AMERICAN ISRAELI PAPER MILLS LTD
Form 6-K
May 22, 2006

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 2006

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 18, 2006 with respect to the Registrant's results of operations for the quarter ended March 31, 2006.

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, 2006.

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, 2006.

Attached hereto as Exhibit 4 and incorporated herein by reference are the unaudited condensed interim consolidated financial statements of Mondi Business Paper Hadera Ltd. and subsidiaries with respect to the quarter ended March 31, 2006.

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, 2006.

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 22, 2006.

EXHIBIT INDEX

Exhibit No.	Description
1.	Press release dated May 18, 2006.
2.	Registrant's management discussion.
3.	Registrant's unaudited condensed consolidated financial statements.
4.	Unaudited condensed interim consolidated financial statements of Mondi Business Paper Hadera Ltd. and subsidiaries.
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 18, 2006 - American Israeli Paper Mills Ltd. (ASE:AIP) (the "Company" or "AIPM") today reported financial results for the first quarter ended March 31, 2006. (The Company, its subsidiaries and associated companies - the "Group").

Since the Company's share in the earnings of associated companies constitutes a material component in the Company's statement of income (primarily on account of its share in the earnings of Mondi Business Hadera Paper (Mondi Hadera) and Hogla-Kimberly (H-K), the Company also presents 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 2006(January - March 2006) totaled NIS 783.2 million compared with NIS 685.7 million in the corresponding quarter last year (January - March 2005)and NIS 692.2 million in the last quarter of 2005 (October - December 2005).

Aggregate operating profit in the first quarter of 2006 totaled NIS 37.7 million compared with NIS 36.1 million in the corresponding quarter last year and NIS 23.8 million in the last quarter of 2005.

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

Consolidated sales in the first quarter of 2006 totaled NIS 131.5 million compared with NIS 121.8 million in the corresponding quarter last year and NIS 117.6 million in the last quarter of 2005.

Operating profit in the first quarter of 2006 totaled NIS 13.3 million compared with NIS 14.5 million in the corresponding quarter last year and NIS 11.3 million in the last quarter of 2005.

Net profit in the first quarter of 2006, before cumulative effect, totaled NIS 8.2 million compared with NIS 14.0 million in the corresponding quarter last year and NIS 8.6 million in the last quarter of 2005. Due to the adjustment of the accounts receivable balance at an associated company as at January 1,2006, according to the directives of Accounting Standard No. 25, a loss of 0.5 million was recorded in item "Cumulative effect as of the beginning of the period on account of a change in accounting principles" at an associated company, representing the company's share in the said loss. Due to the adoption of the standard, the net profit during the reported period, after accounting for the cumulative effect at beginning of period as mentioned above, totaled NIS 7.7 million.

Earnings per share (EPS) in the first quarter of 2006 totaled NIS 1.92 compared with NIS 3.51 for the corresponding quarter last year.

According to the directives of Accounting Standard 20 ("Goodwill and Intangible Assets") that was adopted for the first time during the reported period, the company allocated to the retained earnings at the beginning of the reported period, a sum of NIS 1.0 million as a result of the deletion of a negative goodwill balance.

The inflation rate in the first quarter of 2006 was 0.6% as compared with a negative inflation rate of -0.6% in the corresponding quarter last year.

The exchange rate of the NIS in the first quarter of 2006 was devaluated by approximately 1.3% against the U.S. dollar as compared with a devaluation of 1.2% in the corresponding quarter last year.

Mr. Avi Brener, Chief Executive Officer of the Company said that following the economic recovery in the Israeli market in 2005, the economic growth continued as well into the first quarter of 2006, along with a certain rise in activity and in demand for the Company's products. A partial recovery has also been recorded in the global economy.

The increase in energy prices (especially fuel oil and diesel) during 2005 continued in the first quarter of 2006 as well. This rise, which amounted to an average rise of 29% in diesel prices for transportation and a 78% rise in fuel oil prices, as compared with the first quarter of 2005, significantly affected the Group's operations and its financial results.
The rise in energy prices increased the Group's costs in the first quarter of the year by NIS 14 million in relation to the first quarter of 2005. Furthermore, the prices of the Group's principal raw materials - in its various operations -continued to rise and led to additional costs to the Group of NIS 25 million in the first quarter this year, as compared with the corresponding quarter last year.

The financial expenses during the reported period amounted to NIS 4.2 million, as compared with NIS 3.3 million in the corresponding period last year.

The cost of the transaction for hedging the CPI-linked liabilities against a rise in the CPI has risen to 1.8% per annum in 2006, as compared with 1.3% per annum in 2005 and resulted in an increase in costs related to the bonds.

Nevertheless, since the Consumer Price Index rose by an actual 0.6% during the first three months of the year, the hedging transaction rendered it possible to save additional financing costs of NIS 0.3 million.

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These influences, in addition to the rise in the average interest rate due to rising interest rates in the economy, net of the impact of the devaluation during the reported period, resulted in a 30% increase in financial expenses in relation to the corresponding period last year.

The Company's share in the earnings of associated companies totaled NIS 1.8 million during the reported period, as compared with NIS 5.8 million in the corresponding period last year and as compared with NIS 1.9 million in the fourth quarter of 2005.

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 Mondi Hadera (49.9%)

decreased by NIS 2.9 million. Most of the change in the profit originates from the NIS 6.5 million decrease in operating profit over the years, which originated from the rise in raw material, energy and water prices, the erosion of prices of imported paper due to fierce competition with imports and relatively low output capacity due to the rebuilding of the machine last year.

- The Company's share in the net profit of H-K Israel (49.9%) decreased by NIS 1 million. H-k's operating profit grew from NIS 22.5 million to NIS 29.0 million this year, as a result of higher sales, coupled with improved efficiency. This was partially offset by the sharp rise in input prices (raw materials and energy). H-k's net profit from current operations grew by NIS 2.5 million in relation to last year, although due to an additional provision for taxes in the sum of NIS 4.5 million that was made at H-k this year, due to tax assessments for previous years received by the company, the Company's share in the earnings of Hogla Israel decreased by NIS 1.0 million in relation to the corresponding quarter last year.

- The Company's share in the loss of KCTR Turkey (formerly Ovisan) (49.9%) fell by NIS 0.5 million, primarily due to the increased operating loss (NIS 2 million in relation to the corresponding quarter last year), resulting from expenses associated with the launch of KC premium products in the Turkish market (Kotex and Huggies), in line with the strategic plan for expanding operations in Turkey that began last year. The Kotex launch began in the first quarter and is progressing according to plan. The launch of Huggies diapers manufactured by the company in Turkey began in the second quarter.

- The Company's share in the net profit of the Carmel Group (26.25%) grew by NIS 1.0 million. This increase resulted primarily from an increase in the operating profit as a result of a quantitative increase in sales, the rise in selling prices and the improved gross margin, which was partially offset by the rise in raw material and energy prices. Net profit also included capital gains from the sale of a real estate asset in Netanya that did not serve the operation in the last several years.

- The company's share in the loss of TMM (43.05%) grew by NIS 0.8 million, as a result of a provision for impairment of loans and long-term receivables in the sum of NIS 1.6 million, made by TMM during the reported period. The company's share in this provision amounts to NIS 0.5 million.

Moreover, in accordance with the directives of Accounting Standard 25, TMM has reduced its trade receivable balance as at January 1, 2006, by approximately NIS 1.1 million, as a result of its presentation in present value. The company's share in this adjustment amounts to NIS 0.5 million. TMM recorded an operating profit of NIS 0.3 million in the first quarter of the year, due to the significant rise in transportation costs(resulting from the significant 29% average increase in diesel prices as compared with the corresponding quarter last year) that were offset by the growth in operations and improved efficiency.

In April 2006, Maalot (the Israeli Securities Rating Company Ltd., an affiliate of Standard and Poor's, the entity responsible for credit rating in the Israeli market) had decided to re-affirm the existing rating of (AA-) to the series of notes issued by the Company in the past.

