



TAGLICH BROTHERS

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Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

CTI Industries Corp.

Rating: Neutral

Luis Martins

CTIB \$4.64 (NASDAQ)

May 7, 2008

	FY2004A	FY2005A	FY2006A	FY2007A	FY2008E
Revenues (Thousands)	\$37,193	\$29,190	\$35,428	\$36,510	\$37,651
EPS (fully diluted)	\$(1.28)	\$(0.17)	\$0.36*	\$0.03	\$0.10

52-Week Range	\$7.88 – 2.76	Fiscal Year Ends	December
Shares Outstanding	2.7 million	Revenues/Share (TTM)	\$14.10
Approximate Float	1.6 million	Price/Sales (TTM)	0.3X
Market Capitalization	\$13 million	Price/Sales (2008)E	0.3X
Tangible Book Value/Share	\$2.18	Price/Earnings (TTM)	154.7X
Price/Tangible book	2.1X	Price/Earnings (2008)E	46.4X

*Adjusted for one-time items

CTI Industries Corp. is an international manufacturer and marketer of mylar and latex balloons, and specialty, laminated, printed films, and pouches used for commercial and industrial applications, as well as consumer use. The Company's products are sold domestically and in several foreign countries.

Key Investment Considerations:

We are maintaining our Neutral rating on shares of CTI Industries (NASDAQ: CTIB), pending the Company's ability to demonstrate consistent bottom line performance and turn its new product lines into a significant revenue and profit center. Already, the Company has generated some level of revenues from these lines and entered into significant agreements, which could signal that the Company could benefit substantially in the future. We will monitor business developments and financial trends and make the appropriate adjustments to our model.

On February 1, 2008, CTIB entered into a supply and license agreement with S.C. Johnson & Son, Inc. to manufacture and sell to SC Johnson certain home food management products to be sold under the SC Johnson ZipLoc® brand.

On April 10, 2008, CTIB entered into an agreement with Babe Winkelman Productions, Inc. (BWP). The agreement calls for BWP to provide marketing and advertising services to CTIB in connection with its ZipVac™ Portable Food Storage System.

The Company reported 4Q2007 net revenues of \$10.3 million and net income of \$0.125 million or \$0.05 per share. In the year ago period, CTIB reported revenues of \$9.7 million and net income of \$1.2 million or \$0.49 per share.

We are fine tuning our estimates for fiscal 2008 primarily due to recent results (revenues, margins, product mix, and profits). Our revised full year estimates call for 2008 revenues of \$37.7 million and net income \$0.288 million or \$0.10 per share. Our prior estimates for 2008 called for revenues of \$37.9 million, and net income \$0.264 million or \$0.10 per share. We are projecting that the Company will report EBITDA of \$3.2 million in 2008, as compared to \$2.7 million in fiscal 2007. This would translate into almost 13% year over year growth.

* Please view our disclaimer located on page 10.

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Company Overview

CTI Industries Corporation (NASDAQ: CTIB), through its facilities in Illinois, Mexico, and the United Kingdom, is primarily engaged in the development, manufacture, sale, and distribution of:

- Novelty products, principally balloons (including mylar balloons and latex balloons), punch balls and other inflatable toy items.

CTIB manufactures metalized balloons with over 650 balloon designs, in different shapes and sizes, containing varying printed designs or messages. CTIB is the second largest manufacturer of metalized balloons in the United States.

The Company manufactures and sells a line of latex balloons under the Partyloons product line name in 6 shapes and sizes and 42 colors.

The Company's novelty products are sold and distributed directly and through a network of distributors and wholesalers located throughout the United States and in several foreign countries. The end users of CTIB's balloons and toys purchase them in retail outlets such as general merchandise chains, drugstore chains, grocery chains, card and gift shops, and party goods stores, as well as through florists and balloon decorators.

- Specialty and printed films primarily for food packaging, specialized consumer uses, and various commercial applications.

In this product line, CTIB is involved in the production and selling of films utilized for the packaging of various products, principally food products such as cola syrup, coffee, and juices. The Company also laminates, extrusion coats, and prints films and sells them to various customers who utilize the films for packaging applications.

- Pouches used for commercial and industrial applications, as well as consumer use including:
 - valved, resealable pouches for storage of household items;
 - vacuum sealable bags for food storage;
 - resealable, valved bags for storage and vacuum sealing of household food items; and
 - "dunnage" bags (inflatable pouches used to cushion products in packages).

Strategy

The Company's operating strategies to grow its business calls for the following:

- Focus on its core assets and expertise;
- Develop operating efficiencies to enhance profitability;
- Develop new products, product improvements and technologies; and
- Develop new channels of distribution and new sales relationships.

Recent Developments

On February 1, 2008, the Company entered into a supply and license agreement with S.C. Johnson & Son, Inc. The agreement calls for CTIB to manufacture and sell to SC Johnson certain home food management products to be sold under the SC Johnson ZipLoc® brand. The agreement is for a term expiring on June 30, 2011 and provides for two renewal terms of two years each at the option of SC Johnson. Investors should be aware that SC Johnson is not committed to purchase any specific quantities of the products.

