SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-QSB

Quarterly Report Pursuant to Section 13 or 15(d) of

The Securities Exchange Act of 1934

For the Quarterly Period Ended:	Commission File Number
May 31, 1996	1-11038

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	41-0857886
(State of Incorporation)	(I.R.S. Employer Identification Number)

6680 N. Highway 49, Lino Lakes, MN 55014
(Address of principal executive offices)

(612) 784-1250
(Registrant's telephone number)

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 the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of July 3, 1996
Common Stock, $.02 par value	4,209,590

"This document consists of 11 pages. One exhibit is being filed."

PART I - FINANCIAL INFORMATION

ITEM 1 - FINANCIAL STATEMENTS

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION

BALANCE SHEETS (UNAUDITED)

	MAY 31, 1996	AUGUST 31, 1995	MAY 31, 1995
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	$ 3,392,612	$ 2,831,301	$ 2,874,415
Receivables:			
Trade, less allowance for doubtful accounts of $26,500, $25,000, and $42,500, respectively	979,167	831,437	1,092,283
Corporate joint ventures	409,817	406,630	304,608
Inventories	627,264	530,594	440,177
Prepaid expenses and other	59,238	55,863	6,159
Deferred income taxes	110,000	110,000	65,000
Total current assets	5,578,098	4,765,825	4,782,642
PROPERTY AND EQUIPMENT, net	809,815	342,249	313,537
OTHER ASSETS:			
Investments in corporate joint ventures	1,448,161	1,352,143	1,492,950
Investment in foreign company	155,068	161,725	161,725
Deferred income taxes	100,000	100,000	65,000
Other	103,092	103,092	92,373
	1,806,321	1,716,960	1,812,048
	$ 8,194,234	$ 6,825,034	$ 6,908,227

LIABILITIES AND STOCKHOLDERS' EQUITY

CURRENT LIABILITIES:			
Accounts payable	$ 116,591	$ 134,543	$ 171,691
Income taxes	180,295	142,380	216,780
Accrued liabilities:			
Payroll	63,073	153,350	43,289
Other	60,916	84,868	71,548
Total current liabilities	420,875	515,141	503,308
DEFERRED GROSS PROFIT	100,500	100,500	89,500
STOCKHOLDERS' EQUITY:			
Preferred stock, no par value, authorized 10,000 shares, none issued Common stock, $.02 par value per share; authorized 10,000,000 shares; issued and outstanding 4,216,190, 4,244,773, and 4,250,773 shares, respectively	84,324	84,895	85,015
Additional paid-in capital	5,183,717	5,197,633	5,101,773
Retained earnings	2,500,443	1,700,982	1,781,967
Cumulative foreign currency translation adjustments	34,182	99,565	283,167
	7,802,666	7,083,075	7,251,922
Notes and related interest receivable from purchase of common stock	(129,807)	(873,682)	(936,503)
Total stockholders' equity	7,672,859	6,209,393	6,315,419
	$ 8,194,234	$ 6,825,034	$ 6,908,227

See notes to financial statements.

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION

STATEMENTS OF INCOME (UNAUDITED)

	THREE MONTHS ENDED MAY 31		NINE MONTHS ENDED MAY 31	
	1996	1995	1996	1995
SALES	$ 1,751,478	$ 1,805,521	$ 4,977,396	$ 4,794,655
COST OF GOODS SOLD	809,361	871,450	2,330,574	2,286,386
GROSS PROFIT	942,117	934,071	2,646,822	2,508,269
OPERATING EXPENSES:				
Selling	191,778	206,380	597,862	539,234
General and administrative	315,945	174,994	830,773	694,131
Research, engineering, and technical support	108,959	95,397	297,883	267,221
	616,682	476,771	1,726,518	1,500,586
OPERATING INCOME	325,435	457,300	920,304	1,007,683
JOINT VENTURES AND FOREIGN COMPANY:				
Equity in income of corporate joint ventures and foreign company	116,214	30,362	338,845	348,997
Fees for technical assistance to corporate joint ventures	344,094	378,262	1,017,072	914,338
Corporate joint venture expense	(97,678)	(93,859)	(386,226)	(248,292)
	362,630	314,765	969,691	1,015,043
OTHER INCOME:				
Interest income	41,519	32,364	112,921	49,273
Other income	7,455	3,728	11,182	11,848
	48,974	36,092	124,103	61,121
INCOME BEFORE INCOME TAXES	737,039	808,157	2,014,098	2,083,847
INCOME TAXES	230,000	300,000	630,000	700,000

