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 JUNE 30, 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 August 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
FORM 10-Q
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FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 1997

PART I -- FINANCIAL INFORMATION

Item 1.

RIMAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
<CAPTION>

ASSETS	June 30, 1997 (unaudited)	December 31, 1996
Current assets:		
Cash	$ 25,069	$ 117,322
Trade accounts receivable, net of allowance for doubtful accounts and sales returns of $428,744 and $1,084,910, respectively	6,206,480	5,070,738
Inventories (note 2)	2,509,817	4,027,553
Income tax receivable	670,866	818,790
Prepaid expenses and other current assets	419,665	293,037
Current installments of investment in sales-type leases	139,926	217,952
Total current assets	9,971,823	10,545,392
Property and equipment, net	6,612,587	7,814,430
Investment in sales-type leases, net of current installments	49,021	182,332
Goodwill	889,049	929,407
Other noncurrent assets	416,220	537,944
Total assets	$ 17,938,700	$ 20,009,505
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of notes payable (note 4)	$ 4,856,428	$ 6,052,709
Current installments of capital lease obligations	330,164	311,343
Trade accounts payable	3,485,136	4,295,400
Accrued expenses	1,335,994	1,746,912
Deferred income and customer deposits	578,212	429,822
Total current liabilities	10,585,934	12,836,186
Capital lease obligations, net of current installments	2,860,211	3,031,759
Total liabilities	13,446,145	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	(5,909,210)	(6,330,291)
Equity adjustment from foreign currency translation	(134,785)	(64,699)
Total stockholders' equity	4,434,648	4,083,653
Total liabilities and stockholders) equity	$ 17,938,700	$ 20,009,505

</TABLE>

See accompanying condensed notes to consolidated financial statements.

RIMAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

<TABLE>
<CAPTION>

	Three Months Ended June 30,		Six Months Ended June 30,	
	1997	1996	1997	1996

<S>	<C>	<C>	<C>	<C>
Revenues	$ 10,337,931	$ 9,899,902	$ 21,164,704	$ 20,950,408
Cost of revenues	7,440,193	7,725,934	15,702,276	15,607,931
Gross Profit	2,897,738	2,173,968	5,462,428	5,342,477
Operating expenses:				
Engineering and development	527,974	690,281	1,084,667	1,467,129
Selling, general and administrative	1,702,394	2,270,396	3,438,312	4,481,282
Total operating expenses	2,230,368	2,960,677	4,522,979	5,948,411
Operating earnings (loss)	667,370	(786,709)	939,449	(605,934)
Other income (expense)				
Interest expense, net	(244,927)	(132,047)	(512,065)	(271,494)
Gain (loss) on currency exchange	41,159	(16,700)	38,740	(11,607)
Other, net	2,591	14,097	15,099	39,151
Total other expense, net	(201,177)	(134,650)	(458,226)	(243,950)
Net earnings (loss) before income taxes	466,193	(921,359)	481,223	(849,884)
Income taxes	60,143	(24,000)	60,143	0
Net earnings (loss)	$ 406,050	($ 897,359)	$ 421,080	($ 849,884)
Net earnings (loss) per common and common equivalent share	$ 0.14	($ 0.29)	$ 0.15	($ 0.27)
Weighted average shares and share equivalents outstanding	3,110,395	3,092,961	3,103,847	3,108,120

</TABLE>

See accompanying condensed notes to the consolidated financial statements.

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

<TABLE>
<CAPTION>

	Six months ended June 30, 1997	1996
<S>	<C>	<C>
Cash flows from operating activities:		
Net earnings (loss)	$ 421,080	$ (849,884)
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	1,394,694	718,739

