AMERICAN ISRAELI PAPER MILLS LTD
Form 6-K
May 11, 2005

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K
Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934
For the Month of May 2005

AMERICAN ISRAELI PAPER MILLS LTD.
(Translation of Registrant's Name into English)
P.O. Box 142, Hadera, Israel
(Address of Principal Corporate Offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F:

|X| Form 20-F |_| Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): |_|

Note: Regulation S-T Rule 101(b)(1) only permits the submission in paper of a Form 6-K if submitted solely to provide an attached annual report to security holders.

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): |_|

Note: Regulation S-T Rule 101(b)(7) only permits the submission in paper of a Form 6-K submitted to furnish a report or other document that the registrant foreign private issuer must furnish and make public under the laws of the jurisdiction in which the registrant is incorporated, domiciled or legally organized (the registrant's "home country"), or under the rules of the home country exchange on which the registrant's securities are traded, as long as the report or other document is not a press release, is not required to be and has not been distributed to the registrant's security holders, and, if discussing a material event, has already been the subject of a Form 6-K submission or other Commission filing on EDGAR.

Indicate by check mark whether the registrant by furnishing the information contained in this form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934:

|_| Yes |X| No

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-______________

Attached hereto as Exhibit 1 and incorporated herein by reference is the Registrant's press release dated May 11, 2005 with respect to the Registrant's results of operations for the quarter ended March 31, 2005.

Attached hereto as Exhibit 2 and incorporated herein by reference is the Registrant's Management Discussion with respect to the Registrant's results of operations for the quarter ended March 31, 2005.

Attached hereto as Exhibit 3 and incorporated herein by reference are the Registrant's unaudited condensed consolidated financial statements for the quarter ended March 31, 2005.

Attached hereto as Exhibit 4 and incorporated herein by reference is the Interim Report of Mondi Business Paper Hadera Ltd. with respect to the quarter ended March 31, 2005.

Attached hereto as Exhibit 5 and incorporated herein by reference are the unaudited condensed interim consolidated financial statements of Hogla-Kimberly Ltd. and subsidiaries with respect to the quarter ended March 31, 2005.

SIGNATURE

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.

AMERICAN ISRAELI PAPER MILLS LTD.
(Registrant)

By: /s/ Lea Katz

Name: Lea Katz
Title: Corporate Secretary

Dated: May 11, 2005.

EXHIBIT INDEX

Exhibit No.	Description
1.	Press release dated May 11, 2005.
2.	Registrant's management discussion.
3.	Registrant's unaudited condensed consolidated financial statements.
4.	Interim report of Mondi Business Paper Hadera Ltd.
5.	Unaudited condensed interim consolidated financial statements of Hogla-Kimberly Ltd. and subsidiaries.

Exhibit 1

NEWS

CLIENT: AMERICAN ISRAELI PAPER MILLS LTD.

AGENCY CONTACT: PHILIP Y. SARDOFF

FOR RELEASE: IMMEDIATE

AMERICAN ISRAELI PAPER MILLS LTD.
REPORTS FINANCIAL RESULTS FOR FIRST QUARTER

Hadera, Israel, May 11, 2005 - American Israeli Paper Mills Ltd. (ASE:AIP) (the "Company" or "AIPM") today reported financial results for the first quarter ended March 31, 2005.

Since the Company's share in the earnings of associated companies constitutes a material component in the Company's statement of income (primarily on account of its share in the earnings of Mondi Business Hadera Paper (Mondi Hadera) and Hogla-Kimberly (H-K) that were consolidated in the past, until the transfer of control over these companies to the international strategic partners), we present also the aggregate data which include the results of all the companies in the AIPM Group (including the associated companies whose results appear in the financial statements under "earnings from associated companies"), net of intercompany sales and without considering the rate of holding.

Aggregate group sales in the first quarter of 2005(January - March 2005) totaled NIS 685.7 million compared with NIS 682.1 million in the corresponding quarter last year (January - March 2004).

Aggregate operating profit in the first quarter of 2005 totaled NIS 36.1 million compared with NIS 55.9 million in the corresponding quarter last year, which was especially high as compared with the annual average.

The consolidated data below does not include the results of operations of Mondi Hadera, H-K, Carmel Container Systems and TMM Integrated Recycling industries, which are included in the Company's share in results of associated companies.

Consolidated sales in the first quarter of 2005 totaled NIS 121.8 million compared with NIS 119.2 million in the corresponding quarter last year.

Operating profit in the first quarter of 2005 totaled NIS 14.5 million compared with NIS 13.5 million in the corresponding quarter last year.

Net profit in the first quarter of 2005 totaled NIS 14.0 million compared with NIS 17.4 million in the corresponding quarter last year.

Earnings per share (EPS) in the first quarter of 2005 totaled NIS 3.46 compared with NIS 4.31 for the corresponding quarter last year.

The inflation rate in the first quarter of 2005 was negative and amounted to -0.6% as compared with -0.1% in the corresponding quarter last year.

The exchange rate of the NIS in the first quarter of 2005 was devaluated by approximately 1.2% against the U.S. dollar as compared with a devaluation of 3.4% in the corresponding quarter last year.

Mr. Avi Brener, Chief Executive Officer of the Company said that following the recovery that was recorded in economic activity in Israel in 2004, the first quarter of 2005 was marked by a slowdown of growth in the economy, with a certain decrease being recorded in terms of activity and demand. The global economy also failed to display a real recovery in economic activity.

The rise in energy prices (especially fuel oil, diesel and electricity) that characterized 2004 continued in the first quarter of 2005, as well. This rise, which amounted, as compared with the first quarter of 2004, to an average rise of 40% in diesel prices for transportation, and a 20% rise in fuel oil and electricity prices, significantly affected the Group's operations and its financial results.

The Company is promoting the project for establishing a combined cycle co-generation plant based on natural gas at Hadera. In addition, the Company is preparing for the conversion of its energy-generation systems to natural gas, once the transportation infrastructure of natural gas to Hadera is completed. This conversion is expected to enable savings in production costs, while further improving environmental compliance.

The consolidated gross margin as a percentage of sales reached 23.2% during the reported quarter, as compared with 23.0% in the corresponding quarter last year. The company managed to maintain the gross margin level and even to improve it in relation to the corresponding quarter last year, despite the rise in raw material prices (paper waste by 9%), energy prices (approximately 20%), and water (5%). This was accomplished through growth in sales, higher sales prices and the continued efficiency process in all sectors of operation.

The Company's share in the earnings of associated companies - mainly Mondi Hadera, H-K, Carmel and TMM - amounted to NIS 5.8 million in the first quarter of 2005, as compared with NIS 9.9 million in the first quarter last year.

