AMERICAN ISRAELI PAPER MILLS LTD
Form 6-K
May 11, 2004

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 2004

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, 2004 with respect to the

Registrant's results of operations for the quarter ended March 31, 2004.

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, 2004.

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, 2004.

Attached hereto as Exhibit 4 and incorporated herein by reference is the Interim Report of Neusiedler Hadera Paper Ltd. with respect to the quarter ended March 31, 2004.

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, 2004.

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, 2004.

EXHIBIT INDEX

Exhibit No.	Description
1.	Press release dated May 11, 2004.
2.	Registrant's management discussion.
3.	Registrant's unaudited condensed consolidated financial statements.
4.	Interim report of Neusiedler Hadera Paper 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, 2004 - American Israeli Paper Mills Ltd. (ASE:AIP) (the "Company" or "AIPM") today reported financial results for the first quarter ended March 31,2004.

Pursuant to the directives of Standard No.12 of the Accounting Israeli Standards Board (hereafter- Standard 12), the Company began to report in nominal New Israeli Shekels (NIS),as of January 1, 2004. In the past, the Company's reports were in NIS, adjusted to changes in the exchange rate of the US dollar against the NIS.
The comparison figures with the corresponding period last year and with all of 2003 are the dollar figures, as reported in the past, multiplied by the exchange rate of the US dollar as on December 31, 2003, the day of the transition to NIS-based reporting pursuant to Standard 12 ($1 = NIS 4.379).

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 Neusiedler Hadera Paper (NHP)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 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 2004(January - March 2004) totaled NIS 682.5 million, compared with NIS 579.2 million in the corresponding quarter last year (January - March 2003).

Aggregate operating profit in the first quarter of 2004 totaled NIS 56.4 million compared with NIS 37.3 million in the corresponding quarter last year.

The consolidated data below does not include the results of operations of NHP, 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 2004 totaled NIS 119.2 million compared with NIS 117.7 million in the corresponding quarter last year.

Operating profit in the first quarter of 2004 totaled NIS 13.5 million compared with NIS 13.0 million in the corresponding quarter last year.

Net profit in the first quarter of 2004 totaled NIS 17.4 million compared with

NIS 13.1 million in the corresponding quarter last year. Net profit in the corresponding quarter last year included approximately NIS 1.0 million in net non-recurring capital gains.

Earnings per share (EPS) in the first quarter of 2004 totaled NIS 4.31 compared with NIS 3.31 for the corresponding quarter last year.

The inflation rate in the first quarter of 2004 was negative and amounted to -0.1% as compared with 0.8% in the corresponding quarter last year.

The exchange rate of the NIS in the first quarter of 2004 was devaluated by approximately 3.4% against the U.S. dollar as compared with a revaluation of 1.1% in the same quarter last year.

Mr. Yaacov Yerushalmi, Chairman of the Company's Board of Directors said that a certain recovery in the Israeli economy has been felt since the end of 2003 and during the first quarter of 2004, following several years of a severe recession that afflicted the Israeli economy and resulted in these years in negative growth, lower demand, greater competition and increased unemployment.

The AIPM Group operates within the said market conditions, in an attempt to preserve its market share and its profitability, while taking various measures to become more efficient and adapt to the changing market conditions. The Group is also working to expand its operations overseas.

Pulp prices continued to rise moderately in the first quarter of the year and are expected to continue to rise in the second quarter of the year as well. The Group is working to adjust paper prices to the changes in pulp prices, in order to prevent the erosion of profit margins.

The consolidated gross margin as a percentage of sales reached 23% in the first quarter of 2004 as compared with 22.6% in the corresponding quarter last year.

The improved gross margin compared to the corresponding period last year resulted from increased output capacity of the machines, improvement and increased efficiency measures and a decrease in energy prices as a result of an average decrease of approximately 27% in fuel oil prices as compared to the same period last year(fuel oil prices rose dramatically in the corresponding period last year as a result of the tension leading up to the war in Iraq). The said improvement was partially offset by an increase of raw materials prices mainly in the field of collection of paper waste for recycling.

The Company's share in the earnings of associated companies - mainly NHP, H-K, Carmel and TMM - amounted to NIS 9.9 million in the first quarter of 2004, as compared with NIS 5.7 million in the first quarter last year.

The following are details about the main changes in the earnings of associated companies the first quarter of 2004 as compared to the corresponding quarter last year:

o The Company's share in the net earnings of NHP, decreased by NIS 2.4 million, mainly due to higher financial expenses this year, as a result of the 3.4% devaluation of the U.S. dollar during the quarter, primarily due to the transition to reporting in NIS, pursuant to Standard 12 and the growth in liabilities, as a result of the partial repayment of loans granted by the shareholders when the company was established.

o The Company's share in the net earnings of H-K grew by NIS 5.5

million, primarily as a result of the considerable improvement in the operating profit of H-K (Israel), as compared with the corresponding period last year, that originated primarily from improved efficiency in logistics, with the relocation to the central warehouse and the transition to the manufacture of Huggies diapers in Israel. The net profit also grew in relation to the corresponding period last year as a result of financial revenues that were recorded during the reported period at H-K and at Ovisan,its subsidiary in Turkey, due to the influence of the devaluation of the NIS and the revaluation of the Turkish lira in relation to the US dollar.

- The Company's share in the net profit of the Carmel Group grew by NIS 1.2 million, due to the continued trend of improvement in the operating profit, starting in the third quarter of 2003. The improvement is attributed to the comprehensive efficiency measures being initiated by the Company, coupled with the growth in the volume of operations.

The Company's financial liabilities (net) grew in comparison to the corresponding quarter last year. The increase originates primarily from the dividends paid in 2003 to the shareholders (totaling approximately NIS 100 million), as well as from the repayment of long-term debts. The increase was partially offset by dividend and loan repayment received from associated companies.

3,905 shares were issued during the reported period (0.1% dilution), on account of the exercise of 12,405 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.

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AMERICAN ISRAELI PAPER MILLS LTD.
SUMMARY OF RESULTS
(UNAUDITED)

	Three months ended March 31,	
	NIS IN THOUSANDS(1) except per share amounts	
	2004	2003
Net sales	119,182	117,700

Net earnings	17,435	13,121
Earnings per share	4.31	3.31

(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 amounts of the corresponding period last year have been adjusted to reflect changes in the rate of exchange between the U.S. dollar and the New Israeli Shekel until the end of December 2003 (date of transition to Standard No. 12).

