AMERICAN ISRAELI PAPER MILLS LTD
Form 6-K
November 13, 2003

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 November 2003

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 by reference herein is the Registrant's press release dated November 13, 2003.

Attached hereto as Exhibit 2 and incorporated by reference herein is the report of the Registrant's management for the fiscal quarter ended September 30, 2003.

Attached hereto as Exhibit 3 and incorporated by reference herein are the unaudited financial statements of the Registrant for the fiscal quarter ended September 30, 2003.

Attached hereto as Exhibit 4 and incorporated by reference herein are the unaudited financial statements of each of Neusiedler Hadera Paper Ltd. and Hogla-Kimberly Ltd.

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: ________________________________

Name: Lea Katz

Title: Corporate Secretary

Dated: November 13, 2003.

EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
1.	Press release dated November 13, 2003.
2.	Report of the Registrant's management.
3.	Unaudited financial statements of the Registrant.
4.	Unaudited financial statements of each of Neusiedler Hadera Paper Ltd. and Hogla-Kimberly Ltd.

EXHIBIT 1

NEWS

CLIENT: AMERICAN ISRAELI PAPER MILLS LTD.

AGENCY CONTACT: PHILIP Y. SARDOFF
FOR RELEASE: IMMEDIATE

AMERICAN ISRAELI PAPER MILLS LTD.
REPORTS THIRD QUARTER AND NINE MONTHS RESULTS

Hadera, Israel, November 13, 2003 - American Israeli Paper Mills Ltd. (ASE:AIP) ["AIPM" or the "Company"] today reported financial results for the third quarter and first nine months ended September 30, 2003.

Consolidated sales in the first nine months of this year totaled NIS 354.9 million (NIS - New Israeli Shekels adjusted to changes in the dollar exchange rate), compared with NIS 337.1 million in the corresponding period last year ($79.9 million, compared with $75.9 million). Consolidated sales in the third quarter of the year totaled NIS 119.0 million, compared with NIS 112.6 million in the third quarter last year ($26.8 million, compared with $25.3 million).

The increase in consolidated sales in the nine months compared to the corresponding period last year is primarily attributable to the growth of 8% in volume sales of the packaging paper and recycling division and to a certain increase in selling prices.

Consolidated operating profit in the first nine months of 2003 totaled NIS 35.5 million, compared with NIS 24.3 million in the corresponding period of 2002 ($8.0 million compared with $5.5 million). Operating consolidated profit in the third quarter of 2003 totaled NIS 12.1 million, compared with NIS 11.5 million in the third quarter of 2002 ($2.7 million compared with $2.6 million).

Since AIPM's share in the profits of associated companies constitutes an essential part of the profit and loss statement of the Company, mainly due to its share in the profits of Neusiedler Hadera Paper (NHP) and Hogla-Kimberly (H-K), which were formerly consolidated until the transfer of control to the international strategic partners (Neusiedler AG and Kimberly-Clark) the aggregate data (including the associated companies, whose results are included in the financial statements as "earnings of associated companies", without considering the holding percentage of AIPM in such companies and net of inter-company sales) is presented as follows.

Aggregate group sales in the first nine months of 2003 totaled NIS 1,791.5 million, compared with NIS 1,645.4 million in the corresponding period last year ($403.4 million compared with $370.5 million). Aggregate sales in the third quarter of 2003 totaled NIS 630.6 million, compared with NIS 538.7 million in the corresponding quarter last year ($142.0 million, compared with $121.3 million).

Aggregate operating profit in the first nine months of 2003 totaled NIS 123.0 million, compared with NIS 99.0 million in the corresponding period last year ($27.7 million, compared with $22.3 million). Aggregate operating profit in the third quarter of 2003 totaled NIS 47.1 million, compared with NIS 33.8 million in the corresponding quarter last year ($10.6 million, compared with $7.6 million).

Net profit in the first nine months of 2003 totaled NIS 45.6 million, compared with NIS 28.6 million in the corresponding period last year ($10.3 million, compared with $6.4 million). Net profit in the reported period includes approximately NIS 1.1 million ($0.2 million) in net capital gains, resulting from the sale of apartments owned by the Company, which had previously been used by the Company's employees. Net profit in the corresponding period last year included approximately NIS 0.4 million ($0.1 million) in non-recurring income, net, from the realization of assets and from taxes on account of preceding years.

Net profit in the third quarter of the year totaled NIS 13.8 million, as compared with NIS 9.2 million in the corresponding quarter last year ($3.1 million, as compared with $2.1 million).

Earnings per share (EPS) in the first nine months of 2003 totaled NIS 11.35 ($ 2.56) compared with NIS 7.25 ($1.63) for the corresponding period last year. EPS in the third quarter of 2003 totaled NIS 3.43 ($0.77) compared with NIS 2.34 ($0.53) for the corresponding quarter last year.

The inflation rate during the reported period this year was negative and amounted to -1.5%, as compared with an inflation rate of 7.0% during the corresponding period last year, and as compared with 6.5% for all of 2002.

The exchange rate of the NIS was revaluated by approximately 6.2% against the US dollar during the reported period as compared with a devaluation of 10.3% in the corresponding period last year and a devaluation of 7.3% for all of 2002.

Mr. Avi Patir, General Manager of AIPM, said that the economic recession in Israel is continuing in 2003. The recession has been plaguing the country for three years and is expressed by low demand, a lack of growth and elevated unemployment rates.

Due to the global economic crisis, low-priced imports into Israel are continuing benefiting from the low dollar exchange rate. The low-priced imports intensify competition and contribute to the decrease in selling prices.

Pulp prices recently began to rise. This trend may continue in the following quarters as well. Nevertheless, due to the severe recession in Europe and the existing surplus in output capacity - especially in fine paper - paper selling prices are not rising and are actually even decreasing.

The consolidated gross margin as a percentage of consolidated sales reached 22.3% during the reported period this year, compared to 19.3% in the corresponding period last year.

The improved gross margin compared to the corresponding period last year was achieved due to the Company's ongoing improvement and increased efficiency. Such improvement resulted from higher machine output, a reduced work force, and various lower manufacturing expenses.

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The improved net margin was recorded despite a sharp increase in energy prices, following an average increase of 29% in fuel oil prices in relation to the corresponding period last year and a 20% increase in water prices. Energy expenses grew by NIS 5.8 million ($1.3 million), including the effect of the transition to low-sulfur fuel oil, due to compliance with environmental-related demands.

Since the Company's financial statements are denominated in US dollars and the Company has a surplus of shekel-denominated financial liabilities over NIS-denominated assets, the financial expenses decrease with a devaluation, whereas a revaluation serves to increase the financial expenses.

Consequently, financial expenses were recorded during the reported period this year, as compared with net financial revenues during the corresponding period last year.

The Company's share in the earnings of associated companies amounted to NIS 28.0 million in the first nine months of the year, compared with NIS 13.0 million in the corresponding period last year ($6.3 million, compared with $2.9 million). The companies whose earnings are reported in this item (in proportion to AIPM's share therein), include primarily: H-K, NHP, Carmel Containers Systems and TMM Integrated Recycling Industries.

The principal changes in AIPM's share in the earnings of associated companies during the reported period this year, compared with the corresponding period last year, are as follows:

- The Company's share in the net profit of NHP grew by NIS 2.2 million ($0.5 million) as a result of the continuing improvement in NHP's profitability, which resulted primarily from efficiency measures and the reorganization of operations and marketing at NHP. The improved profitability was somewhat adversely affected due to a certain decrease in the net profit in the third quarter of the year, originating from a decrease in the operating income in relation to the previous quarters this year (resulting primarily from the decrease in the gross margin, due to higher pulp prices and lower paper prices, as a result of the economic crisis in Europe), coupled with the effects of the devaluation.