On March 7, 2006, TMM (an associated company) announced that the Israeli Securities Authority had addressed TMM with regard to an investigation the authority is conducting. At this stage, TMM is unable to estimate the impact of the investigation on the company.

A total of 18,350 ordinary shares were issued during the reported period (0.5% dilution), as a result of the exercise of 31,940 options as part of the Company's employee stock option plans.

Mr. Zvi Livnat was nominated as Chairman of the Board as of April 2, 2006. Mr. Livnat replaced Mr. Yerushalmi who has retired.

The Board of Directors decided that the Annual General Meeting of Shareholders will be held at the registered office of the Company on June 21, 2006. If the meeting is postponed, it will be held on June 28, 2006.

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) except per
share amounts

Three months ended March 31,

NIS IN THOUSANDS(1)

	2006	2005
Net sales	131,488	121,778
Net earnings	7,700*	14,031
Basic Earnings per share	1.92*	3.51
Fully diluted earnings per share	1.91*	3.48

(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.

* Including accumulated effect resulting from initially application of new accounting standards of NIS 461 thousands at net earning and NIS 0.11 at earning per share.

The representative exchange rate at March 31, 2006 was N.I.S. 4.665 = $1.00.

(sec-Pres-21612)

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EXHIBIT 2

May 17, 2006

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 three months of the year 2006. The Company, its subsidiaries and associated companies - the "Group".

A. A DESCRIPTION OF THE GROUP'S BUSINESS

1. GROUP DESCRIPTION

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

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

2. THE BUSINESS ENVIRONMENT

Following the economic recovery in the Israeli market in 2005, the economic growth continued as well into the first quarter of 2006, along with a certain rise in activity and in demand. A partial recovery has also been recorded in the o global economy.

The rise in energy prices (especially fuel oil and diesel) that characterized 2005 continued in the first quarter of 2006 as well. This rise, which amounted to an average rise of 29% in diesel prices for transportation, and a 78% rise in fuel oil prices, as compared with the first quarter of 2005 significantly affected the Group's operations and its financial results.
THE RISE IN ENERGY PRICES INCREASED THE GROUP'S COSTS IN THE FIRST

QUARTER OF THE YEAR BY NIS 14 MILLION IN RELATION TO THE FIRST QUARTER OF 2005. FURTHERMORE, THE PRICES OF THE GROUP'S PRINCIPAL RAW MATERIALS - IN ITS VARIOUS OPERATIONS -CONTINUED TO RISE AND LED TO ADDITIONAL COSTS OF NIS 25 MILLION IN THE FIRST QUARTER THIS YEAR, AS COMPARED WITH THE CORRESPONDING QUARTER LAST YEAR.
In the European paper industry a positive change is being noted, reflected by a better balance between the demand and supply of paper, which renders it possible for paper companies to increase their selling prices, as compensation for higher raw material and energy prices, that severely affected their profitability.

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This improvement, if it lasts, will serve to narrow the impact of competing imports and will enable the Group to realize higher price hikes in response to the rising raw material and energy prices.

3. GENERAL

In parallel to the Group's efforts to increase the selling prices, the Group is also continuing to work toward improving the synergies obtained by several measures in the area of procurement, which are intended to decrease the Group`s total costs.
The Group is also working to promote organization-wide plans: The Talent Management program has already passed the first stages of role definition. In parallel, personal objectives and indexes have been determined and an incentive program is being formulated in order to increase motivation and improve performance. The program to maximize the added value of the companies in the eyes of the customers ("WOW") is currently in various stages of implementation at the various companies. Kimberly-Clark's global program, which is intended to improve the efficiency of manufacturing lines (Center-lining program), is also being implemented at the Group companies.
These measures, along with the continuing cost-cutting plans and higher selling prices, rendered it possible to deal with the higher costs, higher input prices and the need to contend with competing imports.

During the reported period (January-March 2006), the exchange rate of the NIS in relation to the US dollar was devaluated by approximately 1.3%, as compared with a devaluation of 1.2% in the corresponding period last year (January-March 2005).

The inflation rate during the reported period amounted to 0.6%, as compared with a negative inflation rate of -0.6% 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 Mondi Business Hadera Paper Ltd. ("Mondi Hadera") and Hogla-Kimberly that were consolidated in the past, until the transfer of control over these companies to the international strategic partners), the aggregate data appearing below 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 holding and net of mutual sales.

The aggregate sales amounted to NIS 783.2 million during the reported period, as compared with NIS 685.7 million in the corresponding period last year and NIS 692.2 million in the fourth quarter of 2005.

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The growth in the aggregate sales during the reported period, as compared with the corresponding period last year, originated from the quantitative growth in sales and the improved selling prices.

The aggregate operating profit amounted to NIS 37.7 million during the reported period, as compared with NIS 36.1 million in the corresponding period last year and NIS 23.8 million in the fourth quarter of 2005.
The improvement in the operating profit was rendered possible - despite the unusual increase in input prices - primarily due to the improvement in selling prices, the quantitative growth in sales and the improved efficiency.

2. CONSOLIDATED DATA

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

The sales amounted to NIS 131.5 million during the reported period, as compared with NIS 121.8 million in the corresponding period last year and NIS 117.6 million in the fourth quarter of 2005.

The operating profit amounted to NIS 13.3 million during the reported period, as compared with NIS 14.5 million in the corresponding period last year and NIS 11.3 million in the fourth quarter of 2005.

3. NET PROFIT AND EARNINGS PER SHARE

The net profit- before cumulative influence- amounted to NIS 8.2 million during the reported period, as compared with NIS 14.0 million in the corresponding period last year and NIS 8.6 million in the fourth quarter of 2005.

Due to the adjustment of the accounts receivable balance at an associated company as at January 1, 2006, according to the directives of Accounting Standard No. 25, a loss of 0.5 million was recorded in item "Cumulative effect as of the beginning of the period on account of a change in accounting principles" at an associated company, representing the company's share in the said loss. Due to the adoption of the standard, the net profit during the reported period, after accounting for the cumulative effect at beginning of period as mentioned above, totals NIS 7.7 million

The Basic Earnings Per Share in the reported period amounted to NIS 1.92 per share ($0.41 per share), as compared with NIS 3.51 per share ($0.79 per share) in the corresponding period last year.
The Diluted Earnings Per Share in the reported period amounted to NIS 1.91 per share ($0.41 per share), as compared with NIS 3.48 per share

($0.78 per share) in the corresponding period last year.

According to the directives of Accounting Standard 20 ("Goodwill and Intangible Assets") that was adopted for the first time during the reported period, the company allocated to the retained earnings at the beginning of the reported period, a sum of NIS 1.0 million as a result of the deletion of a negative goodwill balance.

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The return on shareholders' equity in annual terms amounted to 6.0% during the reported period, as compared with 9.1% for all of 2005.

C. ANALYSIS OF OPERATIONS AND PROFITABILITY

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

1. SALES

The consolidated sales amounted to NIS 131.5 million during the reported period, as compared with NIS 121.8 million in the corresponding period last year and NIS 117.6 million in the fourth quarter of 2005.

The growth in sales originated from a certain quantitative growth and increase in selling prices of some products.

2. COST OF SALES

The cost of sales amounted to NIS 103.8 million - or 79.0% of sales - during the reported period, as compared with NIS 93.6 million - or 76.8% of sales - in the corresponding period last year and as compared with NIS 94.6 million - or 80.5% of sales in the fourth quarter of 2005.

The gross margin as a percentage of sales reached 21.0% during the reported period, as compared with 23.2% in the corresponding period last year and 19.5% in the fourth quarter of 2005.

The decrease in the gross margin in relation to the corresponding period last year originated primarily from an increase in raw material prices (12% in paper waste), an extraordinary increase in energy prices (78% in fuel oil) and water prices (12%) and was partially offset by quantitative growth in sales, higher selling prices and the continuing efficiency measures in all areas of operation.

Labor Wages

Wages in the cost of sales and in the selling, general and administrative expenses amounted to NIS 40.4 million in the reported period, as compared with NIS 37.5 million in the corresponding period last year.

3. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The selling, general and administrative expenses (including wages) amounted to NIS 14.3 million in the reported period - or 10.9% of sales - as compared with NIS 13.7 million - or 11.3% of sales - in the corresponding period last year.

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4. OPERATING PROFIT

The operating profit amounted to NIS 13.3 million - or 10.1% of sales - during the reported period, as compared with NIS 14.5 million - or 11.9% of sales - in the corresponding period last year and as compared with NIS 11.3 million - or 9.6% of sales in the fourth quarter of 2005.

5. FINANCIAL EXPENSES

The financial expenses during the reported period amounted to NIS 4.2 million, as compared with NIS 3.3 million in the corresponding period last year.

The total average of the Company's net interest-bearing liabilities grew by approximately NIS 100 million, between the periods. This growth is primarily attributed to dividend payments of NIS 50 million at the end of 2005 and an additional NIS 50 million during the reported period, in addition to investments in fixed assets, net of the current cash flows from operating activities.

Moreover, the cost of the transaction for hedging the CPI-linked liabilities against a rise in the CPI has risen to 1.8% per annum in 2006, as compared with 1.3% per annum in 2005 and resulted in an increase in costs related to the bonds.

Nevertheless, since the Consumer Price Index rose by an actual 0.6% during the first three months of the year, the hedging transaction rendered it possible to save additional financing costs of NIS 0.3 million.

These influences, in addition to the rise in the average interest rate due to rising interest rates in the economy, net of the impact of the devaluation during the reported period (which increased the revenues from dollar-denominated assets held by the company), resulted in a 30% increase in financial expenses in relation to the corresponding period last year.

6. TAXES ON INCOME

Taxes on income amounted to NIS 2.7 million in the reported period, as compared with NIS 3.0 million in the corresponding period last year. The decrease in tax expenses in relation to the preceding year originated primarily from the decrease 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: Mondi Hadera, Hogla-Kimberly, Carmel and TMM.

The company's share in the earnings of associated companies totaled NIS 1.8 million during the reported period, as compared with NIS 5.8 million in the corresponding period last year and as compared with NIS 1.9 million in the fourth quarter of 2005.

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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 Mondi Hadera (49.9%) decreased by NIS 2.9 million. Most of the change in the profit originates from the NIS 6.5 million decrease in operating profit over the years, which originated from the rise in raw material, energy and water prices, the erosion of prices of imported paper due to fierce competition with imports and relatively low output capacity due to the rebuilding of the machine last year. This impact was partially offset by the quantitative growth in export sales and the price hike that was implemented during the reported period. The financial expenses also grew due to the higher interest rate.

- The Company's share in the net profit of Hogla-Kimberly Israel (49.9%) decreased by NIS 1 million. Hogla's operating profit grew from NIS 22.5 million to NIS 29.0 million this year, as a result of higher sales (due to improved selling prices and a greater proportion of premium products in the total sales mix), coupled with improved efficiency. This was partially offset by the sharp rise in input prices (raw materials and energy). Hogla-Israel's net profit from current operations grew by NIS 2.5 million in relation to last year, although due to an additional provision for taxes in the sum of NIS 4.5 million that was made at Hogla this year, due to tax assessments for previous years received by the company, the Company's share in the earnings of Hogla Israel decreased by NIS 1.0 million in relation to the corresponding quarter last year.

- The company's share in the net loss of KCTR Turkey (formerly Ovisan) (49.9%) fell by NIS 0.5 million, primarily on account of the increased operating loss (NIS 2 million in relation to the corresponding quarter last year), originating primarily from expenses associated with the launch of premium KC products in the Turkish market (Kotex and Huggies), including advertising expenses, sales promotion and listing fees for shelf space at the large chains, in line with the strategic plan for expanding operations in Turkey, that began last year.
  The Kotex launch began in the first quarter and is progressing according to plan, while generating positive initial responses - from both consumers and chains. The launch of Huggies diapers manufactured by the company in Turkey began in the second quarter.

- The company's share in the net earnings of the Carmel Group (26.25%) grew by NIS 1.0 million. This increase originated primarily from an increase in the operating profit as a result of a quantitative increase in sales, the rise in selling prices and the improved gross margin. This increase was partially offset by the rise in raw material and energy prices. The net profit also included capital gains from the sale of a real-estate asset in Netanya that did not serve the operation in the past several years.

- The company's share in the loss of TMM (43.05%) grew by NIS 0.8 million, as a result of a provision for impairment of loans and long-term receivables in the sum of NIS 1.6 million, made by TMM during the reported period. The company's share in this provision amounts to NIS 0.5 million.

Moreover, in accordance with the directives of Accounting Standard 25, TMM has reduced its trade receivable balance as at January 1, 2006, by approximately NIS 1.1 million, as a result of its presentation in present value. The company's share in this adjustment amounts to NIS 0.5 million. TMM recorded an operating profit of NIS 0.3 million in the first quarter of the year, due to the significant rise in transportation costs (resulting from the significant 29% average increase in diesel prices as compared with the corresponding quater last year) that were offset by the growth in operations and improved efficiency.

D. LIQUIDITY AND INVESTMENTS

1. ACCOUNTS RECEIVABLE

The accounts receivable item for March-31-06 totaled NIS 155.3 million, as compared with NIS 143.2 million on March 31, 2005 and as compared with NIS 150.4 million on December 31, 2005.
The increased accounts receivable item is primarily attributed to the growth in the volume of operations, whereas no significant change was recorded in the actual days of customer credit.

2. CASH FLOWS

The cash flows from operating activities totaled NIS 16.9 million during the reported period, as compared with NIS 28.2 million in the corresponding period last year.
A significant decrease was recorded in the first quarter last year in the operating working capital, as compared with this year (NIS 14.8 million as compared with NIS 4.5 million during the reported period). This decrease originated primarily from a payment that was scheduled to be received at the end of 2004 and was actually received in early 2005.

3. INVESTMENTS IN FIXED ASSETS

The investments in fixed assets amounted to NIS 13.9 million during the reported period, as compared with NIS 5.7 million during the corresponding period last year. The investments this year included advance payments on the investment in converting energy systems to operate based on using natural gas, coupled with current investments in storage and compaction equipment, in compactors, in machines, equipment and transportation equipment.

4. FINANCIAL LIABILITIES

The long-term liabilities (including current maturities) amounted to NIS 266.7 million as at March 31, 2006, as compared with NIS 267.2 million as at March 31, 2005.

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The long-term liabilities include primarily two series of debentures:
Series 1 - NIS 27.1 million, for repayment until 2009.
Series 2 - NIS 206.8 million, for repayment between 2007 and 2013.

According to the directives of Accounting Standard No. 22, commencing on January 1st 2006, the debenture balances are presented net of deferred expenses thereon in the sum of NIS 0.9 million.
The balance of short-term credit, as at March 31, 2006, amounted to NIS 135.9 million, as compared with NIS 51.7 million at March 31, 2005.
The short-term credit balances have increased in relation to the balances in the corresponding period last year, primarily on account of the payment of NIS 100 million in dividends to the shareholders (NIS 50 million in September 2005 and an additional NIS 50 million in January 2006), net of the positive cash flows for the period.

E. EXPOSURE AND MANAGEMENT OF MARKET RISKS

The following is an update, as at March 31, 2006, to the Management Discussion dated December 31, 2005, 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 NIS 234 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. The company consequently entered into a forward transaction, with a term of one year - until the end of 2006, to hedge a sum of NIS 230 million against a rise in the CPI (at a cost of 1.8% per annum).