The representative exchange rate at March 31, 2004 was N.I.S. 4.528 = $1.00 and the representative exchange rate at December 31, 2003 was N.I.S. 4.379 = $1.00.

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Exhibit 2

May 10, 2004

MANAGEMENT DISCUSSION

We are honored to present the consolidated financial statements of the American Israeli Paper Mills Ltd. Group ("AIPM") for the first three months of the year 2004.

A. A Summarized Description of the Group and its Business Environment

1. General

AIPM is the leading Israeli group in the manufacturing of paper and paper products. The Group produces and markets a wide range of paper types, household paper products, hygienic products, disposable baby diapers, absorbent products for the incontinent, office supplies, corrugated board packaging and consumer packaging. The Group is also engaged in recycling operations in the fields of paper and plastics as well as in the treatment 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

A certain recovery in the Israeli economy has been felt in the first quarter of 2004 (that started at the end of 2003), following several years of a severe recession that afflicted the Israeli economy and resulted at the time in negative growth, lower demand, greater competition and increased unemployment.

The AIPM Group operates within the said market conditions, in an attempt to preserve its market share and its profitability, while taking various measures to become more efficient and adapt to the changing market conditions. The Group is also working to expand its operations overseas.

Pulp prices continued to rise moderately in the first quarter of the year and are expected to continue to rise in the second quarter of the year as well. The Group is working to adjust paper prices to the changes in pulp prices, in order to prevent the erosion of profit margins.

Pursuant to the directives of Standard No. 12 of the Israeli Accounting Standards Board, the Company began to report in nominal New Israeli Shekels (NIS), as of January 1, 2004. In the past, the Company's reports were in NIS, adjusted to changes in the exchange rate of the U.S. dollar against the NIS.

The comparison figures with the corresponding period last year and with all of 2003 are the dollar figures, as reported in the past, multiplied by the exchange rate of the U.S. dollar as at December 31, 2003, the day of the transition to NIS-based reporting pursuant to Standard 12 ($1 = NIS 4.379).

During the reported period (January-March 2004), the exchange rate of the NIS in relation to the U.S. dollar was devaluated by approximately 3.4%, as compared with a revaluation of 1.1% in the corresponding period last year (January-March 2003).

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The inflation rate during the reported period was negative and amounted to -0.1%, as compared with an inflation rate of 0.8% in the corresponding period last year.

B. Results of Operations

1. Aggregate Data

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 Neusiedler Hadera Paper (NHP) and Hogla-Kimberly that were consolidated in the past, until the transfer of control over these companies to the international strategic partners), we present 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.

The aggregate sales amounted to NIS 682.5 million during the reported period, as compared with NIS 579.2 million in the corresponding period last year.

The aggregate operating profit totaled NIS 56.4 million during the reported period, as compared with NIS 37.3 million in the corresponding period last year.

2. Consolidated Data

Excluding the results of operation of NHP, Hogla-Kimberly, Carmel Containers Systems and TMM - which appear in the company's share in the earnings of associated companies.

The sales during the reported period amounted to NIS 119.2 million, as compared with NIS 117.7 million in the corresponding period last year.

The operating profit totaled NIS 13.5 million during the reported period, as compared with NIS 13.0 million in the corresponding period last year.

The financial expenses amounted to NIS 2.0 million during the reported period, as compared with NIS 3.6 million in the corresponding period last year.

3. Net Profit and Earnings Per Share

The net profit totaled NIS 17.4 million during the reported period, as compared with NIS 13.1 million in the corresponding period last year. The net profit in the corresponding period last year included approximately NIS 1 million in net capital gains, from the sale of apartments owned by the Company, that previously served the Company's employees.

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The Earnings Per Share in the reported period amounted to NIS 431 per NIS 1 par value ($0.95 per share), as compared with NIS 331 per NIS 1 par value ($0.76 per share) in the corresponding period last year.

The return on shareholders' equity in annual terms amounted to 11.4% during the reported period, as compared with 8.1% in the corresponding period last year.

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 119.2 million, as compared with NIS 117.7 million in the corresponding period last year. The NIS 1.5 million increase in sales is primarily attributed to a quantitative increase in the sales of packaging paper.

2. Cost of Sales

The cost of sales amounted to NIS 91.8 million - or 77.0% of sales - during the reported period, as compared with NIS 91.1 million - or 77.4% of sales - in the corresponding period last year. The gross margin as a percentage of sales reached 23.0% during the reported period, as compared with 22.6% in the corresponding period last year.

The improved gross margin in relation to the corresponding period last year, was rendered possible due to the higher output capacity of the machines, efficiency measures and the decrease in energy prices - as a result of an average decrease of 27% in the price of fuel oil in relation to the corresponding period last year (fuel oil prices rose dramatically in the corresponding period last year as a result of the tension leading up to the war in Iraq). The said improvement was partially offset by the higher prices of raw materials, primarily in the collection of paper waste for recycling.

3. Selling, General and Administrative Expenses

The selling, general and administrative expenses (including wages) amounted to NIS 13.8 million in the reported period - or 11.6% of sales -resembling to the sum of NIS 13.6 million - or 11.6% of sales -

in the corresponding period last year.

4. Operating Profit

The operating profit totaled NIS 13.5 million during the reported period (11.4% of sales), as compared with NIS 13.0 million (11.1% of sales) in the corresponding period last year.

5. Financial Expenses

The financial expenses amounted to NIS 2.0 million during the reported period, as compared with NIS 3.6 million in the corresponding period last year.

Growth was recorded in the Company's interest-bearing liabilities, net of deposits, in relation to the corresponding period last year, primarily on account of the distribution of a special dividend of NIS 75 million in September 2003. On the other hand, lower financial expenses were recorded resulting from the NIS devaluation this year, as opposed to the revaluation last year (see below), coupled with the decrease in the average interest rate during the reported period, as compared with the corresponding period last year.

The structure of the Company's linkage bases includes a surplus of dollar-linked assets on the one hand, and a surplus of NIS-denominated liabilities, on the other hand. Following the transition to reporting in nominal NIS, pursuant to the directives of Standard 12, starting January 1, 2004, the Company's financial expenses decreased, as a result of the influence of the devaluation in the first quarter this year (3.4%) on the Company's surplus dollar assets.

The reporting last year was adjusted to the U.S. dollar and since - as mentioned above - the Company possesses surplus of NIS-denominated liabilities, the revaluation last year (1.1%) led to higher financial expenses during that period.

6. Taxes on Income

Taxes on income from current operations amounted to NIS 4.0 million in the reported period, as compared with NIS 3.6 million in the corresponding period last year.

