UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

Quarterly Report Under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarterly Period Ended March 31, 1996

Commission File No. 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 11, 1996 -- 3,069,000 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, 1996

RIMAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<TABLE>
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ASSETS	MARCH 31, 1996	DECEMBER 31, 1995
	(unaudited)	
<S>	<C>	<C>
Current assets:		
Cash...	$ 347,730	$ 230,014
Trade accounts receivable, net of allowance for doubtful accounts and sales returns of $604,138 and $644,576, respectively...	6,005,397	9,493,142
Inventories (note 2).................................	4,280,411	4,690,326
Income tax receivable................................	289,016	250,012
Prepaid expenses and other current assets.............	642,701	330,975
Deferred income tax asset	1,196,000	1,196,000
Current installments of investment in sales-type leases	245,704	260,188
Total current assets............................	13,006,959	16,450,657
Property, plant, and equipment, net.......................	4,708,000	4,883,766
Investment in sales-type leases, net of current installments	249,764	307,120
Goodwill	991,943	1,010,120
Other assets..	1,098,663	1,132,547
Total assets....................................	$20,055,329	$23,784,210
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of notes payable (note 6)................	$ 4,201,900	$ 4,725,400
Current installments of capital lease obligations	37,338	35,750
Trade accounts payable.................................	2,536,562	5,761,742
Accrued expenses	1,555,908	1,354,241
Deferred income and customer deposits...................	679,527	765,777
Total current liabilities.........................	9,011,235	12,642,910
Notes payable, less current portion (note 6)..............	1,344	167,524
Deferred tax liability	131,000	131,000
Capital lease obligations, less current installments	1,572,905	1,582,504
Total liabilities................................	10,716,484	14,523,938
Minority interest in inactive subsidiary..................	57,907	57,907
Stockholders' equity (note 4):		
Common stock...	30,690	30,510
Additional paid-in capital.............................	10,354,203	10,301,883
Accumulated Deficit (note 4)............................	(1,103,805)	(1,151,280)
Equity adjustment from foreign currency translation......	(150)	21,252
Total stockholders' equity........................	9,280,938	9,202,365
Commitments and contingencies	-	-
Total Liabilities and Stockholders' Equity............	$20,055,329	$23,784,210

</TABLE>

See accompanying notes to consolidated financial statements

RIMAGE CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

<TABLE>
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	THREE MONTHS ENDED MARCH 31, 1996	THREE MONTHS ENDED MARCH 31, 1995
Revenues	$11,050,506	$12,533,886
Cost of revenues	7,881,997	9,290,434
Gross Profit	3,168,509	3,243,452
Operating expenses:		
Engineering and development	776,848	798,978
Selling, general and administrative	2,210,886	2,169,003
Total operating expenses	2,987,734	2,967,981
Operating earnings	180,775	275,471
Other (expense) income :		
Interest	(139,447)	(118,904)
Gain on currency exchange	5,093	119,292
Other, net	25,054	12,639
Total other expense, net	(109,300)	(13,027)
Earnings before income taxes	71,475	288,498
Income tax expense	24,000	87,009
Historical net earnings	$ 47,475	$ 201,489
Historical net earnings	$ 47,475	$ 201,489
Proforma income tax expense	0	28,390
Proforma net earnings	$ 47,475	$ 173,099
Proforma net earnings per common and common equivalent share	$ 0.02	$ 0.06
Weighted average shares and share equivalents	3,085,550	3,068,677

</TABLE>

See accompanying notes to consolidated financial statements

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

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	THREE MONTHS ENDED MARCH 31, 1996	1995
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Cash flows from operating activities:		
Net earnings	$ 47,475	$ 201,489
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	365,203	387,095
Change in reserve for excess and obsolete inventory	1,206	(73,337)
Change in reserve for doubtful accounts	(40,438)	(6,304)
Gain on sale of property, plant, and equipment	7,650	0
Deferred income tax	0	8,000
Increase in investment in sales-type leases	0	(143,808)
Changes in operating assets and liabilities:		
Trade accounts receivable	3,528,183	(169,709)
Inventories	408,709	214,592
Prepaid expenses and other current assets	(311,726)	(56,198)
Income tax receivable	(39,004)	88,580
Accounts payable	(3,225,174)	(610,335)
Accrued expenses	201,667	144,575
Deferred income and customer deposits	(86,250)	52,265
Net cash provided by operating activities	857,501	36,905
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(178,917)	(509,710)
Other assets	33,884	(17,508)
Payments on investment in sales-type leases	71,841	74,951
Net cash used in investing activities	(73,192)	(452,267)
Cash flows from financing activities:		
Payment of registration fees	0	(18,400)
Proceeds from stock option exercise	52,500	0
Principal payments on capital lease obligation	(8,011)	(3,700)
Proceeds from other notes payable	2,461,000	550,000
Repayment of other notes payable	(3,150,680)	(984,520)
Subchapter-S dividends paid	0	(184,831)
Net cash used in financing activities	(645,191)	(641,451)
Effect of exchange rate changes on cash	(21,402)	24,733
Net increase (decrease) in cash	117,716	(1,032,080)
Cash, beginning of period	230,014	1,283,794
Cash, end of period	$ 347,730	$ 251,714