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REPORT OF LINKAGE BASES

The following are the balance sheet items, according to linkage bases, as at December 31, 2005 and updated for March 31, 2006:

IN NIS MILLIONS	UNLINKED	CPI-LINKED	IN FOREIGN CURRENCY, OR LINKED THERETO (PRIMARILY US$)	NON-MONET ITEMS
ASSETS				

CASH AND CASH EQUIVALENTS	1.6		2.5	
SHORT-TERM DEPOSITS AND INVESTMENTS	11.5			
OTHER ACCOUNTS RECEIVABLE	215.1	0.2	48.6	10.
INVENTORIES				62.
INVESTMENTS IN ASSOCIATED COMPANIES	63.2		9.3	359.
DEFERRED TAXES ON INCOME				5.
FIXED ASSETS, NET				385.
TOTAL ASSETS	291.4	0.2	60.4	824.
LIABILITIES				
SHORT-TERM CREDIT FROM BANKS	135.9			
ACCOUNTS PAYABLE	187.4		7.2	
DEFERRED TAXES ON INCOME				45.
NOTES (BONDS) - INCLUDING CURRENT MATURITIES		234.0		
OTHER LIABILITIES - INCLUDING CURRENT MATURITIES	32.8			
SHAREHOLDERS' EQUITY, FUNDS AND RETAINED EARNINGS				534.
TOTAL LIABILITIES AND EQUITY	356.1	234.0	7.2	579.
SURPLUS FINANCIAL ASSETS (LIABILITIES) AS AT MARCH 31,2006	(64.7)	(233.8)	53.2	245.
SURPLUS FINANCIAL ASSETS (LIABILITIES) AS AT DECEMBER 31, 2005	(73.1)	(235.3)	59.2	249.

ASSOCIATED COMPANIES

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

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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 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 to publicly update such forward-looking statements, regardless of whether these updates originate from new information, future events or any other reason.

G. UPDATE REGARDING THE DESCRIPTION OF THE COMPANY'S BUSINESS IN THE PERIODICAL REPORT FOR 2005

- The existing rate of the Company's notes - Series I and II - AA- was re-affirmed by Maalot in April 2006.

- TMM Integrated Recycling Industries Ltd. (an associated company) announced on March 7, 2006 that the Israeli Securities Authority had addressed it regarding an investigation pertaining to the company. At this stage, TMM is unable to estimate the impact of this investigation on the company.

- 18,350 shares were issued during the reported period (0.5% dilution), on account of the exercise of 31,940 options as part of the Company's employee option plans.

- On April 2, 2006, Tzvika Livnat was appointed Chairman of the Board of Directors of the Company, replacing Yaki Yerushalmi who has retired.

H. PEER GROUP SURVEY

The Securities Authority published a directive based on Section 36a of the Securities Law (1968) on July 28th 2005, regarding disclosure pertaining to the granting of agreement to conduct a peer group survey whose objective is - according to the said directive - to put in motion a process whereby the auditing process performed by the firms will be controlled, to contribute to the existence of an advanced capital market. The Company's Board of Directors views this as a positive process, although the process itself raises several issues, including legal issues, that have yet to be resolved and that are related, inter alia, to safeguarding the confidential information belonging to the company and the Group companies, to prevent conflicts of interest and to promote responsibility for damages that may be incurred in relation to the process. The Company's Board of Directors has therefore agreed, in principle, to cooperate in this process, pursuant to a satisfactory resolution of the various issues that have yet to be resolved, as stated above.

------------------------------	----------------------------------
Tzvika Livnat Chairman of the Board of Directors	Avi Brenner General Manager

EXHIBIT 3

AMERICAN ISRAELI PAPER MILLS LTD.

SUMMARY OF CONSOLIDATED BALANCE SHEETS

NIS IN THOUSANDS

	MARCH 31,2006 (UNAUDITED)	MARCH 31,20 (UNAUDITE
Current assets :		
Cash and cash equivalents	4,062	6,8
Short-term deposits and investments	11,512	22,1
Accounts receivables :		
Trade	155,313	143,1
Other	119,311	95,9
Inventories	62,392	* 64,5
Total current assets	352,590	332,7
Investments and long term receivables:		
Investments in associated companies	432,217	441,6
Deferred income taxes	5,655	6,5
	437,872	448,1
Fixed assets		
Cost	1,071,413	* 996,8
Less - accumulated depreciation	685,613	656,3
	385,800	340,5
Deferred charges - net of accumulated amortization	-	1,0
	1,176,262	1,122,4
Current liabilities:		
Credit from banks	135,924	51,6
Current maturities of long-term notes	6,833	6,6
Payables and accured liabilities :		
Trade	87,077	79,2
Dividend payable		
Other	107,533	81,7
Total current liabilities	337,367	219,3

Long-term liabilities		
Deferred income taxes	44,987	51,6
Loans and other liabilities (net of current maturities):		
Notes	227,126	227,8
Other liabilities	32,770	32,7
Total long term liabilities	304,883	312,2
Total liabilities	642,250	531,6
Shareholders' equity :		
Share capital	125,257	125,2
Capital surplus	90,060	90,0
Capital surplus on account of tax benefit from exercise of employee options	1,635	1
Currency adjustments in respect of financial statements of associated company and a subsidiary	(181)	(1,5
Retained earnings	317,241	376,8
	534,012	590,8
	1,176,262	1,122,4

* Reclassified

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

AMERICAN ISRAELI PAPER MILLS LTD.

SUMMARY OF CONSOLIDATED STATEMENTS OF INCOME

NIS IN THOUSANDS

	THREE-MONTH PERIOD ENDED MARCH 31	
	2006	2005
	(UNAUDITED)	

Sales - net	131,488	121,77
Cost of sales	103,826	93,55
Gross profit	27,662	28,22
Selling and marketing, administrative and general expenses:		
Selling and marketing	7,923	7,34
Administrative and general	6,407	6,39
	14,330	13,74
Income from ordinary operations	13,332	14,47
Financial expenses - net	4,241	3,26
Income before taxes on income	9,091	11,21
Taxes on income	2,700	3,00
Income from operations of the company and the consolidated subsidiaries	6,391	8,21
Share in profits of associated companies	1,770	5,81
Income before cumulative effect at beginning of period in profits of associated companies as a result of accounting changes	8,161	14,03
Cumulative effect at beginning of period in profits of associated companies	461	
Net income for the period	7,700	14,03
Basic net earning before accumulated effect per share (in N.I.S)	2.03	* 3.5
Cumulative effect at beginning of year, in profits of associated companies, as a result of accounting changes	0.11	
Basic net earning per share (in N.I.S)	1.92	* 3.5
Fully diluted earning before accumulated effect per share (in N.I.S)	2.02	* 3.4
Cumulative effect at beginning of year, in profits of associated companies, as a result of accounting changes	0.11	
Fully diluted earning per share (in N.I.S)	1.91	* 3.4
Number of shares used to compute the basic earnings per share (in N.I.S)	4,017,683	* 3,997,69

Number of shares used to compute the fully diluted earnings per share (in N.I.S)	4,036,704	* 4,028,96

* After retrospective application of accounting change - see note 2 (3).

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

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AMERICAN ISRAELI PAPER MILLS LTD.

SUMMARY OF STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

NIS IN THOUSANDS	SHARE CAPITAL	CAPITAL SURPLUS	CAPITAL SURPLUS RESULTING FROM TAX BENEFIT ON EXERCISE OF EMPLOYEE OPTIONS	D T A C
Balance at December 31, 2005 (audited)	125,257	90,060	401	
Adjusments as at January 1, 2006, resulting from initially application of new accounting standards (unaudited) (see note 2)				
Negative goodwill balance carried to the balance of retained earnings				
Balance at January 1, 2006 after initially application of new accounting standards (unaudited)	125,257	90,060	401	
Balance at January 1, 2006 after initially				
Changes during the three month period ended March 31, 2006 (unaudited)				
Net income				
Exercise of employee options into shares	*		1,234	
Differences from currency translation resulting from translation of financial statements of associated companies				
Balance at March 31, 2006 (unaudited)	125,257	90,060	1,635	
Balance at January 1, 2005 (audited)	125,257	90,060		

Changes during the three month period ended March 31, 2005 (unaudited)				
Net income				
Exercise of employee options into shares			174	
Differences from currency translation resulting from translation of financial statements of associated companies				
Balance at March 31, 2005 (unaudited)	125,257	90,060	174	
Balance at January 1, 2005 (audited)	125,257	90,060		
Changes during the year ended December 31, 2005 (audited)				
Net income				
Dividend paid				
Exercise of employee options into shares	*		401	
Differences from currency translation resulting from translation of financial statements of associated companies				
Balance at December 31, 2005 (audited)	125,257	90,060	401	

* Less than 1,000 NIS.