Change in reserve for excess and obsolete inventories	13,895	(50,000)
Change in reserve for doubtful accounts	(49,000)	(117,951)
Loss (gain) on sale of property, plant, and equipment	69,424	(1,408)
Deferred income tax	0	(83,388)
Changes in operating assets and liabilities:		
Trade accounts receivable	(1,086,742)	4,066,167
Inventories	1,503,841	445,149
Prepaid expenses and other current assets	(126,628)	(793,440)
Income tax receivable	147,924	9,277
Accounts payable	(810,264)	(3,181,308)
Accrued expenses	(410,918)	172,578
Deferred income and customer deposits	148,390	416,080
Net cash provided by operating activities	1,215,696	750,611
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(237,916)	(780,205)
Proceeds from the sale of property and equipment	16,000	13,150
Other assets	121,724	131,109
Payments on investment in sales-type leases	211,337	139,813
Net cash provided by (used in) investing activities	111,145	(496,133)
Cash flows from financing activities:		
Proceeds from stock option exercise	0	146,250
Principal payments on capital lease obligation	(152,727)	(8,207)
Proceeds from other notes payable	18,107,751	6,591,000
Repayment of other notes payable	(19,304,032)	(6,920,167)
Net cash used in financing activities	(1,349,008)	(191,124)
Effect of exchange rate changes on cash	(70,086)	(27,276)
Net increase (decrease) in cash	(92,253)	36,078
Cash, beginning of period	117,322	230,014
Cash, end of period	$ 25,069	$ 266,092

</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

The consolidated financial statements include the accounts of Rimage Corporation, Rimage Europe GmbH, A/G Systems Inc., d/b/a Duplication Technology, Knowledge Access International (Knowledge Access) 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.

The consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although Rimage believes that the disclosures are adequate to make the information presented not misleading.

In the opinion of the Company, all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the consolidated financial position of the Company as of the dates and for the periods presented, have been made. The results of operations for such interim periods are not necessarily indicative of the results to be expected for the entire year.

(2) INVENTORIES

Inventories consist of the following as of:

	June 30, 1997 (unaudited)	December 31, 1996
Finished goods and demonstration equipment	$ 951,238	$1,026,303
Work-in-process	319,156	527,378
Purchased parts and subassemblies	1,843,318	3,063,872
	3,113,712	4,617,553
Less reserve for excess inventories	603,895	590,000
	$2,509,817	$4,027,553

(3) SEGMENT REPORTING

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

(in thousands)	Six Months Ended June 30, (unaudited) 1997	1996
Revenues from unaffiliated customers:		
Systems	$ 10,548	$ 10,962
Service	10,617	9,988
Operating earnings (loss):		
Systems	1,228	(578)
Service	(288)	(28)

	June 30, 1997 (unaudited)	December 31, 1996
Net identifiable assets:		
Systems	$ 8,544	$ 9,137
Service	9,395	10,873

As of and for the six months ended June 30, 1997, foreign revenues from unaffiliated customers, operating loss, and net identifiable assets were $1,990,976, ($57,727) and $2,029,068, respectively.

As of and for the six months ended June 30, 1996, foreign revenues from unaffiliated customers, operating earnings, and net identifiable assets were $2,423,497, $35,769 and 2,497,240, respectively.

(4) NOTES PAYABLE TO BANK

On October 13, 1995, Rimage signed a 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 three quarters 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 half 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 on demand, in consecutive monthly installments of $77,777, 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 June 30, 1997 was $2,116,636.

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 $2,739,793 on June 30, 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.

<TABLE>
<CAPTION>

	Three months ended June 30,		Six months ended June 30,	
	1997	1996	1997	1996
<S>	<C>	<C>	<C>	<C>
Revenues to unaffiliated customers:				
Systems	$ 5,816	$ 6,234	$ 10,548	$ 10,962
Services	4,522	3,666	10,617	9,988
Total Revenues	10,338	9,900	21,165	20,950
Cost of Revenues:				
Systems	3,467	4,345	6,261	7,050
Service	3,973	3,381	9,441	8,558
Total Cost of Revenues	7,440	7,726	15,702	15,608
Operating Expenses:				
Systems	1,546	2,362	3,059	4,490
Service	684	599	1,464	1,458
Total Operating Expenses	2,230	2,961	4,523	5,948
Operating Earnings (Loss):				
Systems	803	(473)	1,228	(578)
Service	(135)	(314)	(288)	(28)
Total Operating Earnings (Loss) ...	$ 668	$ (787)	$ 940	($ 606)

</TABLE>

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 forwardlooking 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.

Rimage designs, manufactures and sells computer media duplication and printing systems, and provides media duplication and fulfillment services. The Company's revenues increased by 4.4% and 1.0% in the three and six months ended June 30, 1997, respectively, when compared to the three and six months ended June 30, 1996. Consolidated net earnings for the three and six months ended June 30, 1997 were $406,050 and $421,080, respectively, compared to a net loss of ($897,359) and ($849,884), respectively, for the three and six months ended June 30, 1996.

