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

FORM 10-Q

(Mark one)
[x] **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended May 31, 2011

[ ] **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) (Zip code)

(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 [ ]

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 [ ] NO [ ]

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 [ ]	Accelerated filer [ ]
Non-accelerated filer (Do not check if a smaller reporting company) [ ]	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 [ ] NO [x]

As of July 13, 2011, there were 4,345,758 shares of common stock of the registrant outstanding.

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION
FORM 10-Q
May 31, 2011

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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 Operations– Forward-Looking Statements."

As used in this report, references to "NTIC," the "Company," "we," "our" or "us," unless the context otherwise requires, refer to Northern Technologies International Corporation, its wholly owned subsidiaries – NTI Facilities, Inc., and Northern Technologies Holding Company, LLC, and its majority owned subsidiary in Brazil, Zerust Prevenção de Corrosão S.A., 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.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS AS OF MAY 31, 2011 (UNAUDITED)
AND AUGUST 31, 2010 (AUDITED)

	May 31, 2011	August 31, 2010
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,676,921	$ 1,776,162
Receivables:		
Trade excluding joint ventures, less allowance for doubtful accounts of $20,000 at May 31, 2011 and August 31, 2010	2,329,635	2,227,769
Trade joint ventures	989,812	1,216,081
Fees for services provided to joint ventures	1,967,621	1,300,814
Inventories	4,403,003	3,639,169
Prepaid expenses	263,860	143,980
Deferred income taxes	448,600	448,600
Total current assets	13,079,452	10,752,575
PROPERTY AND EQUIPMENT, net	3,592,492	3,452,530
OTHER ASSETS:		
Investments in joint ventures	19,595,596	16,055,943
Deferred income taxes	1,505,300	1,505,300
Patents and trademarks, net	898,610	912,718
Other	31,233	18,234
Total other assets	22,030,739	18,492,195
Total assets	$ 38,702,683	$ 32,697,300
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of note payable	14,829	1,144,922
Accounts payable	1,628,735	1,721,237
Income tax payable	376,814	174,502
Accrued liabilities:		
Payroll and related benefits	1,605,137	1,155,277
Deferred joint venture royalties	288,000	288,000
Other	260,720	349,714
Total current liabilities	4,174,235	4,833,652
NOTE PAYABLE, NET OF CURRENT PORTION (Note 7)	1,089,853	—
COMMITMENTS AND CONTINGENCIES (Note 14)		
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 4,345,758 and 4,259,321, respectively	86,915	85,186
Additional paid-in capital	10,052,122	9,140,936
Retained earnings	20,784,087	17,911,718
Accumulated other comprehensive income	2,439,612	704,473
Total stockholders' equity	33,362,736	27,842,313
Non-controlling interest	75,859	21,335
Total equity	33,483,595	27,863,648
Total liabilities and stockholders' equity	$ 38,702,683	$ 32,697,300

See notes to consolidated financial statements.

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
FOR THE THREE AND NINE MONTHS ENDED MAY 31, 2011 AND 2010

	Three Months Ended		Nine Months Ended	
	May 31, 2011	**May 31, 2010**	**May 31, 2011**	**May 31, 2010**
NET SALES:				
Net sales, excluding joint ventures	$ 4,367,589	$ 2,559,467	$ 11,906,999	$ 7,164,784
Net sales, to joint ventures	733,189	677,731	2,070,338	1,660,294
Total net sales	5,100,778	3,237,198	13,977,337	8,825,078
Cost of goods sold	3,458,851	2,172,902	9,155,788	5,771,045
Gross profit	1,641,927	1,064,296	4,821,549	3,054,033
JOINT VENTURE OPERATIONS:				
Equity in income of joint ventures	1,724,477	1,511,534	4,549,267	2,909,120
Fees for services provided to joint ventures	1,623,585	1,140,295	4,477,514	3,441,563
Total joint venture operations	3,348,062	2,651,829	9,026,781	6,350,683
OPERATING EXPENSES:				
Selling expenses	1,167,630	819,572	3,088,237	2,004,094
General and administrative expenses	1,126,823	869,183	3,300,626	2,628,447
Expenses incurred in support of joint ventures	244,959	208,444	722,955	682,828
Research and development expenses	1,207,889	960,780	3,308,515	2,526,478
Total operating expenses	3,747,301	2,857,979	10,420,333	7,841,847
OPERATING INCOME	1,242,688	858,146	3,427,997	1,562,869
INTEREST INCOME	8,522	864	13,131	5,607
INTEREST EXPENSE	(7,880)	(23,867)	(53,355)	(73,637)
OTHER INCOME	6,825	6,825	20,475	20,475
INCOME BEFORE INCOME TAX EXPENSE (BENEFIT)	1,250,155	841,968	3,408,248	1,515,314
INCOME TAX EXPENSE (BENEFIT)	228,000	(110,000)	490,000	(219,000)
NET INCOME	1,022,155	951,968	2,918,248	1,734,314
NET INCOME ATTRIBUTABLE TO NON CONTROLLING INTEREST	(1,394)	—	45,879	—
NET INCOME ATTRIBUTABLE TO NTIC	$ 1,023,549	$ 951,968	$ 2,872,369	$ 1,734,314
NET INCOME ATTRIBUTABLE TO NTIC PER COMMON SHARE:				
Basic	$ 0.24	$ 0.22	$ 0.67	$ 0.41
Diluted	$ 0.23	$ 0.22	$ 0.66	$ 0.41
WEIGHTED AVERAGE COMMON SHARES ASSUMED OUTSTANDING:				
Basic	4,343,601	4,244,086	4,303,892	4,213,465
Diluted	4,427,097	4,299,855	4,378,242	4,252,735

See notes to consolidated financial statements

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
NINE MONTHS ENDED MAY 31, 2011 AND 2010

	Nine Months Ended	
	May 31, 2011	**May 31, 2010**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,918,248	$ 1,734,314
Adjustments to reconcile net income to net cash used in operating activities:		
Expensing of fair value of stock options vested	150,109	141,315
Depreciation expense	250,076	284,041
Amortization expense	118,670	116,128
Equity in income from joint ventures	(4,549,267)	(2,909,120)
Gain on sale of property and equipment	(52,425)	—
Changes in current assets and liabilities:		
Receivables:		
Trade, excluding joint ventures	(101,866)	(358,134)
Trade, joint ventures	226,269	(569,824)
Fees for services receivables, joint ventures	(666,807)	448,663
Income taxes	—	(228,954)
Inventories	(763,834)	(952,422)
Prepaid expenses and other	(132,879)	(45,986)
Accounts payable	(92,502)	459,589
Income tax payable	202,312	—
Accrued liabilities	680,515	626,784
Net cash used in operating activities	(1,813,381)	(1,253,606)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Investment in joint ventures	(38,217)	(30,101)
Dividends received from joint ventures	2,767,977	441,548
Additions to property and equipment	(437,613)	(225,922)
Proceeds from sale of property and equipment	100,000	—
Additions to patents	(104,562)	(160,486)
Net cash provided by investing activities	2,287,585	25,059
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of note payable	(40,240)	(26,020)
Net repayments made on line of credit	—	(1,077,000)
Proceeds from the issuance of common stock	—	3,195,613
Proceeds from employee stock purchase plan	36,726	36,925
Proceeds from exercise of stock options	406,431	63,765
Net cash provided by financing activities	402,917	2,193,283
EFFECT OF EXCHANGE RATE CHANGES ON CASH:	23,638	—
NET INCREASE IN CASH AND CASH EQUIVALENTS	900,759	964,735
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,776,162	138,885
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 2,676,921	$ 1,103,620

See notes to consolidated financial statements.

1. INTERIM FINANCIAL INFORMATION

In the opinion of management, the accompanying unaudited consolidated financial statements contain all necessary adjustments, which are of a normal recurring nature, and present fairly the consolidated financial position of Northern Technologies International Corporation and its subsidiaries (the “Company”) as of May 31, 2011 and the results of their operations for the three and nine months ended May 31, 2011 and May 31, 2010 and their cash flows for the nine months ended May 31, 2011 and May 31, 2010, in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”).

Certain amounts reported in the consolidated financial statements for the previous reporting periods have been reclassified to conform to the current period presentation. These reclassifications did not have a material impact on the Company’s previously reported consolidated balance sheets or statements of cash flows. The Company has reclassified various line items in the consolidated statements of operations to better provide the results of its joint ventures, as well as its North American operations. These reclassifications changed the Company’s operating income, but did not impact its net income or net income per common share.

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, 2010. These consolidated financial statements also should be read in conjunction with the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section appearing in this report.

Operating results for the three and nine months ended May 31, 2011 are not necessarily indicative of the results that may be expected for the full fiscal year ending August 31, 2011.

The Company evaluates events occurring after the date of the consolidated financial statements requiring recording or disclosure in the financial statements.

