



TAGLICH BROTHERS

The Standard of Excellence in the Microcap Market

Member: FINRA, SIPC

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 \$2.18 (NASDAQ)

December 15, 2008

	FY2005A	FY2006A	FY2007A	FY2008E	FY2009E
Revenues (Thousands)	\$29,190	\$35,428	\$36,510	\$48,000	\$53,267
EPS (fully diluted)	\$(0.17)	\$0.36*	\$0.03	\$0.46	\$0.64

52-Week Range	\$7.30 – 1.59	Fiscal Year Ends	December
Shares Outstanding	2.8 million	Revenues/Share (TTM)	\$16.03
Approximate Float	1.5 million	Price/Sales (TTM)	0.1X
Market Capitalization	\$6 million	Price/Sales (2009)E	0.1X
Tangible Book Value/Share	\$2.66	Price/Earnings (TTM)	5.2X
Price/Tangible book	0.8X	Price/Earnings (2009)E	3.4X

*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 Speculative Buy rating on shares of CTI Industries (NASDAQ: CTIB); however, we are lowering our 12-month price target to \$5.00 from \$8.00 per share due to market conditions and contraction of valuation multiples.

On November 11, 2008, CTI Industries reported third quarter net revenues of \$11.95 million and net income of \$0.269 million or \$0.09 per share. In the year ago period, CTIB reported revenues of \$8.67 million and a net loss of \$0.414 million or \$(0.18) per share. The increase in revenues was primarily attributable to higher sales of pouches (\$3.8 million as compared to \$1.6 million).

We believe sales to SC Johnson during the quarter amounted to \$2.6 million. During the first nine months of 2008, sales to SC Johnson were \$6.3 million. Total pouch sales are expected to increase from \$4.9 million in 2007 to \$13.2 million in 2008 and \$15.8 million in 2009.

We are adjusting our estimates for 2008 and 2009, primarily due to recent results. Our revised full year estimates call for 2008 revenues of \$48.0 million and net income \$1.4 million or \$0.46 per share. Our prior estimates for 2008 called for revenues of \$47.9 million, and net income \$1.4 million or \$0.46 per share. Our revised full year estimates call for 2009 revenues of \$53.3 million and net income \$1.9 million or \$0.64 per share. Our prior estimate for 2009 called for revenues of \$54.1 million and net income of \$1.8 million or \$0.60 per share.

We are projecting that the Company will report EBITDA of \$4.2 million in 2008 and \$5.0 million in 2009, as compared to \$2.7 million in fiscal 2007. If expectations are met, it would translate into almost 36% compounded annual growth from 2007 to 2009.

* Please view our disclaimer located on page 10.

405 Lexington Avenue, 51st Floor, New York, N.Y. 10174

(800) 383-8464 • Fax (631) 757-1333

www.taglichbrothers.com

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 Results

On November 11, 2008, CTI Industries reported third quarter results.

The Company reported 3Q2008 net revenues of \$11.95 million and net income of \$0.269 million or \$0.09 per share. In the year ago period, CTIB reported revenues of \$8.67 million and a net loss of \$0.414 million or \$(0.18) per share.

In comparison, Taglich Brothers' estimates called for revenues of \$12.00 million and net income of \$0.270 million or \$0.09 per share.

The increase in revenues was primarily attributable to higher sales of pouches (\$3.8 million as compared to \$1.6 million) resulting from sales of pouch products to a new customer (which we believe to be SC Johnson through its designee, Goodwill Commercial Services). Based on comments in the Company's 10Q, we believe sales to SC Johnson during the quarter amounted to \$2.6 million. During the first nine months of 2008, sales to SC Johnson were \$6.3 million.

In addition to the substantially higher pouch sales, the Company benefited from higher sales of other product lines (metalized balloons, films, and latex balloons). Excluding pouches, sales increased 15.4% to \$8.2 million from \$7.1 million.

On an operating basis, CTIB reported income of \$0.554 million, as compared to a loss of \$0.283 million in the year ago period. EBITDA increased to \$1.0 million from \$0.1 million.