SC Johnson, headquartered in Racine, Wisconsin with 12,000 global employees in more than 70 countries around the world, is a family company that has been creating innovative cleaning products such as Windex, Ziploc, Pledge, Glade, and Edge for over 100 years.

On April 10, 2008, CTIB entered into an agreement with Babe Winkelman Productions, Inc. (BWP). The agreement calls for BWP to provide marketing and advertising services to CTIB in connection with its ZipVac™ Portable Food Storage System. BWP will produce commercials featuring the ZipVac™ product which are to be aired at the time of Babe Winkelman syndicated programs, will produce a Kris' Kitchen segment of the Winkelman shows which will feature uses of the ZipVac™ product and will provide other advertising and marketing services. As per the agreement, CTIB will pay a royalty of 3% of sales of the ZipVac product for the license and agreed to issue to Winkelman Productions 50,000 common shares, to be earned over a two-year period.

Babe Winkelman is a fixture in outdoor television for a number of years and is the host of two nationally syndicated programs: "Good Fishing" and "Outdoor Secrets." Every episode of Babe's shows features a cooking segment hosted by Babe's wife Kris Winkelman, who has published cookbooks and writes syndicated recipe columns.

Recent Results

On March 31, 2008, CTI Industries reported fourth quarter and fiscal year results.

The Company reported 4Q2007 net revenues of \$10.3 million and net income of \$0.125 million or \$0.05 per share. In the year ago period, CTIB reported revenues of \$9.7 million and net income of \$1.2 million or \$0.49 per share. In comparison, Taglich Brothers' estimates called for 4Q07 revenues of \$10.4 million and net income of \$0.084 million or \$0.03 per share. Of note, on a pretax basis, the Company report income of \$0.206 million versus income of \$0.319 million in the year ago period. 4Q07 income tax expense was \$0.082 million, as compared to an income tax benefit of \$0.833 million.

The Company reported 2007 net revenues of \$36.5 million and net income of \$0.082 million or \$0.03 per share. In the year ago period, CTIB reported revenues of \$35.4 million and net income of \$1.9 million or \$0.85 per share.

The increase in fiscal revenues was primarily attributed to higher sales of pouches and latex balloons. The increase in pouch sales was due to:

- Higher pouch sales to its principal pouch customer, ITW Space Bag, from \$2.526 million in 2006 to \$3.771 million in 2007; and
- The introduction of the ZipVac™ line of products, which contributed \$0.465 million to sales in 2007.

The increase in the sales of latex balloons was primarily due to its Mexican subsidiary, Flexo Universal.

On an operating basis, CTIB reported income of \$1.2 million, as compared to income of \$2.3 million in the year ago period. EBITDA decreased to \$2.7 million from \$3.8 million.

The Company also reported that as compared to the year ago period:

- Gross margin decreased to 23.8%, resulting in gross profits of \$8.7 million, as compared to gross margin of 25.1% and gross profits of \$8.9 million in the year ago period. Gross margin was adversely impacted by a change in product mix, higher raw materials costs, increased labor rates, and production cost related to the set-up, testing and initial production of pouch production lines. According to the Company, the principal raw materials used in manufacturing of products include:
 - petroleum or natural gas-based films,
 - petroleum or natural gas-based resin,
 - latex, and
 - printing inks.

The cost of these raw materials represented 41.2% of net revenues in 2007.

- Operating expenses increased to \$7.4 million, as compared to \$6.6 million primarily due to higher G&A expenses. Operating margins decreased to -3.3% from 5.4%.
- Interest expense decreased to \$1.3 million from \$1.7 million stemming from lower borrowing costs; and
- Miscellaneous items in the quarter resulted in other income of \$0.2 million, as compared to \$0.5 million in the year ago period.
- Income tax expense of \$0.051 million, as compared to an income tax benefit of \$0.774 million. Of note, on a pretax basis, the Company report income of \$0.132 million versus income of \$1.1 million in the year ago period.

Balance Sheet

At December 31, 2007, CTIB had cash of \$0.483 million, working capital of \$1.3 million, long-term liabilities of \$6.2 million, and stockholders' equity of \$6.6 million. At December 31, 2006, CTIB had cash of \$0.385 million, working capital of \$1.8 million, long-term liabilities of \$6.9 million, and stockholders' equity of \$5.1 million.

As of December 31, 2007, the outstanding balance on its revolving line of credit was \$6.8 million at an interest rate of prime rate + 0.75%. The Company was not in compliance with its loan covenants but it received a waiver from its lender. On November 13, 2007, CTIB and its lender (RBC Citizen) had agreed to increase the maximum available under its facility to \$9 million from \$7 million, authorize a capital lease line of \$1.5 million, and relaxed some of the pre-existing loan covenants. The agreement also mandated that two of the Company's officers each personally guarantee \$2 million of the facility.

Management believes that the Company will have sufficient resources to enable the Company to meet its obligations during the next 12-months.

Projections

We are fine tuning our estimates for fiscal 2008, primarily due to recent results (revenues, margins, product mix, and profits). Over the past few quarters, CTIB's results have shown tremendous volatility.