</TABLE>

See accompanying notes to consolidated financial statements

RIMAGE CORPORATION AND SUBSIDIARIES
CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) BASIS OF PRESENTATION

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), ALF Products Inc. d/b/a ALF/Rimage (ALF Products) and Knowledge Access Inc. (Knowledge Access), collectively hereinafter referred to as the Company or Rimage. All material intercompany accounts and transactions have been eliminated upon consolidation.

Effective September 29, 1995, Rimage Corporation and Dunhill Software Services Inc. (Dunhill) completed a merger. Dunhill, who had been a significant customer of Rimage, is engaged in diskette duplication and production services. For financial reporting purposes, the merger was recorded using the pooling-of interests method of accounting under generally accepted accounting principles. Accordingly, the historical financial statements of Rimage presented in the first quarter of 1995 were restated to include the historical accounts and results of operations of Dunhill.

As a result of this merger, Rimage operates in two segments. The Rimage Systems segment consists of substantially all of the former Rimage

Companies. The Rimage Services segment consists of the former Dunhill operation in addition to the service business at Duplication Technology.

Rimage Systems develops, manufactures and distributes diskette, tape and CD-Recordable duplication equipment and related software products. Rimage Services provides diskette 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, and 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.

 (continued)

(2) INVENTORIES

Inventories consist of the following:

	MARCH 31, 1996	DECEMBER 31, 1995
	(unaudited)	
Finished goods and demonstration equipment	$ 972,351	$1,297,788
Work-in-process	787,569	670,264
Purchased parts and subassemblies	3,256,697	3,457,274
	5,016,617	5,425,326
Less reserve for excess inventories	736,206	735,000
Total inventories	$4,280,411	$4,690,326

(3) SEGMENT REPORTING (IN THOUSANDS)

	THREE MONTHS ENDED MARCH 31, 1996	1995
Revenues from unaffiliated customers:	(unaudited)	(unaudited)
Systems	$4,728	$4,189
Services	6,322	8,345
Operating earnings (loss):		
Systems	(135)	(199)
Service	316	474

	MARCH 31, 1996	DECEMBER 31, 1995
Net Identifiable Assets:		
	(unaudited)	
Systems	10,551	11,781
Service	9,504	12,003

(4) STOCKHOLDERS' EQUITY

STOCK ISSUED IN ACQUISITION

On September 29, 1995, in connection with the merger between Rimage and Dunhill Software Services, Inc., 1,100,000 shares of Rimage common stock were issued. (see note 5.)

TERMINATION OF DUNHILL'S S-CORPORATION STATUS

On September 29, 1995, Dunhill Software Services, Inc. terminated its S-Corporation election. Under SEC rules, Dunhill's accumulated retained earnings of $2,611,979 as of the termination of the S-Corporation election was reclassified against additional paid-in-capital.

STOCK OPTIONS

Rimage adopted a stock option plan on September 24, 1992 which allows for the granting of options to purchase up to 250,000 shares of common stock to certain key administrative, managerial and executive employees. Options under this plan may be either incentive stock options or non-qualified options. In 1993, the Rimage board of directors increased the number of allowable shares to 500,000. Pursuant to this plan, options to purchase 305,953 shares are currently issued and outstanding.

(5) 1995 ACQUISITION

Effective at the close of business on September 29, 1995, and pursuant to the Agreement and Plan of Reorganization (the Merger Agreement) dated June 6, 1995 by and between Rimage Corporation (Rimage), and Dunhill Software Services Inc. (Dunhill), Rimage issued 1,100,000 shares of stock to the former Dunhill shareholders and Dunhill was merged into Rimage. Dunhill provides diskette duplication and production services to software developers and manufacturers and information publishers, and historically was one of Rimage's largest customers. Rimage intends to continue such business for the foreseeable future. This merger was recorded using the pooling-of-interests method of accounting. Accordingly the historical financial statements of Rimage in the first quarter of 1995 were restated to include the historical accounts and results of operations of Dunhill.