2. CONSOLIDATION OF ZERUST BRAZIL

Beginning in the fourth quarter of fiscal 2010, the Company consolidated the results of Zerust Prevenção de Corrosão S.A., the Company’s subsidiary in Brazil (“Zerust Brazil”). The Company holds 85% of the equity and 85% of the voting rights of Zerust Brazil. Prior to the fourth quarter of fiscal 2010 and as of May 31, 2010, the Company accounted for its Zerust Brazil investment under the equity method. The Company owned only 50%, which it considered to be less than a majority, of the equity and voting rights of Zerust Brazil prior to September 2006. The Company acquired an additional 35% ownership interest in Zerust Brazil in September 2006 and held 85% of the equity and voting rights thereafter. Prior to the fourth quarter of fiscal 2010, the Company held the additional 35% ownership interest in Zerust Brazil with the intent of finding an acquiring party, believing its majority control of Zerust Brazil would be temporary and determined not to consolidate Zerust Brazil because the impact on the Company’s consolidated financial statements was immaterial. During the fourth quarter of fiscal 2010, the Company stopped pursuing a buyer of the 35% ownership interest and decided to consolidate the financial results of Zerust Brazil as of and for the fiscal year ended August 31, 2010. The Company believes that the impact of not consolidating Zerust Brazil on the Company’s consolidated financial statements for periods prior to the fourth quarter of fiscal 2010 was immaterial to the Company’s consolidated financial statements.

The following is a summary of certain line items of the Company's consolidated statements of operations for the three months ended May 31, 2010 as reported and on a pro forma basis, assuming the consolidation of Zerust Brazil on the Company's consolidated financial statements as of the beginning of such period:

	As Reported	Zerust Brazil	Eliminated in Consolidation	Pro Forma
Net sales	$ 3,237,198	$ 706,888	$ (52,092)	$ 3,891,994
Cost of goods sold	2,172,902	364,225	(52,092)	2,485,035
Gross profit	1,064,296	342,663	—	1,406,959
Joint venture operations	2,651,829	—	(88,158)	2,563,671
Operating expenses	2,857,979	230,198	—	3,088,177
Operating income	858,146	112,465	(88,158)	882,453
Income before income tax expense	841,968	103,716	(88,158)	857,526
Net income	951,968	103,716	(88,158)	967,526
Net income attributable to non-controlling interest	—	15,557	—	15,557
Net income attributable to controlling interest	951,968	88,158	(88,158)	951,968
Net income per common diluted share	$ 0.22	$ 0.02	$ (0.02)	$ 0.22

The following is a summary of certain line items of the Company's consolidated statements of operations for the nine months ended May 31, 2010 as reported and on a pro forma basis, assuming the consolidation of Zerust Brazil on the Company's consolidated financial statements as of the beginning of such period:

	As Reported	Zerust Brazil	Eliminated in Consolidation	Pro Forma
Net sales	$ 8,825,078	$ 1,668,220	$ (83,964)	$10,409,334
Cost of goods sold	5,771,045	891,214	(83,964)	6,578,295
Gross profit	3,054,033	777,006	—	3,831,039
Joint venture operations	6,350,683	—	(45,062)	6,305,621
Operating expenses	7,841,847	716,250	—	8,558,097
Operating income	1,562,869	60,756	(45,062)	1,578,563
Income before income tax expense	1,515,314	53,014	(45,062)	1,523,266
Net income	1,734,314	53,014	(45,062)	1,742,266
Net income attributable to non-controlling interest	—	7,952	—	7,952
Net income attributable to controlling interest	1,734,314	45,062	(45,062)	1,734,314
Net income per common diluted share	$ 0.41	$ 0.01	$ (0.01)	$ 0.41

3. INVENTORIES

Inventories consisted of the following:

	May 31, 2011	August 31, 2010
Production materials	$ 1,167,876	$ 1,184,988
Finished goods	3,235,127	2,449,181
	$ 4,403,003	$ 3,639,169

4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

	May 31, 2011	August 31, 2010
Land	$ 310,365	$ 310,365
Buildings and improvements	3,110,867	3,099,186
Machinery and equipment	2,083,625	1,717,625
	5,504,857	5,127,176
Less accumulated depreciation	(1,912,365)	(1,674,646)
	$ 3,592,492	$ 3,452,530

5. PATENTS AND TRADEMARKS, NET

Patents and trademarks, net consisted of the following:

	May 31, 2011	August 31, 2010
Patents and trademarks	$ 1,715,236	$ 1,610,674
Less accumulated amortization	(816,626)	(697,956)
	$ 898,610	$ 912,718

Patent and trademark costs are amortized over seven years. Costs incurred related to patents and trademarks are capitalized until filed and approved, at which time the amounts capitalized to date are amortized and any further costs, including maintenance costs, are expensed as incurred. Amortization expense is estimated to approximate $160,000 in each of the next five fiscal years.

6. INVESTMENTS IN JOINT VENTURES

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

Financial information from the audited and unaudited financial statements of the Company’s joint venture in Germany, Excor Korrosionsschutz – Technologien und Produkte GmbH (“Germany”), the Company’s joint venture holding company in the Association of Southeast Asian Nations, or ASEAN, region, NTI ASEAN, LLC (“ASEAN”), and all of the Company’s other joint ventures, are summarized as follows:

	May 31, 2011			
	TOTAL	Germany	ASEAN	All Other
Current assets	$ 66,020,912	$ 21,785,071	$ 15,108,649	$ 29,127,192
Total assets	72,298,700	24,525,769	15,330,146	32,442,785
Current liabilities	25,373,400	4,066,108	7,119,287	14,188,005
Noncurrent liabilities	4,778,410	—	931,328	3,847,082
Joint ventures’ equity	42,146,890	20,459,661	7,279,531	14,407,698
Northern Technologies International Corporation’s share of joint ventures’ equity	$ 19,595,596	$ 10,229,833	$ 2,476,738	$ 6,889,025

	August 31, 2010			
	TOTAL	Germany	ASEAN	All Other
Current assets	$ 50,031,107	$16,567,240	$12,637,967	$20,825,900
Total assets	55,918,090	18,967,090	12,901,522	24,049,478
Current liabilities	16,478,696	3,089,590	4,721,652	8,667,454
Noncurrent liabilities	4,454,280	—	868,902	3,585,378
Joint ventures' equity	34,985,114	15,877,500	7,310,968	11,796,646
Northern Technologies International Corporation's share of joint ventures' equity	$ 16,055,943	$ 7,938,751	$ 2,467,412	$ 5,649,780

	Nine Months Ended May 31, 2011			
	TOTAL	Germany	ASEAN	All Other
Net sales	$ 86,744,626	$ 28,036,295	$ 13,549,082	$45,159,249
Gross profit	40,134,048	14,027,762	6,477,234	19,629,052
Net income	8,781,500	5,311,273	1,160,579	2,309,648
Northern Technologies International Corporation's share of equity in income of joint ventures	$ 4,549,267	$ 2,550,188	$ 912,449	$ 1,086,630

	Nine Months Ended May 31, 2010			
	TOTAL	Germany	ASEAN	All Other
Net sales	$ 62,294,519	$ 18,042,624	$ 10,350,856	$33,901,039
Gross profit	30,852,119	9,981,373	5,307,801	15,562,945
Net income	5,664,630	3,029,361	1,113,340	1,521,928
Northern Technologies International Corporation's share of equity in income of joint ventures	$ 2,909,120	$ 1,505,024	$ 677,175	$ 726,921

The Company records expenses that are directly attributable to the joint ventures on the consolidated statements of operations on the line "Expenses incurred in support of joint ventures". The expenses include items such as employee compensation and benefit expenses, travel expense and consulting expense.

In December 2010, the Company invested $38,217 and in January 2010, the Company invested $30,101, in a new joint venture in Russia to specifically engage in the oil and gas industry. The Company has a 50% ownership interest in the new Russian joint venture.

7. NOTE PAYABLE AND LINE OF CREDIT

In connection with the purchase of its corporate headquarters, in September 2006, Northern Technologies Holding Company, LLC ("NTI LLC") obtained a term loan from PNC Bank, National Association ("PNC Bank") with a principal amount of $1,275,000 that was to mature on May 1, 2011. On January 10, 2011, NTI LLC refinanced its term loan in the then principal amount of approximately $1,141,788. The term loan matures on January 10, 2016, bears interest at an annual rate based on the daily LIBOR rate plus 2.15% and is payable in 59 consecutive monthly installments equal to approximately $6,343 (inclusive of principal but exclusive of interest) commencing in February 2011. The term loan is secured by a first lien on the real estate and building owned by NTI LLC and all of the assets of the Company and is guaranteed by the Company.

As of May 31, 2011, the Company had a revolving line of credit with PNC Bank of $3,000,000 with no amounts outstanding as of such date. As of August 31, 2010, the Company had a demand line of credit of $2,300,000 with PNC Bank with no amounts outstanding as of such date. Any advances made under the revolving line of credit are due and payable on January 10, 2012. At the option of the Company, outstanding advances under the line of credit bear interest at either (a) an annual rate based on LIBOR plus 2.15% for the applicable LIBOR interest period selected by the Company or (b) at the rate publicly announced by PNC Bank from time to time as its prime rate.