- The Company's share in the net profit of H-K grew by some NIS 13.4 million ($3.0 million) and resulted from the improvement in the operating profit as compared with the corresponding period last year, coupled with financial revenues that were recorded at H-K during the reported period this year, due to the impact of the revaluation (H-K possesses a surplus of NIS-denominated assets). The devaluation in the third quarter of the year (3%) nevertheless served to erode H-K's net profit, due to higher financial expenses, despite the significant improvement in the operating profit.

In March 2003, the Company declared a dividend for 2002, in the aggregate amount of NIS 25.9 million (NIS 6.61 per share). The dividend was paid in April 2003.

In August, the Company declared a special dividend for 2003, in the aggregate amount of approximately NIS 75 million (NIS 19.04 per share). The dividend was paid in September 2003.

This report may contain various forward-looking statements, based upon the Company's board of directors' present expectations and estimates regarding the operations of the Company 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 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)

ADJUSTED NIS IN THOUSANDS
EXCEPT PER SHARE AMOUNTS

Nine months ended September 30,

ADJUSTED NIS

	2003	2002
Net sales	354,942	337,097
Net earnings	45,586	28,566
Earnings per share	11.35	7.25

Three months ended September 30,

ADJUSTED NIS

	2003	2002
Net sales	118,952	112,571
Net earnings	13,788	9,226
Earnings per share	3.43	2.34

Adjusted New Israeli Shekel amounts have been adjusted to reflect changes in the rate of exchange between the U.S. dollar and the New Israeli Shekel as at the end of September 2003. The representative exchange rate at September 30, 2003 was N.I.S. 4.441 = $1.00.

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EXHIBIT 2

November 12, 2003

MANAGEMENT DISCUSSION

We are honored to present the consolidated financial statements of the American Israeli Paper Mills Ltd. Group ("AIPM" or the "Company") for the first nine months of the year 2003.

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

1. GENERAL

AIPM is the leading Israeli group in the manufacture 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.

2. THE BUSINESS ENVIRONMENT

The economic recession in Israel has continued during 2003. The recession has been plaguing the country for three years and is expressed by low demand, a lack of growth and increased unemployment rates.

Due to the global economic crisis, low-priced imports into Israel are continuing, benefiting from the low dollar exchange rate. The low-priced imports intensify competition and contribute to the erosion of selling prices.

Pulp prices recently began to rise. This trend may continue in the following quarters as well. Nevertheless, due to the severe recession in Europe and the existing surplus in output capacity - especially in fine paper - paper-selling prices are not rising and are actually even decreasing.

The dollar exchange rate, which fell sharply in the first half of 2003 (revaluation of approximately 9%), strengthened in the third quarter of 2003 (approximately 3%), yet remained low compared to the third quarter of last year (NIS 4.441 per dollar on September 30, 2003, as compared with NIS 4.871 per dollar on September 30, 2002, and as compared with NIS 4.737 per dollar on December 31, 2002).

The exchange rate of the NIS was revaluated by approximately 6.2% against the US dollar during the reported period (January-September 2003), as compared with a devaluation of 10.3% in the corresponding period of last year (January-September 2002), and as compared with a devaluation of 7.3% for all of 2002.

Inflation during the reported period of this year was negative and amounted to -1.5%, as compared with an inflation rate of 7.0% in the corresponding period of last year and 6.5% in all of 2002.

The lower inflation rate enabled the Bank of Israel (the central bank) to significantly lower the prime interest rate (approximately 3% since the beginning of the year). The real-term interest rate nevertheless remains high.

II. RESULTS OF OPERATIONS

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1. CONSOLIDATED DATA

The information set forth below does not include the results of operations of Neusiedler Hadera Paper("NHP"), Hogla-Kimberly ("H-K"), Carmel and TMM Integrated Recycling Industries ("TMM").

The aggregate sales in the reported period amounted to NIS 354.9 million (NIS - New Israeli Shekels adjusted to changes in the dollar exchange rate), as compared with NIS 337.1 million in the corresponding period last year ($79.9 million, as compared with $75.9 million).

The operating profit amounted to NIS 35.5 million during the reported period, as compared with NIS 24.3 million in the corresponding period last year ($8.0 million, as compared with $5.5 million).

The sales in the third quarter of the year (July-September 2003) totaled NIS 119.0 million, as compared with NIS 112.6 million in the corresponding quarter last year (July-September 2002) ($26.8 million as compared with $25.3 million).

The operating income in the third quarter of the year totaled NIS 12.1 million, as compared with NIS 11.5 million in the corresponding quarter last year ($2.7 million, as compared with $2.6 million).

The financial expenses during the reported period this year amounted to NIS 11.9 million, as compared with financial revenues of NIS 1.0 million in the corresponding period last year ($2.7 million in expenses, as compared with $0.2 million in revenues).

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2. 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 NHP and Hogla-Kimberly that were consolidated in the past, until the transfer of control over these companies to the Company's international strategic partners), the aggregate data appearing below 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"), without considering the rate of AIPM's holding in such entities and net of inter-company sales .

The aggregate sales amounted to NIS 1,791.5 million during the reported period, as compared with NIS 1,645.4 million in the corresponding period last year ($403.4 million, as compared with $370.5 million).

The aggregate operating profit amounted to NIS 123.0 million during the reported period, as compared with NIS 99.0 million in the corresponding period last year ($27.7 million, as compared with $22.3 million).

The aggregate sales in the third quarter of the year amounted to NIS 630.6 million, as compared with NIS 538.7 million in the corresponding quarter last year ($142.0 million, as compared with $121.3 million).

The aggregate operating profit totaled NIS 47.1 million in the third quarter of the year, as compared with NIS 33.8 million in the corresponding quarter last year ($10.6 million, as compared with $7.6 million).

The growth in the aggregate operating profit as compared with the corresponding period last year originates from all of the Group's sectors of operation, following the efforts to improve efficiency, increase output and cut costs.

3. NET PROFIT AND EARNINGS PER SHARE

Net profit, before non-recurring income, amounted to NIS 44.5 million during the reported period this year, as compared with NIS 28.2 million in the corresponding period last year ($10.0 million, as compared with $6.3 million).

Net profit amounted to NIS 45.6 million during the reported period this year, as compared with NIS 28.6 million in the corresponding period last year ($10.3 million, as compared with $6.4 million). Net profit for the reported period this year included approximately NIS 1.1 million ($0.2 million) in net capital gains, resulting from the sale of apartments owned by the Company that had previously served the Company's employees. Net profit in the corresponding period last year included approximately NIS 0.4 million ($0.1 million) in non-recurring income, net, from the realization of assets and from taxes on account of preceding years.

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Net profit in the third quarter of the year (before non-recurring income) totaled NIS 13.8 million, as compared with NIS 8.8 million in the corresponding quarter last year ($3.1 million, as compared with $2.0 million) (NIS 9.2 million, or $2.1 million, including non-recurring income in the corresponding quarter last year).

Earnings per share (EPS) in the reported period this year totaled NIS 1,135 per NIS 1 par value ($2.56 per share), as compared with NIS 725 per NIS 1 par value ($1.63 per share) in the corresponding period last year.

Earnings per share (EPS) in the third quarter of the year totaled NIS 343 per NIS 1 par value ($0.77 per share), as compared with NIS 234 per NIS 1 par value ($0.53 per share) in the corresponding quarter last year.

III. ANALYSIS OF OPERATIONS AND PROFITABILITY

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

1. SALES

The consolidated sales amounted to NIS 354.9 million during the reported period this year, as compared with NIS 337.1 million in the corresponding period last year ($79.9 million, as compared with $75.9 million).

We note that the sales turnover during the corresponding period last year included approximately NIS 8.0 million ($1.8 million) in net sales on account of the Shafir operations, which were discontinued in September 2002.

The growth in sales is attributed primarily to the growth in sales of packaging paper and recycling division, originating from a quantitative increase of 8% and from a certain improvement in selling prices.

2. COST OF SALES

The cost of sales amounted to NIS 275.8 million - or 77.7% of sales - during the reported period this year, as compared with NIS 272.2 million - or 80.7% of sales - in the corresponding period last year ($62.1 million, as compared with $61.3 million).