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

AMERICAN ISRAELI PAPER MILLS LTD.

SUMMARY OF CONSOLIDATED STATEMENTS OF CASH FLOWS

NIS IN THOUSANDS

	THREE-MONTH PERIOD ENDED MARCH 31, 2006 (UNAUDITED)	THREE-MONT PERIOD END MARCH 31, 2 (UNAUDITE
CASH FLOWS FROM OPERATING ACTIVITIES :		
Net income for the period	7,700	14,

Adjustments to reconcile net income to net cash provided by operating activities (a)	9,186	14,
Net cash provided by operating activities	16,886	28,
CASH FLOWS FROM INVESTING ACTIVITIES :		
Purchase of fixed assets	(13,925)	(5,
Short-term deposits and investments	-	40,
Granting of loans to associated companies	-	(2,
Proceeds from sale of subsidiary consolidated in the past (B)		
Proceeds from sale of fixed assets	123	
Net cash provided by (used in) investing activities	(13,802)	31,
CASH FLOWS FROM FINANCING ACTIVITIES :		
Receipt of long-term loans from others		
Repayment of long-term loans from banks		
Redemption of Notes		
Dividend paid	(50,093)	
Short-term bank credit - net	42,753	(60,
Net cash used in financing activites	(7,340)	(60,
Increase (decrease) in cash and cash equivalents	(4,256)	(
Balance of cash and cash equivalents at beginning of period	8,318	7,
Balance of cash and cash equivalents at end of period	4,062	6,
(a) Adjustments to reconcile net income to net cash provided by operating activities:		
Income and expenses not involving cash flows:		
Share in profits of associated companies - net	(1,770)	(5,
Dividend received from associated company		
Depreciation and amortization	7,997	7,
Deferred income taxes - net	(1,839)	(1,
Capital gains on:		
Sale of fixed assets	(61)	(
Sale of subsidiary consolidated in the past (B)		
Lose (income) from short-term deposits and investments, not realized yet	(96)	
Linkage differences on principal of long-term loans from banks and others - net		
Linkage differences on (erosion of) Notes	267	(
Linkage differences on loans to associated companies	(257)	(
Cumulative effect at beginning of period as a result of accounting changes in associated companies	461	
Changes in operating assets and liabilities:		

Decrease (Increase) in receivables	(17,048)	6,
Decrease (increase) in inventories	1,607	
Increase in payables and accruals liabilities	19,925	7,
	9,186	14,

(b) Proceeds from sale of subsidiary consolidated in the past

Assets and liabilities of the subsidiary consolidated in the past at the date of its sale:
Working capital (excluding cash and cash equivalents)
Fixed assets
Long-term liabilities
Capital gain from the sale

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

AMERICAN ISRAELI PAPER MILLS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
AT MARCH 31, 2006

NOTE 1 - GENERAL:

a. The interim financial statements as of March 31, 2006 and for the three-month period then ended (hereafter - the interim 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 Chapter D of the Securities (Periodic and Immediate Reports) Regulations, 1970.

b. The accounting principles applied in the preparation of the interim statements are consistent with those applied in the preparation of the annual financial statements, except for the change in the accounting policies that relate to the recognition and classification of financial instruments, to the recognition of revenue, to the recognition and treatment of goodwill and intangible assets originating from the acquisition of an investee company, and after taking into account, by means of retrospective application, the change in the accounting policy with regard to the computation of earnings per share, which result from the initial adoption of new IASB accounting standards, as detailed in note 2. However, the interim statements do not include all the information and explanations required for the annual financial statements. Costs incurred unevenly 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.

Taxes on income for the interim periods are included based on the best estimate of the anticipated average annual tax expense for the entire year; changes in said estimate, as well as changes in the amount of the tax saving to be utilized in the following years, are included as an expense for the current quarter.

c. On March 7, 2006, an associated company (T.M.M. - Integrated Recycling Industries Ltd. - hereafter - T.M.M.) announced that that the Securities Authority was conducting an investigation whose subject matter was not given to T.M.M., which therefore has no knowledge of the details relating to said investigation. The Company's management is unable to assess the effect of the aforesaid, if any, on the Company and its financial statements.

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

AMERICAN ISRAELI PAPER MILLS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
AT MARCH 31, 2006

NOTE 1 - GENERAL (continued):

e. Following are the changes in the exchange rate of the U.S. dollar (hereafter - the dollar) and in the consumer price index during the reported period:

	Exchange rate of one dollar	Consume ind
	%	%
3 months ended March 31:		
2006	1.3	0.6
2005	1.2	(0.6
Year ended December 31, 2005	6.8	2.4

The exchange rate of the dollar as of March 31, 2006 is: $ 1= NIS 4.665.

NOTE 2 - ACCOUNTING CHANGES:

Adoption of new accounting standards that became effective on January 1, 2006:

Commencing with the financial statements for the 3-month period ended

March 31, 2006, the Company applies the following new accounting standards:

1) Accounting Standard No. 22 - "Financial Instruments: Disclosure and Presentation"

This standard, which is based on International Accounting Standard No. 32, prescribes the rules for the presentation of financial instruments and the proper disclosure required therefor, and - on becoming effective - revoked Opinion 48 - "Accounting Treatment of Option Warrants", and Opinion 53 - "Accounting Treatment of Convertible Liabilities" of the Institute of Certified Public Accountants in Israel (hereafter - the Israeli Institute).

The standard is to be applied prospectively and, accordingly, does not change the classification and presentation of financial instruments included in the comparative figures. In accordance with the transitional provisions of the standard, effective from January 1, 2006, the following changes have been included in the Company's financial statements:

The balance of deferred issuance costs, which at December 31, 2005 amounted to NIS 946,000 has been reclassified and presented as a deduction from the amount of the liability to which such expenses relate. Commencing January 1, 2006, these expenses are amortized according to the interest method. Through December 31, 2005, deferred issuance costs were presented among "other assets" and were amortized according to the straight-line method. The change in the method of amortization, as referred to above, does not have a material effect on the operating results of the reporting period.

NOTE 2 - ACCOUNTING CHANGES (continued):

2) Accounting Standard No. 24 - "Share-based Payment"

This standard prescribes the recognition and measurement principles, as well as the disclosure requirements, relating to share-based payment transactions. The new standard is applicable to transactions where under the Company acquires goods or receives services in consideration for equity instruments of the Company (hereafter - equity grant), or cash (or other assets) consideration, where the amount of the consideration is based on the price or value of equity instruments of the Company (hereafter - liability grant). The standard requires the recognition of such transactions at fair value.

Prior to the issuance of said standard, no mandatory directives were in place in Israel for the measurement and recognition of share-based payment transactions, with the exception of certain disclosure requirements. Accordingly, in the past, equity instrument grants to Company employees did not have recognition or measurement implications on the Company's financial statements.

The standard is applicable to share-based payment transactions with employees and non-employees. With respect to equity grants to employees, the standard stipulates that the value of the labor services received from them in return is measured on the day of the grant, based on the fair value of the equity instruments that were granted to the employees. The value of the transactions, measured in the above manner, is expensed over the period that the employee's right to exercise or receive the underlying equity instruments vests; commensurate with the recognition of the expense, a corresponding increase is recorded as a capital surplus under the Company's shareholders' equity.

According to the provisions of the standard, the initial measurement of the fair value of liability grants is made on the date of the grant and recognized as a liability in the Company's balance sheet; thereafter, the liability is remeasured at each balance sheet date until said liability is settled. The changes in the amount of the liability are carried to the income statement on a current basis. The standard also sets out guidelines for the allocation of income taxes in respect of share-based payments.

