

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 2024

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 001-11038

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

41-0857886

(I.R.S. Employer Identification No.)

4201 Woodland Road

P.O. Box 69

Circle Pines, Minnesota 55014

(Address of principal executive offices) (Zip Code)

(763) 225-6600

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$0.02 per share	NTIC	Nasdaq Global Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (\$232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 10, 2024, there were 9,441,127 shares of common stock of the registrant outstanding.

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION
FORM 10-Q
May 31, 2024

TABLE OF CONTENTS

Description	Page
PART I—FINANCIAL INFORMATION	
<u>Item 1. Financial Statements</u>	
<u>Consolidated Balance Sheets as of May 31, 2024 (unaudited) and August 31, 2023 (audited)</u>	<u>1</u>
<u>Consolidated Statements of Operations (unaudited) for the Three and Nine Months Ended May 31, 2024 and 2023</u>	<u>2</u>
<u>Consolidated Statements of Comprehensive Income (unaudited) for the Three and Nine Months Ended May 31, 2024 and 2023</u>	<u>3</u>
<u>Consolidated Statements of Equity (unaudited) for the Three and Nine Months Ended May 31, 2024 and 2023</u>	<u>4</u>
<u>Consolidated Statements of Cash Flows (unaudited) for the Nine Months Ended May 31, 2024 and 2023</u>	<u>5</u>
<u>Notes to Consolidated Financial Statements (unaudited)</u>	<u>6</u>
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>16</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>29</u>
<u>Item 4. Controls and Procedures</u>	<u>30</u>
PART II—OTHER INFORMATION	
<u>Item 1. Legal Proceedings</u>	<u>32</u>
<u>Item 1A. Risk Factors</u>	<u>32</u>
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>32</u>
<u>Item 3. Defaults Upon Senior Securities</u>	<u>33</u>
<u>Item 4. Mine Safety Disclosures</u>	<u>33</u>
<u>Item 5. Other Information</u>	<u>33</u>
<u>Item 6. Exhibits</u>	<u>33</u>
SIGNATURES	<u>34</u>

This quarterly report on Form 10-Q contains certain forward-looking statements that are within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, and are subject to the safe harbor created by those sections. For more information, see "Part I. Financial Information – Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations – Forward-Looking Statements."

As used in this report, references to "NTIC," the "Company," "we," "our" or "us," unless the context otherwise requires, refer to Northern Technologies International Corporation and its wholly-owned and majority-owned subsidiaries, all of which are consolidated on NTIC's consolidated financial statements.

As used in this report, references to: (1) "NTIC China" refer to NTIC's wholly-owned subsidiary in China, NTIC (Shanghai) Co., Ltd.; (2) "NTI Europe" refer to NTIC's wholly-owned subsidiary in Germany, NTIC Europe GmbH; (3) "Zerust Mexico" refer to NTIC's wholly-owned subsidiary in Mexico, ZERUST-EXCOR MEXICO, S. de R.L. de C.V.; (4) "Zerust India" refer to NTIC's wholly-owned subsidiary in India, HNTI Limited (formerly Harita-NTI Limited); and (5) "NTI Asean" refer to NTIC's majority-owned holding company subsidiary, NTI Asean LLC, which holds investments in certain entities that operate in the Association of Southeast Asian Nations (ASEAN) region.

NTIC's consolidated financial statements do not include the accounts of any of its joint ventures. Except as otherwise indicated, references in this report to NTIC's joint ventures do not include any of NTIC's wholly-owned or majority-owned subsidiaries.

As used in this report, references to "EXCOR" refer to NTIC's joint venture in Germany, Excor Korrosionsschutz – Technologien und Produkte GmbH.

All trademarks, trade names or service marks referred to in this report are the property of their respective owners.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AS OF MAY 31, 2024 (UNAUDITED)
AND AUGUST 31, 2023 (AUDITED)**

	May 31, 2024	August 31, 2023
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 5,794,824	\$ 5,406,173
Receivables:		
Trade, excluding joint ventures, less allowance for doubtful accounts of \$533,000 as of May 31, 2024 and August 31, 2023	14,374,856	15,645,130
Trade, joint ventures	594,331	187,912
Fees for services provided to joint ventures	1,262,153	1,296,594
Dividend receivable from joint ventures	—	1,986,027
Income taxes	463,828	34,202
Inventories	13,242,381	13,096,489
Prepaid expenses	2,170,896	2,019,029
Total current assets	<u>\$ 37,903,269</u>	<u>\$ 39,671,556</u>
PROPERTY AND EQUIPMENT, NET	<u>\$ 15,678,572</u>	<u>\$ 14,065,354</u>
OTHER ASSETS:		
Investments in joint ventures	24,219,348	23,705,714
Deferred income tax, net	570,673	530,944
Intangible asset, net	5,802,438	6,159,485
Goodwill	4,782,376	4,782,376
Operating lease right of use asset	308,868	428,874
Total other assets	<u>35,683,703</u>	<u>35,607,393</u>
Total assets	<u><u>\$ 89,265,544</u></u>	<u><u>\$ 89,344,303</u></u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Line of credit	\$ 1,988,380	\$ 3,600,000
Term loan	2,762,049	2,757,176
Accounts payable	6,273,261	6,056,329
Income taxes payable	17,579	13,053
Accrued liabilities:		
Payroll and related benefits	2,216,767	2,305,400
Other	1,289,106	1,648,615
Current portion of operating lease	247,291	340,799
Total current liabilities	<u>\$ 14,794,433</u>	<u>\$ 16,721,372</u>
LONG-TERM LIABILITIES:		
Deferred income tax, net	1,836,059	1,836,059
Operating lease, less current portion	61,577	88,075
Total long-term liabilities	<u>\$ 1,897,636</u>	<u>\$ 1,924,134</u>
COMMITMENTS AND CONTINGENCIES (Note 12)		
EQUITY:		
Preferred stock, no par value; authorized 10,000 shares; none issued and outstanding	—	—
Common stock, \$0.02 par value per share; authorized 15,000,000 shares as of May 31, 2024 and August 31, 2023; issued and outstanding 9,441,124 and 9,424,102, respectively	188,823	188,482
Additional paid-in capital	23,104,415	21,986,767
Retained earnings	52,596,976	51,004,427
Accumulated other comprehensive loss	(7,038,745)	(6,823,403)
Stockholders' equity	68,851,469	66,356,273
Non-controlling interest	3,722,006	4,342,524
Total equity	<u>72,573,475</u>	<u>70,698,797</u>
Total liabilities and equity	<u><u>\$ 89,265,544</u></u>	<u><u>\$ 89,344,303</u></u>

See notes to consolidated financial statements.

**NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2024 AND 2023**

	Three Months Ended		Nine Months Ended	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
NET SALES:				
Net sales	\$ 20,686,197	\$ 20,969,726	\$ 61,710,410	\$ 59,193,317
Cost of goods sold	<u>12,793,103</u>	<u>13,389,873</u>	<u>38,143,878</u>	<u>38,957,272</u>
Gross profit	7,893,094	7,579,853	23,566,532	20,236,045
JOINT VENTURE OPERATIONS:				
Equity in income from joint ventures	1,396,731	1,346,658	3,676,962	3,664,793
Fees for services provided to joint ventures	<u>1,212,497</u>	<u>1,361,311</u>	<u>3,764,514</u>	<u>3,795,862</u>
Total joint venture operations	2,609,228	2,707,969	7,441,476	7,460,655
OPERATING EXPENSES:				
Selling expenses	4,232,887	3,893,152	12,053,839	10,996,303
General and administrative expenses	<u>3,500,113</u>	<u>3,205,645</u>	<u>10,253,966</u>	<u>9,470,433</u>
Research and development expenses	1,245,405	1,282,439	3,593,582	3,680,246
Total operating expenses	8,978,405	8,381,236	25,901,387	24,146,982
OPERATING INCOME	1,523,917	1,906,586	5,106,621	3,549,718
INTEREST INCOME	23,744	8,876	99,396	18,495
INTEREST EXPENSE	<u>(59,939)</u>	<u>(136,168)</u>	<u>(248,835)</u>	<u>(342,643)</u>
INCOME BEFORE INCOME TAX EXPENSE	1,478,722	1,779,294	4,957,182	3,225,570
INCOME TAX EXPENSE	332,400	542,295	848,391	834,823
NET INCOME	1,155,322	1,236,999	4,108,791	2,390,747
NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	178,718	177,409	535,497	417,418
NET INCOME ATTRIBUTABLE TO NTIC	\$ 976,604	\$ 1,059,590	\$ 3,573,294	\$ 1,973,329
NET INCOME ATTRIBUTABLE TO NTIC PER COMMON SHARE:				
Basic	\$ 0.10	\$ 0.11	\$ 0.38	\$ 0.21
Diluted	<u>\$ 0.10</u>	<u>\$ 0.11</u>	<u>\$ 0.36</u>	<u>\$ 0.20</u>
WEIGHTED AVERAGE COMMON SHARES ASSUMED OUTSTANDING:				
Basic	9,431,134	9,369,923	9,432,684	9,355,776
Diluted	<u>10,015,674</u>	<u>9,628,069</u>	<u>9,819,220</u>	<u>9,702,610</u>
CASH DIVIDENDS DECLARED PER COMMON SHARE	\$ 0.07	\$ 0.07	\$ 0.21	\$ 0.21

See notes to consolidated financial statements.

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
 FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2024 AND 2023

	Three Months Ended		Nine Months Ended	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
NET INCOME	\$ 1,155,322	\$ 1,236,999	\$ 4,108,791	\$ 2,390,747
OTHER COMPREHENSIVE INCOME (LOSS) – FOREIGN				
CURRENCY TRANSLATION ADJUSTMENT	(251,995)	(92,228)	(296,281)	388,568
COMPREHENSIVE INCOME	903,327	1,144,771	3,812,510	2,779,315
COMPREHENSIVE LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS	(126,578)	(190,118)	(454,558)	(440,301)
COMPREHENSIVE INCOME ATTRIBUTABLE TO NTIC	<u>\$ 1,029,905</u>	<u>\$ 1,334,889</u>	<u>\$ 4,267,068</u>	<u>\$ 3,219,616</u>

See notes to consolidated financial statements.

