Hadera Paper Ltd
Form 6-K
August 10, 2009

UNITED STATES

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 August 2009

HADERA PAPER 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 o 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): o

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): o

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:

o 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 August 10 , 2009 with respect to the Registrant s results of operations for the quarter ended June 30, 2009.

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 June 30, 2009.

Attached hereto as Exhibit 3 and incorporated herein by reference are the Registrant s unaudited condensed consolidated financial statements for the quarter ended June 30, 2009.

Attached hereto as Exhibit 4 and incorporated herein by reference are the unaudited condensed interim consolidated financial statements of Mondi Paper Hadera Ltd. and subsidiaries with respect to the quarter ended June 30, 2009.

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 June 30, 2009.

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.

HADERA PAPER LTD.
(Registrant)

By: /s/ Lea Katz

Lea Katz
Corporate Secretary

Dated: August 10, 2009.

EXHIBIT INDEX

Exhibit No.	Description
1.	Press release dated August 10, 2009.
2.	Registrant's management discussion.
3.	Registrant's unaudited condensed consolidated financial statements.
4.	Unaudited condensed interim consolidated financial statements of Mondi Paper Hadera Ltd. and subsidiaries.
5.	Unaudited condensed interim consolidated financial 5. statements of Hogla- Kimberly Ltd. and subsidiaries.

Exhibit 1

NEWS

For Release: IMMEDIATE

Hadera Paper Ltd.
Reports Financial Results for the Second Quarter and Six Months Ended June 30, 2009

Hadera, Israel, August 10, 2009 Hadera Paper Ltd. (AMEX:AIP) (the Company or Hadera Paper) today reported financial results for the second quarter and first six months ended June 30, 2009. The Company, its subsidiaries and associated companies is referred to hereinafter as 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 Hadera Paper Ltd. (Mondi Hadera) and Hogla-Kimberly Ltd. (H-K)), before the presentation of the consolidated data below, the aggregate data which include the results of all the companies in the Hadera Paper Group (including the associated companies whose results appear in the financial statements under earnings from associated companies) is being presented, without considering the rate of holding therein and net of mutual sales.

Aggregate sales during the reported period amounted to NIS 1,618.8 million, similar to the level of aggregate sales last year.

Aggregate sales in the second quarter this year amounted to NIS 788.8 million, as compared with NIS 771.0 million in the corresponding period last year, and as compared with NIS 830.0 million in the first quarter of the year.

Aggregate operating profit totaled NIS 118.0 million during the reported period, as compared with NIS 111.3 million in the corresponding period last year.

Aggregate operating profit totaled NIS 54.1 million in the second quarter of the year, as compared with NIS 51.5 million in the corresponding quarter last year, and as compared with NIS 63.9 million in the first quarter of the year.

The Consolidated Data set forth below excluding the results of operation of the associated companies: Mondi Hadera, H-K. Consolidated Data include the sales turnover of Carmel Containers Systems Ltd. (Carmel) and Frenkel- C.D. Ltd. (Frenkel- C.D.) that were consolidated as of September 2008, as a result of the fact that the holding rate in Carmel has increased from 36.2% to 89.3%, and at Frenkel CD, indirectly, from 37.93% to 52.72%.

Commencing January 1, 2009, the company applies IFRS 8, Operating Segments , and has accordingly recognized the packaging products and board segment, which includes the operations of Carmel and Frenkel C.D., as a separate segment. The associated companies H-K and Mondi Hadera were also recognized as independent segments. For further details, see page 4 below.

Consolidated sales in the reported period amounted to NIS 434.0 million, as compared to NIS 275.8 million in the corresponding period last year, representing an increase which was due mainly to the first-time consolidation of the data of Carmel and Frenkel C.D. in the reported period, in the amount of approximately NIS 240.1 million.

Consolidated sales in the second quarter, amounted to NIS 204.1 million, as compared with NIS 133.3 million in the corresponding quarter last year.

Operating profit totaled NIS 13.9 million during the reported period, as compared with NIS 30.1 million in the corresponding period last year. The decrease in the operating profits originated from the erosion of selling prices of packaging paper and recycling, the impact of a certain slowdown in operations at some of the companies as a result of the global crisis and its local repercussions, that was offset by the recording of non-recurring revenues on account of a unilateral dividend.

Operating loss amounted to NIS 4.6 million in the second quarter of the year, as compared with operating profit of NIS 12.6 million in the corresponding quarter last year.

Net profit attributed to the Company s shareholders in amounted to NIS 34.7 million in the reported period, as compared with net profit of NIS 39.3 million in the corresponding period last year, and was affected by the improvement in operating profitability at some of the groups companies in Israel and in Turkey, by the recording of earnings as a result of the distribution of a unilateral dividend on account of the application of a preferred share by an associated company, and by a reduction in the company s share in the losses on account of the operations in Turkey (KCTR).

The net profit for the second quarter this year amounted to NIS 15.6 million, as compared with a net profit of NIS 18.0 million in the corresponding quarter last year.

Basic earnings per share amounted to NIS 6.86 per share ($1.75 per share) in the reported period, as compared with basic earnings per share of NIS 7.77 per share ($2.32 per share) in the corresponding period last year.
Basic earnings per share amounted to NIS 3.09 per share in the second quarter ($0.79 per share), as compared with earnings of NIS 3.56 per share ($1.06 per share) in the corresponding quarter last year.

The inflation rate during the reported period amounted to 2.1%, as compared with an inflation rate of 2.3% in the corresponding period last year.

The US dollar exchange rate was devaluated by 3.1% during the reporting period, in relation to a revaluation of approximately 12.8% during the corresponding period last year.

