	$ 0.01	$ 0.02
Weighted average shares and share equivalents outstanding	3,087,891	3,085,550

See accompanying notes to consolidated financial statements

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RIMAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	THREE MONTHS ENDED MARCH 31, 1997	1996
Cash flows from operating activities:		
<S>	<C>	<C>
Net earnings	$ 15,030	47,475
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	715,720	365,203
Change in reserve for excess and obsolete inventories	(31,141)	1,206
Change in reserve for doubtful accounts	(10,077)	(40,438)
Gain on sale of property, plant, and equipment	0	7,650
Changes in operating assets and liabilities:		
Trade accounts receivable	(2,097,280)	3,528,183
Inventories	461,160	408,709
Prepaid expenses and other current assets	(154,405)	(311,726)
Income tax receivable	192,790	(39,004)
Accounts payable	552,628	(3,225,174)
Accrued expenses	(373,523)	201,667
Deferred income and customer deposits	153,861	(86,250)
Net cash (used in) provided by operating activities	(575,237)	857,501
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(97,204)	(178,917)
Other assets	(19,775)	33,884
Payments on investment in sales-type leases	59,396	71,841
Net cash used in investing activities	(57,583)	(73,192)
Cash flows from financing activities:		
Proceeds from stock option exercise	0	52,500

Principal payments on capital lease obligation	(75,389)	(8,011)
Proceeds from other notes payable	8,361,233	2,461,000
Repayment of other notes payable	(7,732,476)	(3,150,680)
Net cash provided by (used in) financing activities	553,368	(645,191)
Effect of exchange rate changes on cash	(18,224)	(21,402)
Net increase (decrease) in cash	(97,676)	117,716
Cash, beginning of period	117,322	230,014
Cash, end of period	$ 19,646	$ 347,730
Supplemental disclosures of net cash paid (received) during the period for:		
Interest	$ 190,748	$ 140,049
Income taxes	$ (147,924)	$ 28,950

See accompanying notes to the consolidated financial statements.

</TABLE>

RIMAGE CORPORATION AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(1) BASIS OF PRESENTATION AND NATURE OF BUSINESS

The consolidated financial statements include the accounts of Rimage Corporation, Rimage Europe GmbH, A/G Systems Inc., d/b/a Duplication Technology Inc. (Duplication Technology), Knowledge Access International (Knowledge Access) and ALF Products Inc. d/b/a ALF/Rimage (ALF Products); and operations of Rimage Services Group (formerly Dunhill Software Services which merged with Rimage in 1995 using pooling-of-interest accounting), collectively hereinafter referred to as Rimage or the Company. All material intercompany accounts and transactions have been eliminated upon consolidation.

Effective September 29, 1995, Rimage Corporation and Dunhill Software Services (Dunhill) completed a merger. Dunhill had been a significant customer of Rimage. For financial reporting purposes, the merger has been recorded using the pooling-of-interests method of accounting under generally accepted accounting principles.

Following this merger, the Company operates in two segments, Rimage Systems Group and Rimage Services Group. The Rimage Systems Group consists of substantially all of the former Rimage Companies. The Rimage Services Group consists of the former Dunhill operation in addition to the existing service business at Duplication Technology.

The Systems Group develops, manufacturers and distributes duplication, and demagnetization equipment for computer media and associated peripheral devices. The Services Group provides computer media duplication and production services to software developers and manufacturers and information publishers.

The Company extends unsecured credit to its customers, substantially all of whom are computer hardware, software and service companies, software developers and manufacturers or information publishers.

(2) INVENTORIES

Inventories consist of the following as of:

	March 31, 1997 (unaudited)	December 31, 1996
Finished goods and demonstration equipment	$ 1,161,166	1,026,303
Work-in-process	489,714	527,378
Purchased parts and subassemblies	2,510,513	3,063,872
	4,156,393	4,617,553

Less reserve for excess inventories	558,859	590,000
	$ 3,597,534	4,027,553

(3) SEGMENT REPORTING

The following table summarizes certain financial information for the Systems and Service segments:

(in thousands)	Three Months Ended March 31, (unaudited) 1996	1997
Revenues from unaffiliated customers:		
Systems	$ 4,731	4,728
Service	6,096	6,322
Operating earnings (loss):		
Systems	425	(135)
Service	$ (153)	316

	March 31, 1997 (unaudited)	December 31, 1996
Net identifiable assets:		
Systems	$ 8,641	9,137
Service	12,232	10,873

As of and for the quarter ended March 31, 1997, foreign revenues from unaffiliated customers, operating loss, and net identifiable assets were $895,309, $4,717 and $1,978,454, respectively. As of and for the quarter ended March 31, 1996, foreign revenues from unaffiliated customers, operating earnings, and net identifiable assets were $1,284,828, $51,530, and 2,238,658, respectively.

(4) NOTES PAYABLE TO BANK

On October 13, 1995, Rimage signed a new Credit Agreement which consolidated and redefined all previously outstanding Rimage and Dunhill debt. This credit agreement covered all of the term and revolving notes discussed below. The Company was required to maintain certain financial ratios as a part of the agreement. The Company obtained a waiver from the bank regarding the tangible capital base, working capital amount, leverage ratio, and net profit requirement which were not in compliance as of and for the year ended December 31, 1996.