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)
 FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2024 AND 2023

STOCKHOLDERS' EQUITY – THREE MONTHS ENDED MAY 31, 2024
 AND 2023

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non- Controlling Interests	Total Equity
BALANCE AT FEBRUARY 28, 2023	9,366,357	\$ 187,327	\$21,058,721	\$50,319,062	\$ (6,774,510)	\$ 3,443,643	\$68,234,243
Stock issued for employee stock purchase plan	3,566	71	36,697	—	—	—	36,768
Stock option expense	—	—	331,303	—	—	—	331,303
Dividends paid to stockholders	—	—	—	(655,894)	—	—	(655,894)
Dividend received by non-controlling interest	—	—	—	—	—	(100,000)	(100,000)
Net income	—	—	—	1,059,590	—	177,409	1,236,999
Other comprehensive income (loss)	—	—	—	—	(104,937)	12,709	(92,228)
BALANCE AT MAY 31, 2023	9,369,923	\$ 187,398	\$21,426,721	\$50,722,758	\$ (6,879,447)	\$ 3,533,761	\$68,991,191
 BALANCE AT FEBRUARY 29, 2024	 9,427,598	 \$ 188,552	 \$22,721,667	 \$52,821,250	 \$ (6,838,890)	 \$ 3,595,428	 \$71,948,007
Stock issued for employee stock purchase plan	3,284	66	39,805	—	—	—	39,871
Stock options exercised	10,242	205	(205)	—	—	—	—
Stock option expense	—	—	343,148	—	—	—	343,148
Dividends paid to stockholders	—	—	—	(660,879)	—	—	(660,879)
Net income	—	—	—	976,604	—	178,718	1,155,322
Other comprehensive income (loss)	—	—	—	—	(199,855)	(52,140)	(251,995)
BALANCE AT MAY 31, 2024	9,441,124	\$ 188,823	\$23,104,415	\$52,596,976	\$ (7,038,745)	\$ 3,722,006	\$72,573,475

STOCKHOLDERS' EQUITY – NINE MONTHS ENDED MAY 31, 2024 AND
 2023

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non- Controlling Interests	Total Equity
BALANCE AT AUGUST 31, 2022	9,232,483	\$ 184,650	\$19,939,131	\$50,716,613	\$ (7,245,132)	\$ 3,649,034	\$67,244,296
Stock issued for employee stock purchase plan	7,186	143	75,321	—	—	—	75,464
Stock options exercised	130,254	2,605	413,958	—	—	—	416,563
Stock option expense	—	—	998,311	—	—	—	998,311
Dividends paid to stockholders	—	—	—	(1,967,184)	—	—	(1,967,184)
Dividend received by non-controlling interest	—	—	—	—	—	(555,574)	(555,574)
Net income	—	—	—	1,973,329	—	417,418	2,390,747
Other comprehensive income	—	—	—	—	365,685	22,883	388,568
BALANCE AT MAY 31, 2023	9,369,923	\$ 187,398	\$21,426,721	\$50,722,758	\$ (6,879,447)	\$ 3,533,761	\$68,991,191
 BALANCE AT AUGUST 31, 2023	 9,424,102	 \$ 188,482	 \$21,986,767	 \$51,004,427	 \$ (6,823,403)	 \$ 4,342,524	 \$70,698,797
Stock issued for employee stock purchase plan	6,780	136	79,831	—	—	—	79,967
Stock options exercised	10,242	205	(205)	—	—	—	—
Stock option expense	—	—	1,038,022	—	—	—	1,038,022
Dividends paid to stockholders	—	—	—	(1,980,745)	—	—	(1,980,745)
Dividend received by non-controlling interest	—	—	—	—	—	(1,075,076)	(1,075,076)
Net income	—	—	—	3,573,294	—	535,497	4,108,791
Other comprehensive income	—	—	—	—	(215,342)	(80,939)	(296,281)
BALANCE AT MAY 31, 2024	9,441,124	\$ 188,823	\$23,104,415	\$52,596,976	\$ (7,038,745)	\$ 3,722,006	\$72,573,475

See notes to consolidated financial statements.

**NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED MAY 31, 2024 AND 2023**

	Nine Months Ended	
	May 31, 2024	May 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 4,108,791	\$ 2,390,747
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	1,038,022	998,311
Depreciation expense	884,421	766,091
Amortization expense	442,975	441,603
Loss on disposal of assets	—	(8,534)
Equity in income from joint ventures	(3,676,962)	(3,664,793)
Dividends received from joint ventures	2,958,925	3,510,716
Deferred income taxes	(40,091)	(76,114)
Changes in current assets and liabilities:		
Receivables:		
Trade, excluding joint ventures	1,184,735	(362,810)
Trade, joint ventures	(406,419)	29,014
Fees for services provided to joint ventures	34,441	539,107
Dividends receivable from joint venture	1,986,027	—
Income taxes	(429,626)	(155,828)
Inventories	(197,240)	2,254,758
Prepaid expenses and other	(184,366)	184,516
Accounts payable	300,181	(2,902,121)
Income tax payable	4,504	(29,401)
Accrued liabilities	(424,413)	(409,459)
Net cash provided by operating activities	<u>7,583,905</u>	<u>3,505,803</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of available for sale securities	—	5,590
Proceeds from sale of property and equipment	—	13,000
Purchases of property and equipment	(2,515,248)	(2,607,988)
Investments in patents	(85,928)	(89,350)
Net cash used in investing activities	<u>(2,601,176)</u>	<u>(2,678,748)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividend received by non-controlling interest	—	(555,574)
Net payments from line of credit	(1,611,620)	(700,000)
Proceeds from term loan	—	2,812,504
Dividends paid on NTIC common stock	(1,980,745)	(1,967,184)
Proceeds from the exercise of stock options	—	416,563
Dividends received by non-controlling interest	(1,075,076)	—
Proceeds from employee stock purchase plan	79,967	75,464
Net cash (used in) provided by financing activities	<u>(4,587,474)</u>	<u>81,773</u>
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	<u>(6,604)</u>	<u>(47,524)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	388,651	861,304
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,406,173	5,333,890
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 5,794,824	\$ 6,195,194

See notes to consolidated financial statements.

1. INTERIM FINANCIAL INFORMATION

In the opinion of management, the accompanying unaudited consolidated financial statements contain all necessary adjustments, which are of a normal recurring nature, and present fairly the consolidated financial position of Northern Technologies International Corporation and its subsidiaries (the Company) as of May 31, 2024 and August 31, 2023, the results of the Company's operations for the three and nine months ended May 31, 2024 and 2023, the changes in stockholders' equity for the three and nine months ended May 31, 2024 and 2023, and the Company's cash flows for the nine months ended May 31, 2024 and 2023, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

These consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes contained in the Company's annual report on Form 10-K for the fiscal year ended August 31, 2023. These consolidated financial statements also should be read in conjunction with the "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" section appearing in this report.

Operating results for the three and nine months ended May 31, 2024 are not necessarily indicative of the results that may be expected for the full fiscal year ending August 31, 2024.

The Company evaluates events occurring after the date of the consolidated financial statements, through the date the consolidated financial statements were available to be issued, requiring recording or disclosure in the consolidated financial statements.

2. ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*, which revises guidance for the accounting for credit losses on financial instruments within its scope, and in November 2018, issued ASU No. 2018-19 and in April 2019, issued ASU No. 2019-04 and in May 2019, issued ASU No. 2019-05, and in November 2019, issued ASU No. 2019-11, which amended the standard. The new standard introduces an approach, based on expected losses, to estimate credit losses on certain types of financial instruments and modifies the impairment model for available-for-sale debt securities. The new approach to estimating credit losses (referred to as the current expected credit losses model) applies to most financial assets measured at amortized cost and certain other instruments, including trade and other receivables, loans, held-to-maturity debt securities, net investments in leases and off-balance-sheet credit exposures. This ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Entities are required to apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is adopted. The Company adopted this pronouncement on September 1, 2023, which did not have a material impact on the Company's consolidated financial position or operating results.

3. INVENTORIES

Inventories consisted of the following:

	May 31, 2024	August 31, 2023
Production materials	\$ 4,887,783	\$ 4,960,355
Finished goods	8,354,598	8,136,134
	<u><u>\$ 13,242,381</u></u>	<u><u>\$ 13,096,489</u></u>

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	May 31, 2024	August 31, 2023
Land	\$ 776,965	\$ 496,965
Buildings and improvements	19,492,861	17,250,392
Machinery and equipment	6,173,904	5,984,364
	<u><u>26,443,730</u></u>	<u><u>23,731,721</u></u>
Less accumulated depreciation	(10,765,158)	(9,666,367)
	<u><u>\$ 15,678,572</u></u>	<u><u>\$ 14,065,354</u></u>

Depreciation expense was \$287,018 and \$884,421 for the three and nine months ended May 31, 2024, respectively, compared to \$ 277,253 and \$766,091 for the three and nine months ended May 31, 2023, respectively.

5. INTANGIBLE ASSETS, NET

Intangible assets, net consisted of the following:

	As of May 31, 2024		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents and trademarks	\$ 3,425,645	\$ (2,806,590)	\$ 619,055
Customer relationships	6,347,000	(1,163,617)	5,183,383
Total intangible assets, net	\$ 9,772,645	\$ (3,970,207)	\$ 5,802,438

	As of August 31, 2023		
	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Patents and trademarks	\$ 3,339,717	\$ (2,680,965)	\$ 658,752
Customer relationships	6,347,000	(846,267)	5,500,733
Total intangible assets, net	\$ 9,686,717	\$ (3,527,232)	\$ 6,159,485

Amortization expense related to intangible assets was \$ 147,749 and \$442,975 for the three and nine months ended May 31, 2024, respectively, compared \$146,730 and \$441,603 for the three and nine months ended May 31, 2023, respectively.

As of May 31, 2024, future amortization expense related to intangible assets for each of the next five fiscal years and thereafter is estimated as follows:

Remainder of fiscal 2024	\$ 285,905
Fiscal 2025	543,721
Fiscal 2026	517,990
Fiscal 2027	492,221
Fiscal 2028	479,012
Thereafter	3,483,589
Total	\$ 5,802,438

6. INVESTMENTS IN JOINT VENTURES

The consolidated financial statements of the Company's foreign joint ventures are initially prepared using the accounting principles accepted in the respective joint ventures' countries of domicile. Amounts related to foreign joint ventures reported in the below tables and the accompanying consolidated financial statements have subsequently been adjusted to conform with U.S. GAAP in all material respects. All material profits on sales recorded that remain on the consolidated balance sheet from the Company to its joint ventures and from joint ventures to other joint ventures have been eliminated for financial reporting purposes.

Financial information from the audited and unaudited financial statements of the Company's joint venture in Germany, Excor Korrosionsschutz – Technologien und Produkte GmbH (EXCOR), and all the Company's other joint ventures are summarized as follows:

	As of May 31, 2024		
	Total	EXCOR	All Other
Current assets	\$ 57,436,771	\$ 28,022,725	\$ 29,414,046
Total assets	62,421,770	30,641,557	31,780,213
Current liabilities	13,167,730	2,458,389	10,709,341
Non-current liabilities	303,758	—	303,758
Joint ventures' equity	48,949,666	28,183,169	20,766,497
NTIC's share of joint ventures' equity	24,219,348	14,091,586	10,127,762
NTIC's share of joint ventures' undistributed earnings	23,645,685	14,260,800	9,384,885

	Three Months Ended May 31, 2024		
	Total	EXCOR	All Other
Net sales	\$ 25,602,072	\$ 9,977,354	\$ 15,624,718
Gross profit	10,713,282	4,959,536	5,753,746
Net income	2,793,738	1,623,431	1,170,307
NTIC's share of equity in income from joint ventures	1,396,730	811,399	585,331
NTIC's dividends received from joint ventures	567,674	—	567,674

	Nine Months Ended May 31, 2024		
	Total	EXCOR	All Other
Net sales	\$ 72,642,714	\$ 27,561,950	\$ 45,080,764
Gross profit	30,956,162	14,164,541	16,791,620
Net income	7,351,372	4,029,182	3,322,190
NTIC's share of equity in income from joint ventures	3,676,961	2,015,734	1,661,228
NTIC's dividends received from joint ventures	2,958,925	1,624,950	1,333,975

	As of August 31, 2023		
	Total	EXCOR	All Other
Current assets	\$ 55,339,662	\$ 27,862,458	\$ 27,477,204
Total assets	59,729,348	30,054,277	29,675,071
Current liabilities	11,464,247	2,687,064	8,777,183
Non-current liabilities	323,762	—	323,762
Joint ventures' equity	47,941,339	27,367,213	20,574,126
NTIC's share of joint ventures' equity	23,705,714	13,683,608	10,022,106
NTIC's share of joint ventures' undistributed earnings	20,493,861	12,075,524	8,418,337

	Three Months Ended May 31, 2023		
	Total	EXCOR	All Other
Net sales	\$ 26,312,548	\$ 10,735,862	\$ 15,576,686
Gross profit	10,494,244	5,085,837	5,408,407
Net income	2,692,444	1,654,151	1,038,293
NTIC's share of equity in income from joint ventures	1,346,658	828,631	518,027
NTIC's dividends received from joint ventures	45,977	—	45,977

	Nine Months Ended May 31, 2023		
	Total	EXCOR	All Other
Net sales	\$ 76,525,427	\$ 30,590,265	\$ 45,935,162
Gross profit	30,223,623	14,539,314	15,684,309
Net income	7,308,398	4,761,608	2,546,790
NTIC's share of equity in income from joint ventures	3,664,793	2,376,575	1,288,218
NTIC's dividends received from joint ventures	3,510,716	2,459,500	1,051,216

7. CORPORATE DEBT

On January 6, 2023, the Company entered into a Credit Agreement (the Credit Agreement) with JPMorgan Chase Bank, N.A. (JPM), which provides the Company with a senior secured revolving line of credit (the Credit Facility) of up to \$10.0 million, which includes a \$5.0 million sublimit for standby letters of credit. Borrowings of \$1,988,380 and \$3,600,000 were outstanding under the Credit Facility as of May 31, 2024 and August 31, 2023, respectively.

