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TOOTSIE ROLL INDUSTRIES INC
Form 10-Q
May 10, 2007

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 MARCH 31, 2007

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 (March 31, 2007)

Class Outstanding

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| | |
|---|------------|
| Common Stock, \$.69 4/9 par value | 36,426,607 |
| Class B Common Stock, \$.69 4/9 par value | 18,933,936 |

TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES

MARCH 31, 2007

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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)

ASSETS

March 31,

April 01,

Dec. 31,

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| CURRENT ASSETS | 2007 | 2006 | 2006 |
|--|---------------|---------------|---------------|
| Cash & cash equivalents | \$ 58,189 | \$ 49,007 | \$ 55,729 |
| Restricted cash | - | 10,165 | - |
| Investments | 22,807 | 47,596 | 23,531 |
| Trade accounts receivable, Less allowances of \$2,055, \$2,479 & \$2,322 | 30,698 | 33,941 | 35,075 |
| Other receivables | 3,592 | 1,853 | 3,932 |
| Inventories, at cost | | | |
| Finished goods & work in process | 52,269 | 45,315 | 42,146 |
| Raw material & supplies | 23,221 | 20,897 | 21,811 |
| Prepaid expenses | 5,407 | 4,047 | 6,489 |
| Deferred income taxes | 6,713 | 6,666 | 2,204 |
| Total current assets | 202,896 | 219,487 | 190,917 |
| PROPERTY, PLANT & EQUIPMENT, at cost | | | |
| Land | 19,402 | 17,089 | 19,402 |
| Buildings | 87,273 | 73,709 | 87,273 |
| Machinery & equipment | 260,344 | 252,429 | 259,049 |
| | 367,019 | 343,227 | 365,724 |
| Less-accumulated depreciation | 166,162 | 152,846 | 162,826 |
| Net property, plant and equipment | 200,857 | 190,381 | 202,898 |
| OTHER ASSETS | | | |
| Goodwill | 73,237 | 74,194 | 74,194 |
| Trademarks | 189,024 | 189,024 | 189,024 |
| Investments | 54,043 | 44,539 | 51,581 |
| Split dollar life insurance | 73,357 | 71,104 | 73,357 |
| Investment in joint venture | 9,197 | 10,848 | 9,668 |
| | 398,858 | 389,709 | 397,824 |
| Total assets | \$802,611 | \$799,577 | \$791,639 |

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

(in thousands except per share data) (UNAUDITED)

| | | | |
|--------------------------------------|-----------|----------|----------|
| LIABILITIES AND SHAREHOLDERS' EQUITY | March 31, | April 1, | Dec. 31, |
| CURRENT LIABILITIES | 2007 | 2006 | 2006 |

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| | | | |
|--|-----------|-----------|-----------|
| Bank loan | \$ - | \$ 16,000 | \$ - |
| Accounts payable | 15,114 | 20,956 | 13,102 |
| Dividends payable | 165 | 131 | 4,300 |
| Accrued liabilities | 37,875 | 40,783 | 43,802 |
| Income taxes payable | - | 15,835 | 1,007 |
| Total current liabilities | 53,154 | 93,705 | 62,211 |
| NON-CURRENT LIABILITIES | | | |
| Deferred income taxes | 40,410 | 36,249 | 40,864 |
| Postretirement health care and life insurance benefits | 12,918 | 10,931 | 12,582 |
| Industrial development bonds | 7,500 | 7,500 | 7,500 |
| Liability for uncertain tax positions | 14,444 | - | - |
| Deferred compensation and other liabilities | 38,240 | 32,715 | 37,801 |
| Total non-current liabilities | 113,512 | 87,395 | 98,747 |
| Total liabilities | 166,666 | 181,100 | 160,958 |
| SHAREHOLDERS' EQUITY | | | |
| Common Stock, \$.69-4/9 par value- 120,000 shares authorized; 36,427, 36,097 & 35,364 respectively, issued | 25,296 | 25,067 | 24,558 |
| Class B common stock, \$.69-4/9 par value- 40,000 shares authorized; 18,934, 18,523 & 18,390, respectively, issued | 13,149 | 12,863 | 12,771 |
| Capital in excess of par value | 484,052 | 462,464 | 438,648 |
| Retained earnings | 128,064 | 128,666 | 169,233 |
| Accumulated other comprehensive loss | (12,624) | (8,591) | (12,537) |
| Treasury stock (at cost)- 63, 62 & 62 shares, respectively | (1,992) | (1,992) | (1,992) |
| Total shareholders' equity | 635,945 | 618,477 | \$630,681 |
| Total liabilities and shareholders' equity | \$802,611 | \$799,577 | \$791,639 |