SYSTEMS SEGMENT -- THREE AND SIX MONTHS ENDED JUNE 30, 1997 AND 1996

Systems revenues (which include equipment sold from Rimage Systems Group, Rimage Europe, Duplication Technology, and Knowledge Access International) for the three and six months ended June 30, 1997 decreased by $417,744 and $414,527, respectively, when compared to the same periods of 1996. These decreases were primarily due to significant increases in core business system revenues of $1,599,667 and $1,636,063, respectively, offset by significant decreases in non-core business revenues of $2,017,411 and $2,050,590, respectively, after the shut-down of certain non-core business operations in December of 1996. The increase in core business revenues was primarily due to an increase in CD-Recordable ("CD-R") equipment sales combined with stable diskette equipment sales.

Gross profit for the three and six months ended June 30, 1997, increased by $460,123 and $373,760, or 10.1 % and 4.9% as a percentage of sales, respectively, when compared to the same periods of 1996. These increases were primarily due to the aforementioned sales mix change between core and non-core businesses.

Operating expenses for the three and six months ended June 30, 1997 decreased by $815,072 and $1,431,803, or 34.5% and 31.9%, respectively, when compared to operating expenses for the same period of 1996. These decreases were 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 three and six months ended June 30, 1997 was $802,816 and 1,227,962, respectively, compared with an operating loss of $472,379 and $577,601, respectively, for the same periods of 1996. This improvement was due to the aforementioned change in sales mix and decrease in operating expenses during the first six months of 1997 compared to the same period of 1996.

SERVICE SEGMENT -- THREE AND SIX MONTHS ENDED JUNE 30, 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 three and six months ended June 30, 1997, increased by $855,773 and $628,823, respectively, when compared to the same periods of 1996. These increases resulted primarily due to incremental CD-ROM duplication from the Company's new CD-ROM stamping facility and due to increased outsourcing of product fulfillment, offset by lower diskette duplication demand.

Gross profit as a percentage of revenues for the three months ended June 30, 1997, increased to 12.1 % from 7.8% and decreased to 11.1% from 14.3% for the six months ended June 30, 1997, when compared to the

same periods of 1996. These margin changes were primarily due to a lower gross profit from the aforementioned incremental CD-ROM duplication and outsourcing revenues, offset by personnel and manufacturing operation changes that were made in the second quarter of 1997 to improve those margins.

Operating expenses for the three and six months ended June 30, 1997 remained consistent when compared to the same periods of 1996, and decreased, as a percentage of revenues, from 16.3% to 15.1%, and from 14.6% to 13.8%, respectively. These decreases were a direct result of work force changes made in December of 1996.

Operating loss for the three and six months ended June 30, 1997, was ($135,445) and ($288,512), respectively, compared with an operating loss of ($314,330) and ($28,333), respectively, for the same periods of 1996. These changes in operating loss were primarily due to the aforementioned gross profit changes.

CONSOLIDATED THREE AND SIX MONTHS ENDED JUNE 30, 1997 AND 1996

Revenues for the three and six months ended June 30, 1997, increased by $438,029 and $214,296, respectively, when compared to the same periods of 1996. These increases were primarily a result of increased revenues from the Company's core businesses, offset by the shut down of non-core businesses.

Gross profit, as a percentage of revenues, for the three and six months ended June 30, 1997, increased to 28.0% and 25.8%, respectively, from 22.0% and 25.5% for the three and six months ended June 30,1996. These increases were primarily due to the aforementioned sales mix change between core and non-core businesses, offset by lower gross profit from incremental CD-ROM duplication and outsourcing revenues.

Operating expenses for the three and six months ended June 30, 1997 decreased by $730,309 and $1,425,432, respectively, when compared to the same periods of 1996, and as a percentage of revenues, decreased to 21.6% from 29.9%, and to 21.4% from 28.4%, respectively, when compared to the same periods 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.

Other expense, net, for the three and six months ended June 30, 1997, increased by $66,527 and $214,276, respectively, when compared to the same periods of 1996. This was primarily due to higher interest expense as a direct result of increased borrowing for working capital and capital investment in the second half of 1996.