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

- Gross margin increased to 23%, resulting in gross profits of \$2.7 million, as compared to gross margin of 19% and gross profits of \$1.6 million in the year ago period. Gross margin benefited from the absence of certain expenses, the presence of price increases to offset higher raw material costs, and the easing of some costs.
- Operating expenses increased modestly to \$2.2 million from \$1.9 million due to expanded operating activities, while operating margins increased to 4.6% from -3.3%.
- Interest expense decreased to \$0.243 million compared to \$0.351 million;
- Miscellaneous items in the quarter resulted in other income of \$0.025 million, as compared to \$0.072 million in the year ago period; and
- Income tax expense of \$0.066 million, as compared to an income tax benefit of \$0.146 million.

Balance Sheet

At September 30, 2008, CTIB had cash of \$0.9 million, working capital of \$2.9 million, long-term liabilities of \$6.3 million, and stockholders' equity of \$8.5 million.

As of September 30, 2008, the outstanding balance on its revolving line of credit was \$7.6 million at an interest rate of prime rate + 0.5%. On November 13, 2007, CTIB and its lender (RBC Citizen) 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-exiting 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 adjusting our estimates for fiscal 2008 and 2009, primarily due to recent results (revenues, margins, product mix, and profits).

Our revised full year estimates call for 2008 revenues of \$48.0 million and net income \$1.4 million or \$0.46 per share. Our prior estimates for 2008 called for revenues of \$47.9 million, and net income \$1.4 million or \$0.46 per share.

Our revised full year estimates call for 2009 revenues of \$53.3 million and net income \$1.9 million or \$0.64 per share. Our prior estimate for fiscal 2009 called for revenues of \$54.1 million and net income of \$1.8 million or \$0.60 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 few quarters. We believe that revenue growth will be primarily driven from the launch of new pouch products. Pouch sales are expected to increase from \$4.9 million in 2007 to \$13.2 million in 2008 and \$15.8 million in 2009. Excluding gains in pouches, sales of other product lines are expected to increase 10% and 8%, respectively, in 2008 and 2009.

The following table depicts our revenue mix expectations:

Segment (\$ 000's)	2008E Previous	2008E Revised	2009E Previous	2009E Revised
Metalized balloons	18,191	17,830	19,828	19,435
Films	10,053	8,569	10,958	8,912
Pouches	9,574	13,155	12,447	15,786
Latex	9,096	7,738	9,914	8,434
Helium/other	957	708	967	700

We are projecting that the Company will report EBITDA of \$4.2 million in 2008 and \$5.0 million in 2009, as compared to \$2.7 million in fiscal 2007. If expectations are met, it would translate into almost 36% compounded annual growth from 2007 to 2009.

Our forecast incorporates the following:

- Slightly higher gross margin based on historical margin trends and Management's comments in the latest 10Q;
- Higher operating expenses based on expanded operating activities; and
- Stable interest expense based on current interest rate environment.

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.

Risks

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 flexibility 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.

On June 6, 2006, CTIB and Cornell Capital Partners, LP. entered into a \$5 million Standby Equity Distribution Agreement (SEDA). Through September 30, 2008, CTIB received \$1.4 million from Cornell Capital in exchange for 341,864 common shares.

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 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 nine months of 2008, three customers (Goodwill Commercial Services, Dollar Tree Stores, and Rapak L.L.C) represented more than 10% of the Company's net sales. The sales to these customers were \$6.3 million or 17.9%, \$6.0 million or 17.0%, and \$6.3 million or 17.8% of consolidated net sales, respectively. The Company's top ten customers represented 76.1% of sales for the third quarter of 2008 and 72.5% for the first nine months 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 \$0.03 per share change in EPS.

Unknown Financial Items

Our estimates do not include any one-time, non-cash (including income tax expense or benefit), 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. According to SEC filings, there has been some recent insider buying.

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 1.5 million shares and 15,000 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 Speculative Buy rating on shares of CTI Industries (NASDAQ: CTIB); however, we are lowering our 12-month price target to \$5.00 from \$8.00 per share due to market conditions and contraction of valuation multiples.

