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

# FORM 10-Q

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

**For the quarterly period ended February 29, 2024**
**or**

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

For the transition period from ________________ to __________________

**Commission File Number: 001-11038**

# NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Delaware** | **41-0857886** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**4201 Woodland Road**
**P.O. Box 69**
**Circle Pines, Minnesota 55014**
(Address of principal executive offices) (Zip Code)

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

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

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

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

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

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

| | |
|---|---|
| Large accelerated filer ☐ | Accelerated filer ☐ |
| Non-accelerated filer ☒ | Smaller reporting company ☒ |
| | Emerging growth company ☐ |

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

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

As of April 9, 2024, there were 9,427,598 shares of common stock of the registrant outstanding.

**NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION**
**FORM 10-Q**
**February 29, 2024**

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

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

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

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

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

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

**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED BALANCE SHEETS AS OF FEBRUARY 29, 2024 (UNAUDITED)**
**AND AUGUST 31, 2023 (AUDITED)**

| | February 29, 2024 | August 31, 2023 |
|---|---|---|
| **ASSETS** | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 4,835,031 | $ 5,406,173 |
| Receivables: | | |
| Trade, excluding joint ventures, less allowance for doubtful accounts of $533,000 as of February 29, 2024 and August 31, 2023 | 14,800,592 | 15,645,130 |
| Trade, joint ventures | 891,929 | 187,912 |
| Fees for services provided to joint ventures | 1,227,711 | 1,296,594 |
| Dividend receivable from joint venture | 509,716 | 1,986,027 |
| Income taxes | — | 34,202 |
| Inventories | 12,538,859 | 13,096,489 |
| Prepaid expenses | 2,529,476 | 2,019,029 |
| Total current assets | $ 37,333,314 | $ 39,671,556 |
| | | |
| PROPERTY AND EQUIPMENT, NET | $ 14,963,186 | $ 14,065,354 |
| OTHER ASSETS: | | |
| Investments in joint ventures | 23,460,869 | 23,705,714 |
| Deferred income tax, net | 504,913 | 530,944 |
| Intangible asset, net | 5,926,423 | 6,159,485 |
| Goodwill | 4,782,376 | 4,782,376 |
| Operating lease right of use asset | 336,169 | 428,874 |
| Total other assets | 35,010,750 | 35,607,393 |
| Total assets | $ 87,307,250 | $ 89,344,303 |
| | | |
| **LIABILITIES AND EQUITY** | | |
| CURRENT LIABILITIES: | | |
| Line of credit | $ 1,192,645 | $ 3,600,000 |
| Term loan | 2,782,686 | 2,757,176 |
| Accounts payable | 6,487,718 | 6,056,329 |
| Income taxes payable | 13,798 | 13,053 |
| Accrued liabilities: | | |
| Payroll and related benefits | 1,425,274 | 2,305,400 |
| Other | 1,284,894 | 1,648,615 |
| Current portion of operating lease | 170,840 | 340,799 |
| Total current liabilities | $ 13,357,855 | $ 16,721,372 |
| LONG-TERM LIABILITIES: | | |
| Deferred income tax, net | 1,836,059 | 1,836,059 |
| Operating lease, less current portion | 165,329 | 88,075 |
| Total long-term liabilities | $ 2,001,388 | $ 1,924,134 |
| | | |
| COMMITMENTS AND CONTINGENCIES (Note 12) | | |
| | | |
| EQUITY: | | |
| Preferred stock, no par value; authorized 10,000 shares; none issued and outstanding | — | — |
| Common stock, $0.02 par value per share; authorized 15,000,000 shares as of February 29, 2024 and August 31, 2023; issued and outstanding 9,427,598 and 9,424,101, respectively | 188,552 | 188,482 |
| Additional paid-in capital | 22,721,667 | 21,986,767 |
| Retained earnings | 52,281,250 | 51,004,427 |
| Accumulated other comprehensive loss | (6,838,890) | (6,823,403) |
| Stockholders' equity | 68,352,579 | 66,356,273 |
| Non-controlling interests | 3,595,428 | 4,342,524 |
| Total equity | 71,948,007 | 70,698,797 |
| Total liabilities and equity | $ 87,307,250 | $ 89,344,303 |

See notes to consolidated financial statements.

**NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**
**FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023**

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | February 29, 2024 | February 28, 2023 | February 29, 2024 | February 28, 2023 |
| NET SALES: | | | | |
| Net sales | $ 20,842,538 | $ 18,270,825 | $ 41,024,213 | $ 38,223,591 |
| Cost of goods sold | 12,503,374 | 11,967,757 | 25,350,775 | 25,567,399 |
| Gross profit | 8,339,164 | 6,303,068 | 15,673,438 | 12,656,192 |
| | | | | |
| JOINT VENTURE OPERATIONS: | | | | |
| Equity in income from joint ventures | 1,177,990 | 1,128,731 | 2,280,231 | 2,318,135 |
| Fees for services provided to joint ventures | 1,303,059 | 1,252,746 | 2,552,017 | 2,434,551 |
| Total joint venture operations | 2,481,049 | 2,381,477 | 4,832,248 | 4,752,686 |
| | | | | |
| OPERATING EXPENSES: | | | | |
| Selling expenses | 4,134,894 | 3,595,717 | 7,820,952 | 7,103,151 |
| General and administrative expenses | 3,236,792 | 3,134,189 | 6,753,853 | 6,264,788 |
| Research and development expenses | 1,242,256 | 1,141,083 | 2,348,177 | 2,397,807 |
| Total operating expenses | 8,613,942 | 7,870,989 | 16,922,982 | 15,765,746 |
| | | | | |
| OPERATING INCOME | 2,206,271 | 813,556 | 3,582,704 | 1,643,132 |
| | | | | |
| INTEREST INCOME | 29,210 | 3,451 | 75,652 | 9,619 |
| INTEREST EXPENSE | (77,758) | (115,144) | (188,896) | (206,475) |
| INCOME BEFORE INCOME TAX EXPENSE | 2,157,723 | 701,863 | 3,469,460 | 1,446,276 |
| | | | | |
| INCOME TAX EXPENSE | 289,195 | 181,795 | 515,991 | 292,528 |
| NET INCOME | 1,868,528 | 520,068 | 2,953,469 | 1,153,748 |
| | | | | |
| NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | 167,359 | 108,571 | 356,779 | 240,009 |
| NET INCOME ATTRIBUTABLE TO NTIC | $ 1,701,169 | $ 411,497 | $ 2,596,690 | $ 913,739 |
| | | | | |
| NET INCOME ATTRIBUTABLE TO NTIC PER COMMON SHARE: | | | | |
| Basic | $ 0.18 | $ 0.04 | $ 0.28 | $ 0.10 |
| Diluted | $ 0.17 | $ 0.04 | $ 0.27 | $ 0.09 |
| | | | | |
| WEIGHTED AVERAGE COMMON SHARES ASSUMED OUTSTANDING: | | | | |
| Basic | 9,427,598 | 9,366,357 | 9,427,588 | 9,353,989 |
| Diluted | 9,723,671 | 9,747,461 | 9,715,121 | 9,745,166 |
| | | | | |
| CASH DIVIDENDS DECLARED PER COMMON SHARE | $ 0.07 | $ 0.07 | $ 0.14 | $ 0.14 |

See notes to consolidated financial statements.

**NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**
**FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023**

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | February 29, 2024 | February 28, 2023 | February 29, 2024 | February 28, 2023 |
| NET INCOME | $ 1,868,528 | $ 520,068 | $ 2,953,469 | $ 1,153,748 |
| OTHER COMPREHENSIVE (LOSS) INCOME – FOREIGN CURRENCY TRANSLATION ADJUSTMENT | (345,605) | 534,713 | (44,286) | 480,796 |
| COMPREHENSIVE INCOME | 1,522,923 | 1,054,781 | 2,909,183 | 1,634,544 |
| COMPREHENSIVE LOSS ATTRIBUTABLE TO NON-CONTROLLING INTERESTS | (144,183) | (111,958) | (327,980) | (250,183) |
| COMPREHENSIVE INCOME ATTRIBUTABLE TO NTIC | $ 1,378,740 | $ 942,823 | $ 2,581,203 | $ 1,384,361 |

See notes to consolidated financial statements.

**NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF EQUITY (UNAUDITED)**
**FOR THE THREE AND SIX MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023**

**STOCKHOLDERS' EQUITY – THREE MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023**

| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Non-Controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | | | | | |
| BALANCE AT NOVEMBER 30, 2022 | 9,366,357 | $ 187,327 | $ 20,721,235 | $ 50,563,210 | $ (7,305,836) | $ 3,707,259 | $ 67,873,195 |
| Stock option expense | — | — | 337,486 | — | — | — | 337,486 |
| Dividends paid to stockholders | — | — | — | (655,645) | — | — | (655,645) |
| Dividend received by non-controlling interest | — | — | — | — | — | (375,574) | (375,574) |
| Net income | — | — | — | 411,497 | — | 108,571 | 520,068 |
| Other comprehensive income | — | — | — | — | 531,326 | 3,387 | 534,713 |
| BALANCE AT FEBRUARY 28, 2023 | 9,366,357 | $ 187,327 | $ 21,058,721 | $ 50,319,062 | $ (6,774,510) | $ 3,443,643 | $ 68,234,243 |
| BALANCE AT NOVEMBER 30, 2023 | 9,427,598 | $ 188,552 | $ 22,377,726 | $ 51,240,015 | $ (6,516,461) | $ 3,726,321 | $ 71,016,153 |
| Stock option expense | — | — | 343,941 | — | — | — | 343,941 |
| Dividends paid to stockholders | — | — | — | (659,934) | — | — | (659,934) |
| Dividend received by non-controlling interest | — | — | — | — | — | (275,076) | (275,076) |
| Net income | — | — | — | 1,701,169 | — | 167,359 | 1,868,528 |
| Other comprehensive loss | — | — | — | — | (322,429) | (23,176) | (345,605) |
| BALANCE AT FEBRUARY 29, 2024 | 9,427,598 | $ 188,552 | $ 22,721,667 | $ 52,281,250 | $ (6,838,890) | $ 3,595,428 | $ 71,948,007 |

**STOCKHOLDERS' EQUITY – SIX MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023**

| | Common Stock | | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Non-Controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|
| | Shares | Amount | | | | | |
| BALANCE AT AUGUST 31, 2022 | 9,232,483 | $ 184,650 | $ 19,939,131 | $ 50,716,613 | $ (7,245,132) | $ 3,649,034 | $ 67,244,296 |
| Stock options exercised | 130,254 | 2,605 | 413,958 | — | — | — | 416,563 |
| Stock issued for employee stock purchase plan | 3,620 | 72 | 38,624 | — | — | — | 38,696 |
| Stock option expense | — | — | 667,008 | — | — | — | 667,008 |
| Dividends paid to stockholders | — | — | — | (1,311,290) | — | — | (1,311,290) |
| Dividend received by non-controlling interest | — | — | — | — | — | (455,574) | (455,574) |
| Net income | — | — | — | 913,739 | — | 240,009 | 1,153,748 |
| Other comprehensive income | — | — | — | — | 470,622 | 10,174 | 480,796 |
| BALANCE AT FEBRUARY 28, 2023 | 9,366,357 | $ 187,327 | $ 21,058,721 | $ 50,319,062 | $ (6,774,510) | $ 3,443,643 | $ 68,234,243 |
| BALANCE AT AUGUST 31, 2023 | 9,424,102 | $ 188,482 | $ 21,986,767 | $ 51,004,426 | $ (6,823,403) | $ 4,342,524 | $ 70,698,796 |
| Stock issued for employee stock purchase plan | 3,496 | 70 | 40,026 | — | — | — | 40,096 |
| Stock option expense | — | — | 694,874 | — | — | — | 694,874 |
| Dividends paid to stockholders | — | — | — | (1,319,866) | — | — | (1,319,866) |
| Dividend received by non-controlling interest | — | — | — | — | — | (1,075,076) | (1,075,076) |
| Net income | — | — | — | 2,596,690 | — | 356,779 | 2,953,469 |
| Other comprehensive loss | — | — | — | — | (15,487) | (28,799) | (44,286) |
| BALANCE AT FEBRUARY 29, 2024 | 9,427,598 | $ 188,552 | $ 22,721,667 | $ 52,281,250 | $ (6,838,890) | $ 3,595,428 | $ 71,948,007 |

See notes to consolidated financial statements.

**NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**
**FOR THE SIX MONTHS ENDED FEBRUARY 29, 2024 AND FEBRUARY 28, 2023**

| | Six Months Ended | |
|---|---|---|
| | February 29, 2024 | February 28, 2023 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 2,953,469 | $ 1,153,748 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Stock-based compensation | 694,874 | 667,008 |
| Depreciation expense | 597,403 | 488,838 |
| Amortization expense | 295,226 | 294,873 |
| Loss on disposable of assets | — | (8,534) |
| Equity in income from joint ventures | (2,280,231) | (2,318,135) |
| Dividends received from joint ventures | 2,391,251 | 3,464,736 |
| Deferred income taxes | 28,088 | (70,166) |
| Changes in current assets and liabilities: | | |
| Receivables: | | |
| Trade, excluding joint ventures | 900,127 | (338,014) |
| Trade, joint ventures | (704,017) | (917,073) |
| Fees for services provided to joint ventures | 68,883 | 656,210 |
| Dividends receivable from joint venture | 1,986,027 | — |
| Income taxes | (475,514) | (313,270) |
| Inventories | 568,467 | 996,522 |
| Prepaid expenses and other | (551,739) | 259,712 |
| Accounts payable | 417,650 | (1,293,897) |
| Income tax payable | 789 | (29,503) |
| Accrued liabilities | (1,247,746) | (488,221) |
| Net cash provided by operating activities | 5,643,007 | 2,204,834 |
| | | |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from the sale of available for sale securities | — | 5,590 |
| Proceeds from sale of property and equipment | — | 13,000 |
| Purchases of property and equipment | (1,443,762) | (1,871,903) |
| Investments in patents | (62,165) | (70,023) |
| Net cash used in investing activities | (1,505,927) | (1,923,336) |
| | | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net (payments) proceeds from line of credit | (2,407,355) | 1,200,000 |
| Dividends paid on NTIC common stock | (1,319,866) | (1,311,290) |
| Proceeds from the exercise of stock options | — | 416,563 |
| Dividends received by non-controlling interest | (1,075,076) | (455,574) |
| Proceeds from employee stock purchase plan | 40,096 | 38,696 |
| Net cash used in financing activities | (4,762,201) | (111,605) |
| | | |
| EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS | 53,978 | (52,672) |
| | | |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (571,143) | 117,221 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | 5,406,174 | 5,333,890 |
| | | |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $ 4,835,031 | $ 5,451,111 |

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 February 29, 2024 and August 31, 2023 and the results of the Company's operations for the three and six months ended February 29, 2024 and February 28, 2023, the changes in stockholders' equity for the three and six months ended February 29, 2024 and February 28, 2023, and the Company's cash flows for the six months ended February 29, 2024 and February 28, 2023, in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP).

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

Operating results for the three and six months ended February 29, 2024 are not necessarily indicative of the results that may be expected for the full fiscal year ending August 31, 2024.

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

## 2. ACCOUNTING PRONOUNCEMENTS

*Recently Adopted Accounting Pronouncements*

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

## 3. INVENTORIES

Inventories consisted of the following:

| | February 29, 2024 | August 31, 2023 |
|---|---|---|
| Production materials | $ 4,610,217 | $ 4,960,355 |
| Finished goods | 7,928,642 | 8,136,134 |
| | $ 12,538,859 | $ 13,096,489 |

## 4. PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following:

| | February 29, 2024 | August 31, 2023 |
|---|---|---|
| Land | $ 496,965 | $ 496,965 |
| Buildings and improvements | 18,752,517 | 17,250,392 |
| Machinery and equipment | 6,057,366 | 5,984,364 |
| | 25,306,848 | 23,731,721 |
| Less accumulated depreciation | (10,343,662) | (9,666,367) |
| | $ 14,963,186 | $ 14,065,354 |

Depreciation expense was $290,393 and $597,403 for the three and six months ended February 29, 2024, respectively, compared to $225,962 and $488,838 for the three and six months ended February 28, 2023, respectively.

## 5. INTANGIBLE ASSETS, NET

Intangible assets, net consisted of the following:

| | As of February 29, 2024 | | |
|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
| Patents and trademarks | $ 3,401,882 | $ (2,764,626) | $ 637,256 |
| Customer relationships | 6,347,000 | (1,057,833) | 5,289,167 |
| Total intangible assets, net | $ 9,748,882 | $ (3,822,459) | $ 5,926,423 |

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

Amortization expense related to intangible assets was $147,571 and $295,226 for the three and six months ended February 29, 2024, respectively, compared to $147,062 and $294,873 for the three and six months ended February 28, 2023, respectively.

