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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: Speculative Buy

Luis Martins

CTIB \$5.00(NASDAQ)

June 2, 2008

	FY2004A	FY2005A	FY2006A	FY2007A	FY2008E
Revenues (Thousands)	\$37,193	\$29,190	\$35,428	\$36,510	\$46,088
EPS (fully diluted)	\$(1.28)	\$(0.17)	\$0.36*	\$0.03	\$0.35

52-Week Range	\$6.43 – 2.76	Fiscal Year Ends	December
Shares Outstanding	2.7 million	Revenues/Share (TTM)	\$15.10
Approximate Float	1.6 million	Price/Sales (TTM)	0.3X
Market Capitalization	\$14 million	Price/Sales (2008)E	0.3X
Tangible Book Value/Share	\$2.40	Price/Earnings (TTM)	35.7X
Price/Tangible book	2.1X	Price/Earnings (2008)E	14.3X

*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 upgrading our rating on shares of CTI Industries (NASDAQ: CTIB) to a Speculative Buy from Neutral and setting a 12-month price target of \$8.00 per share. Our upgrade is based on growth estimates for the remainder of 2008. Our price target is based on a relative valuation of projected sales, EBITDA, and EPS.

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 May 12, 2008, CTI Industries reported first quarter net revenues of \$10.7 million and net income of \$0.278 million or \$0.10 per share. In the year ago period, CTIB reported revenues of \$8.3 million and a net loss of \$0.052 million or \$(0.02) per share. The increase in revenues was primarily attributed to higher sales of pouches, which increased from \$0.665 million in 1Q2007 to \$2.447 million in 1Q2008.

We are increasing our estimates for fiscal 2008. Our revised full year estimates call for 2008 revenues of \$46.1 million and net income \$0.969 million or \$0.35 per share. Our prior estimates for 2008 called for revenues of \$37.7 million, and net income \$0.288 million or \$0.10 per share. We are projecting EBITDA to grow by 59% to \$4.1 million from \$2.7 million in fiscal 2007.

Projected revenue growth will be primarily driven new pouch products. Pouch sales are expected to increase to \$9.2 million from \$4.9 million.

** 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, packaging, and container applications.

Products include metalized balloons, latex balloons and related latex toy products, films for packaging applications, and flexible containers for packaging and storage applications.

The Company produces all of its film products for packaging and container applications at its plant in Barrington, Illinois. CTIB produces all of its latex balloons and latex products in Guadalajara, Mexico. Substantially all of the film products for packaging applications and flexible containers for packaging and storage are sold to customers in the United States. The Company markets and sells novelty items - principally metalized balloons and latex balloons - in the United States, Mexico, the United Kingdom, and a number of additional countries.

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 May 12, 2008, CTI Industries reported first quarter results.

The Company reported 1Q2008 net revenues of \$10.7 million and net income of \$0.278 million or \$0.10 per share. In the year ago period, CTIB reported revenues of \$8.3 million and a net loss of \$0.052 million or \$(0.02) per share.

In comparison, Taglich Brothers' estimates called for revenues of \$8.7 million and net income of \$0.055 million or \$0.02 per share.

The increase in revenues was primarily attributed to higher sales of pouches from \$0.665 million in 1Q2007 to \$2.447 million in 1Q2008 stemming from increased sales to an existing customer and sales of pouch products to new customers (which we believe to be SC Johnson). Based on comments in the Company's 10Q and other public comments, we believe sales to SC Johnson during the quarter amounted to \$1.097 million.

On an operating basis, CTIB reported income of \$0.640 million, as compared to income of \$0.194 million in the year ago period. EBITDA increased to \$1.0 million from \$0.6 million.

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

- Gross margin decreased to 21.7%, resulting in gross profits of \$2.3 million, as compared to gross margin of 23% and gross profits of \$1.9 million in the year ago period. Gross margin was adversely impacted by higher raw materials costs and revenue adjustments. 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.
- Operating expenses were flat at \$1.7 million, while operating margins increased to 5.96% from 2.34%.
- Interest expense decreased to \$0.270 million from \$0.300 million stemming from lower borrowing costs; and
- Miscellaneous items in the quarter resulted in other income of \$0.030 million, as compared to \$0.054 million in the year ago period.
- Income tax expense of \$0.123 million, as compared to an income tax benefit of \$0.036 million.

