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

FORM 10-Q

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

For the quarterly period ended May 31, 2009

o 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	**41-0857886**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

4201 Woodland Rd. Circle Pines, Minnesota 55014
(Address of principal executive offices)

(763) 225-6600
(Registrant's telephone number including area code)

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 x NO o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES o NO o

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

Large accelerated filer o	Accelerated filer o
Non-accelerated filer (Do not check if a smaller reporting company) o	Smaller reporting company x

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

As of July 14, 2009, 3,754,597 shares of common stock of the registrant were outstanding.

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION
FORM 10-Q
May 31, 2009

TABLE OF CONTENTS

This quarterly report on Form 10-Q contains certain 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, 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 Operation—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, its wholly owned subsidiaries — NTI Facilities, Inc. and Northern Technologies Holding Company, LLC, and its majority-owned subsidiary — React-NTI, LLC, all of which are consolidated on NTIC's financial statements.

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

Table of Contents

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AS OF MAY 31, 2009 (UNAUDITED) AND AUGUST 31, 2008 (AUDITED)

	May 31, 2009	August 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 141,639	$ 260,460
Receivables:		
Trade excluding corporate joint ventures, less allowance for doubtful accounts of $30,000 at May 31, 2009 and $10,000 at August 31, 2008	1,172,454	1,962,222
Trade corporate joint ventures	658,559	530,609
Technical and other services, corporate joint ventures	1,621,489	3,065,738

Income taxes	734,505	28,961
Inventories	2,294,229	2,725,466
Prepaid expenses	198,179	179,766
Deferred income taxes	183,300	183,300
Total current assets	7,004,354	8,936,522
PROPERTY AND EQUIPMENT, net	3,637,944	3,754,565
OTHER ASSETS:		
Investments in corporate joint ventures:		
Industrial chemical	14,146,452	15,676,876
Industrial non-chemical	312,913	339,471
Deferred income taxes	837,300	837,300
Notes receivable	140,000	140,000
Industrial patents and trademarks, net	903,393	1,015,321
Goodwill	—	304,000
Other	13,193	325,557
	16,353,251	18,638,525
	$ 26,995,549	$ 31,329,612
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank overdrafts	$ 187,473	$ 1,039,757
Borrowings made on line of credit	963,000	86,000
Current portion of note payable	33,562	31,556
Accounts payable	289,423	1,251,522
Accrued liabilities:		
Payroll and related benefits	210,304	1,102,992
Deferred joint venture royalties	288,000	288,000
Other	117,452	195,324
Total current liabilities	2,089,214	3,995,151
NOTE PAYABLE, NET OF CURRENT PORTION	1,153,959	1,179,972
MINORITY INTEREST	—	3,398
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value; authorized 10,000 shares; none issued and outstanding	—	—
Common stock, $0.02 par value per share; authorized 10,000,000 shares; issued and outstanding 3,754,597 and 3,729,457, respectively	75,092	74,556
Additional paid-in capital	5,596,307	5,271,417
Retained earnings	16,533,454	18,672,938
Accumulated other comprehensive income	1,547,523	2,132,180
Total stockholders' equity	23,752,376	26,151,091
	$ 26,995,549	$ 31,329,612

See notes to consolidated financial statements.

Table of Contents

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES - CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
THREE AND NINE MONTHS ENDED MAY 31, 2009 AND 2008

	Three Months Ended		Nine Months Ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
NORTH AMERICAN OPERATIONS:				
Sales	$ 1,673,634	$ 3,269,721	$ 6,678,748	$ 9,518,162
Cost of goods sold	995,672	2,059,855	4,444,075	5,763,500
Gross profit	677,962	1,209,866	2,234,673	3,754.662
Operating expenses:				
Selling	577,736	799,949	1,924,102	2,413,895
General and administrative	599,012	702,592	2,184,974	2,545,414
Lab and technical support	13,823	32,631	51,285	143,375
Loss on impairment	—	—	554,000	—
	1,190,571	1,535,172	4,714,361	5,102,684
NORTH AMERICAN OPERATING LOSS	(512,609)	(325,306)	(2,479,688)	(1,348,022)
CORPORATE JOINT VENTURES AND HOLDING COMPANIES:				
Equity in income of industrial chemical corporate joint	(14,824)	1,155,282	663,734	3,109,093

ventures and holding companies				
Equity in income (loss) of industrial non-chemical corporate joint ventures and holding companies	7,986	(16,142)	(12,834)	(102,097)
Gain on sale of industrial chemical corporate joint venture	—	—	—	172,767
Fees for technical support and other services provided to corporate joint ventures	821,810	1,517,428	2,760,379	4,537,855
Expenses incurred in support of corporate joint ventures and new technologies	(880,168)	(1,412,582)	(3,375,230)	(3,837,266)
(LOSS) INCOME FROM ALL CORPORATE JOINT VENTURES AND HOLDING COMPANIES	(65,196)	1,243,986	36,049	3,880,352
INTEREST INCOME	6,509	22,277	7,828	23,196
INTEREST EXPENSE	(27,933)	(21,757)	(102,271)	(93,872)
OTHER INCOME	4,550	6,825	18,200	21,582
GAIN ON SALE OF ASSETS	—	—	—	5,529
MINORITY INTEREST	—	10,123	3,398	32,269
(LOSS) INCOME BEFORE INCOME TAX EXPENSE	(594,679)	936,148	(2,516,484)	2,521,034
INCOME TAX EXPENSE (BENEFIT)	44,000	148,000	(377,000)	415,000
NET (LOSS) INCOME	$ (638,679)	$ 788,148	$ (2,139,484)	$ 2,106,034
NET (LOSS) INCOME PER COMMON SHARE:				
Basic	$ (0.17)	$ 0.21	$ (0.57)	$ 0.57
Diluted	$ (0.17)	$ 0.21	$ (0.57)	$ 0.56
WEIGHTED AVERAGE COMMON SHARES ASSUMED OUTSTANDING:				
Basic	3,754,596	3,723,166	3,746,977	3,704,673
Diluted	3,754,596	3,758,646	3,746,977	3,741,558

See notes to consolidated financial statements.

Table of Contents

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES - CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
NINE MONTHS ENDED May 31, 2009 and 2008

	Nine Months Ended	
	May 31, 2009	May 31, 2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) income	$ (2,139,484)	$ 2,106,034
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Expensing of fair value of stock options vested	75,000	71,403
Change in allowance for doubtful accounts	20,000	—
Depreciation expense	294,852	262,808
Amortization expense	106,391	116,196
Loss on asset impairment	554,000	—
Loss (gain) on disposal of assets	46,302	(5,529)
Minority interest expense	(3,398)	(32,269)
Equity in income (loss) from corporate joint ventures:		
Industrial chemical	(663,734)	(3,109,093)
Industrial non-chemical	12,834	102,097
Gain on sale of industrial chemical corporate joint venture	—	(172,767)
Deferred income taxes	—	413,000
Deferred joint venture royalties	—	72,000
Change in current assets and liabilities:		
Receivables:		
Trade excluding corporate joint ventures	769,768	(443,078)
Trade corporate joint ventures	(127,950)	121,062
Technical and other services receivables, corporate joint ventures	1,444,249	(1,106,084)
Income taxes	(705,544)	29,755
Inventories	431,237	(227,709)
Prepaid expenses and other assets	29,708	(93,622)
Income taxes payable	—	168,145
Accounts payable	(962,099)	(483,276)
Accrued liabilities	(743,599)	614,972
Net cash used in operating activities	(1,561,467)	(1,595,955)
CASH FLOWS FROM INVESTING ACTIVITIES:		

Proceeds from the sale of assets	—	6,201
Investment in corporate joint ventures	(666,663)	(117,950)
Dividends received from corporate joint ventures	2,289,888	1,805,411
Proceeds from sale of industrial chemical corporate joint ventures	—	364,000
Loans made		(140,000)
Additions to property and equipment	(178,231)	(266,192)
Additions to industrial patents	(26,522)	(141,105)
Net cash provided by investing activities	1,418,472	1,510,365
CASH FLOWS FROM FINANCING ACTIVITIES:		
Bank overdrafts	(852,284)	236,480
Net borrowings made on line of credit	877,000	—
Repayment of note payable	(24,007)	(21,895)
Proceeds from employee stock purchase plan	23,465	45,500
Net cash provided by financing activities	24,174	260,085
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(118,821)	174,495
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	260,460	244,499
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 141,639	$ 418,994

See notes to consolidated financial statements.

Table of Contents

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

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, 2009 and the results of their operations for the three and nine months ended May 31, 2009 and 2008 and their cash flows for the nine months ended May 31, 2009 and 2008, in conformity with accounting principles generally accepted in the United States of America (“US 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, 2008 and 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, 2009 are not necessarily indicative of the results that may be expected for the full fiscal year ending August 31, 2009.

2. RECENTLY ISSUED FINANCIAL PRONOUNCEMENTS

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 168, “The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162”. This Statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. The objective of this Statement is to replace Statement 162 and to establish the FASB Accounting Standards Codification TM (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Company does not believe that the adoption of SFAS 168 will have a material effect on its results of operations, financial position or cash flows.

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 167, “Amendments to FASB Interpretation No. 46(R)”, which amends the consolidation guidance applicable to variable interest entities. The amendments will significantly affect the overall consolidation analysis under FASB Interpretation No. 46(R). This statement is effective as of the beginning of the first fiscal year that begins after November 15, 2009. This statement will be effective for the Company beginning in fiscal 2011. The Company is assessing the potential impact of adoption.

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 166, Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140 (“SFAS 166”). SFAS 166 is intended to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor’s continuing involvement, if any, in transferred financial assets. SFAS 166 must be applied as of the beginning of each reporting entity’s first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. This Statement must be applied to transfers occurring on or after the effective date.

Additionally, on and after the effective date, the concept of a qualifying special-purpose entity is no longer relevant for accounting purposes. Therefore, formerly qualifying special-purpose entities (as defined under previous accounting standards) should be evaluated for consolidation by reporting entities on and after the effective date in accordance with the applicable consolidation guidance. If the evaluation on the effective date results in consolidation, the reporting entity should apply the transition guidance provided in the pronouncement that requires consolidation. Additionally, the disclosure provisions of this Statement should be applied to transfers that occurred both before and after the effective date of this Statement. The Company is assessing the potential impact of adoption.

In May 2009, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 165, Subsequent Events ("SFAS 165"). SFAS 165 is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date—that is, whether that date represents the date the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. SFAS 165 is effective for interim and annual periods ending after June 15, 2009. The Company is currently assessing the effect that SFAS 165 will have on its results of operations, financial position and cash flows.