Mr. Avi Brener, Chief Executive Officer of the Company said that The Group manages a wide and relatively diverse portfolio of companies and businesses. This fact is instrumental in dealing with the local and global crisis. The Group s financial stability, coupled with its efficiency in international terms, in terms of its production lines, energy systems and supply chains, in conjunction with its diverse portfolio consisting primarily of basic consumer goods, are all enabling the company to contend with a difficult and challenging business environment, while preserving its aggregate turnover and while incurring only a limited erosion of the net profit. Alongside the said global financial crisis, the Israeli economy experienced significant fluctuations in foreign currency exchange rates vis-à-vis the NIS, during the reported period. The company s business portfolio, including its associated companies, is balanced in terms of foreign currency and the level of the company s exposure to sharp fluctuations in currency rates is therefore low. The decreasing trend in the prices of inputs such as fibers, chemicals and commodities as a result of the global crisis, moderated somewhat during the reported period. This trend allowed for a partial compensation for the slowdown in operations, in both local and export markets. These savings were partially offset as a result of the rising water prices during the reported period. The devaluation of the NIS in relation to the dollar and to the euro, had a negative impact on the company in terms of the imported inputs, while on the other hand, serving to improve the selling prices that previously eroded, in the Company s main sectors of operation, whose prices are in line with import prices, in US dollars. In facing the global and local economic crisis, the Group managed to align its assets in advance in order to correctly contend, in a focused manner, with the sharp change in the business environment. The Group was quick to formulate, an aggressive program for efficiency and savings in purchasing for all its companies. The plan for Company growth and improving profitability is based on business opportunities in the core sectors in Israel and worldwide and on empowering company operations in terms of development and innovation in the various business sectors, so as to generate new products that will provide a distinct added value for both the businesses and the consumer. The Group also operated in order to intensively manage, in a controlled manner, the operating working capital, while carefully monitoring trade receivables and risk management .

In the reported period, the implementation of the new recycled packaging paper manufacturing network, is progressing as planned and the construction of the machine s building is advancing in 2009 at the Hadera site, along with installation of the equipment. The new production lines are scheduled to begin operating at full capacity in early 2010, after a startup of several months.

The financial expenses during the reported period amounted to NIS 10.0 million, as compared with NIS 11.1 million in the corresponding period last year.

The company s share in the earnings of associated companies totaled NIS 34.9 million during the reported period, as compared with NIS 25.8 million in the corresponding period last year.

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

> The Company s share in the net profit of Mondi Hadera Paper (49.9%) decreased by NIS 1.9 million. The decrease in profits originated primarily from the decrease in the operating profit of Mondi, that fell from NIS 17.7 million last year to NIS 15.9 million this year, primarily as a result of the erosion of prices due to imports at dumping prices. The net profit also decreased as a result of an increase in financial expenses during the reported period in relation to last year, primarily on account of the impact of the devaluation of the NIS against the US dollar.
>
> The company s share in the net earnings of Hogla-Kimberly Israel (49.9%) increased by NIS 6.4 million. Hogla s operating profit grew from NIS 85.1 million to NIS 102.3 million this year. The improved operating profit originated from a quantitative increase in sales, improved selling prices in some of the sectors of operation, the continuing trend of raising the proportion of certain premium products out of the products basket, while innovating products and empowering the Company s brands, a decrease in the prices of certain company inputs in view of the erosion of global commodity prices, continuing efficiency measures across the company and growing savings in procurement that also contributed significantly to the profit.

The Company s share in the losses of KCTR Turkey (49.9%) decreased by NIS 3.6 million. The significant decrease in the loss is attributed primarily to the growth in the volumes of operation that led to the continued reduction in the operating loss, from NIS 20.9 million last year to approximately NIS 14.1 million this year. Moreover, due to the increase in the shareholders equity of KCTR through a financial influx from Hogla-Kimberly last year and during the reported period, the bank loans were repaid, while reducing the financial expenses, thereby leading to an additional reduction in the net loss.

As aforementioned, according to IFRS 8, the Company has identified five segments and fields of operation, as follows: (1) The paper and recycling segment generates revenue from the sale of paper products to paper manufacturing companies as well as from the recycling of paper and cardboard. (2) The office supplies marketing segment generates revenue from the sale of office supplies to customers. (3) The packaging and cardboard products segment generates revenue from the sale of packaging and cardboard products to customers. (4) The Hogla Kimberly segment an associated company that generates revenue from the manufacture and marketing of household paper products, hygiene products, disposable diapers and complementary kitchen products, in Israel and in Turkey. (5) The Mondi Hadera Paper segment an associated company that generates revenue from the manufacture and marketing of fine paper.

This report contains various forward-looking statements based upon the Board of Directors present expectations and estimates regarding the operations and plans 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 as well as certain other risks detailed from time to time in the Company s filings with the Securities and Exchange Commission. 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.

Hadera PAPER LTD.
SUMMARY OF RESULTS
(UNAUDITED)
except per share amounts

	2009	2008
	Six months ended June 30,	
	NIS IN THOUSANDS (1)	
Net sales	434,034	275,786
Net earnings attributed to the Company's shareholders	34,716	39,302
Basic net earnings per share attributed to the Company's shareholders	6.86	7.77
Fully diluted earnings per share attributed to the Company's shareholders	6.86	7.76

	2009	2008
	Three months ended June 30,	
	NIS IN THOUSANDS (1)	
Net sales	204,153	133,267
Net earnings attributed to the Company's shareholders	15,637	18,032
Basic net earnings per share attributed to the Company's shareholders	3.09	3.56
Fully diluted earnings per share attributed to the Company's shareholders	3.09	3.55

(1) The representative exchange rate at June 30, 2009 was N.I.S. 3.919=$1.00.