The main factor for the growth in tax expenses in the reported period, as compared with the corresponding period last year, was the growth in pre-tax earnings.

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: NHP, Hogla-Kimberly, Carmel and TMM.

The Company's share in the earnings of associated companies totaled NIS 9.9 million during the reported period, as compared with NIS 5.7 million in the corresponding period last year.

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

- The Company's share in the net earnings of NHP, decreased by NIS 2.4 million, mainly due to higher financial expenses this year, as a result of the 3.4% Of the U.S. dollar devaluation during the quarter, primarily due to the transition to reporting in NIS, pursuant to Standard 12 and the growth in liabilities, as a result of the partial repayment of loans granted by the shareholders in the past, when the company was established.

- The Company's share in the net earnings of Hogla-Kimberly grew by NIS 5.5 million, primarily as a result of the considerable improvement in the operating profit of Hogla-Kimberly (Israel), as compared with the corresponding period last year, that originated primarily from improved efficiency in logistics, with the relocation to the central warehouse in Tzrifin and the transition to the manufacture of Huggies diapers in Afula. The net profit also grew in relation to the corresponding period last year as a result of financial revenues that were recorded during the reported period at Hogla and at Ovisan, due to the influence of the devaluation of the NIS and the revaluation of the Turkish lira in relation to the U.S. dollar.

  During the reported period, Hogla-Kimberly Israel successfully launched KOTEX feminine hygiene products, while introducing the brand to customers awareness and positioning it as a leading, high-quality brand, through the use of a widespread advertising campaign and the distribution of product trial packs.

- The Company's share in the net profit of the Carmel Group grew by NIS 1.2 million, due to the continued trend of improvement in the operating profit, starting in the third quarter of 2003. The improvement is attributed to the comprehensive efficiency measures being initiated by the Company, coupled with the growth in the volume of operations.

- The Company's share in the results of TMM decreased by NIS 0.3 million, as a result of higher financial expenses during the reported period, as compared with the corresponding period last year, due to an increase in bank credit at TMM. This growth is attributed to the increase in accounts receivable, primarily local municipalities, coupled with strategic investments for the development of the Company, that were financed by bank credit. The strategic investments will begin to affect profitability in the course of 2004.

D. Liquidity and Investments

1. Accounts Receivable - Trade

Accounts Receivable, at March 31, 2004, amounted to NIS 142.5 million, as compared with NIS 135.1 million at March 31, 2003. The increase in accounts receivable in relation to the preceding year resulted primarily from the growth in the volume of operations.

2. Cash Flows

The cash flows from operating activities totaled NIS 10.1 million during the reported period, as compared with cash flows of NIS 5.6 million in the corresponding period last year. During the corresponding period last year, the cash flows from operating activities grew by positive cash flows of NIS 16.4 million from dividends from an associated company, that increased the cash flows from operating activities last year to a total of NIS 22.0 million.

The operating cash flows improved this year, primarily due to an improvement in the changes in operating working capital in relation to last year.

3. Investments in Fixed Assets

The investments in fixed assets totaled NIS 6.5 million in the reported period, as compared with NIS 4.5 million in the corresponding period last year. The investments during the reported period included a NIS 1.6 million investment in the manufacturing process, in order to improve the fibers; NIS 0.6 million in the acquisition of a truck shredder, for shredding at customer sites (Amnir Information Security) and additional ongoing investments in the improvement and renovation of manufacturing and transport equipment.

4. Financial Liabilities

The long-term liabilities (including current maturities) amounted to NIS 275.0 million at March 31, 2004, as compared with NIS 77.4 million at March 31, 2003.

Most of the increase in long-term liabilities is attributed to the raising of NIS 200 million in loans through an issue of notes (Series 2) to institutional investors in December 2003, at a linked interest rate of 5.65% (a margin of 1.45% over the return of government notes at the time). Some of the proceeds from the issue of the notes were used for the repayment of short-term credit, while the rest was invested primarily in deposits and in short-term financial assets.

The balance of short-term credit, at March 31, 2004, amounted to NIS 140.4 million, as compared with NIS 73.1 million at March 31, 2003. The increase in the short-term credit balances in relation to the corresponding period last year, originates primarily from the special dividend of NIS 75 million that was distributed to the shareholders, in addition to an ordinary dividend of NIS 24.2 million (total dividend: approximately NIS 100 million).

E. Exposure and Management of Market Risks

The following is an update, as of March 31, 2004, to the Management Discussion dated December 31, 2003, that outlined the essence of the exposure and management of market risks, as set forth by the board of directors:

The Company possesses CPI-linked liabilities (net of deposits) in the net overall sum of about NIS 200 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 the Company's financial statements, due to the surplus of CPI-linked liabilities. Therefore, in January 2004, the company entered into a forward transaction, with a term of one year, to hedge a sum of NIS 200 million against a rise in the CPI.

Report of Linkage Bases

The following are the balance sheet items, according to linkage bases, at December 31, 2003 and updated as of March 31, 2004:

In NIS Millions	Unlinked	CPI-linked	In foreign currency, or linked thereto (primarily $)	Non-monetary items
Assets				
Cash and cash equivalents	96.7		4.4	
Short-term deposits and investments	37.1	40.0		
Other Accounts Receivable	222.4	0.3	47.8	10.3
Inventories				93.2
Investments in associated companies	12.5	10.6	22.6	350.3
Deferred income taxes				3.9
Fixed assets, net				325.0
Deferred expenses, net of accrued amortization				1.2
Total Assets	368.7	50.9	74.8	783.9
Liabilities				
Credit from Banks	140.4			
Loans from banks		0.3		
Accounts Payable	153.1	4.3	10.6	
Deferred income taxes				62.2
Notes		239.6		
Other liabilities	32.8		2.3	
Shareholders' equity				632.7
Total liabilities and equity	326.3	244.2	12.9	694.9
Surplus Financial Assets (liabilities) as at March 31, 2004	42.4	(193.3)	61.9	89.0
Surplus Financial Assets (liabilities) as at December 31, 2003	69.4	(229.2)	65.2	94.6

Associated Companies

Hogla-Kimberly, an associated company, possesses a subsidiary operating in Turkey. The impact of the exposure of this subsidiary to the economic situation in Turkey - and especially to fluctuations in the exchange rate of the Turkish lira in relation to the U.S. dollar - might affect the Group's financial statements within the framework of the Company's share in the earnings of associated companies.