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(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

March 31, 2007 & April 01, 2006

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| | | |
|---|-----------|-----------|
| Net sales | \$ 92,914 | \$103,822 |
| Cost of goods sold | 59,544 | 64,422 |
| Gross margin | 33,370 | 39,400 |
| Selling, marketing and administrative expenses | 20,719 | 23,049 |
| Earnings from operations | 12,651 | 16,351 |
| Other income, net | 1,982 | 1,847 |
| Earnings before income taxes | 14,633 | 18,198 |
| Provision for income taxes | 4,822 | 5,836 |
| Net earnings | 9,811 | 12,362 |
| Other comprehensive income, before tax: | | |
| Foreign currency translation adjustments | (290) | (324) |
| Unrealized gain on securities | 35 | 160 |
| Unrealized income (loss) on derivatives | 287 | (669) |
| Other comprehensive income (loss), before tax | 32 | (833) |
| Income tax benefit (expense) related to items of other comprehensive income | (119) | 189 |
| Other comprehensive loss, net of tax | (87) | (644) |
| Comprehensive earnings | \$ 9,724 | \$ 11,718 |
| Retained earnings at beginning of period | \$169,233 | \$164,236 |
| Net earnings | 9,811 | 12,362 |
| Cash dividends | (4,295) | (4,238) |
| Stock dividends - 3% | (46,685) | (43,694) |
| Retained earnings at end of period | \$128,064 | \$128,666 |
| Net earnings per share | \$.18 | \$.22 |
| Dividends per share * | \$.08 | \$.08 |
| Average number of shares outstanding | 55,297 | 56,302 |

*Does not include 3% stock dividend to shareholders of record on 3/09/07 and 3/10/06.

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

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

March 31, 2007 & April 1, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

| | | |
|---|----------|-----------|
| Net earnings | \$ 9,811 | \$ 12,362 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | 3,867 | 3,666 |
| Amortization of marketable securities | 183 | 299 |
| Purchase of trading securities | (307) | (1,449) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 4,309 | (3,185) |
| Other receivables | 522 | 494 |
| Inventories | (11,641) | (11,254) |
| Prepaid expenses and other assets | 3,326 | 93 |
| Accounts payable and accrued liabilities | (3,876) | (2,436) |
| Income taxes payable and deferred | 7,551 | 4,167 |
| Postretirement health care and life insurance benefits | 336 | 148 |
| Deferred compensation and other liabilities | (47) | 369 |
| Other | 83 | 13 |
| Net cash provided by operating activities | 14,117 | 3,287 |

CASH FLOWS FROM INVESTING ACTIVITIES:

| | | |
|---|---------|----------|
| Capital expenditures | (1,934) | (15,424) |
| Decrease in restricted cash | - | 12,165 |
| Purchase of available for sale securities | (9,418) | - |
| Sale and maturity of available for sale securities | 8,291 | 8,970 |
| Net cash provided by (used in) investing activities | (3,061) | 5,711 |

CASH FLOWS FROM FINANCING ACTIVITIES:

| | | |
|--|------------|-----------|
| Net repayments on borrowings | - | (14,219) |
| Dividends paid in cash | (8,596) | (8,502) |
| Shares repurchased and retired | - | (6,276) |
| Net cash used in financing activities | (8,596) | (28,997) |
| Increase (decrease) in cash and cash equivalents | 2,460 | (19,999) |
| Cash and cash equivalents—beginning of year | 55,729 | 69,006 |
| Cash and cash equivalents end of quarter | \$ 58,189 | \$ 49,007 |
| Supplemental cash flow information: | | |
| Income taxes paid (refunded) | \$ (4,870) | \$ 435 |
| Interest paid | \$ 221 | \$ 448 |
| Stock dividend issued | \$ 46,520 | \$ 43,563 |

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

TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
MARCH 31, 2007

(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 consolidated financial statements should be read in conjunction with the consolidated financial statements and the related notes included in the Company's 2006 Annual Report on Form 10-K.
- Note 2 - Average shares outstanding for the period ended March 31, 2007 reflects a 3% stock dividend distributed on April 12, 2007. 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.
- Note 3 - Results of operations for the period ended March 31, 2007 are not necessarily indicative of results to be expected for the year to end December 31, 2007 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 at April 1, 2006, consisted of demand notes collateralized by certain investments in marketable securities. The outstanding balance was fully repaid during the second quarter 2006.
- Note 5 - The Company is subject to taxation in the U.S. and various state and foreign jurisdictions. The Company remains subject to examination by U.S. federal and state and foreign tax authorities for the years 2003 through 2006. With few exceptions, the Company is no longer subject to examinations by tax authorities for year 2002 and prior.