The standard includes transitional provisions with regard to its application to grants made prior to January 1, 2006. Pursuant to these provisions, taking into account the fact that the Company has not made any equity grants subsequent to March 15. 2005 and has not made any modifications to existing grants subsequent to that date, the standard's measurement rules do not apply to the equity grants made by the Company in the past and their implementation does have any effect on the comparative figures included in these financial statements. The Company also has a liability relating to liability grants, for which the retrospective application of the provisions of the standard will not have a material effect, either with regard to individual years or cumulatively.

AMERICAN ISRAELI PAPER MILLS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)
AT MARCH 31, 2006

NOTE 2 - ACCOUNTING CHANGES (continued):

3) Accounting Standard No. 21 - "Earnings per Share"

This standard, which is based on International Accounting Standard No. 33, supersedes Opinion 55 of the Israeli Institute on this topic, and provides new rules for the computation of earnings per share data and their presentation in the financial statements.

According to the standard, the computation of basic earnings per share is generally based on the earnings available for distribution to holders of ordinary shares, which is divided by the weighted average number of ordinary shares outstanding during the period. In contrast to Opinion 55, this computation no longer takes into account the effect relating to potential shares that may derive from the expected conversion of convertible financial instruments, or the performance of contracts that confer rights to shares upon their holders.

In computing the diluted earnings or loss per share, the weighted average number of shares to be issued is added to the average number of ordinary shares used in the computation of the basic earnings per share data, assuming that all dilutive potential shares will be converted into shares. The potential shares are taken into account, as above, only when their effect is dilutive (reducing the earnings or increasing the loss per share from continuing activities).

The standard also revises the treatment of the effect on the earnings resulting from the expected conversion of potential shares, and makes certain adjustments to the Company's share in the operating results of associated companies and consolidated subsidiaries for the purpose of their inclusion in earnings used for the computation.

The standard also changes the manner in which the data are presented: the earnings or loss is presented per ordinary share, instead of per NIS 1 par value of the share, as was required previously.

The earnings per share data included in the comparative figures in these financial statements are after the retrospective application of the computation directives of the new standard.

4) Accounting Standard No. 25 - "Revenue"

This standard, which is based on International Accounting Standard No. 18, prescribes recognition, measurement, presentation and disclosure criteria for revenues originating from the sale of goods purchased or manufactured by the Company, the provision of services, as well as revenues deriving from the use of the Company's assets by others (interest income, royalties or dividends).

In accordance with the standard, revenue from the sale of goods is recognized when all the following conditions have been satisfied: (a) the significant risks and rewards of ownership of the goods have been transferred to the buyer; (b) the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (c) the amount of revenue can be measured reliably; (d) it is probable that the economic benefits associated with the transaction will flow to the Company; and (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

AMERICAN ISRAELI PAPER MILLS LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (continued)
(Unaudited)
AT MARCH 31, 2006

NOTE 2 - ACCOUNTING CHANGES (continued):

As of January 1, 2006, the associated company reduced the balance of trade receivables at the beginning of the period by an amount of NIS 1.1 million, thereby presenting the balance of its present value in accordance with the provisions of the standard.

The Company's share in the effect of said adjustment is NIS 0.5 million, and was included as loss for the three-month period that ended on March 31, 2006, under "cumulative effect at the beginning of period of an accounting change in associated company".

5) Accounting Standard No. 20 (Amended) - "The Accounting Treatment of the Goodwill and Intangible Assets on the Acquisition of Investee Companies"

This standard, which supersedes the provisions of Israel Accounting Standard No. 20 - "The Amortization Period of Goodwill", prescribes for the first time criteria for the identification and recognition of intangible assets included in business acquisition transactions, and their separation from goodwill; the standard also prescribes rules regarding the way in which such assets are to be amortized. Pursuant to the standard, intangible assets that are identified as having a finite life are amortized over their economic life, while goodwill and intangible assets that are identified as having an infinite life are no longer amortized; instead, an annual (or more frequent) impairment test of these assets is required to be performed in order to establish the existence of events or circumstances indicating a possible impairment in the value of such assets.

The abovementioned provisions of the standard, other than the annual impairment test, also apply with regard to identifying intangible assets and goodwill, and the manner of their amortization, included in acquisition transactions of investments in associated companies, the investment in which is accounted for according to the equity method.

The negative goodwill balance, which was included in the financial statements as of December 31, 2005, in the amount of NIS 1.1 million, and results from the associated company's acquisition of investments in associated companies, was carried to the balance of retained earnings on January 1, 2006.

The discontinuance of amortizing goodwill and intangible assets with an unlimited life, as referred to above, resulted in an increase in the equity profits of the Company in the 3-month period that ended on March 31, 2006, of approximately NIS 1,000,000.

NOTE 3 - BUSINESS SEGMENTS:

Data (in thousands of NIS) according to business segments are as follows:

For the 3-month period:

	Paper and recycling		Office supplies marketing		T
	January-March		January-March		Janua
	2006	2005	2006	2005	2006
Sales - Net (1)	100,240	94,957	31,248	26,821	131,488
Operating profit (loss)	13,799	14,939	(467)	(463)	13,332

For 2005:

	Paper and recycling	Office supplies marketing	T
	2005	2005	
Sales - Net (1)	368,884	113,577	4
Operating profit (loss)	48,662	(880)	

(1) Represents sales to external customers.

[LETTERHEAD OF AMERICAN ISRAELI PAPER MILLS LTD.]

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

- Mondi Business Paper Hadera Ltd.

- Hogla-Kimberly Ltd.

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

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

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

Exhibit 4

MONDI BUSINESS PAPER HADERA LTD. AND SUBSIDIARIES

UNAUDITED CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENTS

AS OF MARCH 31, 2006

MONDI BUSINESS PAPER HADERA LTD. AND SUBSIDIARIES

UNAUDITED CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENTS

AS OF MARCH 31, 2006

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The Board of Directors of
Mondi Business Paper Hadera Ltd.

Re: Review of Unaudited Condensed Interim Consolidated Financial Statements for the Three Months Ended March 31, 2006

Gentlemen:

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

- Balance sheet as of March 31, 2006.
- Statement of operations for the three months ended March 31, 2006.
- Statement of changes in shareholders' equity for the three months ended March 31, 2006.
- Statement of cash flows for the three months ended March 31, 2006.

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

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

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

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

Tel Aviv, May 8, 2006

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

	Three months ended		Year
	March 31,		Decemb
	2006	2005	20
	(Unaudited)		
ASSETS			
Current Assets			
Trade receivables	178,290	156,046	160,
Other receivables	6,145	8,251	10,
Inventories	131,976	98,351	116,
Total current assets	316,411	262,648	288,
Fixed Assets			
Cost	205,817	167,174	202,
Less - accumulated depreciation	45,836	35,365	43,
	159,981	131,809	159,
Other Assets - Goodwill	3,177	3,644	3,
Total assets	479,569	398,101	451,
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current Liabilities			
Short-term bank credit	70,333	11,066	85,
Current maturities of long-term bank loans	17,422	15,273	16,
Capital notes to shareholders	4,665	--	18,
Trade payables	133,847	111,458	102,
American Israeli Paper Mills Group, net	69,453	63,911	69,
Other payables and accrued expenses	21,158	21,529	20,

Total current liabilities	316,878	223,237	313,
Long term liabilities			
Long-term bank loans	42,472	30,318	21,
Capital notes to shareholders	13,995	17,444	
Deferred taxes	13,989	25,683	19,
Accrued severance pay, net	51	87	
Total long-term liabilities	70,507	73,532	41,
Shareholders' Equtiy			
Share capital	1	1	
Premium	43,352	43,352	43,
Retained earnings	48,831	57,979	52,
	92,184	101,332	95,
Total liabilities and shareholders' equity	479,569	398,101	451,

D. Muhlgay	A. Solel	A. Brener
Financial Director	General Manager	Director

Approval date of the interim financial statements: May 8, 2006.