The following principal changes were recorded in the Company's share in the earnings of associated companies, in relation to the corresponding quarter last year:

- The Company's share in the net earnings of Mondi Hadera (49.9%) decreased slightly (by approximately NIS 0.1 million). Most of the change in the earnings is associated to the decrease in operating profit between the periods, originated from a quantitative decrease and the higher prices of raw materials, energy and water, which was partially offset by the decrease in financial expenses during the reported period, resulting from the differentials in the devaluation between the periods.

- The Company's share in the net earnings of Hogla-Kimberly Israel (49.9%) decreased by NIS 0.3 million, primarily due to the decrease in operating income as compared with the corresponding quarter last year, which originated primarily from a quantitative decrease and from the rise in raw material prices.

- The Company's share in the net earnings of Ovisan (Turkey) (49.9%) fell by NIS 3.3 million, primarily due to the operating loss originating from dealing with the fierce competition in the Turkish market in the baby diaper sector, towards the expansion of operations into premium products, within the framework of the strategic program that is currently being formulated. The challenge is to keep market share, in order to continue to develop Ovisan and to introduce Kimberly-Clark products into the Turkish market.

- The Company's share in the net earnings of the Carmel Group (26.25%) fell by NIS 0.2 million, due to the decrease in the operating income, which was partially offset by the improvement in financial expenses during the reported quarter. The decrease in operating income originated primarily from the sharp rise in raw material prices, that was not fully compensated by the raising of selling prices.

- The Company's share in the TMM net earnings (41.6%) decreased by NIS 0.5 million. TMM recorded an operating loss during the reported period due to the significant increase in transportation costs (originating from a significant 40% average rise in diesel prices in relation to the corresponding quarter last year), together with the eroding in revenues originated both from the need to provide discounts (due to the fierce competition in waste removal resulting from surplus transportation capacity in the market), as well as a result of the decrease in the CPI during the reported quarter (-0.6%), to which a significant proportion of the revenues are linked.

A total of 2,155 shares were issued during the reported period (0.05% dilution), as a result of the exercise of 6,955 option warrants as part of the Company's employee stock option plans.

This report contains various forward-looking statements based upon the Board of Directors' present expectations and estimates regarding the operations of the Group and its business environment. The Company does not guarantee that the future results of operations will coincide with the forward-looking statements and these may in fact differ considerably from the present forecasts as a result of factors that may change in the future, such as changes in costs and market conditions, failure to achieve projected goals, failure to achieve anticipated efficiencies and other factors which lie outside the control of the Company. The Company undertakes no obligation for publicly updating the said forward-looking statements, regardless of whether these updates originate from new information, future events or any other reason.

AMERICAN ISRAELI PAPER MILLS LTD.
SUMMARY OF RESULTS
(UNAUDITED)
except per share amounts

Three months ended March 31,

NIS IN THOUSANDS(1)

	2005	2004
Net sales	121,778	119,182
Net earnings	14,031	17,435
Earnings per share	3.46	4.31

(1) New Israeli Shekel amounts are reported according to Accounting Standard No. 12 of the Israeli Accounting Standard Board (hereafter - Standard No. 12) - "Discontinuance of Adjusting Financial Statements for Inflation". The reported NIS under Standard No. 12 are nominal NIS, for transactions made after January 1, 2004.

The representative exchange rate at March 31, 2005 was N.I.S. 4.361 = $1.00.

(sec-Pres-11162)

Exhibit 2

May 10, 2005

MANAGEMENT DISCUSSION

We are honored to present the consolidated financial statements of the American Israeli Paper Mills Ltd. Group ("AIPM" or "the Group") for the first three months of the year 2005.

A. A SUMMARIZED DESCRIPTION OF THE GROUP AND ITS BUSINESS ENVIRONMENT

1. GENERAL

AIPM deals in the manufacture and sale of paper, in the recycling of paper waste and in the marketing of office supplies - through subsidiaries. AIPM also holds interests in associated companies that deal in the manufacture and marketing of printing and writing paper, in the manufacture and marketing of household paper products, hygiene products, disposable diapers and complementary kitchen products, corrugated board containers, packaging for consumer goods and the handling of solid waste.

The company's securities are traded on the Tel Aviv Stock Exchange and on the American Stock Exchange. (AMEX).

2. THE BUSINESS ENVIRONMENT

Following the recovery that was recorded in economic activity in Israel in 2004, the first quarter of 2005 was marked by a slowdown of growth in the economy, with a certain decrease being recorded in terms of activity and demand. The global economy also failed to display a real recovery in economic activity.

The rise in energy prices (especially fuel oil, diesel and electricity) that characterized 2004 continued in the first quarter of 2005 as well. This rise, which amounted to an average rise of 40% in diesel prices for transportation, and a 20% rise in fuel oil and electricity prices as compared with the first quarter of 2004, significantly affected the Group's operations and its financial results.

AIPM is promoting the project for establishing a combined cycle co-generation plant based on natural gas at Hadera. In addition, AIPM is preparing for the conversion of its energy-generation systems to natural gas, once the transportation infrastructure of natural gas to Hadera is completed. This conversion is expected to enable savings in production costs, while further improving environmental compliance.

During the reported period (January-March 2005), the exchange rate of the NIS in relation to the US dollar was devaluated by approximately 1.2%, as compared with a devaluation of 3.4% in the corresponding period last year (January-March 2004).

The inflation rate during the reported period was negative and amounted to -0.6%, as compared with a negative inflation rate of -0.1% in the corresponding period last year.

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B. RESULTS OF OPERATIONS

1. AGGREGATE DATA

Since AIPM's share in the earnings of associated companies constitutes a material component in AIPM's statement of income (primarily on account of its share in the earnings of Mondi Business Hadera Paper Ltd. [Mondi Hadera] and Hogla-Kimberly that were consolidated in the past, until the transfer of control over these companies to the international strategic partners), the aggregate data appearing below also include the results of all the companies in the AIPM Group (including the associated companies whose results appear in the financial statements under "earnings from associated companies"), net of inter company sales and without considering the rate of holding.

The aggregate sales amounted to NIS 685.7 million during the reported period, as compared with NIS 682.1 million in the corresponding period.

The aggregate operating profit totaled NIS 36.1 million during the reported period, as compared with NIS 55.9 million in the corresponding period last year, which was especially high, as compared with the annual average.

2. CONSOLIDATED DATA

The information set forth below does not include the results of operation of Mondi Hadera, Hogla-Kimberly, Carmel and TMM Integrated Recycling Industries.

The sales during the reported period amounted to NIS 121.8 million, as compared with NIS 119.2 million in the corresponding period last year.

The operating profit totaled NIS 14.5 million during the reported period, as compared with NIS 13.5 million in the corresponding period last year.

The profit after taxes and before AIPM's share in the earnings of associated companies for the reported year, amounted to NIS 8.2 million, as compared with NIS 7.5 million during the corresponding period last year.

