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 JUNE 30, 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 August 3, 2001 - 8,734,478 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 JUNE 30, 2001

<TABLE>
<CAPTION>

</TABLE>

RIMAGE CORPORATION AND SUBSIDIARIES
Consolidated Balance Sheets
June 30, 2001 and December 31, 2000
(Unaudited)

<TABLE>
<CAPTION>

<S>	June 30, 2001 <C>	December 31, 2000 <C>
Assets		
Current assets:		
Cash and cash equivalents	$ 25,347,278	$ 21,023,233
Trade accounts receivable, net of allowance for doubtful accounts and sales returns of $476,000 and $539,000, respectively	4,842,772	9,013,207
Inventories	3,964,211	2,936,119
Interest receivable	89,320	202,219
Prepaid expenses and other current assets	200,029	212,566
Prepaid income taxes	1,058,713	1,418,498
Deferred income taxes-current	938,592	938,592
Total current assets	36,440,915	35,744,434
Property and equipment, net	1,818,409	651,569
Deferred income taxes-noncurrent	145,935	145,935
Other noncurrent assets	7,665	13,526
Total assets	$ 38,412,924	$ 36,555,464
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade accounts payable	$ 1,797,537	$ 2,288,789
Accrued compensation	1,112,727	1,446,127
Accrued other	1,281,728	852,652
Deferred income and customer deposits	995,531	1,006,957

Total current liabilities	5,187,523	5,594,525
Long-term liabilities	206,250	--
Total liabilities	$ 5,393,773	$ 5,594,525
Stockholders' equity:		
Common stock, $.01 par value, authorized 30,000,000 shares, issued and outstanding 8,729,228 and 8,653,285, respectively	87,292	86,533
Additional paid-in capital	16,471,690	16,319,613
Retained earnings	16,843,070	14,861,224
Accumulated other comprehensive loss - foreign currency translation adjustment	(382,901)	(306,431)
Total stockholders' equity	33,019,151	30,960,939
Commitments and contingencies		
Total liabilities and stockholders' equity	$ 38,412,924	$ 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 June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Revenues	$ 9,003,983	$13,376,467	$ 19,200,115	$ 26,533,686
Cost of revenues	4,532,842	6,183,767	9,391,626	12,204,265
Gross profit	4,471,141	7,192,700	9,808,489	14,329,421
Operating expenses:				
Research and development	1,076,092	773,722	2,349,181	1,498,621
Selling, general and administrative	2,192,242	2,641,541	4,657,120	5,141,462
Merger	--	--	--	541,396
Total operating expenses	3,268,334	3,415,263	7,006,301	7,181,479
Operating income	1,202,807	3,777,437	2,802,188	7,147,942
Other income (expense):				
Interest, net	293,215	248,148	623,529	450,040

Gain on currency exchange	(52,119)	(22,626)	(273,542)	(127,536)
Other, net	6,903	(2,190)	(6,388)	4,688
Total other income, net	247,999	223,332	343,599	327,192
Income before income taxes	1,450,806	4,000,769	3,145,787	7,475,134
Income taxes	519,848	1,520,292	1,163,941	2,840,551
Net income	$ 930,958	$ 2,480,477	$ 1,981,846	$ 4,634,583
Income per basic share	$ 0.11	$ 0.30	$ 0.23	$ 0.56
Income per diluted share	$ 0.10	$ 0.26	$ 0.21	$ 0.48
Basic weighted average shares outstanding	8,726,495	8,344,059	8,712,559	8,251,124
Diluted weighted average shares and assumed conversion shares	9,545,555	9,665,746	9,561,222	9,640,401

</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,	
	2001	2000
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	$ 1,981,846	$ 4,634,583
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	183,102	378,814
Change in reserve for excess and obsolete inventories	42,874	28,312
Change in reserve for allowance for doubtful accounts	(63,482)	43,787
Loss on sale of property, plant, and equipment	22,434	4,597
Changes in operating assets and liabilities:		
Trade accounts receivable	4,233,917	(1,793,960)
Inventories	(1,070,966)	(624,594)
Interest receivable	112,899	