3. INVENTORIES

Inventories consisted of the following:

	May 31, 2009	August 31, 2008
Production materials	$ 977,080	$ 1,039,549
Finished goods	1,317,149	1,685,917
	$ 2,294,229	$ 2,725,466

4. PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following:

INDUSTRIAL PATENTS AND TRADEMARKS, NET

	May 31, 2009	August 31, 2008
Land	$ 310,365	$ 310,365
Buildings and improvements	3,085,098	3,031,103
Machinery and equipment	1,732,806	1,608,570
	5,128,269	4,950,038
Less accumulated depreciation	(1,490,325)	(1,195,473)
	$ 3,637,944	$ 3,754,565

5. INDUSTRIAL PATENTS AND TRADEMARKS, NET

Industrial patents and trademarks consisted of the following:

	May 31, 2009	August 31, 2008
Patents and trademarks	$ 1,417,215	$ 1,580,172
Less accumulated amortization	(513,822)	(564,851)
	$ 903,393	$ 1,015,321

Patent and trademark costs are amortized over seven years once a patent or trademark is filed and approved. Amortization expense related to patents and trademarks was $28,466 and $39,207 for the three months ended May 31, 2009 and 2008, respectively and $92,149 and $102,844 for the nine months ended May 31, 2009 and 2008, respectively.

6. DISSOLUTION OF REACT, INC. BUSINESS

As previously disclosed, almost all historical sales by React-NTI included in the Company's consolidated statement of operations were derived from sales by React Inc., a 100% owned subsidiary of React-NTI, of proprietary ink additives to one customer. During fourth quarter of fiscal 2007, this customer notified React Inc. that no future orders would be placed after current orders were received. As a result, the Company anticipates no additional sales of proprietary ink additives. Concurrent with the decline of its ink additive sales, React-NTI continued to develop and pursue additional sales through a patented sintered metal mold release agent sold under the brand name SERAVAT™ and renewable resource-based personal care chemical additive under the brand name Farona™. In fiscal 2009, the Company

implemented several cost control and cash preservation measures. These measures included elimination of further product and market development related to these products.

As a result of these changes, management determined that the fair value of the React-NTI reporting unit was less than the carrying value. As a result, a loss on impairment of goodwill and intangible assets of $554,000 was recorded for the nine months ended May 31, 2009 to appropriately reflect the fair value of such assets. In addition, during the nine months ended May 31, 2009, the Company derecognized previously recorded trade payables of $320,000 as a result of negotiations between the Company and its vendor. This amount is recorded in general and administrative expenses in the Company's consolidated statement of operations. At May 31, 2009, the remaining net book value of the assets and liabilities of React-NTI and its subsidiaries approximates $0.

7. GOODWILL

The Company applies Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets," which sets forth financial and reporting standards for the acquisition of intangible assets, other than those acquired in a business combination, and for goodwill and other intangible assets subsequent to their acquisition. This accounting standard requires that goodwill no longer be amortized but tested for impairment on a periodic basis.

The changes in the carrying amount of the Company's goodwill for the periods presented are as follows:

Carrying amount at August 31, 2008:	$	304,000
Impairment charge (see Note 6):	$	(304,000)
Carrying amount at May 31, 2009:	$	0

8. INVESTMENTS IN CORPORATE JOINT VENTURES

Composite financial information from the audited and unaudited financial statements of the Company's joint ventures carried on the equity basis is summarized as follows:

	May 31, 2009	August 31, 2008
Current assets	$ 40,614,800	$ 51,847,643
Total assets	48,282,708	58,958,102
Current liabilities	12,173,751	20,424,810
Noncurrent liabilities	5,300,670	4,756,650
Joint ventures' equity	30,808,287	33,776,642
Northern Technologies International Corporation's share of corporate joint ventures' equity	$ 14,459,365	$ 16,016,347

	Three Months Ended		Nine Months Ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Net sales	$ 14,151,960	$ 30,802,632	$ 46,628,644	$ 79,893,753
Gross profit	6,545,492	13,840,622	21,551,740	36,383,556
Net income (loss)	(55,923)	2,174,841	1,009,691	5,434,476
NTIC's share of equity in income (loss) of corporate joint ventures	$ (6,838)	$ 1,139,140	$ 650,900	$ 3,006,996

The financial statements of the Company's foreign joint ventures are prepared using accounting principles accepted in the joint ventures' countries of domicile. Amounts related to foreign joint ventures reported in the above tables and the accompanying financial statements have been adjusted to approximate US GAAP in all material respects.

During the nine months ended May 31, 2008, the Company invested $87,950 in a non-industrial chemical joint venture in Thailand in addition to $143,000 previously invested in December 2006. The Company has a 50% ownership interest in the Thailand joint venture. The entity had no operations prior to the Company's investment in December 2006. The total capitalization by both owners of the joint venture was $461,900 as of May 31, 2008.

Table of Contents

During the three months ended May 31, 2009, the Company invested $666,663 in its existing industrial chemical joint venture in India. The Company has a 50% ownership interest in the India joint venture. The total increased capitalization by both owners of the joint venture was $1,333,326. Additionally, at the same time that the capital contributions were made by the owners, the joint venture in India remitted past due royalty and service charge payments to the Company of $611,974. The other 50% local partner also received $611,974 for past due management fees.

No other additional contributions have been made to the Company's joint ventures during the nine months ended May 31, 2009.

9. STOCKHOLDERS' EQUITY

During the nine months ended May 31, 2009, the Company did not purchase or retire any shares of its common stock and no stock options to purchase shares of the Company's common stock were exercised. The Company granted stock bonuses under the Northern Technologies International Corporation 2007 Stock Incentive Plan for an aggregate of 21,513 shares of its common stock to various employees during the nine months ended May 31, 2009. The fair value of the shares of the Company's common stock as of the date of grant of the stock bonuses was $226,961, based on the closing sale price of a share of the Company's common stock on that date.

During the nine months ended May 31, 2008, the Company did not purchase or retire any shares of its common stock and no stock options to purchase shares of the Company's common stock were exercised. The Company granted stock bonuses under the Northern Technologies International Corporation 2007 Stock Incentive Plan for an aggregate of 33,595 shares of its common stock to various employees during the nine months ended May 31, 2008. The fair value of the shares of the Company's common stock as of the date of grant of the stock bonuses was $334,270, based on the closing sale price of a share of the Company's common stock on that date.

10. TOTAL COMPREHENSIVE (LOSS) INCOME

The Company's total comprehensive (loss) income was as follows:

	Three Months Ended		Nine Months Ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Net (loss) income	$ (638,679)	$ 788,148	$ (2,139,484)	$ 2,106,034
Other comprehensive (loss) income — foreign currency translation adjustment	1,202,403	149,198	(584,657)	1,461,997
Total comprehensive (loss) income	$ 563,724	$ 937,346	$ (2,724,141)	$ 3,568,031

11. NET (LOSS) INCOME PER COMMON SHARE

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

All options to purchase shares of common stock were excluded from the computation of common share equivalents for the three and nine months ended May 31, 2009, respectively, as the Company reported losses for the three and nine months ended May 31, 2009.

12. STOCK-BASED COMPENSATION

The Northern Technologies International Corporation 2007 Stock Incentive Plan (the "2007 Plan") provides for the grant of incentive stock options, non-statutory stock options, stock appreciation rights, restricted stock, stock unit awards, performance awards and stock bonuses to eligible recipients to enable the Company and its subsidiaries to attract and retain qualified individuals through opportunities for equity participation in the Company, and to reward those individuals who contribute to the achievement of the Company's economic objectives. Up to a total of 400,000 shares of the Company's common stock has been reserved for issuance under the 2007 Plan, subject to adjustment as

Table of Contents

provided in the 2007 Plan. Options granted under the 2007 Plan generally have a term of five years and become exercisable over a three- or four-year period beginning on the one-year anniversary date of the grant. Options are granted at per share exercise prices equal to the market value of the Company's common stock on the date of grant. To date, only stock options and stock bonuses have been granted under the 2007 Plan.

The Northern Technologies International Corporation Employee Stock Purchase Plan (the "ESPP") allows eligible employees of the Company to acquire shares of the Company's common stock on favorable terms through payroll deductions. The maximum number of shares of common stock of the Company available for issuance under the ESPP is 100,000 shares, subject to adjustment as provided in the ESPP. The ESPP provides for nine-month offering periods beginning on September 1 and March 1 of each year. The purchase price of the shares is 90% of the lower of the fair market value of common stock at the beginning or end of the offering period. This discount may not exceed the maximum discount rate permitted for plans of this type under Section 423 of the Internal Revenue Code of 1986, as amended. The ESPP is compensatory for financial reporting purposes.

The Company granted options to purchase 30,000 and 37,140 shares of its common stock during the nine months ended May 31, 2009 and 2008, respectively. No options were granted during the three months ended May 31, 2009 and 2008. The fair value of option grants is determined at date of grant, using the Black-Scholes option pricing model with the assumptions listed below. The Company recognized compensation expense of $75,000 and $71,403 during the nine months ended May 31, 2009 and 2008, respectively, related to the value of the options that vested during such time period. The stock-based expense recorded reduced after-tax net income per share by $0.02 for the nine months ended May 31, 2009 and 2008. As of May 31, 2009, the total compensation cost for non-vested options not yet recognized in the Company's statements of operations was $165,509, net of estimated forfeitures. Additional stock-based compensation expense of $25,248 is expected through the remainder of fiscal year 2009, and expense of $90,424 and $47,837 is expected to be recognized during fiscal 2010 and 2011, respectively. Future option grants will impact the compensation expense recognized.

The fair value of each option grant is estimated on the grant date using the Black-Scholes option-pricing model with the following assumptions and results for the grants:

	May 31, 2009	May 31, 2008
Dividend yield	2.00%	2.00%
Expected volatility	46.7%	42.0%
Expected life of option	5 years	5 years
Average risk-free interest rate	2.88%	3.62%

The weighted average fair value of options granted during the nine months ended May 31, 2009 and 2008 was $4.78 and $3.50, respectively.

13. GEOGRAPHIC AND SEGMENT INFORMATION

Net sales by geographic location as a percentage of total consolidated net sales for the three and nine months ended May 31, 2009 and 2008 were as follows:

	Three Months Ended		Nine Months Ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Inside the U.S.A. to unaffiliated customers	87.9%	75.9%	83.2%	75.9%
Outside the U.S.A. to:				
Corporate joint ventures in which the Company is a shareholder directly and indirectly	7.1	13.5	12.4	14.7
Unaffiliated customers	5.0	10.6	4.4	9.4
	100.0%	100.0%	100.0%	100.0%

The following table sets forth the Company's net sales for the three and nine months ended May 31, 2009 and 2008 by segment:

Table of Contents

	Three Months Ended		Nine Months Ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
ZERUST® sales	$ 1,646,715	$ 3,161,206	$ 6,159,096	$ 9,021,496
Natur-Tec™ sales	14,029	102,290	499,037	204,998
React-NTI sales	12,890	6,225	20,615	43,508
React Inc. sales	—	—	—	248,160

Total North American net sales	$	1,673,634	$	3,269,721	$	6,678,748	$	9,518,162

The following table sets forth the Company's direct cost of sales for the three and nine months ended May 31, 2009 and 2008 by segment:

	Three Months Ended				Nine Months Ended			
	May 31, 2009	% of Cost of Sales*	May 31, 2008	% of Cost of Sales*	May 31, 2009	% of Cost of Sales*	May 31, 2008	% of Cost of Sales*
Direct cost of sales								
ZERUST® cost of sales	$ 828,933	50.3%	$ 1,657,121	52.4%	$ 3,341,166	54.2%	$ 4,543,170	50.4%
Natur-Tec™ cost of sales	7,944	56.6%	99,556	97.3%	425,178	85.2%	185,911	90.7%
React-NTI cost of sales	6,490	50.3%	2,932	47.1%	10,610	51.5%	21,885	50.3%
React Inc. cost of sales	—	—	—	—	—	—	209,880	84.6%
Indirect cost of sales	152,305	—	300,246	—	667,121	—	802,654	—
Total North American net cost of sales	$ 995,672		$ 2,059,855		$ 4,444,075		$ 5,763,500	

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

The Company's management utilizes product net sales and direct cost of sales 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.