3. NET PROFIT AND EARNINGS PER SHARE

The net profit totaled NIS 14.0 million during the reported period, as compared with NIS 17.4 million in the corresponding period last year.

The Earnings Per Share in the reported period amounted to NIS 346 per NIS 1 par value ($0.79 per share), as compared with NIS 431 per NIS 1 par value ($0.95 per share) in the corresponding period last year.

The return on shareholders' equity in annual terms amounted to 9.8% during the reported period, as compared with 10.2% for all of 2004.

C. ANALYSIS OF OPERATIONS AND PROFITABILITY

The analysis set forth below is based on the consolidated data.

1. SALES

The consolidated sales during the reported period amounted to NIS 121.8 million, as compared with NIS 119.2 million in the corresponding period last year.

The growth in sales in relation to the corresponding period last year originated from a quantitative increase and a certain improvement in the selling prices.

2. COST OF SALES

The cost of sales amounted to NIS 93.6 million - or 76.8% of sales - during the reported period, as compared with NIS 91.8 million - or 77% of sales - in the corresponding period last year.

The gross margin as a percentage of sales reached 23.2% during the reported period, as compared with 23.0% in the corresponding period last year.

AIPM managed to maintain the gross margin level and even to improve it in relation to the corresponding period last year, despite the rise in raw material prices (paper waste by 9%), energy prices (approximately 20%), and water (5%). This was accomplished through growth in sales, higher sales prices and the continued efficiency process in all sectors of operation.

LABOR WAGES

Wages in the cost of sales and in the selling, general and administrative expenses amounted to about NIS 37 million in the reported period, as compared with about NIS 36 million in the corresponding period last year.

The change in the cost of wages in relation to the corresponding period last year reflects a nominal increase of 2% in wages.

3. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The selling, general and administrative expenses (including wages) amounted to NIS 13.7 million in the reported period - or 11.3% of sales - as compared with NIS 13.8 million - or 11.6% of sales - in the corresponding period last year.

4. OPERATING INCOME

The operating profit totaled NIS 14.5 million during the reported period (11.9% of sales), as compared with NIS 13.5 million (11.4% of sales) in the corresponding period last year.

5. FINANCIAL EXPENSES

The financial expenses during the reported period amounted to NIS 3.3 million, as compared with NIS 2.0 million in the corresponding period last year.

The outstanding long-term liabilities, net of deposits and short-term investments, grew by NIS 100 million as compared with the corresponding period last year, since a dividend of NIS 100 million was distributed in September 2004, lowering the deposit balance while increasing net liabilities. In addition, the cost of hedging the Series 2 notes against a rise in the CPI has risen to 1.3% per annum in 2005, as compared with 0.92% per annum in 2004.

The said growth in the net long-term liabilities and in the hedging cost has resulted in an increase in the financial expenses during the reported period as compared with last year.

The said increase in financial expenses was partially offset due to the decrease in the average balance of the short-term credit during the reported period, as compared with the corresponding period last year (by some NIS 50 million), coupled with the decrease in the average short-term interest rate in the reported period, as compared with the corresponding period last year (down by approximately 1.3%).

6. TAXES ON INCOME

Taxes on income amounted to NIS 3.0 million in the reported period, as compared with NIS 4.0 million in the corresponding period last year.

The principal factors behind the decrease in tax expenses during the reported period as compared with the corresponding period last year include the decrease in pre-tax earnings this year and the impact of the change in the tax rate on both the current and deferred taxes in a comparison between the two periods.

7. COMPANY'S SHARE IN EARNINGS OF ASSOCIATED COMPANIES

The companies whose earnings are reported under this item (according to AIPM's holdings therein), include primarily: Mondi Hadera, Hogla-Kimberly, Carmel and TMM.

AIPM's share in the earnings of associated companies totaled NIS 5.8 million during the reported period, as compared with NIS 9.9 million in the corresponding period last year.

The following principal changes were recorded in AIPM's share in the earnings of associated companies, in relation to the corresponding period last year:

- AIPM's share in the net earnings of Mondi Hadera (49.9%) decreased slightly (by approximately NIS 0.1 million). Most of the change in the earnings is associated to the decrease in operating profit between the periods, originated from a quantitative decrease and the higher prices of raw materials, energy and water, and which was partially offset by the decrease in financial expenses

during the reported period, as a result the differentials in the devaluation between the periods.

- AIPM's share in the net earnings of Hogla-Kimberly Israel (49.9%) decreased by NIS 0.3 million, primarily due to the decrease in operating income as compared with the corresponding period last year, that originated primarily from a quantitative decrease and from the rise in raw material prices.

- AIPM's share in the net earnings of Ovisan (Turkey) (49.9%) fell by NIS 3.3 million, primarily due to the operating loss originating from the fierce competition in the Turkish market in the baby diaper sector, towards the expansion of operations into premium products, within the framework of the strategic program that is being formulated nowadays. The challenge is to keep market share, in order to continue to develop Ovisan and to introduce Kimberly-Clark products to the Turkish market.

- AIPM's share in the net earnings of the Carmel Group (26.25%) fell by NIS 0.2 million, due to the decrease in the operating income, that was partially offset by the improvement in financial expenses during the reported period. The decrease in operating income originated primarily from the sharp rise in raw material prices, that was not fully compensated by the raising of selling prices.

- AIPM's share in the TMM net earnings (41.6%) decreased by NIS 0.5 million. TMM recorded an operating loss during the reported period due to the significant increase in transportation costs (originating from a significant 40% average rise in diesel prices in relation to the corresponding period last year), together with the eroding in revenues originated both from the need to provide discounts (due to the fierce competition in waste removal resulting from surplus transportation capacity in the market), as well as a result of the decrease in the CPI during the reported quarter (-0.6%), to which a significant proportion of the revenues are linked.

D. LIQUIDITY AND INVESTMENTS

1. ACCOUNTS RECEIVABLE - TRADE

Accounts Receivable, as at March 31, 2005, amounted to NIS 143.2 million, as compared with NIS 142.5 million at December 31, 2004. The higher accounts receivable balance is attributed primarily to the growth in the volume of operations.

2. CASH FLOWS

The cash flows from operating activities totaled NIS 28.2 million during the reported period, as compared with NIS 10.1 million in the corresponding period last year. The improvement in the cash flows from operating activities during the reported period originated primarily from a decrease in working capital.

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3. INVESTMENTS IN FIXED ASSETS

The investments in fixed assets amounted to NIS 5.7 million during the reported period, as compared with NIS 6.5 million during the corresponding period last year, and included current investments in storage and compaction equipment, in compactors, in machines, equipment and transportation equipment.

4. FINANCIAL LIABILITIES

The long-term liabilities (including current maturities) amounted to NIS 267.2 million as at March 31, 2005, as compared with NIS 275.0 million as at March 31, 2004. The long-term liabilities include primarily two series of notes:

Series 1 - NIS 33.3 million, for repayment until 2009. Series 2 - NIS 201.2 million, for repayment between 2007 and 2013.