		1,824
Prepaid income taxes	359,785	--
Prepaid expenses and other current assets	12,537	(23,465)
Trade accounts payable	(491,252)	273,562
Accrued compensation	(333,400)	97,614
Accrued other	(199,924)	92,539
Income taxes payable	--	(193,680)
Deferred income and customer deposits	(11,426)	142,904
Net cash provided by operating activities	4,778,944	3,062,837
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(531,265)	(146,755)
Other noncurrent assets	(35,399)	37,432
Net cash used in investing activities	(566,664)	(109,323)
Cash flows from financing activities-		
Proceeds from stock option and warrant exercises	152,836	1,051,921
Effect of exchange rate changes on cash	(41,071)	(21,655)
Net increase in cash and cash equivalents	4,324,045	3,983,780
Cash and cash equivalents, beginning of period	21,023,233	13,539,297
Cash and cash equivalents, end of period	$ 25,347,278	$ 17,523,077
Supplemental disclosures of net cash paid during the period for:		
Income taxes	$ 709,376	$ 2,606,459

</TABLE>

See accompanying condensed notes to the consolidated financial statements

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

(1) BASIS OF PRESENTATION AND NATURE OF BUSINESS

Rimage Corporation (the Company) develops, manufactures and distributes high performance CD-Recordable (CD-R) and DVD-Recordable (DVD-R) publishing and duplication systems, and continues to support its long-term involvement in diskette duplication and publishing equipment.

The accompanying unaudited consolidated financial statements of the Company have been prepared pursuant to the rules of the Securities and Exchange Commission. These financial statements should be read in conjunction with the more detailed financial statements and notes thereto included in the Company's most recent annual report on Form 10-K.

The Company extends unsecured credit to its customers as well as credit to a limited number of authorized distributor wholesalers, who in turn provide warehousing, distribution, and credit to a network of authorized value added resellers. These distributors and value added resellers sell and service a variety of hardware and software products.

In the opinion of management, the accompanying consolidated financial statements reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the financial position and results of operations and cash flows of the Company for the periods presented. Certain previously reported amounts have been reclassified to conform with the current presentation.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) 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.

(Continued)

(3) INVENTORIES

Inventories consist of the following as of:

<TABLE>
<CAPTION>

	June 30, 2001	December 31, 2000
<S>	<C>	<C>
Finished goods and demonstration equipment	$ 1,738,884	$ 1,239,034
Work-in-process	258,820	323,785
Purchased parts and subassemblies	1,966,507	1,373,300
	$ 3,964,211	$ 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 six months ended June 30, 2001 and 2000, comprehensive income would be $76,470 less than reported net income and $15,777 more than reported net income, respectively, due to foreign currency translation adjustments.

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>

<CAPTION>

	Percent (%) of Revenues Three Months Ended June 30,		Percent (%) Incr/(Decr) Between Periods	Percent (%) of Revenues Six Months Ended June 30,		Percent (%) Incr/(Decr) Between Periods
	2001	2000	2001 vs. 2000	2001	2000	2001 vs. 2000
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Revenues	100.0	100.0	(32.7)	100.0	100.0	(27.6)
Cost of revenues	(50.3)	(46.2)	(26.7)	(48.9)	(46.0)	(23.0)
Gross profit	49.7	53.8	(37.8)	51.1	54.0	(31.5)
Operating expenses:						
Research and development	(12.0)	(5.8)	39.1	(12.2)	(5.7)	56.8
Selling, general and admin	(24.3)	(19.8)	(17.0)	(24.3)	(19.4)	(9.4)
Merger	--	--	N/A	--	(2.0)	N/A
Operating income	13.4	28.2	(68.2)	14.6	26.9	(60.8)
Other income, net	2.7	1.7	11.0	1.8	1.2	5.0
Income before income taxes	16.1	29.9	(63.7)	16.4	28.1	(57.9)
Income tax expense	(5.8)	(11.4)	(65.8)	(6.1)	(10.7)	(59.0)
Net income	10.3	18.5	(62.5)	10.3	17.4	(57.2)

</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.