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. The Company 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. The Company 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. Miscellaneous

On April 1, 2004, the Company began operating in the disposal of confidential data sector in Switzerland, through the operation of mobile shredder trucks at customer sites, as part of a process intended to analyze the feasibility of penetrating this sector of operations in Europe.

H. Donations and Contributions

The AIPM Group, 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 layers of Israeli society - and primarily teenagers - as part of a desire to build and contribute to shaping the human fabric of Israeli society. As part of this policy, the company 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 90 thousand was granted for student scholarships in the first quarter of the year, through the Schenkar Foundation, that was established by the company together with its Austrian strategic partner in NHP.

I. General

3,905 shares were issued during the reported period (0.1% dilution), on account of the exercise of 12,405 option warrants as part of the Company's employee option plans.

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Y. Yerushalmi	Zvi Livnat
Chairman of the Board of Directors	Director

Exhibit 3

AMERICAN ISRAELI PAPER MILLS LTD.

SUMMARY OF CONSOLIDATED BALANCE SHEETS

NIS IN THOUSANDS (see note 1c)

	MARCH 31,2004 (UNAUDITED)	MARCH 31 (UNAUDI
CURRENT ASSETS:		
Cash and cash equivalents	101,145	
Short-term deposits and investments	77,114	
Receivables :		
Trade	142,546	13
Other	138,220	14
Inventories	93,235	8
Total current assets	552,260	37
INVESTMENTS AND LONG TERM RECEIVABLES:		
Investments in associated companies	396,007	35
Deferred income taxes	3,885	
	399,892	35
FIXED ASSETS		
Cost	956,250	93
Less - accumulated depreciation	631,283	61
	324,967	32
Deferred charges - net of accumulated amortization	1,227	
	1,278,346	1,05
CURRENT LIABILITIES:		
Credit from banks	140,772	7
Current maturities of long-term notes	6,575	
Payables and accured liabilities :		
Trade	84,841	10
Other	83,154	7
Proposed dividend		2
Total current liabilities	315,342	28
LONG-TERM LIABILITIES		
Deferred income taxes	62,214	5
Loans from banks and other liabilities (net of current maturities):		
Loans from banks		
Notes	232,975	3

Other liabilities	35,090	3
Total long term liabilities	330,279	13
Total liabilities	645,621	41
SHAREHOLDERS' EQUITY:		
Share capital	125,257	12
Capital surplus	90,060	9
Currency adjustments in respect of financial statements of associated companies	(62)	(
Retained earnings	417,470	42
	632,725	64
	1,278,346	1,05

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 (see note 1c)

	THREE-MONTH PERIOD ENDED MARCH 31 2004	2003
	(UNAUDITED)	
Net sales	119,182	117,7
Cost of sales	91,817	91,0
Gross profit	27,365	26,6
Selling and marketing, administrative and general expenses		
Selling and marketing	8,345	7,5
Administrative and general	5,477	6,0
	13,822	13,6
Income from ordinary operations	13,543	13,0
Financial expenses - net	2,044	3,5
Other income		1,6

Income before taxes on income	11,499	11,0
Taxes on income	4,000	3,6
Income from operations of the company and the consolidated subsidiaries	7,499	7,4
Share in profits of associated companies - net	9,936	5,6
Net income for the period	17,435	13,1
Net income per NIS 1 par value of shares (in N.I.S)	431	3

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 (see note 1c)

	SHARE CAPITAL	CAPITAL SURPLUS	ADJUSTMENT DUE TO THE TRANSLATIO OF FINANCI STATEMENT OF ASSOCIA COMPANIE
Balance at January 1, 2004 (audited)	125,257	90,060	(1
Changes during the three month period ended March 31, 2004 (unaudited)			
Net income			
Exercise of employee options into shares	*		
Adjustments due to the translation respect of financial statements of associated companies			1
Balance at March 31, 2004 (unaudited)	125,257	90,060	
Balance at January 1, 2003 (audited)	125,256	90,060	(3
Changes during the three month period ended March 31, 2003 (unaudited)			

Net income			
Proposed dividend			
Adjustments due to the translation respect of financial statements of associated companies			
Balance at March 31, 2003 (unaudited)	125,256	90,060	(2
Balance at January 1, 2003 (audited)	125,256	90,060	(3
Changes during the year ended December 31, 2003 (audited)			
Net income			
Dividend paid			
Exercise of employee options into shares		1	
Adjustments due to the translation of financial statements of associated companies			2
Balance at December 31, 2003 (audited)	125,257	90,060	(1

* 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 (see note 1c)

	THREE-MONTH PERIOD ENDED MARCH 31, 2004 (UNAUDITED)	THREE PERIO MARCH (UNAU

CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income for the period	17,435
Adjustments to reconcile net income to net cash provided by operating activities (a)	(7,338)
Net cash provided by operating activities	10,097
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchase of fixed assets	(6,505)
Short-term deposits and investments	(56,999)
Associated companys:	
Loans granted	(359)
Repayment of loans	
Proceeds from sale of fixed assets	422
Net cash provided by (used in) investing activities	(63,441)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Notes Issuance, net of issuance expenses of NIS 800,000	
Consideration in respect of the exercise of options by employees	
Repayment of long-term loans from banks	
Redemption of Notes	
Dividend paid	
Short-term bank credit - net	(4,217)
Net cash provided by (used in) financing activites	(4,217)
Increase (decrease) in cash and cash equivalents	(57,561)
Balance of cash and cash equivalents at beginning of period	157,706
Balance of cash and cash equivalents at end of period	100,145
(a) Adjustments to reconcile net income to net cash provided by operating activities:	
Income and expenses not involving cash flows:	
Associated companies:	
Share in profits of associated companies - net	(9,936)
Dividend received from those companies	
Depreciation and amortization	7,039
Deferred income taxes - net	(947)
Capital losses (gains):	
On sale of fixed assets	(242)
Income from short-term deposits and investments, not realized yet	(115)
Linkage differences on principal of long-term loans from banks and others - net	77
Linkage differences on (erosion of) Notes	(79)
Linkage differences on loans to associated companies	(773)

Linkage differences on long term capital note to associated company		
Changes in operating assets and liabilities:		
Increase in receivables	(10,164)	
Decrease (increase) in inventories	(2,581)	
Increase (decrease) in payables and accrued liabilities	10,383	
	(7,338)	

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, 2004

(Unaudited)

Note 1 - General

a. The interim financial statemena. as of March 31, 2004 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 applb.d in preparation of the interim statements are consistent with those applied in the annual financial statements, except for the adoption for the first time of standard No. 12 of the IASB - " Discontinuaunce of adjusting Financial statements of inflation", see c hereafter. 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. Transition to nominal-historicc. financial reporting: With effect from January 1, 2004, the company has adopted the provisions of Standard No. 12 -"Discontinuance of Adjusting Financial Statements for Inflation" - of the IASB and, pursuant thereto, the company has discontinued, from the aforesaid date, the practice of adjusting its financial statements for the effects of changes in the exchange rate of the U.S. dollar (hereafter - "the dollar").