As of February 29, 2024, future amortization expense related to intangible assets for each of the next five fiscal years and thereafter is estimated as follows:

| | |
|---|---|
| Remainder of fiscal 2024 | $ 409,890 |
| Fiscal 2025 | 543,721 |
| Fiscal 2026 | 517,990 |
| Fiscal 2027 | 492,221 |
| Fiscal 2028 | 479,012 |
| Thereafter | 3,483,589 |
| Total | $ 5,926,423 |

## 6. INVESTMENTS IN JOINT VENTURES

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

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

| | As of February 29, 2024 | | |
|---|---|---|---|
| | **Total** | **EXCOR** | **All Other** |
| Current assets | $ 56,241,025 | $ 26,949,248 | $ 29,291,777 |
| Total assets | 60,974,536 | 29,383,315 | 31,591,221 |
| Current liabilities | 13,269,055 | 2,933,713 | 10,335,342 |
| Noncurrent liabilities | 399,445 | — | 399,445 |
| Joint ventures' equity | 47,306,036 | 26,449,601 | 20,856,435 |
| NTIC's share of joint ventures' equity | 23,460,869 | 13,224,802 | 10,236,067 |
| NTIC's share of joint ventures' undistributed earnings | 23,645,685 | 14,260,800 | 9,384,885 |

| | Three Months Ended February 29, 2024 | | |
|---|---|---|---|
| | **Total** | **EXCOR** | **All Other** |
| Net sales | $ 23,479,980 | $ 9,163,636 | $ 14,316,344 |
| Gross profit | 10,139,080 | 4,829,931 | 5,309,149 |
| Net income | 2,353,152 | 1,378,844 | 974,308 |
| NTIC's share of equity in income from joint ventures | 1,177,990 | 690,882 | 487,109 |
| NTIC's dividends received from joint ventures | 2,020,147 | 1,624,950 | 395,197 |

| | Six Months Ended February 29, 2024 | | |
|---|---|---|---|
| | **Total** | **EXCOR** | **All Other** |
| Net sales | $ 47,040,641 | $ 17,584,596 | $ 29,456,045 |
| Gross profit | 20,242,880 | 9,205,006 | 11,037,874 |
| Net income | 4,557,634 | 2,405,751 | 2,151,883 |
| NTIC's share of equity in income from joint ventures | 2,280,231 | 1,204,335 | 1,075,896 |
| NTIC's dividends received from joint ventures | 2,391,251 | 1,624,950 | 766,301 |

| | As of August 31, 2023 | | |
|---|---|---|---|
| | Total | EXCOR | All Other |
| Current assets | $ 55,339,662 | $ 27,862,458 | $ 27,477,204 |
| Total assets | 59,729,348 | 30,054,277 | 29,675,071 |
| Current liabilities | 11,464,247 | 2,687,064 | 8777,183 |
| Noncurrent liabilities | 323,762 | — | 323,762 |
| Joint ventures' equity | 47,941,339 | 27,367,213 | 20,574,126 |
| NTIC's share of joint ventures' equity | 23,705,714 | 13,683,608 | 10,022,106 |
| NTIC's share of joint ventures' undistributed earnings | 20,493,861 | 12,075,524 | 8,418,337 |

| | Three Months Ended February 28, 2023 | | |
|---|---|---|---|
| | Total | EXCOR | All Other |
| Net sales | $ 25,482,590 | $ 9,708,482 | $ 15,774,108 |
| Gross profit | 10,035,811 | 4,733,435 | 5,302,376 |
| Net income | 1,969,046 | 1,365,170 | 603,876 |
| NTIC's share of equity in income from joint ventures | 1,128,731 | 676,800 | 451,931 |
| NTIC's dividends received from joint ventures | 422,048 | — | 422,048 |

| | Six Months Ended February 28, 2023 | | |
|---|---|---|---|
| | Total | EXCOR | All Other |
| Net sales | $ 50,212,879 | $ 19,854,403 | $ 30,358,476 |
| Gross profit | 19,729,379 | 9,453,477 | 10,275,902 |
| Net income | 4,615,954 | 3,107,457 | 1,508,497 |
| NTIC's share of equity in income from joint ventures | 2,318,135 | 1,547,944 | 770,191 |
| NTIC's dividends received from joint ventures | 3,464,736 | 2,459,500 | 1,005,236 |

## 7. CORPORATE DEBT

On January 6, 2023, the Company entered into a Credit Agreement (the Credit Agreement) with JPMorgan Chase Bank, N.A. (JPM), which provides the Company with a senior secured revolving line of credit (the Credit Facility) of up to $10.0 million, which includes a $5.0 million sublimit for standby letters of credit. Borrowings of $1,192,645 and $3,600,000 were outstanding under the Credit Facility as of February 29, 2024 and August 31, 2023, respectively.

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

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

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

The Credit Agreement contains customary affirmative and negative covenants, including, among other matters, limitations on the Company's ability to incur additional debt, grant liens, engage in certain business operations and transactions, make certain investments, modify its organizational documents or form any new subsidiaries, subject to certain exceptions. Further, the Credit Agreement contains a negative covenant that restricts the ability of the Company to redeem or repurchase its common stock or pay dividends if the result of which would cause an event of default under the Credit Agreement. The Credit Agreement also requires the Company to maintain a Fixed Charge Coverage Ratio of at least 1.25 to 1.00. The term "Fixed Charge Coverage Ratio" means the ratio, computed for the Company on a consolidated basis, of net income plus income tax expense, plus amortization expense, plus depreciation expense, plus interest expense, and plus dividends received from joint ventures, minus unfinanced capital expenditures and equity in income from joint ventures, all computed for the twelve month period then ending, to scheduled principal payments made, plus scheduled finance lease payments made, plus interest expense paid, plus income tax expense paid, and plus cash distributions and dividends paid, all computed for the same twelve month period then ending. The Company was in compliance with all covenants as of February 29, 2024.

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

On each of April 10, 2023 and May 30, 2023, the Company's wholly-owned subsidiary in China, NTIC China, entered into a loan agreement with China Construction Bank Corporation. Each term loan provided NTIC China with a RMB 10,000,000 (USD $1.45 million). Each of the term loans matures after one year with the principal due at that time, after which an extension of the loan agreement is required. Both term loans have an annual interest rate of 3.25% with interest due monthly. Both term loans are secured by an office building owned by NTIC China and the loan agreements contain certain financial and other covenants. The Company was in compliance with the covenants as of February 29, 2024. The current outstanding balance for both term loans was USD $2,782,686 as of February 29, 2024 and USD $2,757,176 as of August 31, 2023.

## 8. STOCKHOLDERS' EQUITY

During the six months ended February 29, 2024, the Company's Board of Directors declared cash dividends on the following dates in the following amounts to the following holders of the Company's common stock:

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

During the six months ended February 28, 2023, the Company's Board of Directors declared cash dividends on the following dates in the following amounts to the following holders of the Company's common stock:

| Declaration Date | Amount | | Record Date | Payable Date |
|---|---|---|---|---|
| October 20, 2022 | $ | 0.07 | November 3, 2022 | November 16, 2022 |
| January 20, 2023 | $ | 0.07 | February 1, 2023 | February 15, 2023 |

During the six months ended February 29, 2024 and February 28, 2023, the Company repurchased no shares of its common stock.

The Company issued 3,496 and 3,620 shares of common stock on September 1, 2023 and 2022, respectively, under the Northern Technologies International Corporation Employee Stock Purchase Plan (ESPP). The ESPP is compensatory for financial reporting purposes. As of February 29, 2024, 58,538 shares of common stock remained available for sale under the ESPP.

## 9. NET INCOME PER COMMON SHARE

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

The following is a reconciliation of the net income per share computation for the three and six months ended February 29, 2024 and February 28, 2023:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| **Numerator:** | **February 29, 2024** | **February 28, 2023** | **February 29, 2024** | **February 28, 2023** |
| Net income attributable to NTIC | $ 1,701,169 | $ 411,497 | $ 2,596,690 | $ 913,739 |
| **Denominator:** | | | | |
| Basic – weighted shares outstanding | 9,427,598 | 9,366,357 | 9,427,588 | 9,353,989 |
| Weighted shares assumed upon exercise of stock options | 296,073 | 381,104 | 287,533 | 391,177 |
| Diluted – weighted shares outstanding | 9,723,671 | 9,747,461 | 9,715,121 | 9,745,166 |
| Basic net income per share: | $ 0.18 | $ 0.04 | $ 0.28 | $ 0.10 |
| Diluted net income per share: | $ 0.17 | $ 0.04 | $ 0.27 | $ 0.09 |

The dilutive impact summarized above relates to the periods when the average market price of the Company’s common stock exceeded the exercise price of the potentially dilutive option securities granted. Net income per common share was based on the weighted average number of common shares outstanding during the periods when computing basic net income per share. When dilutive, stock options are included as equivalents using the treasury stock market method when computing the diluted net income per share. Excluded from the computation of diluted net income per share for the three and six months ended February 29, 2024 were options outstanding to purchase 580,869 shares of common stock. Excluded from the computation of diluted net income per share for the three and six months ended February 28, 2023, were options outstanding to purchase 305,514 shares of common stock.