14. COMMITMENTS AND CONTINGENCIES

On July 25, 2008, the Company's Board of Directors, upon recommendation of the Compensation Committee, approved the material terms of an annual bonus plan for the Company's executive officers and certain employees for the fiscal year ending August 31, 2009, the purpose of which is to align the interests of the Company, its executive officers and stockholders by providing an incentive for the achievement of key corporate and individual performance measures that are critical to the success of the Company and linking a significant portion of each executive officer's annual compensation to the achievement of such measures. The following is a brief summary of the material terms approved by the Board:

- The total amount available under the bonus plan will be up to 25% of NTIC's earnings before interest, taxes and other income (EBITOI);
- The total amount available under the bonus plan will be $0 if EBITOI, as adjusted to take into account amounts to be paid under the bonus plan, fall below 70% of target EBITOI; and
- The payment of bonuses under the plan will be purely discretionary and will be paid to executive officer participants in both cash and stock, the exact amount and percentages of which will be determined by NTIC's Board of Directors, upon recommendation of the Compensation Committee.

No management bonus for fiscal 2009 was made or accrued as of May 31, 2009. There was a $843,000 management bonus accrual as of May 31, 2008 for the Company's fiscal 2008 bonus plan.

In April 2007, REACT-NTI, LLC ("React LLC"), an entity that was 75% owned by the Company, was served with a summons and complaint that was filed by Shamrock Technologies, Inc. ("Shamrock") in state court in New York, which was subsequently removed to the Federal District Court for the Southern District of New York. The lawsuit sought payment from React LLC of commissions in the approximate amount of $314,500 owed by React LLC under a

Table of Contents

license agreement between React LLC and Shamrock. The complaint alleged breach of the license agreement by React LLC and sought damages in an unspecified amount for such breach as well as damages of approximately $300,000 for the alleged failure of React LLC to purchase from Shamrock certain inventory manufactured for sale to a customer. Shamrock further claimed lost profits with respect to sales made by REACT LLC that were manufactured by parties other than Shamrock. React LLC denied all of the claims of breach of the license agreement by it and believed that damages caused by Shamrock's breach of the license agreement and tortious conduct exceeded any amounts owing to Shamrock. React LLC formally responded to the complaint after removal by moving to dismiss or stay because of Shamrock's failure to comply with alternative dispute resolution procedures contained in the license agreement. By court order, the matter was stayed so that the parties could attempt mediation. The parties mediated for one day and were unsuccessful in resolving the matter. The parties proceeded with discovery, exchanging answers to interrogatories and documents, and the parties also obtained documents by subpoena from third parties. With more complete information, the parties decided to dismiss their respective claims without prejudice and return to mediation. A mediation session was held on December 4, 2008, and the parties continued to negotiate through the mediator via telephone and email thereafter. The mediator ultimately determined that the parties were at an impasse, and the parties have had no further communication. Because the mediation and negotiation process did not result in a final settlement, there can be no permanent assurance at the present time that the matter will not result in a material adverse effect on the Company's business, financial condition or results of operations at some point in the future.

The Company is involved in various other legal actions arising in the normal course of business. Management is of the opinion that any judgment or settlement resulting from these pending or threatened actions would not have a material adverse effect on the Company's business, financial condition or results of operations.

In June 2007, the U.S. Internal Revenue Service concluded its audit of the Company's U.S. federal income tax returns for fiscal 2004 and 2005. During the course of such audit, the IRS took the position that the Company failed to withhold and assessed against the Company approximately $505,000 of payroll taxes and individual income taxes on travel and other expense reimbursements made to Philip M. Lynch, the Company's former Chairman of the Board and Chief Executive Officer, and commissions payments made to Inter Alia Holding Co. under that certain former Manufacturer's Representative Agreement between the Company and Inter Alia, which agreement has since been terminated. Inter Alia beneficially owns approximately 22.7% of the Company's outstanding common stock. G. Patrick Lynch, the Company's current President and Chief Executive Officer, and three other members of the Lynch family, are shareholders of Inter Alia. The Company disagreed with the IRS' position and appealed the matter. In February 2009, the IRS reversed its position and concluded its audit of the Company's U.S. federal income tax returns for fiscal 2004 and 2005.

15. STATEMENTS OF CASH FLOWS

The Company did not declare or pay any cash dividends during fiscal 2008 and as of July 14, 2009, had not declared or paid any cash dividends during fiscal 2009.

The Company issued 21,513 and 33,595 shares of common stock as stock bonuses under its stock incentive plans to various employees to satisfy $226,961 and $334,270 of accrued payroll liabilities during the nine months ended May 31, 2009 and 2008, respectively. The accrued payroll liabilities related to the Company's fiscal 2008 and 2007 bonus plans.

Table of Contents

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 "Forward-Looking Statements" appearing elsewhere in this report. 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 Part I, Item 1 entitled "Financial Statements" of this report.

General Overview

Northern Technologies International Corporation develops and markets proprietary environmentally beneficial products and technical services either directly or via a network of joint ventures and independent distributors in over 50 countries. NTIC's primary business is corrosion prevention. However, NTIC has three emerging businesses that have all generated revenue or are expected to generate revenues in the near future (1) corrosion prevention technology used in the oil and gas industry, which NTIC sells both directly and through joint ventures; (2) a product line of compounds and finished products based on a portfolio of proprietary bio-plastic technologies marketed under the Natur-Tec™ brand; and (3) technology and equipment that convert plastic waste into diesel, gasoline and heavy fractions, which is exclusively licensed from Zbigniew Tokarz, the inventor of the technology and sold through NTIC's joint venture Polymer Energy, LLC in North America and Asia.

NTIC participates, either directly or indirectly through holding companies, in 29 corporate joint venture arrangements in North America, South America, Europe, Asia and the Middle East. Each of these joint ventures generally manufactures and markets finished products in the geographic territory to which it is assigned. While most of NTIC's joint ventures currently sell rust and corrosion inhibiting products and custom packaging systems, NTIC also has joint ventures that manufacture, market and sell NTIC's Natur-Tec™ products, the Polymer Energy technology and equipment that converts plastic waste into diesel, gasoline, and heavy fractions, and its corrosion prevention technology used in the oil and gas industry. NTIC categorizes its joint ventures into two principal areas: industrial chemical and non-industrial chemical. The profits of NTIC's corporate joint ventures are shared by the respective corporate joint venture owners in accordance with their respective ownership percentages. NTIC typically owns 50% of its joint venture entities and thus does not control the decisions of these entities regarding whether to pay dividends or how much to pay in dividends in any given year.

NTIC has been selling its proprietary ZERUST® and EXCOR® rust and corrosion inhibiting products and services to the automotive, electronics, electrical, mechanical, military and retail consumer markets for over 30 years. NTIC also offers worldwide on-site technical consulting for rust and corrosion prevention issues. In North America, NTIC markets its technical services and ZERUST® products principally to industrial users by a direct sales force and a network of independent distributors. NTIC's technical service consultants work directly with the end users of NTIC's products to analyze their specific needs and develop systems to meet their technical requirements.

In January 2009, NTIC announced the signing of a multi-year contract between NTIC's Brazilian joint venture (Zerust Prevencao de Corrosao S.A.) and Petroleo Brasileiro S.A. (Petrobras) to install and service proprietary corrosion protection technologies on the roofs of an initial set of above ground oil storage tanks at the Petrobras REDUC refinery in Rio de Janeiro, Brazil. At the end of March 2009, NTIC announced that it has signed multiple research and development contracts with Petrobras' research and development group at the Leopoldo Américo Miguez de Mello Research & Development Center (CENPES) pursuant to which the parties will undertake a 20-month Petrobras funded effort to explore, understand and resolve bottom plate corrosion issues in aboveground storage tanks. A second 12-month Petrobras sponsored project also has started aimed at field trials of certain pipeline protection technologies. These initiatives are designed to help mitigate corrosion for critical oil and gas industry infrastructure. The projects are directly between NTIC and Petrobras and will be supported primarily by NTIC's R&D facilities in Beachwood, Ohio. Any new intellectual property generated will be jointly owned by NTIC and Petrobras with NTIC having access to commercialization rights. In addition, NTIC is pursuing opportunities to market NTIC's technology to other potential customers in the oil and gas industry across several countries through its joint venture partners and other strategic

Table of Contents

partners. NTIC believes the sale of its new ZERUST® products to customers in the oil and gas industry will involve a long sales cycle, likely including a one- to two-year trial period with each customer and a slow integration process thereafter.

In addition to ZERUST® products and services, NTIC develops and in the beginning of fiscal 2008 launched a portfolio of bio-based and/ or biodegradable (compostable) 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 disposal options. In recent years, a combination of market drivers, such as higher petroleum prices, a desire to reduce dependence on foreign oil, increased environmental awareness at the consumer level and regulations banning the use of traditional, petroleum-based plastics, have led to interest in sustainable, renewable resource-based and compostable alternatives to traditional plastics. Natur-Tec™ bio-based and/ or biodegradable plastics are manufactured using NTIC's patented and/or proprietary technologies and are intended to replace conventional petroleum-based plastics. The Natur-Tec™ bioplastics portfolio includes flexible film, foam, rigid injection molded materials and engineered plastics. Natur-

Tec™ biodegradable and compostable finished products include shopping and grocery bags, lawn and leaf bags, can liners, pet waste collection bags, cutlery, packaging foam and coated paper products and are engineered to be fully biodegradable in a composting environment. Unlike competing plastic products claiming to be "degradable" or "oxo-degradable" that only break down into smaller plastic fragments, Natur-Tec™ products are designed to completely biodegrade within 180 days in accordance with the ASTM D6400 standard for compostable plastics and are certified 100 percent biodegradable and compostable by the Biodegradable Products Institute.

NTIC's Polymer Energy LLC joint venture markets and sells a system that uses catalytic pyrolysis to efficiently convert plastic waste (primarily polyolefins) into hydrocarbons (primarily a mix of diesel, gasoline, and heavy fractions,). Each unit can process up to ten tons of plastic waste per day, and the modular design allows for easily scalable capacity. The Polymer Energy™ process can handle plastic that is contaminated with other types of waste such as metals, glass, dirt and water and the system can tolerate up to 25% of other waste in the input waste stream. The output crude oil mix is high-grade and can be further processed in a refinery or used as an input for co-generation of electricity. NTIC, through Polymer Energy LLC, a joint venture in which NTIC has a 62.5% interest has an exclusive license to market the technology in countries in Asia and North America as per the current JV agreement.

Financial Overview

Like many companies, NTIC's operating results have been adversely affected by worldwide economic conditions, particularly adverse conditions affecting the worldwide automobile industry. One of the primary markets for NTIC's rust and corrosion inhibiting products has been the automotive industry, which is not expected to improve in the short to medium term, especially in light of the current worldwide economic conditions affecting that industry. In particular, the U.S. auto industry furloughs in the beginning of calendar 2009 adversely affected sales of NTIC's ZERUST® products during NTIC's second and third fiscal quarters 2009.