Our revised full year estimates call for 2008 revenues of \$37.7 million and net income \$0.288 million or \$0.10 per share. Our prior estimates for 2008 called for revenues of \$37.9 million, and net income \$0.264 million or \$0.10 per share.

We are projecting that the Company will report EBITDA of \$3.2 million in 2008, as compared to \$2.7 million in fiscal 2007. This would translate into almost 13% year over year growth.

Our forecast for 2008 incorporates the following:

- Modest revenue growth primarily due to recent trends and developments observed over the past quarter, as well as revenues from its new product (ZipVac/Zip Loc);
- Modest gains in gross margin based on historical margin trends and Management's efforts to improve the Company's cost structure;
- Higher operating expenses based on recent results and Management's comments in the Company's SEC filings;
- Lower interest expense based on the interest rate environment; and
- Increase in the shares outstanding as the Company taps into the Standby Equity Distribution Agreement (SEDA) with Cornell Capital.

Investors should be keenly aware that the Company's revenues and operating results for any particular quarter may not be indicative of its performance in future quarters. CTIB's sales and operating results may be subject to very substantial periodic variations. Additionally, the Company's results are subject to seasonality.

Risks

Dilution/Funding Risk

On June 6, 2006, CTIB and Cornell Capital Partners, LP. entered into a \$5 million Standby Equity Distribution Agreement (SEDA). The agreement allows CTIB to periodically sell shares of its common stock over a 24 month period in amounts not to exceed \$100,000 per draw. If the Company requires capital it may be forced to secure additional outside financing or tap into its SEDA with Cornell Capital. There is no assurance that it will obtain other financing, or that financing will be available on favorable terms. If the Company does tap into the SEDA, it may result in dilution and/or downward pressure on the Company's stock price. According to SEC filings on January 26, 2007, the registration statement was declared effective. Through December 31, 2007, CTIB received \$1.580 million from Cornell Capital in exchange for 323,625 common shares.

Balance Sheet

The Company's balance sheet is highly leveraged. A significant shortfall in the top-line may negatively impact bottom line results, financial liquidity, and equity value. The Company's policy of maintaining a minimal cash balance and utilizing its credit facility for liquidity may restrict its financial liquidity and may impact financial results and growth prospects.

The Company's credit facilities and debt agreements feature variable interest rates tied to the prime rate. If interest rates rise or the Company becomes increasingly indebted, debt service will increase. As of December 31, 2007, CTIB was not in compliance with the senior debt to EBITDA or the EBITDA to fixed charge covenants; however, it received a waiver from the bank.

Raw Materials

The principal raw materials used by the Company are petroleum-based films, petroleum-based resin, latex, and printing inks. If there are inflationary pricing pressures and the Company is not able to pass along these increases to its customers, its financial results will be adversely impacted. Recently, the Company has experienced fluctuation in pricing, in relation to the fluctuation of availability and pricing of certain commodities.

Reliance on Major Customers

CTIB derives a significant portion of revenues from a few customers. Therefore, any significant disruption or deterioration of any of the Company's relationships with these customers may significantly reduce its revenues and operating results. The loss of any of these relationships could have severe consequences on its financial condition and equity value. Generally, CTIB does not have long term contracts with customers. CTIB's results

could also be adversely impacted by purchasing and inventory policies of its customers or its customers' customers. This could lead to lower revenues, margins, and income.

Sales to its top 10 customers represented 61.2% of 2006 net sales. Sales to the top three customers (Dollar Tree Stores, Rapak L.L.C, and ITW Spacebag) represented 51.5% of 2006 net sales. For the year ended December 31, 2007, sales to top 10 customers represented 65.3% of net sales and sales to the top three customers represented 49.8% of net sales.

Shares Outstanding

CTIB has a limited number of shares outstanding; therefore, any change in the top-line could dramatically impact bottom-line results. Based on the current fully diluted shares outstanding, a \$0.1 million change in net income would result in an approximate \$0.04 per share change in EPS.

Unknown Financial Items

Our estimates do not include any one-time, non-cash, or extraordinary items which may impact the financial results of the Company. The presence of such items will likely have a dramatic impact on the bottom line results of the Company. These items are almost always never known to the public until the Company reports its actual results and known mainly to Management at the later stages of compiling consolidated results.

International Operations

CTIB has operations in the United Kingdom and Mexico. International operations expose the Company to additional risk factors (i.e. currency; legal and regulatory issues from other countries) that it would ordinarily be exposed to in the U.S.

Competition

The Company operates in highly competitive and fragmented industries (balloon, novelty industry, and packaging). These industries are known for strong price competition and relatively low margins. There are number of competitors that may have greater resources than CTIB. Some competitors may develop more extensive or specialized resources and/or respond more quickly to new or emerging technologies. These actions may restrict the Company's ability to obtain additional market share and improve financial results. Moreover, there can be no assurance that the Company's competitors will not obtain patent protection or other intellectual property rights that would limit the marketability of the CTIB's products and technology. Furthermore, acquisitions by other companies could enhance competitors' resources and/or market position and make it harder for CTIB to accomplish its business and financial goals. There can be no assurance that CTIB can continue to compete effectively against competitors or maintain its competitive advantages or market share.

