

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

TOOTSIE ROLL INDUSTRIES INC  
Form 10-Q  
May 11, 2006

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

FORM 10-Q

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

For the quarterly period ended APRIL 1, 2006

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 1-1361

Tootsie Roll Industries, Inc.  
(Exact Name of Registrant as Specified in its Charter)

VIRGINIA 22-1318955  
(State of Incorporation) (I.R.S. Employer Identification No.)

7401 South Cicero Avenue, Chicago, Illinois 60629  
(Address of Principal Executive Offices) (Zip Code)

773-838-3400  
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date (April 1, 2006)

Class Outstanding

# Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

Common Stock, \$.69 4/9 par value	36,096,800
Class B Common Stock, \$.69 4/9 par value	18,522,840

TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES

APRIL 1, 2006

## INDEX

	Page No.
Part I - Financial Information	
Item 1. Financial Statements:	
Condensed Consolidated Statements of Financial Position	2
Condensed Consolidated Statements of Earnings, Comprehensive Earnings and Retained Earnings	3
Condensed Consolidated Statements of Cash Flows	4
Notes to Condensed Consolidated Financial Statements	5
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	6
Item 3. Quantitative and Qualitative Disclosures About Market Risk	6C
Item 4. Controls and Procedures	6D
Part II - Other Information	
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	7
Item 6. Exhibits	7
Signatures	7
Certifications	7A-C

PART 1. FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS  
TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
(in thousands of dollars) (UNAUDITED)

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

ASSETS	April 01,	April 02,	Dec. 31,
CURRENT ASSETS	2006	2005	2005
Cash & cash equivalents	\$ 49,007	\$ 31,065	\$ 69,006
Restricted cash	10,165	-	22,330
Investments	47,596	40,192	54,892
Trade accounts receivable, Less allowances of \$2,479, \$2,404 & \$2,255	33,941	26,794	30,856
Other receivables	1,853	8,445	2,768
Inventories, at cost			
Finished goods & work in process	45,315	47,293	34,311
Raw material & supplies	20,897	23,925	20,721
Prepaid expenses	4,047	3,997	5,840
Deferred income taxes	6,666	1,370	5,872
 Total current assets	 219,487	 183,081	 246,596
 PROPERTY, PLANT & EQUIPMENT, at cost			
Land	17,089	14,976	14,857
Buildings	73,709	61,725	63,544
Machinery & equipment	252,429	249,029	250,841
	343,227	325,730	329,242
Less-accumulated depreciation	152,846	145,877	150,482
Net property, plant and equipment	190,381	179,853	178,760
 OTHER ASSETS			
Goodwill	74,194	73,974	74,194
Trademarks	189,024	193,342	189,024
Investments	44,539	85,713	44,851
Split dollar life insurance	71,104	67,743	69,772
Investment in joint venture	10,848	10,511	10,499
	389,709	431,283	388,340
 Total assets	 \$799,577	 \$794,217	 \$813,696

-2-

(The accompanying notes are an integral part of these statements.)

(in thousands except per share data) (UNAUDITED)

LIABILITIES AND SHAREHOLDERS' EQUITY	April 1,	April 2,	Dec. 31,
CURRENT LIABILITIES	2006	2005	2005

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

Bank loan	\$ 16,000	\$ 9,667	\$ 32,001
Accounts payable	20,956	15,888	17,482
Dividends payable	131	329	4,263
Accrued liabilities	40,783	42,613	44,969
Income taxes payable	15,835	13,378	14,941
Total current liabilities	93,705	81,875	113,656
NON-CURRENT LIABILITIES			
Bank loan	-	67,333	-
Deferred income taxes	36,249	25,689	32,088
Postretirement health care and life insurance benefits	10,931	10,238	10,783
Industrial development bonds	7,500	7,500	7,500
Deferred compensation and other liabilities	32,715	29,673	32,264
Total non-current liabilities	87,395	140,433	82,635
Total liabilities	181,100	222,308	196,291
SHAREHOLDERS' EQUITY			
Common Stock, \$.69-4/9 par value- 120,000 shares authorized; 36,097, 35,582 & 35,255 respectively, issued	25,067	24,710	24,483
Class B common stock, \$.69-4/9 par value- 40,000 shares authorized; 18,523, 18,035 & 18,000, respectively, issued	12,863	12,524	12,500
Capital in excess of par value	462,464	436,734	426,125
Retained earnings	128,666	111,266	164,236
Accumulated other comprehensive earnings (loss)	(8,591)	(11,333)	(7,947)
Treasury stock (at cost)- 60, 60 & 60 shares, respectively	(1,992)	(1,992)	(1,992)
Total shareholders' equity	618,477	571,909	617,405
Total liabilities and Shareholders' equity	\$799,577	\$794,217	\$813,696

-2A-

(The accompanying notes are an integral part of these statements.)

TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF  
EARNINGS, COMPREHENSIVE EARNINGS AND RETAINED EARNINGS  
(in thousands except per share amounts)

	(UNAUDITED)	
	FIRST QUARTER ENDED	
	April 01, 2006	& April 02, 2005
Net sales	\$103,822	\$ 97,925
Cost of goods sold	64,422	58,476
Gross margin	39,400	39,449
Selling, marketing and administrative expense	23,049	22,290
Earnings from operations	16,351	17,159
Other income, net	1,847	1,207
Earnings before income taxes	18,198	18,366

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

Provision for income taxes	5,836	5,860
Net earnings	12,362	12,506
Other comprehensive income, before tax:		
Foreign currency translation adjustments	(324)	86
Unrealized gain (losses) on securities	160	(621)
Unrealized losses on derivatives	(669)	(153)
Other comprehensive loss, before tax	(833)	(688)
Income tax benefit related to items of other comprehensive income	189	286
Other comprehensive loss, net of tax	(644)	(402)
Comprehensive earnings	\$ 11,718	\$ 12,104
Retained earnings at beginning of period	\$164,236	\$149,055
Net earnings	12,362	12,506
Cash dividends	(4,238)	(3,655)
Stock dividends - 3%	(43,694)	(46,640)
Retained earnings at end of period	\$128,666	\$111,266
Net earnings per share	\$.23	\$.23
Dividends per share *	\$.08	\$.07
Average number of shares outstanding	54,697	55,303

\*Does not include 3% stock dividend to shareholders of record on 3/10/06 and 3/11/05.

-3-

(The accompanying notes are an integral part of the statements.)

TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands of dollars) (UNAUDITED)  
FIRST QUARTER ENDED  
April 1, 2006 & April 2, 2005

CASH FLOWS FROM OPERATING ACTIVITIES:

Net earnings	\$ 12,362	\$ 12,506
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	3,666	3,553
Amortization of marketable securities	299	514
Purchase of trading securities	(1,449)	(1,170)
Changes in operating assets and liabilities:		
Accounts receivable	(3,185)	1,679
Other receivables	494	459
Inventories	(11,254)	(12,423)
Prepaid expenses and other assets	93	(175)

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

Accounts payable and accrued liabilities	(2,436)	(5,548)
Income taxes payable and deferred	4,167	4,803
Postretirement health care and life insurance benefits	148	163
Deferred compensation and other liabilities	369	411
Other	13	24
Net cash provided by operating activities	3,287	4,796
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(15,424)	(4,626)
Decrease in restricted cash	12,165	-
Purchase of available for sale securities	-	(3,000)
Sale and maturity of available for sale securities	8,970	5,611
Net cash provided by (used in) investing activities	5,711	( 2,015)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net repayments on borrowings	(14,219)	(15,000)
Dividends paid in cash	(8,502)	(7,315)
Shares repurchased and retired	(6,276)	(6,390)
Net cash used in financing activities	(28,997)	(28,705)
Decrease in cash and cash equivalents	(19,999)	(25,924)
Cash and cash equivalents—beginning of year	69,006	56,989
Cash and cash equivalents end of quarter	\$ 49,007	\$ 31,065
Supplemental cash flow information:		
Income taxes paid	\$ 435	\$ 462
Interest paid	\$ 448	\$ 580
Stock dividend issued	\$ 43,563	\$ 46,311

(The accompanying notes are an integral part of the statements.)

-4-

TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 1, 2006  
(in thousands except per share amounts) (UNAUDITED)

Note 1 - Foregoing data has been prepared from the unaudited financial records of Tootsie Roll Industries, Inc. and Subsidiaries (the Company) and in the opinion of management all adjustments necessary for a fair statement of the results for the interim period have been reflected. All adjustments were of a normal and recurring nature. Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. These

## Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

consolidated financial statements should be read in conjunction with the consolidated financial statements and the related notes included in the Company's 2005 Annual Report on Form 10-K.