## 10. STOCK-BASED COMPENSATION

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

| | Number of Options Outstanding | Weighted Average Exercise Price |
|---|---|---|
| Outstanding as of August 31, 2023 | 1,557,131 | $ 11.08 |
| Granted | 269,845 | $ 13.25 |
| Exercised | — | — |
| Cancelled | — | — |
| Outstanding as of February 29, 2024 | 1,826,976 | $ 11.40 |

The weighted average per share fair value of options granted during the six months ended February 29, 2024 and February 28, 2023 was $5.04 and $4.75, respectively. The weighted average remaining contractual life of the options outstanding as of February 29, 2024 and February 28, 2023 was 6.31 years and 6.42 years, respectively.

The Company recognized compensation expense of $694,874 and $667,008 during the six months ended February 29, 2024 and February 28, 2023, respectively. As of February 29, 2024, there was $1,693,930 of unrecognized compensation expense. The amount is expected to be recognized over a period of 2.5 years.

## 11. SEGMENT AND GEOGRAPHIC INFORMATION

*Segment Information*

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

The following table sets forth the Company's net sales for the three and six months ended February 29, 2024 and February 28, 2023 by segment:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | February 29, 2024 | February 28, 2023 | February 29, 2024 | February 28, 2023 |
| ZERUST® net sales | $ 15,218,095 | $ 14,458,747 | $ 30,623,840 | $ 29,828,748 |
| Natur-Tec® net sales | 5,624,443 | 3,812,078 | 10,400,373 | 8,394,843 |
| Total net sales | $ 20,842,538 | $ 18,270,825 | $ 41,024,213 | $ 38,223,591 |

The following table sets forth the Company's cost of goods sold for the three and six months ended February 29, 2024 and February 28, 2023 by segment:

| | Three Months Ended | | | | Six Months Ended | | | |
|---|---|---|---|---|---|---|---|---|
| | February 29, 2024 | % of Product Sales* | February 28, 2023 | % of Product Sales* | February 29, 2024 | % of Product Sales* | February 28, 2023 | % of Product Sales* |
| Direct cost of goods sold | | | | | | | | |
| ZERUST® | $ 8,082,163 | 53.1% | $ 8,115,451 | 56.1% | $16,826,187 | 54.9% | $17,294,705 | 58.0% |
| Natur-Tec® | 3,568,719 | 63.5% | 2,931,036 | 76.9% | 6,797,302 | 65.4% | 6,501,709 | 77.4% |
| Indirect cost of goods sold | 852,492 | — | 921,270 | — | 1,727,286 | — | 1,770,985 | — |
| Total net cost of goods sold | $12,503,374 | | $11,967,757 | | $25,350,775 | | $25,567,399 | |

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

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

*Geographic Information*

Net sales by geographic location for the three and six months ended February 29, 2024 and February 28, 2023 were as follows:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | **February 29, 2024** | **February 28, 2023** | **February 29, 2024** | **February 28, 2023** |
| Inside the U.S.A. to unaffiliated customers | $ 6,840,855 | $ 6,750,997 | $ 14,073,236 | $ 14,229,158 |
| Outside the U.S.A. to: | | | | |
| Joint ventures in which the Company is a shareholder directly and indirectly | 611,926 | 1,529,763 | 1,463,377 | 2,163,228 |
| Unaffiliated customers | 13,389,757 | 9,990,065 | 25,487,600 | 21,831,205 |
| | $ 20,842,538 | $ 18,270,825 | $ 41,024,213 | $ 38,223,591 |

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 six months ended February 29, 2024 and February 28, 2023 were as follows:

| | Three Months Ended | | | |
|---|---|---|---|---|
| | **February 29, 2024** | **% of Total Fees for Services Provided to Joint Ventures** | **February 28, 2023** | **% of Total Fees for Services Provided to Joint Ventures** |
| Poland | $ 217,786 | 16.7% | $ 199,927 | 16.0% |
| Germany | 206,740 | 15.9% | 202,964 | 16.2% |
| France | 195,176 | 15.0% | 118,938 | 9.5% |
| Japan | 111,995 | 8.6% | 153,795 | 12.3% |
| Sweden | 102,984 | 7.9% | 112,615 | 9.0% |
| Finland | 95,748 | 7.3% | 91,620 | 7.3% |
| Thailand | 90,264 | 6.9% | 91,601 | 7.3% |
| Czech Republic | 84,789 | 6.5% | 91,001 | 7.3% |
| South Korea | 63,381 | 4.9% | 65,803 | 5.3% |
| United Kingdom | 55,101 | 4.2% | 65,648 | 5.2% |
| Other | 79,095 | 6.1% | 58,834 | 4.7% |
| | $ 1,303,059 | 100.0% | $ 1,252,746 | 100.0% |

| | Six Months Ended | | | |
|---|---|---|---|---|
| | February 29, 2024 | % of Total Fees for Services Provided to Joint Ventures | February 28, 2023 | % of Total Fees for Services Provided to Joint Ventures |
| Poland | $ 415,803 | 16.3% | $ 386,623 | 15.9% |
| Germany | 412,383 | 16.2% | 396,792 | 16.3% |
| France | 317,142 | 12.4% | 228,295 | 9.4% |
| Japan | 248,076 | 9.7% | 301,715 | 12.4% |
| Sweden | 213,520 | 8.4% | 213,051 | 8.8% |
| Finland | 199,492 | 7.8% | 182,052 | 7.5% |
| Thailand | 169,702 | 6.6% | 174,557 | 7.2% |
| Czech Republic | 162,601 | 6.4% | 171,333 | 7.0% |
| South Korea | 138,338 | 5.4% | 129,197 | 5.3% |
| United Kingdom | 118,251 | 4.6% | 123,339 | 5.1% |
| Other | 156,709 | 6.1% | 127,597 | 5.2% |
| | $ 2,552,017 | 100.0% | $ 2,434,551 | 100.0% |

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

| | At February 29, 2024 | At August 31, 2023 |
|---|---|---|
| China | $ 5,680,609 | $ 5,729,080 |
| Other | 804,148 | 745,469 |
| United States | 8,478,429 | 7,590,805 |
| Total property and equipment, net | $ 14,963,186 | $ 14,065,354 |

| | Three Months Ended | |
|---|---|---|
| | February 29, 2024 | February 28, 2023 |
| China | $ 3,455,846 | $ 2,871,795 |
| Brazil | 1,326,867 | 1,206,790 |
| India | 5,406,404 | 4,364,358 |
| Other | 3,812,566 | 3,076,885 |
| United States | 6,840,855 | 6,750,997 |
| Total net sales | $ 20,842,538 | $ 18,270,825 |

| | Six Months Ended | |
|---|---|---|
| | February 29, 2024 | February 28, 2023 |
| China | $ 7,134,369 | $ 6,618,435 |
| Brazil | 2,856,490 | 2,574,208 |
| India | 10,586,795 | 9,211,285 |
| Other | 6,373,323 | 5,590,505 |
| United States | 14,073,236 | 14,229,158 |
| Total net sales | $ 41,024,213 | $ 38,223,591 |

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

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

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

## 12. COMMITMENTS AND CONTINGENCIES

*Concentrations*

Two joint ventures (consisting of the Company's joint ventures in Korea and Thailand) accounted for 68.4% of the Company's trade joint venture receivables as of February 29, 2024, and three joint ventures (consisting of the Company's joint ventures in South Korea, Sweden, France) accounted for 68.1% of the Company's trade joint venture receivables as of February 28, 2023.

*Legal Matters*

From time to time, the Company is subject to various other claims and legal actions in the ordinary course of its business. The Company records a liability in its consolidated financial statements for costs related to claims, including future legal costs, settlements and judgments, where the Company has assessed that a loss is probable, and an amount could be reasonably estimated. If the reasonable estimate of a probable loss is a range, the Company records the most probable estimate of the loss or the minimum amount when no amount within the range is a better estimate than any other amount. The Company discloses a contingent liability even if the liability is not probable or the amount is not estimable, or both, if there is a reasonable possibility that material loss may have been incurred. In the opinion of management, as of February 29, 2024, the amount of liability, if any, with respect to these matters, individually or in the aggregate, will not materially affect the Company's consolidated results of operations, financial position or cash flows.