Through December 31, 2003, the company prepared its financial statements on the basis of historical cost adjusted for the changes

In the general purchasing power of Israeli currency (hereafter - "NIS"), based upon changes in the exchange rate of the dollar, in accordance with pronouncements of the Institute of Certified Public Accountants in Israel (hereafter - "the Israeli Institute").

The adjusted amounts, as above, presented in the financial statements as of December 31, 2003 (hereafter - "the transition date"), are used as the opening balances for the nominal-historical financial reporting in the following periods. Additions made after the transition date have been included in the financial statements at their nominal values

The comparative figures included in these financial statements are based on the adjusted financial statements for the prior reporting periods, as previously presented, after adjustment to the exchange rate for December 31, 2003 (the exchange rate in effect at the transition date).

The amounts reported for periods after the transition date are composed as follows: all the amounts originating from the period prior to the transition date are composed of their adjusted amount at the transition date, with the addition of amounts in nominal values that were added after the transition date, and net of amounts that were deducted after the transition date (the retirement of such sums is effected at their adjusted values as of transition date, their nominal values, or a combination of the two, according to the circumstances). All the amounts originating from the period after the transition date are included in the financial statements at their nominal values

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:		
2004	3.4	(0.1)
2003	(1.1)	0.8
Year ended December 31, 2003	(7.6)	(1.9)

AMIRICAN ISRAELI PAPER MILLS LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AT MARCH 31, 2004

(Unaudited)

Note 2 - Segment Information

Data on segment activity:
In NIS in thousands (see note 1c)

	Paper and recycling		Marketing of office supplies		
	Jan-March 2004	Jan-March 2003	Jan-March 2004	Jan-March 2003	Jan-Ma 2004

Sales - net (1)	88,552	81,915	30,630	35,785	119,
Income (loss) from operations	14,658	12,741	(1,115)	276	13,

(1) Represents sales to external customers.

[LETTERHEAD OF AMERICAN ISRAELI PAPER MILLS GROUP]

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

- Neusiedler Hadera Paper 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

NEUSIEDLER HADER PAPER LTD
INTERIM REPORT

(Unaudited)

At MARCH 31, 2004

[LETTERHEAD OF PRICEWATERHOUSECOOPERS

Kesselman & Kesselman
Certified Public Accountants (Isr.)
Trade Tower, 25 Hamered Street
Tel Aviv 68125 Israel
P.O Box 452 Tel Aviv 61003
Telephone +972-3-7954555
Facsimile +972-3-7954556

May 10, 2004

The Board of Directors of
Neusiedler Hadera paper Ltd.,
Hadera.

Re: Review of condensed unaudited consolidated interim financial statements for the three month period ended March 31, 2004

At your request, we have reviewed the condensed consolidated balance sheet of Neusiedler Hadera paper Ltd. (hereafter - the Company) and its subsidiaries as of March 31, 2004 and the condensed consolidated statement of operations, changes in shareholders' equity and cash flows for three month period then ended.

Our review was performed in accordance with the procedures prescribed by the Institute of Certified Public Accountants in Israel. Inter alia, these procedures include: reading of the financial statements referred to above, reading of minutes of meetings of shareholders, the board of directors and its committees, and making inquiries of company officers responsible for financial and accounting matters.

Since our review was limited in scope and did not constitute an audit in accordance with generally accepted auditing standards, we do not express an opinion on the consolidated interim financial statements.

During our review, nothing came to our attention that indicated that significant adjustments should be made in the interim financial statements referred to above in order for them to be considered as having been prepared in accordance with the accounting principles generally accepted in Israel and in accordance with Securities (Periodic and Immediate Reports) Regulation, 1970.

Sincerely yours,

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NEUSIEDLER HADERA PAPER LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS

AT MARCH 31, 2004

	NIS in thousands (see note 1c)		
	March 31		December 31,
	2004	2003	2003
	(Unaudited)		(Audited)

A s s e t s			
CURRENT ASSETS:			
Cash and cash equivalents	37,212	74,167	31,678
Accounts receivable:			
Trade	154,876	139,177	147,748
Other	13,064	18,428	11,296
Inventories	81,258	76,707	89,231
T o t a l current assets	286,410	308,479	279,953
FIXED ASSETS:			
Cost	134,856	126,527	132,692
L e s s - accumulated depreciation	27,389	19,732	25,381
	107,467	106,795	107,311
GOODWILL, net of accumulated amorization	4,261	4,891	4,423
T o t a l assets	398,138	420,165	391,687
Liabilities and shareholders' equity			
CURRENT LIABILITIES:			
Short-term bank credit	15,527	14,692	15,108
Accounts payable and accruals:			
Trade - open accounts	97,795	84,760	104,097
American Israeli Paper Mills Limited and its subsidiaries , shareholders - net	63,093	69,302	52,968
Other	15,897	16,881	12,682
T o t a l current liabilities	192,312	185,635	184,855
LONG-TERM LIABILITIES:			
Banks loans	46,435	66,057	51,725
Capital notes from shareholders (net of current maturities)	45,280	70,064	43,790
Deferred income taxes - net	29,737	27,715	29,247
Liability for employee rights upon retirement	145	136	145
T o t a l long- term liabilities	121,597	163,972	124,907
T o t a l liabilities	313,909	349,607	309,762
SHAREHOLDERS' EQUITY:			
Share capital	1	1	1
Capital surplus	43,352	43,352	43,352
Retained earnings	40,876	27,205	38,572
	84,229	70,558	81,925
T o t a l liabilities and shareholders' equity	398,138	420,165	391,687

Eliaz Amar	Avner Solel	Yaki Yerushalmi
Chief Financial Officer	General Manager	Vice Chairman of the Board of Directors

Date of approval of the financial statements: May 10, 2004

The accompanying notes are an integral part of these condensed financial statements.