Unless terminated earlier, the principal amount under the Credit Facility, together with all accrued unpaid interest and other amounts owing thereunder, if any, will be payable in full on the maturity date. On January 5, 2024, the Company and JPM renewed its Credit Agreement to extend the maturity date of the Credit Facility from January 6, 2024 to January 6, 2025. All other terms of the Credit Facility and the Credit Agreement remain the same.

Borrowings under the Credit Agreement bear interest at a floating rate, at the option of the Company, equal to either the CB Floating Rate or the Adjusted SOFR Rate. The term "CB Floating Rate" means the greater of the Prime Rate in the United States or 2.50%. The term "Adjusted SOFR Rate" means the term secured overnight financing rate for either one, three or six months (depending on the interest period selected by the Company) plus 0.10% per annum. With respect to any borrowings using an Adjusted SOFR Rate, there is an applicable margin of 2.15% applied per annum. There is no applicable margin with respect to borrowings using a CB Floating Rate.

To secure the Credit Agreement, the Company assigned JPM a continuing security interest in all of its right, title and interest in collateral made up for the assets of the Company.

The Credit Agreement contains customary affirmative and negative covenants, including, among other matters, limitations on the Company's ability to incur additional debt, grant liens, engage in certain business operations and transactions, make certain investments, modify its organizational documents or form any new subsidiaries, subject to certain exceptions. Further, the Credit Agreement contains a negative covenant that restricts the ability of the Company to redeem or repurchase its common stock or pay dividends if the result of which would cause an event of default under the Credit Agreement. The Credit Agreement also requires the Company to maintain a Fixed Charge Coverage Ratio of at least 1.25 to 1.00. The term "Fixed Charge Coverage Ratio" means the ratio, computed for the Company on a consolidated basis, of net income plus income tax expense, plus amortization expense, plus depreciation expense, plus interest expense, and plus dividends received from joint ventures, minus unfinanced capital expenditures and equity in income from joint ventures, all computed for the twelve month period then ending, to scheduled principal payments made, plus scheduled finance lease payments made, plus interest expense paid, plus income tax expense paid, and plus cash distributions and dividends paid, all computed for the same twelve month period then ending. The Company was in compliance with all covenants as of May 31, 2024.

The Credit Agreement also contains customary events of default, including, without limitation, payment defaults, material inaccuracy of representations and warranties, covenant defaults, bankruptcy and insolvency proceedings, cross-defaults to certain other agreements, breach of any financial covenant and change of control. Upon the occurrence and during the continuance of any event of default, JPM may accelerate the payment of the obligations thereunder and exercise various other customary default remedies.

On each of April 10, 2023 and May 30, 2023, the Company's wholly-owned subsidiary in China, NTIC China, entered into a loan agreement with China Construction Bank Corporation. Each term loan provided NTIC China with a RMB 10,000,000 (USD \$1.45 million). Each of the term loans matures after one year with the principal due at that time, after which an extension of the loan agreement is required. Both term loans have an annual interest rate of 3.25% with interest due monthly. Both term loans are secured by an office building owned by NTIC China and the loan agreements contain certain financial and other covenants. The Company was in compliance with the covenants as of May 31, 2024. The current outstanding balance for both term loans was USD \$2,762,049 as of May 31, 2024 and USD \$ 2,757,176 as of August 31, 2023.

8. STOCKHOLDERS' EQUITY

During the nine months ended May 31, 2024, the Company's Board of Directors declared cash dividends on the following dates in the following amounts to the following holders of the Company's common stock:

Declaration Date	Amount	Record Date	Payable Date
October 18, 2023	\$ 0.07	November 1, 2023	November 15, 2023
January 17, 2024	\$ 0.07	January 31, 2024	February 14, 2024
April 17, 2024	\$ 0.07	May 1, 2024	May 15, 2024

During the nine months ended May 31, 2023, the Company's Board of Directors declared cash dividends on the following dates in the following amounts to the following holders of the Company's common stock:

Declaration Date	Amount	Record Date	Payable Date
October 20, 2022	\$ 0.07	November 3, 2022	November 16, 2022
January 20, 2023	\$ 0.07	February 1, 2023	February 15, 2023
April 21, 2023	\$ 0.07	May 3, 2023	May 17, 2023

During the nine months ended May 31, 2024 and 2023, the Company repurchased no shares of its common stock.

The Company issued 3,496 and 3,620 shares of common stock on September 1, 2023 and 2022, respectively, under the Northern Technologies International Corporation Employee Stock Purchase Plan (ESPP). The Company issued 3,284 and 3,566 shares of common stock on March 1, 2024 and 2023, respectively, under the ESPP. The ESPP is compensatory for financial reporting purposes. As of May 31, 2024, 55,284 shares of common stock remained available for sale under the ESPP.

9. NET INCOME PER COMMON SHARE

Basic net income per common share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted net income per share assumes the exercise of stock options using the treasury stock method, if dilutive.

The following is a reconciliation of the net income per share computation for the three and nine months ended May 31, 2024 and 2023:

	Three Months Ended		Nine Months Ended	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
Numerator:				
Net income attributable to NTIC	\$ 976,604	\$ 1,059,590	\$ 3,573,294	\$ 1,973,329
Denominator:				
Basic – weighted shares outstanding	9,431,134	9,369,923	9,432,684	9,355,776
Weighted shares assumed upon exercise of stock options	584,541	258,146	386,536	346,834
Diluted – weighted shares outstanding	10,015,674	9,628,069	9,819,220	9,702,610
Basic net income per share:	\$ 0.10	\$ 0.11	\$ 0.38	\$ 0.21
Diluted net income per share:	\$ 0.10	\$ 0.11	\$ 0.36	\$ 0.20

The dilutive impact summarized above relates to the periods when the average market price of the Company's common stock exceeded the exercise price of the potentially dilutive option securities granted. Net income per common share was based on the weighted average number of common shares outstanding during the periods when computing basic net income per share. When dilutive, stock options are included as equivalents using the treasury stock market method when computing the diluted net income per share. Excluded from the computation of diluted net income per share for the three and nine months ended May 31, 2024 were options outstanding to purchase 305,514 shares of common stock. Excluded from the computation of diluted net income per share for the three and nine months ended May 31, 2023 were options outstanding to purchase 322,246 shares of common stock.

10. STOCK-BASED COMPENSATION

A summary of stock option activities under the Northern Technologies International Corporation 2024 Stock Incentive Plan (the 2024 Plan), the Northern Technologies International Corporation Amended and Restated 2019 Stock Incentive Plan (the 2019 Plan) and the Northern Technologies International Corporation Amended and Restated 2007 Stock Incentive Plan (the 2007 Plan) is as follows:

	Number of Options Outstanding	Weighted Average Exercise Price
Outstanding as of August 31, 2023	1,557,131	\$ 11.08
Granted	269,845	13.25
Exercised	(21,301)	9.04
Cancelled	—	—
Outstanding as of May 31, 2024	1,805,675	\$ 11.43
Exercisable as of May 31, 2024	1,350,643	\$ 10.88

The weighted average per share fair value of options granted during the nine months ended May 31, 2024 and 2023 was \$ 4.88 and \$4.87, respectively. The weighted average remaining contractual life of the options outstanding as of May 31, 2024 and 2023 was 6.11 years and 6.16 years, respectively.

The Company recognized compensation expense of \$ 343,148 and \$1,038,022 and \$331,303 and \$998,311 during the three and nine months ended May 31, 2024 and 2023, respectively. As of May 31, 2024, there was \$1,345,262 of unrecognized compensation expense. The amount is expected to be recognized over a period of 2.25 years.

11. SEGMENT AND GEOGRAPHIC INFORMATION

Segment Information

The Company's chief operating decision maker is its Chief Executive Officer. The Company's business is organized into two reportable segments: ZERUST® and Natur-Tec®. The Company has been selling its proprietary ZERUST® rust and corrosion inhibiting products and services to the automotive, electronics, electrical, mechanical, military and retail consumer markets for almost 50 years and, more recently, has targeted and expanded into the oil and gas industry. The Company also sells a portfolio of bio-based and compostable (fully biodegradable) polymer resins and finished products under the Natur-Tec® brand.

The following table sets forth the Company's net sales for the three and nine months ended May 31, 2024 and 2023 by segment:

	Three Months Ended		Nine Months Ended	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
ZERUST® net sales	\$ 14,837,235	\$ 16,100,674	\$ 45,461,075	\$ 45,929,422
Natur-Tec® net sales	5,848,962	4,869,052	16,249,335	13,263,895
Total net sales	\$ 20,686,197	\$ 20,969,726	\$ 61,710,410	\$ 59,193,317

The following table sets forth the Company's cost of goods sold for the three and nine months ended May 31, 2024 and 2023 by segment:

	Three Months Ended				Nine Months Ended			
	May 31, 2024	% of Product Sales*	May 31, 2023	% of Product Sales*	May 31, 2024	% of Product Sales*	May 31, 2023	% of Product Sales*
Direct cost of goods sold								
ZERUST®	8,168,215	55.1%	\$ 9,116,091	56.6%	\$ 24,994,401	55.0%	\$ 26,410,796	57.5%
Natur-Tec®	3,768,921	64.4%	3,576,676	73.5%	10,566,223	65.0%	10,078,385	76.0%
Indirect cost of goods sold	855,967	—	697,106	—	2,583,254	—	2,468,091	—
Total net cost of goods sold	\$12,793,103		\$13,389,873		\$38,143,878		\$38,957,272	

* The percent of product sales is calculated by dividing the direct cost of goods sold for each individual segment category by the net sales for each segment category.

The Company utilizes product net sales and direct and indirect cost of goods sold for each product in reviewing the financial performance of a product type. Further allocation of Company expenses or assets, aside from amounts presented in the tables above, is not utilized in evaluating product performance, nor does such allocation occur for internal financial reporting.