There are six principal manufacturers of metalized balloons whose products are sold in the United States including Anagram International, Inc., Pioneer Balloon Company, Convertidora International S.A. de C.V., Barton Enterprises Inc., and Betallic, LLC.

Growth Management

As the Company becomes increasingly successful, it must meet the challenges associated with growth. If the Company is not successful in meeting these challenges, its business or financial results will be adversely impacted.

Shareholder Control

A few investors, consisting of Management and Directors, own a majority substantial stake in CTIB. Small investors should be aware that investors with significant stakes can control the outcome of certain shareholder votes. These outcomes may not be in the best interests of all shareholders. If a sizable stake is liquidated in the open market, there could be substantial selling pressure on the shares.

Corporate Governance

Wall Street has increased its focus on corporate governance and placed increased emphasis on the accountability of Management and Directors to shareholders. These events have brought about the passage of the Sarbanes-Oxley Act of 2002 by Congress and signage by the President. Corporate governance may be an issue facing the Company in light of new rules and regulations being issued by government regulatory agencies. This could mean that the Company will eventually be required to hire additional personnel in order to diversify various operational, management, and compliance functions, as well as spend monies to comply with the various aspects of the Act. Related party transactions also face additional scrutiny and investors should consult the Company's SEC filings to evaluate such matters.

Liquidity

The shares of CTIB have risks common to those of the microcap segment of the market. Often these risks cause microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume and can lead to large spreads and high volatility in stock price. The Company's float is around 1.6 million shares and 50,000 shares, on average, are traded daily.

Miscellaneous Risks

The Company's financial results and equity values are subject to other risks and uncertainties known and unknown, including but not limited to competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

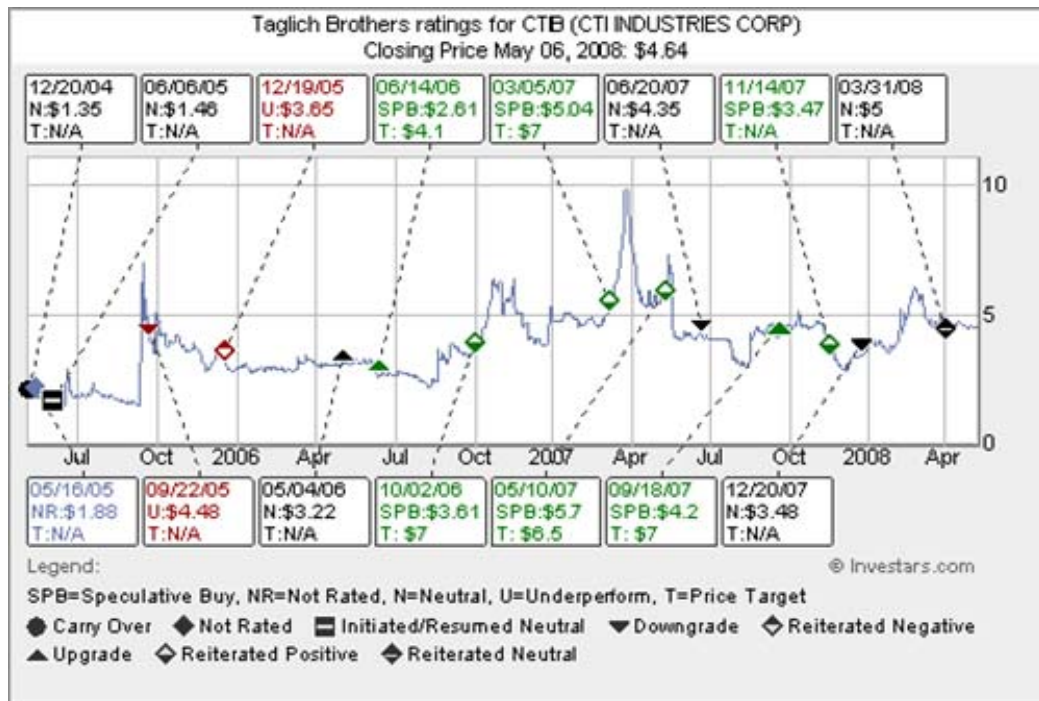
Conclusion

We are maintaining our Neutral rating on shares of CTI Industries (NASDAQ: CTIB), pending the Company's ability to demonstrate consistent bottom line performance and turn its new ZipVac/ZipLoc product lines into significant revenue and profit center.