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

REVENUES. Revenues decreased 32.7% to $9.0 million and 27.6% to $19.2 million for the three- and six-month periods ended June 30, 2001, respectively, from $13.4 million and $26.5 million for the same prior-year periods. The decrease in revenues was primarily due to the absence of sales within the music fulfillment industry during the three- and six-month periods ended June 30, 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 six months ended June 30, 2001, foreign revenues from unaffiliated customers, operating income, and net identifiable assets were $6,290,000, $359,000 and $3,360,000, respectively. As of and for the six months ended June 30, 2000, foreign revenues from unaffiliated customers, operating earnings, and net identifiable assets were $6,188,000, $210,000 and $3,242,000, respectively. The growth is due to increasing penetration in the European markets of sales of CD-R products.

GROSS PROFIT. Gross profit as a percent of revenues was 49.7% and 51.1% for the three- and six- month periods ended June 30, 2001, respectively, compared to 53.8% and 54.0% for the same prior-year periods. The decrease was primarily due to the lower sales volume during the three- and six-month periods ended June 30, 2001 partially offset by cost control measures taken in our manufacturing process.

OPERATING EXPENSES. Operating expenses during the three- and six-month periods ended June 30, 2001 were $3.3 million or 36.3% of revenues and $7.0 million or 36.5% of revenues, respectively compared to $3.4 million or 25.6% of revenues and $7.2 million or 27.1% of revenues during the same prior year periods. The increases in percent were primarily a result of reduced sales volumes and higher research and development expenses due to aggressive product development initiatives during the three- and six-month periods ended June 30, 2001. Research and development expense during the three- and six-month periods ended June 30, 2001 were $1.1 million or 12.0% of revenues and $2.3 million or 12.2% of revenues, respectively compared to $774,000 or 5.8% of revenues and $1.5 million or 5.7% of revenues during the same periods of 2000. The increase in operating expenses as a percent of revenues was offset by $240,000 of gain recognized due to the termination of operating leases during the second quarter of 2001 and 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 from continuing operations of $293,000 and $624,000 during the three- and six-month periods ended June 30, 2001 compared to $248,000 and $450,000 during the same prior year periods. Other income was negatively impacted by foreign currency transaction losses during the three- and six-month periods ended June 30, 2001 and 2000.

INCOME BEFORE INCOME TAXES. Income before income taxes during the three- and six-month periods ended June 30, 2001 were $1.5 million or 16.1% of revenues and $3.1 million or 16.4% of revenues, respectively compared to $4.0 million or 29.9% of revenues and $7.5 million or 28.1% of revenues during the same prior year periods. These decreases are 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 earnings before income taxes. Income tax expense for the three- and six-month periods ended June 30, 2001 amounted to $520,000 or 35.8% and $1.2 million or 37% of income before income taxes, respectively. The Company anticipates an effective tax rate of 37% for the remainder of 2001. Income tax expense for the three- and six-month periods ended June 30, 2000 amounted to $1.5 million and $2.8 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 $36.4 million as of June 30, 2001 compared to $35.7 million as of December 31, 2000. The allowance for doubtful accounts as a percentage of receivables was 9% and 6% as of June 30, 2001 and December 31, 2000, respectively. This increase is due to the Company maintaining a conservative outlook in light of the current slowing economy. Current liabilities are $5.2 million as of June 30, 2001 compared to $5.6 million as of December 31, 2000. This decrease primarily reflects reduced activity with our vendors as a result of lower sales during the first half of 2001 offset by accruals for future tooling payments.