The gross profit amounted to NIS 79.1 million during the reported period this year, as compared with NIS 64.9 million in the corresponding period last year ($17.8 million, as compared with $14.6 million).

The gross margin as a percentage of sales reached 22.3% during the reported period this year, as compared with 19.3% in the corresponding period last year.

The improved gross margin in relation to the corresponding period last year was achieved due to the Company's ongoing improvement and increased efficiency, expressed by an improved machine output, reduced work force and various lower manufacturing expenses.

The wage component of the Company's costs increased during the reported period in relation to the corresponding period last year, both due to the CPI increase in 2002, which resulted in the updating of wages in order to prevent their real-term erosion, and the revaluation of the NIS against the dollar during the reported period, which resulted in an increase in expenditures in dollar terms. The said increase was partially offset by personnel cutbacks.

The improved net margin was achieved despite a sharp increase in energy prices, following an average increase of 29% in fuel oil prices and a 20% increase in water prices in relation to the corresponding period last year. Energy expenses increased by NIS 5.8 million ($1.3 million), including the effect of the transition to low-sulfur fuel oil, due to compliance with environmental-related demands.

3. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The selling, general and administrative expenses (including wages) amounted to NIS 43.6 million in the reported period this year - or 12.3% of sales - as compared with NIS 40.6 million - or 12.0% of sales - in the corresponding period last year ($9.8 million, as compared with $9.1 million).

The increase in expenses resulted primarily from the sharp revaluation this year of the NIS compared to the dollar, which resulted in an increase in expenses in dollar terms (since most of such expenses (including wages) are originally denominated in NIS.

4. OPERATING PROFIT

The operating profit amounted to NIS 35.5 million - or 10.0% of sales - during the reported period this year, as compared with NIS 24.3 million - or 7.2% of sales - in the corresponding period last year ($8.0 million, as compared with $5.5 million).

5. FINANCIAL EXPENSES (REVENUES)

The financial expenses during the reported period this year amounted to NIS 11.9 million, as compared with financial revenues of NIS 1.0 million in the corresponding period last year ($2.7 million in expenses, as compared with $0.2 million in revenues).

The Company's financial statements are denominated in US dollars. Since the Company is exposed to a devaluation on account of its NIS-denominated financial assets, the Company has assumed most of its liabilities (primarily bank credit) in NIS, as a hedge against devaluation.

The Company consequently possesses a surplus of NIS-denominated financial liabilities over NIS-denominated assets and the financial expenses therefore decrease with a devaluation (last year financial revenues were recorded due to the significant devaluation), whereas a revaluation serves to increase the financial expenses.

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The difference between the revaluation this year and the devaluation last year is approximately 17%.

The CPI-linked liability on account of the notes grew in dollar terms in the reported period this year, as a result of the real-term revaluation, leading to real-term financial expenses. A real-term devaluation was recorded in the corresponding period last year, which led to a decrease in liabilities in dollar terms and to the recording of financial revenues, net, thereon.

The average balance of short-term credit increased by approximately NIS 29.8 million ($6.7 million) during the reported period this year, in relation to the balance during the corresponding period last year. Moreover, the higher average interest rate this year, as compared with the corresponding period last year (prime interest rate of 9.6%, as compared with 7.6%), coupled along with the revaluation this year of the NIS against the dollar (as compared with the devaluation last year), that resulted in an increase in the short-term credit balances in dollar terms (mostly denominated in NIS), and as a result financial expenses were recorded during the reported period of this year as compared with net financial revenues in the corresponding period last year.

6. TAXES ON INCOME

Taxes on income from current operations amounted to NIS 7.1 million in the reported period this year, as compared with NIS 10.2 million in the corresponding period last year ($1.6 million, as compared with $2.3 million).

The principal factor behind the decrease in tax expenses during the reported period this year, as compared with the corresponding period last year, was the difference between the real revaluation of the NIS against the dollar during the reported period this year and the real devaluation of the NIS against the dollar in the corresponding period last year. The real-term devaluation last year resulted in an increase in the tax expenditure in the corresponding period. This devaluation served to decrease the protection (hedging) on shareholders' equity (measured for tax purposes according to the changes in the Consumer Price Index). A high real-term revaluation was recorded in the reported period this year, and contributed to lowering the tax expenditure.

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:

Hogla-Kimberly (H-K), NHP, Carmel and TMM Integrated Recycling Industries.

The Company's share in the earnings of associated companies amounted to NIS 28.0 million in the reported period this year, as compared with NIS 13.0 million in the corresponding period last year ($6.3 million, as compared with $2.9 million).

The Company's share in the earnings of associated companies amounted to NIS 7.3 million in the third quarter of the year, as compared with NIS 3.0 million in the corresponding quarter last year and NIS 14.9 million in the second quarter this year ($1.6 million, as compared with $0.7 million and $3.4 million, respectively).

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 profit of NHP grew by NIS 2.2 million ($0.5 million) as a result of the continuing improvement in NHP's profitability, which was achieved primarily due to efficiency measures and the reorganization of operations and marketing at the division. The improved profitability was somewhat adversely effected due to a certain decrease in net profits in the third quarter of the year, resulting from a decrease in the operating income in relation to the previous quarters this year (resulting primarily from the decrease in gross margins, due to higher pulp prices on one hand and lower paper prices on the other, as a result of the economic crisis in Europe), coupled with the effects of the devaluation of the dollar against the NIS.

- The Company's share in the net profit of H-K increased by NIS 13.4 million ($3.0 million) and resulted from the improvement in the operating profit as compared with the corresponding period last year (totaling NIS 7.1 million, or $1.6 million), coupled with financial revenues of H-K this year, due to the impact of the revaluation of the dollar against the NIS (H-K possesses a surplus of NIS-denominated assets). Nevertheless, in the third quarter of the year the devaluation (3%) resulted in a decrease in H-K's net profit, due to the higher financial expenses, despite the significant improvement in H-K's operating profit.

- The Company's share in the net income of the Carmel Group increased by NIS 2.5 million ($0.6 million) due to efficiency measures initiated by the company and the transition to operating profit in the third quarter of the year.

- The Company's share in the net earnings of TMM decreased by NIS 1.6 million ($0.4 million) as a result of higher financial expenses this year in relation to last year (on account of the higher interest rate in relation to last year, coupled with the greater volume of credit that originated primarily from strategic investments made by TMM).

8. NET INCOME

The Company's net profit for the reported period, before extraordinary items, was NIS 44.5 million as compared with NIS 28.2 million in the corresponding period last year ($10.0 million, as compared with $6.3 million).

The net profit was NIS 45.6 million during the reported period this year, as compared with NIS 28.6 million in the corresponding period last year ($10.3 million, as compared with $6.4 million). The net profit during the reported period this year included approximately NIS 1.1 million ($0.2 million) in net capital gains, resulting from the sale of apartments owned by the Company in Hadera, Israel that had previously served the Company's employees. The net profit in the corresponding period last year included approximately NIS 0.4 million ($0.1 million) in non-recurring income, net, resulting from the realization of assets and from taxes on account of preceding years.

The net profit in the third quarter this year, before non-recurring income, was NIS 13.8 million, as compared with NIS 8.8 million in the corresponding quarter last year ($3.1 million, as compared with $2.0 million). (NIS 9.2 million - or $2.1 million - including non-recurring income in the corresponding quarter last year).

The return on shareholders' equity, in annual terms, was 9.2% during the reported period this year, as compared with 5.9% in the corresponding period last year.

IV. LIQUIDITY AND INVESTMENTS

1. CASH FLOWS

The cash flows from operating activities were NIS 15.8 million during the reported period this year - before dividend received from an associated company - as compared with NIS 22.9 million in the corresponding period last year ($3.6 million, as compared with $5.2 million). The difference in the operating cash flows originated from the change in the operating working capital this year, which was partially offset by the increase in the net profit.