Geographic Information

Net sales by geographic location for the three and nine months ended May 31, 2024 and 2023 were as follows:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2024	2023	2024	2023
Inside the U.S.A. to unaffiliated customers	\$ 7,086,859	\$ 7,729,820	\$ 21,160,095	\$ 21,958,978
Outside the U.S.A. to:				
Joint ventures in which the Company is a shareholder directly and indirectly	441,067	732,437	1,904,444	2,895,665
Unaffiliated customers	13,158,272	12,507,469	38,645,871	34,338,674
	<u>\$ 20,686,197</u>	<u>\$ 20,969,726</u>	<u>\$ 61,710,410</u>	<u>\$ 59,193,317</u>

Net sales by geographic location are based on the location of the customer.

Fees for services provided to joint ventures by geographic location as a percentage of total fees for services provided to joint ventures during the three and nine months ended May 31, 2024 and 2023 were as follows:

	Three Months Ended			
	% of Total Fees for Services Provided to Joint		% of Total Fees for Services Provided to Joint	
	May 31, 2024	Ventures	May 31, 2023	Ventures
Poland	\$ 213,102	17.6%	\$ 224,288	16.5%
Germany	205,853	17.0%	209,398	15.4%
Japan	118,606	9.8%	152,593	11.2%
Sweden	110,542	9.1%	144,981	10.7%
Czech Republic	101,111	8.3%	99,089	7.3%
Finland	97,437	8.0%	103,879	7.6%
United Kingdom	96,872	8.0%	83,586	6.1%
Thailand	77,206	6.4%	82,725	6.1%
South Korea	58,732	4.8%	61,668	4.5%
France	47,206	3.9%	128,149	9.4%
Other	85,830	7.1%	70,953	5.2%
	<u>\$ 1,212,497</u>	<u>100.0%</u>	<u>\$ 1,361,311</u>	<u>100.0%</u>

	Nine Months Ended			
	% of Total Fees for Services Provided to Joint Ventures		% of Total Fees for Services Provided to Joint Ventures	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
Poland	\$ 628,905	16.7%	\$ 610,911	16.1%
Germany	618,236	16.4%	606,189	16.0%
Japan	366,682	9.7%	454,308	12.0%
France	364,348	9.7%	356,444	9.4%
Sweden	324,062	8.6%	358,032	9.4%
Finland	296,929	7.9%	285,931	7.5%
Czech Republic	263,712	7.0%	270,422	7.1%
Thailand	246,908	6.6%	257,282	6.8%
United Kingdom	215,123	5.7%	206,925	5.5%
South Korea	197,070	5.2%	190,866	5.0%
Other	242,540	6.4%	198,552	5.2%
	<u>\$ 3,764,514</u>	<u>100.0%</u>	<u>\$ 3,795,862</u>	<u>100.0%</u>

The geographical distribution of total property and equipment and net sales is as follows:

	At	At
	May 31, 2024	August 31, 2023
China	\$ 5,575,097	\$ 5,729,080
Other	1,061,309	745,469
United States	9,042,166	7,590,805
Total property and equipment, net	<u>\$ 15,678,572</u>	<u>\$ 14,065,354</u>

	Three Months Ended		Nine Months Ended	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
China	\$ 3,540,570	\$ 3,318,373	\$ 10,674,939	\$ 9,936,808
Brazil	1,508,680	1,488,510	4,365,170	4,062,718
India	5,814,829	5,145,423	16,401,624	14,356,708
Other	2,735,259	3,287,600	9,108,583	8,878,105
United States	7,086,859	7,729,820	21,160,095	21,958,978
Total net sales	<u>\$ 20,686,197</u>	<u>\$ 20,969,726</u>	<u>\$ 61,710,410</u>	<u>\$ 59,193,317</u>

Long-lived assets consist of property and equipment. These assets are periodically reviewed to assure the net realizable value from the estimated future production based on forecasted sales exceeds the carrying value of the assets.

Sales to the Company's joint ventures are included in the foregoing segment and geographic information; however, sales by the Company's joint ventures to other parties are not included. The foregoing segment and geographic information represents only sales recognized directly by the Company and sold in that geographic territory.

All joint venture operations, including equity in income, fees for services and related dividends, are primarily related to ZERUST® products and services.

12. COMMITMENTS AND CONTINGENCIES

Concentrations

Two joint ventures (consisting of the Company's joint ventures in Korea and Thailand) accounted for 54.8% of the Company's trade joint venture receivables as of May 31, 2024, and two joint ventures (consisting of the Company's joint ventures in South Korea and Thailand) accounted for 65.1% of the Company's trade joint venture receivables as of May 31, 2023.

Legal Matters

From time to time, the Company is subject to various other claims and legal actions in the ordinary course of its business. The Company records a liability in its consolidated financial statements for costs related to claims, including future legal costs, settlements and judgments, where the Company has assessed that a loss is probable and an amount could be reasonably estimated. If the reasonable estimate of a probable loss is a range, the Company records the most probable estimate of the loss or the minimum amount when no amount within the range is a better estimate than any other amount. The Company discloses a contingent liability even if the liability is not probable or the amount is not estimable, or both, if there is a reasonable possibility that material loss may have been incurred. In the opinion of management, as of May 31, 2024, the amount of liability, if any, with respect to these matters, individually or in the aggregate, will not materially affect the Company's consolidated results of operations, financial position or cash flows.

13. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosures of cash flow information consisted of:

	Three Months Ended		Nine Months Ended	
	May 31, 2024	May 31, 2023	May 31, 2024	May 31, 2023
Cash paid for interest	\$ 59,939	\$ 136,168	\$ 248,835	\$ 342,643

14. INCOME TAXES

Income tax expense for the three and nine months ended May 31, 2024 was \$ 332,400 and \$848,391, respectively, compared to \$ 542,295 and \$834,823, respectively, for the three and nine months ended May 31, 2023. The expense was largely due to foreign operations. The Company has federal and state tax credit carry forwards, net operating loss carry forwards and foreign tax carry forwards. The Company has recorded a full valuation allowance against the U.S. deferred tax assets as of May 31, 2024 and August 31, 2023.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis provides material historical and prospective disclosures intended to enable investors and other users to assess NTIC's financial condition and results of operations. Statements that are not historical are forward-looking and involve risks and uncertainties discussed under the heading "*Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations —Forward-Looking Statements*" in this report and under "*Part I. Item 1A. Risk Factors*" in our annual report on Form 10-K for the fiscal year ended August 31, 2023. The following discussion of the results of the operations and financial condition of NTIC should be read in conjunction with NTIC's consolidated financial statements and the related notes thereto included under the heading "*Part I. Item 1. Financial Statements*."

Business Overview

NTIC develops and markets proprietary, environmentally beneficial products and services in over 65 countries either directly or via a network of subsidiaries, joint ventures, independent distributors, and agents. NTIC's primary business is corrosion prevention marketed mainly under the ZERUST® brand. NTIC has been selling its proprietary ZERUST® products and services to the automotive, electronics, electrical, mechanical, military, and retail consumer markets for almost 50 years and, more recently, has also expanded into the oil and gas industry. Additionally, NTIC markets and sells a portfolio of proprietary bio-based and certified compostable (fully biodegradable) polymer resin compounds and finished products under the Natur-Tec® brand. These products are intended to reduce NTIC's customers' carbon footprint and provide environmentally sound waste disposal options.

NTIC's ZERUST® rust and corrosion inhibiting products include plastic and paper packaging, liquids, coatings, rust removers, cleaners, and diffusers as well as engineered solutions designed specifically for the oil and gas industry. NTIC also offers worldwide, on-site, technical consulting for rust and corrosion prevention issues. In North America, NTIC sells its ZERUST® corrosion prevention solutions through a network of independent distributors and agents supported by a direct sales force.

Internationally, NTIC sells its ZERUST® corrosion prevention solutions through its wholly-owned subsidiary in China, NTIC (Shanghai) Co., Ltd. (NTIC China), its wholly-owned subsidiary in India, HNTI Limited (Zerust India), its majority-owned joint venture holding company for NTIC's joint venture investments in the Association of Southeast Asian Nations (ASEAN) region, NTI Asean LLC (NTI Asean), and certain majority-owned and wholly-owned subsidiaries, and joint venture arrangements in North America, Europe, and Asia. NTIC also sells products directly to its European joint venture partners through its wholly-owned subsidiary in Germany, NTIC Europe GmbH (NTI Europe).

One of NTIC's strategic initiatives is to expand into and penetrate other markets for its ZERUST® corrosion prevention technologies. Consequently, for the past several years, NTIC has focused significant sales and marketing efforts on the oil and gas industry, as the infrastructure that supports that industry is typically constructed using metals that are highly susceptible to corrosion. NTIC believes that its ZERUST® corrosion prevention solutions will minimize maintenance downtime on critical oil and gas industry infrastructure, extend the life of such infrastructure, and reduce the risk of environmental pollution due to leaks caused by corrosion.

NTIC markets and sells its ZERUST® rust and corrosion prevention solutions to customers in the oil and gas industry in a continuously increasing number of countries either directly, through its subsidiaries, or through its joint venture partners and other strategic partners. The sale of ZERUST® corrosion prevention solutions to customers in the oil and gas industry typically involves long sales cycles, often including multi-year trial periods with each customer and a slow integration process thereafter.

Natur-Tec® bio-based and compostable plastics are manufactured using NTIC's patented and/or proprietary technologies and are intended to replace conventional petroleum-based plastics. The Natur-Tec® biopolymer resin compound portfolio includes formulations that have been optimized for a variety of applications, including blown-film extrusion, extrusion coating, injection molding, and engineered plastics. These resin compounds are certified to be fully biodegradable in a commercial composting environment and are currently being used to produce finished products, including can liners, shopping and grocery bags, lawn and leaf bags, branded apparel packaging bags and accessories, and various foodservice items, such as disposable cutlery, drinking straws, food-handling gloves, and coated paper products. In North America, NTIC markets its Natur-Tec® resin compounds and finished products primarily through a network of regional and national distributors as well as independent agents. NTIC continues to see significant opportunities for finished bioplastic products and, therefore, continues to strengthen and expand its North American distribution network for finished Natur-Tec® bioplastic products.

Internationally, NTIC sells its Natur-Tec® resin compounds and finished products both directly and through its wholly-owned subsidiary in China and majority-owned subsidiaries in India and Sri Lanka and through distributors and certain joint ventures.

Financial Overview

NTIC's management, including its chief executive officer, who is NTIC's chief operating decision maker, reports and manages NTIC's operations in two reportable business segments based on products sold, customer base and distribution center: ZERUST® products and services and Natur-Tec® products.