(6) NOTES PAYABLE TO BANK

On October 13, 1995, the Company signed a new Credit Agreement which consolidated and redefined all previously outstanding Rimage and Dunhill debt. This credit agreement covers all of the term and revolving notes discussed below. The Company is required to maintain certain financial ratios as a part of the agreement. The Company obtained waivers (and forbearance through June 30, 1996) from the bank regarding the tangible capital base and working capital ratios which were not in compliance as of and for the periods ended March 31, 1996 and December 31, 1995.

The Company has a term note agreement with a bank. Borrowings under the agreement are secured by substantially all Company assets, accrue interest at the bank's reference rate plus 1/2 percent and are payable in 36 equal monthly installments that commenced May 31, 1994. The interest rate was 8.75% on March 31, 1996. The outstanding amount as of March 31, 1996 was $215,900.

The Company has another term note which expires on January 1, 1997. The term note bears interest at 3/4% over the bank's reference rate and is secured by substantially all Company assets. The interest rate was 9% on March 31, 1996. The outstanding balance under this note on March 31, 1996 was $1,000,000.

The Company also has a revolving line of credit agreement with a bank that expires on June 30, 1996. The line of credit provides for borrowing up to $5,000,000. Borrowings under this agreement are secured by substantially all Company assets and accrue interest at the bank's reference rate plus one-half percent. Borrowings outstanding under this line were $2,986,000 on March 31, 1996.

(7) STATEMENTS OF CASH FLOWS

The following is additional information regarding cash flows and non-cash investing and financing activities:

During the three months ended March 31, 1996 and 1995, cash paid for interest was $140,049 and $111,671, respectively.

During the three months ended March 31, 1996 and 1995, cash paid for income taxes was $28,950 and $115,274, respectively.

On September 29, 1995 Rimage issued 1,100,000 shares of its common stock in connection with the merger with Dunhill Software Services, Inc.

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,	
	1996	1995
Revenues from unaffiliated customers:		
Systems	$ 4,728	$ 4,189
Services	6,322	8,345
Total Revenues	11,051	12,534
Cost of Revenues:		
Systems	2,735	2,239
Service	5,147	7,051
Total Cost of Revenues	7,882	9,290
Operating Expenses:		
Systems	2,129	2,149
Service	859	820
Total Operating Expenses	2,988	2,969
Operating Earnings (Loss):		
Systems	(135)	(199)
Service	316	474
Total Operating Earnings	$181	$275

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 12% in the first quarter of 1996 when compared to first quarter of 1995. Consolidated net earnings for the quarter ended March 31, 1996 were $47,475 compared to first quarter 1995 proforma net earnings of $173,099.

SYSTEMS SEGMENT -- THREE MONTHS ENDED MARCH 31, 1996 AND 1995

Systems revenues (which include equipment sold from Rimage Systems -- Minneapolis, Rimage Europe, Duplication Technology, and Knowledge Access International) for the quarter ended March 31, 1996 increased by approximately $540,000 when compared to the first quarter of 1995. This increase was due to relatively stable diskette equipment sales, strong European sales, and increased sales in CD-Recordable ("CD-R") equipment. The Company expects these trends to continue, and also expects significantly more of its future equipment revenues to occur in CD markets.

Gross profit in the first three months of 1996 as a percentage of revenues, decreased to 42.2% from 46.5% during the same period of 1995. This decrease is mainly due to the prevalence in the diskette equipment industry of discounting sales prices for equipment, which has resulted from soft demand.

Operating expenses for the quarter ended March 31, 1996 decreased by approximately $20,000 or 1.0% compared to the expenses in the same period of 1995.

Operating losses for the quarter ended March 31, 1995 decreased to approximately ($136,000) from approximately ($199,000) during the same period of 1995. This improvement was due to the aforementioned revenue increases, operating expense decreases and was partially offset by the gross profit deterioration.

SERVICE SEGMENT -- THREE MONTHS ENDED MARCH 31, 1996 AND 1995

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, 1996 decreased by approximately $2,023,000 compared to the same period of 1995. This decrease resulted in general from lower demand, and fell primarily due to one large 1995 software release that did not recur in 1996.

Gross profit for the quarter ended March 31, 1996, as a percentage of revenues, increased to 18.6% from 15.5% during the same period of 1995. This increase is primarily attributable to reduced media costs.

Operating expenses for the quarter ended March 31, 1996 increased by approximately $40,000 over the same period of 1995, and increased, as a percentage of revenues, to 13.6% in 1996 from 9.8% in 1995. Fixed operating costs were relatively stable on lower revenues. In addition, the Company incurred approximately $122,000 of 1996 expenses for the set-up and operation of its newly formed optical equipment division.

Operating earnings for the quarter ended March 31, 1996 declined to approximately $316,000 from $474,000 for the same period of 1995. The decrease results from the aforementioned revenue decline and the increased operating expenses associated with the optical equipment division, and is offset by the gross margin improvement.