Interest is payable in arrears (a) for the portion of advances bearing interest under the prime rate on the last day of each month during the term thereof and (b) for the portion of advances bearing interest under the LIBOR option on the last day of the respective LIBOR interest period selected for such advance. Any unpaid interest is payable on the maturity date. Outstanding amounts under the prior demand line of credit bore interest at an annual rate based on LIBOR plus 2.25%. As of May 31, 2011, the interest rate was 2.50% and the weighted average rate was 2.43% for the nine months ended May 31, 2011. As of May 31, 2010, the interest rate was 3.33% and the weighted average rate was 3.31% for the nine months ended May 31, 2010.

Both the term loan and the line of credit are governed under two separate loan agreements (collectively, the “Loan Agreements”). The Loan Agreements contain standard covenants, including affirmative financial covenants, such as the maintenance of a minimum fixed charge coverage ratio, and negative covenants, which, among other things, limit the incurrence of additional indebtedness, loans and equity investments, disposition of assets, mergers and consolidations and other matters customarily restricted in such agreements. Under the Loan Agreements, the Company is subject to a minimum fixed charge coverage ratio of 1.10:1.00.

8. STOCKHOLDERS’ EQUITY

During the nine months ended May 31, 2011, the Company did not purchase or retire any shares of its common stock. The following stock options to purchase shares of common stock were exercised during the nine months ended May 31, 2011:

Options Exercised	Exercise Price
40,000	$ 5.38
2,000	7.65
666	7.75
2,000	8.01
4,000	8.57
1,334	9.75
4,000	9.76
5,333	12.84

The Company granted stock options under the Northern Technologies International Corporation Amended and Restated 2007 Stock Incentive Plan to purchase an aggregate of 30,000 shares of its common stock to various employees and directors during the nine months ended May 31, 2011.

During the nine months ended May 31, 2011, the Company granted stock bonuses under the Northern Technologies International Corporation Amended and Restated 2007 Stock Incentive Plan for an aggregate of 22,686 shares of its common stock to various employees. The fair value of the shares of the Company’s common stock as of the date of grant of the stock bonuses was $319,649, based on the closing sale price of a share of the Company’s common stock on the date of grant. The fair value of common stock granted during the nine months ended May 31, 2011 was based on fiscal 2010 performance and was included in accrued liabilities at August 31, 2010.

During the nine months ended May 31, 2010, the Company did not purchase or retire any shares of its common stock. The following stock options to purchase shares of common stock were exercised during the nine months ended May 31, 2010:

Options Exercised	Exercise Price
1,500	$ 6.15
8,000	5.38
2,000	5.75

The Company granted stock options under the Northern Technologies International Corporation 2007 Stock Incentive Plan to purchase an aggregate of 128,333 shares of its common stock to various employees and directors during the nine months ended May 31, 2010.

In September 2009, the Company completed a $3,552,000 registered direct offering in which it sold an aggregate of 480,000 shares of its common stock to institutional investors at a purchase price of $7.40 per share, resulting in net proceeds of $3,195,613, after deducting placement agent fees and expenses and the Company's offering expenses.

9. TOTAL COMPREHENSIVE INCOME

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

	Three Months Ended		Nine Months Ended	
	May 31, 2011	May 31, 2010	May 31, 2011	May 31, 2010
Net income	$ 1,023,549	$ 951,968	$ 2,872,369	$ 1,734,314
Other comprehensive income (loss) – foreign currency translation adjustment	576,937	(1,379,530)	1,735,139	(1,483,466)
Total comprehensive income (loss)	$ 1,600,486	$ (427,562)	$ 4,607,508	$ 250,848

10. NET INCOME PER COMMON SHARE

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

No options to purchase shares of common stock were excluded from the computation of common share equivalents for both the three and nine months ended May 31, 2011. Options to purchase shares of common stock of 39,000 were excluded from the computation of common share equivalents for both the three and nine months ended May 31, 2010, as stock option exercise prices were greater than the market price of a share of common stock.

11. STOCK-BASED COMPENSATION

The Company has several stock-based compensation plans under which stock options and other stock-based awards have been granted, including the Northern Technologies International Corporation Amended and Restated 2007 Stock Incentive Plan (the "2007 Plan"), the Northern Technologies International Corporation 2000 Stock Incentive Plan (the "2000 Plan") and the Northern Technologies International Corporation Employee Stock Purchase Plan (the "ESPP"). The Compensation Committee of the Board of Directors and the Board of Directors administers all of these plans.

The 2007 Plan replaced the 2000 Plan, which was terminated with respect to future grants, but continues to govern grants outstanding under such 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. Subject to adjustment as provided in the 2007 Plan, up to a maximum of 800,000 shares of the Company's common stock plus the number of shares subject to awards outstanding under the prior 2000 Plan as of January 20, 2011 but only to the extent that such outstanding awards are forfeited, expire or otherwise terminate without the issuance of such shares, are available for issuance under 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 of the date of 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 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 six-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 128,333 shares of its common stock during the nine months ended May 31, 2011 and 2010, respectively. The fair value of option grants is determined at date of grant, using the Black-Scholes option pricing model with the assumptions listed below. Based on these valuations, the Company recognized compensation expense of $150,109 and $141,315 during the nine months ended May 31, 2011 and 2010, respectively, related to the options that vested during such time period. The stock-based expense recorded reduced after-tax net income per share by $0.02 for each of the nine months ended May 31, 2011 and 2010. As of May 31, 2011, the total compensation cost for non-vested options not yet recognized in the Company's consolidated statements of operations was $193,334 net of estimated forfeitures. Additional stock-based compensation expense of $39,366 is expected through the remainder of fiscal year 2011, and expense of $125,891 and $28,076 is expected to be recognized during fiscal 2012 and fiscal 2013, respectively. Future option grants will impact the compensation expense recognized.

The Company currently estimates a ten percent forfeiture rate for stock options and continually reviews this estimate for future periods.

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,	
	2011	2010
Dividend yield	0.00%	0.00%
Expected volatility	49.2%	48.3%
Expected life of option	5 years	5 years
Average risk-free interest rate	1.31%	2.34%

The weighted average per share fair value of options granted during the nine months ended May 31, 2011 and 2010 was $3.60 and $2.98, respectively. The weighted average remaining contractual life of the options outstanding as of May 31, 2011 and 2010 was 2.94 years and 2.71 years, respectively.

12. 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, 2011 and May 31, 2010 were as follows:

	Three Months Ended		Nine Months Ended	
	May 31, 2011	May 31, 2010	May 31, 2011	May 31, 2010
Inside the U.S.A. to unaffiliated customers	66.8%	71.6%	63.4%	73.4%
Outside the U.S.A. to:				
Joint ventures in which the Company is a shareholder directly and indirectly	15.2	20.6	15.6	18.8
Unaffiliated customers	18.0	7.8	21.0	7.8
	100.0%	100.0%	100.0%	100.0%

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

Fees for services provided to joint ventures by geographic location as a percentage of total fees for services provided to joint ventures during the three and nine months ended May 31, 2011 and 2010 were as follows:

	Three Months Ended May 31,			
	2011	% of Total Fees for Services Provided to Joint Ventures	2010	% of Total Fees for Services Provided to Joint Ventures
Japan	$ 324,185	20.0%	$ 219,783	19.3%
Germany	279,125	17.2%	240,624	21.1%
India	250,116	15.4%	141,137	12.4%
France	181,764	11.2%	126,702	11.1%
Finland	147,791	9.1%	97,747	8.6%
Sweden	131,450	8.1%	102,437	9.0%
United Kingdom	84,573	5.2%	72,736	6.4%
Other	224,581	13.8%	139,129	12.2%
	$ 1,623,585	100.0%	$ 1,140,295	100.0%

	Nine Months Ended May 31,			
	2011	% of Total Fees for Services Provided to Joint Ventures	2010	% of Total Fees for Services Provided to Joint Ventures
Japan	$ 833,354	18.6%	$ 662,195	19.2%
Germany	800,877	17.9%	761,723	22.1%
India	611,985	13.7%	441,945	12.9%
France	505,354	11.3%	363,095	10.6%
Finland	414,567	9.3%	299,905	8.7%
Sweden	425,561	9.5%	288,510	8.4%
United Kingdom	243,917	5.4%	211,092	6.1%
Other	641,899	14.3%	413,098	12.0%
	$ 4,477,514	100.0%	$ 3,441,563	100.0%

The following table sets forth the Company’s net sales for the three and nine months ended May 31, 2011 and 2010 by segment:

	Three Months Ended		Nine Months Ended	
	May 31, 2011	May 31, 2010	May 31, 2011	May 31, 2010
ZERUST® sales	$ 4,855,535	$ 3,072,037	$ 13,307,276	$ 8,485,046
Natur-Tec™ sales	245,243	165,161	670,061	340,032
Total net sales	$ 5,100,778	$ 3,237,198	$ 13,977,337	$ 8,825,078

The following table sets forth the Company’s cost of sales for the three and nine months ended May 31, 2011 and 2010 by segment:

	Three Months Ended				Nine Months Ended			
	May 31, 2011	% of Product Sales*	May 31, 2010	% of Product Sales*	May 31, 2011	% of Product Sales*	May 31, 2010	% of Product Sales*
Direct cost of sales								
ZERUST® cost of sales	$ 2,758,270	56.8%	$ 1,682,812	54.8%	$ 7,288,098	54.8%	$ 4,585,073	54.0%
Natur-Tec™ cost of sales	216,880	88.4%	111,541	67.5%	574,315	85.7%	230,488	67.8%
Indirect cost of sales	483,701	—	378,549	—	1,293,375	—	955,484	—
Total net cost of goods sold	$ 3,458,851		$ 2,172,902		$ 9,155,788		$ 5,771,045	

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

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

The geographical distribution of long-lived assets is set forth as follows:

	May 31,	
	2011	2010
United States	$ 3,466,634	$ 3,452,530
Brazil	125,858	—
Consolidated	$ 3,592,492	$ 3,452,530

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

13. RESEARCH AND DEVELOPMENT

During the year ended August 31, 2009, the Company was awarded multiple research and development contracts. The Company accrues proceeds received under the grants and offsets research and development expenses incurred in equal installments over the timelines associated with completion of the grants specific objectives and milestones. At May 31, 2011 and August 31, 2010, the Company deferred amounts received of $0 and $186,365, respectively, in other accrued liabilities, as the Company had not yet performed under the obligations of the contracts.

The Company expenses all costs related to product research and development as incurred. The Company incurred $3,308,515 and $2,526,478 of expense during the nine months ended May 31, 2011 and 2010, respectively, in connection with its research and development activities. These costs related to product research and development are the net amount after being reduced by reimbursements related to the awarding of the multiple research and development contracts of $219,175 and $400,094 for the nine months ended May 31, 2011 and 2010, respectively. The net fees are accounted for in the "Research and Development Expenses" section of the consolidated statements of operations.

14. COMMITMENTS AND CONTINGENCIES

On August 27, 2010, 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, 2011, 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 the Company's pre-bonus 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 the Company's Board of Directors, upon recommendation of the Compensation Committee.

There was $1,186,705 for management bonuses accrued for nine months ended May 31, 2011 compared to a management bonus accrual of $571,044 for the nine months ended May 31, 2010.

The Company leases property located at 23205 Mercantile Road, Beachwood, Ohio for research and development purposes. Total rent expense for the nine months ended May 31, 2011 and 2010 was $180,264 and $91,220 respectively. Remaining rentals payable under such leases are as follows: fiscal 2011 - $59,845; fiscal 2012 - $238,500; fiscal 2013 - $238,500; fiscal 2014 - $59,500 and thereafter - $0.

One customer accounted for 10.6% of the Company's trade receivables, excluding joint ventures at August 31, 2010. One joint venture accounted for 49.4% of the Company's trade joint venture receivables at May 31, 2011. One joint venture accounted for 36.4% of the Company's trade joint venture receivables at August 31, 2010.

From time to time, the Company is involved in various legal actions arising in the normal course of business. Management is of the opinion that any judgment or settlement resulting from any currently pending or threatened actions would not have a material adverse effect on the Company's financial position or consolidated results of operations.

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

This Management's Discussion and Analysis provides material historical and prospective disclosures intended to enable investors and other users to assess NTIC's financial condition and results of operations. Statements that are not historical are forward-looking and involve risks and uncertainties discussed under the heading "Part I. Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Forward-Looking Statements." The following discussion of the results of the operations and financial condition of NTIC should be read in conjunction with NTIC's consolidated financial statements and the related notes thereto included under the heading "Part I. Item 1. Financial Statements."

Business Overview

NTIC develops and markets proprietary environmentally beneficial products and technical services in over 55 countries either directly or via a network of joint ventures and independent distributors. NTIC's primary business is corrosion prevention. From this base, NTIC has expanded into three new business areas that have started recently to generate revenue (1) corrosion prevention technologies specifically designed for the oil and gas industry, which NTIC sells both directly as well as through joint ventures and independent agents; (2) a proprietary portfolio of bio-plastic compounds and finished products marketed under the Natur-Tec® brand, which NTIC sells directly as well as through distributors and independent agents; and (3) technology and equipment that converts waste plastic into diesel, gasoline and heavy fractions, which is exclusively licensed and sold in North America and Asia through NTIC's joint venture Polymer Energy, LLC.

NTIC has been selling its proprietary ZERUST® brand rust and corrosion inhibiting products and services to the automotive, electronics, electrical, mechanical, military and retail consumer markets for over 35 years. NTIC also offers worldwide on-site technical consulting for rust and corrosion prevention issues. In North America, NTIC markets its technical services and products principally to industrial users by a direct sales force as well as a network of independent distributors and agents. 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.

NTIC has developed proprietary corrosion inhibiting technologies for use in the mitigation of corrosion on capital assets used in the petroleum and chemical process industries and is initially targeting the sale of these new ZERUST® products to the oil and gas industry sector. During fiscal 2009, NTIC announced the signing of a multi-year contract between NTIC's Brazilian subsidiary (Zerust Prevenção de Corrosão S.A.) and Petroleo Brasileiro S.A. (Petrobras) to install and service proprietary corrosion protection technologies on the roofs of an initial set of aboveground oil storage tanks at the Petrobras REDUC refinery in Rio de Janeiro, Brazil. Also during fiscal 2009, NTIC signed multiple joint research and development contracts with Petrobras's 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 has also started aimed at field trials of certain pipeline protection technologies. All of these projects continued during fiscal 2010 and the first nine months of fiscal 2011. During fiscal 2011, NTIC's Brazilian subsidiary signed a Phase 2 expanded contract with Petrobras to supply an additional $2.6 million (BRL$ 4.21 million) in ZERUST® FlangeSaver™ products to help protect several more of Petrobras' off-shore oil production rigs from corrosion damage. It is anticipated that the majority of this contract will be fulfilled during fiscal 2012.

NTIC also is pursuing opportunities to market its ZERUST® corrosion prevention technology to other potential customers in the oil and gas industry across several countries through NTIC's joint venture partners and other strategic partners. During fiscal 2010, NTIC entered into agreements with Iromad VZ, LLC and GF Consulting Services LLC to provide sales and marketing services for NTIC's oil and gas industry specific corrosion prevention technologies with a particular focus on the markets in the United States, Venezuela, Mexico and Spain. NTIC believes the sale of its 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 markets a portfolio of bio-based and/or biodegradable (compostable) polymer resin compounds and finished products under the Natur-Tec® brand. 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. During fiscal 2010 and the first nine months of fiscal 2011, NTIC focused on adding additional distributors and generating initial sales with these distributors. During third quarter of fiscal 2011, NTIC signed a memorandum of understanding with the Indian conglomerate ITC Limited to jointly develop and commercialize biopolymer-paper products targeted at the consumer goods packaging market in India. The two companies will jointly develop solutions in the Indian market towards providing biodegradable/compostable products such as food service ware, food packaging, personal care product packaging and other fast-moving consumer goods packaging. The biopolymer materials will be manufactured by Harita-NTI, NTIC's Indian joint venture, for integration with paper manufactured by ITC's Paperboards and Specialty Papers Division (PSPD). Both companies also collaboratively will develop and promote joint branding and messaging for these products. In addition, during third quarter of fiscal 2011, NTIC entered into an agreement with Italy based Naturfuels S.r.l. to distribute its Natur-Tec® bioplastic materials and products in the Italian market. Under the terms of the distribution agreement, NTIC will supply Naturfuels with its patented high-strength Natur-Tec® BF703BX compostable film grade resin to be used for the production of bio-plastic shopping and garbage bags on conventional plastic film production equipment. BF703BX resin based film has been previously certified to be fully compostable in strict accordance to the European standard of EN13432 for compostable plastics by AIB-Vincotte, a respected Belgian third-party certification provider.

NTIC's Polymer Energy LLC joint venture develops and promotes a system that uses catalytic pyrolysis to convert waste plastic (primarily polyolefins) into hydrocarbons (primarily a mix of diesels, gasoline and heavy fractions) resulting in an economically viable and environmentally responsible alternative to current methods of recycling and disposal of waste plastic. Each unit can process up to ten tons of waste plastic per day, and the modular design allows for easily scalable capacity. The crude output is high-grade and can be further processed in a refinery or used as an input for co-generation of electricity. During fiscal 2010 and the first nine months of fiscal 2011, NTIC's Polymer Energy LLC joint venture focused on making design improvements to the Polymer Energy™ equipment and generating initial interest from potential customers in India, Thailand and Indonesia.

NTIC's Joint Venture Network

NTIC participates in 26 active 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 exclusively sell rust and corrosion inhibiting packaging and products to industrial customers, NTIC also has joint ventures that manufacture, market and sell corrosion prevention solutions for the oil and gas industry and Polymer Energy™ equipment that converts waste plastic into diesel, gasoline and heavy fractions. NTIC historically has funded its joint venture investments with cash generated from operations.