Balance Sheet

At March 31, 2008, CTIB had cash of \$0.692 million, working capital of \$2.4 million, long-term liabilities of \$6.3 million, and stockholders' equity of \$7.6 million.

As of March 31, 2008, the outstanding balance on its revolving line of credit was \$7.5 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 increasing 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 \$46.1 million and net income \$0.969 million or \$0.35 per share. Our prior estimates for 2008 called for revenues of \$37.7 million, and net income \$0.288 million or \$0.10 per share.

We are projecting strong revenue growth based on recent trends (including revenues from its new product offerings - ZipVac/ZipLoc) and developments observed over the past two quarters. We believe that revenue growth will come primarily launch of new pouch products. Pouch sales are expected to increase to \$9.2 million from \$4.9 million. Excluding gains in pouches, sales of other product lines are expected to increase 17%. The following table depicts our revenue mix expectations:

Segment (\$ 000's)	2007A	2008E
Metalized balloons	15,998	17,513
Films	7,846	9,678
Pouches	4,938	9,218
Latex	6,853	8,757
Helium/other	875	922

We are projecting that the Company will report EBITDA of \$4.1 million in 2008, as compared to \$2.7 million in fiscal 2007. This would translate into almost 49% year over year growth.

Our forecast for 2008 incorporates the following:

- Flat gross margin based on historical margin trends;
- Higher operating expenses based on higher operating activities;
- 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 and have shown tremendous volatility over the past few quarters. Additionally, the Company's results are subject to seasonality.

Fiscal 2009

We are refraining from introducing estimates for 2009 at the present time. Given that the Company's growth prospects will be primarily driven by recently introduced new products and sales to a few key customers, we believe that to estimate results for 2009 additional financial metrics and trends are required. We believe that we will have a better understanding of the growth opportunity for 2009 after the Company releases 2008 second quarter results.

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 March 31, 2008, 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.

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

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. 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.

During the first quarter of 2008, there were three customers whose purchases represented more than 10% of the Company's net sales. The sales to these customers were \$1.870 million or 17.4%, \$1.762 million or 16.4%, and \$1.097 million 10.2% of consolidated net sales, respectively. The Company's top ten customers represented 73% of sales for the first quarter of 2008.

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 31,000 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 upgrading our rating on shares of CTI Industries (NASDAQ: CTIB) to a Speculative Buy from Neutral and setting a 12-month price target of \$8.00 per share.

The Company has started to generate revenues from new product lines as a result of recent significant agreements. We believe the initial sales could signal that the Company may benefit substantially in the future. Nevertheless, given that recent results have shown tremendous volatility, we will monitor business developments and financial trends and make the appropriate adjustments to our model.