Highlights of NTIC's financial results for the three and nine months ended May 31, 2024 include the following, with increases or decreases in each case as compared to the respective prior fiscal year quarterly period:

- NTIC's consolidated net sales decreased 1.4% during the three months ended May 31, 2024 compared to the three months ended May 31, 2023 primarily due to decreases in demand for ZERUST® products. NTIC's consolidated net sales increased 4.3% during the nine months ended May 31, 2024 compared to the nine months ended May 31, 2023 primarily as a result of an increase in sales and demand for Natur-Tec® partially offset by decreases in ZERUST® products. During the nine months ended May 31, 2024, 73.7% of NTIC's consolidated net sales were derived from sales of ZERUST® products and services, and 26.3% of NTIC's consolidated net sales were derived from sales of Natur-Tec® products.
- Cost of goods sold as a percentage of net sales decreased to 61.8% during each of the three and nine months ended May 31, 2024, respectively, compared to 63.9% and 65.8% during the three and nine months ended May 31, 2023, respectively, primarily as a result of lower raw material prices overall and savings associated with the insourcing of various finished goods production.
- NTIC's contribution from joint ventures operations decreased 3.6% and 0.3% during the three and nine months ended May 31, 2024 to \$2,609,228 and 7,441,476 compared to \$2,707,969 and 7,460,655 during the three and nine months ended May 31, 2023 primarily due to a decrease in net income at NTIC's joint venture in Germany, partially offset by increases at the majority of the other joint ventures. Net sales at the joint ventures decreased 2.7% and 5.1% to \$25,602,072 and \$72,642,714 during the three and nine months ended May 31, 2024, respectively, compared to \$26,312,548 and \$76,525,427 during the three and nine months ended May 31, 2023, respectively.
- NTIC's total operating expenses increased 7.1% and 7.3% to \$8,978,405 and \$25,901,387 during the three and nine months ended May 31, 2024, respectively, compared to \$8,381,236 and \$24,146,982 for the three and nine months ended May 31, 2023, respectively. These increases were primarily due to increased personnel expenses, including new hires, benefits and travel.
- NTIC incurred net income attributable to NTIC of \$976,604, or \$0.10 per diluted common share, for the three months ended May 31, 2024, compared to \$1,059,590, or \$0.11 per diluted common share, for the three months ended May 31, 2023. NTIC incurred net income attributable to NTIC of \$3,573,294, or \$0.36 per diluted common share, for the nine months ended May 31, 2024, compared to \$1,973,329, or \$0.20 per diluted common share, for the nine months ended May 31, 2023.

Results of Operations

The following table sets forth NTIC's results of operations for the three and nine months ended May 31, 2024 and 2023.

	Three Months Ended May 31,					
	2024	% of Net Sales	2023	% of Net Sales	\$ Change	% Change
Net sales	\$ 20,686,197	100.0%	\$ 20,969,726	100.0%	\$ (283,529)	(1.4%)
Cost of goods sold	12,793,103	61.8%	13,389,873	63.9%	(596,770)	(4.5%)
Equity in income from joint ventures	1,396,731	n/a	1,346,658	n/a	50,073	3.7%
Fees for services provided to joint ventures	1,212,497	n/a	1,361,311	n/a	(148,814)	(10.9%)
Selling expenses	4,232,887	20.5%	3,893,152	18.6%	339,735	8.7%
General and administrative expenses	3,500,113	16.9%	3,205,645	15.3%	294,468	9.2%
Research and development expenses	1,245,405	6.0%	1,282,439	6.1%	(37,034)	(2.9%)

	Nine Months Ended May 31,					
	2024	% of Net Sales	2023	% of Net Sales	\$ Change	% Change
Net sales	\$ 61,710,410	100.0%	\$ 59,193,317	100.0%	\$ 2,517,093	4.3%
Cost of goods sold	38,143,878	61.8%	38,957,272	65.8%	(813,394)	(2.1%)
Equity in income from joint ventures	3,676,962	n/a	3,664,793	n/a	12,169	0.3%
Fees for services provided to joint ventures	3,764,514	n/a	3,795,862	n/a	(31,348)	(0.8%)
Selling expenses	12,053,839	19.5%	10,996,303	18.6%	1,057,536	9.6%
General and administrative expenses	10,253,966	16.6%	9,470,433	16.0%	783,533	8.3%
Research and development expenses	3,593,582	5.8%	3,680,246	6.2%	(86,664)	(2.4%)

Net Sales. NTIC's consolidated net sales decreased 1.4% during the three months ended May 31, 2024 compared to the three months ended May 31, 2023 primarily due to decreases in demand for ZERUST® products. NTIC's consolidated net sales increased 4.3% during the three months ended May 31, 2024 compared to the three and nine months ended May 31, 2023. This increase was primarily as a result of an increase in sales and demand for Natur-Tec® partially offset by decreases in ZERUST® products.

The following table sets forth NTIC's net sales by product segment for the three and nine months ended May 31, 2024 and 2023:

	Three Months Ended May 31,		Nine Months Ended May 31,	
	2024	2023	2024	2023
Total ZERUST® sales	14,837,235	16,100,674	45,461,075	45,929,422
Total Natur-Tec® sales	5,848,962	4,869,052	16,249,335	13,263,895
Total net sales	\$ 20,686,197	\$ 20,969,726	\$ 61,710,410	\$ 59,193,317

During the three and nine months ended May 31, 2024, 71.7% and 73.7% of NTIC's consolidated net sales, respectively, were derived from sales of ZERUST® products and services, which decreased 7.8% and 1.0% to \$14,837,235 and \$45,461,075, respectively, compared to \$16,100,674 and \$45,929,422 during the three and nine months ended May 31, 2023, respectively. These increases were primarily a result of decreased demand in North America of both ZERUST® industrial and ZERUST® oil and gas products.

The following table sets forth NTIC's net sales of ZERUST® products for the three and nine months ended May 31, 2024 and 2023:

	Three Months Ended May 31,			
	2024	2023	Change	% Change
ZERUST® industrial net sales	\$ 13,477,181	\$ 14,103,292	\$ (626,111)	(4.4%)
ZERUST® oil & gas net sales	1,360,054	1,997,382	(637,328)	(31.9%)
Total ZERUST® net sales	\$ 14,837,235	\$ 16,100,674	\$ (1,263,439)	(7.8%)

	Nine Months Ended May 31,			
	2024	2023	Change	% Change
ZERUST® industrial net sales	\$ 40,431,379	\$ 40,504,908	\$ (73,529)	(0.2%)
ZERUST® oil & gas net sales	5,029,696	5,424,514	(394,818)	(7.3%)
Total ZERUST® net sales	\$ 45,461,075	\$ 45,929,422	\$ (468,347)	(1.0%)

NTIC's total ZERUST® net sales decreased during the three and nine months ended May 31, 2024, compared to the prior fiscal year periods, primarily due to decreased demand in North American both ZERUST® industrial business and ZERUST® oil and gas business. Overall, demand for ZERUST® products and services depends heavily on the overall health of the markets in which NTIC sells its products, including the automotive, oil and gas, agriculture, and mining markets, in particular.

ZERUST® oil and gas net sales decreased 31.9% and 7.3% during the three and nine months ended May 31, 2023 compared to the prior fiscal year periods primarily as a result of decreased demand in markets in which NTIC sells its products and the timing of delivery of products. NTIC anticipates that its sales of ZERUST® products and services to the oil and gas industry will continue to remain subject to significant volatility from quarter to quarter as sales are recognized. Demand for oil and gas products around the world depends primarily on market acceptance and the reach of NTIC's distribution network. Because of the typical size of individual orders and overall size of NTIC's net sales derived from sales of oil and gas products, the timing of one or more orders can materially affect NTIC's quarterly sales compared to prior fiscal year quarters.

During the three and nine months ended May 31, 2024, 28.3% and 26.3% of NTIC's consolidated net sales, respectively, were derived from sales of Natur-Tec® products, compared to 23.2% and 22.4% during the three and nine months ended May 31, 2023, respectively. Sales of Natur-Tec® products increased 20.1% and 22.5% to \$5,848,962 and \$16,249,335 during the three and nine months ended May 31, 2024, respectively, compared to \$4,869,052 and \$13,263,895 during the three and nine months ended May 31, 2023, respectively, as a result of increased global demand. The demand for Natur-Tec® products in most markets has returned to pre-pandemic levels; however, there are lingering effects of COVID-19 in the apparel industry as well as corporate office complexes.

Cost of Goods Sold. Cost of goods sold decreased 4.5% and 2.1% for the three and nine months ended May 31, 2024, respectively, compared to the three and nine months ended May 31, 2023 primarily as a result of lower raw material prices overall. Cost of goods sold as a percentage of net sales decreased to 61.8% for each of the three and nine months ended May 31, 2024, compared to 63.9% and 65.8% during the three and nine months ended May 31, 2023, respectively, primarily as a result of these lower raw material prices and the insourcing of various finished goods production. NTIC has taken certain actions to address inflationary pressures and pass on related cost increases to its customers and some improvements from these actions, as well as improvements in gross margin, were realized during the nine months ended May 31, 2024.

Equity in Income from Joint Ventures. NTIC's equity in income from joint ventures increased 3.7% and 0.3% during the three and nine months ended May 31, 2024 to \$1,396,731 and 3,676,962, respectively, compared to \$1,346,658 and 3,664,793, respectively, primarily due to efforts to enhance profitability at the Company's joint ventures, partially offset by a decrease in net income at NTIC's joint venture in Germany. NTIC's equity in income from joint ventures fluctuates based on net sales and profitability of the joint ventures during the respective periods. Of the total equity in income from joint ventures, NTIC had equity in income from joint ventures of \$2,015,734 attributable to EXCOR during the nine months ended May 31, 2024, compared to \$2,376,575 attributable to EXCOR during the nine months ended May 31, 2023. These decreases were primarily a result of a decrease in net sales by EXCOR compared to the same prior year fiscal periods, primarily due to the loss of a customer and softer demand within the region related to higher energy prices and other externalities linked to the war between Ukraine and Russia. NTIC had equity in income from all other joint ventures of \$1,661,227 during the nine months ended May 31, 2024, compared to \$1,288,218 during the nine months ended May 31, 2023.

Fees for Services Provided to Joint Ventures. NTIC recognized fee income for services provided to joint ventures of \$1,212,497 and \$3,764,514 during the three and nine months ended May 31, 2024, respectively, compared to \$1,361,311 and \$3,795,862 during the three and nine months ended May 31, 2023, respectively, representing decreases of 10.9% and 0.8%, respectively. Fee income for services provided to joint ventures is traditionally a function of the sales made by NTIC's joint ventures; however, at various joint ventures, the fee income for services is a fixed amount that does not fluctuate with the change in sales that was experienced by certain joint ventures during the three and nine months ended May 31, 2024. Total net sales of NTIC's joint ventures decreased 2.7% and 5.1% to \$25,602,072 and \$72,642,714 during the three and nine months ended May 31, 2024, respectively, compared to \$26,312,548 and \$76,525,427 during the three and nine months ended May 31, 2023, respectively. These decreases were primarily a result of decreased demand during the three and nine months ended May 31, 2024 at NTIC's joint venture in Germany primarily due to the loss of a customer and softer demand within the region, as described above. Net sales of NTIC's joint ventures are not included in NTIC's product sales and are not included in NTIC's consolidated financial statements. Of the total fee income for services provided to joint ventures, fees of \$618,236 were attributable to EXCOR during the nine months ended May 31, 2024, compared to \$606,189 attributable to EXCOR during the nine months ended May 31, 2023.

Selling Expenses. NTIC's selling expenses increased 8.7% and 9.6% for the three and nine months ended May 31, 2024, respectively, compared to the same respective periods in fiscal 2023 primarily due to an increase in personnel expense during the current fiscal year period compared to the same prior fiscal year periods. Selling expenses as a percentage of net sales increased to 20.5% and 19.5% for the three and nine months ended May 31, 2024, respectively, from 18.6% and 18.6% for the three and nine months ended May 31, 2023, respectively, primarily due to the increased selling expenses as noted above.

General and Administrative Expenses. NTIC's general and administrative expenses increased 9.2% and 8.3% for the three and nine months ended May 31, 2024, respectively, compared to the same respective periods in fiscal 2023 primarily due to increased professional services and travel and personnel expenses during the current fiscal year periods compared to the same prior fiscal year periods. As a percentage of net sales, general and administrative expenses increased to 16.9% and 16.6% for the three and nine months ended May 31, 2024, respectively, from 15.3% and 16.0% for the same respective periods in fiscal 2023 primarily due to the changes in general and administrative expenses, as noted above.