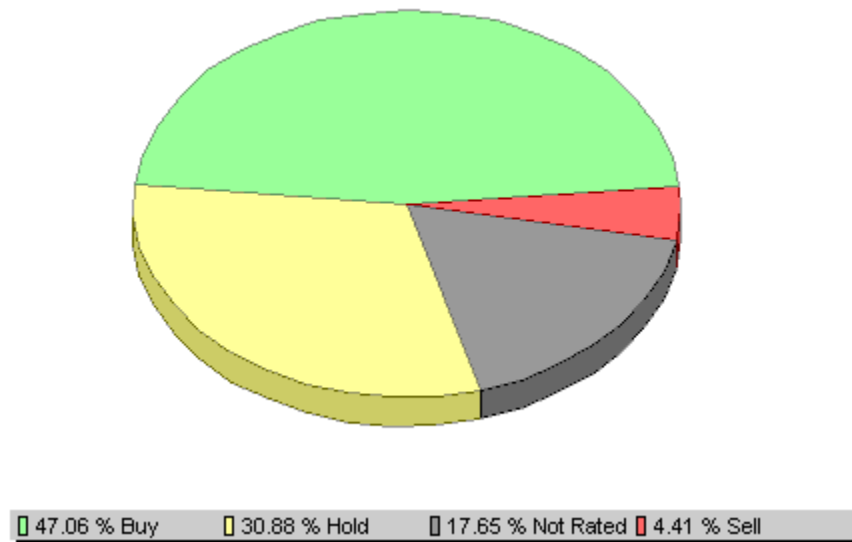
Already, the Company has generated some level of revenues from these lines and entered into significant agreements, which could signal that the Company could benefit substantially in the future. We will monitor business developments and financial trends and make the appropriate adjustments to our model.

Over the past few quarters, CTIB's results have shown tremendous volatility; as such our projections have varied accordingly. Investors should be cognizant that an investment in the shares of CTIB carries many risks and concerns including the following:

- Acceptance of new product offerings;
- Reliance on major customers;
- Leveraged and illiquid balance sheet;
- Raw material issues;
- Growth management;
- Shareholder control;
- Competition;
- Dilution; and
- Microcap risk.



Taglich Brothers' Current Rating Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	0	0
Hold	1	6.25%
Sell	0	0
Not Rated	0	0

Meaning of Ratings

Buy

We believe the Company is undervalued relative to its market and peers. We believe its risk reward ratio strongly advocates purchase of the stock relative to other stocks in the marketplace. Remember, with all equities there is always downside risk.

Speculative Buy

We believe that the long run prospects of the Company are positive. We believe its risk reward ratio advocates purchase of the stock. We feel the investment risk is higher than our typical “buy” recommendation. In the short run, the stock may be subject to high volatility and continue to trade at a discount to its market.

Neutral

We will remain neutral pending certain developments.

Underperform

We believe that the Company may be fairly valued based on its current status. Upside potential is limited relative to investment risk.

Sell

We believe that the Company is significantly overvalued based on its current status. The future of the Company's operations may be questionable and there is an extreme level of investment risk relative to reward.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.

Public Companies Mentioned in this Report

Taglich Brothers, Inc.

None

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All research issued by Taglich Brothers, Inc. is based on public information. Since February 2000, the company pays a monthly monetary fee of \$1,000 (USD) to Taglich Brothers, Inc. for the creation and dissemination of research reports.

I, Luis Martins, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

CTI Industries
Annual Income Statement
For Fiscal Year Ended December 31
(in thousands)

	FY12/04A	FY12/05A	FY12/06A	FY12/07A	FY12/08E
Net sales	\$ 37,193	\$ 29,190	\$ 35,428	\$ 36,510	\$ 37,651
Cost of sales	30,841	22,726	26,531	27,826	28,238
Gross profit	6,352	6,464	8,897	8,684	9,413
Gross margin	17.08%	22.14%	25.11%	23.79%	25.00%
Operating expenses					
General and administrative	4,342	3,847	4,554	5,211	5,400
Selling	1,515	1,065	847	754	800
Advertising and marketing	1,167	777	1,200	1,474	1,725
Total operating expenses	6,921	5,813	6,601	7,439	7,925
Operating income	(567)	651	2,296	1,245	1,488
Operating margins	-1.52%	2.23%	6.48%	3.41%	3.95%
EBITDA	1,178	2,239	3,847	2,735	3,088
					12.90%
Other income (expense)					
Interest expense	(1,350)	(1,231)	(1,711)	(1,291)	(1,200)
Interest income	-	-	19	4	-
Gain on sale of assets	15	-	(144)	-	-
Other	711	45	662	173	-
Total other expense	(624)	(1,186)	(1,173)	1,112	(1,200)
Pretax income (loss)	(1,192)	(534)	1,122	132	288
Pretax margins	-3.20%	-1.83%	3.17%	0.36%	0.76%
Income tax expense (benefit)	1,286	(200)	(774)	51	-
Tax rate	-107.89%	37.45%	-68.96%	38.33%	0.00%
Net income (loss) before minority interes	(2,478)	(334)	1,896	81	288
Minority interest	1	-	1	-	-
Net income (loss) for common	\$ (2,479)	\$ (333)	\$ 1,895	\$ 81	\$ 288
EPS diluted	\$ (1.28)	\$ (0.17)	\$ 0.85	\$ 0.03	\$ 0.10
Weighted average shares (diluted)	1,931	1,977	2,235	2,590	2,750
<u>% of revenue</u>					
Cost of sales	82.92%	77.86%	74.89%	76.21%	75.00%
General and administrative	11.67%	13.18%	12.85%	14.27%	14.34%
Selling	4.07%	3.65%	2.39%	2.07%	2.12%
Advertising and marketing	3.14%	2.66%	3.39%	4.04%	4.58%
<u>year / year growth</u>					
revenues	2.57%	-21.52%	21.37%	3.05%	3.13%