NTIC's receipt of funds from its joint ventures is dependent upon fees for services that NTIC provides to its joint ventures based primarily on the revenues of the joint ventures and NTIC's receipt of dividend distributions from the joint ventures. NTIC receives fees for services provided to its joint ventures based primarily on the net sales of the individual joint ventures. The fees for services provided to joint ventures are determined based on either a flat fee or a percentage of sales depending on local laws and tax regulations. With respect to its German joint venture, NTIC recognizes an agreed upon quarterly fee for such services. With respect to its ASEAN joint venture holding company, NTIC does not receive a fee for such services, but rather receives a bi-annual dividend based on available cash. NTIC recognizes equity income from its joint ventures based on the overall profitability of the entity. The profits of NTIC's joint ventures are shared by the respective joint venture owners in accordance with their respective ownership percentages. NTIC typically owns only 50% or less of its joint venture entities and thus does not control the decisions of these entities regarding whether to pay dividends and, if paid, how much they should be in a given year. The payment of a dividend by an entity is determined by a joint vote of the owners and is not at the sole discretion of NTIC.

NTIC does not consolidate the results of its joint ventures, other than commencing in the fourth quarter of 2010, Zerust Prevenção de Corrosão S.A., NTIC's subsidiary in Brazil ("Zerust Brazil"). NTIC holds 85% of the equity and 85% of the voting rights of Zerust Brazil. Prior to the fourth quarter of fiscal 2010 and the preparation of NTIC's fiscal 2010 financial statements, NTIC accounted for its Zerust Brazil investment under the equity method. NTIC owned only 50%, which it considered to be less than a majority, of the equity and voting rights of Zerust Brazil prior to September 2006. NTIC acquired an additional 35% ownership interest in Zerust Brazil in September 2006 and held 85% of the equity and voting rights thereafter. Prior to the fourth quarter of fiscal 2010, NTIC held the additional 35% ownership interest in Zerust Brazil with the intent of finding an acquiring party, believing its majority control of Zerust Brazil would be temporary and determined not to consolidate Zerust Brazil because the impact on NTIC's consolidated financial statements was immaterial. During the fourth quarter of fiscal 2010, NTIC stopped pursuing a buyer of the 35% ownership interest and decided to consolidate the financial results of Zerust Brazil as of and for the fiscal year ended August 31, 2010. NTIC believes that the impact of not consolidating Zerust Brazil on NTIC's consolidated financial statements for periods prior to the fourth quarter of fiscal 2010 was immaterial to NTIC's consolidated financial statements.

The following is a summary of certain line items of NTIC's consolidated statements of operations for the three months ended May 31, 2010 as reported and on a pro forma basis, assuming the consolidation of Zerust Brazil on NTIC's consolidated financial statements as of the beginning of such period:

	As Reported	Zerust Brazil	Eliminated in Consolidation	Pro Forma
Net sales	$ 3,237,198	$ 706,888	$ (52,092)	$ 3,891,994
Cost of goods sold	2,172,902	364,225	(52,092)	2,485,035
Gross profit	1,064,296	342,663	—	1,406,959
Joint venture operations	2,651,829	—	(88,158)	2,563,671
Operating expenses	2,857,979	230,198	—	3,088,177
Operating income	858,146	112,465	(88,158)	882,453
Income before income tax expense	841,968	103,716	(88,158)	857,526
Net income	951,968	103,716	(88,158)	967,526
Net income attributable to non-controlling interest	—	15,557	—	15,557
Net income attributable to controlling interest	951,968	88,158	(88,158)	951,968
Net income per common diluted share	$ 0.22	$ 0.02	$ (0.02)	$ 0.22

The following is a summary of certain line items of NTIC's consolidated statements of operations for the nine months ended May 31, 2010 as reported and on a pro forma basis, assuming the consolidation of Zerust Brazil on NTIC's consolidated financial statements as of the beginning of such period:

	As Reported	Zerust Brazil	Eliminated in Consolidation	Pro Forma
Net sales	$ 8,825,078	$ 1,668,220	$ (83,964)	$10,409,334
Cost of goods sold	5,771,045	891,214	(83,964)	6,578,295
Gross profit	3,054,033	777,006	—	3,831,039
Joint venture operations	6,350,683	—	(45,062)	6,305,621
Operating expenses	7,841,847	716,250	—	8,558,097
Operating income	1,562,869	60,756	(45,062)	1,578,563
Income before income tax expense	1,515,314	53,014	(45,062)	1,523,266

	As Reported	Zerust Brazil	Eliminated in Consolidation	Pro Forma
Net income	1,734,314	53,014	(45,062)	1,742,266
Net income attributable to non-controlling interest	—	7,952	—	7,952
Net income attributable to controlling interest	1,734,314	45,062	(45,062)	1,734,314
Net income per common diluted share	$ 0.41	$ 0.01	$ (0.01)	$ 0.41

NTIC has not consolidated the Polymer Energy LLC joint venture in NTIC's consolidated financial statements for the nine months ended May 31, 2011 or 2010 or any prior period since Polymer Energy LLC has had limited activity since its inception in 2003 and NTIC believes that the impact of not consolidating this entity on NTIC's consolidated financial statement has been immaterial. Prior to fiscal 2010, Polymer Energy LLC did not have any financial activity including assets, liabilities, capital contributions, revenues or expenses. During fiscal 2010, the only financial activity of Polymer Energy LLC was the receipt of license fees which were distributed to its owners in proportion to their respective ownership percentages. Since NTIC owns a 62.5% ownership interest in Polymer Energy LLC, NTIC received and recorded a portion of these fees for services provided to joint ventures in its fiscal 2010 consolidated financial statements. No license fees were received by Polymer Energy LLC and no other financial activity took place during the nine months ended May 31, 2011. Accordingly, during the nine months ended May 31, 2011, NTIC received and recorded no fees for services provided to joint ventures in its consolidated financial statements attributable to its ownership interest in Polymer Energy LLC.

NTIC considers its German joint venture and ASEAN joint venture holding company to be individually significant to NTIC's consolidated assets and income; and therefore, provides certain additional information regarding these joint ventures in the notes to NTIC's consolidated financial statements and in this section of this report.

Financial Overview

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

NTIC's consolidated net sales increased 57.6% and 58.4% during the three and nine months ended May 31, 2011, respectively, compared to the three and nine months ended May 31, 2010. These increases were primarily a result of increased sales of ZERUST® rust and corrosion inhibiting packaging products and services and sales to NTIC's joint ventures and the consolidation of Zerust Brazil on NTIC's consolidated financial statements. During the three and nine months ended May 31, 2011, 95.2% of NTIC's consolidated net sales were derived from sales of ZERUST® products and services, which increased 58.1% and 56.8% to $4,855,535 and $13,307,276 during the three and nine months ended May 31, 2011, respectively, compared to $3,072,037 and $8,485,046 during the three and nine months ended May 31, 2010, respectively, due to increased demand primarily as a result of the economic recovery of the domestic manufacturing sector, the addition of new customers and the consolidation of Zerust Brazil, partially offset by decreased pricing due to increased competition. During the three and nine months ended May 31, 2011, 4.8% of NTIC's consolidated net sales were derived from sales of Natur-Tec® products compared to 5.1% and 3.9% during the three and nine months ended May 31, 2010, respectively. Net sales of Natur-Tec® products increased 48.5% and 97.1% during the three and nine months ended May 31, 2011, respectively, compared to the three and nine months ended May 31, 2010. These increases were primarily due to the addition of new Natur-Tec® distributors on the West Coast of the United States.

Cost of goods sold as a percentage of net sales increased slightly to 67.8% and 65.5% for the three and nine months ended May 31, 2011, respectively, compared to 67.1% and 65.4% for the three and nine months ended May 31, 2010, respectively, primarily as a result of slightly reduced margins resulting from a slight increase in raw material prices, partially offset by increased net sales.

NTIC's equity in income of joint ventures increased 14.1% and 56.4% during the three and nine months ended May 31, 2011, respectively. Equity in income of joint ventures was $1,724,477 and $4,549,267 during the three and nine months ended May 31, 2011, respectively, compared to $1,511,534 and $2,909,120 during the three and nine months ended May 31, 2010, respectively. NTIC recognized a 42.4% and 30.1% increase in fees for services provided to joint ventures during the three and nine months ended May 31, 2011, respectively, compared to the three and nine months ended May 31, 2010. Both of these increases were primarily a result of a 39.3% increase in total net sales of NTIC's joint ventures during the nine months ended May 31, 2011 compared to the nine months ended May 31, 2010. This increase in total net sales of NTIC's joint ventures was primarily a result of the targeting of new business opportunities and the economic recovery, to some extent, of the international manufacturing sector that the NTIC joint venture network serves.

