

COMMON STOCK

The Chromaline Corporation common stock is traded on the Nasdaq SmallCap market under the symbol CMLH. A market in The Chromaline Corporation common stock is maintained by:

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TRANSFER AGENT

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Shareholders with questions on stock holdings, transfer requirements and address changes contact Wells Fargo Bank at 651-450-4053 or 651-450-4188.

The Chromaline Corporation
4832 Grand Avenue • Duluth, MN 55807



2001

FIRST QUARTER REPORT

THE CHROMALINE CORPORATION

April 24, 2001

To Our Stockholders,

The first quarter of 2001 marked Chromaline's return to healthy growth. Sales of \$2,858,012 set a first quarter record, posting an 18% increase over the same quarter of 2000. Profits were \$88,402 or \$0.07 per basic and diluted share compared to \$0.04 per basic and diluted share for the first quarter of 2000. The 2000 earnings were affected by a severance expense related to the departure of the former CEO.

Sales were robust across most markets and regions. Europe was particularly strong, as we have been very successful in picking up the pieces after the bankruptcy of our European master distributor in October 2000. The Nichols Chemical line, which we acquired in June 2000, and the distribution agreement with Slee Corporation for its glass and crystal products, which began in February of this year, have both added new revenues to the company. Although these products carry lower margins than most of our products, we expect them to represent about one million dollars in new sales with modest corresponding increases in manpower.

As earlier communicated, in January we settled our long running suit with the Aicello Corporation concerning patent rights to some of our PhotoBrasive films. This has allowed us to reintroduce products we had withdrawn from the market because of the suit. The reintroduction began in February and we are making good progress. We expect to introduce improved products in the second quarter and anticipate a positive impact for the year.

In February we entered into an agreement with Apprise Technologies for the distribution of an integrating radiometer developed by Apprise. This hand-held device measures the intensity and dosage of ultraviolet light, which is essential to the proper exposure and development of our photochemical products. The radiometer is designed to incorporate the features needed by our customers at a competitive price, allowing more people to be technically proficient in using our products. We expect to introduce the radiometer to the market in July.

We are in the process of growing by adding complementary product lines, expanding our technologies and improving our marketing capabilities. Although we may be affected by the turbulent national and world economies, I am optimistic that we are setting the stage to achieve new levels of growth and profits.

For the Board of Directors,



William C. Ulland
Chairman, President & CEO

This letter contains statements regarding future sales, potential acquisitions that involve risks and uncertainties. The company's actual results could differ materially as a result of domestic and global economic conditions, competitive market conditions, acceptance of new products, the ability to identify and make suitable acquisitions, as well as the factors described in the company's Form 10-KSB on file with the SEC.

THE CHROMALINE CORPORATION

Statements of Earnings

For the Three Month Periods Ending March 31, 2001 and 2000

	Three Months Ending	
	3/31/01	3/31/00
Sales	\$ 2,858,012	\$ 2,414,817
Costs, expenses, and other income	<u>2,723,110</u>	<u>2,333,083</u>
Income before income taxes	\$ 134,902	\$ 81,734
Federal and state income taxes	<u>46,500</u>	<u>31,100</u>
Net income	<u>\$ 88,402</u>	<u>\$ 50,634</u>
Earnings per share - diluted	<u>\$.07</u>	<u>\$.04</u>
Average shares outstanding - diluted	1,275,487	1,305,492

Balance Sheets

as of March 31, 2001 and December 31, 2000

	3/31/01	12/31/00
Assets		
Current Assets	\$ 4,525,352	\$ 4,319,167
Property, Equipment & Patents	1,399,422	1,494,034
Investment	112,500	112,500
Other Intangible	302,573	307,880
Deferred Taxes	<u>105,000</u>	<u>105,000</u>
	<u>\$ 6,444,847</u>	<u>\$ 6,338,581</u>
Liabilities and Equity		
Current Liabilities	\$ 560,175	\$ 552,644
Long Term Debt	0	0
Stockholders' Equity	<u>5,884,672</u>	<u>5,785,937</u>
	<u>\$ 6,444,847</u>	<u>\$ 6,338,581</u>

Summary of Quarterly Statements

(Thousands of Dollars)

Quarter Ended	2001			2000			1999		
	Sales	Net Income	Earnings Per Share	Sales	Net Income	Earnings Per Share	Sales	Net Income	Earnings Per Share
March 31	\$ 2,858	\$ 88	\$.07	\$ 2,414	\$ 50	\$.04	\$ 2,351	\$ 143	\$.11
June 30				2,861	248	.19	2,678	258	.20
September 30				2,501	22	.02	2,574	193	.15
December 31				2,591	(65)	(.05)	2,779	210	.16
	<u>\$ 2,858</u>	<u>\$ 88</u>	<u>\$.07</u>	<u>\$10,367</u>	<u>\$ 255</u>	<u>\$.20</u>	<u>\$10,382</u>	<u>\$ 804</u>	<u>\$.62</u>

Unaudited interim financial information

Sales restated to reflect EITF 00-10 ruling on freight cost recognition.