The balance of short-term credit, as at March 31, 2005, amounted to

NIS 51.7 million, as compared with NIS 140.4 million at March 31, 2004.

The short-term credit balances decreased in relation to the balances in the corresponding period last year, primarily due to the positive cash flows from operating activities between the periods and the decrease in the balance of company deposits that served for the distribution of NIS 100 millions in dividends and for reducing the short-term credit.

E. EXPOSURE AND MANAGEMENT OF MARKET RISKS

The following is an update, as at March 31, 2005, to the Management Discussion for December 31, 2004, that outlined the essence of the exposure and management of market risks, as set forth by the board of directors.

AIPM possesses CPI-linked liabilities (net of deposits) in the net overall sum of NIS 219 million, with the interest thereupon being no higher than the market interest rate. In the event that the inflation rate shall rise significantly, a loss may be recorded in AIPM's financial statements, due to the surplus of CPI-linked liabilities. AIPM consequently entered into a forward transaction, with a term of one year - until the end of 2005, to hedge a sum of NIS 200 million against a rise in the CPI (at a cost of 1.3% per annum).

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REPORT OF LINKAGE BASES

The following are the balance sheet items, according to linkage bases, as at December 31, 2004 and an update for March 31, 2005:

In NIS Millions	Unlinked	CPI-linked	In foreign currency, or linked thereto (primarily US$)	Non-mone items
Assets				
Cash and cash equivalents	0.4		6.5	
Short-term deposits and investments	17.1	5.0		
Accounts Receivable	189.0	0.2	41.4	8
Inventories				82
Investments in associated companies	49.3	14.0	8.7	369
Deferred taxes on income				6
Fixed assets, net				322
Deferred expenses, net of accrued amortization				1
Total Assets	255.8	19.2	56.6	790

Liabilities				
Credit from Banks	50.5		1.2	
Accounts Payable	149.5	4.1	7.4	
Deferred taxes on income				51
Notes		234.4		
Other liabilities	32.8			
Shareholders' equity				590
Total liabilities and equity	232.8	238.5	8.6	642
Surplus financial assets (liabilities) as at Mar-31-05	23.0	(219.3)	48.0	148
Surplus financial assets (liabilities) as at Dec-31-04	(24.6)	(177.5)	44.4	157

ASSOCIATED COMPANIES

AIPM is exposed to various risks associated with operations in Turkey, where Hogla-Kimberly is active through its subsidiary, Ovisan. These risks originate from concerns regarding economic instability and elevated inflation rates that characterized the Turkish economy in the past and that may recur and harm the Ovisan operations.

F. FORWARD-LOOKING STATEMENTS

This report contains various forward-looking statements, based upon the Board of Directors' present expectations and estimates regarding the operations of the Group and its business environment. AIPM does not guarantee that the future results of operations will coincide with the forward-looking statements and these may in fact considerably differ from the present forecasts as a result of factors that may change in the future, such as changes in costs and market conditions, failure to achieve projected goals, failure to achieve anticipated efficiencies and other factors which lie outside the control of the company. AIPM undertakes no obligation to publicly update such forward-looking statements, regardless of whether these updates originate from new information, future events or any other reason.

G. DONATIONS AND CONTRIBUTIONS

AIPM, within the framework of its business and social commitment, invests efforts and resources in community assistance and support, while focusing on providing help to the weaker echelons of Israeli society - primarily teenagers - as part of a desire to build and contribute to shaping the human fabric of Israeli society.

As part of this policy, AIPM makes contributions to various institutions that are active in the said areas, while also participating, through its employees, in volunteering work in the community, for promoting these same objectives.

Moreover, a sum totaling NIS 105 thousand was granted for student scholarships and a project this year, through the Schenker Foundation, that was established by AIPM together with its Austrian strategic partner in Mondi Hadera.

H. GENERAL

- o 2,155 shares were issued during the reported period (0.05% dilution), on account of the exercise of 6,955 option warrants as part of AIPM's employee option plans.

Y. Yerushalmi Chairman of the Board of Directors	Avi Brenner Chief Executive Officer

Exhibit 3

AMERICAN ISRAELI PAPER MILLS LTD.

SUMMARY OF CONSOLIDATED BALANCE SHEETS

NIS IN THOUSANDS

	MARCH 31,2005 (UNAUDITED)	MARCH 31, (UNAUDIT
CURRENT ASSETS:		
Cash and cash equivalents	6,873	101,1
Short-term deposits and investments	22,145	77,1
Receivables :		
Trade	143,195	142,5
Other	95,982	138,2
Inventories	82,605	93,2
Total current assets	350,800	552,2
INVESTMENTS AND LONG TERM RECEIVABLES:		

Investments in associated companies	441,651	396,0
Deferred income taxes	6,511	3,8
	448,162	399,8
FIXED ASSETS		
Cost	978,728	956,2
Less - accumulated depreciation	656,310	631,2
	322,418	324,9
Deferred charges - net of accumulated amortization	1,066	1,2
	1,122,446	1,278,3
CURRENT LIABILITIES:		
Credit from banks	51,691	140,7
Current maturities of long-term notes	6,628	6,5
Payables and accured liabilities :		
Trade	79,293	84,8
Other	81,765	83,1
Total current liabilities	219,377	315,3
LONG-TERM LIABILITIES		
Deferred income taxes	51,665	62,2
Loans and other liabilities (net of current maturities):		
Notes	227,817	232,9
Other liabilities	32,770	35,0
Total long term liabilities	312,252	330,2
Total liabilities	531,629	645,6
SHAREHOLDERS' EQUITY :		
Share capital	125,257	125,2
Capital surplus	90,060	90,0
Capital surplus on account of tax benefit from exercise of employee options	174	
Currency adjustments in respect of financial statements of associated company and a subsidiary	(1,508)	(
Retained earnings	376,834	417,4
	590,817	632,7

	1,122,446	1,278,3

The accompanying notes are an integral part of the financial statements.

AMERICAN ISRAELI PAPER MILLS LTD.

SUMMARY OF CONSOLIDATED STATEMENTS OF INCOME

NIS IN THOUSANDS

	THREE-MONTH PE ENDED MARCH 2005 (UNAUDITE
Net sales	121,778
Cost of sales	93,556
Gross profit	28,222
Selling and marketing, administrative and general expenses	
Selling and marketing	7,347
Administrative and general	6,399
	13,746
Income from ordinary operations	14,476
Financial expenses - net	3,260
Income before taxes on income	11,216
Taxes on income	3,000
Income from operations of the company and the consolidated subsidiaries	8,216
Share in profits of associated companies - net	5,815
Net income for the period	14,031
NET INCOME PER NIS 1 PAR VALUE OF SHARES (IN N.I.S)	346

The accompanying notes are an integral part of the financial statements.