In response to such conditions, NTIC implemented in December 2008 and January 2009 several cost reduction measures. NTIC reduced the base salaries of its executive and other officers by approximately 15% on average, by 10% for all other employees and suspended NTIC's matching of 401(k) contributions. NTIC also implemented a hiring freeze and laid off 16% of its work force. Furthermore, significant cost concessions were requested and obtained from all of NTIC's major vendors and service providers. NTIC enacted other expense control measures across all of its departments with the objective to conserve cash and reduce expenses while protecting the essential sales and marketing efforts of each business. For the three months ending May 31, 2009, NTIC has realized an a 28.5% and 19.4% reduction in its total overall operating expense and expenses incurred in support of corporate joint ventures and new technologies as a result of these cost cutting measures compared to the three months ended November 30, 2008 and February 28, 2009, respectively. NTIC may consider additional cost reduction measures during fourth quarter of fiscal 2009 or first quarter of fiscal 2010, if its net sales do not improve in the near future.

NTIC's North American consolidated net sales decreased 48.8% and 29.8% during the three and nine months ended May 31, 2009, respectively, compared to the three and nine months ended May 31, 2008 primarily as a result of decreased demand for NTIC's ZERUST® products and the elimination of the React Inc. sales. Although sales of NTIC's Natur-Tec™ products offset to some extent decreased demand for NTIC's ZERUST® products during the nine

Table of Contents

month period comparison, sales of NTIC's Natur-Tec™ products decreased significantly during the three month period comparisons. During the three and nine months ended May 31, 2009, over 90% of NTIC's consolidated net sales were derived from sales of ZERUST® and EXCOR® rust and corrosion inhibiting packaging products and services. Net sales of ZERUST® products decreased 47.9% and 31.7% during the three and nine months ended May 31, 2009, respectively, compared to the three and nine months ended May 31, 2008.

During the three and nine months ended May 31, 2009, 0.8% and 7.5% of NTIC's North American consolidated net sales, respectively, were derived from the sales of Natur-Tec™ products compared to 3.1% and 2.2% during the three and nine months ended May 31, 2008, respectively. Net sales of Nature-Tec™ products decreased 86.3% during the three months ended May 31, 2009 and increased 143.4% during the nine months ended May 31, 2009 compared to the three and nine months ended May 31, 2008. NTIC believes that its Natur-Tec™ business during second and third fiscal quarters 2009 were adversely affected by the U.S. economic recession, which NTIC believes adversely affected the ability of its principal Natur-Tec™ distributor to purchase and distribute Natur-Tec™ products from NTIC during that time. NTIC believes that its Natur-Tec™ sales will increase during its fourth fiscal quarter 2009 as compared to the previous two fiscal quarters primarily as a result of this significant customer.

As previously disclosed, almost all historical sales by React-NTI included in NTIC's consolidated statement of operations were derived from sales by React Inc., a 100% owned subsidiary of React-NTI, of proprietary ink additives to one customer. During fourth quarter of fiscal 2007, this customer notified React Inc. that no future orders would be placed after current orders were received. As a result, NTIC anticipates no additional sales of proprietary ink additives. Concurrent with the decline of its ink additive sales, React-NTI continued to develop and pursue additional sales through a patented sintered metal mold release agent sold under the brand name SERAVAT™ and renewable resource-based personal care chemical additive under the brand name Farona™. In fiscal 2009, NTIC implemented several cost control and cash preservation measures. These measures included elimination of further product and market development related to these products. As previously disclosed, during the second quarter of fiscal 2009, management determined that the fair value of the React-NTI reporting unit was less than the carrying value. As a result, a loss on impairment of goodwill and long-lived assets of $554,000 was recorded to appropriately reflect the fair value of such assets. In addition, during the nine months ended May 31, 2009, NTIC derecognized previously recorded trade payables of $320,000 as a result of negotiations between NTIC and its vendor. This amount is recorded in general and administrative expenses in NTIC's consolidated statement of operations. At May 31, 2009, the remaining net book value of the assets and liabilities of React-NTI and its subsidiaries approximates $0.

Cost of goods sold as a percentage of net sales decreased to 59.5% in the three months ended May 31, 2009 as compared to 63.0% for the three months ended May 31, 2008 primarily as a result of the decrease in Natur-Tec™ products sales as a percentage of total sales during the three months ended May 31, 2009 compared to the three months ended May 31, 2008, which sales are sold at lower margins than NTIC's ZERUST® products. Cost of goods sold as a percentage of net sales increased to 66.5% in the nine months ended May 31, 2009 as compared to 60.6% for the nine months ended May 31, 2008 primarily as a result of the increase of Natur-Tec™ products sales as a percentage of total sales during the nine months ended May 31, 2009 compared to the nine months ended May 31, 2008.

Total net sales of all of NTIC's joint ventures decreased 54.1% and 41.6% during the three and nine months ended May 31, 2009, respectively, compared to the three and nine months ended May 31, 2008 primarily as a result of decreased demand for ZERUST® products due to the global economic slowdown and, to a lesser extent, fluctuations in the foreign currency exchange rate of the U.S. dollar compared to other currencies in which NTIC's joint ventures conduct business. As a result of the decrease in total net sales of NTIC's joint ventures, NTIC recognized a decrease in fee income for technical and support services of 45.8% and 39.2%, respectively, and a decrease in its equity in income of corporate joint ventures and holding companies of 100.6% and 78.4%, respectively, during the three and nine months ended May 31, 2009. NTIC incurs direct expenses related to its corporate joint ventures and holding companies. Such expenses include product and business development, consulting, travel, technical and marketing services to existing joint ventures, legal fees incurred in the establishment of new joint ventures, registration and promotion and legal defense of worldwide trademarks, and legal fees incurred in connection with the filing of patent applications. NTIC's direct joint venture expenses decreased 37.7% and 12.0% during the three and nine months ended May 31, 2009, respectively, compared to the three and nine months ended May 31, 2008. NTIC's total income from its corporate joint ventures and holding companies decreased 105.2% and 99.1% during the three and nine

Table of Contents

months ended May 31, 2009, respectively, compared to the nine months ended May 31, 2008 primarily as a result of the adverse worldwide economic situation.

NTIC spent $2,222,575 in the nine months ended May 31, 2009 and $1,847,547 in the nine months ended May 31, 2008 in connection with its research and development activities. NTIC anticipates that it will spend between $2,800,000 and $3,000,000 in total during fiscal 2009 on research and development activities related to its new technologies. These expenses are accounted for in the "Expenses incurred in support of corporate joint ventures" section of NTIC's consolidated statements of operations.

NTIC incurred a net loss of ($638,679), or ($0.17) per diluted common share, during the three months ended May 31, 2009 compared to net income of $788,148 or $0.21 per diluted common share, for the three months ended May 31, 2008. NTIC incurred a net loss of ($2,139,484), or (0.57) per diluted common share, during the nine months ended May 31, 2009 compared to net income of $2,106,034 or $0.56 per diluted common share, for the nine months ended May 31, 2008. These significant decreases were primarily the result of the decreased demand of NTIC's ZERUST® products in the United States and internationally due to the global economic recession, and to a lesser extent, the $554,000 loss on impairment relating to React-NTI.

NTIC's working capital was $4,915,140 at May 31, 2009, including $141,639 in cash and cash equivalents. As of May 31, 2009, NTIC had $963,000 of borrowings under its $2,300,000 demand line of credit.

NTIC expects to meet its future liquidity requirements during at least the next 12 months by using its existing cash and cash equivalents, forecasted cash flows from future operations, distributions of earnings and technical assistance fees to NTIC from its joint venture investments and funds available through existing or anticipated financing arrangements. In order to take advantage of new product market opportunities to expand its business and increase its revenues, NTIC may decide to finance such opportunities by borrowing under its line of credit or raising additional financing through the issuance of debt or equity securities.

Results of Operations

The following table sets forth NTIC's results of operations for the three months ended May 31, 2009 and May 31, 2008.

	May 31, 2009	% of Net Sales	May 31, 2008	% of Net Sales	$ Change	% Change
Net sales	$ 1,673,634	100.0%	$ 3,269,721	100.0%	$ (1,596,087)	-48.8%
Cost of goods sold	995,672	59.5%	2,059,855	63.0%	(1,064,183)	-51.7%
Selling expenses	577,736	34.5%	799,949	24.5%	(222,213)	-27.8%
General and administrative expenses	599,012	35.8%	702,592	21.5%	(103,580)	-14.7%
Lab and technical support expenses	13,823	0.8%	32,631	1.0%	(18,808)	-57.6%

The following table sets forth NTIC's results of operations for the nine months ended May 31, 2009 and May 31, 2008.

	Nine Months Ended May 31, 2009	% of Net Sales	Nine Months Ended May 31, 2008	% of Net Sales	$ Change	% Change
Net sales	$ 6,678,748	100.0%	$ 9,518,162	100.0%	$ (2,839,414)	-29.8%
Cost of goods sold	4,444,075	66.5%	5,763,500	60.6%	(1,319,425)	-22.9%
Selling expenses	1,924,102	28.8%	2,413,895	25.4%	(489,793)	-20.3%
General and administrative expenses	2,184,974	32.7%	2,545,414	26.7%	(360,440)	-14.2%
Lab and technical support expenses	51,285	0.8%	143,375	1.5%	(92,090)	-64.2%
Loss on impairment	554,000	8.3%	—	0.0%	554,000	0.0%

Net Sales. NTIC's net sales originating in the United States decreased 48.8% and 29.8% during the three and nine months ended May 31, 2009, respectively, compared to the same respective periods in fiscal 2008 primarily as a result of decreased demand for NTIC's ZERUST® products as a result of the U.S. economic recession and, to a lesser extent, the loss of the principal customer of React Inc. and decreased sales of NTIC's Natur-Tec™ products.

The following table sets forth NTIC's net sales for the three months ended May 31, 2009 and May 31, 2008 by segment:

	May 31, 2009	May 31, 2008	$ Change	% Change
ZERUST® sales	$ 1,646,715	$ 3,161,206	$ (1,514,491)	-47.9%
Natur-Tec™ sales	14,029	102,290	(88,261)	-86.3%
React-NTI sales	12,890	6,225	6,665	107.1%
React Inc. sales	—	—	—	—
Total North American net sales	$ 1,673,634	$ 3,269,721	$ (1,596,123)	-48.8%

The following table sets forth NTIC's net sales for the nine months ended May 31, 2009 and May 31, 2008 by segment:

	May 31, 2009	May 31, 2008	$ Change	% Change
ZERUST® sales	$ 6,159,096	$ 9,021,496	$ (2,862,436)	-31.7%
Natur-Tec™ sales	499,037	204,998	294,039	143.4%
React-NTI sales	20,615	43,508	(22,893)	-52.6%
React Inc. sales	—	248,160	(248,160)	-100.0%
Total North American net sales	$ 6,678,748	$ 9,518,162	$ (2,839,450)	-29.8%

Cost of Goods Sold. Cost of goods sold decreased 51.7% and 22.9% for the three months and nine months ended May 31, 2009, respectively, compared to the same respective periods in fiscal 2008 primarily as a result of the significant decrease in sales of NTIC's ZERUST® products and the loss of the principal customer of React Inc. Cost of goods sold as a percentage of net sales changed to 59.5% and 66.5% for the three and nine months ended May 31, 2009, respectively, compared to 63.0% and 60.1% in the same respective periods in fiscal 2008 primarily as a result of reductions in the raw material costs, offset partially by smaller profit margins realized by sales of NTIC's Natur-Tec™ products compared to sales of NTIC's ZERUST® products.