NTIC's total operating expenses increased 32.9% during the nine months ended May 31, 2011 compared to the nine months ended May 31, 2010 primarily as a result of the consolidation of Zerust Brazil on NTIC's consolidated financial statements, an increase in personnel expenses and an increase in the accrual of the management bonus. NTIC expenses all costs related to product research and development as incurred. NTIC incurred $3,308,515 and $2,526,478 of expense during the nine months ended May 31, 2011 and 2010, respectively, in connection with its research and development activities. These costs related to product research and development are the net amount after being reduced by reimbursements related to the awarding of the multiple research and development contracts of $219,175 and $400,094 for the nine months ended May 31, 2011 and 2010, respectively. NTIC anticipates that it will spend between $4,000,000 and $4,500,000 in total during fiscal 2011 on research and development activities related to its core and new technologies. This estimate is a net range after being reduced by reimbursements related to the awarding of multiple research and development contracts.

Net income attributable to NTIC increased 7.5% to $1,023,549, or $0.23 per diluted common share, for the three months ended May 31, 2011 compared to $951,968, or $0.22 per diluted common share, for the three months ended May 31, 2010. Net income attributable to NTIC increased 65.6%, to $2,872,369, or $0.66 per diluted common share, for the nine months ended May 31, 2011 compared to $1,734,314, or $0.41 per diluted common share, for the nine months ended May 31, 2010. These increases were primarily the result of increased income from NTIC's joint ventures and gross profit, partially offset by an increase in operating expenses. NTIC anticipates that its quarterly net income will remain subject to significant volatility primarily due to the financial performance of its joint ventures and sales of its ZERUST® products and services into the oil and gas industry and Natur-Tec® bioplastics products, which sales fluctuate more on a quarterly basis than the traditional ZERUST® business.

NTIC's working capital was $8,905,217 at May 31, 2011, including $2,676,921 in cash and cash equivalents compared to $5,918,923 at August 31, 2010, including $1,776,162 in cash and cash equivalents.

Results of Operations

The following table sets forth NTIC's results of operations for the three months ended May 31, 2011 and May 31, 2010.

	Three Months Ended May 31, 2011	% of Net Sales	Three Months Ended May 31, 2010	% of Net Sales	$ Change	% Change
Net sales, excluding joint ventures	$ 4,367,589	85.6%	$ 2,559467	79.1%	$ 1,808,122	70.6%
Net sales, to joint ventures	733,189	14.4%	677,731	20.9%	55,458	8.2%
Cost of goods sold	3,458,851	67.8%	2,172,902	67.1%	1,285,949	59.2%
Equity in income of joint ventures	1,724,477	33.8%	1,511,534	46.7%	212,943	14.1%
Fees for services provided to joint ventures	1,623,585	31.8%	1,140,295	35.2%	483,290	42.4%
Selling expenses	1,167,630	22.9%	819,572	25.3%	348,058	42.5%
General and administrative expenses	1,126,823	22.1%	869,183	26.9%	257,640	29.6%
Expenses incurred in support of joint ventures	244,959	4.8%	208,444	6.4%	36,515	17.5%
Research and development expenses	$ 1,207,889	23.7%	$ 960,780	29.7%	$ 247,109	25.7%

The following table sets forth NTIC's results of operations for the nine months ended May 31, 2011 and May 31, 2010.

	Nine Months Ended May 31, 2011	% of Net Sales	Nine Months Ended May 31, 2010	% of Net Sales	$ Change	% Change
Net sales, excluding joint ventures	$ 11,906,999	85.2%	$ 7,164,784	81.2%	$ 4,742,215	66.2%
Net sales, to joint ventures	2,070,338	14.8%	1,660,294	18.8%	410,044	24.7%
Cost of goods sold	9,155,788	65.5%	5,771,045	65.4%	3,384,743	58.7%
Equity in income of joint ventures	4,549,267	32.6%	2,909,120	33.0%	1,640,147	56.4%
Fees for services provided to joint ventures	4,477,514	32.0%	3,441,563	39.0%	1,035,951	30.1%
Selling expenses	3,088,237	22.1%	2,004,094	22.7%	1,084,143	54.1%
General and administrative expenses	3,300,626	23.61%	2,628,447	29.8%	672,179	25.6%
Expenses incurred in support of joint ventures	722,955	5.2%	682,828	7.7%	40,127	5.9%
Research and development expenses	$ 3,308,515	23.7%	$ 2,526,478	28.6%	$ 782,037	31.0%

Net Sales. NTIC's consolidated net sales increased 57.6% and 58.4% to $5,100,778 and $13,977,337, respectively during the three and nine months ended May 31, 2011 compared to the three and nine months ended May 31, 2010. NTIC's consolidated net sales to unaffiliated customers excluding NTIC's joint ventures increased 70.6% and 66.2% to $4,367,589 and $11,906,999, respectively, during the three and nine months ended May 31, 2011 compared to the same respective prior year periods. These increases were primarily a result of increased sales of ZERUST® rust and corrosion inhibiting packaging products and services and the consolidation of Zerust Brazil on NTIC's consolidated financial statements. Net sales to joint ventures decreased 8.2% to $733,189 during the three months ended May 31, 2011 compared to the same prior year period and increased 24.7% to $2,070,338 during the nine months ended May 31, 2011 compared to the same prior year period. These increases were due to increases in demand primarily as a result of the economic recovery of the international manufacturing sector, partially offset by decreased pricing due to increased competition.

The following table sets forth NTIC's net sales by product category for the three and nine months ended May 28, 2011 and 2010 by segment:

	Three Months Ended		Nine Months Ended	
	May 31, 2011	May 31, 2010	May 31, 2011	May 31, 2010
ZERUST® sales	$ 4,855,535	$ 3,072,037	$ 13,307,276	$ 8,485,046
Natur-Tec™ sales	245,243	165,161	670,061	340,032
Total North American net sales	$ 5,100,778	$ 3,237,198	$ 13,977,337	$ 8,825,078

During the three and nine months ended May 31, 2011, 95.2% of NTIC's consolidated net sales were derived from sales of ZERUST® products and services, which increased 58.1% and 56.8% to $4,855,535 and $13,307,276 during the three and nine months ended May 31, 2011, respectively, compared to $3,072,037 and $8,485,046 during the three and nine months ended May 31, 2010, respectively, due to increased demand primarily as a result of the economic recovery of the domestic manufacturing sector, the addition of new customers and the consolidation of Zerust Brazil, partially offset by decreased pricing due to increased competition. Overall demand for ZERUST® products and services depends heavily on the overall health of the industrial markets in which NTIC sells its products, including in particular the automotive market. NTIC has focused its sales efforts of ZERUST® products and services by strategically targeting customers with specific corrosion issues in new market areas, including the oil and gas industry and other industrial sectors that offer sizable growth opportunities. NTIC's consolidated net sales during the three and nine months ended May 31, 2011 included $831,290 and $2,382,913, respectively, of sales made by Zerust Brazil, and of those sales, $114,545 and $741,567, respectively, in sales were made to the oil and gas industry sector in Brazil. As previously disclosed, during the fourth quarter of fiscal 2010, Zerust Brazil received purchase orders for ZERUST® FlangeSaver™ products from Petrobras representing an aggregate of $1.4 million. During third quarter of fiscal 2011, NTIC fulfilled the remaining product from this first contract and subsequently entered into a second contract for ZERUST® FlangeSaver™ products representing an aggregate of

$2.6 million. NTIC anticipates sales to Petrobras under this second contract mostly during fiscal 2012 as Petrobras continues to roll this product out to more of its platforms. NTIC also anticipates that its sales of ZERUST® products and services into the oil and gas industry will remain subject to significant volatility from quarter to quarter as sales are converted and purchase orders are filled.

Net sales of Natur-Tec® products increased 48.5% and 97.1% to $245,243 and $670,061 during the three and nine months ended May 31, 2011, respectively, compared to the three and nine months ended May 31, 2010. These increases were primarily due to the addition of new Natur-Tec® distributors on the West Coast of the United States. NTIC anticipates additional revenue in future periods from anticipated sales of film-grade resin to customers in both the North American and European markets, primarily to meet anticipated demand for biodegradable plastic bags that comply with various regulations. Additionally, NTIC is continuing to strengthen and expand its West Coast distribution network in California, while expanding its industrial distribution reach to geographical “green” hotspots such as Oregon, Washington, Minnesota and New England. NTIC is also targeting key national and regional retailers utilizing independent sales agents. Demand for the Natur-Tec® products depends primarily on market acceptance of the products and the extent of NTIC’s distribution network, which as of May 31, 2011 consisted of approximately 16 distributors and independent manufacturer’s sales representatives.

Cost of Goods Sold. Cost of goods sold increased 59.2% and 58.7% for the three and nine months ended May 31, 2011, respectively, compared to the three and nine months ended May 31, 2010 primarily as a result of increased net sales as described above. Cost of goods sold as a percentage of net sales increased slightly to 67.8% and 65.5% for the three and nine months ended May 31, 2011, respectively, compared to 67.1% and 65.4% for the three and nine months ended May 31, 2010, respectively, primarily as a result of slightly reduced margins resulting from a slight increase in raw material prices, partially offset by increased net sales.