AMERICAN ISRAELI PAPER MILLS LTD.

SUMMARY OF STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

NIS IN THOUSANDS

	SHARE CAPITAL	CAPITAL SURPLUS	CAPITAL SURPLUS ON ACCOUNT OF TAX BENEFIT FROM EXERCISE OF EMPLOYEE OPTIONS	C A I F S A C A
BALANCE AT JANUARY 1, 2005 (AUDITED)	125,257	90,060		
Changes during the three month period ended March 31, 2005 (unaudited)				
Net income	14,031			
Exercise of employee options into shares	*		174	
Currency adjustments in respect of financial statements of associated company and a subsidiary				
BALANCE AT MARCH 31, 2005 (UNAUDITED)	125,257	90,060	174	
Balance At January 1, 2004 (Audited)	125,257	90,060		
Changes during the three month period ended March 31, 2004 (unaudited)				
Net income				
Currency adjustments in respect of financial statements of associated companies				
Balance At March 31, 2004 (Unaudited)	125,257	90,060		
Balance At January 1, 2004 (Audited)	125,257	90,060		

Changes during the year ended December 31, 2004 (audited)		
Net income		
Dividend paid		
Exercise of employee options into shares	*	
Currency adjustments in respect of financial statements of associated companies		
Balance At December 31, 2004 (Audited)	125,257	90,060

Less than 1,000 NIS.

The accompanying notes are an integral part of the financial statements.

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AMERICAN ISRAELI PAPER MILLS LTD.

SUMMARY OF CONSOLIDATED STATEMENTS OF CASH FLOWS

NIS IN THOUSANDS

	THREE-MONTH PERIOD ENDED MARCH 31, 2005 (UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income for the period	14,031
Adjustments to reconcile net income to net cash provided by operating activities (a)	14,148
Net cash provided by operating activities	28,179
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of fixed assets	(5,705)
Short-term deposits and investments	40,163
Associated companys:	
Loans granted	(2,739)
Repayment of loans	

Proceeds from sale of fixed assets	155
Net cash provided by (used in) investing activities	31,874
CASH FLOWS FROM FINANCING ACTIVITIES:	
Repayment of long-term loans from banks	
Redemption of Notes	
Dividend paid	
Short-term bank credit - net	(60,993)
Net cash used in financing activites	(60,993)
Decrease in cash and cash equivalents	(940)
Balance of cash and cash equivalents at beginning of period	7,813
Balance of cash and cash equivalents at end of period	6,873

(a) Adjustments to reconcile net income to net cash provided by operating activities:

INCOME AND EXPENSES NOT INVOLVING CASH FLOWS:	
Share in profits of associated companies - net	(5,815)
Depreciation and amortization	7,691
Deferred income taxes - net	(1,681)
Capital losses (gains) on sale of fixed assets	(113)
Lose (income) from short-term deposits and investments, not realized yet	156
Linkage differences on (erosion of) principal of long-term loans from banks and others - net	
Linkage differences on (erosion of) Notes	(702)
Linkage differences on loans to associated companies	(153)
CHANGES IN OPERATING ASSETS AND LIABILITIES:	
Decrease (Increase) in receivables	6,829
Decrease (increase) in inventories	615
Increase (decrease) in payables and accrued liabilities	7,321
	14,148

The accompanying notes are an integral part of the financial statements.

AMIRICAN ISRAELI PAPER MILLS LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AT MARCH 31, 2005

(Unaudited)

NOTE 1 - GENERAL

a. The interim financial statements as of March 31, 2005 and for the three month period then ended (hereafter - the interim financial statements) were drawn up in condensed form, in accordance with Accounting Standard No. 14 of the Israel Accounting Standards Board (hereafter - the IASB) and in accordance with the Securities (Preparation of Periodic and Immediate Financial Statements) Regulations, 1970.

b. The accounting principles applied in preparation of the interim statements are consistent with those applied in the annual financial statements, except for the change in the accounting treatment applied to taxes on income as detalied in note 3; nevertheless, the interim statements do not include all the information and explanations required for the annual financial statements.

Costs unevenly incurred during the year are brought forward or deferred for interim reporting purposes if, and only if, such costs may be brought forward or deferred in the annual reporting.

c. The company draws up and presents its financial statements in Israeli currency (hereafter -NIS)in accordance with the provisions of Accounting Standard No.12 -"Discontinuance of Adjusting Financial Statements for Inflation"-of the IASB,which set transitory provisions for financial reporting on a nominal basis,commencing January 1,2004.Accordingly,the amounts of non-monetary assets,mainly fixed assets and other assets (including depreciation and amortization in respect of those assets),and the shareholders'equity components included in the financial statements, originating from the period that preceded the transition date,are based on their adjusted to December 2003 shekel amount.

Follwing are the changes in exchange rate of the dollar and in the Israeli consumer price index (the "CPI"):

	Exchange rate of the dollar	CPI
	%	%
Three months ended March 31:		
2005	1.2	(0.6)
2004	3.4	(0.1)
Year ended December 31, 2004	(1.6)	1.2

The representative exchange rate at March 31, 2005 was N.I.S. 4.361 = $1.00.

AMIRICAN ISRAELI PAPER MILLS LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AT MARCH 31, 2005

(Unaudited)

NOTE 2 - SEGMENT INFORMATION

Data on segment activity:
In NIS in thousands

For 3 months period:	Paper and recycling		Marketing of office suppli		
	Jan-March 2005	Jan-March 2004	Jan-March 2005	Jan-March 2004	Jan- 2
Sales - net (1)	94,957	88,552	26,821	30,630	12
Income (loss) from operations	14,939	14,658	(463)	(1,115)	1

For 2004 :	Paper and recycling	Marketing of office suppli
	2004	2004
Sales - net (1)	367,391	115,463
Income (loss) from operations	58,496	(4,566)

(1) Represents sales to external customers.

NOTE 3 - TAXES ON INCOME:

a. Accounting changes Accounting Standard No.19

Commencing in the financial statements for the 3-month period ended March 31,2005 ,the company implements Israel Accounting Standard No.19 -"Taxes on Income"of the IASB, which came into effect on January 1,2005. This Standard prescribes the accounting treatment (recognition criteria, measurement, presentation and disclosure) required for taxes on income.

For the most part, the provisions of this standard are the same as the accounting principles that were applied before the application of the new standard. The adoption of this standard does not have any effect on the company's financial statements in the reported periods.

b. Change in tax rates

On June 29,2004, the Kneset amended the Income Tax Ordinance. One of the provisions of this amendment is that the corporate tax rate is to be gradually reduced, commencing January 1, 2004, from 36% to 30%, in the following manner: the rate for 2004 will be 35%, in 2005 -34%, in 2006 - 32%, and in 2007 and thereafter -30%.