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

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

	Three months ended March 31,		Year ended December 31,
	2006	2005	2005
	(Unaudited)		
NET SALES	182,985	164,060	663,338
COST OF SALES	170,723	146,296	609,752
GROSS PROFIT	12,262	17,764	53,586
OPERATING COSTS AND EXPENSES			
Selling expenses	11,102	9,598	45,268
General and administative expenses	1,946	2,595	7,301

	13,048	12,193	52,569
OPERATING PROFIT (LOSS)	(786)	5,571	1,017
FINANCING EXPENSES, NET	(4,230)	(1,906)	(12,868)
OTHER INCOME, NET	--	76	65
INCOME (LOSS) BEFORE INCOME TAXES	(5,016)	3,741	(11,786)
TAX BENEFITS (INCOME TAXES)	1,419	(1,596)	8,380
NET INCOME (LOSS) FOR THE PERIOD	(3,597)	2,145	(3,406)

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

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

	Share capital	Premium	Retained earnings	Total
Three months ended March 31, 2006 (Unaudited)				
Balance - January 1, 2006	1	43,352	52,428	95,781
Loss for the period			(3,597)	(3,597)
Balance - March 31, 2006	1	43,352	48,831	92,184
Three months ended March 31, 2005 (Unaudited)				
Balance - January 1, 2005	1	43,352	55,834	99,187
Net income for the period			2,145	2,145
Balance - March 31, 2005	1	43,352	57,979	101,332
Year ended December 31, 2005				
Balance - January 1, 2005	1	43,352	55,834	99,187
Loss for the year			(3,406)	(3,406)
Balance - December 31, 2005	1	43,352	52,428	95,781

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

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

	Three months ended March 31,		Yea Dec
	2006	2005	
	(Unaudited)		
CASH FLOWS - OPERATING ACTIVITIES			
Net income (loss) for the period	(3,597)	2,145	
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities			
Income and expenses not involving cash flows:			
Depreciation and amortization	2,710	2,348	
Deferred taxes, net	(1,419)	1,276	
Decrease in liability for severance pay, net	--	--	
Capital gain from sale of fixed assets	--	(76)	
Effect of exchange rate and linkage differences of long-term bank loans	419	343	
Effect of exchange rate differences of long-term capital notes to shareholders	248	211	
Changes in assets and liabilities:			
Decrease (increase) in trade receivables	(17,415)	1,769	
Decrease (increase) in other receivables	235	(1,686)	
Increase in inventories	(15,117)	(7,960)	(
Increase (decrease) in trade payables	30,528	6,439	
Increase (decrease) in American Israeli Paper Mills Group, net	(401)	(1,122)	
Increase (decrease) in other payables and accrued expenses	956	(1,603)	
Net cash provided by (used in) operating activities	(2,853)	2,084	(
CASH FLOWS - INVESTING ACTIVITIES			
Acquisition of fixed assets	(3,171)	(17,905)	(
Proceeds from sale of fixed assets	152	76	
Net cash used in investing activities	(3,019)	(17,829)	(

CASH FLOWS - FINANCING ACTIVITIES

Short-term bank credit, net	(15,554)	11,066	
Repayment of long-term bank loans	(6,574)	(6,125)	(
Proceeds of long-term bank loans	28,000	--	
Net cash provided by financing activities	5,872	4,941	
Decrease in cash and cash equivalents	--	(10,804)	(
Cash and cash equivalents - beginning of period	--	10,804	
Cash and cash equivalents - end of period	--	--	
Non-cash activities			
Acquisitions of fixed assets on credit	853	1,142	

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

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NOTE 1 - BASIS OF PRESENTATION

The unaudited condensed interim consolidated financial statements as of March 31, 2006 and for the three months then ended ("interim financial statements") of Mondi Business Paper Hadera Ltd. ("the Company") and subsidiaries should be read in conjunction with the audited consolidated financial statements of the Company and subsidiaries as of December 31, 2005 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, 2006 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

(1) The significant accounting policies applied in the interim consolidated financial statements are consistent with those applied in the audited consolidated financial statements as of December 31, 2005 and for the year then ended, except for the initial application of Accounting Standard No. 22, "Financial Instruments: Disclosure and Presentation" and Accounting Standard No. 25, "Revenues". The affect of initially applying these standards on the Company's financial position and results of operations is not material

(2) For the affect of initial application of Accounting Standard No. 20 (Revised) "Accounting Treatment of Goodwill and Other Intangibles upon the Acquisition of an Investee ", see 2 B below.

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

B. APPLICATION OF STANDARD NO. 20 (REVISED) - "ACCOUNTING TREATMENT OF GOODWILL AND OTHER INTANGIBLES UPON THE ACQUISITION OF AN INVESTEE"

In March 2006 the Israeli Accounting Standards Board ("the Board") published Standard No. 20 (Revised) "Accounting Treatment of Goodwill and Other Intangibles upon the Acquisition of an Investee", which applies to financial statements for periods commencing January 1, 2006 ("the Effective Date") or thereafter.

According to the Standard, the excess of acquisition cost of an investment in an investee over the holding company's share in the fair value of the investee's identifiable assets, including intangibles, net of the fair value of identifiable liabilities (after tax allocation) at acquisition date, constitutes goodwill. Intangible asset will be recognized only if it satisfies the criteria established in this standard.

B. APPLICATION OF STANDARD NO. 20 (REVISED) - "ACCOUNTING TREATMENT OF GOODWILL AND OTHER INTANGIBLES UPON THE ACQUISITION OF AN INVESTEE" (cont.)

Goodwill acquired in a business combination shall not be amortized but rather will be examined for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

The standard distinguishes between intangible assets, which have defined useful lives and those that do not, stating that the former should be amortized while the latter should not, while rather examined for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

Comparative figures for periods ended prior to the Effective Date should not be restated and goodwill presented in the balance sheet as of December 31, 2005 will no longer be amortized, including goodwill presented in the investment account of an affiliate.

As a result of the application of the standard, the Company ceased amortizing the goodwill, whose balance as of January 1, 2006 is NIS 3,177 thousands. The amortization of goodwill recorded in the year ended December 31, 2005 and in the three months ended March 31, 2005 is NIS 623 thousands and NIS 156 thousands, respectively.

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

As of:	Representative exchange rate of the Euro (NIS per (euro)1)	Representative exchange rate of the dollar (NIS per $1)
March 31, 2006	5.662	4.665
March 31, 2005	5.649	4.361
December 31, 2005	5.446	4.603
Increase (decrease) during the:	%	%
Three months ended March 31, 2006	4.0	1.3
Three months ended March 31, 2005	(3.9)	1.2
Year ended December 31, 2005	(7.3)	6.8

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EXHIBIT 5

HOGLA-KIMBERLY LTD. AND SUBSIDIARIES

UNAUDITED CONDENSED INTERIM CONSOLIDATED

FINANCIAL STATEMENTS

AS OF MARCH 31, 2006

HOGLA-KIMBERLY LTD. AND SUBSIDIARIES

UNAUDITED CONDENSED INTERIM CONSOLIDATED
FINANCIAL STATEMENTS
AS OF MARCH 31, 2006

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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, 2006

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, 2006.
- Statement of operations for the three months ended March 31, 2006.
- Statement of changes in shareholders' equity for the three months ended March 31, 2006.
- Statement of cash flows for the three months ended March 31, 2006.