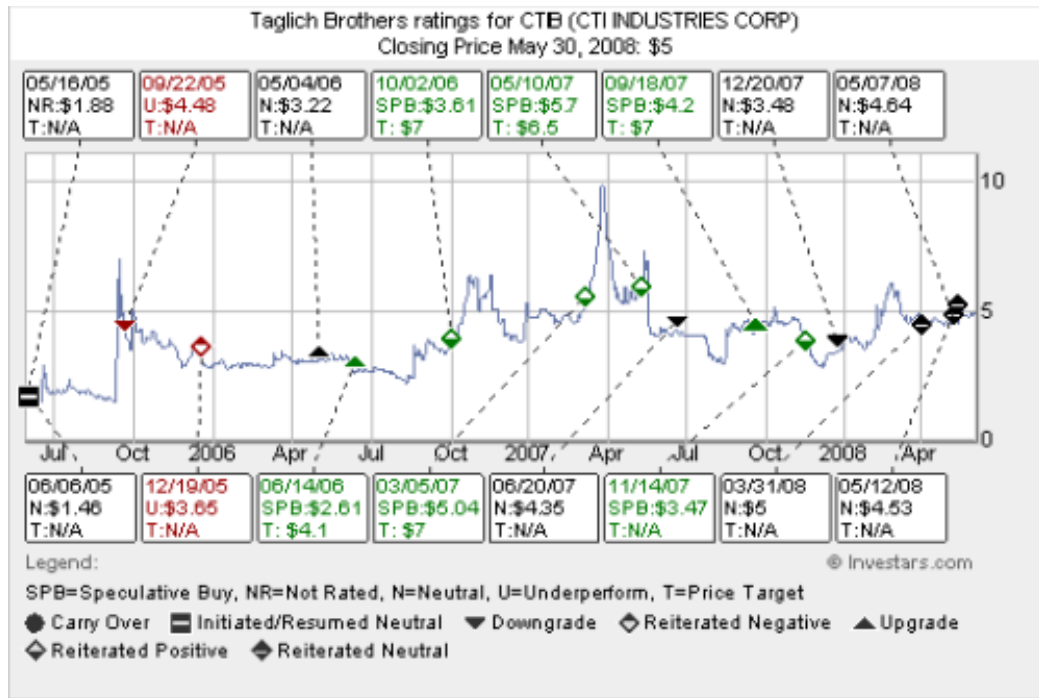
Our price target is based on the following average relative (as compared to its industry group fabricated plastic and rubber) valuation discounted 30% to account for Company and other risks (i.e. micro cap risk):

- A price to sales multiple of 0.8X our estimated 2008 sales per share of \$16.46;
- A price to EBITDA multiple of 10.4X our estimated 2008 EBITDA per share of \$1.46; and
- A price to earnings multiple of 18.4X our estimated 2008 EPS of \$0.35 per share.

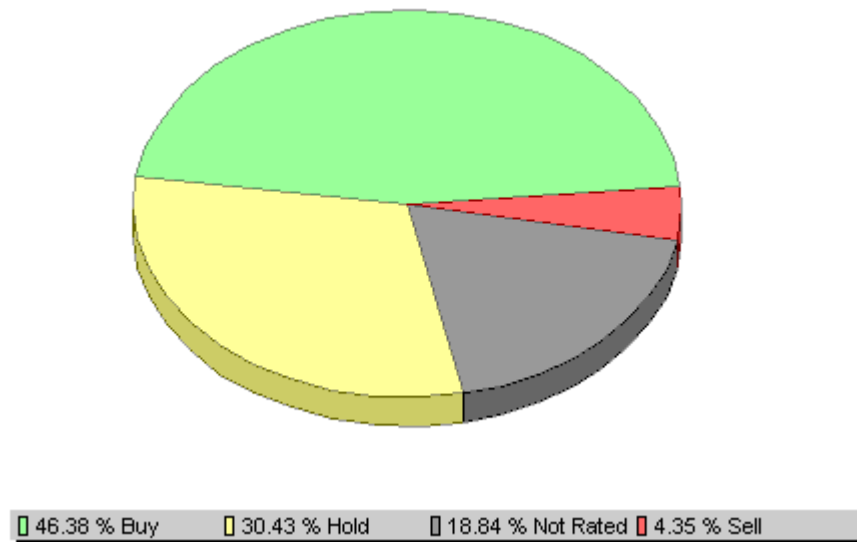
Source for industry multiples is Reuters.

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	6.67%
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

