

Expanding Opportunities



To Our Shareholders:

ChromaVision today is a company amidst significant and positive change. The core technology of the company is better positioned than ever to revolutionize the diagnosis and treatment of cancer. In turn, the Company's mission, mandate and market opportunities have expanded greatly in recent months.

During 2003, the Company continued to increase the market leading position that the ACIS® holds in the cancer diagnostic market. At year-end, an estimated 30 percent of new breast cancer cases were analyzed using our technology, a clear indication that ACIS adoption continues to strengthen in the clinical laboratory markets. This increase fueled revenue growth of 28 percent for the year and a 43 percent decrease in net loss for the Company. Those results are especially gratifying, considering that the company faced an uncertain and difficult reimbursement environment throughout the second half of the year. Fortunately, those reimbursement issues have stabilized at more favorable levels than the interim rates seen in 2003. While we are very pleased with the progress made and the results generated last year, it is looking ahead that generates the most enthusiasm in the management team.

Since the close of 2003, the Company has launched two principal business initiatives that will have a significant impact on the coming year and the future of the organization. We announced (in February of 2004) the expansion of our in-house capabilities, infrastructure and personnel to directly serve several new commercial markets – including those related to biopharmaceutical development and advanced cancer diagnostic laboratory services. Together, the potential within these new markets exceeds several billion dollars. The integration of laboratory services with our technology platform gives ChromaVision access to additional revenue streams and will create numerous opportunities to link our diagnostic technology with future blockbuster drugs that are in today's development pipeline. Following the announcement of these new market opportunities and our strategies to address them, the investment community validated our actions as we successfully raised \$26M through an equity placement with a number of leading institutional investors.

By the time this letter reaches you, our in-house laboratory will, for the first time, be performing the technical services that enable our ACCESS customers to perform ACIS image analysis. ACCESS is a program launched in 2001 to enable smaller laboratories to benefit from ACIS-assisted diagnostics without acquiring a full ACIS system. The program, which has grown to approximately 100 customers in less than three years, had historically relied on third party reference labs to perform these services and provide the images to those customers. In light of the program's success, a new reimbursement landscape and the opportunity to capture a significant revenue stream, management made the decision to bring those services in-house. We expect these services to be positively impacting revenues by year-end.

In another strategic move, ChromaVision has begun to provide commercial services and aggressively promote system sales to the biopharmaceutical industry and other research organizations. It is expected that many of the 1,700 oncology drugs in various stages of development will result in new drug therapies for cancer over the next 5 years. The fastest growing segment of these new drugs will be those that target patients with tumor cells that exhibit certain genetic or behavioral characteristics. Using traditional manual diagnostic methods, it is often difficult to determine the patients that are most likely to benefit from the drugs. The objective and quantitative results provided by ACIS are perfectly suited to improve the identification of patients that may respond favorably to these new "targeted therapies".

For this reason, drug manufacturers in growing numbers – as well as academic and other research institutions – are using our technology to assist with the development of and assessment of new drug programs. As of early 2004, we are equipped to take commercial advantage of this trend, providing these firms with an excellent slate of services and the opportunity to purchase the ACIS for their research projects. Perhaps most compelling of all, is the potential for new drugs to reach the market with regulatory labeling that includes the required use of automated imaging as the means to perform a companion diagnostic test, developed specifically for that targeted therapy. We expect that both the service offering and the sales of the ACIS to research organizations will provide a positive impact on 2004 revenue levels.

On behalf of the entire management team at ChromaVision, I would like to thank you for your ongoing support of our goals and our technology. As I write this letter, ChromaVision is better capitalized and better positioned to reap more rewards than it has been in any prior year. Taking advantage of these expanding opportunities will take investment, discipline and efficient execution by management. We look forward to the challenge and to continued partnership with our fellow shareholders throughout 2004 and beyond.

Sincerely,



Michael Cola

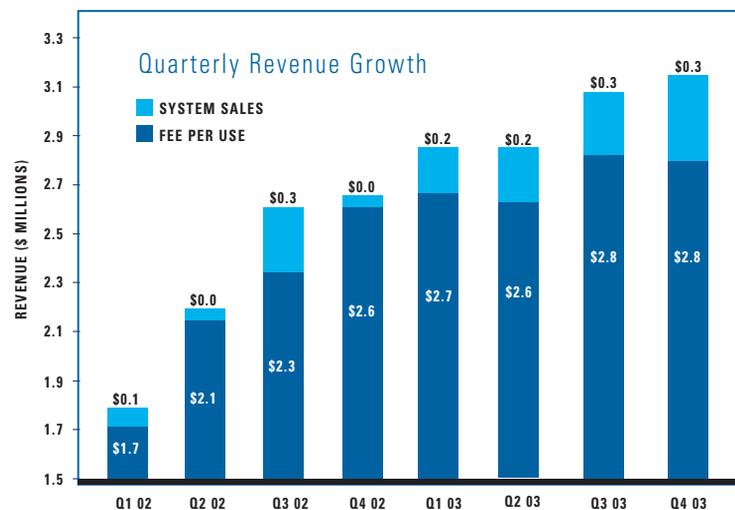


Stephen Dixon



"The ACIS® image analysis system has been an invaluable addition to both the clinical and research programs at KU. It helps us to standardize the scoring and reporting of several important laboratory tests and allows us to provide our clinicians with the accurate and objective information they need in order to make critical treatment decisions for their patients."

Ossama Tawfik, M.D., Ph.D.,
Director of Anatomic Pathology, University of Kansas Medical Center



Market Information

The Common Stock of ChromaVision Medical Systems, Inc. is traded on the Nasdaq National Market under the symbol CVSN.

As of April 12, 2004 the Company had outstanding 45,123,709 shares of common stock held by approximately 467 shareholders including beneficial owners of the common stock whose shares are held in the names of various dealers, clearing agencies, banks, brokers and other fiduciaries.

The last price reported for the Company's common stock on April 12, 2004 was \$2.20 per share. The Company has not paid cash dividends and does not anticipate paying cash dividends in the foreseeable future. The Company expects to utilize future earnings to finance future growth.

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