The taxes on income for the 3-month period ended March 31,2004 were determined based on the tax rate in effect as of that date -36%. The adjustment of the income tax expenses on account of the deferred taxes of the company to the new tax rate set for the year as a result of the aforesaid correction -amounting to NIS 5,824 thousands - was included in company's accounts in the second quarter of 2004.

NOTE 4 - SUBSEQUENT EVENT:

After the balance sheet date, an accosiated company declared the distribution of a dividend. The company's share in the dividend declared - NIS 21,761,000 - is not included yet in these financial statements, and will be reported in the following quarter.

[Graphic Omitted]
AIPM American Israeli Paper Mills Ltd. Group

Meizer Street
Industrial Zone, P.O. B. 142
Hadera 38101, Israel
Tel: 972-4-6349402
Fax: 972-4-6339740
E-Mail: chq@aipm.co.il

Enclosed please find the financial reports of the following associated companies:

- Mondi Business Paper Hadera Ltd.

- Hogla-Kimberly Ltd.

The financial report of the following associated companies are not included:

- Carmel Containers Systems Ltd., according to section 44(c) of the Securities (Periodic and Immediate Reports) Regulations.

- TMM Integrated Recycling Industries Ltd., a reporting corporation.

Exhibit 4

MONDI BUSINESS PAPER HADERA LTD. AND SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS

AS OF MARCH 31, 2005

MONDI BUSINESS PAPER HADERA LTD. AND SUBSIDIARIES

UNAUDITED CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENTS

AS OF MARCH 31, 2005

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The Board of Directors of
Mondi Business Paper Hadera Ltd.

Re: Review of Unaudited Condensed Interim Consolidated Financial Statements for the Three months Ended March 31, 2005

Gentlemen:

At your request, we have reviewed the condensed interim consolidated financial statements ("interim financial statements") of Mondi Business Paper Hadera Ltd. ("the Company") and its subsidiaries, as follows:

- Balance sheet as of March 31, 2005.
- Statement of operations for the three months ended March 31, 2005.
- Statement of changes in shareholders' equity for the three months ended March 31, 2005.
- Statement of cash flows for the three months ended March 31, 2005.

The comparative figures as of March 31, 2004 and for the three months then ended were reviewed by other accountants. Those other accountants issued unqualified reports on said financial statements.

Our review was conducted in accordance with procedures prescribed by the

Institute of Certified Public Accountants in Israel. The procedures included, inter alia, reading the aforementioned interim financial statements, reading the minutes of the shareholders' meetings and meetings of the board of directors and its committees, and making inquiries with the persons responsible for financial and accounting affairs.

Since the review that was performed is limited in scope and does not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on the aforementioned interim financial statements.

In performing our review, nothing came to our attention, which indicates that material adjustments are required to the aforementioned interim financial statements for them to be deemed financial statements prepared in conformity with generally accepted accounting principles in Israel and in accordance with the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

Brightman Almagor & Co.

Certified Public Accountants
A Member Firm of Deloitte Touche Tohmatsu

Tel Aviv, April 21, 2005

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MONDI BUSINESS PAPER HADERA LTD. AND SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
(NIS in thousands; Reported Amounts)

	March 31, 2005 (Unaudited)	March 31, 2004 (Unaudited)
A S S E T S		
Current Assets		
Cash and cash equivalents	--	37,212
Trade receivables	156,046	154,876
Other receivables	8,251	13,064
Inventories	98,351	81,258
Total current assets	262,648	286,410
Fixed Assets		
Cost	167,174	134,856
Less - accumulated depreciation	35,365	27,389
	131,809	107,467
Other Assets - Goodwill	3,644	4,261

Total assets	398,101	398,138
	=======	=======
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Short-term bank credit	11,066	--
Current maturities of long-term bank loans	15,273	15,527
Trade payables	111,458	97,795
American Israeli Paper Mills Group, net	63,911	57,893 (*)
Other payables and accrued expenses	21,529	21,097 (*)
Total current liabilities	223,237	192,312
Long-Term Liabilities		
Long-term bank loans	30,318	46,435
Capital notes to shareholders	17,444	45,280
Deferred taxes	25,683	29,737
Accrued severance pay, net	87	145
Total long-term liabilities	73,532	121,597
Shareholders' Equtiy		
Share capital	1	1
Premium	43,352	43,352
Retained earnings	57,979	40,876
	101,332	84,229
Total liabilities and shareholders' equity	398,101	398,138
	=======	=======

A. Magid	A. Solel	Y. Yerushalmi
Financial Director	General Manager	Vice Chairman of the Board of Directors

(*) Reclassified.

Approval date of the interim financial statements: April 21, 2005.
The accompanying notes are an integral part of the condensed interim consolidated financial statements.

MONDI BUSINESS PAPER HADERA LTD. AND SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(NIS in thousands; Reported Amounts, except per share data)

	Three months ended March 31, 2005	Three months ended March 31, 2004	Year ended December 31, 2004
	(Unaudited)	(Unaudited)	

NET SALES	164,060	175,364(*)	686,094
COST OF SALES	146,296	151,815(*)	605,738
GROSS PROFIT	17,764	23,549	80,356
OPERATING COSTS AND EXPENSES			
Selling expenses	9,598	12,658	46,135
General and administative expenses	2,595	1,703	7,803
	12,193	14,361	53,938
OPERATING PROFIT	5,571	9,188	26,418
FINANCING EXPENSES, NET	(1,906)	(5,769)	(8,438)
OTHER INCOME, NET	76	--	100
INCOME BEFORE INCOME TAXES	3,741	3,419	18,080
INCOME TAXES	1,596	1,115	818
NET INCOME FOR THE PERIOD	2,145	2,304	17,262
BASIC EARNINGS PER ORDINARY SHARE			
Earnings per ordinary share (in NIS)	2,145	2,304	17,262
Number of shares used in computation	1,000	1,000	1,000

(*) Reclassified.