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

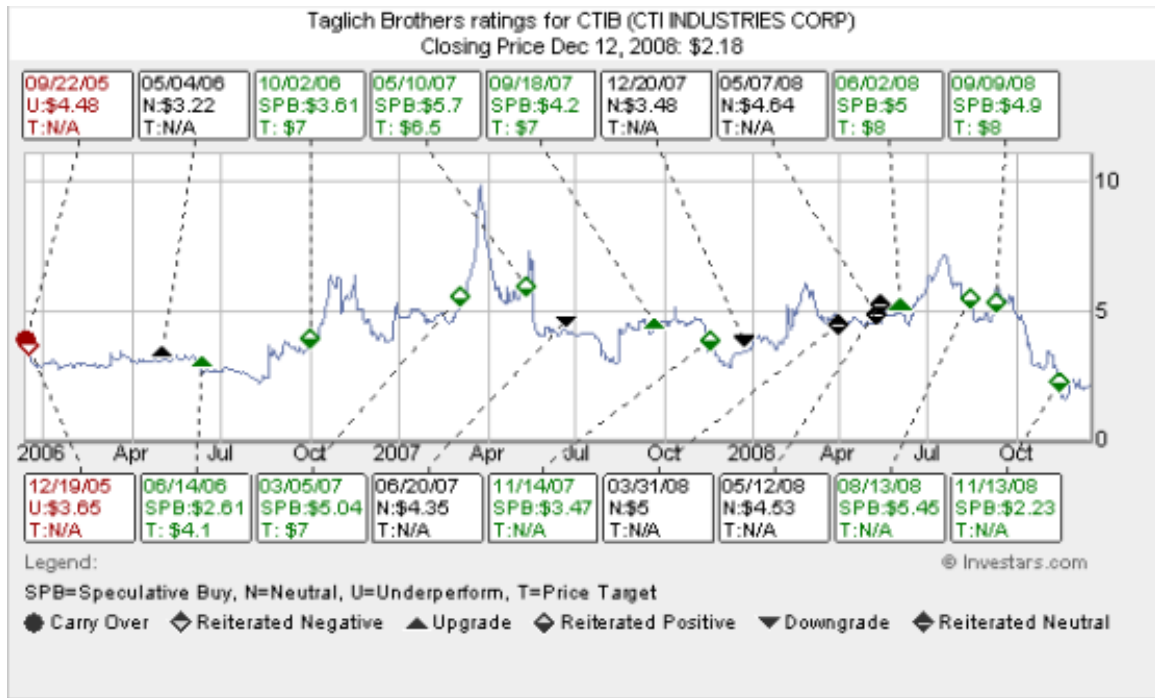
Our price target is based on applying a price to earnings multiple of approximately 8X to our estimated 2009 EPS of \$0.64 per share. We believe that this P/E multiple is appropriate given the Company's 2-year (2007 to 2009) compounded annual growth rate of EPS of over 330% and EBITDA of over 35%, as well as current company multiples and industry multiples (see chart on next page). Source for industry multiples is MSN Money.

Historic Industry Multiples

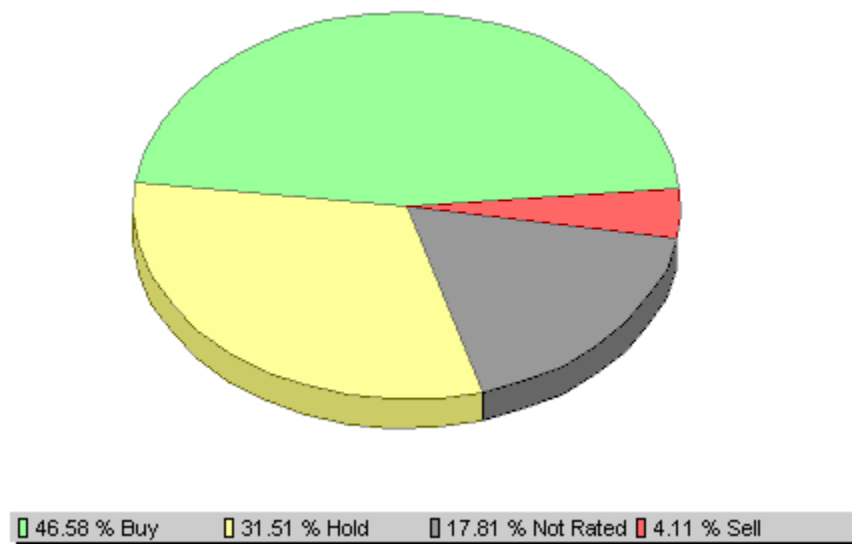
TTM	7.2
5 Year High	22.8
5 Year Low	4.3

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;
- 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	7.14%
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