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Exhibit 2

Hadera Paper Ltd.

Update to Chapter A (Description of the Corporation's Business) of the Information Presented in the Company's Periodical Report As of December 31, 2008

Details in accordance with Regulation 39a of the Securities Regulations (Periodic and Immediate Reports), 1970.

Update to Section 2 Chapter A   Corporate operations and description of development of its business

According to IFRS 8, the Company has identified five segments and fields of operation, as follows:

1. **The paper and recycling segment**   generates revenue from the sale of paper products to paper manufacturing companies as well as from the recycling of paper and cardboard.

2. **The office supplies marketing segment**   generates revenue from the sale of office supplies to customers.

3. **The packaging and cardboard products segment**   generates revenue from the sale of packaging and cardboard products to customers.

4. **The Hogla Kimberly segment**   an associated company that generates revenue from the manufacture and marketing of household paper products, hygiene products, disposable diapers and complementary kitchen products, in Israel and in Turkey.

5. **The Mondi Hadera Paper segment**   an associated company that generates revenue from the manufacture and marketing of fine paper.

Translation from Hebrew

August 9, 2009

MANAGEMENT DISCUSSION

We are honored to present the consolidated financial statements of the Hadera Paper Group Ltd. (Hadera Paper or The Company) (formerly American Israeli Paper Mills AIPM) for the first six months of 2009. The Company, its consolidated subsidiaries and its associated companies hereinafter: The Group .

A. Description of the Company s Business

1. Company Description

Hadera Paper Group deals in the manufacture and sale of packaging paper, corrugated board packaging, consumer product packaging and unique packaging for industry, recycling of paper and plastic 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.

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

2. General

a. Principal Current Operations

1. The Business Environment

The local financial crisis continued during the reported period as part of the global financial crisis. The increase in unemployment in Israel and worldwide, along with a considerable decrease in investments and credit all served to impair the volume of global demand and commerce in the financial sector, services sector and various consumer goods.

Nevertheless, most economic indicators in the global paper industry currently show that in terms of the volume of demand and price erosion, the paper sector has arrived at the bottom of the global crisis. Expectations on the part of research companies in the global paper sector, along with the estimations of the Hadera Paper Group, indicate initial improvements and renewed growth in the volume of operations and in global paper prices, that will probably be evident by the end of the current year.

The above information pertaining to trends in the paper market and input prices constitutes forward-looking information as defined in the Securities Law, based on the company s estimates at the date of this report. These estimates may not materialize in whole or in part or may materialize in a different manner, inter alia on account of factors that lie outside the control of the company, such as changes in global raw material prices and changes in the supply and demand of global paper products.

2. Impact of the Business Environment on Company Operations

The Hadera Paper Group manages a wide and relatively diverse portfolio of companies and businesses. This fact is instrumental in dealing with the local and global crisis. The company s sectors of operation focus on consumer goods and basic inputs that are affected in a relatively limited manner by the repercussions of the global economic and financial crisis. The company s primary operations in the paper and paper products sector, both in the B2B and in the B2C sectors are exposed to relatively small changes in the volume of demand during crisis periods such as the one currently experienced. The changes in demand for FMCG products, such as paper products and absorbent products, lie in the range between 0% and a 5% decrease, while most of the impact is evident in price competition and in a preference on the part of customers and consumers for attractively priced products.

The company is acting according to a multi-annual business and marketing strategy in terms of Premium products, Value products and Economy products. This fact provides the company with the necessary flexibility in order to protect market share, while preserving the quantitative volume of operations and while optimizing profits.

In light of the above, the company has successfully managed to continue improving its profits despite the challenging business environment in these areas.

In the packaging paper and recycling sector, the reduction in global trade in household electrical appliances, electronics, automotive, textile, furniture and other sectors is serving to lower demand for corrugated board that serves for the packaging of such products. This has led to surplus supply of packaging paper in Europe and worldwide.

The company estimates that since 2008, these products are being imported at dumping prices, primarily from Europe. The company is working to rectify this situation with the Dumping Supervisor at the Ministry of Industry, Trade and Labor.

In the fine paper sector, the impact of the global crisis is evident primarily in the advertising industry. The volume of demand for newsprint paper and fine paper has decreased by a rate of 5% to 10% in the global market.

The reduced demand is creating surplus supply in Europe and worldwide, as fine paper is being imported to Israel at dumping prices since 2008. In this respect, the company is also working with the Dumping Supervisor in order to control imports at these prices.

In the office supplies marketing sector, the crisis has reduced the volume of purchases of most companies in the market as part of their efficiency measures. As part of the implementation of its strategy for encouraging growth, Graffiti has managed to increase its operations in the office supplies marketing sector, despite the shrinking market, while gradually increasing its market share.

To conclude, the group s financial stability, coupled with the fact that it is an efficient company in international terms, in terms of its production lines, energy systems and supply chains, in conjunction with its diverse portfolio consisting primarily of basic consumer goods, are all enabling the company to contend with a difficult and challenging business environment, while preserving its aggregate turnover and while incurring only a limited erosion of the net profit.

Alongside the said global financial crisis, the Israeli economy experienced significant fluctuations in foreign currency exchange rates vis-à-vis the NIS, during the reported period.

The company s business portfolio, including its associated companies, is balanced in terms of foreign currency and the level of the company s exposure to sharp fluctuations in currency rates is therefore low.

These market developments and fluctuations may potentially have adverse effects on the business results of the Company and its investee companies, including an effect on their liquidity, the value of their assets, the ability to divest assets, the state of their business, their financial indicators and standards, their credit rating, ability to distribute dividends, ability to raise financing for their current operations and long-term plans, as well as on their financing terms.

