

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:

Miller Johnson Steichen Kinnard

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Minneapolis, MN 55402
612/370-2700 1-800-444-7884

Monroe Securities

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Rochester, NY 14614
716/546-5560 1-800-566-5560

Howe Barnes Investments

135 So. LaSalle Ave.
Chicago, IL 60603
1-800-275-4693

TRANSFER AGENT

Wells Fargo Bank, N.A.

161 North Concord Exchange
PO Box 64854
St. Paul, MN 55164-0854
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Shareholders with questions on stock holdings, transfer requirements and address changes contact Wells Fargo Bank at 651-450-4058.

The Chromaline Corporation
4832 Grand Avenue • Duluth, MN 55807

THE CHROMALINE CORPORATION



THIRD QUARTER REPORT



October 30, 2002

To Our Stockholders,

Sales for the third quarter were \$2,970,798, an 18% increase over the same quarter of 2002 and a record for the period. Earnings were \$85,812 or \$0.07 per basic and diluted share compared to a loss of \$0.06 per basic and diluted share for the comparable period.

For the nine months of the year, sales are \$8,917,425, 10.5% above last year and earnings per basic and diluted share are \$0.19 compared to a loss of \$0.01 for the period in 2001.

Third quarter sales followed the pattern of the second quarter with advances in most product lines and geographical areas. Margins held steady.

We are introducing two new inkjet printable films for various graphic arts applications. AccuBlack™ and AccuMark™ will join AccuArt™ in the AccuFilm family of inkjet substrates. During the past year, AccuArt has established itself as the leadership product, particularly for color inkjet printing. AccuBlack is specifically formulated for printing high quality photopositives and negatives. AccuMark will fill the need for a less demanding and more economical film. These films complement our existing product line and we anticipate strong sales.

Barring an economic downturn, we anticipate the favorable trends that began in the second quarter will continue through 2003. This growth will be driven by new products and by bringing our technology to new markets. We also intend to keep a tight rein on costs.

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 Operations

For the Three and Nine Month Periods Ending September 30, 2002 and 2001

	Three Months Ending		Nine Months Ending	
	9/30/02	9/30/01	9/30/02	9/30/01
Sales	\$ 2,970,798	\$ 2,519,461	\$ 8,917,425	\$ 8,068,707
Costs, expenses, and other income	<u>2,844,372</u>	<u>2,631,224</u>	<u>8,553,636</u>	<u>8,092,658</u>
Income (loss) before income taxes	\$ 126,426	\$ (111,763)	\$ 363,789	\$ (23,951)
Federal and state income tax expense (benefit)	<u>40,614</u>	<u>(37,700)</u>	<u>123,689</u>	<u>(9,100)</u>
Net income (loss)	<u>\$ 85,812</u>	<u>\$ (74,063)</u>	<u>\$ 240,100</u>	<u>\$ (14,851)</u>
Earnings (loss) per common share - diluted	<u>\$.07</u>	<u>\$ (.06)</u>	<u>\$.19</u>	<u>\$ (.01)</u>
Average shares outstanding - diluted	1,248,963	1,271,627	1,253,390	1,271,627

Balance Sheets

as of September 30, 2002 and December 31, 2001

	9/30/02	12/31/01
Assets		
Current Assets	\$ 4,602,481	\$ 4,178,693
Property, Equipment & Patents	1,307,915	1,379,249
Investment	187,500	187,500
Other Intangible	85,000	90,000
Deferred Taxes	<u>213,000</u>	<u>213,000</u>
	<u>\$ 6,395,896</u>	<u>\$ 6,048,442</u>
Liabilities and Equity		
Current Liabilities	\$ 647,217	\$ 468,402
Long Term Debt	0	0
Stockholders' Equity	<u>5,748,679</u>	<u>5,580,040</u>
	<u>\$ 6,395,896</u>	<u>\$ 6,048,442</u>

Summary of Quarterly Statements

(Thousands of Dollars)

Quarter Ended	2002			2001			2000		
	Sales	Net Income	Earnings (Loss) Per Share	Sales	Net Income (Loss)	Earnings (Loss) Per Share	Sales	Net Income (Loss)	Earnings (Loss) Per Share
March 31	\$ 2,782	\$ 23	\$.02	\$ 2,858	\$ 88	\$.07	\$ 2,414	\$ 50	\$.04
June 30	3,164	131	.11	2,691	(29)	(.02)	2,861	248	.19
September 30	2,971	86	.07	2,520	(74)	(.06)	2,501	22	.02
December 31				2,683	(191)	(.15)	2,591	(65)	(.05)
	<u>\$ 8,917</u>	<u>\$ 240</u>	<u>\$.19</u>	<u>\$10,752</u>	<u>\$(206)</u>	<u>\$(.16)</u>	<u>\$10,367</u>	<u>\$ 255</u>	<u>\$.20</u>

Unaudited interim financial information
(Some columns may not add due to rounding.)