NEUSIEDLER HADERA PAPER LTD.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

FOR THE THREE MONTH PERIODS ENDED MARCH 31, 2004

	NIS in thousands (see note 1c)		
	Three months ended March 31		Year ended December 31,
	2004	2003	2003
	(Unaudited)		(Audited)
SALES - net	180,358	174,237	642,140
COST OF SALES	156,809	149,306	554,039
GROSS PROFIT	23,549	24,931	88,101
SELLING, MARKETING, ADMINISTRATIVE AND GENERAL EXPENSES:			
Selling and marketing	12,658	10,658	42,892
administrative and general	1,703	2,562	11,491
	14,361	13,220	54,383
INCOME FROM ORDINARY OPERATIONS	9,188	11,711	33,718
FINANCIAL EXPENSES - net	5,769	1,003	4,681
INCOME BEFORE TAXES ON INCOME	3,419	10,708	29,037
TAXES ON INCOME	1,115	3,556	10,518
NET INCOME FOR THE PERIOD	2,304	7,152	18,519
NET INCOME PER NIS 1 OF PAR VALUE OF SHARES IN NIS	2,304	7,152	18,519

The accompanying notes are an integral part of these condensed financial statements.

NEUSIEDLER HADERA PAPER LTD.

CONDENSED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2004

	NIS in thousands (see note 1c)			
	Share capital	Capital surplus	Reatained earnings	Total
BALANCE AT JANUARY 1, 2004 (audited)	1	43,352	38,572	81,925
CHANGES DURING THE THREE MONTHS ENDED MARCH 31, 2004 (unaudited)- net income			2,304	2,304
BALANCE AT MARCH 31, 2004 (unaudited)	1	43,352	40,876	84,229
BALANCE AT JANUARY 1, 2003 (audited)	1	43,352	20,053	63,406
CHANGES DURING THE THREE MONTHS ENDED MARCH 31, 2003 (unaudited)- net income			7,152	7,152
BALANCE AT MARCH 31, 2003 (unaudited)	1	43,352	27,205	70,558
BALANCE AT JANUARY 1, 2003 (audited)	1	43,352	20,053	63,406
CHANGES DURING 2003 (audited)- net income			18,519	18,519
BALANCE AT DECEMBER 31, 2003 (audited)	1	43,352	38,572	81,925

The accompanying notes are an integral part of these condensed financial statements.

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NEUSIEDLER HADERA PAPER LTD.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2004

NIS in thousan

Three months ende
March 31

	2004	20
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES :		
Net income for the period	2,304	7,
Adjustments to reconcile net income to net cash provided by operating activities (a)	14,829	43,
Net cash provided by operating activities	17,133	50,
CASH FLOWS FROM INVESTING ACTIVITIES :		
Purchase of fixed assets	(2,250)	(2,
Proceeds from sale of fixed assets	22	
Net cash used in investing activities	(2,228)	(2,
CASH FLOWS FROM FINANCING ACTIVITIES :		
Short-term credit from banks - net		
Discharge of long-term bank loans	(9,371)	(6,
Discharge of long-term Capital notes from shareholders		(17,
Net cash used in financing activites	(9,371)	(23,
INCREASE (DECREASE) OF CASH AND CASH EQUIVALENTS	5,534	25,
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	31,678	49,
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	37,212	74,
(a) Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Income and expenses not involving cash flows:		
Depreciation and amortization	2,234	2,
Deferred income taxes - net	896	3,
Liability for employee rights upon retirement		
Capital losses on sale of fixed assets		
Erosion of long-term bank loans	4,500	
Erosion of long-term Capital notes from shareholders	1,490	
	9,120	6,
Changes in operating assets and liabilities:		
Decrease (increase) in receivable :		
Trade	(7,128)	15,
Other	(2,174)	(1,
Decrease (increase) in inventories	7,973	2,
Increase (decrease) in accounts payable and accruals :		
Trade	(6,302)	6,
American Israeli Paper Mills Limited and its subsidiaries shareholders - net	10,125	16,

Other	3,215	(3,
	5,709	37,
	14,829	43,

The accompanying notes are an integral part of these condensed financial statements.

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NEUSIEDLER HADERA PAPER LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AT MARCH 31, 2004

(Unaudited)

Note 1 - General

a. The interim financial statements as of March 31, 2004 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 adoption for the first time of standard No. 12 of the IASB - "Discontinuaunce of adjusting Financial statements of inflation". see c herelater. 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. Transition to nominal-historical financial reporting: With effect from January 1, 2004, the company has adopted the provisions of Standard No. 12 -"Discontinuance of Adjusting Financial Statements for Inflation" - of the IASB and, pursuant thereto, the company has discontinued, from the aforesaid date, the practice of adjusting its financial statements for the effects of changes in the exchange rate of the US dollar (hereafter - "the dollar").

Through December 31, 2003, the company prepared its financial statements on the basis of historical cost adjusted for the changes In the general purchasing power of Israeli currency (hereafter - "NIS"), based upon changes in the exchange rate of the dollar, in accordance with pronouncements of the Institute of Certified Public Accountants in Israel (hereafter - "the Israeli Institute"). The adjusted amounts, as above, presented in the financial statements as of December 31, 2003 (hereafter - "the transition date"), are used as the opening balances for the nominal-historical financial reporting in the following periods. Additions made after the transition date have been included in the financial statements at their nominal values

The comparative figures included in these financial statements are based on the adjusted financial statements for the prior reporting periods, as previously presented, after adjustment to the exchange rate for December 31, 2003 (the exchange rate in effect at the transition date).

The amounts reported for periods after the transition date are composed as follows: all the amounts originating from the period prior to the transition date are composed of their adjusted amount at the transition date, with the addition of amounts in nominal values that were added after the transition date, and net of amounts that were deducted after the transition date (the retirement of such sums is effected at their adjusted values as of transition date, their nominal values, or a combination of the two, according to the circumstances). All the amounts originating from the period after the transition date are included in the financial statements at their nominal values

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

	Exchange rate of the dollar	CPI
	%	%
Increase (decrease) in the three months ended March 31:		
2004	3.4	(0.1)
2003	(1.1)	0.8
Decrease in the year ended December 31, 2003	(7.6)	(1.9)

The dollar exchange rate as of March 31, 2004 is: $1=NIS 4.528

Exhibit 5

HOGLA-KIMBERLY LTD. AND SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
AS OF MARCH 31, 2004

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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, 2004

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, 2004.
- Statement of operations for the three months ended March 31, 2004.
- Statement of changes in shareholders' equity for the three months ended March 31, 2004.
- Statement of cash flows for the three months ended March 31, 2004.

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 substantially less in scope than an examination in accordance with generally accepted auditing standards, we do not express an opinion on the interim financial statements.