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

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

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

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

Tel Aviv, May 8, 2006

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

	March 31,	
	2 0 0 6	2 0 0 5
	(Unaudited)	
Current Assets		
Cash and cash equivalents	20,035	122,904
Trade receivables	281,723	220,288
Other receivables	59,271	36,191
Inventories	174,311	125,112
	535,340	504,495
Long-Term Investments		
Long-term bank deposits	-	69,776
Capital note of shareholder	32,770	32,770
	32,770	102,546
Fixed Assets		
Cost	551,197	509,763
Less - accumulated depreciation	241,157	226,759
	310,040	283,004
Other Assets		
Goodwill	25,070	25,503
Deferred taxes	30,920	19,079
	55,990	44,582
	934,140	934,627
Current Liabilities		
Short-term bank credit	109,315	-
Current maturities of long-term bank loans	-	73,941
Trade payables	212,432	196,677
Other payables and accrued expenses	65,762	43,164
	387,509	313,782
Long-Term Liabilities		
Long-term bank loans	-	78,497
Deferred taxes	39,093	38,630
	39,093	117,127

Minority Interest	59,708	55,173
Shareholders' Equity		
Share capital	29,038	29,038
Capital reserves	180,414	180,414
Translation adjustments relating to foreign held autonomous Subsidiary	1,884	(897)
Retained earnings	236,494	196,380
Dividend declared after balance sheet date	-	43,610
	447,830	448,545
	934,140	934,627

T. Davis	O. Argov	A. Schor
Chairman of the Board of Directors Chief Executive Officer	Chief Financial Officer	Chief Executive Officer

Approval date of the interim financial statements: May 8, 2006.
The accompanying notes are an integral part of the condensed interim consolidated financial statements.

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

	Three months ended March 31,	
	2 0 0 6	2 0
	(unaudited)	
Net sales	309,825	274
Cost of sales	210,503	199
Gross profit	99,322	74
Selling expenses	66,827	49
General and administrative expenses	12,582	10
Operating profit	19,913	14
Financing income (expenses), net	(3,477)	(

Other income, net	748	
Income before income taxes	17,184	13
Income taxes	9,924	3
Income after income taxes	7,260	10
Minority interest in earnings of Subsidiary	(880)	(
Net income for the period	6,380	9
Basic earnings per ordinary share		
Earnings per share (in NIS)	0.75	
Number of shares used in computation	8,513,473	8,513

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

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

	Share capital	Capital reserves	Translation adjustments relating to foreign held autonomous Subsidiary	Retained earnings
Three months ended March 31, 2006 (unaudited)				
Balance - January 1, 2006	29,038	180,414	618	230,114
Translation adjustments relating to foreign held autonomous Subsidiary			1,266	
Net income for the period				6,380
Balance - March 31, 2006	29,038	180,414	1,884	236,494
Three months ended March 31, 2005 (unaudited)				
Balance - January 1, 2005	29,038	180,414	(3,377)	230,457

Translation adjustments relating to foreign held autonomous Subsidiary			2,480	
Dividend declared after balance sheet date				(43,610)
Net income for the period				9,533
Balance - March 31, 2005	29,038	180,414	(897)	196,380
Year ended December 31, 2005				
Balance - January 1, 2005	29,038	180,414	(3,377)	230,457
Translation adjustments relating to foreign held autonomous Subsidiary			3,995	
Dividend paid				(43,619)
Net income for the year				43,276
Balance - December 31, 2005	29,038	180,414	618	230,114

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 CASH FLOWS
(NIS in thousands; Reported Amounts)

	Three months ended March 31,	
	2 0 0 6	2 0 0 5
	(unaudited)	
Cash flows - operating activities		
Net income for the period	6,380	9,533
Adjustments to reconcile net income to net cash provided by operating activities (Appendix A)	(36,090)	(25)
Net cash provided by (used in) operating activities	(29,710)	9,508
Cash flows - investing activities		
Withdrawal of long-term bank deposits	-	-
Acquisition of fixed assets	(7,603)	(6,150)
Proceeds from sale of fixed assets	174	-
Net cash provided by (used in) investing activities	(7,429)	(6,150)
Cash flows - financing activities		

Dividend paid	-	
Long-term loan received	-	3,056
Repayment of long-term loan	(20,714)	(3,056)
Short-term bank credit	41,797	-
Net cash provided by (used in) financing activities	21,083	-
Translation adjustments of cash and cash equivalents and operations of foreign held autonomous Subsidiary	540	2,182
Increase (decrease) in cash and cash equivalents	(15,516)	5,540
Cash and cash equivalents - beginning of period	35,551	117,364
Cash and cash equivalents - end of period	20,035	122,904

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

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

	Three months ended March 31,	
	2 0 0 6	2 0 0 5
	(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	880	681
Depreciation and amortization	6,125	6,109
Deferred taxes, net	(3,123)	(2,499)
Gain from sale of fixed assets	(159)	-
Effect of exchange rate differences, net	(137)	71
Changes in assets and liabilities:		
Increase in trade receivables	(23,533)	(6,043)
Decrease (increase) in other receivables	631	(424)
Decrease (increase) in inventories	(25,736)	18,411
Increase (decrease) in trade payables	(2,850)	(18,882)
Net change in balances with related parties	(2,059)	(1,915)
Increase in other payables and accrued expenses	13,871	4,466
	(36,090)	(25)

	=======	=======
B. Non-cash activities		
Acquisition of fixed assets on credit	8,141	2,996
	=======	=======

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, 2006

NOTE 1 - BASIS OF PRESENTATION

The unaudited condensed interim consolidated financial statements as of March 31, 2006 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, 2005 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, 2006 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

(1) The significant accounting policies applied in the interim consolidated financial statements are consistent with those applied in the audited consolidated financial statements as of December 31, 2005 and for the year then ended, except for the initial application of Accounting Standard No. 21, "Earnings Per Share", Accounting Standard No. 22, "Financial Instruments: Disclosure and Presentation" and Accounting Standard No. 25, "Revenues". The affect of initially applying these standards on the Company's financial position and results of operations is not material.

(2) For the affect of initial application of Accounting Standard No. 20 (Revised) "Accounting Treatment of Goodwill and Other Intangibles upon the Acquisition of an Investee", - See 2 B below.

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

B. APPLICATION OF STANDARD NO.20 - "ACCOUNTING TREATMENT OF GOODWILL AND OTHER INTANGIBLES UPON THE ACQUISITION OF AN INVESTEE"

In March 2006 the Israeli Accounting Standards Board ("the Board") published Standard No.20 (revised) "Accounting Treatment of Goodwill and Other Intangibles upon the Acquisition of an Investee", which applies to financial statements for periods commencing January 1, 2006 ("the Effective Date") or thereafter.

According to the standard, the excess of acquisition cost of an investment in an investee over the holding company's share in the fair value of the investee's identifiable assets, including intangibles, net of the fair value of identifiable liabilities (after tax allocation) at acquisition date, constitutes goodwill. Intangible asset will be recognized only if it satisfies the criteria established in this standard.

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

B. Application of Standard No. 20 (Revised) - "Accounting Treatment of Goodwill and Other Intangibles upon the Acquisition of an Investee" (cont.)

Goodwill acquired in a business combination shall not be amortized but rather will be examined for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

The Standard distinguishes between intangible assets, which have defined useful lives and those that do not, stating that the former should be amortized while the latter should not, but rather examined for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired.

Comparative figures for periods ended prior to the Effective Date should not be restated and goodwill presented in the balance sheet as of December 31, 2005 will no longer be amortized, including the one presented in the investment account of an affiliate.

As a result of the initial application of this Standard the Company ceased amortizing the goodwill associated with its investment in KCTR, the net balance of which as of January 1, 2006 is NIS 24,737 thousand. The amortization of goodwill recorded in the year ended December 31, 2005 and in the three months ended March 31, 2005 is NIS 2,850 thousands and NIS 693 thousands, respectively.

C. During the reporting period, the representative exchange rate of the US Dollar vis-a-vis the NIS and the exchange rate of the Turkish Lira vis-a-vis the NIS increased by 1.3% and 1.7%, respectively, while the Israeli Consumer Price Index increased by 0.6%.

NOTE 3 - SUPLEMENTAL DATA

A. Following a tax assessment of the company's tax return, performed by the tax authorities in respect of tax-years 2003 and 2002, the company recorded additional provision for tax expenses, which, according to management assessment, reflects the increase in the tax expenses in respect of prior years.

B. The Company has provided additional guarantee securing loans in the amount of NIS 21,083 thousands, provided by banks to a Subsidiary in Turkey in the three-month ended March 31, 2006.