The cash flows from operating activities in the reported period, including dividend received from an associated company, were NIS 32.4 million ($7.3 million).

2. ACCOUNTS RECEIVABLE - TRADE

Accounts receivable, as at September 30, 2003, were NIS 148.1 million, as compared with NIS 130.4 million at September 30, 2002 and as compared with NIS 133.6 million at December 31, 2002 ($33.4 million, as compared with $29.4 million and $30.1 million, respectively).

The increase in the accounts receivable balance, as compared with the corresponding period last year, resulted from the growth in the volume of operations, coupled with a slow increase in the days of receivables credit, as a result of the economic situation in the market.

3. INVENTORIES

The inventories as at September 30, 2003, were NIS 89.7 million, as compared with NIS 95.8 million at September 30, 2002and NIS 91.8 million at December 31, 2002 ($20.2 million, as compared with $21.6 million and $20.7 million, respectively).

The inventories decreased despite the growth in the volume of operations. This was achieved as a result of efforts that were initiated with the intention of reaching a minimal operational level of inventories that would serve to lower the working capital balances.

4. INVESTMENTS IN FIXED ASSETS

The investments in fixed assets was NIS 19.5 million during the reported period this year, as compared with NIS 41.5 million in the corresponding period last year ($4.4 million, as compared with $9.3 million) and included primarily investments in equipment renewal and improvements.

5. SHORT-TERM CREDIT

The short-term credit balance, as at September 30, 2003, amounted to NIS 190.0 million, as compared with NIS 128.0 million at September 30, 2002 and NIS 105.5 million at December 31, 2002 ($42.8 million, as compared with $28.8 million and $23.8 million, respectively).

The increase in the credit balances at the end of the reported period resulted primarily from the dividend that was paid to the Company's shareholders and from the repayment of loans (primarily to note holders). The increase in the credit balance was partially offset by dividend received from an associated company and the repayment of a loan by an associated company.

Most of the credit that serves to finance the Company's operations is denominated in NIS. Due to the said increase in the Company's liabilities, the surplus financial liabilities denominated in NIS grew from $24.0 million on December 31, 2002 to $38.5 million on September 30, 2003.

V. EXPOSURE AND MANAGEMENT OF MARKET RISKS

The following is an update, as at September 30, 2003, to the Management Discussion for the year ended December 31, 2002, which outlined the essence of the exposure and management of market risks, as set forth by the Company's board of directors:

The maximum exposure determined by the Company's board of directors has not changed and consequently, the maximum exposure of the surplus assets denominated in NIS with respect to which no hedging is made (through the acquisition of NIS/$ options) remained NIS 53.3 million ($12 million). This sum also includes balances of NHP and H-K . Due to the fact that as of September 30, 2003, the Group possessed a surplus of NIS liabilities (as opposed to the aforesaid surplus assets), it was not necessary to purchase hedging.

CREDIT RISKS

The Company possesses CPI-linked long-term loans (notes and loans) in the total sum of NIS 40.7 million ($9.2 million), with the interest thereon being no higher than the market interest rate. In the event that the inflation rate increases and is considerably higher than the rate of devaluation of the NIS against the US dollar, this could lead to a loss being recorded in the Company's financial statements as a result of a surplus of CPI-linked liabilities.

As at September 30, 2003, the Company was not engaged in any forward transactions or derivatives.

REPORT OF LINKAGE BASES

The following are the balance sheet items, according to linkage bases, on December 31, 2002 and September 30, 2003:

IN NIS MILLIONS	UNLINKED	CPI-LINKED	IN FOREIGN CURRENCY, OR LINKED THERETO (PRIMARILY $)	NO
ASSETS				
CASH AND CASH EQUIVALENTS	3.4		2.2	
ACCOUNTS RECEIVABLE	221.7		53.0	
INVENTORIES				
INVESTMENTS IN ASSOCIATED COMPANIES	12.2	10.2	28.9	
FIXED ASSETS, NET				
DEFERRED EXPENSES, NET OF ACCRUED AMORTIZATION				
TOTAL ASSETS	237.3	10.2	84.1	
LIABILITIES				
CREDIT FROM BANKS	190.0			
ACCOUNTS PAYABLE	155.1		10.6	
DEFERRED TAXES ON INCOME				
LOANS FROM BANKS		0.8		

NOTES		39.9	
OTHER LIABILITIES	32.8		2.2
SHAREHOLDERS' EQUITY			
TOTAL LIABILITIES AND EQUITY	377.9	40.7	12.8
SURPLUS FINANCIAL ASSETS (LIABILITIES) AS AT SEPT-30-03	(140.6)	(30.5)	71.3
SURPLUS FINANCIAL ASSETS (LIABILITIES) AS AT DEC-31-02	(70.1)	(36.4)	66.3

ASSOCIATED COMPANIES

H-K, an associated company, holds 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 US dollar - might affect the Group's financial statements under the Company's share in earnings of associated companies.

VI. FORWARD-LOOKING STATEMENTS

This report contains various forward-looking statements, based upon the Company's board of directors' present expectations and estimates regarding the operations of the Company and its business environment. The Company does not guarantee that the future results and operations will coincide with the forward-looking statements and these may in fact differ considerably from the present forecasts as a result of factors

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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.

VII. GENERAL

- In March 2003, the Company declared a dividend for 2002 in the amount of approximately NIS 25.9 million (NIS 6.61 per share). The dividend was paid in April 2003.

  In August, the Company declared a special dividend for 2003 in the amount of approximately NIS 75 million (NIS 19.04 per share). The dividend was paid in September 2003.

- 27,714 shares were issued during the reported period (0.7% dilution), pursuant to the exercise of 55,163 options as part of the Company's 1998 senior employee option plan.

- The vesting period on the 2001 Jubilee Employee Stock Option

Plan ended on November 4, 2003. Subsequent to the balance sheet date (and until November 10, 2003), an aggregate of 41,885 options were exercised into 14,052 shares (dilution of 0.4%).

/s/ Yaki Yerushalmi	/s/ Avi Patir
YAKI YERUSHALMI Chairman of the Board of Directors	AVI PATIR General Manager

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EXHIBIT 3

AMERICAN ISRAELI PAPER MILLS LTD.

SUMMARY OF CONSOLIDATED BALANCE SHEETS

ADJUSTED NIS IN THOUSANDS

	Sept. 30, 2003 (UNAUDITED)	Sept. 30, 2002 (UNAUDITED)
CURRENT ASSETS:		
Cash and cash equivalents	5,627	3,082
Receivables :		
Trade	148,109	130,370
Other	142,477	161,181
Inventories	89,685	95,810
Total current assets	385,898	390,443
Investments in associated companies	386,789	374,269
FIXED ASSETS		
Cost	959,144	940,075
Less - accumulated depreciation	631,725	608,697
	327,419	331,378
Deferred charges - net of accumulated amortization	492	591
	1,100,598	1,096,681
CURRENT LIABILITIES:		
Credit from banks	190,720	128,718
Current maturities of long-term notes	6,635	6,115

Trade	90,835	96,432
Other	74,872	86,592
Total current liabilities	363,062	317,857
LONG-TERM LIABILITIES		
Deferred income taxes	62,014	59,465
Loans from banks and other liabilities (net of current maturities):		
Loans from banks		688
Notes	33,273	36,784
Other liabilities	35,046	32,153
Total long term liabilities	130,333	129,090
Total liabilities	493,395	446,947
SHAREHOLDERS' EQUITY :		
Share capital	127,029	127,029
Capital surplus	91,335	91,335
Currency adjustments in respect of financial statements of associated companies	(1,550)	(4,539)
Retained earnings	390,389	435,909
	607,203	649,734
	1,100,598	1,096,681

Adjusted New Israeli Shekel amounts have been adjusted to reflected changes in the rate of exchange between the U.S. dollar and the New Israeli Shekel as at the end of September 2003.