True to the date of publication of the financial statements, there is no material impact as a result of the crisis, on the Company s business results, its financial soundness or the value of its assets.

The above information constitutes forward-looking information as defined in the Securities Law, based on the company s estimates at the date of this report. These estimates may not materialize in whole or in part or may materialize in a different manner, inter alia on account of factors that lie outside the control of the company, such as the global crisis in credit and banking markets.

As at the date of publication of these financial statements, no material changes have occurred to the Company s risk management policy.

The decreasing trend in the prices of inputs such as fibers, chemicals and commodities as a result of the global crisis, moderated somewhat during the reported period. This trend allowed for a partial compensation for the slowdown in operations, in both local and export markets. These savings were partially offset as a result of the rising water prices during the reported period by an average rate of 6% in relation to the corresponding period last year. The devaluation of the NIS in relation to the dollar by a rate of approximately 3.1% during the reported period and the devaluation of the NIS in relation to the euro by a rate of approximately 4.5%, had a negative impact on the company in terms of the imported inputs, while on the other hand, serving to improve the selling prices that previously eroded, in the Company s main sectors of operation, whose prices are in line with import prices, in US dollars.

The US dollar exchange rate was devaluated by 3.1% during the reporting period, in relation to a revaluation of approximately 12.8% during the corresponding period last year.

The inflation rate during the reported period amounted to 2.1%, as compared with an inflation rate of 2.3% in the corresponding period last year.

The above information pertaining to trends in the paper market and input prices constitutes forward-looking information as defined in the Securities Law, based on the company s estimates at the date of this report. These estimates may not materialize in whole or in part or may materialize in a different manner, inter alia on account of factors that lie outside the control of the company, such as changes in global raw material prices and changes in the supply and demand of global paper products.

3. The Groups Operations Vis-À-Vis the Business Environment

In facing the global and local economic crisis , as reflected by a reduction in investments and credit and by a reduction in demand and global commerce, the Hadera Paper Group managed to align its assets in advance in order to correctly contend, in a focused manner, with the sharp change in the business environment.

Hadera Paper Group is financially sound, possessing efficient production lines on a global scale, along with efficient energy systems and supply chains. First and foremost, the group enjoys a wide and diverse portfolio of companies in businesses that are instrumental in contending with the changing business environment.

Hadera Paper Group was quick to formulate, at an early stage, an aggressive program for efficiency and savings in purchasing for all its companies, across all sectors of operation. During the reported period, most of the Group companies have met their defined objectives, while rendering it possible to compensate for the lower prices dictated by the global crisis, the local slowdown and the imports of fine paper and packaging paper at dumping prices, primarily from Europe. The group companies also operated in order to intensively manage, in a controlled manner, the operating working capital, while carefully monitoring trade receivables and risk management.

The group will continue to focus on the successful implementation of efficiency measures, savings in purchasing and the management of operating capital, while continuing to monitor trade receivable risks later on this year, while also devoting management attention to growth-promoting operations.

Hadera Paper Group is conducting initiatives to gradually encourage demand by increasing institutional and private consumption and while focusing on expanding market share so as to return to growth across most of its businesses.

The group has recently devoted efforts to accelerating business development in international markets for its various products, so as to encourage growth and improve profits. (See Section A(2) A(5.4) Strategic Investment in Turkey below)

The plan for Company growth and improving profitability is based on business opportunities in the core sectors in Israel and worldwide and on empowering company operations in terms of development and innovation in the various business sectors, so as to generate new products that will provide a distinct added value for both the businesses and the consumer. These efforts, which are focused on the group s technological center and also on the various companies, have led to the launch of new and upgraded products during the reported period, in both the FMCG and the paper sectors. (See Section A(2) A(5.2) Innovative Development of High-Quality Recycled Paper below).

In view of the company s estimates regarding the continuing imports of paper at dumping prices primarily from Europe in both packaging paper and fine paper, the Company has joined Mondi Hadera Paper an associated company in appealing to the Dumping Supervisor at the Ministry of Industry, Trade and Labor (hereinafter: The Supervisor) and has filed a complaint against the dumping imports of packaging paper from several European countries into Israel. Upon review of the complaint, the Supervisor decided to launch an investigation of this issue. On February 26, 2009, the company announced that the subsidiary Mondi Hadera Paper had filed a complaint to the Supervisor, regarding the dumping imports of fine paper from several European nations to Israel. Upon review of the complaint, the Supervisor decided to launch an investigation of this issue. According to the Company announcement, there is no certainty that the above complaints would be accepted, and the Company is currently unable to estimate the impact of such acceptance on its business results.

The company continued its environmental operations during the reporting period, while upgrading various technological and operating systems in order to expand paper recycling, increase the reuse of processed water and lower noise levels so as to benefit the company employees, the community and to improve the financial results.

The Company has continued to implement its policy for social responsibility and for contributing to the community. The company s employees and managers at the various sites are all taking an active role in community involvement, in supporting teenagers and primarily in working toward reducing social gaps and in providing equal opportunity for education and for personal accomplishments within the framework of the company and the community.

4. Principal Current Operations

During the reported period, despite the sharp changes in the business environment, the company managed to preserve the level of its aggregate sales turnover, at the same level as that of the corresponding period last year.

Implementation and Assimilation of Organization-Wide Processes

In the course of the reported period, the Group companies continued to implement and assimilate organization-wide processes that are intended to support the continued growth and increased profitability in organizational development, purchasing, B2B marketing, development and innovation. The gradual and successful implementation of these brands will enable the company to better deal with the challenging business environment, while improving profitability.