Selling Expenses. NTIC's selling expenses decreased 27.8% for the three months ended May 31, 2009 compared to the same period in fiscal 2008 due to decreases in (i) salaries of $58,000, (ii) consulting expense of $23,000, (iii) travel related expenses of $35,000 and (iv) commissions of $65,000. NTIC's selling expenses decreased 20.3% for the nine months ended May 31, 2009 compared the same period in fiscal 2008 due to decreases in (i) salaries of $110,000, (ii) consulting expense of $61,000, (iii) commissions of $55,000 and (iv) travel related expenses of $89,000. Selling expenses as a percentage of net sales increased to 34.5% and 28.8% during the three and nine months ended May 31, 2009, respectively, from 24.5% and 25.4% during the same respective periods in fiscal 2008, due to the decrease in net sales.

General and Administrative Expenses. NTIC's general and administrative expenses decreased by 14.7% during the three months ended May 31, 2009 compared to the same period in fiscal 2008 due to decreases in (i) audit and tax expense of $19,000 (ii) general expenses associated with React-NTI of $60,000 (iii) travel related expenses of $20,000 and (iv) salaries of $45,000. Additionally, during the three months ended May 31, 2009, NTIC derecognized previously recorded trade payables of $320,000 as a result of negotiations between NTIC and its vendor. NTIC's general and administrative expenses decreased by 14.2% during the nine months ended May 31, 2009 compared to the same period in fiscal 2008 due to decreases in (i) audit and tax expense of $74,000 (ii) general expenses associated

with React-NTI of $70,000 (iii) travel related expenses of $15,000 and (iv) salaries of $73,000. As a percentage of net sales, general and administrative expenses increased to 35.8% and 32.7% during the three and nine months ended May 31, 2009, respectively, from 21.5% and 26.7% during the same respective periods in fiscal 2008, due to the decrease in net sales. NTIC includes expenses in general and administrative expenses that provide benefit to the various joint ventures in addition to providing benefit to NTIC's North American operations, including specifically, expenses associated with information technology, general insurance, executive and non-executive salary, bonus and benefits, building expenses, audit and tax and directors fees.

Lab and Technical Support Expenses. NTIC's lab and technical support expenses decreased by 57.6% and 64.2% during the three and nine months ended May 31, 2009, respectively, compared to the same respective periods in fiscal 2008 primarily as a result of a change in the allocation of these expenses to sales activities. As a percentage of net sales, lab and technical support expenses were relatively immaterial during the three and nine months ended May 31, 2009 as well as during the same respective periods in fiscal 2008.

International Corporate Joint Ventures and Holding Companies. Net sales of NTIC's corporate joint ventures for the three and nine months ended May 31, 2009 and the same respective periods in fiscal 2008, excluding React-NTI LLC, were as follows:

	Three Months Ended		Nine Months Ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Industrial chemical	$ 12,746,821	$ 30,419,909	$ 44,737,253	$ 78,897,265
Non-industrial chemical	1,405,139	382,723	1,891,391	996,488
Total	$ 14,151,960	$ 30,802,632	$ 46,628,644	$ 79,893,753

NTIC receives fees for technical and other support services it provides to its corporate joint ventures based on the revenues of the individual corporate joint ventures. NTIC recognized fee income for such support of $821,810 and $2,760,379 in the three and nine months ended May 31, 2009, respectively, compared to $1,517,428 and $4,537,855 during the same respective periods in fiscal 2008, a decrease of 45.8% and 39.2%, respectively. The decrease in fees for technical and other support to its corporate joint ventures was due to the decrease in revenues from the corporate joint ventures as a whole, as well as fluctuations in the foreign currency exchange rate of the U.S. dollar compared to other currencies in which NTIC's joint ventures conduct business.

NTIC sponsors a worldwide corporate joint venture conference approximately every three to four years in which all of its corporate joint ventures are invited to participate. NTIC defers a portion of its technical and other support fees received from its corporate joint ventures in each accounting period leading up to the next conference, reflecting that NTIC has not fully earned the payments received during that period. The next corporate joint venture conference is scheduled to be held in the summer of 2010. There was no deferred income recorded within other accrued liabilities during the three and nine months ended May 31, 2009 related to this future conference; however, $288,000 has been accrued over the past three fiscal years. The costs associated with these joint venture conferences are offset against the deferral as incurred, generally in the period in which the conference is held and immediately before.

NTIC incurred direct expenses related to its corporate joint ventures and the holding companies and new technologies of $880,168 and $3,375,230 during the three and nine months ended May 31, 2009, respectively, compared to $1,412,582 and $3,837,266 during the same respective periods in fiscal 2008, a decrease of 37.7% and 12.0%, respectively. These decreases were primarily attributable to the cost cutting measures that were put in place in the third quarter of fiscal 2009.

NTIC had equity in (loss) income of corporate joint ventures and holding companies of ($6,838) and $650,900 during the three and nine months ended May 31, 2009, respectively, compared to $1,139,140 and $3,006,996 during the same respective periods in fiscal 2008. These decreases were due primarily to the decrease in sales from NTIC's corporate joint ventures as a whole due to the global economic recession, as well as fluctuations in the foreign currency exchange rate of the U.S. dollar compared to other currencies in which NTIC's joint ventures conduct business.

Table of Contents

Interest Income. NTIC's interest income decreased to $6,508 and $7,828 during the three and nine months ended May 31, 2009, respectively, compared to $22,227 and $23,196 for the same respective periods in fiscal 2008 due to lower average invested cash balances during the most recent periods.

Interest Expense. NTIC's interest expense increased slightly to $27,933 and $102,271 during the three and nine months ended May 31, 2009, respectively, compared to $21,757 and $93,872 for the same respective periods in fiscal 2008 due to higher average outstanding debt levels during the most recent periods.

(Loss) Income Before Income Tax Expense. (Loss) income before income tax expense decreased to ($594,679) and ($2,516,484) during the three and nine months ended May 31, 2009, respectively, compared to $936,148 and $2,521,034 for the same respective periods in fiscal 2008.

Income Tax Expense (Benefit). Income tax expense (benefit) decreased to 44,000 and ($377,000) during the three and nine months ended May 31, 2009, respectively, compared to $148,000 and $415,000 in the same respective periods in fiscal 2008. Income tax (benefit) expense was calculated based on management's estimate of NTIC's annual effective income tax rate. NTIC's annual effective income tax rate during the three and nine months ended May 31, 2009 and May 31, 2008 was lower than the statutory rate primarily due to NTIC's equity in income of corporate joint ventures being recognized based on after-tax earnings of these entities. To the extent joint ventures' undistributed earnings are distributed to NTIC, it is not expected to result in any material additional income tax liability after the application of foreign tax credits.

Liquidity and Capital Resources

Sources of Cash and Working Capital. As of May 31, 2009, NTIC's working capital was $4,915,140, including $141,639 in cash and cash equivalents, compared to working capital of $4,941,371, including $260,460 in cash and cash equivalents, as of August 31, 2008.

On April 10, 2008, NTIC entered into a Promissory Note Modification Agreement with National City Bank pursuant to which NTIC's demand line of credit was increased to $2,300,000 and its $1,500,000 revolving credit facility was terminated. Advances made under the demand line of credit will be made at the sole discretion of National City Bank and will be due and payable on demand. Outstanding amounts under the demand line of credit bear interest at an annual rate based on LIBOR plus 2.25%. As of May 31, 2009, the interest rate was 2.57%. Interest is payable in arrears on the 15th day of each month and on demand. As of May 31, 2009, NTIC had $963,000 in borrowings under its $2,300,000 demand line of credit.

NTIC believes that a combination of its existing cash and cash equivalents, forecasted cash flows from future operations, anticipated distributions of earnings and technical assistance fees to NTIC from its joint venture investments and funds available through existing or anticipated financing arrangements, will continue to be adequate to fund its existing operations, capital expenditures, debt repayments and any stock repurchases for at least the next 12 months. In an effort to increase net sales, NTIC continues to spend resources in furtherance of its emerging businesses — its biodegradable and compostable plastics products marketed under the Natur-Tec™ brand, its technology and machinery that converts plastic waste into diesel, gasoline and heavy fractions and the application of its corrosion inhibiting technology into the oil and gas industry. During the remainder of fiscal 2009, NTIC expects to invest additional research and development and marketing efforts and resources into these emerging businesses, product lines and markets. In order to take advantage of such new product and market opportunities to expand its business and increase its revenues, NTIC may decide to finance such opportunities by borrowing under its 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.

Uses of Cash and Cash Flows. Cash flows used in operating activities for the nine months ended May 31, 2009 was $1,561,466, which resulted principally from NTIC's net loss, equity income of corporate joint ventures, increases in joint venture trade receivables, income tax receivables, prepaid expenses and decreases in accounts payable and accrued liabilities, partially offset by decreases in trade receivables excluding joint ventures and inventories, the loss on the impairment of assets and depreciation expense. Cash flows used in operations for the nine months ended May

Table of Contents

31, 2008 was $1,587,352, which resulted principally from the equity income of corporate joint ventures, increases in technical and other services receivables, inventories and prepaid expenses and decreases in accounts payable being offset by net income, depreciation and amortization expense, decreases in trade receivables and increases in accrued liabilities.

Net cash provided by investing activities for the nine months ended May 31, 2009 was $1,418,472, which was comprised of dividends received from corporate joint ventures, decrease in other assets, partially offset by additions to property and equipment and investments in patents. Net cash provided by investing activities for the nine months ended May 31, 2008 was $1,501,762 which was comprised of dividends received from corporate joint ventures and the sale of a joint venture, offset by additions to property and equipment, loans made and investment in joint ventures.

Net cash provided by financing activities for the nine months ended May 31, 2009 was $24,147, which resulted primarily from bank overdrafts and principal payments on the bank loan for NTIC's corporate headquarters building, offset by borrowings made under the demand line of credit. Net cash provided by financing activities for the nine months ended May 31, 2008 was $260,085, which resulted primarily from proceeds from NTIC's employee stock purchase plan and bank overdrafts, offset by principal payments on the bank loan for NTIC's corporate headquarters building.

Capital Expenditures and Commitments. NTIC had no material lease commitments as of May 31, 2009, except for a lease agreement entered into by NTI Facilities, Inc., a subsidiary of NTIC, for approximately 17,000 square feet of office, manufacturing, laboratory and warehouse space in Beachwood, Ohio, requiring monthly payments of $17,500, which are adjusted annually according to the annual consumer price index, through November 2014.

To finance the purchase of the real estate and building for NTIC's current corporate headquarters, in September 2006, NTIC obtained a secured term loan in the principal amount of $1,275,000. The term loan matures on May 1, 2011, bears interest at a fixed rate of 8.01% and is payable in 59 monthly installments equal to approximately $10,776 (inclusive of principal and interest) commencing June 1, 2006. All of the remaining unpaid principal and accrued interest is due and payable on the May 1, 2011 maturity date. The loan is secured by a first lien on the real estate and building.

