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, 2001; OR

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

COMMISSION FILE NUMBER: 0-20728

RIMAGE CORPORATION
(Exact name of Registrant as specified in its charter)

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

7725 Washington Avenue South, Edina, MN 55439
(Address of principal executive offices)

952-944-8144
(Registrant's telephone number, including area code)

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

Common Stock outstanding at May 3, 2001 - 8,724,890 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, 2001

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RIMAGE CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
March 31, 2001 and December 31, 2000
(Unaudited)

<TABLE>
<CAPTION>

	March 31, 2001	December 31, 2000
<S>	<C>	<C>
Assets		
Current assets:		
Cash and cash equivalents	$23,545,602	$21,023,233
Trade accounts receivable, net of allowance for doubtful accounts and sales returns of $539,000	6,735,055	9,013,207
Inventories	3,812,526	2,936,119
Interest receivable	124,848	202,219
Prepaid expenses and other current assets	213,094	212,566
Prepaid income taxes	956,749	1,418,498
Deferred income taxes-current	938,592	938,592
Total current assets	36,326,466	35,744,434
Property and equipment, net	669,227	651,569
Deferred income taxes-noncurrent	145,935	145,935
Other noncurrent assets	8,495	13,526
Total assets	$37,150,123	$36,555,464
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade accounts payable	$ 2,169,688	$ 2,288,789
Accrued compensation	995,968	1,446,127
Accrued other	944,622	852,652
Deferred income and customer deposits	958,999	1,006,957
Total current liabilities	5,069,277	5,594,525
Stockholders' equity:		
Common stock, $.01 par value, authorized 10,000,000 shares, issued and outstanding 8,724,790 and 8,653,285, respectively	87,248	86,533
Additional paid-in capital	16,439,490	16,319,613
Retained earnings	15,912,112	14,861,224
Accumulated other comprehensive loss - foreign		

currency translation adjustment	(358,004)	(306,431)
Total stockholders' equity	32,080,846	30,960,939
Commitments and contingencies		
Total liabilities and stockholders' equiy	$37,150,123	$36,555,464

</TABLE>

See accompanying condensed notes to consolidated financial statements

RIMAGE CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
(Unaudited)

<TABLE>
<CAPTION>

	Three Months Ended March 31,	
	2001	2000
<S>	<C>	<C>
Revenues	$ 10,196,132	$ 13,157,219
Cost of revenues	4,858,784	6,020,498
Gross profit	5,337,348	7,136,721
Operating expenses:		
Research and development	1,273,089	724,899
Selling, general and administrative	2,464,878	2,499,920
Merger	--	541,396
Total operating expenses	3,737,967	3,766,215
Operating income	1,599,381	3,370,506
Other income (expense):		
Interest	330,314	201,892
Loss on currency exchange	(221,423)	(104,910)
Other, net	(13,291)	6,878
Total other income, net	95,600	103,860
Income before income taxes	1,694,981	3,474,366
Income tax expense	644,093	1,320,259
Net income	1,050,888	2,154,107
Net income per basic share	$ 0.12	$ 0.26
Net income per diluted share	$ 0.11	$ 0.22
Basic weighted average shares outstanding	8,698,469	8,158,228
Diluted weighted average shares and assumed conversion shares	9,575,619	9,614,157

</TABLE>

See accompanying condensed notes to the consolidated financial statements

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

<TABLE>
<CAPTION>

	Three months ended March 31,	
	2001	2000
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	$ 1,050,888	$ 2,154,107
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	93,885	180,759
Change in reserve for excess and obsolete inventories	(101)	(102)
Change in allowance for doubtful accounts and sales returns	--	(993)
Loss on sale of property and equipment	22,434	--
Changes in operating assets and liabilities:		
Trade accounts receivable	2,278,152	(2,734,004)
Inventories	(876,306)	(31,364)
Interest receivable	77,371	(860)
Prepaid expenses and other current assets	(528)	6,937
Prepaid income taxes	461,749	- -
Trade accounts payable	(119,101)	341,395
Income taxes payable	--	893,904
Accrued compensation	(450,159)	(147,419)
Accrued other	91,970	99,482
Deferred income and customer deposits	(47,958)	134,977
Net cash provided by operating activities	2,582,296	896,819
Cash flows from investing activities:		
Purchase of property and equipment	(128,945)	(70,221)
Other noncurrent assets	(20,667)	38,379
Net cash used in investing activities	(149,612)	(31,842)
Cash flows from financing activities-		
Proceeds from stock option/warrant exercise	120,592	681,818
Effect of exchange rate changes on cash	(30,907)	(16,281)
Net increase in cash	2,522,369	1,530,514
Cash and cash equivalents, beginning of period	21,023,233	13,539,297
Cash and cash equivalents, end of period	$ 23,545,602	$ 15,069,811
Supplemental disclosures of net cash paid during the period for:		
Income taxes	$ 135,413	$ 240,447