## 13. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental disclosures of cash flow information consisted of:

| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | February 29, 2024 | February 28, 2023 | February 29, 2024 | February 28, 2023 |
| Cash paid for interest | $ 77,758 | $ 115,144 | $ 188,896 | $ 206,475 |

## 14. INCOME TAXES

Income tax expense for the three and six months ended February 29, 2024 was $289,195 and $515,991, respectively, compared to $181,795 and $292,528, respectively, for the three and six months ended February 28, 2023. The expense was largely due to foreign operations. The Company has federal and state tax credit carry forwards, net operating loss carry forwards and foreign tax carry forwards. The Company has recorded a full valuation allowance against the U.S. deferred tax assets as of February 29, 2024 and August 31, 2023.

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

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

**Business Overview**

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

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

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

One of NTIC's strategic initiatives is to expand into and penetrate other markets for its ZERUST® corrosion prevention technologies. Consequently, for the past several years, NTIC has focused significant sales and marketing efforts on the oil and gas industry, as the infrastructure that supports that industry is typically constructed using metals that are highly susceptible to corrosion. NTIC believes that its ZERUST® corrosion prevention solutions will minimize maintenance downtime on critical oil and gas industry infrastructure, extend the life of such infrastructure, and reduce the risk of environmental pollution due to leaks caused by corrosion. NTIC markets and sells its ZERUST® rust and corrosion prevention solutions to customers in the oil and gas industry in a continuously increasing number of countries either directly, through its subsidiaries, or through its joint venture partners and other strategic partners. The sale of ZERUST® corrosion prevention solutions to customers in the oil and gas industry typically involves long sales cycles, often including multi-year trial periods with each customer and a slow integration process thereafter.

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

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

**Financial Overview**

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

Highlights of NTIC's financial results for the three and six months ended February 29, 2024 include the following, with increases or decreases in each case as compared to the respective prior fiscal year quarterly period:

- NTIC's consolidated net sales increased 14.1% and 7.3% during the three and six months ended February 29, 2024, respectively, compared to the three and six months ended February 28, 2023 primarily as a result of an increase in sales and demand for Natur-Tec® and ZERUST® oil and gas products and stable sales of and demand for ZERUST® industrial products. During the six months ended February 29, 2024, 74.6% of NTIC's consolidated net sales were derived from sales of ZERUST® products and services and 25.4% of NTIC's consolidated net sales were derived from sales of Natur-Tec® products.

- Cost of goods sold as a percentage of net sales decreased to 60.0% during the three months ended February 29, 2024, compared to 65.5% during the three months ended February 28, 2023, and decreased to 61.8% during the six months ended February 29, 2024, compared to 66.9% during the prior fiscal year period primarily as a result of lower raw material prices overall and savings associated with the insourcing of various finished goods production.

- NTIC's equity in income from joint ventures increased 4.4% during the three months ended February 29, 2024 to $1,177,990 compared to $1,128,731 was primarily due to efforts to enhance profitability at the Company's joint ventures, partially offset by lower joint venture sales. NTIC's equity in income from joint ventures decreased 1.6% during the six months ended February 29, 2024 to $2,280,231 compared to $2,318,135 during the six months ended February 28, 2023 primarily due to a decrease in net income at NTIC's joint venture in Germany, partially offset by increases at the majority of the other joint ventures. Net sales at the joint ventures decreased 7.9% and 6.3% to $23,479,980 and $47,040,641 during the three and six months ended February 29, 2024, respectively, compared to $25,482,590 and $50,212,879 during the three and six months ended February 28, 2023, respectively.

- NTIC's total operating expenses increased 9.4% and 7.3% to $8,613,942 and $16,922,982 during the three and six months ended February 29, 2024, respectively, compared to $7,870,989 and $15,765,746 for the three and six months ended February 28, 2023. These increases were primarily due to increased personnel expenses, including new hires, benefits and travel.

- NTIC incurred net income attributable to NTIC of $1,701,169, or $0.17 per diluted common share, for the three months ended February 29, 2024, compared to $411,497, or $0.04 per diluted common share, for the three months ended February 28, 2023. NTIC incurred net income attributable to NTIC of $2,596,690 or $0.27 per diluted common share, for the six months ended February 29, 2024, compared to $913,739 or $0.09 per diluted common share, for the six months ended February 28, 2023.

**Results of Operations**

The following table sets forth NTIC's results of operations for the three and six months ended February 29, 2024 and February 28, 2023.

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | **February 29, 2024** | **% of Net Sales** | **February 28, 2023** | **% of Net Sales** | **$ Change** | **% Change** |
| Net sales | $ 20,842,538 | n/a | $ 18,270,825 | n/a | $ 2,571,713 | 14.1% |
| Cost of goods sold | 12,503,374 | 60.0% | 11,967,757 | 65.5% | 535,616 | 4.5% |
| Equity in income from joint ventures | 1,177,990 | n/a | 1,128,731 | n/a | 49,259 | 4.4% |
| Fees for services provided to joint ventures | 1,303,059 | n/a | 1,252,746 | n/a | 50,313 | 4.0% |
| Selling expenses | 4,134,894 | 19.8% | 3,595,717 | 19.7% | 539,177 | 15.0% |
| General and administrative expenses | 3,236,792 | 15.5% | 3,134,189 | 17.2% | 102,603 | 3.3% |
| Research and development expenses | 1,242,256 | 6.0% | 1,141,083 | 6.2% | 101,173 | 8.9% |

| | Six Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | **February 29, 2024** | **% of Net Sales** | **February 28, 2023** | **% of Net Sales** | **$ Change** | **% Change** |
| Net sales | $ 41,024,213 | n/a | $ 38,223,591 | n/a | $ 2,780,622 | 7.3% |
| Cost of goods sold | 25,350,775 | 61.8% | 25,567,399 | 66.9% | (216,624) | (0.8%) |
| Equity in income from joint ventures | 2,280,231 | n/a | 2,318,135 | 6.1% | (37,904) | (1.6%) |
| Fees for services provided to joint ventures | 2,552,017 | n/a | 2,434,551 | 6.4% | 117,466 | 4.8% |
| Selling expenses | 7,820,952 | 19.1% | 7,103,151 | 18.6% | 717,801 | 10.1% |
| General and administrative expenses | 6,753,853 | 16.5% | 6,264,788 | 16.4% | 489,065 | 7.8% |
| Research and development expenses | 2,348,177 | 5.7% | 2,397,807 | 6.3% | (49,630) | (2.1%) |

*Net Sales*. NTIC's consolidated net sales increased 14.1% and 7.3% to $20,842,538 and $41,024,213 during the three and six months ended February 29, 2024, respectively, compared to the three and six months ended February 28, 2023. These increases were primarily as a result of an increase in sales and demand for Natur-Tec® and ZERUST® oil and gas products and stable sales of and demand for ZERUST® industrial products.

The following table sets forth NTIC's net sales by product segment for the three and six months ended February 29, 2024 and February 28, 2023:

| | Three Months Ended February 28, | | Six Months Ended February 28, | |
|---|---|---|---|---|
| | February 29, 2024 | February 28, 2023 | February 29, 2024 | February 28, 2023 |
| Total ZERUST® sales | $ 15,218,095 | $ 14,458,747 | $ 30,623,840 | $ 29,828,748 |
| Total Natur-Tec® sales | 5,624,443 | 3,812,078 | 10,400,373 | 8,394,843 |
| Total net sales | $ 20,842,538 | $ 18,270,825 | $ 41,024,213 | $ 38,223,591 |

During the three and six months ended February 29, 2024, 73.0% and 74.6% of NTIC's consolidated net sales, respectively, were derived from sales of ZERUST® products and services, which increased 5.3% and 2.7% to $15,218,095 and $30,623,840, respectively, compared to $14,458,747 and $29,828,748 during the three and six months ended February 28, 2023, respectively. These increases were primarily a result of increased demand in North America of both ZERUST® industrial and ZERUST® oil and gas products.

The following table sets forth NTIC's net sales of ZERUST® products for the three and six months ended February 29, 2024 and February 28, 2023:

| | Three Months Ended | | | |
|---|---|---|---|---|
| | February 29, 2024 | February 28, 2023 | $ Change | % Change |
| ZERUST® industrial net sales | $ 13,050,767 | $ 12,653,512 | $ 397,255 | 3.1% |
| ZERUST® oil and gas net sales | 2,167,328 | 1,805,235 | 362,093 | 20.1% |
| Total ZERUST® net sales | $ 15,218,095 | $ 14,458,747 | $ 759,348 | 5.3% |

| | Six Months Ended | | | |
|---|---|---|---|---|
| | February 29, 2024 | February 28, 2023 | $ Change | % Change |
| ZERUST® industrial net sales | $ 26,954,198 | $ 26,401,616 | $ 552,582 | 2.1% |
| ZERUST® oil and gas net sales | 3,669,642 | 3,427,132 | 242,510 | 7.1% |
| Total ZERUST® net sales | $ 30,623,840 | $ 29,828,748 | $ 795,092 | 2.7% |

NTIC's total ZERUST® net sales increased during the three and six months ended February 29, 2024, compared to the prior fiscal year periods, primarily due to increased demand in North American both ZERUST® industrial business and ZERUST® oil and gas business. Overall, demand for ZERUST® products and services depends heavily on the overall health of the markets in which NTIC sells its products, including the automotive, oil and gas, agriculture, and mining markets, in particular.

