

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

THE CHROMALINE CORPORATION



FIRST QUARTER REPORT



April 25, 2002

To Our Stockholders,

The first quarter of 2002 saw a rebound in sales and a return to profitability from the past three quarters. These results reflect an improvement in the domestic screen printing industry, increased sales to Asia and continued growth of our abrasive etching products. Compared to the first quarter of 2001 sales were down 3% to \$2,782,372. Profits fell from \$88,402 or \$0.07 per share in the first quarter of 2001 to \$23,407 or \$0.02 per share for the same period of 2002.

I anticipate that the positive trends will continue through out the year. In addition to a recovery in the economy, we are seeing strength in our domestic sales of inkjet media and have recently become a dealer for Mimaki large format inkjet printers, which will allow us to sell inkjet printing systems. India and China continue to be growing markets for screen printing and are accounting for an increasing percentage of our screen print product sales. Our abrasive etching products showed exceptional growth and improving margins in the period and I expect both of these trends to continue.

Our quest to expand our sales into new markets and products continues. An example of this is our AccuArt inkjet media, a new product that we introduced through our strong distribution network. We are currently developing other inkjet products that will feed into our existing sales structure; and we are working on unique products based on our technologies that are targeted at entirely new customers.

With our combination of efficient manufacturing, professional sales and marketing, and robust product development we are evolving with, and in many cases leading our current markets. We have excellent opportunities to be an important factor in new markets.

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, 2002 and 2001

	Three Months Ending	
	3/31/02	3/31/01
Sales	\$ 2,782,372	\$ 2,858,012
Costs, expenses, and other income	<u>2,745,221</u>	<u>2,723,110</u>
Income before income taxes	\$ 37,151	\$ 134,902
Federal and state income tax expense	<u>14,104</u>	<u>46,500</u>
Net income	<u>\$ 23,047</u>	<u>\$ 88,402</u>
Earnings per common share - diluted	<u>\$.02</u>	<u>\$.07</u>
Average shares outstanding - diluted	1,263,916	1,275,487

Balance Sheets

as of March 31, 2002 and December 31, 2001

	3/31/02	12/31/01
Assets		
Current Assets	\$ 4,187,200	\$ 4,178,693
Property, Equipment & Patents	1,356,810	1,379,249
Investment	187,500	187,500
Other Intangible	88,333	90,000
Deferred Taxes	<u>213,000</u>	<u>213,000</u>
	<u>\$ 6,032,843</u>	<u>\$ 6,048,442</u>
Liabilities and Equity		
Current Liabilities	\$ 503,619	\$ 468,402
Long Term Debt	0	0
Stockholders' Equity	<u>5,529,224</u>	<u>5,580,040</u>
	<u>\$ 6,032,843</u>	<u>\$ 6,048,442</u>

Summary of Quarterly Statements

(Thousands of Dollars)

Quarter Ended	2002			2001			2000		
	Sales	Net Income	Earnings Per Share	Sales	Net Income (Loss)	Earnings Per Share	Sales	Net Income (Loss)	Earnings Per Share
March 31	\$ 2,782	\$ 23	\$.02	\$ 2,858	\$ 88)	\$.07)	\$ 2,414	\$ 50)	\$.04)
June 30				2,691	(29)	(.02)	2,861	248)	.19)
September 30				2,520	(74)	(.06)	2,501	22)	.02)
December 31				2,683	(191)	(.15)	2,591	(65)	(.05)
	<u>\$ 2,782</u>	<u>\$ 23</u>	<u>\$.02</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

Sales in 2000 restated to reflect EITF 00-10 ruling on freight cost recognition.