Note 2 - Average shares outstanding for the period ended April 1, 2006 reflects stock repurchases of 222 shares for \$6,276 and a 3% stock dividend distributed on April 13, 2006. Average shares outstanding for the period ended April 2, 2005 reflects stock repurchases of 216 shares for \$6,390 and a 3% stock dividend distributed on April 14, 2005.

Note 3 - Results of operations for the period ended April 1, 2006 are not necessarily indicative of results to be expected for the year to end December 31, 2006 because of the seasonal nature of the Company's operations. Historically, the third quarter has been the Company's largest sales quarter due to Halloween sales.

Note 4 - The bank loan is a demand note issued in December 2005 due no later than July 20, 2006. The loan is collateralized by investments in marketable securities and is subject to other terms and conditions, none of which are significant. The Company intends to repay the loan during the second quarter of 2006. Interest is LIBOR based, and the average rate was 4.464% in 2006.

-5-

### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (dollars in thousands except per share amounts)

The following is management's discussion of the Company's operating results and analysis of factors that have affected the accompanying Condensed Statement of Earnings.

NET SALES:			Net change in
			First Quarter, 2006
	First Quarter		vs.
	2006	2005	First Quarter, 2005
	\$103,822	\$97,925	6.0%

## Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

First quarter 2006 net sales were \$103,822 compared to \$97,925 in first quarter 2005, an increase of \$5,897 or 6.0%. First quarter 2006 sales reflect increases in substantially all of the Company's core brands due to successful marketing programs. The first quarter sales increase principally reflects increases in sales volume, however, a portion of the sale increase is attributable to sales price increases as discussed below.

First quarter 2006 net sales were \$103,822 compared to \$112,495 in fourth quarter 2005. This decrease in net sales is not considered unusual, as the first quarter of the year is historically the Company's lowest sales quarter.

### COST OF SALES:

First Quarter		Cost of Sales as a Percentage of Net Sales	
2006	2005	1st Qtr. 2006	1st Qtr. 2005
\$64,422	\$58,476	62.1%	59.7%

Cost of sales as a percentage of net sales increased from 59.7% in first quarter 2005 to 62.1% in first quarter 2006. The increase in cost of sales as a percentage of net sales reflects substantially higher costs relating to major ingredients, principally sugar and corn syrup, and plant manufacturing utilities and energy. Higher costs of labor and related fringe benefits, principally health insurance, and certain packaging materials also added to higher costs.

### OPERATING EARNINGS:

First Quarter		First Quarter, 2006 vs. First Quarter, 2005
2006	2005	
\$16,351	\$17,159	(4.7)%

-6-

Selling, marketing and administrative expenses increased from \$22,290 in the first quarter 2005 to \$23,049 in first quarter 2006, an increase of \$759 or 3.4%. As a percentage of net sales, such operating expenses favorably decreased from 22.8% in 2005 to 22.2% in 2006, reflecting various cost efficiencies achieved from increased consolidated net sales. However, the Company was adversely affected by significant increases in freight and delivery expenses, principally reflecting higher fuel surcharges, during first quarter 2006 compared to the corresponding period in the prior year.

First quarter earnings from operations were \$16,351 and \$17,159 in 2006 and 2005, respectively, a decrease of \$808 or 4.7%. The favorable effects of higher sales were mitigated by adverse factors that resulted in higher cost of sales and lower gross profit margins as discussed above. Although the Company has taken action and implemented programs, including price increases, intending to recover these cost increases and restore margins, the Company's first quarter 2006 results only partially benefited from these initiatives. The Company's first quarter 2006 period was a transition period for the implementation of many of these actions and initiatives in 2006.

### NET EARNINGS:



## Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

		First Quarter, 2006
	First Quarter	vs.
2006	2005	First Quarter, 2005
\$12,362	\$12,506	(1.2)%

First quarter 2006 net earnings were \$12,362 compared to first quarter 2005 net earnings of \$12,506. First quarter earnings per share were \$0.23 in both 2006 and 2005.

Other income, net was \$1,847 in first quarter 2006 compared to \$1,207 in first quarter 2005. Other income, net in 2006 includes \$207 of decreased interest expense and \$292 of increased investment income reflecting the reductions in bank debts and financing costs of the Concord Confections business acquired in August 2004.