NET INCOME	$ 507,039	$ 508,157	$ 1,384,098	$ 1,383,847
NET INCOME PER COMMON AND COMMON EQUIVALENT SHARE	$ .12	$ .12	$ .32	$ .32
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	4,300,718	4,327,198	4,310,226	4,333,431

See notes to financial statements.

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION

STATEMENTS OF CASH FLOWS (UNAUDITED)

	NINE MONTHS ENDED MAY 31	
	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 1,384,098	$ 1,383,847
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	57,760	59,175
Equity in income of corporate joint ventures and foreign company	(338,845)	(348,997)
Dividends received from joint ventures	184,101	152,078
Deferred gross profit	33,750	
Change in current assets and liabilities:		
Receivables:		
Trade	(147,730)	(390,368)
Joint ventures	(3,187)	(38,586)
Inventories	(96,670)	(14,330)
Prepaid expenses and other	(3,375)	48,613
Accounts payable	(17,952)	70,416
Income taxes	37,915	89,590
Accrued liabilities	(101,416)	(40,266)
Total adjustments	(429,399)	(378,925)
Net cash provided by operating activities	954,699	1,004,922
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property	(525,326)	
Investment in joint ventures		(90,000)
Payment on note receivable from purchase of common stock	743,875	
Net cash provided by (used in) investing activities	218,549	(90,000)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options and warrants	39,960	75,000
Dividends paid	(424,877)	(318,058)
Repurchase of common stock	(227,020)	
Net cash used in financing activities	(611,937)	(243,058)
NET INCREASE IN CASH AND CASH EQUIVALENTS	561,311	671,864
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,831,301	2,202,551
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 3,392,612	$ 2,874,415

See notes to financial statements.

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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1. INTERIM FINANCIAL INFORMATION

In the opinion of management, the accompanying unaudited financial statements contain all necessary adjustments, which are of a normal recurring nature, to present fairly the financial position of Northern Technologies International Corporation as of May 31, 1996 and 1995, the results of operations for the three and nine months ended May 31, 1996 and 1995, and the cash flows for the nine months ended May 31, 1996 and 1995, in conformity with generally accepted accounting principles.

These financial statements should be read in conjunction with the financial statements and related notes as of and for the year ended August 31, 1995 contained in the Company's filing on Form 10-KSB dated November 17, 1995 and with Management's Discussion and Analysis or Plan of Operations appearing on pages 7 through 9 of this quarterly report.

2. INVENTORIES

Inventories consist of the following:

	May 31, 1996	August 31, 1995	May 31, 1995
Production materials	$ 125,453	$ 127,052	$ 93,787
Work in process	31,363	23,851	30,812
Finished goods	470,448	379,691	315,578
	$ 627,264	$ 530,594	$ 440,177

3. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	May 31, 1996	August 31, 1995	May 31, 1995
Land	$ 241,196	$ 16,196	$ 16,196
Buildings and improvements	553,907	553,907	547,380
Machinery and equipment	587,657	508,433	495,938
Deposits	249,083	27,981	
	1,631,843	1,106,517	1,059,514
Less accumulated depreciation	822,028	764,268	745,977
	$ 809,815	$ 342,249	$ 313,537

4. STOCKHOLDERS' EQUITY

During the nine months ended May 31, 1996, the Company acquired and retired 44,250 shares of common stock for $227,020.

In December 1995, five employees received a total of 2,500 shares of common stock in return for services provided. The fair value of the common stock issued, $12,813, was determined by the Board of Directors based on the fair market value of the Company's common stock.