Equity in Income of Joint Ventures. NTIC had equity in income of joint ventures of $1,724,477 and $4,549,267 during the three and nine months ended May 31, 2011, respectively, compared to equity in income of joint ventures of $1,511,534 and $2,909,120 during the three and nine months ended May 31, 2010, respectively. The increase in equity in income was due to increased profitability of NTIC’s joint ventures primarily resulting from increased sales. Of the total equity in income of joint ventures, NTIC had equity in income of joint ventures of $2,550,188 attributable to its joint venture in Germany during the nine months ended May 31, 2011 compared to $1,505,024 attributable to its joint venture in Germany during the nine months ended May 31, 2010. Of the total equity in income of joint ventures, NTIC had equity in income of joint ventures of $912,449 attributable to its ASEAN joint venture holding company during the nine months ended May 31, 2011 compared to $677,175 attributable to its ASEAN joint venture holding company during the nine months ended May 31, 2010. NTIC had equity in income of all other joint ventures of $1,086,630 during the nine months ended May 31, 2011 compared to $726,921 during the nine months ended May 31, 2011.

Fees for Services Provided to Joint Ventures. NTIC recognized fee income for services provided to joint ventures of $1,623,585 and $4,477,514 during the three and nine months ended May 31, 2011, respectively, compared to $1,140,295 and $3,441,563 during the three and nine months ended May 31, 2010, respectively, representing an increase of 42.4% and 30.1%, respectively. These increases in fees for services provided to joint ventures were due primarily to increases in net sales of NTIC’s joint ventures, which increased to $86,744,626 in the nine months ended May 31, 2011 compared to $62,294,519 in the nine months ended May 31, 2010, representing an increase of 39.2%. Sales of NTIC’s joint ventures are not included in NTIC’s product sales and are not combined with NTIC’s sales in NTIC’s consolidated financial statements or in any description of NTIC’s sales.

Of the total fee income for services provided to its joint ventures, fees of $800,877 were attributable to NTIC’s joint venture in Germany during the nine months ended May 31, 2011 compared to $761,722 attributable to its joint venture in Germany during the nine months ended May 31, 2010. This slight increase was the result of foreign currency exchange rate fluctuations.   NTIC does not receive fees attributable to its ASEAN joint venture holding company. NTIC receives dividend payments based on fees paid from the joint ventures that comprise the ASEAN investments.

NTIC sponsors a worldwide joint venture conference approximately every three to four years in which all of NTIC's joint ventures and subsidiaries are invited to participate. NTIC defers a portion of its fees for services provided to 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 joint venture conference is scheduled to be held in the summer of 2012. There was no additional deferred income recorded within other accrued liabilities during the nine months ended May 31, 2011 related to this future conference since $288,000 had been accrued over the past three fiscal years, which represents the amount that NTIC expects to spend every three years to hold the conference. This amount is based on the historical experience of NTIC, current conditions and the intentions of NTIC's management. NTIC does not anticipate deferring any additional fees for services provided to joint ventures until after the next conference. 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**.**

Selling Expenses. NTIC's selling expenses increased 42.5% for the three months ended May 31, 2011 compared to the same period in fiscal 2010 due to increases in compensation and employee benefits, lab testing related expenses, commission expenses, travel and related expenses, consulting expenses and selling expenses incurred at Zerust Brazil. NTIC's selling expenses increased 54.1% for the nine months ended May 31, 2011 compared to the same period in fiscal 2010 due to increases in compensation and employee benefits, lab testing related expenses, commission expenses, travel and related expenses and selling expenses incurred at Zerust Brazil. As a percentage of net sales, selling expenses decreased to 22.9% and 22.1% during the three and nine months ended May 31, 2011, respectively, from 25.3% and 22.7% during the three and nine months ended May 31, 2010, respectively, due to smaller proportional increases in selling expenses, compared to the increases in net sales.

General and Administrative Expenses. NTIC's general and administrative expenses increased 29.6% for the three months ended May 31, 2011 compared to the same period in fiscal 2010 due to increases in compensation and related benefits, and general and administrative expenses incurred at Zerust Brazil, partially offset by decreases in consulting expenses, loan write-off and auditing and tax expense. NTIC's general and administrative expenses increased 25.6% for the nine months ended May 31, 2011compared to the same period in fiscal 2010 due to increases in compensation and related benefits and general and administrative expenses incurred at Zerust Brazil which were not consolidated in the nine months ended May 31, 2010, partially offset by decreases in consulting expenses and loan write-off. As a percentage of net sales, general and administrative expenses decreased to 22.1% and 23.6% for the three and nine months ended May 31, 2011, respectively, from 26.9% and 29.8% for the three and nine months ended May 31, 2010, respectively, primarily as a result of fixed general and administrative expenses spread over increased net sales.

Expenses Incurred in Support of Joint Ventures. Expenses incurred in support of NTIC's joint ventures were $244,959 and $722,955 during the three and nine months ended May 31, 2011, respectively, compared to $208,444 and $682,828 during the three and nine months ended May 31, 2010, representing an increase of 8.6% and 0.8%, respectively.

Research and Development Expense. NTIC's research and development expenses increased 25.7% and 31.0% for the three and nine months ended May 31, 2011, respectively, compared to the same respective periods in fiscal 2010 due to increases in salary and benefits and lab testing related expenses, partially offset by a decrease in consulting expenses.

Interest Income. NTIC's interest income increased to $8,522 and $13,131 during the three and nine months ended May 31, 2011, respectively, compared to $864 and $5,607 during the three and nine months ended May 31, 2010, respectively, primarily due to increased cash balances earning interest.

Interest Expense. NTIC's interest expense decreased to $7,880 and $53,355 during the three and nine months ended May 31, 2011, respectively, compared to $23,867 and $73,637 during the three and nine months ended May 31, 2010, respectively, primarily due to the refinancing of NTIC's term loan and its decreased term loan balance during the most recent periods.

Income Before Income Tax Expense (Benefit). Income before income tax expense (benefit) increased to $1,250,155 and $3,408,248 for the three and nine months ended May 31, 2011, respectively, compared to $841,968 and $1,515,314 for the three and nine months ended May 31, 2010, respectively.

Income Tax Expense (Benefit). Income tax expense was $228,000 and $490,000 during the three and nine months ended May 31, 2011, respectively, compared to income tax benefit of $(110,000) and $(219,000) during the three and nine months ended May 31, 2010, respectively. Income tax 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 nine months ended May 31, 2011 and 2010 was lower than the statutory rate primarily due to NTIC's equity in income of joint ventures being recognized based on after-tax earnings of these entities. To the extent undistributed earnings of NTIC's joint ventures are distributed to NTIC, it is not expected to result in any material additional income tax liability after the application of foreign tax credits. NTIC determined based on all available evidence, including historical data and projections of future results, that it is more likely than not that all of its deferred tax assets, except for its foreign tax credit carryforwards and Minnesota state research and development credit carryforwards, will be fully realized and that NTIC's deferred tax asset related to foreign tax credit carryforwards will not be realized due to insufficient federal taxable income within the carryforward period and the fact that for ordering purposes the foreign tax credit carryforwards are not allowed to be used until after any current year foreign tax credits are utilized.

Liquidity and Capital Resources

Sources of Cash and Working Capital. As of May 31, 2011, NTIC's working capital was $8,905,217, including $2,676,921 in cash and cash equivalents, compared to working capital of $5,918,923, including $1,776,162 in cash and cash equivalents, as of August 31, 2010.

In connection with the purchase of its corporate headquarters, in September 2006, Northern Technologies Holding Company, LLC ("NTI LLC") obtained a term loan from PNC Bank, National Association ("PNC Bank") with a principal amount of $1,275,000 that was to mature on May 1, 2011. On January 10, 2011, NTI LLC refinanced its term loan in the then principal amount of approximately $1,141,788. The term loan matures on January 10, 2016, bears interest at an annual rate based on the daily LIBOR rate plus 2.15% and is payable in 59 consecutive monthly installments equal to approximately $6,343 (inclusive of principal but exclusive of interest) commencing in February 2011. The term loan is secured by a first lien on the real estate and building owned by NTI LLC and all of the assets of NTIC and is guaranteed by NTIC.

As of May 31, 2011, NTIC had a revolving line of credit with PNC Bank of $3,000,000 with no amounts outstanding as of such date. The line of credit is evidenced by an amended and restated committed line of credit note in the principal amount of up to $3,000,000. The line of credit has a $1,200,000 standby letter of credit subfacility, with any standby letters of credit issued thereunder being at the sole discretion of PNC Bank. Any standby letters of credit issued under the subfacility are subject to customary fees and charges payable by NTIC. Advances made under the line of credit are due and payable on January 10, 2012. At the option of NTIC, outstanding advances under the line of credit bear interest at either (a) an annual rate based on LIBOR plus 2.15% for the applicable LIBOR interest period selected by NTIC or (b) at the rate publicly announced by PNC Bank from time to time as its prime rate. Interest is payable in arrears (a) for the portion of advances bearing interest under the prime rate on the last day of each month during the term thereof and (b) for the portion of advances bearing interest under the LIBOR option on the last day of the respective LIBOR interest period selected for such advance. Any unpaid interest is payable on the maturity date.