ZERUST® oil and gas net sales increased 20.1% and 7.1% during the three and six months ended February 29, 2024 compared to the prior fiscal year periods primarily as a result of increased demand in markets in which NTIC sells its products. NTIC anticipates that its sales of ZERUST® products and services to the oil and gas industry will continue to remain subject to significant volatility from quarter to quarter as sales are recognized. Demand for oil and gas products around the world depends primarily on market acceptance and the reach of NTIC's distribution network. Because of the typical size of individual orders and overall size of NTIC's net sales derived from sales of oil and gas products, the timing of one or more orders can materially affect NTIC's quarterly sales compared to prior fiscal year quarters.

During the three and six months ended February 29, 2024, 27.0% and 25.4% of NTIC's consolidated net sales were derived from sales of Natur-Tec® products, compared to 20.9% and 22.0% during the three and six months ended February 28, 2023, respectively. Sales of Natur-Tec® products increased 47.5% and 23.9% to $5,624,443 and $10,400,373 during the three and six months ended February 29, 2024, respectively, compared $3,812,078 and $8,394,843 during the three and six months ended February 28, 2023 as a result of increased global demand. The demand for Natur-Tec® products in most markets has returned to pre-pandemic levels; however, there are lingering effects of COVID-19 in the apparel industry, as well as corporate office complexes.

*Cost of Goods Sold*. Cost of goods sold increased 4.5% and decreased 0.8% for the three and six months ended February 29, 2024, respectively, compared to the three and six months ended February 28, 2023 primarily as a result of lower raw material prices overall. Cost of goods sold as a percentage of net sales decreased to 60.0% and 61.8% for the three and six months ended February 29, 2024, respectively, compared to 65.5% and 66.9% for the three and six months ended February 28, 2028, respectively, primarily as a result of these lower raw material prices and the insourcing of various production of products. NTIC has taken certain actions to address inflationary pressures and pass on related cost increases to its customers and some improvements from these actions, as well as improvements in gross margin, were realized during the six months ended February 29, 2024.

*Equity in Income from Joint Ventures*. NTIC's equity in income from joint ventures increased 4.4% during the three months ended February 29, 2024 to $1,177,990 compared to $1,128,731 was to primarily due to efforts to enhance profitability at the Company's joint ventures, partially offset by lower joint venture sales. NTIC's equity in income from joint ventures decreased 1.6% during the six months ended February 29, 2024 to $2,280,231 compared to $2,318,135 during the six months ended February 28, 2023 primarily due to a decrease in net income at NTIC's joint venture in Germany, partially offset by increases at the majority of the other joint ventures. NTIC's equity in income from joint ventures fluctuates based on net sales and profitability of the joint ventures during the respective periods. Of the total equity in income from joint ventures, NTIC had equity in income from joint ventures of $1,204,335 attributable to EXCOR during the six months ended February 29, 2024, compared to $1,547,944 attributable to EXCOR during the six months ended February 28, 2023. These decreases were primarily a result of a decrease in net sales by EXCOR compared to the same prior year fiscal periods, due primarily to the loss of a customer and softer demand within the region related to higher energy prices and other externalities linked to the war between Ukraine and Russia. NTIC had equity in income from all other joint ventures of $1,075,896 during the six months ended February 29, 2024, compared to $770,191 during the six months ended February 28, 2023.

*Fees for Services Provided to Joint Ventures*. NTIC recognized fee income for services provided to joint ventures of $1,303,059 and $2,552,017 during the three and six months ended February 29, 2024, respectively, compared to $1,252,746 and $2,434,551 during the three and six months ended February 28, 2023, respectively, representing increases of 4.0% and 4.8%, respectively. Fee income for services provided to joint ventures is traditionally a function of the sales made by NTIC's joint ventures; however, at various joint ventures, the fee income for services is a fixed amount that does not fluctuate with the change in sales that was experienced by certain joint ventures during the three and six months ended February 29, 2024. Total net sales of NTIC's joint ventures decreased 7.9% and 6.3% to $23,479,980 and $47,040,641 during the three and six months ended February 29, 2024, respectively, compared to $25,482,590 and $50,212,879 during the three and six months ended February 28, 2023, respectively. These decreases were primarily a result of decreased demand during the three and six months ended February 29, 2024 at NTIC's joint venture in Germany due primarily to the loss of a customer and softer demand within the region, as described above. Net sales of NTIC's joint ventures are not included in NTIC's product sales and are not included in NTIC's consolidated financial statements. Of the total fee income for services provided to joint ventures, fees of $412,383 were attributable to EXCOR during the six months ended February 29, 2024, compared to $396,792 attributable to EXCOR during the six months ended February 28, 2023.

*Selling Expenses*. NTIC's selling expenses increased 15.0% and 10.1% for the three and six months ended February 29, 2024, respectively, compared to the same respective periods in fiscal 2023 due primarily to an increase in personnel expense during the current fiscal year period compared to the same prior fiscal year periods. Selling expenses as a percentage of net sales increased to 19.7% and 19.1% for the three and six months ended February 29, 2024, respectively, from 19.7% and 18.6% for the three and six months ended February 28, 2023, respectively, primarily due to the increased selling expenses as noted above.

*General and Administrative Expenses*. NTIC's general and administrative expenses increased 3.3% and 7.8% for the three and six months ended February 29, 2024, respectively, compared to the same respective periods in fiscal 2023 primarily due to increased professional services and travel and personnel expenses during the current fiscal year periods compared to the same prior fiscal year periods. As a percentage of net sales, general and administrative expenses decreased to 15.5% and increased to 16.5% for the three and six months ended February 29, 2024, respectively, from 17.2% and 16.4% for the same respective periods in fiscal 2023 primarily due to the changes in general and administrative expenses, as noted above.

*Research and Development Expenses*. NTIC's research and development expenses increased 8.9% and decreased 2.1% for the three and six months ended February 28, 2023, respectively, compared to the same respective periods in fiscal 2023 primarily due to the timing of expenses incurred and changes in expenses associated with development efforts.

*Interest Income*. NTIC's interest income increased to $29,210 and $75,652 during the three and six months ended February 29, 2024, respectively, compared to $3,451 and $9,619 during the three and six months ended February 28, 2023, respectively, due primarily to changes in the invested cash balances at subsidiaries.

*Interest Expense*. NTIC's interest expense decreased to $77,758 and $188,896 during the three and six months ended February 29, 2024, respectively, compared to $115,144 and $206,475 during the three and six months ended February 28, 2023, respectively, due primarily to decreased borrowings during the current fiscal year periods.

*Income Before Income Tax Expense*. NTIC had income before income tax expense of $2,157,723 and $3,469,460 for the three and six months ended February 29, 2024, respectively, compared to $701,863 and $1,446,276 for the three and six months ended February 28, 2023, respectively.

*Income Tax Expense*. Income tax expense was $289,195 and $515,991 for the three and six months ended February 29, 2024, respectively, compared to $181,795 and $292,528 during the three and six months ended February 28, 2023, respectively. Income tax expense was calculated based on management's estimate of NTIC's annual effective income tax rate.

NTIC considers the earnings of certain foreign joint ventures to be indefinitely invested outside the United States on the basis of estimates that NTIC's future domestic cash generation will be sufficient to meet future domestic cash needs. As a result, U.S. income and foreign withholding taxes have not been recognized on the cumulative undistributed earnings of $23,645,685 and $20,493,861 as of February 29, 2024, and August 31, 2023, respectively. To the extent undistributed earnings of NTIC's joint ventures are distributed in the future, they are not expected to result in any material additional income tax liability after the application of foreign tax credits.

*Net Income Attributable to NTIC*. Net income attributable to NTIC increased to $1,868,528, or $0.17 per diluted common share, for the three months ended February 29, 2024, compared to $411,497, or $0.04 per diluted common share, for the three months ended February 28, 2023. Net income attributable to NTIC increased to $2,596,90, or $0.27 per diluted common share, for the six months ended February 29, 2024, compared to $913,739, or $0.09 per diluted common share, for the six months ended February 28, 2023. These increases were primarily due to the increase in gross profit, partially offset by the increase in operating expenses.