5. Promoting the Strategic Plans

In parallel to the ongoing operations, the Company is working to successfully implement the strategic plans that are intended to lead to continued growth in operations and improved profitability over the coming years:

5.1. Expanding the recycled packaging paper manufacturing network

The investment in the project for the construction of the new manufacturing network, totaling NIS 690 million was approved on October 15, 2007 by the Company s Board of Directors. The Company has selected the most highly advanced technologies in this area, from the leading suppliers in the sector, in order to amplify its competitive advantage and potential for profitability in the long term.

The implementation of the project is progressing as planned and subsequent to the signing of the central agreements for the acquisition of the principal equipment for production systems last year, the construction of the machine s building is advancing in 2009 at the Hadera site, along with installation of the equipment.

The new production lines are scheduled to begin operating at full capacity in early 2010, after a startup of several months.

In parallel, the Amnir subsidiary is continuing to expand the collection of cardboard and newspaper waste and is continuing to accumulate inventories toward the planned operation of the new machine by the beginning of 2010. The company is preparing for increasing the proportion of paper recycling in Israel from the current 26% up to 45% within several years, as part of the demand for the new manufacturing system.

As part of this project, the company is investing in the reorganization of the principal site in Hadera, including an expansion of the energy system and the adaptation of the traffic routes and upgrading of environmental systems, as required. The central building of the machine is also planned to house a visitor center that will serve as the Israeli Center for paper recycling and is intended to educate Israeli youth in the areas of recycling and the environment.

5.2. Innovative Development of High-Quality Recycled Paper

Over the past year, the packaging paper and recycling segment launched the rapid development of paper types based on 100% recycled fibers, whose superior quality would allow them to replace pulp-based packaging paper in the corrugated board industry in Israel and overseas.

The technological and operational development process is currently in advanced stages and is meant to essentially increase the volume of the potential market for packaging paper for the local corrugated board industry.

The development of new paper types is based on the characterization of fibers, developing and implementing new chemical additives and using advanced manufacturing technologies, both in the existing production lines and in the new production line, to render it possible to gradually launch new products, as early as this year and throughout 2010.

According to the plan, the cost of the new paper types will be competitive as compared with the cost of pulp-based paper and will allow for a gradual improvement in the profitability of the sector. According to laboratory results, indications from the development processes at the production lines and customer commitments regarding the provision of some of the products whose development process has been completed, the probability of success of this venture appears to be relatively high.

During the reported period, the company has started to market these products in the local market as well as in export markets. The expansion of the sales volume of these products is planned for this year.

The above information pertaining to the innovative developments in the paper market constitutes forward-looking information as defined in the Securities Law, based on the company s estimates at the date of this report. These estimates may not materialize in whole or in part or may materialize in a different manner, inter alia on account of completion and development factors that lie outside the control of the company.

5.3. Development of Export Markets for Packaging Paper

The significant increase in the output capacity of recycled packaging paper by Hadera Paper Group, upon the operation of the new manufacturing system, will allow for an expansion of the Segment s operations both in Israel and overseas. The process of developing pulp-replacement packaging paper products on the basis of 100% recycled fibers, as mentioned above, will enable the segment to expand the sale of such products for the first time, as a substitute for pulp-based packaging paper in international markets. The new products are planned to be sold at a significant price supplement per ton of paper, as compared with the selling prices of basic paper types.

The development of new paper products, that began in 2008, is enabling the segment to create international business relations for the first time with a network of distributors and marketers, while formulating long-term agreements with international clients.

During the reported period, the company has acted to develop export markets and has reached preliminary agreements with several agents operating in various countries and in Europe for the distribution and marketing of various types of packaging paper. This operation has already started and will expand gradually in the course of the year.

Initial reactions overseas as regards the quality of the types of paper provided are good and it appears that this significant business and technological development will render it possible to diversify the segment s portfolio of products and markets, while serving as a basis for accelerating growth and profitability.

The above information pertaining to development of innovative products and development of export markets for packaging paper constitutes forward-looking information as defined in the Securities Law, based on the company s estimates at the date of this report. These estimates may not materialize in whole or in part or may materialize in a different manner, inter alia on account of factors that lie outside the control of the company, such as changes in global raw material prices and changes in the supply and demand of global paper products.

5.4. The Strategic Investment in Turkey

In 2008, Kimberly Clark Turkey, KCTR, a wholly-owned Hogla Kimberly subsidiary (49.9% of which is held by the company) continued to implement its strategic plan GBP (Global Business Plan) that was formulated together with the international partner, Kimberly Clark. The plan is intended to introduce Kimberly Clark s global brands to Turkey, on the basis of local manufacturing. If fully implemented, KCTR is expected to grow to become a company with annual sales in the area of $300 million, by 2015.

The KCTR turnover totaled NIS 262.8 million during the reported period, as compared with NIS 195.8 million in the corresponding period last year, representing growth of 34.2%.

During the reported period, the company continued to empower its brands and especially the Huggies and Kotex brands, while realizing constant growth in both market share and rising awareness toward the company s products. In parallel, the volume of exports to Kimberly-Clark in various other countries in Europe and Africa also increased.

During the reported period, the company received two Effie awards for marketing in Turkey, serving as an indication of marketing professionalism in the launch and build up of the brands.

The Company s continuing marketing and advertising operations are being felt in the gradual strengthening of the brands, as expressed by consumer studies that are being conducted regularly, alongside consistent growth in sales, while curtailing the operating loss and a considerable reduction in the Company s net loss.

As part of the strategic plan, the Company intends to continue its marketing and sales promotion efforts, while launching new products that will support the establishment of the brands and the creation of customer loyalty.

In the course of the reported period, the Company continued to promote the collaboration with Unilever and expanded the number of points of sale in the Turkish market that sell KCTR brands.

In parallel, the company has started marketing its products to BIM, the largest supermarket chain in Turkey.