The representative exchange rate at September 30, 2003 was N.I.S. 4.441 = $1.00

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

AMERICAN ISRAELI PAPER MILLS LTD.

SUMMARY OF CONSOLIDATED STATEMENTS OF INCOME

ADJUSTED NIS IN THOUSANDS

	NINE-MONTH PERIOD ENDED SEPT. 30		THREE-MONTH PER ENDED SEPT. 3	
	2003	2002	2003	
	(UNAUDITED)		(UNAUDITED)	
Net sales	354,942	337,097	118,952	112

Cost of sales	275,825	272,203	92,488	87
Gross profit	79,117	64,894	26,464	25
Selling and marketing, administrative and general expenses:				
Selling and marketing	23,948	21,713	8,640	7
Administrative and general	19,650	18,877	5,692	6
	43,598	40,590	14,332	13
Income from ordinary operations	35,519	24,304	12,132	11
Financial income (expenses) - net	(11,858)	1,019	330	(2
Discontinued operations and realization of assets, net	1,629	(2,984)		(2
Income before taxes on income	25,290	22,339	12,462	6
Taxes on income	7,673	6,816	5,993	
Income from operations of the company and the consolidated subsidiaries	17,617	15,523	6,469	6
Share in profits of associated companies - net	27,969	13,043	7,319	2
Net income for the period	45,586	28,566	13,788	9
NET INCOME PER NIS 1 PAR VALUE OF SHARES (IN ADJUSTED N.I.S)	1,135	725	343	

Adjusted New Israeli Shekel amounts have been adjusted to reflected changes in the rate of exchange between the U.S. dollar and the New Israeli Shekel as at the end of September 2003.

The representative exchange rate at September 30, 2003 was N.I.S. 4.441 = $1.00

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

AMERICAN ISRAELI PAPER MILLS LTD.

SUMMARY OF STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

ADJUSTED NIS IN THOUSANDS

ADJUST
DUE T

	SHARE CAPITAL	CAPITAL SURPLUS	TRANSL STATEM ASSOC COMPA
BALANCE AT JANUARY 1, 2003 (AUDITED)	127,029	91,335	
CHANGES DURING THE NINE MONTH PERIOD ENDED SEPTEMBER 30, 2003 (UNAUDITED) :			
NET INCOME			
DIVIDEND DISTRIBUTED			
EXERCISE OF EMPLOYEES OPTIONS INTO SHARES	*		
ADJUSTMENTS DUE TO THE TRANSLATION RESPECT OF FINANCIAL STATEMENTS OF ASSOCIATED COMPANIES			
BALANCE AT SEPTEMBER 30, 2003 (UNAUDITED)	127,029	91,335	
Balance at January 1, 2002 (audited)	127,029	91,335	
Changes during the nine month period ended September 30, 2002 (unaudited) :			
Net income			
Dividend distributed			
Adjustments due to the translation respect of financial statements of associated companies			
Balance at September 30, 2002 (unaudited)	127,029	91,335	
BALANCE AT JULY 1, 2003 (UNAUDITED)	127,029	91,335	
CHANGES DURING THE THREE MONTH PERIOD ENDED SEPTEMBER 30, 2003 (UNAUDITED):			
NET INCOME			
DIVIDEND DISTRIBUTED			
EXERCISE OF EMPLOYEES OPTIONS INTO SHARES	*		
ADJUSTMENTS DUE TO THE TRANSLATION RESPECT OF FINANCIAL STATEMENTS OF ASSOCIATED COMPANIES			
BALANCE AT SEPTEMBER 30, 2003 (UNAUDITED)	127,029	91,335	
Balance at July 1, 2002 (unaudited)	127,029	91,335	
Changes during the three month period ended September 30, 2002 (unaudited):			

Net income		
Adjustments due to the translation respect of financial statements of associated companies		
Balance at September 30, 2002 (unaudited)	127,029	91,335
Balance at January 1, 2002 (audited)	127,029	91,335
Changes during the year ended December 31, 2002 (audited) :		
Net income		
Dividend distributed		
Adjustments due to the translation respect of financial statements of associated companies		
Balance at December 31, 2002 (audited)	127,029	91,335

* Represents a sum under 1,000 NIS.

Adjusted New Israeli Shekel amounts have been adjusted to reflect changes in the rate of exchange between the U.S. dollar and the New Israeli Shekel as at the end of September 2003.

The representative exchange rate at September 30, 2003 was N.I.S. 4.441 = $1.00

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

AMERICAN ISRAELI PAPER MILLS LTD.

SUMMARY OF CONSOLIDATED STATEMENTS OF CASH FLOWS

ADJUSTED NIS IN THOUSANDS

	NINE-MONTH PERIOD ENDED SEPT. 30, 2003 (UNAUDITED)	NINE-MONTH PERIOD ENDED SEPT. 30, 2002 (UNAUDITED)	THREE-MONTH PERIOD ENDED SEPT. 30, 20 (UNAUDITED)
CASH FLOWS FROM OPERATING ACTIVITIES :			
Net income for the period	45,586	28,566	13,788
Adjustments to reconcile net income to net cash provided by operating activities (*):	(13,161)	16,512	15,348
Net cash provided by operating activities	32,425	45,078	29,136

CASH FLOWS FROM INVESTING ACTIVITIES :			
Purchase of fixed assets	(19,465)	(41,451)	(7,828
Associated companies :			
Investment in associated companies and loans granted	(7,896)	(2,665)	(6,137
Repayment of loans	15,543		
Proceeds from sale of fixed assets	2,780	11,003	760
Net cash used in investing activities	(9,038)	(33,113)	(13,205
CASH FLOWS FROM FINANCING ACTIVITIES :			
Repayment of long-term loans from banks and others	(386)	(702)	
Redemption of Notes	(6,865)	(6,045)	
Dividend paid	(100,532)	(20,968)	(75,116
Short-term bank credit and loans - net	84,486	15,226	46,217
Net cash provided by (used in) financing activities	(23,297)	(12,489)	(28,899
Increase (decrease) in cash and cash equivalents	90	(524)	(12,968
Balance of cash and cash equivalents at beginning of period	5,537	3,606	18,595
Balance of cash and cash equivalents at end of period	5,627	3,082	5,627

(*) 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	(27,969)	(13,043)	(7,319
Dividend received from those companies	16,619	22,160	
Depreciation and amortization	21,544	20,468	7,157
Deferred income taxes - net	2,497	7,270	4,476
Capital (gains) losses -			
On sale of fixed assets	(702)	(11)	(737
On discontinued operations and realization of assets-net	(1,061)	1,364	
Linkage differences (erosion) of principal of long-term loans from banks and others - net	67	(63)	(26
Linkage differences (erosion) and linkage differences on Notes	2,576	(1,829)	(1,643
Erosion (linkage differences) of long-term loans to associated companies	(882)	497	515
Linkage differences (erosion) on long term capital note to an associated company	2,048	(3,078)	(980
CHANGES IN OPERATING ASSETS AND LIABILITIES:			
Decrease (increase) in receivables	(31,683)	(48,050)	6,994
Decrease (increase) in inventories	2,091	16,814	(4,890
Increase (decrease) in payables and accrued			

liabilities	1,694	14,013	11,801
	(13,161)	16,512	15,349

Adjusted New Israeli Shekel amounts have been adjusted to reflect changes in the rate of exchange between the U.S. dollar and the New Israeli Shekel as at the end of September 2003.