Research and Development Expenses. NTIC's research and development expenses decreased 2.9% and 2.4% for the three and nine months ended May 31, 2024, respectively, compared to the same respective periods in fiscal 2023 primarily due to the timing of expenses incurred and changes in expenses associated with development efforts.

Interest Income. NTIC's interest income increased to \$23,744 and \$99,396 during the three and nine months ended May 31, 2024, respectively, compared to \$8,876 and \$18,495 during the three and nine months ended May 31, 2023, respectively, primarily due to changes in the invested cash balances at subsidiaries.

Interest Expense. NTIC's interest expense decreased to \$59,939 and \$248,835 during the three and nine months ended May 31, 2024, respectively compared \$136,168 and \$342,643 during the three and nine months ended May 31, 2023, respectively, primarily due to decreased outstanding borrowings during the current fiscal year periods.

Income Before Income Tax Expense. NTIC had income before income tax expense of \$1,487,722 and \$4,957,182 for the three and nine months ended May 31, 2024, respectively, compared to \$1,779,294 and \$3,225,570 for the three and nine months ended May 31, 2023, respectively.

Income Tax Expense. Income tax expense was \$332,400 and \$848,391 for the three and nine months ended May 31, 2024, respectively, compared to \$542,295 and \$834,823 during the three and nine months ended May 31, 2023, respectively. Income tax expense was calculated based on management's estimate of NTIC's annual effective income tax rate.

NTIC considers the earnings of certain foreign joint ventures to be indefinitely invested outside the United States on the basis of estimates that NTIC's future domestic cash generation will be sufficient to meet future domestic cash needs. As a result, U.S. income and foreign withholding taxes have not been recognized on the cumulative undistributed earnings of \$23,645,685 and \$20,493,861 as of May 31, 2024 and August 31, 2023, respectively. To the extent undistributed earnings of NTIC's joint ventures are distributed in the future, they are not expected to result in any material additional income tax liability after the application of foreign tax credits.

Net Income Attributable to NTIC. Net income attributable to NTIC decreased to \$976,604, or \$0.10 per diluted common share, for the three months ended May 31, 2024, compared to \$1,059,590, or \$0.11 per diluted common share, for the three months ended May 31, 2023. Net income attributable to NTIC increased to \$3,573,294, or \$0.36 per diluted common share, for the nine months ended May 31, 2024, compared to \$1,973,329, or \$0.20 per diluted common share, for the nine months ended May 31, 2023. These increases were primarily due to the increase in gross profit, partially offset by the increase in operating expenses.

NTIC anticipates that its earnings will continue to be adversely affected to some extent by inflation and worldwide supply chain disruptions, among other factors. Additionally, NTIC anticipates that its quarterly net income will continue to remain subject to significant volatility primarily due to the financial performance of its subsidiaries and joint ventures, sales of its ZERUST® products and services into the oil and gas industry, and sales of its Natur-Tec® bioplastics products, which sales fluctuate more on a quarterly basis than the traditional ZERUST® business.

Other Comprehensive Income – Foreign Currency Translations Adjustment. The changes in the foreign currency translations adjustment were due to the fluctuation of the U.S. dollar compared to the Euro and other foreign currencies during the three and nine months ended May 31, 2024 compared to the same respective periods in fiscal 2023.

Liquidity and Capital Resources

Sources of Cash and Working Capital. NTIC's working capital, defined as current assets less current liabilities, was \$23,178,836 as of May 31, 2024, including \$5,794,824 in cash and cash equivalents, compared to \$22,950,184 as of August 31, 2023, including \$5,406,173 in cash and cash equivalents.

NTIC believes that a combination of its existing cash and cash equivalents, available for sale securities, forecasted cash flows from future operations, anticipated distributions of earnings, anticipated fees to NTIC for services provided to its joint ventures, and funds available through existing or anticipated financing arrangements will be adequate to fund its existing operations, investments in new or existing joint ventures or subsidiaries, capital expenditures, debt repayments, cash dividends, and any stock repurchases for at least the next 12 months. During the remainder of fiscal 2024, NTIC expects to continue to invest through its use of working capital in Zerust India, NTIC China, NTI Europe, its joint ventures, research and development, marketing efforts, resources for the application of its corrosion prevention technology in the oil and gas industry, and its Natur-Tec® bio-plastics business, although the amounts of these various investments are not known at this time.

NTIC also expects to use some of its capital resources to acquire remaining ownership interests of joint ventures not owned by NTIC as they become available or appropriate and for the formation of one or more new subsidiaries to assume the operations of a joint venture. Some of these joint venture transitions may materially impact NTIC's results of operations for a particular reporting period.

NTIC traditionally has used the cash generated from its operations, distributions of earnings from joint ventures and fees for services provided to its joint ventures to fund NTIC's new technology investments and capital contributions to new and existing subsidiaries and joint ventures. NTIC's joint ventures traditionally have operated with little or no debt and have been self-financed with minimal initial capital investment and minimal additional capital investment from their respective owners. Therefore, NTIC believes there is limited exposure by NTIC's joint ventures that could materially impact their respective operations and/or liquidity.

In order to take advantage of new product and market opportunities to expand its business and increase its revenues and assist with joint venture transitions, NTIC may decide to finance such opportunities by additional borrowing under its revolving line of credit or raising additional financing through the issuance of debt or equity securities. There is no assurance that any financing transaction will be available on terms acceptable to NTIC or at all or that any financing transaction will not be dilutive to NTIC's current stockholders.

Credit Agreement with JPMorgan Chase Bank, N.A. On January 6, 2023, NTIC entered into a Credit Agreement (the Credit Agreement) with JPMorgan Chase Bank, N.A. (JPM), which provides NTIC with a senior secured revolving line of credit (the Credit Facility) of up to \$10.0 million, which includes a \$5.0 million sublimit for standby letters of credit. Borrowings of \$1,988,380 and \$3,600,000 were outstanding under the Credit Facility as of May 31, 2024 and August 31, 2023, respectively.

Unless terminated earlier, the principal amount under the Credit Facility, together with all accrued unpaid interest and other amounts owing thereunder, if any, will be payable in full on the maturity date. On January 5, 2024, the Company and JPM renewed its Credit Agreement to extend the maturity date of the Credit Facility from January 6, 2024 to January 6, 2025. All other terms of the Credit Facility and the Credit Agreement remain the same. It is anticipated that the Credit Facility will be renewed each year for one additional year for the immediate foreseeable future.

Borrowings under the Credit Agreement bear interest at a floating rate, at the option of NTIC, equal to either the CB Floating Rate or the Adjusted SOFR Rate. The term "CB Floating Rate" means the greater of the Prime Rate in the United States or 2.50%. The term "Adjusted SOFR Rate" means the term secured overnight financing rate for either one, three or six months (depending on the interest period selected by NTIC) plus 0.10% per annum. With respect to any borrowings using an Adjusted SOFR Rate, there is an applicable margin of 2.15% applied per annum. There is no applicable margin with respect to borrowings using a CB Floating Rate.

To secure the Credit Agreement, the Company assigned JPM a continuing security interest in all of its right, title and interest in collateral made up for the assets of the Company.

The Credit Agreement contains customary affirmative and negative covenants, including, among other matters, limitations on NTIC's ability to incur additional debt, grant liens, engage in certain business operations and transactions, make certain investments, modify its organizational documents or form any new subsidiaries, subject to certain exceptions. Further, the Credit Agreement contains a negative covenant that restricts the ability of NTIC to redeem or repurchase its common stock or pay dividends if the result of which would cause an event of default under the Credit Agreement. The Credit Agreement also requires the Company to maintain a Fixed Charge Coverage Ratio of at least 1.25 to 1.00. The term "Fixed Charge Coverage Ratio" means the ratio, computed for NTIC on a consolidated basis, of net income plus income tax expense, plus amortization expense, plus depreciation expense, plus interest expense, and plus dividends received from joint ventures, minus unfinanced capital expenditures and equity in income from joint ventures, all computed for the twelve month period then ending, to scheduled principal payments made, plus scheduled finance lease payments made, plus interest expense paid, plus income tax expense paid, and plus cash distributions and dividends paid, all computed for the same twelve month period then ending.

The Credit Agreement also contains customary events of default, including, without limitation, payment defaults, material inaccuracy of representations and warranties, covenant defaults, bankruptcy and insolvency proceedings, cross-defaults to certain other agreements, breach of any financial covenant and change of control. Upon the occurrence and during the continuance of any event of default, JPM may accelerate the payment of the obligations thereunder and exercise various other customary default remedies. As of May 31, 2024, NTIC was in compliance with all debt covenants under the Credit Agreement.

Other Credit Arrangements. On each of April 10, 2023 and May 30, 2023, the Company's wholly-owned subsidiary in China, NTIC China, entered into a loan agreement with China Construction Bank Corporation. Each term loan provided NTIC China with a RMB 10,000,000 (USD \$1.45 million). Each of the term loans matures after one year with the principal due at that time, after which an extension of the loan agreement is required. Both term loans have an annual interest rate of 3.25% with interest due monthly. Both term loans are secured by an office building owned by NTIC China and the loan agreements contain certain financial and other covenants. NTIC was in compliance with the covenants as of May 31, 2024. The current outstanding balance for both term loans was USD \$2,762,049 as of May 31, 2024 and USD \$2,757,176 as of August, 31, 2023.

Uses of Cash and Cash Flow. Net cash provided by operating activities during the nine months ended May 31, 2024 was \$7,583,904, which resulted principally from NTIC's net income, dividends received from joint ventures, dividend receivables from joint ventures, depreciation and amortization expense, and stock-based compensation, partially offset by equity in income from joint ventures. Net cash provided by operating activities during the nine months ended May 31, 2023 was \$3,505,803, which resulted principally from NTIC's net income, dividends received from joint ventures, depreciation and amortization expense, and stock-based compensation, partially offset by equity in income from joint ventures.

NTIC's cash flows from operations are impacted by significant changes in certain components of NTIC's working capital, including inventory turnover and changes in receivables and payables. NTIC considers internal and external factors when assessing the use of its available working capital, specifically when determining inventory levels and credit terms of customers. Key internal factors include existing inventory levels, stock reorder points, customer forecasts and customer requested payment terms. Key external factors include the availability of primary raw materials and sub-contractor production lead times. NTIC's typical contractual terms for trade receivables, excluding joint ventures, are traditionally 30 days and 90 days for trade receivables from its joint ventures. Before extending unsecured credit to customers, excluding NTIC's joint ventures, NTIC reviews customers' credit histories and will establish an allowance for uncollectible accounts based upon factors surrounding the credit risk of specific customers and other information. Accounts receivable over 30 days are considered past due for most customers. NTIC does not accrue interest on past due accounts receivable. If accounts receivables in excess of the provided allowance are determined uncollectible, they are charged to selling expense in the period that the determination is made. Accounts receivable are deemed uncollectible based on NTIC exhausting reasonable efforts to collect. NTIC's typical contractual terms for receivables for services provided to its joint ventures are 90 days. NTIC records receivables for services provided to its joint ventures on an accrual basis, unless circumstances exist that make the collection of the balance uncertain, in which case the fee income will be recorded on a cash basis until there is consistency in payments. This determination is handled on a case-by-case basis.