The continuing high level of competition in the markets where the company is working to introduce and penetrate its brands calls for regular and significant investments in advertising and sales promotion.

All of the expenses detailed above associated with the penetration of products, advertising, expansion of the distribution network and more are regularly recorded as an expenditure in the KCTR statements of income. KCTR recorded an operating loss of NIS 14.1 million (approximately $3.5 million) in the reported period, as compared with NIS 20.9 million (approximately $6.2 million) in the corresponding period last year.

The continued implementation of the strategic business plan, while strengthening the brands and recording a gradual growth in the Unilever distribution and sales platforms, in combination with increased exports and continuing cost reductions at the diaper plant have rendered it possible to maintain the trend of improving operating profit, while reducing the operating loss for the ninth consecutive quarter as mentioned above.

The above information pertaining to the KCTR business plans and their implementation constitutes forward-looking information as defined in the securities law, based on the company s estimates at the date of this report. These estimates may not materialize in whole or in part or may materialize in a different manner, inter alia on account of factors that lie outside the control of the company, such as market conditions, legislation and various costs.

5.5. <u>New Power Plant</u>

The new power plant project, intended to supply steam and electricity to the production system in Hadera and to sell surplus electricity to Israel Electric Company (IEC) and/or to private consumers, is on hold, awaiting the business stabilization of potential gas sources in order to conclude the contract to acquire the required gas at a price range that would allow the Company to be competitive with expected IEC rates. Due to the delay in finalizing the engagement for the purchase of gas as mentioned above, is not possible to meet the milestones set in the contingent production license held by the company. During this waiting stage, the company has decided not to request an extension of the license and will instead acts to renew the license once progress is made in the purchase of gas for the power plant.

The discovery of natural gas at the Tamar 1 and especially at the Dalit 1 sites off the coast at Hadera, along with the progress being made with the Egyptian gas franchise holder (EMG) in the additional franchise holder Yam-Tethys all serve to increase the probability of the reawakening of negotiations and the restart of the project.

The above information pertaining to trends in the energy sector, based on natural gas, constitutes forward-looking information as defined in the Securities Law, based on the Company s estimates at the date of this report. These estimates may not materialize in whole or in part or may materialize in a different manner, inter alia on account of factors that lie outside the control of the company, such as the size of the actual gas reservoir, as well as changes in gas prices worldwide.

B. Results of Operations

1. Aggregate Data

Regarding the consolidated data, see Section C(5), below.

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 PaperLtd. [Mondi Hadera] and Hogla-Kimberly Ltd.), before the presentation of the consolidated data below, we also present the aggregate data which include the results of all the companies in the Hadera Paper Group (including the associated companies whose results appear in the financial statements under earnings from associated companies), without considering the rate of holding therein and net of mutual sales.

Aggregate Data

The aggregate sales during the reported period amounted to NIS 1,618.8 million, similar to the level of aggregate sales last year.

The aggregate sales in the second quarter this year amounted to NIS 788.8 million, as compared with NIS 771.0 million in the corresponding period last year, representing growth of approximately 2.3% and as compared with NIS 830.0 million in the first quarter of the year.

The aggregate operating profit totaled NIS 118.0 million during the reported period, as compared with NIS 111.3 million in the corresponding period last year, representing growth of approximately 6.0%.

The aggregate operating profit totaled NIS 54.1 million in the second quarter of the year, as compared with NIS 51.5 million in the corresponding quarter last year, representing growth of 5.0% and as compared with NIS 63.9 million in the first quarter of the year.

The growth in the aggregate operating profit, despite the erosion of prices at some of the companies, originates from the improved growth and profits in the group operations in consumer goods, the continued growth in approved profitability at Hogla Kimberly in Israel and the continuing reduction in the operating loss in Turkey, coupled with non-recurring income on account of a unilateral dividend at an associated company.

For the operations in Turkey see also Section C(5)7 below Company s share in the earnings of associated companies.

2. Details of the Various Operations

1. **Hogla-Kimberly (Household Products Segment)**

The sales turnover of Hogla-Kimberly Israel amounted to approximately NIS 626 million in the reported period, as compared with approximately NIS 608.1 million in the corresponding period last year, representing an increase of 2.9%.

The increase in sales over the corresponding period last year was primarily attributed to a quantitative increase, resulting from the ongoing expansion of market shares alongside the market growth, which was partly offset by the decrease in selling prices and the reduced market share in certain categories of premium products.

Sales in the second quarter of the year amounted to NIS 302.1 million, as compared with NIS 298.0 million in the corresponding quarter last year and NIS 323.9 million in the first quarter of the year. The decrease in comparison with the previous quarter is due to seasonality.

The operating profit of Hogla-Kimberly Israel amounted to approximately NIS 102.3 million in the reported period, as compared with approximately NIS 85.1 million in the corresponding period last year, representing an increase of 20.2%.

The improvement in the operating profit in comparison to last year was due to the aforesaid increase in the quantities sold and the implementation of efficiency measures, alongside a significant increase in the output of some of the company s manufacturing facilities and the global decrease in input prices, which has significantly contributed to the improvement in the profit.

The operating profit for the second quarter of the year amounted to NIS 54.4 million, as compared with NIS 44.0 million in the corresponding quarter last year and as compared with NIS 47.9 million in the first quarter of the year, despite the revaluation of the dollar that partly offset part of the decrease in NIS-denominated input prices.

The sales turnover of KCTR , Hogla-Kimberly s subsidiary operating in Turkey, amounted to approximately NIS 262.8 million (approximately $64.6 million) in the reported period, as compared with approximately NIS 195.8 million (approximately $55.6 million) in the corresponding period last year.