The representative exchange rate at September 30, 2003 was N.I.S. 4.441 = $1.00

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

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AMERICAN ISRAELI PAPER MILLS LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AT SEPTEMBER 30, 2003

(Unaudited)

NOTE 1 - GENERAL

a. The interim financial statements as of September 30, 2003 and for the nine and three month periods 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. Standard 14, which supersedes Opinion 43 of the Institute of Certified Public Accountants in Israel, is applicable to financial statements for periods commencing on January 1, 2003 and thereafter; the application of the Standard at the beginning of 2002 would not have affected the comparative figures.

b. The accounting principles applied in preparation of the interim statements are consistent with those applied in the annual financial statements, except for the first implementation of Accounting Standard No. 15 of the IASB, "Impairment of assets", which has no effect on the Company's consolidated financial statements. 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 financial statements have been drawn up in September 2003 adjusted NIS, based on the changes in the exchange rate of the U.S. dollar. As prescribed by Accounting Standards Nos. 12 and 17 of the IASB, the adjustment of financial statements will be discontinued as from January 1, 2004. The adjusted amounts as of December 31, 2003 will be the base for the nominal-historical financial reporting in the following periods. Accounting Standard No. 13, which would come into effect concurrently with the abovementioned standards, will supersede

Clarifications Nos. 8 and 9 to Opinion 36.

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

	EXCHANGE RATE OF THE DOLLAR %
Increase (decrease) in the nine months ended September 30:	
2003	(6.2)
2002	10.3
Increase (decrease) in the three months ended September 30:	
2003	3.0
2002	2.1
Increase in the year ended December 31, 2002	7.3

AMERICAN ISRAELI PAPER MILLS LTD.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

AT SEPTEMBER 30, 2003

(Unaudited)

NOTE 2 - SEGMENT INFORMATION

Data on segment activity - In NIS in thousands:

For the period of 9 monthes

	Paper and recycling		Marketing of office supplies		
	Jan-Sept. 2003	Jan-Sept. 2002	Jan-Sept. 2003	Jan-Sept. 2002	Ja
Sales - net (1)	252,711	234,942	102,231	102,155	3
Income (loss) from operations	34,928	25,673	591	(1,368)	

For the period of 3 months

	Paper and recycling		Marketing of office supplies		
	July-Sept. 2003	July-Sept. 2002	July-Sept. 2003	July-Sept. 2002	Jul

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Sales - net (1)	83,717	77,998	35,235	34,573	1
Income (loss) from operations	11,475	11,634	657	(89)	

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(1) Represents sales to external customers.

EXHIBIT 4

[Registrant's logo]

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.

NEUSIEDLER HADERA PAPER LTD.
INTERIM REPORT

(Unaudited)
AS OF SEPTEMBER 30, 2003

NEUSIEDLER HADERA PAPER LTD.
INTERIM REPORT

(Unaudited)
AS OF SEPTEMBER 30, 2003

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NEUSIEDLER HADERA PAPER LTD.

CONDENSED CONSOLIDATED BALANCE SHEETS

AS OF SEPTEMBER 30, 2003

	ADJUSTED NEW ISRA	
	SEPTEMBER 30	
	2003	2002
	(UNAUDITED)	
	In thou	
A S S E T S		
CURRENT ASSETS:		
Cash and cash equivalents	36,456	4
Accounts receivable:		
Trade	155,659	15
Other	16,504	1
Inventories	74,285	8
Total current assets	282,904	29
FIXED ASSETS:		
Cost	131,462	12
Less - accumulated depreciation	23,719	1
	107,743	10
GOODWILL, net of accumulated amortization	4,645	
Total assets	395,292	40

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:		
Short-term bank credit	15,210	1
Current maturities of long-term capital notes		
Accounts payable and accruals:		
Trade - open accounts	79,574	6
American Israeli Paper Mills Limited and its subsidiaries, shareholders - net	62,707	6
Other	16,445	1
Total current liabilities	173,936	16
LONG-TERM LIABILITIES:		
Banks loans	53,767	7
Capital notes from shareholders (net of current maturities)	57,733	8
Deferred income taxes - net	29,311	1
Liability for employee rights upon retirement	142	
Total long- term liabilities	140,953	17
Total liabilities	314,889	34
SHAREHOLDERS' EQUITY:		
Share capital	1	
Capital surplus	43,965	4
Retained earnings	36,437	1
	80,403	5
Total liabilities and shareholders' equity	395,292	40

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* Reclassified.

** Adjusted for the changes in the general purchasing power of the Israeli currency based on the changes in the exchange rate of the U.S dollar at the end of September 2003. The representative exchange rate at September 30, 2003 was $1= NIS 4.441.

/s/ Eliaz Amar	/s/ Avner So
Eliaz Amar	Avner Sole
Chief Financial Officer	General Mana

Date of approval of the financial statements: November 12, 2003.
The accompanying notes are an integral part of these condensed financial statements.

NEUSIEDLER HADERA PAPER LTD.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE NINE AND THREE MONTH PERIODS ENDED SEPTEMBER 30, 2003

	ADJUSTED NEW ISRAELI SHEKELS			
	NINE MONTHS ENDED SEPTEMBER 30		THREE MONTHS ENDED SEPTEMBER 30	
	2003	2002	2003	2002
	(UNAUDITED)		(UNAUDITED)	
	IN THOUSANDS (EXCEPT PER SHA			
SALES - net	502,432	440,750	172,238	145,
COST OF SALES	433,562	*376,162	150,430	*122,
GROSS PROFIT	68,870	64,588	21,808	22,
SELLING, MARKETING, ADMINISTRATIVE AND GENERAL EXPENSES:				
Selling and marketing	31,691	*30,664	10,223	*9,6
Administrative and general	8,713	8,394	3,392	3,6
	40,404	39,058	13,615	13,3
INCOME FROM ORDINARY OPERATIONS	28,466	25,530	8,193	9,3
FINANCIAL EXPENSES - NET	3,295	4,783	1,074	1,7
INCOME BEFORE TAXES ON INCOME	25,171	20,747	7,119	7,6
TAXES ON INCOME	9,069	9,131	3,443	3,1
NET INCOME FOR THE PERIOD	16,102	11,616	3,676	4,5
NET INCOME PER NIS 1 OF PAR VALUE OF SHARES	16,102	11,616	3,676	4,5

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* Reclassified.

** Adjusted for the changes in the general purchasing power of the Israeli currency based on the changes in the exchange rate of the U.S dollar at the end of September 2003.

The representative exchange rate at September 30, 2003 was $1= NIS 4.441.

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 NINE AND THREE MONTH PERIODS ENDED SEPTEMBER 30, 2003

	ADJUSTED NEW ISRAEL	
	SHARE CAPITAL	CAPITAL SURPLUS
	IN THOUSAN	
BALANCE AT JANUARY 1, 2003 (audited)	1	43,965
CHANGES DURING THE NINE MONTHS ENDED SEPTEMBER 30, 2003 (unaudited) - net income		
BALANCE AT SEPTEMBER 30, 2003 (unaudited)	1	43,965
BALANCE AT JANUARY 1, 2002 (audited)	1	43,965
CHANGES DURING THE NINE MONTHS ENDED SEPTEMBER 30, 2002 (unaudited) - net income		
BALANCE AT SEPTEMBER 30, 2002 (unaudited)	1	43,965
BALANCE AT JULY 1, 2003 (unaudited)	1	43,965
CHANGES DURING THE THREE MONTHS ENDED SEPTEMBER 30, 2003 (unaudited) - net income		
BALANCE AT SEPTEMBER 30, 2003 (unaudited)	1	43,965
BALANCE AT JULY 1, 2002 (unaudited)	1	43,965
CHANGES DURING THE THREE MONTHS ENDED SEPTEMBER 30, 2002 (unaudited) - net income		
BALANCE AT SEPTEMBER 30, 2002 (unaudited)	1	43,965
BALANCE AT JANUARY 1, 2002 (audited)	1	43,965
CHANGES DURING2002 (audited) - net income		
BALANCE AT DECEMBER 31, 2002 (audited)	1	43,965

* Adjusted for the changes in the general purchasing power of the Israeli currency based on the changes in the exchange rate of the U.S dollar at the end of September 2003.

The representative exchange rate at September 30, 2003 was $1= NIS 4.441.

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE CONDENSED FINANCIAL

STATEMENTS.