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

*Other Comprehensive Income – Foreign Currency Translations Adjustment.* The changes in the foreign currency translations adjustment were due to the fluctuation of the U.S. dollar compared to the Euro and other foreign currencies during the three and six months ended February 29, 2024 compared to the same respective periods in fiscal 2023.

**Liquidity and Capital Resources**

*Sources of Cash and Working Capital*. NTIC's working capital, defined as current assets less current liabilities, was $23,975,459 as of February 29, 2024, including $4,835,031 in cash and cash equivalents, compared to $22,950,184 as of August 31, 2023, including $5,406,173 in cash and cash equivalents.

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

NTIC also expects to use some of its capital resources to continue to transition some of its joint ventures as needed or appropriate, which may include additional acquisitions by NTIC of the remaining ownership interests of joint ventures not owned by NTIC, the formation of one or more new subsidiaries to assume the operations of a joint venture, and dissolutions or liquidations of one or more of its joint ventures. Some of these joint venture transitions may materially impact NTIC's results of operations for a particular reporting period. For example, the formation of a new indirect, majority owned subsidiary of NTIC to assume the operations of a former joint venture increased NTIC's operating expenses during the six months ended February 29, 2024.

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

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

*Credit Agreement with JPMorgan Chase Bank, N.A.* On January 6, 2023, NTIC entered into a Credit Agreement (the Credit Agreement) with JPMorgan Chase Bank, N.A. (JPM), which provides NTIC with a senior secured revolving line of credit (the Credit Facility) of up to $10.0 million, which includes a $5.0 million sublimit for standby letters of credit. Borrowings of $1,192,645 and $3,600,000 were outstanding under the Credit Facility as of February 29, 2024 and August 31, 2023, respectively.

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

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

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

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

The Credit Agreement also contains customary events of default, including, without limitation, payment defaults, material inaccuracy of representations and warranties, covenant defaults, bankruptcy and insolvency proceedings, cross-defaults to certain other agreements, breach of any financial covenant and change of control. Upon the occurrence and during the continuance of any event of default, JPM may accelerate the payment of the obligations thereunder and exercise various other customary default remedies. As of February 29, 2024, NTIC was in compliance with all debt covenants under the Credit Agreement.

*Other Credit Arrangements*. On each of April 10, 2023 and May 30, 2023, the Company's wholly-owned subsidiary in China, NTIC China, entered into a loan agreement with China Construction Bank Corporation. Each term loan provided NTIC China with a RMB 10,000,000 (USD $1.45 million). Each of the term loans matures after one year with the principal due at that time, after which an extension of the loan agreement is required. Both term loans have an annual interest rate of 3.25% with interest due monthly. Both term loans are secured by an office building owned by NTIC China and the loan agreements contain certain financial and other covenants. NTIC was in compliance with the covenants as of February 29, 2024. The current outstanding balance for both term loans was USD $2,782,686 as of February 29, 2024 and USD $2,757,176 as of August 31, 2023.

*Uses of Cash and Cash Flow*. Net cash provided by operating activities during the six months ended February 29, 2024 was $5,643,007, which resulted principally from NTIC's net income, dividends received from joint ventures, dividend receivables from joint ventures, depreciation and amortization expense, and stock-based compensation, partially offset by equity in income from joint ventures. Net cash provided by operating activities during the six months ended February 28, 2023 was $2,204,834, which resulted principally from NTIC's net income, dividends received from joint ventures, depreciation and amortization expense, and stock-based compensation, partially offset by equity in income from joint ventures.

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

NTIC experienced a decrease in trade receivables and a decrease in inventory as of February 29, 2024, compared to August 31, 2023. Trade receivables, excluding joint ventures, as of February 29, 2024, decreased $844,538 compared to August 31, 2023, primarily related to the timing of collections and increases in sales.

Outstanding trade receivables, excluding joint ventures balances, decreased an average of 5 days to an average of 66 days from balances outstanding from these customers as of February 29, 2024 from an average of 71 days as of August 31, 2023.

Outstanding trade receivables from joint ventures as of February 29, 2024 increased $704,017 compared to August 31, 2023, primarily due to the timing of payments and orders. Outstanding balances from trade receivables from joint ventures increased an average of 97 days to an average of 131 days from balances outstanding from these customers as of February 29, 2024 from an average of 34 days as of August 31, 2023. The average days outstanding of trade receivables from joint ventures as of February 29, 2024 were primarily due to the receivables balances at Thailand and South Korea.

Outstanding receivables for services provided to joint ventures as of February 29, 2024 decreased $68,883 compared to August 31, 2023, and the average days to pay decreased an average of 1 days to an average of 85 days from an average of 86 days as of August 31, 2023.

Net cash used in investing activities for the six months ended February 29, 2024 and February 28, 2023 was $1,505,927 and $1,923,336, respectively, which was primarily the result of the purchases of property and equipment, and investments in patents.

Net used in financing activities for the six months ended February 29, 2024 was $4,762,201, which resulted from dividends paid to shareholders, the repayment of borrowings under the line of credit, and dividends received by non-controlling interests, partially offset by proceeds from NTIC's employee stock purchase plan. Net cash used in financing activities for the six months ended February 28, 2023 was $111,605, which resulted from dividends paid to shareholders and dividends received by non-controlling interests, partially offset by proceeds from the exercise of stock options, borrowings under the line of credit and proceeds from NTIC's employee stock purchase plan.

*Share Repurchase Plan*. On January 15, 2015, NTIC's Board of Directors authorized the repurchase of up to $3,000,000 in shares of NTIC common stock through open market purchases or unsolicited or solicited privately negotiated transactions. This program has no expiration date but may be terminated by NTIC's Board of Directors at any time. No repurchases occurred during the six months ended February 29, 2024. As of February 29, 2024, up to $2,640,548 in shares of NTIC common stock remained available for repurchase under NTIC's stock repurchase program.

*Cash Dividends*. During the six months ended February 29, 2024, NTIC's Board of Directors declared cash dividends on the following dates in the following amounts to the following holders of NTIC's common stock:

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

During the six months ended February 28, 2023, NTIC's Board of Directors declared cash dividends on the following dates in the following amounts to the following holders of NTIC's common stock:

| Declaration Date | Amount | | Record Date | Payable Date |
|---|---|---|---|---|
| October 20, 2022 | $ | 0.07 | November 3, 2022 | November 16, 2022 |
| January 20, 2023 | $ | 0.07 | February 1, 2023 | February 15, 2023 |

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

*Capital Expenditures and Commitments*. NTIC spent $1,443,762 on capital expenditures during the six months ended February 29, 2024, which related primarily to facility improvements to the warehouse facility NTIC purchased during fiscal 2023 and associated equipment. NTIC expects to spend an aggregate of approximately $1,600,000 to $2,100,000 on capital expenditures during fiscal 2024, which it expects will relate primarily to the installation of new Enterprise Resource Planning (ERP) software system and the purchase of new equipment and facility improvements.

**Inflation and Seasonality**

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

**Market Risk**

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

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

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

Any outstanding advances under NTIC's Credit Facility with JPM bear interest at a floating rate, at the option of NTIC, equal to either the CB Floating Rate or the Adjusted SOFR Rate, as defined above. Borrowings of $1,192,645 were outstanding under the Credit Facility as of February 29, 2024.

Both term loans undertaken by NTIC China with China Construction Bank Corporation have an annual interest rate of 3.25% with interest due monthly. The current outstanding balance as of February 29, 2024 for both term loans is USD $2,782,686.