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The Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) effective January 1, 2007. This adoption had no significant impact on the Company as the recognition of \$12,262 of unrecognized tax benefits was consistent with those recorded in current income taxes payable at December 31, 2006. This includes \$5,102 of unrecognized tax benefits the Company recorded with a corresponding increase in the amount of deferred income tax assets. As such, there was no impact on retained earnings. Included in the balance at January 1, 2007, are \$7,160 of unrecognized tax benefits that, if recognized, would favorably affect the annual effective income tax rate.

The Company recognizes accrued interest and penalties associated with uncertain tax positions as part of its tax provision. As of January 1, 2007, the Company had \$2,182 of accrued interest.

During first quarter 2007, the Company recorded approximately \$450 of additional income tax expense, including \$280 of additional accrued interest and penalties net of tax, relating to uncertain tax positions. The Company is not currently subject to a US federal income tax examination, however, the Company is currently subject to various state and foreign provincial tax examinations. Although the Company is unable to determine the ultimate outcome of these examinations, the Company believes that its liability for uncertain tax positions relating to these tax jurisdictions for such years is adequate.

It is expected that the amount of uncertain tax positions will change in the next 12 months, however management does not expect the change to have a significant impact on the Company's financial position and results of operations.

Note 6 - New Accounting Pronouncements

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS No. 157). SFAS No. 157 establishes a common definition for fair value to be applied to US GAAP guidance requiring use of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS No. 157 and has not yet made any determination as to the effects, if any, that it

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may have on the Company's financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities- including an amendment to FASB Statement No. 115," (SFAS No. 159), which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS No. 159 and has not yet made any determination as to the effects, if any, that it may have on the Company's financial position and results of operations.

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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 | | First Quarter, 2007 |
| 2007 | 2006 | vs. |
| \$92,914 | \$103,822 | First Quarter, 2006 |
| | | (10.5%) |

First quarter 2007 net sales were \$92,914 compared to \$103,822 in first quarter 2006, a decrease of \$10,908 or 10.5%. First quarter 2007 sales reflect the timing of shipments and inventory adjustments of certain national account customers, the conclusion during the prior year first quarter 2006 of a contract to manufacture product under a private label for a third party, a non-recurring sale of certain inventory to a new foreign distributor in the prior year first quarter 2006, some acceleration of customer purchases in the prior year first quarter 2006 in advance of announced price increases, and a generally softer sales and business environment in first quarter 2007 compared to 2006.

First quarter 2007 net sales were \$92,914 compared to \$110,821 in fourth quarter 2006. Other than the factors affecting first quarter 2007 net sales discussed above, 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: | | Cost of Sales as a | |
|----------------|----------|-------------------------|---------------|
| First Quarter | | Percentage of Net Sales | |
| 2007 | 2006 | 1st Qtr. 2007 | 1st Qtr. 2006 |
| \$59,544 | \$64,422 | 64.1% | 62.1% |

Cost of sales as a percentage of net sales increased from 62.1% in first quarter 2006 to 64.1% in first quarter 2007. The increase in cost of sales as a percentage of net sales is primarily the result of higher input costs relating

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to major ingredients, principally sugar and corn syrup, and packaging materials. Higher costs of labor and related fringe benefits, principally health insurance, also added to higher costs.

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SELLING, MARKETING AND ADMINISTRATIVE EXPENSES:

| First Quarter | | Percentage of Net Sales | |
|---------------|----------|-------------------------|---------------|
| 2007 | 2006 | 1st Qtr. 2007 | 1st Qtr. 2006 |
| \$20,719 | \$23,049 | 22.3% | 22.2% |

Selling, marketing and administrative expenses decreased from \$23,049 in first quarter 2006 to \$20,719 in first quarter 2007, a decrease of \$2,330 or 10.1%. This decrease primarily reflects the decline in net sales. As a percentage of net sales, such operating expenses increased slightly from 22.2% in 2006 to 22.3% in 2007. However, the Company was adversely affected by higher freight and delivery expenses during first quarter 2007 compared to the corresponding period in the prior year.

First quarter earnings from operations were \$12,651 and \$16,351 in 2007 and 2006, respectively, a decrease of \$3,700 or 22.6%. Results for first quarter 2007 were adversely affected by lower sales and higher input costs relating to major ingredients, packaging materials, and freight and delivery. Although the Company took actions and implemented programs, including price increases, in 2006 and 2007 to restore margins that declined as a result of higher input costs, the Company was not able to fully recover ongoing input cost increases in first quarter 2007.