NTIC has no postretirement benefit plan and does not anticipate establishing any postretirement benefit program.

Off-Balance Sheet Arrangements

NTIC does not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet financial arrangements. As such, NTIC is not materially exposed to any financing, liquidity, market or credit risk that could arise if NTIC had engaged in such arrangements.

In fiscal 1999, a subsidiary of NTIC, NTI Facilities, Inc., acquired a one-third ownership of Omni-Northern Ltd., which owns and operates a rental property located at 23205 Mercantile Road, Beachwood, Ohio. The property has an approximate value of $2,205,000, based upon the cash-to-mortgage acquisition price of the property paid in fiscal 2000. NTIC has guaranteed up to $329,082 of Omni-Northern Ltd.'s $1,903,571 mortgage obligation with National City Bank, Cleveland, Ohio. The building is fully leased at present.

Inflation and Seasonality

Inflation in the U.S. and abroad historically has had little effect on NTIC. NTIC's business has not historically been seasonal.

Market Risk

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

Table of Contents

Because the functional currency of NTIC's foreign operations and investments in its foreign corporate joint ventures and holding companies 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, Korean won and the English pound against the U.S. dollar. NTIC's fees for technical support and other services 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 corporate joint ventures and holding companies 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 of joint ventures and holding companies reflected in its consolidated statements of income. 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 resins.

NTIC's demand line of credit bears interest at a rate based on LIBOR and thus may subject NTIC to some market risk on interest rates. As of May 28, 2009, NTIC had $963,000 of borrowings under its $2,300,000 demand line of credit.

Critical Accounting Policies and Estimates

There have been no material changes to NTIC's critical accounting policies and estimates from the information provided in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations", included in NTIC's annual report on Form 10-K for the fiscal year ended August 31, 2008.

Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 168, "The FASB Accounting Standards Codification™ and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162". This Statement identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles in the United States. The objective of this Statement is to replace Statement 162 and to establish the FASB Accounting Standards Codification TM (Codification) as the source of authoritative accounting principles recognized by the FASB to be applied by nongovernmental entities in the preparation of financial statements in conformity with GAAP. Rules and interpretive releases of the Securities and Exchange

Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The Company does not believe that the adoption of SFAS 168 will have a material effect on its results of operations, financial position or cash flows.

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 167, "Amendments to FASB Interpretation No. 46(R)", which amends the consolidation guidance applicable to variable interest entities. The amendments will significantly affect the overall consolidation analysis under FASB Interpretation No. 46(R). This statement is effective as of the beginning of the first fiscal year that begins after November 15, 2009. This statement will be effective for the Company beginning in fiscal 2011. The Company is assessing the potential impact of adoption.

In June 2009, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 166, Accounting for Transfers of Financial Assets—an amendment of FASB Statement No. 140 ("SFAS 166"). SFAS 166 is intended to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. SFAS 166 must be applied as of the beginning of each reporting entity's first annual reporting period that begins after November 15, 2009, for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. Earlier application is prohibited. This Statement must be applied to transfers occurring on or after the effective date.

Additionally, on and after the effective date, the concept of a qualifying special-purpose entity is no longer relevant for accounting purposes. Therefore, formerly qualifying special-purpose entities (as defined under previous accounting

standards) should be evaluated for consolidation by reporting entities on and after the effective date in accordance with the applicable consolidation guidance. If the evaluation on the effective date results in consolidation, the reporting entity should apply the transition guidance provided in the pronouncement that requires consolidation. Additionally, the disclosure provisions of this Statement should be applied to transfers that occurred both before and after the effective date of this Statement. The Company is assessing the potential impact of adoption.

In May 2009, the Financial Accounting Standards Board (FASB) issued FASB Statement No. 165, Subsequent Events ("SFAS 165"). SFAS 165 is intended to establish general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. It requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date—that is, whether that date represents the date the financial statements were issued or were available to be issued. This disclosure should alert all users of financial statements that an entity has not evaluated subsequent events after that date in the set of financial statements being presented. SFAS 165 is effective for interim and annual periods ending after June 15, 2009. The Company is currently assessing the effect that SFAS 165 will have on its results of operations, financial position and cash flows.

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 and Section 21E of the Securities Exchange Act of 1934 and 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, the outcome of contingencies such as legal proceedings, and prospects regarding, among other things, NTIC's financial condition, results of operations and business. NTIC has identified some of these forward-looking statements in this report with words like "believe," "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. These 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 current worldwide economic conditions on NTIC's business;
- The effect of the significant downturn in the U.S. and worldwide automotive industry on NTIC's business;
- NTIC's dependence on the success of its joint ventures and technical fees and dividend distributions that NTIC receives from them;
- NTIC's relationships with its joint ventures and its ability to maintain those relationships;
- Risks associated with NTIC's international operations and exposure to fluctuations in foreign currency exchange rates;
- Fluctuations in the cost and availability of raw materials, including resins and other commodities;

- NTIC's investments in research and development efforts and its need for additional capital to support such efforts;

- Acceptance of NTIC's existing and new products;
- Increased competition;
- The economic success of NTIC's three emerging new businesses;
- NTIC's reliance upon and its relationships with its distributors, independent sales representatives and corporate joint ventures;
- NTIC's reliance upon suppliers;
- The costs and effects of complying with changes in tax, fiscal, government and other regulatory policies, including rules relating to environmental, health and safety matters;
- The costs and effects of outstanding litigation;
- Unforeseen product quality or other problems in the development, production and usage of new and existing products;
- Loss of or changes in executive management or key employees;
- Ability of management to manage around unplanned events;
- NTIC's reliance on its intellectual property rights and the absence of infringement of the intellectual property rights of others; 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, 2008 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. We wish 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, as well as others that we may consider immaterial or do not anticipate at this time. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we do not know whether our expectations will prove correct. Our expectations reflected in our forward-looking statements can be affected by inaccurate assumptions we 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 us and our business, including factors that potentially could materially affect our financial results or condition, may emerge from time to time. We assume 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. We advise you, however, to consult any further disclosures we make on related subjects in our annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K we file with or furnish to the Securities and Exchange Commission.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This Item 3 is inapplicable to NTIC as a smaller reporting company and has been omitted pursuant to Item 305(e) of SEC Regulation S-K.

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 reasonably ensure 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 and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating NTIC's disclosure controls and procedures, NTIC recognizes that any controls and procedures, no matter how well designed and operated can provide only reasonable assurance of achieving the desired control objectives and NTIC necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. 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, NTIC's Chief Executive Officer and Chief Financial Officer concluded that NTIC's disclosure controls and procedures were effective as of the end of such period to provide reasonable assurance that information required to be disclosed in NTIC's Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that material information relating to NTIC and its consolidated subsidiaries is made known to management, including NTIC's Chief Executive Officer and Chief Financial Officer, particularly during the period when NTIC's periodic reports are being prepared.

NTIC's management is aware, however, that there is a lack of segregation of certain duties due to the small number of employees of NTIC dealing with general administrative and financial matters. However, NTIC's management has decided that considering the employees involved and the control procedures in place, risks associated with such lack of segregation are insignificant and the potential benefits of adding employees to clearly segregate such duties do not at this time justify the expenses associated with such increases.

Changes in Internal Control over Financial Reporting

There was no change in NTIC's internal control over financial reporting that occurred during the quarter ended May 31, 2009 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

A description of NTIC's legal proceedings in Note 12 of its unaudited consolidated financial statements included within this report is incorporated herein by reference.

ITEM 1A. RISK FACTORS

This Item 1A is inapplicable to NTIC as a smaller reporting company.

Table of Contents

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

Recent Sales of Unregistered Equity Securities

During the three months ended May 31, 2009, 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

During the three months ended May 31, 2009, NTIC did not purchase any shares of its common stock or other equity securities of NTIC.

On November 13, 2003, the Board of Directors of NTIC authorized Matthew Wolsfeld, Chief Financial Officer of NTIC, to repurchase on behalf of NTIC, up to 100,000 shares of NTIC's common stock from time to time in accordance with applicable rules governing issuer stock repurchases. Since being authorized, NTIC has not repurchased and retired any shares of its common stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

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

Exhibit No.	Description
10.1	Agreement dated as of May 5, 2009 between Northern Technologies International Corporation and DAK Engineering, LLC (Incorporated by reference to Exhibit 10.1 to NTIC's Current Report on Form 8-K as filed with the Securities and Exchange Commission on May 7, 2009 (File No. 001-11038))
10.2	Agreement dated as of May 25, 2009 between Northern Technologies International Corporation and Sunggyu Lee, Ph.D. (Filed herewith)
31.1	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of 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)

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities and 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 14, 2009

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

Table of Contents

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION
QUARTERLY REPORT ON FORM 10-Q

EXHIBIT INDEX

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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

TECHNOLOGY TRANSFER AND CONSULTING AGREEMENT

THIS TECHNOLOGY TRANSFER AND CONSULTING AGREEMENT (the "Agreement") is made and entered into as of this 25th day of May, 2009, by and between Sunggyu Lee, Ph.D. ("SL") and NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION, a Delaware corporation ("NTIC").

RECITALS:

A. SL owns certain technology, intellectual property and proprietary information (the "Concept");

B. SL has developed certain knowledge, information, know-how, trade secrets, discoveries, procedures, devices, techniques, programs, inventions, creations, methods, protocols, concepts, formulas, documentation, prototypes, designs, improvements, software, content, data, support and design documentation, ideas, drawings, works of authorship and/or other valuable technical and proprietary information related to the Concept, whether or not described in the Intellectual Property Rights (as hereinafter defined), whether or not in writing or reduced to practice, and whether or not patentable, copyrightable, secret or proprietary (together, with the Concept, the "Technology");

C. NTIC desires to obtain an option to purchase the Technology and to engage SL as a consultant to NTIC to assist NTIC in completing the Project Phase 1 (as defined in Appendix I herein) for NTIC;

D. In the event of the successful completion of the Project Phase 1, NTIC desires to continue to engage SL as a consultant to provide ongoing development and support services to NTIC in connection with continuing development of the Technology; and

E. SL desires to grant NTIC such an option to transfer the Technology to NTIC and to accept such an engagement upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises contained herein, and for other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the parties agree as follows:

SECTION 1. OPTION TO TRANSFER TECHNOLOGY TO NTIC AND ACCEPT CONSULTING ENGAGEMENT WITH NTIC

(a) Option. Commencing May 1, 2009, NTIC reserves the exclusive, non-transferable right, privilege and option (the "Option") to purchase the Technology from SL and to engage SL for the consulting services as described in Section 1(c) of this Agreement, such Option to be exercised by NTIC within eighteen (18) months of the date of this Agreement (the "Option Period"). In consideration for the Option, NTIC will pay to SL a down payment of US$30,000 (the "Down Payment"), payable in six (6) $5,000 monthly increments beginning on the first day of the first month after the execution of this Agreement, which Down Payment will be deductible from any amounts to be paid to SL by NTIC pursuant to Section 1(d) of this Agreement. Upon execution of this Agreement and at all times during the Option Period, SL will not transfer the Technology to anyone other than NTIC or provide services to any third party similar to the Services (as hereinafter defined) to be provided to NTIC under this Agreement.