During the nine months ended May 31, 1996, stock options for the purchase of 13,167 shares of the Company's common stock were exercised at prices between $3.00 and $3.13.

5. INCOME PER SHARE

Income per common and common equivalent share was computed by dividing net income by the weighted average number of shares of common and common equivalent shares outstanding during each period. Common equivalent shares include common stock equivalents of 67,950 and 95,295 for the nine months ended May 31, 1996 and 1995, respectively, and 65,413 and 76,425 for the third quarter of fiscal 1996 and 1995, respectively, from the assumed exercise of outstanding warrants and options using the treasury stock method.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

RESULTS OF OPERATIONS

General - The Company conducts all foreign transactions based on the U.S. dollar, except for its investments in foreign joint ventures. The exchange rate differential relating to investments in foreign joint ventures is accounted for under the requirements of SFAS No. 52.

Sales - Net sales decreased by $54,043 during the third quarter of 1996 from those of the third quarter of 1995. Net sales increased by $182,741 during the nine months ended May 31, 1996 compared to the same period of 1995. These changes in sales are due to the volume of corrosion inhibiting products sold to existing or new customers. There has been no change in product pricing, introduction of new products, or entry into any particular new markets.

Cost of Sales - Cost of goods sold as a percentage of net sales for the third quarter of 1996 was 46% compared to 48% for the third quarter of 1995. The cost of goods sold percentage of net sales was 47% for the nine months ended May 31, 1996 and 48% for the nine months ended May 31, 1995. Variations are due primarily to the mix of product sales.

Operating Expenses - As a percentage of net sales, total operating expenses increased from 26% in the third quarter of 1995 to 35% in the third quarter of 1996. Operating expenses were 35% and 31% of net sales for the nine months ended May 31, 1996 and 1995, respectively.

Operating expense classification percentages of net sales were as follows:

	Three Months Ended May 31		Nine Months Ended May 31	
	1996	1995	1996	1995
Selling expenses	11%	11%	12%	11%
General and administrative	18%	10%	17%	14%
Research, engineering, and technical support	6%	5%	6%	6%

Selling expenses decreased for the three months ended May 31, 1996 as compared to the same period in 1995 due to a reduction in distributor commissions partially offset by an increase in sales staff salary. Selling expenses as a percentage of net sales remained unchanged for the three months ended May 31, 1996 as compared to the same period in 1995 due to decrease net sales and selling expenses in fiscal 1996. Selling expenses increased for the nine months ended May 31, 1996 as compared to the same period in 1995 due to an increase in sales staff salary and distributor commissions. Selling expenses as a percentage of net sales increased for the nine months ended May 31, 1996 as compared to the same period in 1995 due to the increase in 1996 selling expenses not being offset by the increase in net sales in 1996.

General and administrative expenses increased for the three and nine months ended May 31, 1996 as compared to the same periods in 1995 due to increases in salary expense, consulting expense, and promotional expenses. General and administrative expenses as a percentage of net sales increased for the three months ended May 31, 1996 as compared to the same period in 1995 due to decreased net sales and increased general and administrative expenses in 1996. General and administrative expenses as a percentage of net sales increased for the nine months ended May 31, 1996 as compared to the same period in 1995 due to increased general and administrative expenses in 1996 not being offset by the increase in net sales in 1996.

Research, engineering, and technical support expenses for the three and nine months ended May 31, 1996 were higher than the comparable periods in 1995 due primarily to increases in staff salary. Such expenses, as a percentage of sales, were substantially unchanged for the three and nine months end May 31, 1996 as compared to the same period in 1995.

Joint Ventures and Foreign Company - Net earnings from corporate joint ventures and foreign company were $362,630 and $969,691 for the three and the nine months ended May 31, 1996, respectively, compared to $314,765 and $1,015,043 for the three and the nine months ended May 31, 1995, respectively. The net changes reflect changes in sales volume at the Company's corporate joint ventures, and increased travel and legal expense incurred by the Company in its corporate joint ventures.