NEUSIEDLER HADERA PAPER LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE AND THREE MONTH PERIODS ENDED SEPTEMBER 30, 2003

	ADJUSTED NEW I		
	NINE MONTHS ENDED SEPTEMBER 30		END
	2003	2002	200
	(UNAUDITED)		
	IN THOUSANDS		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income for the period	16,102	11,616	3,
Adjustments to reconcile net income to net cash provided by (used in) operating activities (a)	27,349	25,306	(13,
Net cash provided by (used in) operating activities	43,451	36,922	(10,
CASH FLOWS FROM INVESTING ACTIVITIES :			
Purchase of fixed assets	(6,270)	(12,786)	(2,
Proceeds from sale of fixed assets	604	373	
Net cash used in investing activities	(5,666)	(12,413)	(2,
CASH FLOWS FROM FINANCING ACTIVITIES :			
Short-term credit from banks - net	(18)	(4,099)	
Discharge of long-term bank loans	(20,008)	(6,163)	(12,
Discharge of long-term capital notes from shareholders	(31,087)		
Net cash used in financing activities	(51,113)	(10,262)	(12,
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,328)	14,247	(25,
BALANCE OF CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	49,784	28,671	61,
BALANCE OF CASH AND CASH EQUIVALENTS AT END OF PERIOD	36,456	42,918	36,

(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	6,528	6,080	2,
Deferred income taxes - net	9,098	9,321	3,
Liability for employee rights upon retirement	9		
Capital loss on sale of fixed assets	204	284	
Erosion of (linkage differences on) long-term bank loans	1,270	(864)	(1,
	17,109	14,821	4,
Changes in operating assets and liabilities:			
Decrease (increase) in receivable :			
Trade	1,531	(1,136)	(14,
Other	(3,148)	8,224	(3,
Decrease in inventories	6,541	11,320	2,
Increase (decrease) in accounts payable and accruals :			
Trade	1,838	(1,781)	1,
American Israeli Paper Mills Limited and its subsidiaries, shareholders - net	7,248	(5,382)	(5,
Other	(3,770)	(760)	
	10,240	10,485	(18,
	27,349	25,306	(13,

* Adjusted for the changes in the general purchasing power of the Israeli currency based on the changes in the exchange rate of the U.S dollar at the end of September 2003.

The representative exchange rate at September 30, 2003 was $1= NIS 4.441.

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 SEPTEMBER 30, 2003

(UNAUDITED)

NOTE 1 - GENERAL

A. The interim financial statements as of September 30, 2003 and for the nine and three month periods 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. Standard 14, which supersedes Opinion 43 of the Institute of Certified Public Accountants in Israel, is applicable to financial statements for periods commencing on January 1, 2003 and thereafter; the application of the Standard at the beginning of 2002 would not have affected the comparative figures.

B. The accounting principles applied in preparation of the interim statements are consistent with those applied in the annual financial statements, except for the first implementation of Accounting Standard No. 15 of the IASB, "Impairment of assets", which has no effect on the Company's consolidated financial statements. 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 financial statements have been drawn up in September 2003 adjusted NIS, based on the changes in the exchange rate of the U.S. dollar. As prescribed by Accounting Standards Nos. 12 and 17 of the IASB, the adjustment of financial statements will be discontinued as from January 1, 2004. The inflation-adjusted amounts as of December 31, 2003 will be the base for the nominal-historical financial reporting in the following periods. Accounting Standard No. 13, which would come into effect concurrently with the abovementioned standards, will supersede Clarifications Nos. 8 and 9 to Opinion 36.

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

	EXCHANGE RATE OF THE DOLLAR %
Increase (decrease) in the nine months ended September 30:	
2003	(6.2)
2002	10.3
Increase (decrease) in the three months ended September 30:	
2003	3.0
2002	2.1
Increase in the year ended December 31, 2002	7.3

The dollar exchange rate as of September 30, 2003 is: $1=NIS 4.441

HOGLA-KIMBERLY LTD. AND SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2003

HOGLA-KIMBERLY LTD. AND SUBSIDIARIES
UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
AS OF SEPTEMBER 30, 2003

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The Board of Directors of
Hogla-Kimberly Ltd.

Re: Review of Unaudited Condensed Interim Consolidated Financial Statements for the nine months ended September 30, 2003

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 September 30, 2003.
- Statements of operations for the nine months and three months ended September 30, 2003.
- Statements of changes in shareholders' equity for the nine months and three months ended September 30, 2003.
- Statements of cash flows for the nine months and three months ended September 30, 2003.

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 of Deloitte Touche Tohmatsu

Tel Aviv, November 7, 2003

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HOGLA-KIMBERLY LTD. AND SUBSIDIARIES
CONDENSED INTERIM CONSOLIDATED BALANCE SHEETS

(Adjusted for changes in the U.S. dollar vis-a-vis the NIS)

	SEPTEMBER 30, 2003	SEPTEMBER 30, 2002
	NIS IN THOUSANDS	
CURRENT ASSETS	(UNAUDITED)	
Cash and cash equivalents	16,500	8,712
Current maturities of long-term bank deposits	7,994	13,767
Trade receivables	229,892	166,215
Other receivables	14,754	15,435
Inventories	87,879	83,806
	357,019	287,935
LONG-TERM INVESTMENTS		
Long-term deposits	71,056	79,050
Capital note of shareholder	32,770	29,877
	103,826	108,927
FIXED ASSETS		
Cost	478,843	455,192
Less - accumulated depreciation	208,947	191,775
	269,896	263,417
OTHER ASSETS		
Goodwill	30,186	32,984
	760,927	693,263
CURRENT LIABILITIES		
Short-term bank loans	-	1,322
Current maturities of long-term bank loans	19,372	20,871
Trade payables	129,781	100,055
Other payables and accrued expenses	37,372	32,998

	186,525	155,246
LONG-TERM LIABILITIES		
Long-term bank loans	91,041	83,491
Deferred taxes	28,427	18,807
	119,468	102,298
MINORITY INTEREST	48,208	43,992
SHAREHOLDERS' EQUITY		
Share capital	29,195	29,195
Capital reserves	159,019	159,019
Retained earnings	218,512	203,513
Dividend declared after balance sheet date	-	-
	406,726	391,727
	760,927	693,263

/s/ T. Davis	/s/ A. Magid
T. DAVIS	A. MAGID
Chairman of the Board of Directors	Financial Manager

Approval date of the interim financial statements: November 7, 2003.

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
(ADJUSTED FOR CHANGES IN THE U.S. DOLLAR VIS-A-VIS THE NIS)

	NINE MONTHS ENDED SEPTEMBER 30,		THREE MONTHS EN SEPTEMBER 30	
	2 0 0 3	2 0 0 2	2 0 0 3	2
	NIS IN THOUSANDS (UNAUDITED)			
Net sales	647,512	586,021	237,158	18
Cost of sales	464,874	411,551	168,215	13

GROSS PROFIT	182,638	174,470	68,943
Selling expenses	95,440	99,526(*)	34,001
General and administrative expenses	30,063	24,676(*)	10,406
OPERATING PROFIT	57,135	50,268	24,536
Financing income (expenses), net	5,373	(14,986)	(4,355)
Other income, net	431	220	200
INCOME BEFORE INCOME TAXES	62,939	35,502	20,381
Income taxes	14,668	14,086	8,161
INCOME AFTER INCOME TAXES	48,271	21,416	12,220
Minority interest in losses (earnings) of Subsidiary	(3,323)	(1,743)	79
NET INCOME FOR THE PERIOD	44,948	19,673	12,299
EARNINGS PER SHARE (IN NIS)	5.44	2.38	1.49
NUMBER OF SHARES USED IN COMPUTATION	8,263,473	8,263,473	8,263,473

(*) Reclassified.