CTI Industries
Quarterly Income Statement
For Fiscal Year Ended December 31, 2005
(in thousands)

	Q1(3/05)A	Q2(6/05)A	Q3(9/05)A	Q4(12/05)A	FY12/05A
Net sales	\$ 9,103	\$ 7,573	\$ 6,034	\$ 6,480	\$ 29,190
Cost of sales	<u>7,229</u>	<u>5,990</u>	<u>4,792</u>	<u>4,715</u>	<u>22,726</u>
Gross profit	1,874	1,583	1,242	1,765	6,464
Gross margin	20.59%	20.90%	20.58%	27.24%	22.14%
Operating expenses					
General and administrative	1,019	1,021	987	820	3,847
Selling	304	245	247	269	1,065
Advertising and marketing	224	213	166	174	777
Asset Impairment Loss	-	-	-	124	124
Total operating expenses	<u>1,547</u>	<u>1,479</u>	<u>1,400</u>	<u>1,387</u>	<u>5,813</u>
Operating income	327	104	(157)	378	651
Operating margins	3.59%	1.37%	-2.60%	5.83%	2.23%
EBITDA	729	492	159	859	2,239
Other income (expense)					
Interest expense	(305)	(282)	(281)	(363)	(1,231)
Interest income					-
Gain on sale of assets					-
Other	58	162	(4)	(171)	45
Total other expense	<u>(247)</u>	<u>(120)</u>	<u>(285)</u>	<u>(534)</u>	<u>(1,186)</u>
Pretax income (loss)	80	(15)	(442)	(157)	(534)
Pretax margins	0.88%	-2.67%	-2.67%	-2.67%	-1.83%
Income tax expense (benefit)	<u>(4)</u>	<u>38</u>	<u>(26)</u>	<u>(209)</u>	<u>(200)</u>
Tax rate	-5.00%	0.00%	0.00%	0.00%	37.45%
Net income (loss) before minority interes	84	(53)	(416)	52	(334)
Minority interest	-	-	-	-	-
Net income (loss) for common	<u>\$ 84</u>	<u>\$ (53)</u>	<u>\$ (416)</u>	<u>\$ 52</u>	<u>\$ (333)</u>
EPS diluted	<u>\$ 0.04</u>	<u>\$ (0.03)</u>	<u>\$ (0.21)</u>	<u>\$ 0.02</u>	<u>\$ (0.17)</u>
Weighted average shares (diluted)	<u>1,970</u>	<u>1,954</u>	<u>1,964</u>	<u>2,211</u>	<u>1,977</u>
<u>% of revenue</u>					
Cost of sales	79.41%	79.10%	79.42%	72.76%	77.86%
General and administrative	11.19%	13.48%	16.36%	12.65%	13.18%
Selling	3.34%	3.24%	4.09%	4.15%	3.65%
Advertising and marketing	2.46%	2.81%	2.75%	2.69%	2.66%
<u>year / year growth</u>					
revenues	-16.43%	-21.05%	-25.74%	-24.49%	-21.52%

Taglich Brothers, Inc.

CTI Industries
Quarterly Income Statement
For Fiscal Year Ended December 31, 2006
(in thousands)

	Q1(3/06)A	Q2(6/06)A	Q3(9/06)A	Q4(12/06)A	FY12/06A
Net sales	\$ 8,156	\$ 8,997	\$ 8,603	\$ 9,672	\$ 35,428
Cost of sales	<u>6,203</u>	<u>6,800</u>	<u>6,350</u>	<u>7,178</u>	<u>26,531</u>
Gross profit	1,953	2,197	2,253	2,494	8,897
Gross margin	23.95%	24.42%	26.19%	25.79%	25.11%
Operating expenses					
General and administrative	1,017	1,092	1,216	1,229	4,554
Selling	177	234	213	223	847
Advertising and marketing	<u>218</u>	<u>267</u>	<u>361</u>	<u>354</u>	<u>1,200</u>
Total operating expenses	<u>1,412</u>	<u>1,593</u>	<u>1,790</u>	<u>1,806</u>	<u>6,601</u>
Operating income	541	604	463	688	2,296
Operating margins	6.63%	6.71%	5.38%	7.11%	6.48%
EBITDA	892	1,004	863	1,088	3,847
Other income (expense)					
Interest expense	(336)	(440)	(521)	(414)	(1,711)
Interest income	5	8	6		19
Gain on sale of assets			(141)	(3)	(144)
Other	<u>48</u>	<u>43</u>	<u>523</u>	<u>48</u>	<u>662</u>
Total other expense	<u>(283)</u>	<u>(388)</u>	<u>(133)</u>	<u>(369)</u>	<u>(1,173)</u>
Pretax income (loss)	258	215	330	319	1,122
Pretax margins	3.16%	-2.67%	-2.67%	-2.67%	3.17%
Income tax expense (benefit)	<u>38</u>	<u>9</u>	<u>12</u>	<u>(833)</u>	<u>(774)</u>
Tax rate	14.73%	4.19%	0.00%	0.00%	-68.96%
Net income (loss) before minority interes	220	206	318	1,152	1,896
Minority interest	-		3	(2)	1
Net income (loss) for common	<u>\$ 220</u>	<u>\$ 206</u>	<u>\$ 315</u>	<u>\$ 1,154</u>	<u>\$ 1,895</u>
EPS diluted	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.15</u>	<u>\$ 0.49</u>	<u>\$ 0.85</u>
Weighted average shares (diluted)	<u>2,167</u>	<u>2,121</u>	<u>2,130</u>	<u>2,374</u>	<u>2,235</u>
<u>% of revenue</u>					
Cost of sales	76.05%	75.58%	73.81%	74.21%	74.89%
General and administrative	12.47%	12.14%	14.13%	12.71%	12.85%
Selling	2.17%	2.60%	2.48%	2.31%	2.39%
Advertising and marketing	2.67%	2.97%	4.20%	3.66%	3.39%
<u>year / year growth</u>					
revenues	-10.40%	18.80%	42.58%	49.26%	21.37%