The information and statistical data contained herein have been obtained from sources, which we believe to be reliable but in no way are warranted by us as to accuracy or completeness. We do not undertake to advise you as to change in figures or our views. This is not a solicitation of any order to buy or sell. Taglich Brothers, Inc. is fully disclosed with its clearing firm, Pershing, LLC, is not a market maker and does not sell to or buy from customers on a principal basis. The above statement is the opinion of Taglich Brothers, Inc. and is not a guarantee that the target price for the stock will be met or that predicted business results for the company will occur. There may be instances when fundamental, technical and quantitative opinions contained in this report are not in concert. We, our affiliates, any officer, director or stockholder or any member of their families may from time to time purchase or sell any of the above-mentioned or related securities. Analysts and members of the Research Department are prohibited from buying or selling securities issued by the companies that Taglich Brothers, Inc. has a research relationship with, except if ownership of such securities was prior to the start of such relationship, then an analyst or member of the Research Department may sell such securities after obtaining expressed written permission from the Director of Research.

As of the date of this report, we, our affiliates, any officer, director or stockholder, or any member of their families do not have a position in the stock of the Company mentioned in this report. Taglich Brothers, Inc. does not currently have an Investment Banking relationship with the company and was not a manager or co-manager of any offering for the company within the last three years.

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)

	FY12/05A	FY12/06A	FY12/07A	FY12/08E	FY12/09E
Net sales	\$ 29,190	\$ 35,428	\$ 36,510	\$ 48,000	\$ 53,267
Cost of sales	<u>22,726</u>	<u>26,531</u>	<u>27,826</u>	<u>37,057</u>	<u>40,749</u>
Gross profit	6,464	8,897	8,684	10,943	12,518
Gross margin	22.14%	25.11%	23.79%	22.80%	23.50%
General and administrative	3,847	4,554	5,211	5,563	6,000
Selling	1,065	847	754	985	1,175
Advertising and marketing	<u>777</u>	<u>1,200</u>	<u>1,474</u>	<u>1,765</u>	<u>2,000</u>
Total operating expenses	<u>5,813</u>	<u>6,601</u>	<u>7,439</u>	<u>8,313</u>	<u>9,175</u>
Operating income	651	2,296	1,245	2,630	3,343
Operating margins	2.23%	6.48%	3.41%	5.48%	6.28%
EBITDA	2,239	3,847	2,735	4,216	5,043
Interest expense	(1,231)	(1,711)	(1,291)	(1,080)	(1,100)
Other	<u>45</u>	<u>662</u>	<u>173</u>	<u>68</u>	<u>-</u>
Total other expense	<u>(1,186)</u>	<u>(1,173)</u>	<u>1,112</u>	<u>(1,012)</u>	<u>(1,100)</u>
Pretax income (loss)	(534)	1,122	132	1,618	2,243
Pretax margins	-1.83%	3.17%	0.36%	3.37%	4.21%
Income tax expense (benefit)	(200)	(774)	51	261	314
Tax rate	37.45%	-68.96%	38.33%	16.13%	14.00%
Net income (loss) before minority interest	(334)	1,896	81	1,355	1,929
Minority interest	-	1			
Net income (loss) for common	<u>\$ (333)</u>	<u>\$ 1,895</u>	<u>\$ 81</u>	<u>\$ 1,355</u>	<u>\$ 1,929</u>
EPS diluted	<u>\$ (0.17)</u>	<u>\$ 0.85</u>	<u>\$ 0.03</u>	<u>\$ 0.46</u>	<u>\$ 0.64</u>
Weighted average shares (diluted)	<u>1,977</u>	<u>2,235</u>	<u>2,590</u>	<u>2,917</u>	<u>3,000</u>
<u>% of revenue</u>					
Cost of sales	77.86%	74.89%	76.21%	77.20%	76.50%
General and administrative	13.18%	12.85%	14.27%	11.59%	11.26%
Selling	3.65%	2.39%	2.07%	2.05%	2.21%
Advertising and marketing	2.66%	3.39%	4.04%	3.68%	3.75%
<u>year / year growth</u>					
revenues	-21.52%	21.37%	3.05%	31.47%	10.97%