The Company had a term note agreement with a bank. Borrowings under the agreement were secured by substantially all Company assets, accrued interest at the bank's reference rate plus two and one-half percent and were payable on demand. The outstanding amount as of December 31, 1996 was $2,583,302.

The Company also had a revolving line of credit agreement which was payable on demand. The line of credit provided for borrowings up to $5,000,000. Borrowings under this agreement were secured by substantially all Company assets and accrued interest at the bank's reference rate plus two and one-quarter percent. Borrowings outstanding under this line were $3,469,407 on December 31, 1996.

Effective March 31, 1997, Rimage signed an Amended and Restated Credit Agreement which amended the October 13, 1995 Credit Agreement and covers the term and revolving notes discussed above.

Under the Amended and Restated Credit Agreement, the term note discussed above remains payable, subject to demand at any time, in consecutive monthly installments of $77,800, plus accrued interest at two and three-quarters percent above the bank's reference rate until April 1, 1998 when the remaining principal balance and all unpaid accrued interest is due. The outstanding amount as of March 31, 1997 was $2,349,970.

Also available to the Company under the Amended and Restated Credit Agreement are advances based on various percentages of qualified asset amounts, up to a maximum advance of $5,000,000. Outstanding advances are secured by substantially all Company assets and accrue interest at a rate equal to the bank's reference rate plus two and one-half percent. All advances are due and payable on demand. Borrowings outstanding under this line were $4,331,496 on March 31, 1997.

Due to the demand feature of the Amended and Restated Credit Agreement, the Company has reflected all outstanding balances as current liabilities. The Company believes its banking relationship is good and that satisfactory financing will be available on terms acceptable to the Company for the forseeable future.

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,

	1997	1996	% Change
Revenues from unaffiliated customers:			
Systems	$4,731	$4,728	-%
Services	6,096	6,322	(3.6%)
Total revenues	10,827	11,051	(2.0%)
Gross profit:			
Systems	1,937	1,993	(2.8%)
Service	628	1,176	(46.6%)
Total cost of revenues	2,565	3,169	(19.1%)
Operating expenses:			
Systems	1,512	2,129	(29.0%)
Service	781	859	(9.1%)
Total operating expenses	2,293	2,988	(23.3%)
operating earnings (loss):			
Systems	425	(135)	415.8%
Service	(153)	316	(148.4%)
Total operating earnings	$272	$181	50.3%

RESULTS OF OPERATIONS

Rimage designs, manufactures and sells computer media duplication and printing systems, and also provides media duplication services. The Company's revenues decreased by 2% in the first quarter of 1997 when compared to first quarter of 1996. Consolidated net earnings for the quarter ended March 31, 1997 were $15,030 compared to first quarter 1996 net earnings of $47,475.

SYSTEMS SEGMENT -- THREE MONTHS ENDED MARCH 31, 1997 AND 1996

Systems revenues (which include equipment sold from Rimage Systems - Minneapolis, Rimage Europe, Duplication Technology, and Knowledge Access International) for the quarter ended March 31, 1997 were consistent when compared to the first quarter of 1996. Domestic revenues in the first quarter of 1997 increased by approximately $400,000 when compared to the first quarter of 1996, while European revenues decreased by a similar amount. The increase in domestic revenues was primarily due to an increase in CD-Recordable ("CD-R") equipment sales combined with stable diskette equipment sales. The decrease in European revenues was primarily due to a significant decrease in diskette equipment sales with stable CD-R equipment sales.

Gross profit in the first three months of 1997 decreased by approximately $56,000, or 1.2% as a percentage of revenues, as compared to the same period of 1996. This decrease was due to a continued erosion of diskette equipment margins, offset by improved CD-R equipment margins.

Operating expenses for the quarter ended March 31, 1997 decreased by approximately $617,000 or 29.0% compared to the operating expenses in the same period of 1996. This decrease was primarily a result of work force changes and the decision to shut-down certain non-core business facilities and divisions in December of 1996. The Company expects the trend of lower operating expenses in 1997 compared to operating expenses for the same periods in 1996 to continue.

Operating profit for the quarter ended March 31, 1997 was approximately $425,000 compared with an operating loss of approximately ($135,000) during the same period of 1996. This improvement was due to the aforementioned decrease in operating expenses during the first quarter of 1997 compared to the operating expenses in the same period of 1996.

SERVICE SEGMENT -- THREE MONTHS ENDED MARCH 31, 1997 AND 1996

Service revenues (which include the revenues of the Rimage Service Group, formerly "Dunhill", as well as the service business of Duplication Technology) for the quarter ended March 31, 1997 decreased by approximately $226,000 compared to the same period of 1996. This decrease resulted primarily from lower diskette duplication demand which was partially offset by incremental CD-ROM duplication from the Company's new CD-ROM stamping facility and due to increased outsourcing of product fulfillment.

Gross profit for the quarter ended March 31, 1997, as a percentage of revenues, decreased to 10.3% from 18.6% during the same period of 1996. This decrease was primarily due to lower gross profit from the aforementioned incremental CD-ROM duplication and outsourcing revenues.