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

MONDI BUSINESS PAPER HADERA LTD.
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(NIS in thousands; Reported Amounts)

	Share capital	Premium	Retained earnings	To
Three months ended March 31, 2005 (Unaudited)				
Balance - January 1, 2005	1	43,352	55,834	99
Net income for the period			2,145	2

Balance - March 31, 2005	1	43,352	57,979	101
	=====	======	======	===
Three months ended March 31, 2004 (Unaudited)				
Balance - January 1, 2004	1	43,352	38,572	81
Net income for the period			2,304	2
	-----	------	------	--
Balance - March 31, 2004	1	43,352	40,876	84
	=====	======	======	===
Year ended December 31, 2004				
Balance - January 1, 2004	1	43,352	38,572	81
Net income for the year			17,262	17
	-----	------	------	--
Balance - December 31, 2004	1	43,352	55,834	99
	=====	======	======	===

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

MONDI BUSINESS PAPER HADERA LTD. AND SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(NIS in thousands; Reported Amounts)

	Three months ended March 31, 2005	Three months ended March 31, 2004
	(Unaudited)	(Unaudited)
CASH FLOWS - OPERATING ACTIVITIES		
Net income for the period	2,145	2,304
Adjustments to reconcile net income to net cash provided by operating activities		
Income and expenses not involving cash flows:		
Depreciation and amortization	2,348	2,234
Deferred taxes, net	1,276	896
Decrease in liability for severance pay, net	--	--
Other income, net	(76)	--

Effect of exchange rate and linkage differences of long-term bank loans	343	1,389(*)
Effect of exchange rate differences of long-term capital notes to shareholders	211	1,490
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	1,769	(7,128)
Increase in other receivables	(1,686)	(2,174)
Decrease (increase) in inventories	(7,960)	7,973
Increase (decrease) in trade payables	6,439	(6,302)
Increase (decrease) in American Israeli Paper Mills Group, net	(1,122)	9,107(*)
Increase (decrease) in other payables and accrued expenses	(1,603)	4,233(*)
Net cash provided by operating activities	2,084	14,022
CASH FLOWS - INVESTING ACTIVITIES		
Acquisition of fixed assets	(17,905)	(2,250)
Proceeds from sale of fixed assets	76	22
Net cash used in investing activities	(17,829)	(2,228)
CASH FLOWS - FINANCING ACTIVITIES		
Short-term bank credit, net	11,066	--
Repayment of long-term loans	(6,125)	(6,260)(*)
Repayment of long-term capital notes to shareholders	--	--
Net cash provided by (used in) financing activities	4,941	(6,260)
Increase (decrease) in cash and cash equivalents	(10,804)	5,534
Cash and cash equivalents - beginning of period	10,804	31,678
Cash and cash equivalents - end of period	--	37,212
Non-cash activities		
Acquisition of fixed assets on credit	1,142	

(*) Reclassified.

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

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MONDI BUSINESS PAPER HADERA LTD. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS AS OF MARCH 31, 2005

NOTE 1 - BASIS OF PRESENTATION

The unaudited condensed interim consolidated financial statements as of

March 31, 2005 and for the three months then ended ("interim financial statements") of Mondi Business Paper Hadera Ltd. ("the Company") and subsidiaries should be read in conjunction with the audited consolidated financial statements of the Company and subsidiaries as of December 31, 2004 and for the year then ended, including the notes thereto. In the opinion of management, the interim financial statements include all adjustments necessary for a fair presentation of the financial position and results of operations as of March 31, 2005 and for the interim period presented. The results of operations for the interim period are not necessarily indicative of the results to be expected on a full-year basis.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The interim financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") in Israel, in a condensed format in accordance with GAAP applicable to the preparation of interim period financial statements, including those under Standard No. 14, "Interim Financial Reporting" and in accordance with Paragraph D of the Israeli Securities Regulations (Periodic and Immediate Financial Statements), 1970.

B. Recent Accounting Standard - Income Taxes

In July 2004, the Israeli Accounting Standards Board published Accounting Standard No. 19 "Income Taxes" (the "Standard"). The Standard established the guideline for recognizing, measuring, presenting and disclosing taxes on income taxes in the financial statements. The Standard is effective for financial statements relating to reporting periods commencing on, or after, January 1, 2005. The initial adoption of the Standard shall be accounted for by the cumulative effect of change in accounting method, for the beginning of the period in which the Standard is initially adopted. The implementation of Standard No. 19 did not affect the Group's financial position, results of operations and cash flows.

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C. Following are the changes in the representative exchange rate of the U.S. dollar vis-a-vis the NIS and in the Israeli Consumer Price Index ("CPI"):

	Representative Exchange Rate of the dollar (NIS per $1)
As of:	
March 31, 2005	4.361
March 31, 2004	4.528
December 31, 2004	4.308

Increase (decrease) during the:	%
Three months ended March 31, 2005	1.2
Three months ended March 31, 2004	3.4
Year ended December 31, 2004	(1.6)

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Exhibit 5

HOGLA-KIMBERLY LTD. AND SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENTS
AS OF MARCH 31, 2005

HOGLA-KIMBERLY LTD. AND SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENTS
AS OF MARCH 31, 2005

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The Board of Directors of
Hogla-Kimberly Ltd.

Re: Review of Unaudited Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2005

Gentlemen:

At your request, we have reviewed the condensed interim consolidated financial statements ("interim financial statements") of Hogla-Kimberly Ltd. ("the Company") and its subsidiaries, as follows:

- Balance sheet as of March 31, 2005.

- Statement of operations for the three months ended March 31, 2005.

- Statement of changes in shareholders' equity for the three months ended March 31, 2005.

- Statement of cash flows for the three months ended March 31, 2005.

Our review was conducted in accordance with procedures prescribed by the Institute of Certified Public Accountants in Israel. The procedures included, inter alia, reading the aforementioned interim financial statements, reading the minutes of the shareholders' meetings and meetings of the board of directors and its committees, and making inquiries with the persons responsible for financial and accounting affairs.

Since the review that was performed is limited in scope and does not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on the aforementioned interim financial statements.

In performing our review, nothing came to our attention, which indicates that material adjustments are required to the aforementioned interim financial statements for them to be deemed financial statements prepared in conformity with generally accepted accounting principles in Israel and in accordance with the Israeli Securities Regulations (Periodic and Immediate Reports), 1970.

Brightman Almagor & Co.
Certified Public Accountants
A Member Firm of Deloitte Touche Tohmatsu

Tel Aviv, May 5, 2005

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HOGLA-KIMBERLY LTD. AND SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS
(NIS in thousands; Reported Amounts)

	March 31, 2005	March 31, 2004
	(Unaudited)	
Current Assets		
Cash and cash equivalents	122,904	54,885
Current maturities of long-term bank deposits	-	8,150
Trade receivables	220,288	269,818
Other receivables	36,191	20,127
Inventories	125,112	101,173

	504,495	454,153
Long-Term Investments		
Long-term bank deposits	69,776	72,448
Capital note of shareholder	32,770	32,770
	102,546	105,218
Fixed Assets		
Cost	509,763	480,716
Less - accumulated depreciation	226,759	212,479
	283,004	268,237
Other Assets		
Goodwill	25,503	29,346
Deferred taxes	19,079	-
	44,582	29,346
	934,627	856,954
Current Liabilities		
Current maturities of long-term bank loans	73,941	18,501
Trade payables	196,677	174,614
Other payables and accrued expenses	43,164	51,164
	313,782	244,279
Long-Term Liabilities		
Long-term bank loans	78,497	96,447
Deferred taxes	38,630	32,254
	117,127	128,701
Minority Interest	55,173	52,556
Shareholders' Equity		
Share capital	29,038	28,788
Capital reserves	180,414	156,799
Translation adjustments relating to foreign held autonomous Subsidiary	(897)	2,124
Retained earnings	196,380	243,707
Dividend declared after balance sheet date	43,610	-
	448,545	431,418
	934,627	856,954

T. Davis	O. Argov	A. Sch
Chairman of the Board of Directors	Chief Financial Officer	Chief Executi

Approval date of the interim financial statements: May 5, 2005.
The accompanying notes are an integral part of the condensed interim consolidated financial statements.