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

Brightman Almagor & Co.

Certified Public Accountants
A Member Firm of Deloitte Touche Tohmatsu

Tel Aviv, May 6, 2004

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

	March 31, 2004 Reported Amounts(1)	March 31, 2003 Adjusted Amounts(3)	December 31, 2003 Adjusted Amounts(3)
Current Assets	(Unaudited)	(Unaudited)	
Cash and cash equivalents	54,885	11,921	37,340
Current maturities of long-term deposits	8,150	9,195	7,882
Trade receivables	269,818	182,536	229,979
Other receivables	20,127	7,931	14,222
Inventories	101,173	97,861	92,664
	454,153	309,444	382,087
Long-Term Investments			
Long-term deposits	72,448	77,947	70,064
Capital note of shareholder	32,770	30,617	32,770
	105,218	108,564	102,834
Fixed Assets			
Cost	480,716	463,802	479,744
Less - accumulated depreciation	212,479	197,788	210,176
	268,237	266,014	269,568
Other Assets - Goodwill	29,346	31,148	29,073
	856,954	715,170	783,562
Current Liabilities			
Short-term bank credit	-	16,640	1,087
Current maturities of long-term bank loans	18,501	24,960	15,147
Trade payables	174,614	125,050	139,555
Other payables and accrued expenses	51,164	33,126	37,632
	244,279	199,776	193,421
Long-Term Liabilities			
Long-term bank loans	96,447	85,391	96,338
Deferred taxes	32,254	22,496	29,428
	128,701	107,887	125,766
Minority Interest	52,556	45,316	51,394

Shareholders' Equity			
Share capital	28,788	28,788	28,788
Capital reserves	156,799	156,799	156,799
Translation adjustments relating to foreign held autonomous Subsidiary (2)	2,124	-	-
Retained earnings	243,707	176,604	227,394
	431,418	362,191	412,981
	856,954	715,170	783,562

(1) See Note 2B(1).

(2) See Note 2B(2).

(3) Adjusted for changes in the exchange rate of the U.S dollar as of December 31, 2003.

T. Davis	A. Magid	A. Brenner
Chairman of the Board of Directors	Financial Manager	Managing Director

Approval date of the interim financial statements: May 6, 2004.

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

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HOGLA-KIMBERLY LTD. AND SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED STATEMENTS OF OPERATIONS
(NIS in thousands)

	Three months ended March 31,		Year ended December 31,
	2 0 0 4	2 0 0 3	2 0 0 3
	Reported Amounts (1)	Adjusted Amounts (2)	Adjusted Amounts (2)
	(unaudited)		
Net sales	266,766	196,753	868,671
Cost of sales	185,037	147,620	621,014
Gross profit	81,729	49,133	247,657
Selling expenses	45,643	(*)27,545	130,670
General and administrative expenses	9,920	(*)10,041	39,046

Operating profit	26,166	11,547	77,941
Financing income (expenses), net	2,080	(1,628)	5,517
Other income, net	87	149	496
Income before income taxes	28,333	10,068	83,954
Income taxes	10,858	3,548	20,566
Income after income taxes	17,475	6,520	63,388
Minority interest in earnings of Subsidiary	(1,162)	(1,057)	(7,135)
Net income for the period	16,313	5,463	56,253
Earnings per share (in NIS)	1.97	0.66	6.81
Number of shares used in computation	8,263,473	8,263,473	8,263,473

(*) Reclassified.

(1) See Note 2B(1).
(2) Adjusted for changes in the exchange rate of the U.S dollar as of December 31, 2003.

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

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

	Share capital	Capital reserves	Translation adjustments relating to foreign held autonomous Subsidiary	Retained earnings	Di decla ba s
Three months ended March 31, 2004 (unaudited) (Reported Amounts (1))					
Balance - January 1, 2004	28,788	156,799	-	227,394	

Translation adjustments relating to foreign held autonomous Subsidiary (2)			2,124		
Net income for the period				16,313	
	------	-------	--------	-------	-
Balance - March 31, 2004	28,788	156,799	2,124	243,707	
Three months ended March 31, 2003 (unaudited) (Adjusted Amounts (3))					
Balance - January 1, 2003	28,788	156,799	-	171,141	
Dividend paid					(
Net income for the period				5,463	
	------	-------	--------	-------	-
Balance - March 31, 2003	28,788	156,799	-	176,604	
Year ended December 31, 2003 (Adjusted Amounts (3))					
Balance - January 1, 2003	28,788	156,799	-	171,141	
Dividend paid					(
Net income for the year				56,253	
	------	-------	--------	-------	-
Balance - December 31, 2003	28,788	156,799	-	227,394	
	======	=======	========	=======	=

(1) See Note 2B(1).
(2) See Note 2B(2).
(3) Adjusted for changes in the exchange rate of the U.S dollar as of December 31, 2003.

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)

	Three months ended March 31,		Year ended December 31,
	2 0 0 4	2 0 0 3	2 0 0 3
	Reported Amounts(1)	Adjusted Amounts(3)	Adjusted Amounts(3)
	(unaudited)		
Cash flows - operating activities			

Net income for the period	16,313	5,463	56,253
Adjustments to reconcile net income to net cash provided by operating activities (Appendix A)	5,147	7,261	4,190
Net cash provided by operating activities	21,460	12,724	60,443
Cash flows - investing activities			
Withdrawal of long-term bank deposits	-	-	9,195
Acquisition of fixed assets	(3,458)	(9,376)	(26,953)
Proceeds from sale of fixed assets	499	381	1,092
Net cash used in investing activities	(2,959)	(8,995)	(16,666)
Cash flows - financing activities			
Dividend paid	-	(32,843)	(32,843)
Long-term loan received	4,427	3,065	28,949
Repayment of long-term loans	(4,421)	-	(24,960)
Short-term bank credit, net	(1,087)	16,640	1,087
Net cash used in financing activities	(1,081)	(13,138)	(27,767)
Translation adjustments of cash and cash equivalents and operations of foreign held autonomous Subsidiary (2)	125	-	-
Increase (decrease) in cash and cash equivalents	17,545	(9,409)	16,010
Cash and cash equivalents - beginning of period	37,340	21,330	21,330
Cash and cash equivalents - end of period	54,885	11,921	37,340

(1) See Note 2B(1).

(2) See Note 2B(2).

(3) Adjusted for changes in the exchange rate of the U.S dollar as of December 31, 2003.