Both the term loan and the line of credit are governed under two separate loan agreements. The loan agreements contain standard covenants, including affirmative financial covenants, such as the maintenance of a minimum fixed charge coverage ratio, and negative covenants, which, among other things, limit the incurrence of additional indebtedness, loans and equity investments, disposition of assets, mergers and consolidations and other matters customarily restricted in such agreements. Under the loan agreements, NTIC is subject to a minimum fixed charge coverage ratio of 1.10:1.00.

NTIC believes that a combination of its existing cash and cash equivalents, forecasted cash flows from future operations, anticipated distributions of earnings, anticipated fees to NTIC for services provided to its joint ventures, and funds available through existing or anticipated financing arrangements, will be adequate to fund its existing operations, investments in new or existing joint ventures, capital expenditures, debt repayments and any stock repurchases for at least the next 12 months. During the remainder of fiscal 2011, NTIC expects to continue to invest in research and development and in marketing efforts and resources into its new businesses, product lines and markets, including in particular the application of its corrosion prevention technology into the oil and gas industry. 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 revolving line of credit or raising additional financing through the issuance of debt or equity securities. There is no assurance that any financing transaction will be available on terms acceptable to NTIC or at all, or that any financing transaction will not be dilutive to NTIC's current stockholders.

NTIC traditionally has used the cash generated from its operations, distributions of earnings and fees for services provided to its joint ventures to fund NTIC's new technology investments and capital contributions to new and existing joint ventures. NTIC's joint ventures traditionally have operated with little or no debt and have been self-financed with minimal initial capital investment and minimal additional capital investment from their respective owners. Therefore, NTIC believes it is not likely that there exists any exposure to debt by NTIC's joint ventures that could materially impact their respective operations and/or liquidity.

Uses of Cash and Cash Flows. Net cash used in operating activities during the nine months ended May 31, 2011 was $1,813,381 which resulted principally from NTIC's equity in income from joint ventures and increases in receivables, inventories and prepaid expenses and a decrease in accounts payables, partially offset by NTIC's net income and increases in income taxes payable and accrued liabilities. Net cash used in operating activities for the nine months ended May 31, 2010 was $1,253,606, which resulted principally from NTIC's equity in loss from joint ventures and decreases in inventories and trade receivables, partially offset by NTIC's net income, expensing of stock options vested, depreciation and amortization expense, and increases in fees for services provided to joint ventures and accrued liabilities.

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

NTIC experienced an increase in inventory as of May 31, 2011 compared to August 31, 2010 due to the increase in net sales during the most recent period and requests from customers to stock more products to shorten lead times and meet customer demand.

Outstanding trade receivables excluding joint ventures balances as of May 31, 2011 increased 9 days to an average of 49 days from balances outstanding from these customers as of August 31, 2010.

Outstanding trade receivables from joint ventures as of May 31, 2011 decreased $226,269 compared to August 31, 2010, primarily due to an increase in collection efforts on net sales to joint ventures, which also resulted in an decrease of outstanding balances from trade receivables from joint ventures as of May 31, 2011 of 114 days to an average of 124 days from balances outstanding from these customers as of August 31, 2010. The significant average days outstanding of trade receivables from joint ventures as of May 31, 2011 were primarily due to the current receivable balance at NTIC's joint venture in India. NTIC has made separate arrangements for payments on product that NTIC's joint venture in India has purchased from NTIC until the product is sold.

Outstanding fees for services provided to joint ventures as of May 31, 2011 increased $648,851 as compared to August 31, 2010, primarily resulting from increased joint venture sales. The higher fees for the nine months ended May 31, 2011 resulted in an increase of 16 days of fees receivable outstanding as of May 31, 2011 to an average of 112 days as compared to August 31, 2010.

Net cash provided by investing activities for the nine months ended May 31, 2011 was $2,287,585 which was comprised of dividends received from joint ventures and proceeds from sale of property and equipment partially offset by additions to property and equipment, additions to patents and investments in joint ventures. Net cash provided by investing activities for the nine months ended May 31, 2010 was $25,059 which was comprised of dividends received from joint ventures, partially offset by investments in joint ventures, patents and additions to property and equipment.

Net cash provided by financing activities for the nine months ended May 31, 2011 was $402,917, which resulted from proceeds from option exercises and NTIC's employee stock purchase plan, partially offset by principal payments on the bank loan for NTIC's corporate headquarters buildings. Net cash provided by financing activities for the nine months ended May 31, 2010 was $2,193,283, which resulted primarily from the issuance of common stock and, to a lesser extent, proceeds from NTIC's employee stock purchase plan and option exercises, partially offset by repayments to the demand line of credit and principal payments on the bank loan for NTIC's corporate headquarters buildings.

Capital Expenditures and Commitments. NTIC had no material lease or other material capital commitments as of May 31, 2011, except a lease agreement for approximately 16,994 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. In January 2011, NTI Facilities, Inc. sold its membership interest in Omni-Northern Ltd., which owned the building, for $100,000. This resulted in a net gain of $47,575 after the write-off of various leasehold improvements.

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.

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.

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

At the option of NTIC, outstanding advances under NTIC's $3,000,000 revolving line of credit with PNC Bank bear interest at either (a) an annual rate based on LIBOR plus 2.15% for the applicable LIBOR interest period selected by NTIC or (b) at the rate publicly announced by PNC Bank from time to time as its prime rate, and thus may subject NTIC to some market risk on interest rates. As of May 31, 2011, NTIC had no borrowings under the 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 "Part II. Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies", included in NTIC's annual report on Form 10-K for the fiscal year ended August 31, 2010.

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. The use of future dates is also an indication of a forward-looking statement. Forward-looking statements may be contained in the notes to NTIC's consolidated financial statements and elsewhere in this report, including under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations."

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

- The effect of current worldwide economic conditions on NTIC's business;
- The health of the U.S. automotive industry on NTIC's business;
- NTIC's dependence on the success of its joint ventures and fees and dividend distributions that NTIC receives from them;
- NTIC's relationships with its joint ventures and its ability to maintain those relationships, especially in light of anticipated succession planning issues;
- Risks associated with NTIC's international operations and exposure to fluctuations in foreign currency exchange rates and import duties and taxes;
- Fluctuations in the cost and availability of raw materials, including resins and other commodities;
- NTIC's investments in its new business and research and development efforts and its need for additional capital to support such new business and research and development efforts;
- The success of and risks associated with NTIC's emerging new businesses and products and services, including in particular NTIC's ability and the ability of NTIC's joint ventures to sell ZERUST® products and services into oil and gas industry and Natur-Tec® products and the often lengthy and extensive sales process involved in selling such products and services;
- NTIC's ability to introduce new products and services that respond to changing market conditions and customer demand;
- Market acceptance of NTIC's existing and new products, especially in light of existing and new competitive products;
- Maturation of certain existing markets for NTIC's ZERUST® products and services and NTIC's ability to grow market share and succeed in penetrating other existing and new markets;
- Increased competition, especially with respect to NTIC's ZERUST® products and services, and the effect of such competition on NTIC's and its joint ventures' pricing, net sales and margins;
- NTIC's reliance upon and its relationships with its distributors, independent sales representatives and joint ventures;
- NTIC's reliance upon suppliers, including in particular its single supply source for its base bioplastics resins;

- The costs and effects of complying with laws and regulations and changes in tax, fiscal, government and other regulatory policies, including rules relating to environmental, health and safety matters;
- The costs and effects of currently outstanding or threatened 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;
- Fluctuations in NTIC's effective tax rate; 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, 2010 under the heading "Part I. Item 1A. Risk Factors."

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

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 provide reasonable assurance that information required to be disclosed by NTIC in the reports it files or submits under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to NTIC's management, including NTIC's principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. NTIC's management evaluated, with the participation of its Chief Executive Officer and its Chief Financial Officer, the effectiveness of the design and operation of NTIC's disclosure controls and procedures as of the end of the period covered in this report. Based on that evaluation, 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 the reports that NTIC files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to NTIC's management, including NTIC's Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

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, 2011 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

Not applicable.

ITEM 1A. RISK FACTORS

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

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

Recent Sales of Unregistered Equity Securities

During the three months ended May 31, 2011, 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, 2011, 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. [REMOVED AND RESERVED]

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
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)

SIGNATURES

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

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION

Date: July 13, 2011

Matthew C. Wolsfeld, CPA

Chief Financial Officer

(Principal Financial and Accounting Officer and Duly Authorized to Sign on Behalf of the Registrant)

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION

QUARTERLY REPORT ON FORM 10-Q

EXHIBIT INDEX

Exhibit No.	Description	Method of Filing
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

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 controls 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 controls 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 controls over financial reporting.

Date: July 13, 2011

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 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 controls 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 controls 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 controls over financial reporting.

Date: July 13, 2011

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, 2011 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 13, 2011

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, 2011 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 13, 2011