NTIC experienced a decrease in trade receivables as of May 31, 2024, compared to August 31, 2023. Trade receivables, excluding joint ventures, as of May 31, 2024, decreased \$1,270,274, compared to August 31, 2023, primarily related to the timing of collections.

Outstanding trade receivables, excluding joint ventures balances, decreased an average of 5 days to an average of 66 days from balances outstanding from these customers as of May 31, 2024 from an average of 71 days as of August 31, 2023.

Outstanding trade receivables from joint ventures as of May 31, 2024 increased \$416,419, compared to August 31, 2023, primarily due to the timing of payments and orders. Outstanding balances from trade receivables from joint ventures increased an average of 93 days to an average of 127 days from balances outstanding from these customers as of May 31, 2024 from an average of 34 days as of August 31, 2023. The average days outstanding of trade receivables from joint ventures as of May 31, 2024 were primarily due to the receivables balances at Thailand and South Korea.

Outstanding receivables for services provided to joint ventures as of May 31, 2024 decreased \$34,441, compared to August 31, 2023, and the average days to pay decreased an average of 11 day to an average of 96 days from an average of 86 days as of August 31, 2023.

Net cash used in investing activities for the nine months ended May 31, 2024 and 2023 was \$2,601,176 and \$2,678,748, respectively, which was primarily the result of the purchases of property and equipment, and investments in patents.

Net cash used in financing activities for the nine months ended May 31, 2024 was \$4,587,474, which resulted from dividends paid to shareholders, the repayment of borrowings under the line of credit, and dividends received by non-controlling interest, partially offset by proceeds from NTIC's employee stock purchase plan. Net cash provided by financing activities for the nine months ended May 31, 2023 was \$81,773, which resulted from borrowings under the line of credit and term loan and proceeds from the exercise of stock options and NTIC's employee stock purchase plan, partially offset by dividends paid on NTIC common stock and dividends received by non-controlling interest.

Share Repurchase Plan. On January 15, 2015, NTIC's Board of Directors authorized the repurchase of up to \$3,000,000 in shares of NTIC common stock through open market purchases or unsolicited or solicited privately negotiated transactions. This program has no expiration date but may be terminated by NTIC's Board of Directors at any time. No repurchases occurred during the nine months ended May 31, 2024. As of May 31, 2024, up to \$2,640,548 in shares of NTIC common stock remained available for repurchase under NTIC's stock repurchase program.

Cash Dividends. During the nine months ended May 31, 2024, NTIC's Board of Directors declared cash dividends on the following dates in the following amounts to the following holders of NTIC's common stock:

Declaration Date	Amount	Record Date	Payable Date
October 18, 2023	\$ 0.07	November 1, 2023	November 15, 2023
January 17, 2024	\$ 0.07	January 31, 2024	February 14, 2024
April 17, 2024	\$ 0.07	May 1, 2024	May 15, 2024

During the nine months ended May 31, 2023, NTIC's Board of Directors declared cash dividends on the following dates in the following amounts to the following holders of NTIC's common stock:

Declaration Date	Amount	Record Date	Payable Date
October 20, 2022	\$ 0.07	November 3, 2022	November 16, 2022
January 20, 2023	\$ 0.07	February 1, 2023	February 15, 2023
April 21, 2023	\$ 0.07	May 3, 2023	May 17, 2023

The declaration of future dividends is not guaranteed and will be determined by NTIC's Board of Directors in light of conditions then existing, including NTIC's earnings, financial condition, cash requirements, restrictions in financing agreements, business conditions, and other factors.

Capital Expenditures and Commitments. NTIC spent \$2,515,248 on capital expenditures during the nine months ended May 31, 2024, which related primarily to facility improvements to the warehouse facility NTIC purchased during fiscal 2023 and the installation of a new Enterprise Resource Planning (ERP) software system and associated equipment. NTIC expects to spend an aggregate of approximately \$600,000 to \$1,100,000 on capital expenditures during fiscal 2024, which it expects will relate primarily to the installation of new Enterprise Resource Planning (ERP) software system and the purchase of new equipment and facility improvements.

Inflation and Seasonality

Although inflation in the United States and abroad historically has had little effect on NTIC, inflationary pressures adversely affected NTIC's gross margins during the third quarter of fiscal 2024. NTIC believes there is some seasonality in its business. NTIC's net sales in the second fiscal quarter are typically adversely affected by the long Chinese New Year, the North American holiday season and overall less corrosion taking place at lower winter temperatures worldwide.

Market Risk

NTIC is exposed to some market risk stemming from changes in foreign currency exchange rates, commodity prices and interest rates.

Because the functional currency of NTIC's foreign operations and investments in its foreign joint ventures is the applicable local currency, NTIC is exposed to foreign currency exchange rate risk arising from transactions in the normal course of business. NTIC's principal exchange rate exposure is with the Euro, the Japanese Yen, the Indian Rupee, the Chinese Renminbi, the South Korean Won, and the English Pound against the U.S. Dollar. NTIC's fees for services provided to joint ventures and dividend distributions from these foreign entities are paid in foreign currencies and, thus, fluctuations in foreign currency exchange rates could result in declines in NTIC's reported net income. Since NTIC's investments in its joint ventures are accounted for using the equity method, any changes in foreign currency exchange rates would be reflected as a foreign currency translation adjustment and would not change NTIC's equity in income from joint ventures reflected in its consolidated statements of operations. NTIC does not hedge against its foreign currency exchange rate risk.

Some raw materials used in NTIC's products are exposed to commodity price changes. The primary commodity price exposures are with a variety of plastic and bioplastic resins.

Any outstanding advances under NTIC's Credit Facility with JPM bear interest at a floating rate, at the option of NTIC, equal to either the CB Floating Rate or the Adjusted SOFR Rate, as defined above. Borrowings of \$1,988,380 were outstanding under the Credit Facility as of May 31, 2024.

Both term loans undertaken by NTIC China with China Construction Bank Corporation have an annual interest rate of 3.25% with interest due monthly. The current outstanding balance as of May 31, 2024 for both term loans is USD \$2,762,049.

Critical Accounting Policies and Estimates

There have been no material changes to NTIC's critical accounting policies and estimates from the information provided in " *Part II. Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates*" included in NTIC's annual report on Form 10-K for the fiscal year ended August 31, 2023.

Recent Accounting Pronouncements

See Note 2 to NTIC's consolidated financial statements for a discussion of recent accounting pronouncements.

Forward-Looking Statements

This quarterly report on Form 10-Q contains not only historical information, but also forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are subject to the safe harbor created by those sections. In addition, NTIC or others on NTIC's behalf may make forward-looking statements from time to time in oral presentations, including telephone conferences and/or web casts open to the public, in press releases or reports, on NTIC's Internet web site, or otherwise. All statements other than statements of historical facts included in this report or expressed by NTIC orally from time to time that address activities, events, or developments that NTIC expects, believes, or anticipates will or may occur in the future are forward-looking statements, including, in particular, the statements about NTIC's plans, objectives, strategies, and prospects regarding, among other things, NTIC's financial condition, results of operations and business, the anticipated effect of COVID-19 and its acquisition of Zerust India on NTIC's business, operating results and financial condition, and the outcome of contingencies, such as legal proceedings. NTIC has identified some of these forward-looking statements in this report with words like "believe," "can," "may," "could," "would," "might," "forecast," "possible," "potential," "project," "will," "should," "expect," "intend," "plan," "predict," "anticipate," "estimate," "approximate," "outlook," or "continue" or the negative of these words or other words and terms of similar meaning. The use of future dates is also an indication of a forward-looking statement. Forward-looking statements may be contained in the notes to NTIC's consolidated financial statements and elsewhere in this report, including under the heading "*Management's Discussion and Analysis of Financial Condition and Results of Operations*."

Forward-looking statements are based on current expectations about future events affecting NTIC and are subject to uncertainties and factors that affect all businesses operating in a global market as well as matters specific to NTIC. These uncertainties and factors are difficult to predict, and many of them are beyond NTIC's control. The following are some of the uncertainties and factors known to us that could cause NTIC's actual results to differ materially from what NTIC has anticipated in its forward-looking statements:

- The effect of worldwide disruption in supply issues on NTIC's business, operating results and financial condition, which will likely continue through fiscal 2024, regardless of the status of COVID-19;
- The effect of COVID-19 on NTIC's business, operating results and financial condition, including in particular in China, and disruption to our customers, suppliers and subcontractors, as well as the global economy and financial markets;
- The effect of current worldwide economic conditions, inflation, recessionary indicators and any turmoil and disruption in the global credit, financial and banking markets or the perception of adverse conditions on NTIC's business and the business of NTIC's customers, suppliers, vendors and other third parties with whom NTIC conducts business;
- The effect of the ongoing war between Russia and Ukraine, and the effect of the war and the resulting sanctions by U.S. and European governments on commodity price fluctuations, which have decreased our margins and the margins of our joint ventures and resulted in decreased joint venture profitability, which will likely continue through the end of fiscal 2024;
- The effect of the ongoing war between Israel and Hamas;
- NTIC's operations in China and the risks associated therewith, including trade or other issues that may result from increasing tensions between the U.S. and China;

- Variability in NTIC's sales of ZERUST® products and services to the oil and gas industry and Natur-Tec® products and NTIC's equity income of joint ventures, which variability in sales and equity in income from joint ventures, in turn, subject NTIC's earnings to quarterly fluctuations;
- Risks associated with NTIC's international operations and exposure to fluctuations in foreign currency exchange rates, import duties, taxes, and tariffs;
- The effect of the United Kingdom's process to exit the European Union on NTIC's operating results, including, in particular, future net sales of NTIC's European and other joint ventures;
- The effect of the health of the U.S. automotive industry on NTIC's business and the evolution of the automotive industry towards electric vehicles;
- NTIC's dependence on the success of its joint ventures and fees and dividend distributions that NTIC receives from them;
- Risks associated with NTIC's acquisition of the remaining 50% ownership interest in its Indian joint venture, Zerust India;
- NTIC's relationships with its joint ventures and its ability to maintain those relationships, especially in light of anticipated succession planning issues, and risks associated with possible future acquisitions of the remaining ownership interests of certain joint ventures;
- Fluctuations in the cost and availability of raw materials, including resins and other commodities, including supply chain disruptions and weather related impacts;
- The success of and risks associated with NTIC's emerging new businesses and products and services, including in particular NTIC's ability and the ability of NTIC's joint ventures to sell ZERUST® products and services to the oil and gas industry and Natur-Tec® products and the often lengthy and extensive sales process involved in selling such products and services;
- NTIC's ability to introduce new products and services that respond to changing market conditions and customer demand;
- Market acceptance of NTIC's existing and new products, especially in light of existing and new competitive products;
- Maturation of certain existing markets for NTIC's ZERUST® products and services and NTIC's ability to grow market share and succeed in penetrating other existing and new markets;
- Increased competition, especially with respect to NTIC's ZERUST® products and services, and the effect of such competition on NTIC's and its joint ventures' pricing, net sales, and margins;
- NTIC's reliance upon and its relationships with its distributors, independent sales representatives, and joint ventures;
- NTIC's reliance upon suppliers;
- Oil prices, which may affect sales of NTIC's ZERUST® products and services to the oil and gas industry, and which may be impacted by the ongoing war between Russia and Ukraine;
- The costs and effects of complying with laws and regulations and changes in tax, fiscal, government, and other regulatory policies, including rules relating to environmental, health, and safety matters;

- Unforeseen product quality or other problems in the development, production, and usage of new and existing products;
- Unforeseen production expenses incurred in connection with new customers and new products;
- Loss of or changes in executive management or key employees and the need to hire and train local support in a timely manner in order to support customer needs;
- Ability of management to manage around unplanned events;
- Pending and future litigation;
- NTIC's reliance on its intellectual property rights and the absence of infringement of the intellectual property rights of others;
- NTIC's ability to maintain effective internal control over financial reporting, especially in light of its joint venture arrangements;
- Changes in applicable laws or regulations and NTIC's failure to comply with applicable laws, rules, and regulations;
- Changes in generally accepted accounting principles and the effect of new accounting pronouncements;
- NTIC's ability to effectively remediate its material weakness and maintain effective internal control over financial reporting;
- Fluctuations in NTIC's effective tax rate;
- The effect of extreme weather conditions on NTIC's operating results; and
- NTIC's reliance upon its management information systems.