The consolidated effective income tax rate increased from 32.4% in first quarter 2005 to 32.7% in first quarter 2006. The aforementioned increase generally reflects higher effective rates for foreign taxes.

In addition to the factors discussed above, earnings per share benefited from fewer shares outstanding as a result of the Company's share repurchases.

-6A-

### LIQUIDITY AND CAPITAL RESOURCES:

The Company's current ratio (current assets divided by current liabilities) was 2.3 to 1 as of the end of first quarter 2006 as compared to 2.2 to 1 as of the end of first quarter 2005 and 2.2 to 1 as of the end of fourth quarter 2005. Net working capital was \$125,782 as of the end of first quarter 2006 as compared to \$132,940 and \$101,206 as of the end of fourth quarter 2005 and first quarter 2005, respectively. The aforementioned net working capital amounts are principally reflected in aggregate cash and cash equivalents and short-term investments which totaled \$96,603 as of the end of first quarter 2006 compared to \$123,898 and \$71,257, as of the end of fourth quarter 2005 and first quarter 2005, respectively. In addition, long term investments, principally debt securities comprising municipal bonds, were \$44,539 as of the end of first quarter 2006 as compared to \$44,851 and \$85,713 as of the end of fourth quarter 2005 and first quarter 2005, respectively. Investments in municipal bonds and other debt securities that matured during first quarters 2006 and 2005 were generally used to pay down bank loans or replaced with debt securities of similar maturities.

As of the end of first quarter 2006 and 2005, the Company had \$16,000 and \$77,000, respectively, of bank loans which principally relate to the financing of the Concord Confections acquisition in August 2004. These bank loans were paid down through a combination of cash flows provided by operating activities and investment maturities. The balance of the bank loan outstanding at the end of first quarter 2006 is due in July 2006, and the Company intends to repay the outstanding loan during the second quarter

## Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

2006.

Net cash provided by operating activities was \$3,287 for first quarter 2006, as compared to \$4,796 for first quarter 2005. The aforementioned net change in net cash provided by operating activities principally reflects the timing of payments and cash flows relating to accounts receivable and accounts payable and accrued liabilities. Capital expenditures for first quarter 2006 and 2005 were \$15,424 and \$4,626, respectively. First quarter 2006 capital expenditures reflect \$12,397 of investments in rental income producing real estate which was funded from the Company's restricted cash. Excluding the reinvestment of restricted cash, capital expenditures for the 2006 year are anticipated to be generally in line with historical annualized spending, and are to be funded from the Company's cash flow from operations and internal sources.

Of the \$22,330 in proceeds from the sale of surplus real estate during 2005 and held as restricted cash as of December 31, 2005, \$12,397 was reinvested in "like kind" real estate during first quarter 2006 in compliance with U.S. Internal Revenue Code Section 1031. During first quarter 2006 the Company also reclassified approximately \$4,300 of current income taxes payable to deferred income taxes, all of which relates to the aforementioned Section 1031 reinvestment. Subsequent to the end of first quarter 2006, the Company reinvested the balance of \$9,933 of such proceeds and restricted cash in additional rental income producing real estate in accordance with Section 1031.

-6B-

Cash dividends declared in first quarter 2006 and 2005 were \$4,238 and \$3,655, respectively. However, dividends paid in cash were \$8,502 and \$7,315, in first quarter 2006 and 2005, respectively. The difference between dividends declared and dividends paid is due to payment in the first quarter of a dividend declared in the fourth quarter of the respective preceding year.

The Company repurchased and retired \$6,276 and \$6,390 of its outstanding common stock during first quarter 2006 and 2005, respectively.