CTI Industries
Quarterly Income Statement
For Fiscal Year Ended December 31, 2007
(in thousands)

	Q1 (3/07)A	Q2 (6/07)A	Q3 (9/07)A	Q4 (12/07)A	FY12/07A
Net sales	\$ 8,279	\$ 9,259	\$ 8,673	\$ 10,299	\$ 36,510
Cost of sales	<u>6,376</u>	<u>6,514</u>	<u>7,055</u>	<u>7,879</u>	<u>27,826</u>
Gross profit	1,903	2,744	1,618	2,420	8,684
Gross margin	22.99%	29.64%	18.66%	23.50%	23.79%
	0.24	0.25	0.24	0.27	1.00
Operating expenses					
General and administrative	1,212	1,297	1,413	1,289	5,211
Selling	206	225	162	161	754
Advertising and marketing	<u>291</u>	<u>396</u>	<u>326</u>	<u>461</u>	<u>1,474</u>
Total operating expenses	<u>1,709</u>	<u>1,918</u>	<u>1,901</u>	<u>1,911</u>	<u>7,439</u>
Operating income	194	826	(283)	508	1,245
Operating margins	2.34%	8.92%	-3.26%	4.93%	3.41%
EBITDA	553	1,188	101	893	2,735
Other income (expense)					
Interest expense	(337)	(293)	(351)	(310)	(1,291)
Interest income	2		2		4
Gain on sale of assets					
Other	<u>52</u>	<u>41</u>	<u>72</u>	<u>8</u>	<u>173</u>
Total other expense	<u>(283)</u>	<u>(252)</u>	<u>(277)</u>	<u>(302)</u>	<u>1,112</u>
Pretax income (loss)	(89)	574	(560)	206	132
Pretax margins	-1.07%	-2.67%	-2.67%	-2.67%	0.36%
Income tax expense (benefit)	<u>(36)</u>	<u>151</u>	<u>(146)</u>	<u>82</u>	<u>51</u>
Tax rate	41.08%	26.31%	0.00%	0.00%	38.33%
Net income (loss) before minority interes	(52)	423	(414)	124	81
Minority interest	-	-	-	-	-
Net income (loss) for common	<u>\$ (52)</u>	<u>\$ 423</u>	<u>\$ (414)</u>	<u>\$ 124</u>	<u>\$ 81</u>
EPS diluted	<u>\$ (0.02)</u>	<u>\$ 0.17</u>	<u>\$ (0.18)</u>	<u>\$ 0.05</u>	<u>\$ 0.03</u>
Weighted average shares (diluted)	<u>2,157</u>	<u>2,541</u>	<u>2,339</u>	<u>2,648</u>	<u>2,590</u>
<u>% of revenue</u>					
Cost of sales	77.01%	70.35%	81.34%	76.50%	76.21%
General and administrative	14.64%	14.01%	16.29%	12.52%	14.27%
Selling	2.49%	2.43%	1.87%	1.56%	2.07%
Advertising and marketing	3.51%	4.28%	3.76%	4.48%	4.04%
<u>year / year growth</u>					
revenues	1.51%	2.91%	0.81%	6.48%	3.05%

CTI Industries
Quarterly Income Statement
For Fiscal Year Ended December 31, 2008
(in thousands)