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	\$ 46,088
Cost of sales	<u>30,841</u>	<u>22,726</u>	<u>26,531</u>	<u>27,826</u>	<u>35,797</u>
Gross profit	6,352	6,464	8,897	8,684	10,291
Gross margin	17.08%	22.14%	25.11%	23.79%	22.33%
Operating expenses					
General and administrative	4,342	3,847	4,554	5,211	5,308
Selling	1,515	1,065	847	754	812
Advertising and marketing	<u>1,167</u>	<u>777</u>	<u>1,200</u>	<u>1,474</u>	<u>1,647</u>
Total operating expenses	<u>6,921</u>	<u>5,813</u>	<u>6,601</u>	<u>7,439</u>	<u>7,767</u>
Operating income	(567)	651	2,296	1,245	2,524
Operating margins	-1.52%	2.23%	6.48%	3.41%	5.48%
EBITDA	1,178	2,239	3,847	2,735	4,075
Other income (expense)					
Interest expense	(1,350)	(1,231)	(1,711)	(1,291)	(1,170)
Interest income	-	-	19	4	-
Gain on sale of assets	15	-	(144)	-	-
Other	<u>711</u>	<u>45</u>	<u>662</u>	<u>173</u>	<u>30</u>
Total other expense	<u>(624)</u>	<u>(1,186)</u>	<u>(1,173)</u>	<u>1,112</u>	<u>(1,140)</u>
Pretax income (loss)	(1,192)	(534)	1,122	132	1,384
Pretax margins	-3.20%	-1.83%	3.17%	0.36%	3.00%
Income tax expense (benefit)	<u>1,286</u>	<u>(200)</u>	<u>(774)</u>	<u>51</u>	<u>415</u>
Tax rate	-107.89%	37.45%	-68.96%	38.33%	30.00%
Net income (loss) before minority interest	(2,478)	(334)	1,896	81	969
Minority interest	1	-	1		
Net income (loss) for common	<u>\$ (2,479)</u>	<u>\$ (333)</u>	<u>\$ 1,895</u>	<u>\$ 81</u>	<u>\$ 969</u>
EPS diluted	<u>\$ (1.28)</u>	<u>\$ (0.17)</u>	<u>\$ 0.85</u>	<u>\$ 0.03</u>	<u>\$ 0.35</u>
Weighted average shares (diluted)	<u>1,931</u>	<u>1,977</u>	<u>2,235</u>	<u>2,590</u>	<u>2,799</u>
<u>% of revenue</u>					
Cost of sales	82.92%	77.86%	74.89%	76.21%	77.67%
General and administrative	11.67%	13.18%	12.85%	14.27%	11.52%
Selling	4.07%	3.65%	2.39%	2.07%	1.76%
Advertising and marketing	3.14%	2.66%	3.39%	4.04%	3.57%
<u>year / year growth</u>					
revenues	2.57%	-21.52%	21.37%	3.05%	26.23%

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)A	Q2 (6/08)E	Q3 (9/08)E	Q4 (12/08)E	FY12/08E
Net sales	10,735	\$ 11,677	\$ 11,070	\$ 12,605	\$ 46,088
Cost of sales	8,403	9,108	8,579	9,706	35,797
Gross profit	2,332	2,569	2,491	2,899	10,291
Gross margin	21.72%	22.00%	22.50%	23.00%	22.33%
Operating expenses					
General and administrative	1,158	1,350	1,335	1,465	5,308
Selling	187	225	200	200	812
Advertising and marketing	347	400	400	500	1,647
Total operating expenses	1,692	1,975	1,935	2,165	7,767
Operating income	640	594	556	734	2,524
Operating margins	5.96%	5.09%	5.02%	5.82%	5.48%
Other income (expense)					
Interest expense	(270)	(300)	(300)	(300)	(1,170)
Other	30	-	-	-	30
Total other expense	(240)	(300)	(300)	(300)	(1,140)
Pretax income (loss)	400	294	256	434	1,384
Pretax margins	3.73%	-2.67%	-2.67%	-2.67%	3.00%
Income tax expense (benefit)	120	88	77	130	415
Tax rate	30.00%	30.00%	30.00%	30.00%	30.00%
Net income (loss) for common	\$ 280	\$ 206	\$ 179	\$ 304	\$ 969
EPS diluted	\$ 0.10	\$ 0.07	\$ 0.06	\$ 0.11	\$ 0.35
Weighted average shares (diluted)	2,797	2,800	2,800	2,800	2,799
<u>% of revenue</u>					
Cost of sales	78.28%	78.00%	77.50%	77.00%	77.67%
General and administrative	10.79%	11.56%	12.06%	11.62%	11.52%
Selling	1.74%	1.93%	1.81%	1.59%	1.76%
Advertising and marketing	3.23%	3.43%	3.61%	3.97%	3.57%
<u>year / year growth</u>					
revenues	29.67%	26.12%	27.64%	22.39%	26.23%