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

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

	Three months ended March 31,		Year ended December 31,
	2 0 0 4	2 0 0 3	2 0 0 3
	Reported	Adjusted	Adjusted

	Amounts(1)	Amounts(2)	Amounts(2)
	(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	1,162	1,057	7,135
Depreciation and amortization	6,052	6,607	25,213
Deferred taxes, net	443	2,747	8,251
Gain from sale of fixed assets	(87)	(149)	(482)
Effect of exchange rate differences, net	(598)	(323)	(2,266)
Changes in assets and liabilities:			
Increase in trade receivables	(38,329)	(398)	(47,933)
Decrease (increase) in other receivables	(3,444)	2,749	(2,115)
Increase in inventories	(8,014)	(11,434)	(6,237)
Increase in trade payables	28,341	6,589	27,544
Net change in balances with related parties	6,229	(804)	(10,050)
Increase in other payables and accrued expenses	13,392	620	5,130
	5,147	7,261	4,190
B Non-cash activities			
Acquisition of fixed assets on credit	634	-	8,661

(1) See Note 2B(1).

(2) Adjusted for changes in the exchange rate of the U.S dollar as of December 31, 2003.

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, 2004

NOTE 1 - BASIS OF PRESENTATION

The unaudited condensed interim consolidated financial statements as of March 31, 2004 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, 2003 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, 2004 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".

B. New Accounting Standards

The accounting principles applied in the preparation of these interim financial statements are consistent with those principles applied in the preparation of the most recent annual audited financial statements with the exception of the following:

(1) Cessation of Financial Statement Adjustment and Change to Reporting in Reported Amounts - Standard No. 12

(a) Definitions:

Adjusted Amount - historical nominal amount adjusted for changes in the exchange rate of the U.S dollar as of December 31, 2003, in accordance with Opinion No. 36 of the Institute of Certified Public Accountants in Israel.

Reported Amount - Adjusted Amount plus amounts in nominal terms added subsequent to December 31, 2003, and less amounts subtracted after that date.

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HOGLA-KIMBERLY LTD. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS AS OF MARCH 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. New Accounting Standards (cont.)

(1) Cessation of Financial Statement Adjustment and Change to Reporting in Reported Amounts - Standard No. 12 (cont.)

(b) In January 2004, Israeli Accounting Standard No. 12 "Cessation of Financial Statements Adjustment" came into effect. Following the initial implementation of Standard No. 12, commencing January 1, 2004, the Group ceased the presentation of its financial statements based on nominal historical cost adjusted for the changes in the exchange rate of the US Dollar in relation to the NIS. Effective with the interim financial statements as of March 31, 2004 and for the reporting periods thereafter, the Group's financial statements are prepared and presented in Reported Amounts.

Comparative figures included in the interim financial statements relating to December 31, 2003 and March 31, 2003 and for the year and three-month period respectively then ended, are presented in Adjusted Amounts.

(c) Reported Amounts are determined as follows:

Balance Sheet Items

Monetary items (items whose balance sheet amount reflects their current value or realization value at the balance sheet date) are presented at their nominal value as of the balance sheet date.

Non-monetary items are presented at their Adjusted Amounts plus additions and dispositions occurring during the reporting period. Additions made subsequent to December 31, 2003 and dispositions of items added subsequent to such date, are presented at their historical nominal value. Dispositions of items added prior to December 31, 2003 are presented at their Adjusted Amount.

Minority interest in a Subsidiary is presented based on the interim financial statements of that Subsidiary prepared according to the guidance of Standard No. 12.

Statement of Operation Items

Income and expenses reflecting transactions, and financial income and expenses, are presented at their nominal value.

Income and expenses deriving from non-monetary items (mainly depreciation and amortization) were presented in a manner corresponding to the presentation of the related non-monetary balance sheet item, as illustrated above.

Minority interest in earnings of a Subsidiary is determined based on the interim financial statements of that Subsidiary prepared according to the guidance of Standard No. 12.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. New Accounting Standards (cont.)

(d) The amounts at which non-monetary items are presented in these interim financial statements do not necessarily represent their realization value or economic value, but solely their Reported Amount.

(2) Translation of Foreign Operations' Financial Statements -

Standard No. 13

(a) In January 2004, Israeli Accounting Standard No. 13 "Effect of Changes in Foreign Exchange Rates" came into effect. This Standard addresses the translation of transactions denominated in foreign currency, as well as the translation of financial statements of a foreign entity, for inclusion in the financial statements of the reporting company. Standard No. 13 supersedes Clarifications No. 8 and 9 to Opinion No. 36 of the Institute of Certified Public Accountants in Israel, which were nullified on the date on which Accounting Standard No. 12 came into effect, as described in (1) above.

(b) A foreign entity classified as a foreign held autonomous Subsidiary

- o Following the implementation of Standard No. 13, commencing January 2004 goodwill derived from an investment made in another entity is to be treated as one of that entity's assets. Accordingly, the goodwill associated with the Group's investment in Ovisan is translated to NIS at the closing rate, rather than at the exchange rate at the date in which said investment was made, as was previously required under the applicable accounting literature in effect through December 31, 2003.

- o Monetary and non-monetary assets and liabilities of the foreign entity are translated at the closing rate.

- o Operating and cash flow items of the foreign entity are translated, in general, by the average exchange rate for the reporting period, rather than by the closing rate as was previously required under the applicable accounting literature prior to the date in which Standard No. 13 came into effect (January 1, 2004).

- o All differences resulting from the translation of the foreign entity's financial statements by the method described above, are included in a separate component of shareholders' equity as "Translation adjustments relating to foreign held autonomous Subsidiary".

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HOGLA-KIMBERLY LTD. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS AS OF MARCH 31, 2004

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. New Accounting Standards (cont.)

(3) Amortization of Goodwill - Standard No. 20

In March 2004, the Israeli Accounting Standard Board issued Standard No. 20 "The Amortization Period of Goodwill". Standard No. 20 calls for the amortization of goodwill over its useful life, based on a systematic method that should reflect the estimated expected period in which the goodwill is to contribute economic benefits. The amortization period shall not exceed 20 years from the date on which the goodwill was initially recognized. Standard No. 20 is in effect for reporting periods commencing January 1, 2004, and its provisions are to be applied on a prospective basis. The implementation of Standard No. 20 did not, and is not expected to, effect the Group's financial position and results of operations.

C. During the reporting period, the representative exchange rate of the US Dollar vis-a-vis the NIS increased by 3.4%, while the exchange rate of the Turkish Lira vis-a-vis the NIS and the Israeli Consumer Price Index decreased by 9.4% and 0.1%, respectively.