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
(ADJUSTED FOR CHANGES IN THE U.S. DOLLAR VIS-A-VIS THE NIS)

	SHARE CAPITAL	CAPITAL RESERVES	RETAINED EARNINGS
		NIS IN THOUSANDS	
Balance - January 1, 2003	29,195	159,019	173,564
Dividend paid			
Net income for the period			44,948
Balance - September 30, 2003	29,195	159,019	218,512

NINE MONTHS ENDED SEPTEMBER 30,			
Balance - January 1, 2002	29,195	159,019	183,840
Net income for the period			19,673
Balance - September 30, 2002	29,195	159,019	203,513
THREE MONTHS ENDED SEPTEMBER 30,			
Balance - July 1, 2003	29,195	159,019	206,213
Net income for the period			12,299
Balance - September 30, 2003	29,195	159,019	218,512
THREE MONTHS ENDED SEPTEMBER 30,			
Balance - July 1, 2002	29,195	159,019	199,633
Net income for the period			3,880
Balance - September 30, 2002	29,195	159,019	203,513
Balance - January 1, 2002	29,195	159,019	183,840
Dividend declared after balance sheet date			(33,308)
Net income for the year			23,032
Balance - December 31, 2002	29,195	159,019	173,564

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
(ADJUSTED FOR CHANGES IN THE U.S. DOLLAR VIS-A-VIS THE NIS)

	NINE MONTHS ENDED SEPTEMBER 30,		THREE MONTHS ENDED SEPTEMBER 30,	
	2 0 0 3	2 0 0 2	2 0 0 3	2 0 0
	NIS IN THOUSANDS			
	(UNAUDITED)			
CASH FLOWS - OPERATING ACTIVITIES				
Net income for the period	44,948	19,673	12,299	3,88
Adjustments to reconcile net income to net cash provided by operating activities (Appendix A)	(4,975)	(2,223)	12,283	15,65

NET CASH PROVIDED BY OPERATING ACTIVITIES	39,973	17,450	24,582	19,53
CASH FLOWS - INVESTING ACTIVITIES				
Withdrawal of short-term bank deposit	-	57,877(*)	-	
Withdrawal of long-term bank deposits	9,325	4,441	1,331	4,44
Acquisition of fixed assets	(24,062)	(62,744)	(6,661)	(22,48
Proceeds from sale of fixed assets	1,376	351	838	3
NET CASH USED IN INVESTING ACTIVITIES	(13,361)	(75)	(4,492)	(18,01
CASH FLOWS - FINANCING ACTIVITIES				
Dividend paid	(33,308)	(44,410)	-	
Long-term loans received	22,437	7,104	11,548	7,10
Repayment of long-term loans	(20,873)	-	(12,880)	
Short-term bank loans, net	-	1,322	(12,235)	(13,85
NET CASH USED IN FINANCING ACTIVITIES	(31,744)	(35,984)	(13,567)	(6,75
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,132)	(18,609)	6,523	(5,23
CASH AND CASH EQUIVALENTS - BEGINNING OF PERIOD	21,632	27,321(*)	9,977	13,94
CASH AND CASH EQUIVALENTS -END OF PERIOD	16,500	8,712	16,500	8,71

(*) Reclassified.

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
(ADJUSTED FOR CHANGES IN THE U.S. DOLLAR VIS-A-VIS THE NIS)

	NINE MONTHS ENDED SEPTEMBER 30,		THREE MONTHS E SEPTEMBER 3	
	2 0 0 3	2 0 0 2	2 0 0 3	2

	NIS IN THOUSANDS		
	(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 (losses) of subsidiary	3,323	1,743	(79)
Depreciation and amortization	19,967	16,452	6,800
Deferred taxes, net	6,970	834	2,845
Loss (gain) from sale of fixed assets	(431)	(220)	(200)
Effect of exchange rate differences, net	(2,004)	3,078	1,024
CHANGES IN ASSETS AND LIABILITIES:			
Decrease (increase) in trade receivables	(45,195)	3,848	(18,070)
Decrease (increase) in other receivables	(2,494)	(645)	(1,308)
Decrease (increase) in inventories	(228)	(12,750)	14,053
Increase (decrease) in trade payables	9,753	1,652	15,492
Net change in balances with related parties	957	(2,174)	(14,249)
Increase (decrease) in other payables and accrued expenses	4,407	(14,041)	5,975
	(4,975)	(2,223)	12,283
B. NON-CASH ACTIVITIES			
Acquisition of fixed assets on credit	5,938	9,548	1,510

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

NOTE 1 - BASIS OF PRESENTATION

A. The unaudited condensed interim consolidated financial statements as of September 30, 2003 and for the nine months and 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, 2002 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 the dates and for the interim periods presented. The results of operations for the interim periods are not necessarily indicative of the results to be expected on a full-year basis.

The accounting principles applied in the preparation of the condensed interim financial statements are consistent with those principles applied in preparation of the Company's most recent annual audited consolidated financial statements, with the exception of that during the reporting period, the Company applied initially Standard No. 15, "Impairment of Assets" published in January 2003 by the Israeli Accounting Standards Board. Implementation of this Standard had no impact on the Company's interim financial position and results of operations.

The interim financial statements have been prepared in a condensed format in accordance with generally accepted accounting principles applicable to the preparation of interim period financial statements, including the initial application during the reporting period of the provisions of Standard No. 14, "Interim Financial Reporting" published in August 2002 by the Israeli Accounting Standards Board. The implementation of this Standard had no impact on the Company's interim financial position and results of operations.

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

AS OF:	REPRESENTATIVE EXCHANGE RATE OF THE DOLLAR (NIS PER $1)	TURKISH EXCHANGE RATE WITH THE U.S. DOLLAR (TL'000 PER $1)
September 30, 2003	4.441	1,384
September 30, 2002	4.871	1,650
December 31, 2002	4.737	1,640
	%	%
INCREASE (DECREASE) DURING THE PERIOD:		
Nine months ended September 30, 2003	(6.2)	(15.6)
Nine months ended September 30, 2002	10.3	14.1
Three months ended September 30, 2003	3.0	(1.7)
Three months ended September 30, 2002	2.1	5.2
Year ended December 31, 2002	7.3	13.3

NOTE 2 - OPERATIONS OF NEW FACILITY

During 2002, the Company's program for the establishment of a new facility for manufacturing paper was granted Approved Enterprise status in accordance with the Law for the Encouragement of Capital Investments, 1959 under "alternative benefits" track. The approval program is for total investments of approximately NIS 80 million. According to the terms of the program, income derived from the Approved Enterprise will be tax-exempt for a period of 10 years commencing in the year in which the program is substantially completed. Distribution of dividends from tax exempt profits of the Approved Enterprise will be subject to income tax at a rate equal to the income tax rate of the Approved Enterprise had the Company not elected the alternative benefits track. The Company completed the investments relating to the new facility and commenced its operations during the reporting period.

NOTE 3 - RECENT ACCOUNTING STANDARDS - CESSATION OF FINANCIAL STATEMENTS ADJUSTMENT AND EFFECT OF CHANGES IN RATES

In October 2001, the Israeli Accounting Standards Board issued Standard No. 12, Cessation of Financial Statement Adjustment. According to this Standard, as amended by Standard No. 17 in November 2002, the adjustment of financial statements for inflation or exchange rate of foreign currency will cease for reporting periods commencing January 1, 2004. Through December 31, 2003, the Company will continue to prepare dollar-linked financial statements, in accordance with the pronouncements of the Institute of Certified Public Accountants in Israel. The adjusted amounts presented in the December 31, 2003 balance-sheet will serve as the opening, nominal balances as of January 1, 2004. In October 2001, the Israeli Accounting Standards Board issued Standard No. 13, Effect of Changes in Foreign Currency Exchange Rates. This Standard addresses the translation of transactions denominated in foreign currency, as well as the translation of financial statements of a foreign operation, for inclusion in the financial statements of the reporting company. Standard No. 13, as amended by Standard No. 17 in November 2002, will become effective for reporting periods subsequent to December 31, 2003.

While the Company is currently examining Standards No. 12 and 13, it cannot evaluate, at this stage, the impact they will have on its financial position and results of operations.