**Critical Accounting Policies and Estimates**

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

**Recent Accounting Pronouncements**

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

**Forward-Looking Statements**

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

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

- The effect of worldwide disruption in supply issues on NTIC's business, operating results and financial condition, which will likely continue through fiscal 2024, regardless of the status of COVID-19;

- The effect of COVID-19 on NTIC's business, operating results and financial condition, including in particular in China, and disruption to our customers, suppliers and subcontractors, as well as the global economy and financial markets;

- The effect of current worldwide economic conditions, inflation, recessionary indicators and any turmoil and disruption in the global credit, financial and banking markets or the perception of adverse conditions on NTIC's business and the business of NTIC's customers, suppliers, vendors and other third parties with whom NTIC conducts business;

- The effect of the ongoing war between Russia and Ukraine, and the effect of the war and the resulting sanctions by U.S. and European governments on commodity price fluctuations, which have decreased our margins and the margins of our joint ventures and resulted in decreased joint venture profitability, which will likely continue through the end of fiscal 2024;

- The effect of the ongoing war between Israel and Hamas;

- NTIC's operations in China and the risks associated therewith, including trade or other issues that may result from increasing tensions between the U.S. and China;

- Variability in NTIC's sales of ZERUST® products and services to the oil and gas industry and Natur-Tec® products and NTIC's equity income of joint ventures, which variability in sales and equity in income from joint ventures, in turn, subject NTIC's earnings to quarterly fluctuations;

- Risks associated with NTIC's international operations and exposure to fluctuations in foreign currency exchange rates, import duties, taxes, and tariffs;

- The effect of the United Kingdom's process to exit the European Union on NTIC's operating results, including, in particular, future net sales of NTIC's European and other joint ventures;

- The effect of the health of the U.S. automotive industry on NTIC's business and the evolution of the automotive industry towards electric vehicles;

- NTIC's dependence on the success of its joint ventures and fees and dividend distributions that NTIC receives from them;

- Risks associated with NTIC's acquisition of the remaining 50% ownership interest in its Indian joint venture, Zerust India;

- NTIC's relationships with its joint ventures and its ability to maintain those relationships, especially in light of anticipated succession planning issues, and risks associated with possible future acquisitions of the remaining ownership interests of certain joint ventures;

- Fluctuations in the cost and availability of raw materials, including resins and other commodities, including supply chain disruptions and weather related impacts;

- The success of and risks associated with NTIC's emerging new businesses and products and services, including in particular NTIC's ability and the ability of NTIC's joint ventures to sell ZERUST® products and services to the oil and gas industry and Natur-Tec® products and the often lengthy and extensive sales process involved in selling such products and services;

- NTIC's ability to introduce new products and services that respond to changing market conditions and customer demand;

- Market acceptance of NTIC's existing and new products, especially in light of existing and new competitive products;

- Maturation of certain existing markets for NTIC's ZERUST® products and services and NTIC's ability to grow market share and succeed in penetrating other existing and new markets;

- Increased competition, especially with respect to NTIC's ZERUST® products and services, and the effect of such competition on NTIC's and its joint ventures' pricing, net sales, and margins;

- NTIC’s reliance upon and its relationships with its distributors, independent sales representatives, and joint ventures;
- NTIC’s reliance upon suppliers;
- Oil prices, which may affect sales of NTIC’s ZERUST® products and services to the oil and gas industry, and which may be impacted by the ongoing war between Russia and Ukraine;
- The costs and effects of complying with laws and regulations and changes in tax, fiscal, government, and other regulatory policies, including rules relating to environmental, health, and safety matters;
- Unforeseen product quality or other problems in the development, production, and usage of new and existing products;
- Unforeseen production expenses incurred in connection with new customers and new products;
- Loss of or changes in executive management or key employees and the need to hire and train local support in a timely manner in order to support customer needs;
- Ability of management to manage around unplanned events;
- Pending and future litigation;
- NTIC’s reliance on its intellectual property rights and the absence of infringement of the intellectual property rights of others;
- NTIC’s ability to maintain effective internal control over financial reporting, especially in light of its joint venture arrangements;
- Changes in applicable laws or regulations and NTIC’s failure to comply with applicable laws, rules, and regulations;
- Changes in generally accepted accounting principles and the effect of new accounting pronouncements;
- NTIC’s ability to effectively remediate its material weakness and maintain effective internal control over financial reporting;
- Fluctuations in NTIC’s effective tax rate;
- The effect of extreme weather conditions on NTIC’s operating results; and
- NTIC’s reliance upon its management information systems.

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

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

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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

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

With respect to interest rate risk, any outstanding advances under NTIC's Credit Facility with JPM bear interest at a floating rate, at the option of NTIC, equal to either the CB Floating Rate or the Adjusted SOFR Rate, as defined above. Borrowings of $1,192,645 were outstanding under the Credit Facility as of February 29, 2024. Both term loans undertaken by NTIC China with China Construction Bank Corporation have an annual interest rate of 3.25% with interest due monthly. The current outstanding balance as of February 29, 2024 for both term loans is USD $2,782,686.

## ITEM 4. CONTROLS AND PROCEDURES

**Evaluation of Disclosure Controls and Procedures**

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

**Previously Reported Material Weakness in Internal Control over Financial Reporting**

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

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

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

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

**Changes in Internal Control over Financial Reporting**

Other than the remediation steps discussed above, there was no change in NTIC’s internal control over financial reporting that occurred during the quarter ended February 29, 2024 that has materially affected or is reasonably likely to materially affect NTIC’s internal control over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

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

### ITEM 1A. RISK FACTORS

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 February 29, 2024, NTIC did not issue any shares of its common stock or other equity securities of NTIC that were not registered under the Securities Act of 1933, as amended.

**Issuer Purchases of Equity Securities**

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

| Period | Total Number of Shares (or Units) Purchased | Average Price Paid Per Share (or Unit) | Total Number of Shares (or Units) Purchased As Part of Publicly Announced Plans or Programs | Maximum Number of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs |
|---|---|---|---|---|
| December 1, 2023, through December 31, 2023 | 0 | $ 0 | 0 | (1) |
| January 1, 2024, through January 31, 2024 | 0 | $ 0 | 0 | (1) |
| February 1, 2024, through February 29, 2024 | 0 | $ 0 | 0 | (1) |
| Total | 0 | $ 0 | 0 | (1)(2) |

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

(2) As of February 29, 2024, up to $2,640,548 in shares of NTIC common stock remained available for repurchase under NTIC's stock repurchase program.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

## ITEM 5. OTHER INFORMATION

During the three months ended February 29, 2024, none of our directors or "officers" (as defined in Rule 16a-1(f) under the Exchange Act) adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408 of SEC Regulation S-K.

## ITEM 6. EXHIBITS

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

| Exhibit No. | Description |
|---|---|
| 10.1 | Northern Technologies International Corporation 2024 Stock Incentive Plan (Incorporated by reference to Exhibit 10.1 to NTIC's Current Report on Form 8-K as filed with the Securities and Exchange Commission on January 19, 2024 (File No. 001-11038)) |
| 10.2 | Form of Incentive Stock Option Agreement for use with the Northern Technologies International Corporation 2024 Stock Incentive Plan (Incorporated by reference to Exhibit 10.2 to NTIC's Current Report on Form 8-K as filed with the Securities and Exchange Commission on January 19, 2024 (File No. 001-11038)) |
| 10.3 | Form of Non-Statutory Stock Option Agreement for use with the Northern Technologies International Corporation 2024 Stock Incentive Plan (Incorporated by reference to Exhibit 10.3 to NTIC's Current Report on Form 8-K as filed with the Securities and Exchange Commission on January 19, 2024 (File No. 001-11038)) |
| 10.4 | Form of Restricted Stock Unit Award Agreement for use with the Northern Technologies International Corporation 2024 Stock Incentive Plan (Incorporated by reference to Exhibit 10.4 to NTIC's Current Report on Form 8-K as filed with the Securities and Exchange Commission on January 19, 2024 (File No. 001-11038)) |
| 31.1 | Certification of President and Chief Executive Officer pursuant to SEC Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith) |
| 31.2 | Certification of Chief Financial Officer pursuant to SEC Rule 13a-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith) |
| 32.1 | Certification of President and Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith) |
| 32.2 | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith) |
| 101 | The following materials from NTIC's Quarterly Report on Form 10-Q for the fiscal quarter ended February 29, 2024, formatted in Inline XBRL (Extensible Business Reporting Language): (i) the unaudited Consolidated Balance Sheets, (ii) the unaudited Consolidated Statements of Operations, (iii) the unaudited Consolidated Statements of Comprehensive Income, (iv) the unaudited Consolidated Statements of Equity, (v) the unaudited Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements (filed herewith) |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

## SIGNATURES

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

**NORTHERN TECHNOLOGIES INTERNATIONAL CORPORATION**

/s/ Matthew C. Wolsfeld

Date: April 11, 2024

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

**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 purposes in accordance with generally accepted accounting principles;

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 11, 2024

/s/ G. Patrick Lynch
G. Patrick Lynch
President and Chief Executive Officer
(principal 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 purposes in accordance with generally accepted accounting principles;

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 11, 2024

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

**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 on Form 10-Q of Northern Technologies International Corporation (the “Company”) for the period ended February 29, 2024, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, G. Patrick Lynch, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Circle Pines, Minnesota
April 11, 2024

**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 on Form 10-Q of Northern Technologies International Corporation (the "Company") for the period ended February 29, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Matthew C. Wolsfeld, Chief Financial Officer and Corporate Secretary of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge and belief:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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

Circle Pines, Minnesota
April 11, 2024