</TABLE>

See accompanying condensed notes to the consolidated financial statements

(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.

(Continued)

(2) ACQUISITION

On March 1, 2000, the Company issued 497,496 shares of its common stock in exchange for all outstanding stock of Cedar Technologies, Inc. ("Cedar"), a manufacturer of CD-R desktop publishing and duplication equipment. The Company also assumed the obligations to issue 224,064 shares of its common stock upon exercise of outstanding options of Cedar and 177,894 shares of its common stock upon exercise of outstanding warrants of Cedar. The business combination was accounted for as a pooling-of-interests combination, and accordingly, the consolidated financial statements for periods prior to the combination have been restated to include the accounts and results of operations of Cedar.

(3) INVENTORIES

Inventories consist of the following as of:

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	March 31,	December 31,

	2001	2000
<S>	<C>	<C>
Finished goods and demonstration equipment	$ 1,692,190	$ 1,239,034
Work-in-process	404,083	323,785
Purchased parts and subassemblies	1,716,253	1,373,300
	$ 3,812,526	$ 2,936,119

</TABLE>

(4) COMPREHENSIVE INCOME

The Company's only item of other comprehensive income relates to foreign currency translation adjustments, and is presented separately on the balance sheet as required. If presented on the statement of operations for the three months ended March 31, 2001 and 2000, comprehensive income would be $51,573 less than reported net income and $22,098 more than reported net income, respectively, due to foreign currency translation adjustments.

(5) NEW ACCOUNTING PRONOUNCEMENTS

Statement of Financial Accounting Standard No. 133 "Accounting for Derivative Instruments and Hedging Activities" as amended establishes new standards for recognizing all derivatives as either assets or liabilities, and measuring those instruments at fair value. The Company adopted SFAS No. 133 as of January 1, 2001. Adoption did not have a material impact on the Company's financial position or results of operations.

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.

<TABLE>
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	Percentage (%) of Revenues Three Months Ended March 31,		Percentage (%) Increase/(Decrease) Between Periods
	2001	2000	2001 vs. 2000
<S>	<C>	<C>	<C>
Revenues	100.0	100.0	(22.5)
Cost of revenues	(47.6)	(45.8)	(19.3)
Gross profit	52.4	54.2	(25.2)
Operating expenses:			
Research and development	(12.5)	(5.5)	75.6
Selling, general and administrative	(24.2)	(19.0)	(1.4)
Merger	--	(4.1)	N/A
Operating income	15.7	25.6	(52.5)
Other income, net	0.9	0.8	(8.0)
Income before income taxes	16.6	26.4	(51.2)
Income tax expense	(6.3)	(10.0)	(51.2)
Net income	10.3	16.4	(51.2)

</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 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.

REVENUES. Revenues decreased 22.5% from $13.2 million during the first quarter of 2000 to $10.2 million during the first quarter of 2001. The decrease in revenues was due to the absence of sales within the music fulfillment industry during the first quarter of 2001. The decrease was also due to the negative impact of the continued strengthening of the U.S. dollar on our European operations.

As of and for the three months ended March 31, 2001, foreign revenues from unaffiliated customers, operating income, and net identifiable assets were $3,282,000, $112,000 and $4,016,000, respectively. As of and for the three months ended March 31, 2000, foreign revenues from unaffiliated customers, operating income, and net identifiable assets were $2,756,000, $94,000 and $2,955,000, respectively. The revenue growth is due to increasing penetration of CD-R products in the European markets.