NET EARNINGS:

| First Quarter | | First Quarter, 2007 |
|---------------|----------|----------------------------|
| 2007 | 2006 | vs. First Quarter, 2006 |
| \$ 9,811 | \$12,362 | (20.6%) |

First quarter 2007 net earnings were \$9,811 compared to first quarter 2006 net earnings of \$12,362. First quarter 2007 earnings per share were \$0.18 compared to \$0.22 in first quarter 2006.

Other income, net was \$1,982 in first quarter 2007 compared to \$1,847 in first quarter 2006. Other income, net in 2007 includes \$211 of decreased interest expense reflecting the repayment in full of bank debt during second quarter 2006.

The consolidated effective income tax rate increased from 32.7% in first quarter 2006 to 33.2% in first quarter 2007. The aforementioned increase reflects the effects of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48) adopted on January 1, 2007, as well as higher effective rates for foreign taxes. For further information see discussion of FIN 48 under the section New Accounting Pronouncements below.

In addition to the factors discussed above, earnings per share benefited from fewer shares outstanding as a result of the Company's share repurchases during 2006.

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LIQUIDITY AND CAPITAL RESOURCES:

The Company's current ratio (current assets divided by current liabilities) was 3.9 to 1 as of the end of first quarter 2007 as compared to 2.3 to 1 as of the end of first quarter 2006 and 3.1 to 1 as of the end of fourth quarter 2006. Net working capital was \$149,742 as of the end of first quarter 2007 as compared to \$128,706 and \$125,782 as of the end of fourth quarter 2006 and first quarter 2006, respectively. The aforementioned net working capital amounts are principally reflected in aggregate cash and cash equivalents and short-term investments which totaled \$80,996 as of the end of first quarter 2007 compared to \$79,260 and \$96,603, as of the end of fourth quarter 2006 and first quarter 2006, respectively. In addition, long term investments, principally debt securities comprising municipal bonds, were \$54,043 as of the end of first quarter 2007 as compared to \$51,581 and \$44,539 as of the end of fourth quarter 2006 and first quarter 2006, respectively. Investments in municipal bonds and other debt securities that matured during first quarters 2007 and 2006 were generally used to pay down bank loans or were replaced with debt securities of similar maturities.

Net cash provided by operating activities was \$14,117 for first quarter 2007, as compared to \$3,287 for first quarter 2006. The aforementioned change in net cash provided by operating activities principally reflects the timing of payments and cash flows relating to accounts receivable, accounts payable and accrued liabilities, and income taxes payable and deferred. Capital expenditures for first quarter 2007 and 2006 were \$1,934 and \$15,424, respectively. First quarter 2006 capital expenditures reflect \$12,397 of investments in rental income-producing real estate which was funded primarily from the Company's restricted cash. This restricted cash related to the sale of surplus real estate in 2005, and was reinvested in such rental properties in first and second quarter 2006 resulting in the deferral of \$7,972 of income taxes as allowed under section 1031 of the U.S. Internal Revenue Code. Capital expenditures for the 2007 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.

The Company fully repaid its short-term bank loans in second quarter 2006. The balance of these loans as of the end of first quarter 2006 was \$16,000. These bank loans were retired in second quarter 2006 with a combination of cash flows provided by operating activities and investment maturities.

Cash dividends declared in first quarter 2007 and 2006 were \$4,295 and \$4,238, respectively. However, dividends paid in cash were \$8,596 and \$8,502, in first quarter 2007 and 2006, 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 had no repurchases and retirements of its outstanding common stock during first quarter 2007 compared to \$6,276 during first quarter 2006.

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NEW ACCOUNTING PRONOUNCEMENTS

In July 2006, the FASB issued FIN 48, "Accounting for Uncertainty in Income Taxes - An Interpretation of FASB Statement 109" (FIN 48). FIN 48 prescribes a

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comprehensive model for recognizing, measuring, presenting and disclosing in the financial statements tax positions taken on by the Company on its tax returns. Although the adoption of FIN 48 on January 1, 2007 had no impact on the Company's retained earnings, it did result in the recognition of \$12,262 of unrecognized tax benefits which was consistent with those recorded in current income taxes payable at December 31, 2006. This includes \$5,102 of unrecognized tax benefits the company recorded with a corresponding increase in the amount of deferred income tax assets. As of January 1, 2007, the Company's liability for uncertain tax positions included \$2,182 of accrued interest relating to its uncertain tax positions.