This discussion and certain other sections of this Form 10-Q contain forward-looking statements that are based largely on the Company's current expectations and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to certain risks, trends and uncertainties that could cause actual results and achievements to differ materially from those expressed in the forward-looking statements. Such risks, trends and uncertainties, which in some instances are beyond the Company's control, include changes in demand and consumer preferences, including seasonal events such as Halloween; the effects of increases in ingredient and packaging costs; the effect of acquisitions on the Company's results of operations and financial condition; the effect of changes in foreign currencies on the Company's foreign subsidiaries; the Company's reliance on third-party vendors for various goods and services; the effect of changes in assumptions, including discount rates and profit margins, relating to the Company's impairment testing and analysis of its goodwill and trademarks; changes in the confectionary market place including actions taken by major retailers and customers; customer and consumer response to marketing programs and price and trade allowance adjustments; changes in governmental laws and regulations including taxes; the overall competitive environment in the Company's industry; and changes in assumptions and judgments discussed

## Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

under the heading "Critical Accounting Policies of the company's MD&A" included in the 2005 annual report and 10-K. The words "believe," "expect," "anticipate," "estimate," "intend" and similar expressions generally identify forward-looking statements. Readers are cautioned not to place undue reliance on such forward-looking statements, which are as of the date of this filing.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK:

The Company is exposed to various market risks, including fluctuations in sugar, corn syrup, edible oils, cocoa, gum and gum-base ingredients and packaging costs. The Company is exposed to exchange rate fluctuations in the Canadian dollar which is the currency used for a portion of the operating costs at its Canadian plants. The Company also invests in securities with maturities of up to three years, the majority of which are held to maturity, which limits the Company's exposure to interest rate fluctuations. There has been no material change in the Company's market risks that would significantly affect the disclosures made in the Form 10-K for the year ended December 31, 2005.

-6C-

### Item 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of management, the chief executive officer and chief financial officer of the Company have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of April 1, 2006 and, based on their evaluation, the chief executive officer and chief financial officer have concluded that these controls and procedures are effective. Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures are also designed to ensure that information is accumulated and communicated to management, including the chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ended April 1, 2006 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

-6D-

## PART II - OTHER INFORMATION

TOOTSIE ROLL INDUSTRIES, INC.  
AND SUBSIDIARIES

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	Shares Purchased as Part of Publicly Announced Plans Or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
JAN 1 TO JAN 28	29,700	\$28.80	NOT APPLICABLE	NOT APPLICABLE
JAN 29 TO FEB 25	52,200	28.68	NOT APPLICABLE	NOT APPLICABLE
FEB 26 TO APR 1	140,200	27.92	NOT APPLICABLE	NOT APPLICABLE
TOTAL	222,100	\$28.22		

While the Company does not have a formal or publicly announced stock repurchase program, the Company's board of directors periodically authorizes a dollar amount for share repurchases. The treasurer executes share repurchase transactions according to these guidelines.

## Item 6. EXHIBITS

Exhibits 31.1 and 31.2 - Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32 - Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

# Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

## 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.

TOOTSIE ROLL INDUSTRIES, INC.

Date: May 10, 2006

BY:/s/Melvin J. Gordon  
Melvin J. Gordon  
Chairman of the Board

Date: May 10, 2006

BY:/s/G. Howard Ember, Jr.  
G. Howard Ember, Jr.  
Vice President - Finance

-7-

Exhibit 31.1

## CERTIFICATION

I, Melvin J. Gordon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tootsie Roll Industries, Inc.;
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 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 disclosure controls 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;

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

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 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: May 10, 2006

By: /s/Melvin J. Gordon  
Melvin J. Gordon  
Chairman and Chief Executive Officer

-7A-

Exhibit 31.2

CERTIFICATION

I, G. Howard Ember, Jr. certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tootsie Roll Industries, Inc.;
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 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

Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

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 disclosure controls 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 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: May 10, 2006

By: /s/G. Howard Ember, Jr.  
G. Howard Ember, Jr.  
Vice President/Finance and  
Chief Financial Officer

-7B-

Exhibit 32

Certificate Pursuant to Section 1350 of Chapter 63  
Of Title 18 of the United States Code

Each of the undersigned officers of Tootsie Roll Industries, Inc.  
Certifies that (i) the Quarterly Report on Form 10-Q of Tootsie Roll  
Industries, Inc. for the quarterly period ended April 1, 2006 (the

## Edgar Filing: TOOTSIE ROLL INDUSTRIES INC - Form 10-Q

Form 10-Q) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Tootsie Roll Industries, Inc. and its subsidiaries.

Dated: May 10, 2006

/s/Melvin J. Gordon  
Melvin J. Gordon  
Chairman and Chief  
Executive Officer

Dated: May 10, 2006

/s/G. Howard Ember, Jr.  
G. Howard Ember, Jr.  
V.P./Finance and  
Chief Financial Officer