GROSS PROFIT. Gross profit as a percent of revenues was 52.4% during the first quarter of 2001 compared to 54.2% of revenues during the same period of 2000. The decrease was primarily due to the lower sales volume during the first quarter of 2001 coupled with moderately lower gross profits on the Desktop line of products reflecting the introduction and start-up manufacturing expenses of this new product line.

OPERATING EXPENSES. Operating expenses during the first quarter of 2001 were $3.7 million or 36.7% of revenues compared to $3.8 million or 28.6% of revenues during the same prior year period. The increase in percent was primarily a result of reduced sales volume and higher research and development expenses due to aggressive product development initiatives during the first quarter of 2001. Research and development expense during the first quarter of 2001 was $1.3 million, or 12.5% of revenues, compared to $725,000, or 5.5% of revenues, during the first quarter of 2000. The increase in operating expenses as a percent of revenues was offset by $541,000 of merger expenses incurred during the first quarter of 2000 from the acquisition of Cedar Technologies, Inc.

OTHER INCOME (EXPENSE). The Company recognized net interest income on cash investments of $330,000 during the first quarter of 2001 compared to $202,000 during the first quarter of 2000. Other income was negatively impacted by foreign currency transaction losses during the first quarter of both 2001 and 2000.

INCOME BEFORE INCOME TAXES. Income before income taxes decreased 51.2% to $1.7 million for the first quarter of 2001 from $3.5 million for the same prior year period. This decrease is the result of the absence of CD-R related product sales into the music-on-demand audio segment of the audio market combined with higher than normal research and development expenditures.

INCOME TAXES. The provision for income taxes represents federal, state, and foreign income taxes on income before income taxes. Income tax expense for the first quarter of 2001 and 2000 amounted to $644,000 and $1.3 million, respectively or 38% of income before income taxes.

LIQUIDITY AND CAPITAL RESOURCES

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

Current assets are $36.3 million as of March 31, 2001 as compared to $35.7 million as of December 31, 2000. The allowance for doubtful accounts as a percentage of receivables was 7% and 6% as of March 31, 2001 and December 31, 2000, respectively. This increase is due to lower revenues during the latter part of the first quarter of 2001 compared to revenues during the same period of 2000. Current liabilities decreased approximately 9% to $5.1 million as of March 31, 2001 from $5.6 million as of December 31, 2000, primarily reflecting the payment of bonuses during the first quarter of 2001 that were accrued as of December 31, 2000.

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

Net cash provided by operating activities was $2.6 million and $897,000 for the three months ended March 31, 2001 and 2000, respectively. This increase was primarily the result of timing of collection of trade accounts receivables. Net cash used in investing activities was $150,000 and $32,000 for the three months ended March 31, 2001 and 2000, respectively. Both amounts primarily reflect purchases of capital equipment for manufacturing. At March 31, 2001, the Company had commitments to purchase additional capital equipment totaling approximately $700,000 and $300,000 during calendar years 2001 and 2002, respectively. Net cash provided by financing activities of $121,000 and $682,000 during the three months ended March 31, 2001 and 2000, 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.

NEW EUROPEAN CURRENCY

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

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

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

MARKET RISK DISCLOSURE

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

PART II -- OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable.

Item 2. Changes in Securities

Not Applicable.

Item 3. Defaults Upon Senior Securities

Not Applicable.

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

Not Applicable.

Item 5. Other Information

Not Applicable.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:

Exhibit No. 11.1 Calculation of Income Per Share.

(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 11, 2001 By: /s/ Bernard P. Aldrich

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

Date: May 11, 2001 By: /s/ Robert M. Wolf

Robert M. Wolf
Treasurer
(Principal Accounting Officer)

EXHIBIT 11.1

RIMAGE CORPORATION
COMPUTATION OF NET INCOME PER SHARE OF COMMON STOCK

Basic net income per common share is determined by dividing net income by the weighted average number of shares of common stock outstanding. 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:

	Three months ended March 31,	
	2001	2000
Shares outstanding at end of period	8,724,790	8,259,113
Weighted average shares of common stock outstanding	8,698,469	8,158,228
Weighted average shares of assumed conversion shares	877,150	1,455,929
Weighted average shares of common stock and assumed conversion shares	9,575,619	9,614,157
Net income	$1,050,888	$2,154,107
Basic net income per common share	$ 0.12	$0.26
Diluted net income per common share	$ 0.11	$0.22