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

	FY12/06A	FY12/07A	1Q(3/08)A
Assets			
Current Assets			
Cash	\$ 385	\$ 483	\$ 692
Accounts Receivable	6,443	5,951	6,938
Inventories	7,974	9,701	9,631
Other	<u>1,690</u>	<u>1,666</u>	<u>1,802</u>
Total Current Assets	16,492	17,801	19,063
Total property and equipment, net	8,592	10,096	10,273
Other assets			
Deferred financing costs, net	207	113	87
Goodwill	989	989	989
Deferred tax assets	101	134	20
Other assets	<u>264</u>	<u>191</u>	<u>192</u>
Total other assets	1,561	1,427	1,288
Total Assets	<u>\$ 26,445</u>	<u>\$ 29,324</u>	<u>\$ 30,624</u>
Liabilities and Stockholders Equity			
Current liabilities			
Accounts payable	\$ 3,411	\$ 4,228	\$ 4,254
Over draft	109	617	578
Line of credit	6,318	6,746	7,449
Notes payable- current portion	3,104	3,021	2,309
Accrued liabilities	<u>1,702</u>	<u>1,872</u>	<u>2,113</u>
Total current liabilities	14,644	16,483	16,703
Long-term liabilities			
Non-current liabilities	1,294	1,070	1,082
Notes payable	<u>5,593</u>	<u>5,167</u>	<u>5,274</u>
Total Liabilities	21,531	22,720	23,059
Minority interest	13	13	13
Stockholders' equity			
Total stockholders' equity	<u>\$ 5,102</u>	<u>\$ 6,591</u>	<u>\$ 7,552</u>
Total Liabilities and Stockholders' Equity	<u>\$ 26,645</u>	<u>\$ 29,324</u>	<u>\$ 30,624</u>
	2,142	2,569	2,732

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

	<u>FY2006A</u>	<u>FY2007A</u>	<u>3M2008A</u>
<i>Cash Flows from Operating Activities</i>			
Net Income	\$ 1,895	\$ 82	\$ 279
Depreciation & Amortization	1,424	1,466	366
Other	104	69	37
Deferred Income Tax	(774)	(21)	121
Write-off and disposals	<u>95</u>	<u>290</u>	<u>29</u>
	2,744	1,886	832
<i>Changes In:</i>			
Receivables	(2,440)	338	(979)
Inventories	(1,063)	(1,872)	104
Prepaid Expense	106	270	(138)
Accounts Payable	(1,352)	823	(1)
Accrued Expenses & Other	<u>652</u>	<u>(89)</u>	<u>(71)</u>
Net Changes in Working Capital	<u>(4,097)</u>	<u>(530)</u>	<u>(1,085)</u>
Net cash Provided by Operations	<u>(1,353)</u>	<u>1,356</u>	<u>(252)</u>
<i>Cash Flows from Investing Activities</i>			
Capital Expenditures	<u>(553)</u>	<u>(2,848)</u>	<u>(479)</u>
Net cash used in Investing	<u>(553)</u>	<u>(2,848)</u>	<u>(479)</u>
<i>Cash Flows from Financing Activities</i>			
Proceeds from stock	101	1,585	-
Proceeds from Borrowings	3,915	1,262	1,210
Payments of Long-term debt	(1,323)	(1,261)	(273)
Other	<u>(646)</u>	<u>-</u>	<u>-</u>
Net cash provided by Financing	<u>2,045</u>	<u>1,586</u>	<u>937</u>
Exchange rate effect	<u>(17)</u>	<u>5</u>	<u>3</u>
Net change in Cash	122	99	209
Cash Beginning of Period	<u>262</u>	<u>385</u>	<u>484</u>
Cash End of Period	<u>\$ 385</u>	<u>\$ 484</u>	<u>\$ 692</u>