Net cash provided by operating activities was $4.8 million and $3.1 million for the six months ended June 30, 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 $567,000 and $109,000 for the six months ended June 30, 2001 and 2000, respectively. Both amounts primarily reflect purchases of capital equipment for manufacturing. At June 30, 2001, the Company had commitments to purchase additional capital equipment totaling approximately $600,000 and $200,000 during calendar years 2001 and 2002, respectively. Net cash provided by financing activities of $153,000 and $1.1 million during the six months ended June 30, 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 ACCOUNTING PRONOUNCEMENTS

In July 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141 "Business Combinations," and SFAS No. 142 "Goodwill and Other Intangible Assets," which change the accounting for business combinations and goodwill. SFAS No. 141 requires that the purchase method of accounting be used for business combinations initiated after June 30, 2001. Use of the pooling-of-interests method will be prohibited. SFAS No. 142 changes the accounting for goodwill from an amortization method to an impairment-only approach. The Company is currently evaluating SFAS No. 141 and SFAS No. 142, but does not expect that they will have a material impact on the Company's financial position or results of operations.

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

The Company's Annual Meeting of Stockholders' was held on May 23, 2001. The following members were elected to the Company's Board of Directors to hold office for the ensuing year:

<TABLE>
<CAPTION>

Nominee	In Favor	Withheld
<S>	<C>	<C>
Bernard Aldrich	6,441,992	1,342,010
Ronald Fletcher	7,447,572	336,360

Thomas Madison	7,391,291	392,641
Richard McNamara	7,438,947	344,985
Steven Quist	7,443,947	339,985
James Reissner	7,438,947	344,985
David Suden	7,452,460	331,472

</TABLE>

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

(a) Approval of the amendment of the Restated Articles of Incorporation of Rimage to increase the number of authorized shares of common stock from 10,000,000 shares to 30,000,000 shares. The votes of the stockholders on this ratification were as follows:

<TABLE>
<CAPTION>

In Favor	Opposed	Abstained	Broker Non-Vote
<S>	<C>	<C>	<C>
7,087,433	674,388	22,111	-0-

</TABLE>

(b) Amendment of the Rimage 1992 Stock Option Plan to increase the number of shares reserved for issuance thereunder by 170,000 shares. The votes of the stockholders on this ratification were as follows:

<TABLE>
<CAPTION>

In Favor	Opposed	Abstained	Broker Non-Vote
<S>	<C>	<C>	<C>
4,241,926	549,492	9,271	2,983,243

</TABLE>

(c) Adoption of the Rimage 2001 Employee Stock Purchase Plan. The votes of the stockholders on this ratification were as follows:

<TABLE>
<CAPTION>

In Favor	Opposed	Abstained	Broker Non-Vote
<S>	<C>	<C>	<C>
4,648,708	140,960	11,021	2,983,243

</TABLE>

(d) Adoption of the Rimage 2001 Stock Option Plan for Non-Employee Directors. The votes of the stockholders on this ratification were as follows:

<TABLE>
<CAPTION>

In Favor	Opposed	Abstained	Broker Non-Vote
<S>	<C>	<C>	<C>
4,266,489	524,123	10,077	2,983,243

</TABLE>

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.

(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 6, 2001

By: /s/ Bernard P. Aldrich

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

Date: August 6, 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 June 30,		Six months ended June 30,	
	2001	2000	2001	2000
Shares outstanding at end of period	8,729,228	8,404,545	8,729,228	8,404,545
Weighted average shares of common stock outstanding	8,726,495	8,344,059	8,712,559	8,251,124
Weighted average shares of assumed conversion shares	819,060	1,321,687	848,663	1,389,277
Weighted average shares of common stock and assumed conversion shares	9,545,555	9,665,746	9,561,222	9,640,401
Net income	$ 930,958	$2,480,477	$1,981,846	$4,634,583
Basic net income per common share	$0.11	$0.30	$0.23	$0.56
Diluted net income per common share	$0.10	$0.26	$0.21	$0.48