During first quarter 2007, the Company recorded approximately \$450 of additional income tax expense, including \$280 of additional accrued interest and penalties net of tax, relating to uncertain tax positions. The Company is not currently subject to a US federal income tax examination, however, the Company is currently subject to various state and foreign provincial tax examinations. Although the Company is unable to determine the ultimate outcome of these examinations, the Company believes that its liability for uncertain tax positions relating to these tax jurisdictions for such years is adequate.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements" (SFAS No. 157). SFAS No. 157 establishes a common definition for fair value to be applied to US GAAP guidance requiring use of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS No. 157 and has not yet made any determination as to the effects, if any, that it may have on the Company's financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment to FSAB Statement No. 115," (SFAS No. 159), which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS No. 159 and has not yet made any determination as to the effects, if any, that it may have on the Company's financial position and results of operations.

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FORWARD-LOOKING STATEMENTS

From time to time, in the Company's statements and written reports, including this report, the Company discusses its expectations regarding future performance by making certain "forward-looking statements." These forward-looking statements are based on currently available competitive, financial and economic data and management's views and assumptions regarding future events. Such forward-looking statements are inherently uncertain, and actual results may differ materially from those expressed or implied herein. Consequently, the Company wishes to caution readers not to place undue reliance on any forward-looking statements. In connection with the "safe harbor provisions" of the Private Securities Litigation Reform Act of 1995, the Company notes following factors which, among others, could cause future results to differ materially from the forward-looking statements, expectations and assumptions expressed or

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implied herein. Among the factors that could impact the Company's ability to achieve its stated goals are the following: (i) significant competitive activity, including advertising, promotional and price competition, and changes in consumer demand for the Company's products; (ii) fluctuations in the cost and availability of various raw materials; (iii) inherent risks in the marketplace associated with new product introductions, including uncertainties about trade and consumer acceptance and seasonal events such as Halloween (iv) the effect of acquisitions on the Company's results of operations and financial condition; (v) the effect of changes in foreign currencies on the Company's foreign subsidiaries; (vi) the Company's reliance on third-party vendors for various goods and services; (vii) the Company's ability to successfully implement new production processes and lines; (viii) the effect of changes in assumptions, including discount rates, sales growth and profit margins, relating to the Company's impairment testing and analysis of its goodwill and trademarks; (ix) changes in the confectionary market place including actions taken by major retailers and customers; (x) customer and consumer response to marketing programs and price adjustments; (xi) dependence on significant customers, including the volume and timing of their purchases; (xii) increases in energy costs we are not able to pass along to our customers through increases in energy costs we are not able to pass along to our customers through increased prices; (xiii) any significant labor stoppages or production interruptions; and (xiv) changes in governmental laws and regulations including taxes. In addition, the Company's results may be affected by general factors, such as economic conditions, political developments, currency exchange rates, interest and inflation rates, accounting standards, taxes, and laws and regulations affecting the Company in markets where it competes and those factors described in Item 1A "Risk Factors" and elsewhere in the Company's Annual Report on Form 10-K and in other Company filings with the Securities and Exchange Commission.

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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, dextrose 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 raw material and packaging material costs and operating expenses at its Canadian plants. The Company 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, 2006.

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 March 31, 2007 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

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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 March 31, 2007 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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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 27 | - | \$ - | NOT APPLICABLE | NOT APPLICABLE |
| JAN 28 TO FEB 24 | - | - | NOT APPLICABLE | NOT APPLICABLE |
| FEB 25 TO MAR 31 | - | - | NOT APPLICABLE | NOT APPLICABLE |
| TOTAL | - | \$ - | | |

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.

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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.

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 9, 2007

BY:/S/MELVIN J. GORDON
Melvin J. Gordon
Chairman of the Board

Date: May 9, 2007

BY:/S/G. HOWARD EMBER, JR.
G. Howard Ember, Jr.
Vice President Finance

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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

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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 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 9 2007

By: /S/MELVIN J. GORDON
Melvin J. Gordon
Chairman and Chief Executive Officer

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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;

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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 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 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 9, 2007

By: /S/G. HOWARD EMBER, JR.
G. Howard Ember, Jr.
Vice President/Finance and
Chief Financial Officer

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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 March 31, 2007 (the 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 9, 2007

/S/MELVIN J. GORDON
Melvin J. Gordon
Chairman and Chief
Executive Officer

Dated: May 9, 2007

/S/G. HOWARD EMBER, JR.
G. Howard Ember, Jr.
V.P./Finance and
Chief Financial Officer