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%
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)A	Q3 (9/08)A	Q4 (12/08)E	FY12/08E
Net sales	10,735	\$ 12,461	\$ 11,953	\$ 12,851	\$ 48,000
Cost of sales	8,403	9,548	9,211	9,895	37,057
Gross profit	2,332	2,913	2,742	2,956	10,943
Gross margin	21.72%	23.38%	22.94%	23.00%	22.80%
General and administrative	1,158	1,456	1,449	1,500	5,563
Selling	187	277	246	275	985
Advertising and marketing	347	425	493	500	1,765
Total operating expenses	1,692	2,158	2,189	2,275	8,313
Operating income	640	755	553	681	2,630
Operating margins	5.96%	6.06%	4.63%	5.30%	5.48%
EBITDA	1,006	1,149	964	1,096	4,216
Interest expense	(270)	(287)	(243)	(280)	(1,080)
Other	30	13	25	-	68
Total other expense	(240)	(274)	(218)	(280)	(1,012)
Pretax income (loss)	400	480	336	401	1,618
Pretax margins	3.73%	3.85%	-2.67%	-2.67%	3.37%
Income tax expense (benefit)	120	(5)	66	80	261
Tax rate	30.00%	-1.04%	19.64%	19.96%	16.13%
Net income (loss) before minority interest	280	485	269	321	1,355
Minority interest	-	-	-	-	-
Net income (loss) for common	\$ 280	\$ 485	\$ 269	\$ 321	\$ 1,355
EPS diluted	\$ 0.10	\$ 0.17	\$ 0.09	\$ 0.11	\$ 0.46
Weighted average shares (diluted)	2,797	2,930	2,969	2,970	2,917
<u>% of revenue</u>					
Cost of sales	78.28%	76.62%	77.06%	77.00%	77.20%
General and administrative	10.79%	11.68%	12.12%	11.67%	11.59%
Selling	1.74%	2.22%	2.06%	2.14%	2.05%
Advertising and marketing	3.23%	3.41%	4.12%	3.89%	3.68%
<u>year / year growth</u>					
revenues	29.67%	34.58%	37.82%	24.78%	31.47%

CTI Industries
Quarterly Income Statement
For Fiscal Year Ended December 31, 2009
(in thousands)

	Q1 (3/09)E	Q2 (6/09)E	Q3 (9/09)E	Q4 (12/09)E	FY12/09E
Net sales	12,251	\$ 13,317	\$ 12,784	\$ 14,915	\$ 53,267
Cost of sales	<u>9,372</u>	<u>10,187</u>	<u>9,780</u>	<u>11,410</u>	<u>40,749</u>
Gross profit	2,879	3,129	3,004	3,505	12,518
Gross margin	23.50%	23.50%	23.50%	23.50%	23.50%
General and administrative	1,450	1,500	1,475	1,575	6,000
Selling	250	275	260	390	1,175
Advertising and marketing	<u>500</u>	<u>500</u>	<u>500</u>	<u>500</u>	<u>2,000</u>
Total operating expenses	<u>2,200</u>	<u>2,275</u>	<u>2,235</u>	<u>2,465</u>	<u>9,175</u>
Operating income	679	854	769	1,040	3,343
Operating margins	5.54%	6.42%	6.02%	6.97%	6.28%
EBITDA	1,104	1,279	1,194	1,465	5,043
Interest expense	(275)	(275)	(275)	(275)	(1,100)
Total other expense	<u>(275)</u>	<u>(275)</u>	<u>(275)</u>	<u>(275)</u>	<u>(1,100)</u>
Pretax income (loss)	404	579	494	765	2,243
Pretax margins	3.30%	4.35%	-2.67%	-2.67%	4.21%
Income tax expense (benefit)	57	81	69	107	314
Tax rate	14.00%	14.00%	14.00%	14.00%	14.00%
Net income (loss) before minority interest	348	498	425	658	1,929
Minority interest	-	-	-	-	-
Net income (loss) for common	<u>\$ 348</u>	<u>\$ 498</u>	<u>\$ 425</u>	<u>\$ 658</u>	<u>\$ 1,929</u>
EPS diluted	<u>\$ 0.12</u>	<u>\$ 0.17</u>	<u>\$ 0.14</u>	<u>\$ 0.22</u>	<u>\$ 0.64</u>
Weighted average shares (diluted)	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
<u>% of revenue</u>					
Cost of sales	76.50%	76.50%	76.50%	76.50%	76.50%
General and administrative	11.84%	11.26%	11.54%	10.56%	11.26%
Selling	2.04%	2.07%	2.03%	2.61%	2.21%
Advertising and marketing	4.08%	3.75%	3.91%	3.35%	3.75%
<u>year / year growth</u>					
revenues	14.13%	6.87%	6.95%	16.06%	10.97%