CONSOLIDATED THREE MONTHS ENDED MARCH 31, 1996 AND 1995

Revenues for the three months ended March 31, 1996 decreased by approximately $1,483,000 when compared to the same period of 1995. This decrease was a result of the decline in Service revenues and was partially offset by the improvement in Systems revenue. The Company had two significant customers which accounted for 21% and 15% of revenues during the quarter ended March 31, 1996, and 2% and 47% of revenues during the quarter ended March 31, 1995.

Gross profit for the quarter ended March 31, 1996 as a percentage of revenues, increased to 28.7% from 25.9% during the first quarter of 1995. This increase was primarily due to substantially lower media costs at Services revenues, and was also affected by the change in sales mix.

Operating expenses for the quarter ended March 31, 1996 increased by approximately $20,000 compared to the same period of 1995 and, as a percentage of sales, increased to 27.0% from 23.7% in the same period of 1995. This was due to the lower revenues generated on similar fixed costs.

Net other expenses were approximately $122,000 higher in the first quarter of 1996 versus the first quarter of 1995. This was primarily due to currency exchange fluctuations and higher interest expense. Interest expense increased by approximately $20,000, due to the increased credit line usage in 1996 for working capital. Income tax expense was $24,000 for the quarter ended March 31, 1996 compared to proforma income tax expense of approximately $116,000 in 1995. Prior to the merger on September 29, 1995, Dunhill Software was a

Subchapter-S Corporation and thus was not subject to federal income taxes.

Net earnings were approximately $47,000 for the quarter ended March 31, 1996 versus proforma net earnings of approximately $173,000 for the same period of 1995. Net earnings per share were $.02 for the quarter ended march 31, 1996 versus proforma net earnings per share of $.06 for the same period of 1995. The reasons for these decreases are detailed above.

LIQUIDITY AND CAPITAL RESOURCES

Net cash provided by operating activities was $857,501 and $36,905 in the first quarter of 1996 and 1995. The 1996 increase resulted primarily from the reduction in accounts receivable of $3,528,183 and inventories of $408,709 and was partially offset by the decrease in accounts payables of $3,225,174.

The cash used in investing activities was $73,192 and $452,267 during the first quarter of 1996 and 1995. At March 31, 1996 the Company had no significant commitments to purchase additional capital equipment.

At March 31, 1996, the Company's working capital was approximately $3,996,000 compared to $3,808,000 at December 31, 1995. The net cash used in financing activities was $645,191 and $641,451 for the quarters ended March 31, 1996 and 1995, respectively. The Company paid down approximately $690,000 of bank debt during the first quarter of 1996. The Company has a line of credit agreement totaling $5,000,000 with a bank, which expire June 30, 1996. 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 1/2 percent. At March 31, 1996, the Company had borrowings under this line totaling $2,986,000. The Company also has term note agreements totaling $1,217,244 under various terms that are secured by substantially all the Company's assets, and bear interest varying from the bank's reference rate plus 1/2 percent to plus 3/4 percent. The Company obtained waivers (and forbearance through June 30, 1996) from the bank for any financial ratios on which it is out of compliance at March 31, 1996 and December 31, 1995. The Company is currently negotiating an extension of this line. 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. Calculation of Earnings Per Share.

(b) Reports on Form 8-K:

Not Applicable.

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 CORPORATE

Registrant

Date: May 10, 1996

By Ronald R. Fletcher

Ronald R. Fletcher
Chairman of the Board
Chief Executive Officer

Date: May 10, 1996

By Jon D. Wylie

Jon D. Wylie
Chief Financial Officer

EXHIBIT 11.1

RIMAGE CORPORATION
COMPUTATION OF NET EARNINGS PER SHARE OF COMMON STOCK

Proforma 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, 1996	1995
Shares Outstanding at beginning of period (prior to merger)	-	1,950,000
Common stock issued in merger with Dunhill Software Services	-	1,100,000
Shares Outstanding at beginning of period	3,051,000	3,050,000
Common stock issued in stock option exercise	18,000	-
Shares Outstanding at end of period	3,069,000	3,050,000
Weighted average shares of common stock outstanding	3,056,621	3,050,000
**Common stock equivalents	412,953	846,455
Weighted average shares of common stock equivalents	28,929	18,677
Weighted average shares of common stock and stock equivalents	3,085,550	3,068,677
Proforma net earnings	$47,475	$173,099
Proforma net earnings per share	$0.02	$0.06

** Included as common stock equivalents for the quarter ended March 31, 1995 are 540,000 warrants which expired on July 20, 1995

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM 3/31/96 10Q (1ST QUARTER) AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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