KCTR s strategic cooperation agreement with Unilever, under which Unilever carries out the selling, distribution and collection activities nationwide, with the exception of retail chains to which KCTR continues to sell independently, continues to expand the customer base and to bring about the resulting increase in sales and enhancement of the Huggies and Kotex brands.

See also section A(2)a(5.4) above with respect to the strategic investment in Turkey.

2. **Mondi Hadera Paper (Mondi Hadera Fine Paper)**

The sales turnover of fine paper amounted to NIS 343.6 million in the reported period, as compared with NIS 383.2 million in the corresponding period last year, representing a decrease of 10.3%. The sales turnover of fine paper in the second quarter of 2009 amounted to NIS 161.6 million, as compared with NIS 178.1 million in the corresponding period last year, representing a decrease of 9.3%, and as compared with NIS 182.0 million in the first quarter of 2009, representing a decrease of 11.2%.

The operating profit of Mondi Hadera amounted to NIS 15.9 million in the reported period, as compared with an operating profit of NIS 17.7 million in the corresponding period last year. In the second quarter of 2009, Mondi Hadera s operating profit amounted to NIS 10.5 million, as compared with an operating profit of NIS 8.0 million in the corresponding quarter last year and as compared with NIS 5.4 million in the first quarter of 2009.

In the second quarter of the year, selling prices in Israel decreased by 5.2% as compared with the first quarter of the year, primarily due to the dumping prices of paper imported by competitors, that reached bottom levels as a result of paper surpluses created by the recession in Europe. The erosion of prices in the local market is more acute than in the European market, where attempts are made by the manufacturers to maintain a certain level of prices.

During the quarter, the prices of pulp dropped by 14.2% in dollar terms, thereby offsetting the effect of the reduction in selling prices.

3. **Carmel Container Systems**

The aggregate sales turnover of Carmel Container Systems (including Frenkel C.D.) amounted to NIS 243.7 million in the first half of 2009, as compared with NIS 266.1 million in the corresponding period last year (a decrease of 9.2%).

In the first half of 2009, the consolidated sales turnover of Carmel Container Systems amounted to NIS 196.1 million, as compared with NIS 217.1 million in the corresponding period last year (a decrease of 9.7%).

The decrease in the volume of sales is primarily attributed to the downturn in the local market and in the high-tech market as a result of the global crisis and as a result of customer attrition in the boards and slaughterhouse sectors in favor of competitors, which was offset by the quantitative increase in sales to the agricultural sector in relation with the corresponding period last year.

The consolidated operating profit of Carmel Container Systems amounted to NIS 4.7 million in the reported period, as compared with an operating loss of NIS 1.6 million in the corresponding period last year. The improvement in Carmel s operating profit is due to the decrease in input prices and the implementation of an aggressive efficiency program that compensated for the erosion in the quantities sold and in the selling prices.

The aggregate operating profit of Carmel Container Systems (including Frenkel C.D.) amounted to NIS 4.6 million in the reported period, as compared with an operating loss of NIS 0.6 million in the corresponding period last year.

4. **Packaging Paper and Recycling**

The sales turnover of the Packaging Paper and Recycling Segment amounted to NIS 162.2 million in the reported period, as compared with NIS 215.0 million in the corresponding period last year. The segment s sales turnover in the second quarter totaled NIS 81.7 million, as compared with NIS 105.5 million in the corresponding quarter last year and NIS 80.5 million in the first quarter of the year.

The decrease in the sales turnover was partly due to the quantitative decrease in sales, both as a result of the downturn in the local market and the sharp reduction of inventories by manufacturers of corrugated board as a means to improve their cash flows. Sales were also affected by the preparations for the development of new markets overseas, the reduction in selling prices at Amnir and in the packaging paper segment, and the effect of dumping prices of paper since the import from Europe (with respect to dumping and counteractions, see Section A(2) A(3), above).

The segment concluded the first half of 2009 with an operating loss of approximately NIS 7.9 million, as compared with an operating profit of NIS 27.2 million in the corresponding period last year. The segment s operating loss in the second quarter of the year amounted to NIS 8.1 million, as compared with an operating profit of NIS 10.3 million in the corresponding quarter last year and NIS 0.2 million in the first quarter of the year.

The deterioration in the operating profit in the reported period is primarily attributed to the aforesaid decrease in quantities sold and the reduction in selling prices caused by dumping. Consequently, extensive efficiency measures have been implemented at Amnir, both at the packaging paper plant and at the plastic recycling plant, which significantly offset the substantial loss incurred by the paper segment.

5. **Graffiti Office Supplies & Paper Marketing**

Graffiti s sales turnover during the reported period amounted to NIS 69.2 million as compared with NIS 60.9 million in the corresponding period last year, representing an increase of 13.6%.

In the reported period, Graffiti recorded an operating profit of NIS 1.2 million, as compared to an operating profit of NIS 1.4 million in the corresponding period last year. The decrease in the operating profit in the reported period was due mainly to the increase in the Yavne Pitango customer portfolio amortization expenses and to the increase in selling and marketing expenses, all as part of the preparations for the company s planned accelerated growth in this market.

At the beginning of August 2008, Graffiti purchased the operations of Yavne Pitango 2000 (1994) Ltd., which was also engaged in the marketing of office equipment and supplies to businesses and institutions in Northern Israel. The sales turnover of Yavne Pitango shortly before the execution of the transaction was estimated at NIS 20 million. The additional sales by Graffiti resulting from the operations of Yavne Pitango in the reported period amounted to approximately NIS 8.4 million.