Due to significant loss carryforwards as of December 31, 1996, the Company's income tax expense for the three and six months ended June 30, 1997, was $60,143. The Company expects this trend to continue due to significant remaining loss carryforwards.

Net earnings for the three and six months ended June 30, 1997, were $406,051 and $421,081, respectively, compared to a net loss of ($897,359) and ($849,884), respectively, for the same periods of 1996. Net earnings per share for the three and six months ended June 30, 1997, were $.14 and $.15, respectively, compared to a net loss per share of ($.29) and ($.27) for the same periods of 1996.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities during the first six months of 1997 and 1996 was $1,215,696 and $750,611, respectively. The cash provided from operating activities during the first six months of 1997 resulted from a net of the following: net earnings of $421,080; depreciation expense of $1,394,694; an increase in receivables of $1,135,742; a decrease in inventory of $1,517,736; and a decrease in accounts payable and accrued expenses of $ 1,221,182.

Net cash provided by (used in) investing activities was $111,145 and ($496,133) during the first six months of 1997 and 1996, respectively. The change which provided cash from investing activities during the first six months of 1997 was primarily due to a focus on fewer property, plant, and equipment purchases. At June 30, 1997 the Company had no significant commitments to purchase additional capital equipment.

At June 30, 1997, the Company's negative working capital was $614,111 compared to $2,290,794 at December 31, 1996. The net cash used in financing activities was $1,349,008 and $191,124 for the six months ended June 30, 1997 and 1996, respectively. The Company decreased its bank debt by approximately $ 1,200,000 during the first six months 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 two and one-half percent. At June 30, 1997, the Company had borrowings under this line totaling $2,739,793. The Company also has term note agreements totaling $2,116,636 under various terms that are secured by substantially all the Company's assets, and bear interest at the bank's reference rate plus two and three-quarters 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

The Company's Annual Meeting of Stockholders' was held on June 11, 1997. 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	2,853,036	137,716
Ronald Fletcher	2,853,786	136,966
Robert Hoffman	2,852,086	138,666
George Kline	2,853,886	136,866
Richard McNamara	2,853,786	136,966
Dr. Joseph Miceli	2,853,761	136,991
David Suden	2,853,636	137,116

The results of the voting on the following additional items were as follows:

(a) Ratification of the selection of KPMG Peat Marwick LLP as independent accountants to audit the consolidated financial statements of Rimage Corporation for the year ending December 31, 1997. The votes of the stockholders on this ratification were as follows:

In Favor	Opposed	Abstained	Broker Non-Vote
2,980,927	1,948	7,877	-0-

(a) Approval of amendment to the 1992 Stock Option Plan to increase the number of shares reserved for issuance thereunder. The votes of the stockholders on this amendment were as follows:

In Favor	Opposed	Abstained	Broker Non-Vote
1,876,918	189,215	9,660	914,959

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: August 14, 1997

By: /s/ Bernard P. Aldrich
Bernard P. Aldrich
Director, Chief Executive Officer, and President
(Principal Executive Officer)
(Principal Financial Officer)

Date: August 14, 1997

By: /s/Marvin J. Hohl
Marvin J. Hohl
Controller

(Principal Accounting Officer)

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:

<TABLE>
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	Three months ended June 30,		Six months ended June 30,	
	1997	1996	1997	1996
<S>	<C>	<C>	<C>	<C>
Shares Outstanding at beginning of period	3,084,500	3,069,000	3,084,500	3,051,000
Common stock issued in stock option exercise	0	15,500	0	33,500
Shares Outstanding at end of period	3,084,500	3,084,500	3,084,500	3,084,500
Weighted average shares of common stock outstanding	3,084,500	3,073,253	3,084,500	3,064,937
Common stock equivalents	750,353	397,453	750,353	397,453
Weighted average shares of common stock equivalents	19,347	19,708	25,895	43,183
Weighted average shares of common stock and stock equivalents	3,103,847	3,092,961	3,110,395	3,108,120
Net earnings (loss)	$406,050	($897,359)	$421,080	($849,884)
Net earnings (loss) per share	$0.14	($0.29)	$0.15	($0.27)

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