Operating expenses for the quarter ended March 31, 1997 decreased by approximately $78,000 over the same period of 1996, and decreased, as a percentage of revenues, to 12.8% in 1997 from 13.6% in 1996. This decrease was a direct result of work force changes made in December of 1996.

Operating (loss) profit for the quarter ended March 31, 1997 and 1996 was approximately ($153,000) and $316,000, respectively. This decrease was primarily due to the aforementioned lower gross profit as a percentage of revenues.

CONSOLIDATED THREE MONTHS ENDED MARCH 31, 1997 AND 1996

Revenues for the three months ended March 31, 1997 decreased by approximately $224,000 when compared to the same period of 1996. This decrease was a result of a decline in Service revenues. The Company had three significant customers which accounted for 17%, 5% and 0% of revenues during the quarter ended March 31, 1997, and 15%, 0% and 21% of revenues during the quarter ended March 31, 1996.

Gross profit for the quarter ended March 31, 1997 as a percentage of revenues, decreased to 23.7% from 28.7% during the first quarter of 1996. This decrease was primarily due to substantially lower margins at Services.

Operating expenses for the quarter ended March 31, 1997 decreased by approximately $695,000 compared to the same period of 1996 and, as a percentage of sales, decreased to 21.2% from 27.0% in the same period of 1996. This decrease was a direct result of work force changes and the decision to shut-down certain non-core business facilities and divisions in December of 1996.

Net other expense was approximately $148,000 higher in the first quarter of 1997 compared to the first quarter of 1996. This was primarily due to higher interest expense as a direct result of increased borrowing for working capital. Due to loss carryforwards, the Company did not record any income tax expense for the quarter ended March 31, 1997. This is compared to income tax expense of $24,000 for the quarter ended March 31, 1996.

Net earnings were approximately $15,000 for the quarter ended March 31, 1997 compared to net earnings of approximately $47,000 for the same period of 1996. Net earnings per share were $.01 for the quarter ended March 31, 1997 compared to net earnings per share of $.02 for the same period of 1996.

LIQUIDITY AND CAPITAL RESOURCES

Net cash (used in) provided by operating activities was ($575,237) and $857,501 in the first quarter of 1997 and 1996, respectively. The 1997 use of cash from operating activities resulted primarily from an increase in accounts receivable of $2,097,280 and was partially offset by a decrease in inventories of $461,160 and an increase in accounts payable of $552,628.

Net cash used in investing activities was $57,583 and $73,192 during the first quarter of 1997 and 1996, respectively. At March 31, 1997 the Company had no significant commitments to purchase additional capital equipment.

At March 31, 1997, the Company's negative working capital was approximately $1,735,000 compared to $2,291,000 at December 31, 1996. The net cash provided by (used in) financing activities was $553,368 and ($645,191) for the quarters ended March 31, 1997 and 1996, respectively. The Company increased its bank debt by approximately $629,000 during the first quarter of 1997. The Company has a line of credit agreement totaling $5,000,000 with a bank, which expires April 1, 1998. Advances under this line of credit are secured by substantially all the Company's assets, are subject to borrowing base requirements, are due on demand and bear interest at the bank's reference rate plus 2 and 1/4 percent. At March 31, 1997, the Company had borrowings under this line totaling $4,331,496. The Company also has term note agreements totaling $2,349,970 under various terms that are secured by substantially all the Company's assets, and bear interest at the bank's reference rate plus 2 and 1/2 percent. The Company believes its banking relationship is good and that satisfactory financing will be available on terms acceptable to the Company for the foreseeable future.

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 14, 1997 By /s/ Bernard P. Aldrich

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

Date: May 14, 1997 By: /s/ Marvin J. Hohl

Marvin J. Hohl
Controller
(Principal Accounting Officer)

EXHIBIT 11.1

<TABLE>
<CAPTION>

RIMAGE CORPORATION
COMPUTATION OF NET EARNINGS PER SHARE OF COMMON STOCK

NET EARNINGS PER COMMON SHARE IS DETERMINED BY DIVIDING THE NET EARNINGS BY THE WEIGHTED AVERAGE NUMBER OF SHARES OF COMMON STOCK AND COMMON SHARE EQUIVALENTS OUTSTANDING. THE FOLLOWING IS A SUMMARY OF THE WEIGHTED AVERAGE COMMON SHARES OUTSTANDING AND COMMON SHARE EQUIVALENTS:

	THREE MONTHS ENDED MARCH 31,	
	1997	1996
<S>	<C>	<C>
Shares outstanding at beginning of period	3,084,500	3,051,000
Common stock issued in stock option exercise	0	18,000
Shares outstanding at end of period	3,084,500	3,069,000
Weighted average shares of common stock outstanding	3,084,500	3,056,621
Common stock equivalents	388,853	412,953
Weighted average shares of common stock equivalents	3,391	28,929
Weighted average shares of common stock and stock equivalents	3,087,891	3,085,550
Net earnings	$ 15,030	$ 47,475
Net earnings per share	$ 0.01	$ 0.02

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