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

	FY12/07A	1Q(3/08)A	2Q(6/08)A	3Q(9/08)A
Assets				
Current Assets				
Cash	\$ 483	\$ 692	\$ 1,260	\$ 860
Accounts Receivable	5,951	6,938	7,067	6,739
Inventories	9,701	9,631	10,301	10,743
Other	1,666	1,802	1,635	1,425
Total Current Assets	17,801	19,063	20,263	19,767
Total property and equipment	10,096	10,273	10,321	10,569
Other assets				
Deferred financing costs, net	113	87	71	45
Goodwill	989	989	989	989
Deferred tax assets	134	20	98	131
Other assets	191	192	191	202
Total other assets	1,427	1,288	1,349	1,367
Total Assets	\$ 29,324	\$ 30,624	\$ 31,933	\$ 31,703
Liabilities and Stockholders Equity				
Current liabilities				
Accounts payable	\$ 4,228	\$ 4,254	\$ 5,308	\$ 4,069
Over draft	617	578	230	815
Line of credit	6,746	7,449	7,179	7,612
Notes payable- current port	3,021	2,309	2,445	2,450
Accrued liabilities	1,872	2,113	1,583	1,954
Total current liabilities	16,483	16,703	16,745	16,900
Long-term liabilities				
Non-current liabilities	1,070	1,082	1,034	953
Notes payable	5,167	5,274	5,628	5,377
Total Liabilities	22,720	23,059	23,407	6,330
Minority interest	13	13	13	13
Stockholders' equity				
Total stockholders' equity	\$ 6,591	\$ 7,552	\$ 8,514	\$ 8,460
Total Liabilities and Stockholders' Equity	\$ 29,324	\$ 30,624	\$ 31,933	\$ 31,703
	2,569	2,732	2,785	2,809

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

	<u>FY2006A</u>	<u>FY2007A</u>	<u>9M2008A</u>
<i>Cash Flows from Operating Activities</i>			
Net Income	\$ 1,895	\$ 82	\$ 1,033
Depreciation & Amortization	1,424	1,466	1,238
Other	104	69	45
Deferred Income Tax	(774)	(21)	182
Write-off aand disposals	<u>95</u>	<u>290</u>	<u>237</u>
	2,744	1,886	2,735
<i>Changes In:</i>			
Receivables	(2,440)	338	(1,012)
Inventories	(1,063)	(1,872)	(1,159)
Prepaid Expense	106	270	229
Accounts Payable	(1,352)	823	(177)
Accrued Expenses & Other	<u>652</u>	<u>(89)</u>	<u>(231)</u>
Net Changes in Working Capital	<u>(4,097)</u>	<u>(530)</u>	<u>(2,350)</u>
Net cash Provided by Operations	<u>(1,353)</u>	<u>1,356</u>	<u>384</u>
<i>Cash Flows from Investing Activities</i>			
Capital Expenditures	<u>(553)</u>	<u>(2,848)</u>	<u>(1,503)</u>
Net cash used in Investing	<u>(553)</u>	<u>(2,848)</u>	<u>(1,503)</u>
<i>Cash Flows from Financing Activities</i>			
Proceeds from stock	101	1,585	1,336
Proceeds from Borrowings	3,915	1,262	866
Payments of Long-term debt	(1,323)	(1,261)	(851)
Other	<u>(646)</u>	<u>-</u>	<u>182</u>
Net cash provided by Financing	<u>2,045</u>	<u>1,586</u>	<u>1,532</u>
Exchange rate effect	<u>(17)</u>	<u>5</u>	<u>(37)</u>
Net change in Cash	122	99	376
Cash Beginning of Period	<u>262</u>	<u>385</u>	<u>484</u>
Cash End of Period	<u>\$ 385</u>	<u>\$ 484</u>	<u>\$ 860</u>