For more information regarding these and other uncertainties and factors that could cause NTIC's actual results to differ materially from what NTIC has anticipated in its forward-looking statements or otherwise could materially adversely affect its business, financial condition or operating results, see NTIC's annual report on Form 10-K for the fiscal year ended August 31, 2023 under the heading "*Part I. Item 1A. Risk Factors.*"

All forward-looking statements included in this report are expressly qualified in their entirety by the foregoing cautionary statements. NTIC wishes to caution readers not to place undue reliance on any forward-looking statement that speaks only as of the date made and to recognize that forward-looking statements are predictions of future results, which may not occur as anticipated. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results due to the uncertainties and factors described above and others that NTIC may consider immaterial or does not anticipate at this time. Although NTIC believes that the expectations reflected in its forward-looking statements are reasonable, NTIC does not know whether its expectations will prove correct. NTIC's expectations reflected in its forward-looking statements can be affected by inaccurate assumptions NTIC might make or by known or unknown uncertainties and factors, including those described above. The risks and uncertainties described above are not exclusive, and further information concerning NTIC and its business, including factors that potentially could materially affect its financial results or condition, may emerge from time to time. NTIC assumes no obligation to update, amend, or clarify forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements. NTIC advises you, however, to consult any further disclosures NTIC makes on related subjects in its annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K that NTIC files with or furnishes to the Securities and Exchange Commission.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

NTIC is exposed to some market risk stemming from changes in foreign currency exchange rates, commodity prices and interest rates.

Because the functional currency of NTIC's foreign operations and investments in its foreign joint ventures is the applicable local currency, NTIC is exposed to foreign currency exchange rate risk arising from transactions in the normal course of business. NTIC's principal exchange rate exposure is with the Euro, the Japanese Yen, the Indian Rupee, the Chinese Renminbi, the South Korean Won, and the English Pound against the U.S. Dollar. NTIC's fees for services provided to joint ventures and dividend distributions from these foreign entities are paid in foreign currencies, and, thus, fluctuations in foreign currency exchange rates could result in declines in NTIC's reported net income. Since NTIC's investments in its joint ventures are accounted for using the equity method, any changes in foreign currency exchange rates would be reflected as a foreign currency translation adjustment and would not change NTIC's equity in income from joint ventures reflected in its consolidated statements of operations. NTIC does not hedge against its foreign currency exchange rate risk.

Some raw materials used in NTIC's products are exposed to commodity price changes. The primary commodity price exposures are with a variety of plastic and bioplastic resins.

With respect to interest rate risk, any outstanding advances under NTIC's Credit Facility with JPM bear interest at a floating rate, at the option of NTIC, equal to either the CB Floating Rate or the Adjusted SOFR Rate, as defined above. Borrowings of \$1,988,380 were outstanding under the Credit Facility as of May 31, 2024. Both term loans undertaken by NTIC China with China Construction Bank Corporation have an annual interest rate of 3.25% with interest due monthly. The current outstanding balance as of May 31, 2024 for both term loans is USD \$2,762,049.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

NTIC maintains disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) that are designed to provide reasonable assurance that information required to be disclosed by NTIC in the reports it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to NTIC's management, including NTIC's principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. NTIC's management evaluated, with the participation of its Chief Executive Officer and its Chief Financial Officer, the effectiveness of the design and operation of NTIC's disclosure controls and procedures as of the end of the period covered in this report. Based on that evaluation, and as a result of the material weakness in NTIC's internal control over financial reporting discussed below, NTIC's Chief Executive Officer and Chief Financial Officer concluded that NTIC's disclosure controls and procedures were not effective as of the end of such period to provide reasonable assurance that information required to be disclosed in the reports that NTIC files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to NTIC's management, including NTIC's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Previously Reported Material Weakness in Internal Control over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. NTIC did not maintain effective controls over the probability assessment associated with the recognition of income related to employee retention credits (ERCs).

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law providing numerous tax provisions and other stimulus measures, including ERCs, which are refundable tax credits against certain employment taxes. The Taxpayer Certainty and Disaster Tax Relief Act of 2020 and the American Rescue Plan Act of 2021 extended and expanded the availability of the ERC.

NTIC engaged tax advisors of a Big 4 accounting firm which determined NTIC qualified for ERCs. NTIC qualified for ERCs on qualified wages paid in the first and second quarters of 2021 and filed for and recognized income from the ERCs in the second and third quarters of fiscal 2023. In connection with the preparation of its consolidated financial statements for the fiscal year ended August 31, 2023, NTIC concluded that it should have accounted for the ERCs as government grants in accordance with International Accounting Standard (IAS) 20, Accounting for Government Grants and Disclosure of Government Assistance (IAS 20) since U.S. Generally Accepted Accounting Principles (U.S. GAAP) do not provide for the accounting of government grants. Pursuant to IAS 20, NTIC cannot recognize any income from the grant until it is "reasonably assured" that the grant conditions will be met and that the grant will be received, at which time grant income is recorded on a systematic basis over the periods in which NTIC recognizes the payroll expenses for which the grant is intended to compensate. In connection with the preparation of its consolidated financial statements for the fiscal year ended August 31, 2023, NTIC determined that it was not yet reasonably assured that the grant conditions will be met, requiring the restatement of its previously issued consolidated financial statements for the three and six months ended February 28, 2023 and three and nine months ended May 31, 2023. Management determined that this control deficiency constitutes a material weakness in NTIC's internal control over financial reporting.

NTIC's management is taking steps to remediate the material weakness in its internal control over financial reporting relating to the proper accounting treatment of the ERCs. These steps include the preparation of a technical accounting memorandum for any material unusual transactions including careful evaluation of any probability assessments or other areas of judgment involved, such as the ERCs, to determine the correct accounting treatment for such transactions. Management believes the additional control procedures designed, and when implemented, will fully remediate the material weakness.

Changes in Internal Control over Financial Reporting

Other than the remediation steps discussed above, there was no change in NTIC's internal control over financial reporting that occurred during the quarter ended May 31, 2024 that has materially affected or is reasonably likely to materially affect NTIC's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

See Note 12 to NTIC's consolidated financial statements in *Part I. Item 1. Financial Statements* of this report.

ITEM 1A. RISK FACTORS

Although Item 1A. is inapplicable to NTIC as a smaller reporting company, NTIC hereby discloses the following new risk factor:

The installation of a new Enterprise Resource Planning (ERP) software system and related equipment could cause disruption to NTIC's business, and NTIC may not be able to effectively realize the benefits of this new system.

NTIC is installing a new Enterprise Resource Planning (ERP) software system and related equipment in order to support its future growth and more fully optimize its existing processes. The implementation of a new ERP software system may prove to be more difficult, costly or time-consuming than expected, and it is possible that the system will not yield the anticipated benefits. Any disruptions, delays or deficiencies related to the new ERP software system could materially impact NTIC's operations and its ability to manage inventory, fulfill obligations to customers or otherwise operate its business. In addition, implementation of a new ERP system will require significant resources, including the time and attention of NTIC's management, in order to fully realize the anticipated benefits.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Recent Sales of Unregistered Equity Securities

During the three months ended May 31, 2024, NTIC did not issue any shares of its common stock or other equity securities of NTIC that were not registered under the Securities Act of 1933, as amended.

Issuer Purchases of Equity Securities

The following table shows NTIC's third quarter of fiscal 2024 stock repurchase activity.

Period	Total Number of Shares (or Units) Purchased	Average Price Paid Per Share (or Unit)	Total Number of Shares (or Units) Purchased As Part of Publicly Announced Plans or Programs	Maximum Number of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
March 1, 2024 through March 31, 2024	0	\$ 0	0	(1)
April 1, 2024 through April 30, 2024	0	\$ 0	0	(1)
May 1, 2024 through May 31, 2024	0	\$ 0	0	(1)
Total	0	\$ 0	0	(1)(2)

(1) On January 15, 2015, NTIC's Board of Directors authorized the repurchase of up to \$3,000,000 in shares of NTIC common stock through open market purchases or unsolicited or solicited privately negotiated transactions. This program has no expiration date but may be terminated by NTIC's Board of Directors at any time.

(2) As of May 31, 2024, up to \$2,640,548 in shares of NTIC common stock remained available for repurchase under NTIC's stock repurchase program.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

During the three months ended May 31, 2024, none of our directors or "officers" (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of SEC Regulation S-K.

ITEM 6. EXHIBITS

The following exhibits are being filed or furnished with this quarterly report on Form 10-Q:

Exhibit No.	Description
31.1	Certification of President and Chief Executive Officer pursuant to SEC Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Chief Financial Officer pursuant to SEC Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101	The following materials from NTIC's Quarterly Report on Form 10-Q for the fiscal quarter ended May 31, 2024, formatted in Inline XBRL (Extensible Business Reporting Language): (i) the unaudited Consolidated Balance Sheets, (ii) the unaudited Consolidated Statements of Operations, (iii) the unaudited Consolidated Statements of Comprehensive Income, (iv) the unaudited Consolidated Statements of Equity, (v) the unaudited Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements (filed herewith)
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION

Date: July 11, 2024

/s/ Matthew C. Wolsfeld
Matthew C. Wolsfeld, CPA
Chief Financial Officer
(Principal Financial and Accounting Officer and
Duly Authorized to Sign on Behalf of the Registrant)

CERTIFICATION PURSUANT TO SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002

I, G. Patrick Lynch, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Northern Technologies International Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c)Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d)Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 11, 2024

/s/ G. Patrick Lynch
G. Patrick Lynch
President and Chief Executive Officer
(principal executive officer)

CERTIFICATION PURSUANT TO SECTION 302(a) OF THE SARBANES-OXLEY ACT OF 2002

I, Matthew C. Wolsfeld, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Northern Technologies International Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a)Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b)Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c)Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d)Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a)All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b)Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 11, 2024

/s/ Matthew C. Wolsfeld
Matthew C. Wolsfeld, CPA
Chief Financial Officer and Corporate Secretary
(principal financial officer)

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Northern Technologies International Corporation (the "Company") for the quarterly period ended May 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, G. Patrick Lynch, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ G. Patrick Lynch
G. Patrick. Lynch
President and Chief Executive Officer
(principal executive officer)

Circle Pines, Minnesota
July 11, 2024

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Northern Technologies International Corporation (the "Company") for the quarterly period ended May 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew C. Wolsfeld, Chief Financial Officer and Corporate Secretary of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Matthew C. Wolsfeld

Matthew C. Wolsfeld, CPA
Chief Financial Officer and Corporate Secretary
(principal financial officer)

Circle Pines, Minnesota
July 11, 2024