	Q1 (3/08)E	Q2 (6/08)E	Q3 (9/08)E	Q4 (12/08)E	FY12/08E
Net sales	8,660	\$ 9,601	\$ 9,036	\$ 10,354	\$ 37,651
Cost of sales	6,495	7,201	6,777	7,766	28,238
Gross profit	2,165	2,400	2,259	2,589	9,413
Gross margin	25.00%	25.00%	25.00%	25.00%	25.00%
	0.23	0.26	0.24	0.28	1.00
Operating expenses					
General and administrative	1,250	1,350	1,335	1,465	5,400
Selling	160	225	200	215	800
Advertising and marketing	400	450	400	475	1,725
Total operating expenses	1,810	2,025	1,935	2,155	7,925
Operating income	355	375	324	434	1,488
Operating margins	4.10%	3.91%	3.59%	4.19%	3.95%
Interest expense	(300)	(300)	(300)	(300)	(1,200)
Pretax income (loss)	55	75	24	134	288
Pretax margins	0.63%	-2.67%	-2.67%	-2.67%	0.76%
Income tax expense (benefit)	-	-	-	-	-
Tax rate	0.00%	0.00%	0.00%	0.00%	0.00%
Net income (loss) before minority interes	55	75	24	134	288
Minority interest	-	-	-	-	-
Net income (loss) for common	\$ 55	\$ 75	\$ 24	\$ 134	\$ 288
EPS diluted	\$ 0.02	\$ 0.03	\$ 0.01	\$ 0.05	\$ 0.10
Weighted average shares (diluted)	2,750	2,750	2,750	2,750	2,750
<u>% of revenue</u>					
Cost of sales	75.00%	75.00%	75.00%	75.00%	75.00%
General and administrative	14.43%	14.06%	14.77%	14.15%	14.34%
Selling	1.85%	2.34%	2.21%	2.08%	2.12%
Advertising and marketing	4.62%	4.69%	4.43%	4.59%	4.58%
<u>year / year growth</u>					
revenues	4.60%	3.69%	4.19%	0.53%	3.13%
net margin					

CTI Industries
Consolidated Balance Sheet
For Periods Ended
(in thousands)

	FY12/06A	FY12/07A
Assets		
Current Assets		
Cash	\$ 385	\$ 483
Accounts Receivable	6,443	5,951
Inventories	7,974	9,701
Other	<u>1,690</u>	<u>1,666</u>
Total Current Assets	16,492	17,801
Total property and equipment, net	8,592	10,096
Other assets		
Deferred financing costs, net	207	113
Goodwill	989	989
Deferred tax assets	101	134
Other assets	<u>264</u>	<u>191</u>
Total other assets	<u>1,561</u>	<u>1,427</u>
Total Assets	<u>\$ 26,445</u>	<u>\$ 29,324</u>
Liabilities and Stockholders Equity		
Current liabilities		
Accounts payable	\$ 3,411	\$ 4,228
Over draft	109	617
Line of credit	6,318	6,746
Notes payable- current portion	3,104	3,021
Accrued liabilities	<u>1,702</u>	<u>1,872</u>
Total current liabilities	14,644	16,483
Long-term liabilities		
Non-current liabilities	1,294	1,070
Notes payable	<u>5,593</u>	<u>5,167</u>
Total Liabilities	21,531	22,720
Minority interest	13	13
Stockholders' equity		
Total stockholders' equity	<u>\$ 5,102</u>	<u>\$ 6,591</u>
Total Liabilities and Stockholders' Equity	<u>\$ 26,645</u>	<u>\$ 29,324</u>
	2,142	2,569

CTI Industries
Consolidated Cash Flows
For Periods Ended
(in thousands)

	<u>FY2005A</u>	<u>FY2006A</u>	<u>FY2007A</u>
<i>Cash Flows from Operating Activities</i>			
Net Income	\$ (333)	\$ 1,895	\$ 82
Depreciation & Amortization	1,480	1,424	1,466
Other	237	104	69
Deferred Income Tax	(200)	(774)	(21)
Write-off and disposals	474	95	290
	<u>1,658</u>	<u>2,744</u>	<u>1,886</u>
<i>Changes In:</i>			
Receivables	1,681	(2,440)	338
Inventories	1,130	(1,063)	(1,872)
Prepaid Expense	167	106	270
Accounts Payable	(825)	(1,352)	823
Accrued Expenses & Other	(1,151)	652	(89)
Net Changes in Working Capital	<u>1,002</u>	<u>(4,097)</u>	<u>(530)</u>
Net cash Provided by Operations	<u>2,659</u>	<u>(1,353)</u>	<u>1,356</u>
<i>Cash Flows from Investing Activities</i>			
Capital Expenditures	(551)	(553)	(2,848)
Sale of PPE	151	-	-
Net cash used in Investing	<u>(400)</u>	<u>(553)</u>	<u>(2,848)</u>
<i>Cash Flows from Financing Activities</i>			
Proceeds from stock	54	101	1,585
Proceeds from Borrowings	231	3,915	1,262
Payments of Long-term debt	(2,602)	(1,323)	(1,261)
Other	(155)	(646)	-
Net cash provided by Financing	<u>(2,474)</u>	<u>2,045</u>	<u>1,586</u>
Exchange rate effect	<u>(49)</u>	<u>(17)</u>	<u>5</u>
Net change in Cash	(264)	122	99
Cash Beginning of Period	<u>526</u>	<u>262</u>	<u>385</u>
Cash End of Period	<u>\$ 262</u>	<u>\$ 385</u>	<u>\$ 484</u>