(b) Technology Purchase and Sale. Subject to the terms and conditions set forth in this Agreement and assuming NTIC exercises the Option described in Section 1(a) of this Agreement, SL hereby irrevocably assigns and transfers to NTIC all of their collective right, title and interest in and to the Technology, together with the full and unrestricted right to use, develop, enhance, modify, improve and assign, license or otherwise transfer the same, and to make, use, sell and lease any products incorporating the Technology, free and clear of all liens, security interests or other encumbrances of any character whatsoever (collectively "Encumbrances"). The transfer hereunder includes all of SL's rights, title and interests in and to all patents, patent applications, patent rights, copyrights, copyright applications, trademarks, trademark applications, trade names, service marks, service mark applications, know-how, trade secrets, proprietary processes and formulae, similar statutory and common law protections which may apply to, or be applied for or granted with respect to, the Technology and all rights of priority and all rights and claims for past infringement thereof related to the Technology and any United States patent applications (including divisional, continuing or reissue applications) based in whole or in part on the Technology, any foreign applications based in whole or in part on the Technology or any of such patents and patent applications, and any and all patents (including extensions thereof) of any country which have been or may be granted on any of the inventions or applications (collectively, the "Intellectual Property Rights"). Assuming NTIC exercises the Option described in Section 1(a) of this Agreement, SL will execute promptly on request whatever documents NTIC reasonably deems necessary or desirable to carry out the provisions of this Section 1(b).

(c) Consulting Engagement; Services. Subject to the terms and conditions set forth in this Agreement and assuming NTIC exercises the Option described in Section 1(a) of this Agreement, NTIC hereby appoints and engages SL and SL hereby accepts such appointment and engagement, to perform in a diligent and competent manner the services in connection with Project Phase 1, as set forth on Appendix I attached hereto and incorporated herein (collectively, the "Services"). In providing the Services, SL shall not utilize the services of any person or entity unless pre-approved in writing by NTIC. NTIC hereby approves SL as pre-approved to perform the Services. Upon completion of the Project Phase 1, the consulting period may be extended to additional phases upon the written agreement of both parties or a written amendment to this Agreement.

(d) Consideration for Transfer of Technology and Provision of Consulting Services. Assuming NTIC exercises the Option described in Section 1(a) of this Agreement, in exchange for the assignments and transfers by SL of the Technology to NTIC pursuant to Section 1(b) of this Agreement and in exchange for the Services to be rendered by SL to NTIC pursuant to Section 1(c) of this Agreement, NTIC shall pay to SL US$120,000 ($150,000 less the $30,000 Down Payment paid by NTIC to SL pursuant to Section 1(a) above), payable in eight (8) $15,000 monthly increments. These monthly increments shall be payable in advance on the first day of each month during the first eight (8) months of the Project Phase 1 and in a manner as reasonably designated by SL. In the event NTIC requests SL to travel in furtherance of the purposes of this Agreement, NTIC shall pay to SL such amounts as are necessary to pay or reimburse SL for reasonable, out-of-pocket travel expenses, which shall be determined and approved in advance by NTIC on a case-by-case basis. Any such reimbursements by NTIC shall be made to SL upon submission by SL to NTIC of an expense report with appropriate receipts, in accordance with customary NTIC policies.

(e) Royalties. In the event that NTIC commercializes any products or services that incorporate the Technology or any other Inventions (as hereinafter defined) developed by SL pursuant to this Agreement, the ownership of which is transferred to NTIC pursuant to Section 1(b) and/or Section 6 of this Agreement and SL otherwise complies with the terms of this Agreement, including without limitation Sections 6 and 7 of this Agreement, then in addition to the amounts paid to SL pursuant to Section 1 of this Agreement, NTIC shall pay to SL a royalty of three percent (3%) of any earnings before interest and taxes (EBIT) to NTIC generated from the commercial exploitation by NTIC of any products or services that incorporate the Technology or any other Inventions developed by SL pursuant to this Agreement, the ownership of which is transferred to NTIC pursuant to Section 1(b) and/or Section 6 of this Agreement until the earlier of: (i) the last to expire of any applicable patents covering such Technology or Inventions and (ii) all of the patents covering such Technology or Inventions are held to be invalid by a court or other authority of competent jurisdiction, or if there are no issued patents covering such Technology or Inventions, for 10 years from the first date of commercial sale or license. For purpose of this Agreement, earnings before interest and taxes to NTIC generated from the commercial exploitation of any products or services that incorporate the Technology or any other Inventions developed by SL pursuant to this Agreement, shall be determined to the extent practicable in accordance with U.S. generally accepted accounting principles and ultimately by NTIC in its sole discretion. Should NTIC sell the Technology or any Inventions developed by SL under this Agreement to a third party, NTIC will ensure that the royalty obligations set forth in this Section 1(e) of this Agreement will be assumed by the new owner or will make such other arrangements with SL at that time so as to compensate SL for any lost future royalties.

(f) Delivery of Documents Evidencing Technology Transfer; Further Assurances. Promptly upon exercise of the Option and from time to time thereafter as appropriate, SL will deliver to NTIC all documentation in either of its possession embodying or relating to the Technology. SL also agrees to assist NTIC in every legal way to evidence, record and perfect the assignment and transfer pursuant to Section 1(b) of this Agreement and to apply for and obtain recordation of and from time to time enforce, maintain, and defend the assigned rights. If NTIC is unable for any reason whatsoever to secure either SL's signature to any document to which it is entitled under this Section 1, SL hereby irrevocably designates and appoints NTIC and its duly authorized officers and agents, as its agents and attorneys-in-fact with full power of substitution to act for and on its behalf and instead of SL, to execute and file any such document or documents and to do all other lawfully permitted acts to further the purposes of the foregoing with the same legal force and effect as if executed by SL, as the case may be.

SECTION 2. TERMINATION; EFFECT OF TERMINATION

(a) Termination. This Agreement may be terminated:

(i) By NTIC if, at any stage, NTIC determines in its sole discretion not to proceed with the Project, including without limitation if NTIC determines that either the technical or commercial viability of the Project is infeasible for NTIC at any point.

(ii) By NTIC immediately upon written notice to SL in the event of a breach by SL of this Agreement, which breach is not cured to the reasonable satisfaction of NTIC within fifteen (15) days following delivery by NTIC of written notice describing the alleged breach in reasonable detail; or

(iii) By mutual agreement of the parties in writing.

(b) Effect of Termination. Upon termination of this Agreement, the parties hereto shall have no obligations to each other hereunder, other than NTIC's obligation to pay any earned but unpaid payments and royalties pursuant to Section 1 of this Agreement and SL's covenants in Sections 6 and 7 of this Agreement, which provisions shall survive the termination of this Agreement may be terminated.

SECTION 3. DUTIES OF NTIC HEREUNDER

(a) Domestic Commercialization. Unless NTIC determines that the U.S. domestic market is infeasible for this Technology, NTIC covenants to use commercially reasonable efforts during the first three (3) years of commercializing the Technology and any Invention developed by SL under this Agreement, to exclusively exploit any Invention resulting from the Project Phase 1 in the United States of America (USA) domestic market with USA-based resources.

(b) Support Services. NTIC agrees to provide commercially reasonable personnel to act as technical liaisons between SL and NTIC as well as to create a business plan for the commercial exploitation of the Project Phase 1 Technology and Inventions.

SECTION 4. INDEPENDENT CONTRACTOR RELATIONSHIP OF THE PARTIES

Notwithstanding anything contained in this Agreement to the contrary, NTIC, on the one hand, and SL, on the other hand, are and shall act as, and for all purposes shall be deemed to be, independent contractors. As independent contractors, SL may pursue whatever proper and legitimate means it chooses in performing the Services. No contract of employment, partnership, joint venture or any other relationship except that of independent contractors shall be deemed to exist between NTIC, on the one hand, and SL, on the other hand. NTIC will timely issue to SL, on an annual basis during the term hereof, an IRS Form 1099 with respect to compensation paid to SL hereunder. Accordingly, SL shall have sole and exclusive responsibility for the payment of all federal, state and local income taxes and for Social Security and other similar taxes with respect to any compensation or benefits provided by NTIC hereunder. SL is not authorized to bind NTIC or to incur any obligation or liability on behalf of NTIC except as expressly authorized by NTIC in writing.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF SL

SL represents and warrants to NTIC as of the date hereof, which representations and warranties are being relied upon by NTIC (notwithstanding any independent investigation by NTIC), as follows:

(a) Power and Execution. SL has all requisite power and authority and legal capacity to enter into this Agreement and to carry out the transactions contemplated hereby. This Agreement has been duly executed and delivered by SL, and constitutes valid and legally binding obligations enforceable against SL in accordance with the terms of this Agreement (except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting the rights of creditors generally or the availability of specific performance, injunctive relief and other equitable remedies, and to general principles of equity (regardless of whether such principles are considered in a proceeding in equity or at law)).

(b) Ownership of Technology and Intellectual Property Rights. SL has or at the time of transfer to NTIC will have the sole right, title and interest in and to the Technology and the Intellectual Property Rights, in each case free and clear of all Encumbrances. No adverse claims have been made and no dispute has arisen with respect to any of such rights. To the best knowledge of SL, the proposed use by NTIC of the Technology and the Intellectual Property Rights will not involve infringement or, claimed infringement of any patent, trademark, service mark, trade name, copyright, license or similar right of any third party.

(c) No Conflicts. Neither the execution and delivery of this Agreement nor the performance of the provisions hereof or the transactions contemplated hereby by SL violates or conflicts with (a) any organizational, charter or governing documents of SL; (b) any applicable law, rule, regulation, writ, judgment, injunction, decree, determination, award or other order of any court, government or governmental agency or instrumentality, domestic or foreign, or (c) or result in any breach of any of the terms of or constitute a default under or result in the creation or imposition of any mortgage, deed of trust, pledge, lien, security interest or other charge or Encumbrances of any nature pursuant to the terms of any contract, agreement or instrument to which SL is a party or by which SL, or his respective properties, or any of the Technology or Intellectual Property Rights, is bound.

(d) Disputes and Litigation. There is no action, suit, proceeding, or claim, pending or, to the best knowledge of SL, threatened, and no investigation by any court or government or governmental agency or instrumentality, domestic or foreign, pending or, to the best of knowledge of SL, threatened, against SL which relate to the Concept, the Technology or the Intellectual Property Rights, before any court, government or governmental agency or instrumentality, domestic or foreign, nor is there any outstanding order, writ, judgment, stipulation, injunction, decree, determination, award, or other order of any court or government or governmental agency or instrumentality, domestic or foreign, against SL, which relate to the Concept, the Technology or the Intellectual Property Rights.

(e) Statements. Neither this Agreement nor any schedule, exhibit, certificate, list or other document furnished or to be furnished by or on behalf of SL pursuant to this Agreement

contains or will contain any untrue statement of fact or omits or will omit to state a fact necessary to make the statements contained herein and therein, in light of the circumstances under which they are made, not misleading.