Income Taxes - Income tax expense for the three and nine months ended May 31, 1996 and 1995 was calculated based on management's estimate of the Company's annual effective income tax rate. The Company's effective income tax rate is lower than the statutory rate primarily due to the Company's equity in income of corporate joint ventures and foreign company being recognized based on after tax earnings of these entities. To the extent joint venture undistributed earnings are distributed to the Company, it does not result in any material additional income tax liability after the application of foreign tax credits.

LIQUIDITY AND CAPITAL RESOURCES

At May 31, 1996, the Company's working capital was $5,157,223, including $3,392,612 in cash and cash equivalents, compared to working capital of $4,250,684 and $4,279,334 of August 31, 1995 and May 31, 1995, respectively.

On September 13, 1995, the Company entered in to a $400,000 revolving credit agreement that expires on September 13, 1996. Borrowings under the credit agreement are limited to 75% of "eligible" account receivable, as defined are secured by accounts receivable, and bear interest at the bank's prime rate. There are no borrowings outstanding under the revolving credit agreement.

During fiscal 1996, the Company implemented plans to purchase land and construct an off-site warehouse. The land, site development and construction of the warehouse will cost approximately $700,000 and will be funded with existing cash equivalents and cash flow from future operations.

Net cash provided from operations has been sufficient to meet liquidity requirements, capital expenditures, research and development costs, and expansion of operations of the Company's joint ventures. Cash flows from operations for the nine months ended May 31, 1996 and 1995 was $954,699 and $1,004,922, respectively. The net cash flow from operations for the nine months ended May 31, 1996 and 1995 resulted principally from net income offset by increases in receivables and inventories and equity in income of joint ventures and the foreign company being less than the dividends received.

Net cash provided by investing activities for the nine months ended May 31, 1996 was $218,549 of which $743,875 related to the payments received on notes receivable offset by additions to property of $525,326. Net cash used in investing activities for the nine months ended May 31, 1995 was $90,000 which resulted from investments in corporate joint ventures.

Net cash used in financing activities for the nine months ended May 31, 1996 was the payment of dividends to stockholders of $424,877 and the repurchase of common stock of $227,020 offset by proceeds of $39,960 from the exercise of stock options. Net cash used in financing activities for the nine months ended May 31, 1995 was the payment of dividends to stockholders of $318,058 offset by proceeds of $75,000 from the exercise of stock warrants.

The Company expects to meet future liquidity requirements with its existing cash and cash equivalents and from cash flows of future operating earnings and distributions of earnings and technical assistance fees from the corporate joint venture investments.

The Company has no long-term debt and no material lease commitments at May 31, 1996. The Company does not have any material commitments for capital expenditures outstanding at May 31, 1996.

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

RECENTLY ISSUED ACCOUNTING STANDARD

In October 1995, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, which requires adoption of specific disclosure provisions no later than fiscal years beginning after December 15, 1995 for employee transactions and adoption of certain recognition and measurement provisions for nonemployee transactions no later than December 15, 1995. The new standards defines a fair value method of accounting for stock options and other equity instruments. Under the fair value method, compensation cost which is measured at the grant date based on the fair value of the award and is recognized over the service period, which is usually the vesting period.

Pursuant to the new standard, companies are encouraged, but not required to adopt the fair value method of accounting for employee stock-based transactions. Companies are also permitted to continue to account for such transactions under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, but would be required to disclose in a note the financial statements pro forma net income and earnings per share as if the company had applied the new method of accounting.

The accounting requirements of the new method are effective for all employee awards granted after the beginning of the fiscal year of adoption. The Company has not yet determined if it will elect to change to the fair value method for employee stock based transactions, nor has it determined the effect of the new standard will have on net income and earnings per share should it elect to make such a change. Adoption of the new standard will have no effect on the Company's cash flows.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

None

ITEM 2 - CHANGES IN SECURITIES

None

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None

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

None

ITEM 5 - OTHER INFORMATION

None

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

Exhibit 27 - Financial Data Schedule

SIGNATURES

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

NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION

July 11, 1996

Loren M. Ehrmanntraut
Secretary and Treasurer

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SEP-01-1995
MAY-31-1996
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