HOGLA-KIMBERLY LTD. AND SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(NIS in thousands; Reported Amounts, except per share data)

	Three months ended March 31,	
	2 0 0 5	2 0
	(unaudited)	
Net sales	274,147	266
Cost of sales	199,834	185
Gross profit	74,313	81
Selling expenses	49,372	45
General and administrative expenses	10,236	9
Operating profit	14,705	26
Financing income (expenses), net	(828)	2
Other income, net	-	
Income before income taxes	13,877	28
Income taxes	3,663	10
Income after income taxes	10,214	17
Minority interest in earnings of Subsidiary	(681)	(1
Net income for the period	9,533	16
Basic earnings per ordinary share		
Earnings per share (in NIS)	1.12	
Number of shares used in computation	8,513,473	8,513

(*) Retroactively adjusted for the effect of bonus share distribution.

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

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HOGLA-KIMBERLY LTD.
CONDENSED INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(NIS in thousands; Reported Amounts)

	Share capital	Capital reserves	Translation adjustments relating to foreign held autonomous Subsidiary	Retaine earning
Three months ended March 31, 2005 (unaudited)				
Balance - January 1, 2005	29,038	180,414	(3,377)	230,45
Translation adjustments relating to foreign held autonomous Subsidiary			2,480	
Dividend declared after balance sheet date				(43,61
Net income for the period				9,53
Balance - March 31, 2005	29,038	180,414	(897)	196,38
Three months ended March 31, 2004 (unaudited)				
Balance - January 1, 2004	28,788	156,799	-	227,39
Translation adjustments relating to foreign held autonomous Subsidiary			2,124	
Net income for the period				16,31
Balance - March 31, 2004	28,788	156,799	2,124	243,70
Year ended December 31, 2004				
Balance - January 1, 2004	28,788	156,799	-	227,39
Distribution of bonus shares	250	23,615		(23,86
Translation adjustments relating to foreign held autonomous Subsidiary			(3,377)	
Net income for the year				26,92
Balance - December 31, 2004	29,038	180,414	(3,377)	230,45

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

HOGLA-KIMBERLY LTD. AND SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS

(NIS in thousands; Reported Amounts)

	Three months ended March 31, 2005	Three months ended March 31, 2004
	(unaudited)	
Cash flows - operating activities		
Net income for the period	9,533	16,313
Adjustments to reconcile net income to net cash provided by operating activities (Appendix A)	(25)	5,147
Net cash provided by operating activities	9,508	21,460
Cash flows - investing activities		
Withdrawal of long-term bank deposits	-	-
Acquisition of fixed assets	(6,150)	(3,458)
Proceeds from sale of fixed assets	-	499
Net cash used in investing activities	(6,150)	(2,959)
Cash flows - financing activities		
Long-term loan received	3,056	4,427
Repayment of long-term loan	(3,056)	(4,421)
Short-term bank credit	-	(1,087)
Net cash provided by (used in) financing activities	-	(1,081)
Translation adjustments of cash and cash equivalents and operations of foreign held autonomous Subsidiary	2,182	125
Increase in cash and cash equivalents	5,540	17,545
Cash and cash equivalents - beginning of period	117,364	37,340
Cash and cash equivalents - end of period	122,904	54,885

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

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HOGLA-KIMBERLY LTD. AND SUBSIDIARIES
APPENDICES TO CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS
(NIS in thousands; Reported Amounts)

	Three months ended March 31, 2005	Three months ended March 31, 2004
	(unaudited)	(unaudited)
A. Adjustments to reconcile net income to net cash provided by operating activities		
Income and expenses not involving cash flows:		
Minority interest in earnings of Subsidiary	681	1,162
Depreciation and amortization	6,109	6,052
Deferred taxes, net	(2,499)	443
Gain from sale of fixed assets	-	(87)
Effect of exchange rate differences, net	71	(598)
Changes in assets and liabilities:		
Decrease (increase) in trade receivables	(6,043)	(38,329)
Increase in other receivables	(424)	(3,444)
Decrease (increase) in inventories	18,411	(8,014)
Increase (decrease) in trade payables	(18,882)	28,341
Net change in balances with related parties	(1,915)	6,229
Increase in other payables and accrued expenses	4,466	13,392
	(25)	5,147
B. Non-cash activities		
Acquisition of fixed assets on credit	2,996	634

The accompanying notes are an integral part of the condensed interim consolidated financial statements.

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HOGLA-KIMBERLY LTD. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENTS AS OF MARCH 31, 2005

NOTE 1 - BASIS OF PRESENTATION

The unaudited condensed interim consolidated financial statements as of March 31, 2005 and for the three months then ended ("interim financial statements") of Hogla-Kimberly Ltd. ("the Company") and subsidiaries should be read in conjunction with the audited consolidated financial statements of the Company and subsidiaries as of December 31, 2004 and for the year then ended, including the notes thereto. In the opinion of management, the interim financial statements include all adjustments necessary for a fair presentation of the financial position and results of operations as of March 31, 2005 and for the interim period presented. The results of operations for the interim period are not necessarily indicative of the results to be expected on a full-year basis.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General

The interim financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") in Israel, in a condensed format in accordance with GAAP applicable to the preparation of interim period financial statements, including those under Standard No. 14, "Interim Financial Reporting" and in accordance with Paragraph D of the Israeli Securities Regulations (Periodic and Immediate Financial Statements), 1970.

B. Income Taxes

In July 2004, the Israeli Accounting Standards Board published Accounting Standard No. 19 "Income Taxes" (the "Standard"). The Standard established the guideline for recognizing, measuring, presenting and disclosing income taxes in the financial statements. The Standard is effective for financial statements relating to reporting periods commencing on, or after, January 1, 2005. The initial adoption of the Standard is accounted for by the cumulative effect of change in accounting method, for the beginning of the period in which the Standard is initially adopted. The implementation of Standard No. 19 did not affect the Group's financial position, results of operations and cash flows.

C. During the reporting period, the representative exchange rate of the US Dollar vis-a-vis the NIS and the exchange rate of the Turkish Lira vis-a-vis the NIS increased by 1.2% and 0.5%, respectively, while the Israeli Consumer Price Index decreased by 0.6%.