SECTION 6. ASSIGNMENT OF INVENTIONS

(a) Definition. "Inventions" as used in this Section 6, means any inventions, discoveries, improvements, ideas, concepts, drawings, designs, patents, patent applications, specifications, trade secrets, prototypes, techniques, processes, formulae, technologies developed or used, systems, know-how and documentation (whether or not they are in writing or reduced to practice) or works of authorship (whether or not they can be patented or copyrighted) (i) that SL makes, authors or conceives (either alone or with others), within the scope of the Services provided to NTIC hereunder and (ii) that concern or are related to NTIC's business or to NTIC's actual or demonstrably anticipated research and development.

(b) Works Made For Hire. It is expressly understood and agreed that any and all right, title and interest of SL in and to any Inventions (as defined in Section 6(a)) shall be treated as "works made for hire" as defined in the Copyright Act of 1976, as amended, 17 U.S.C. §101, et seq. To the extent that any such Inventions are deemed or treated as not "works made for hire," SL hereby expressly and irrevocably assigns to NTIC all of their respective rights, title and interest in and to such Inventions and any and all intellectual property and other proprietary rights they may have therein. All Inventions and such intellectual property and other proprietary rights are and shall be the sole and exclusive property of NTIC.

(c) SL will, with respect to any Invention:

(i) keep current, accurate, and complete records, which will belong to NTIC;

(ii) promptly and fully disclose the existence and describe the nature of such Invention to NTIC in writing (and without request);

(iii) to the extent exclusive title and/or ownership rights may not originally vest in NTIC, assign (SL hereby assigns, transfers and conveys) to NTIC all of SL's rights, title and interest to such Invention, along with any application SL makes for patents or copyrights, and any patents or copyrights granted to SL in any country, pertaining to such Invention;

(iv) acknowledge and deliver promptly to NTIC any written instruments, and perform any other acts necessary in NTIC's opinion to preserve property rights in such Invention against forfeiture, abandonment or loss and to obtain and maintain patents and/or copyrights on any Inventions and to vest the entire right and title to such Invention in NTIC. Such execution and assistance shall be at no charge to NTIC, but at NTIC's expense and NTIC shall reimburse SL for reasonable out-of-pocket expenses incurred; and

(v) perform any other acts necessary in NTIC's opinion to preserve property rights in the Invention against forfeiture, abandonment or loss and to obtain and maintain letters patent and/or copyrights on the Invention and to vest the entire right and title to such Invention in NTIC. With respect to any obligations performed by SL under this Section 6 following termination of this Agreement, NTIC will pay or reimburse all reasonable out-of-pocket expenses.

(d) Presumption. In the event of any dispute, arbitration or litigation concerning whether an invention, improvement or discovery made or conceived by SL is the property of NTIC, such invention, improvement or discovery to the extent it relates to the subject matter of this Agreement will be presumed the property of NTIC and SL will bear the burden of establishing otherwise.

(e) Further Assurances. Upon request by NTIC, SL agrees to take all actions that are necessary to perfect NTIC's interest in and to the Inventions (as defined in Section 6(a)), and to execute and deliver all applications for securing all United States and foreign patents, copyrights, trademarks, or other Intellectual Property Rights relating to the Inventions, and to do, execute and deliver any and all acts and instruments that may be reasonably necessary or proper to vest all such Intellectual Property Rights in NTIC, and to enable NTIC to obtain all such protection. Upon request by NTIC, SL shall execute and deliver all appropriate applications for securing all United States and foreign patents, copyrights, trademarks, or other Intellectual Property Rights relating to the work performed under this Agreement, and shall do, execute and deliver any and all acts and instruments that may be necessary or property to vest all of the Intellectual Property Rights in NTIC, and to enable NTIC to obtain all such protection. SL agrees to render to NTIC all such assistance as it may reasonably require in the prosecution or defense of all interferences, which may be declared involving any of such Intellectual Property Rights. SL further agrees not to contest the validity of any Intellectual Property Rights or proprietary rights, United States or foreign, to which the performance of Services made any contribution, or in which SL participated in any way, or to assist any other party in any way in contesting the validity of any such rights. SL further agrees that the obligations and undertakings stated in this Section 6 shall continue beyond the term of this Agreement shall survive the termination or expiration of this Agreement.

(f) Return of Property. All Inventions, including all Intellectual Property Rights or other physical or intangible property created or developed by SL during the term of this Agreement, whether or not the same are covered by any other section of this Agreement, is the sole and exclusive property of NTIC and shall be delivered promptly to NTIC (together with all copies thereof), upon termination or expiration of this Agreement or upon the request of NTIC. To the extent that any employees or subcontractors of SL comes into contact with any such Inventions, including Intellectual Property Rights, SL shall cause such employees or subcontractors to enter into a Trade Secret Agreement in form and substance satisfactory to NTIC. NTIC shall be deemed to be a third-party beneficiary of any such Trade Secret Agreement and NTIC may, in its sole discretion, on its own behalf or on behalf of SL, directly enforce the provisions of any such Trade Secret Agreement.

(g) Unrelated Technologies. The parties acknowledge that SL is a creative scientist who desires and intends to engage in research and other creative activities during his professional career outside of the scope of the Project Phase 1 and in fields other than those related to NTIC's business or NTIC's actual or demonstrably anticipated research and development ("Unrelated Technology"). Nothing in this Agreement is intended in any manner to limit or prohibit SL from

continuing in such activities, and SL is encouraged to do so. In the event, however, that SL wishes to disclose any such Unrelated Technology and matters arising therefrom to NTIC, and if NTIC is interested in obtaining information with respect thereto looking toward the possible commercialization thereof on essentially the same terms as set forth in this Agreement, then NTIC agrees that it will enter into an appropriate non-disclosure and trade secrecy agreement protecting SL from any improper utilization by NTIC of the information disclosed to it by SL on a confidential basis.

SECTION 7. CONFIDENTIAL INFORMATION

(a) For the purposes hereof, the term "Confidential Information" means information: (a) disclosed to or actually known by SL, (b) not generally known outside NTIC, and (c) that relates to the business of NTIC or any of its affiliates (including any joint venture) or NTIC's actual or demonstrably anticipated research and development. The parties agree that Confidential Information includes, but is not limited to, the products and services of NTIC or any of its affiliates (including any joint venture), all of NTIC's technology and other technical information such as designs, trade secrets, know-how, methods and materials, all marketing information, business strategies, pricing information, customer lists, and so forth.

(b) SL recognizes and acknowledges that NTIC develops Confidential Information, that SL may develop Confidential Information for NTIC, and that SL has previously learned of and will continue to learn of the Confidential Information. SL further recognizes and acknowledges that Confidential Information is a valuable, special and unique asset of NTIC and is the sole property of NTIC. As a result, both during the term of this Agreement and thereafter, SL shall not, without the prior written consent of NTIC, for any reason, either directly or indirectly, divulge to any third party or use for their own benefit, or for any other purpose other than the exclusive benefit of NTIC, any Confidential Information.

SECTION 8. MISCELLANEOUS

(a) Application of Certain Provisions to SL's Employees and Agents, Etc. SL agrees to inform any of SL's employees, partners, members, owners and affiliates who provide services to NTIC on behalf of SL under this Agreement, of SL's obligations under this Agreement, including, but not limited to, the provisions of Sections 6 and 7, and ensure that all such employees, partners, members, owners and affiliates have agreed in writing to be bound by the terms of this Agreement, either by means of an agreement directly with NTIC or pursuant to an agreement with SL.

(b) Remedies. SL acknowledges and agrees that by virtue of the special knowledge of NTIC's business or research and development activities that SL shall develop, great loss and irreparable damage would be suffered by NTIC if SL should breach or violate any of the terms or provisions of the covenants and agreements set forth herein. SL further acknowledges and agrees that each such covenant and agreement is reasonably necessary to protect and preserve NTIC's interests. Therefore, in addition to all other remedies available at law or in equity, SL agrees that NTIC shall be entitled to a temporary restraining order and a permanent injunction

(with or without bond) to prevent a breach of any of the covenants or agreements of SL contained herein.

(c) NTIC Policies and Procedures. In carrying out its duties under this Agreement, SL agrees that he and his employees and agents providing services hereunder, will follow all of NTIC's policies and procedures that are applicable to its independent consultants including without limitation NTIC's insider trading policy and code of ethics and conduct, as such policy and code may be amended or supplemented from time to time and provided by NTIC to SL.

(d) Notices. All notices, requests, consents and other communications required or permitted to be given hereunder, shall be in writing and shall be deemed to have been given if delivered personally or sent by fax, or mailed first class, postage prepaid, by registered or certified mail (notices sent by fax or mailed shall be deemed to have been given on the date sent), to the parties at the following addresses or at such other address as either party shall designate by notice in writing to the other in accordance herewith:

(e) Assignment. This Agreement is for personal services to be provided by SL and may not be assigned or transferred by SL to, or the duties or services of SL performed or provided by, any third party without the prior written consent of NTIC. This Agreement may be assigned by NTIC (by operation of law or otherwise) without the consent of SL or without notice to SL. In the event that any change in ownership, management, control or scope of business activities of SL impairs the performance of the duties and/or obligations of SL under this Agreement, NTIC may, upon thirty (30) days prior written notice given to SL, terminate this Agreement.

(f) Binding Effect. This Agreement shall be binding upon, and shall inure to the benefit of, NTIC and its successors and assigns, and SL and his successors and permitted assigns.

(g) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to conflict of laws principles.

(h) Entire Agreement. This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter hereof, and supersedes all prior agreements, arrangements and understandings, written or oral, relating to the subject matter hereof.

(i) Amendments; Waivers. This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms or covenants hereof may be waived, only by a written instrument executed by the parties hereto, or in the case of a waiver, by the party against whom the waiver is sought to be enforced, which instrument specifically refers to this Agreement. The failure of either party at any time or times to require compliance with any provision hereof shall in no manner affect the right of such party at a later time to enforce the same. No waiver by either party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such breach of any term or covenant contained in this Agreement.

(j) Recitals. The recitals to this Agreement are an integral part of this Agreement and are incorporated herein by reference.

(k) Severability. In the event any provision of this Agreement is determined by a court of competent jurisdiction to be unenforceable, such unenforceability shall attach to such provision only, and in all other respects this Agreement shall be deemed enforceable and shall be enforced to the maximum extent permitted by law.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION	SUNGGYU LEE, Ph.D.

Exhibit 31.1

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 reporting 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 function):

   (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 14, 2009

Patrick Lynch

G. Patrick Lynch,
President and Chief Executive Officer

Exhibit 31.2

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 reparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles;

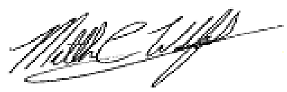
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (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 function):

   (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 14, 2009

Matthew C. Wolsfeld, CPA
Chief Financial Officer and Corporate Secretary

Exhibit 32.1

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 of Northern Technologies International Corporation (the “Company”) on Form 10-Q for the period ending May 31, 2009 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.

Patrick Lynch

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

Circle Pines, Minnesota
July 14, 2009

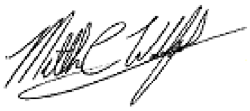
Exhibit 32.2

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 of Northern Technologies International Corporation (the "Company") on Form 10-Q for the period ending May 31, 2009 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.



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

Circle Pines, Minnesota
July 14, 2009