Graffiti continues to grow in the marketing of office supplies to businesses market and is taking several courses of action in order to establish its position as a leader in this market:

a. Graffiti is constantly working to improve the procurement network, with an emphasis on imports from the Far-East that will serve to significantly reduce purchasing costs, aiming to improve the gross and operating profitability.

b. In 2010, Graffiti, together with other companies in the group, is scheduled to relocate to a modern distribution center, which would allow to significantly cut operating costs, while enabling continued growth in sales and profit.

c. In the reported period, Graffiti continued the development of the IT platform that will enable the acceleration of growth and profit alongside the improvement of customer service, in complement to the transfer to the new and modern distribution site.

C. Analysis of the Company s Financial Situation

Commencing January 1, 2009, the company applies International Financial Reporting Standard (IFRS) No. 8, Operating Segments , and has accordingly recognized the packaging products and board segment, which includes the operations of Carmel Container Systems and Frenkel C.D., as a separate segment. The associated companies Hogla-Kimberly and Mondi Hadera were also recognized as independent segments (for further details, see Note 9 to the financial statements). Please note that the following analysis of financial results relates to the companies that are consolidated in the results of Hadera Paper and is affected by the adoption of the Standard mentioned above.

Starting September 1, 2008, the financial statements of Carmel and Frenkel CD Ltd. (an associated company of Carmel s and of the Company), are being consolidated within the Company s financial statements, as a result of the fact that the holding rate in Carmel has increased from 36.2% to 89.3%, and at Frenkel CD, indirectly, from 37.93% to 52.72% (for details see Note 15 to the annual financial statements as at December 31, 2008).

The cash and cash equivalents item rose from NIS 5.6 million on June 30, 2008 to NIS 16.5 million on June 30, 2009.

Designated Deposits increased from NIS 67.1 million as at June 30, 2008 to NIS 96.9 million as at June 30, 2009. The increase in deposits stems from the company s preparation for the purchase of equipment and fixed assets for the Machine 8 Project.

Trade receivables relating to the packaging paper and recycling segment decreased from NIS 119.3 million as at June 30, 2008 to NIS 71.7 million as at June 30, 2009. This decrease is due to the erosion of prices as a result of paper imported at dumping prices, a quantitative decrease in sales (mainly in April) and the change in the composition of markets in which the company sells its products. In the packaging products and board segment, trade receivables totaled NIS 177.7 million as at June 30, 2009. Accounts receivable for the office supplies marketing sector rose from NIS 39.9 million as at June 30, 2008 to NIS 44.6 million, as at June 30, 2009, as a result of growth in the volume of operations.

Other accounts receivables relating to the packaging paper and recycling segment decreased from NIS 93.2 million as at June 30, 2008 to NIS 91.3 million as at June 30, 2009. In the packaging products and cardboard segment, other receivables totaled NIS 2.8 million as at June 30, 2009. Other accounts receivables relating to the marketing of office supplies segment decreased from NIS 3.8 million as at June 30, 2008 to NIS 2.7 million as at June 30, 2009.

Inventories of the packaging paper and recycling segment increased from NIS 51.1 million as at June 30, 2008 to NIS 78.3 million as at June 30, 2009. This increase is primarily attributed to the continuing increase in the inventories of wastepaper as part of Amnir s preparation for the transition to the new packaging paper machine, the development of export markets and the securing of paper availability for overseas shipment. In the packaging products and board segment, inventories totaled NIS 67.7 million as at June 30, 2009. Inventories of the marketing of office supplies segment increased from NIS 18.1 million as at June 30, 2008 to NIS 23.0 million as at June 30, 2009. This increase was due mainly to the larger bulk of products imported from Eastern Asia for the purpose of improving profitability and to the inventories purchased as part of the acquisition of the operations of Yavne Pitango in Northern Israel at the beginning of August 2008 with an eye to accelerating the company s growth.

The investment in associated companies decreased from NIS 351.2 million as at June 30, 2008 to NIS 318.5 million as at June 30, 2009. The principal causes for the decrease, despite the company s share in the profits of associated companies of NIS 60.4 million between the reported periods, were the derecognition of NIS 49.8 million with respect to Carmel Container Systems and Frenkel C.D. from the investments in associated companies due to their consolidation as of September 1, 2008, following the increase in their holding percentage; the company s share of NIS 16.3 million in a dividend distributed by an associated company and the company s share of NIS 20.8 million in a dividend declared by an associated company, which reduced the total investment in the reported period.

Short-term credit increased from NIS 106.3 million as at June 30, 2008 to NIS 114.8 million as at June 30, 2009. The composition of short-term credit changed due to the credit in the amount of NIS 50 million raised from public institutions in 2009 and the repayment of short-term bank credit.

Accounts payables and accrued expenses relating to the packaging paper and recycling segment increased from NIS 74.7 million as at June 30, 2008 to NIS 84.4 million as at June 30, 2009. The increase was due mainly to the increase in expenses accrued with respect to interest on the debentures issued in the third quarters of the previous year. In the packaging products and board segment, other payables and accrued expenses totaled NIS 18.3 million as at June 30, 2009. Other payables and accrued expenses relating to the marketing of office supplies segment increased from NIS 5.1 million as at June 30, 2008 to NIS 5.3 million as at June 30, 2009.

The company s shareholders equity increased from NIS 690.5 million as at June 30, 2008 to NIS 801.5 as at June 30, 2009. The change was due mainly to the net profit of NIS 65.1 million attributed to the shareholders of the company between the periods, a positive capital reserve in the amount of NIS 17.3 million from the transition to consolidation and with the addition of minority interests in the amount of NIS 25.5 million.

1. Investments in Fixed Assets

Investments in fixed assets amounted to NIS 217.6 million in the reported period, as compared with NIS 128.2 million in the corresponding period last year. The investments this year consisted primarily of payments on account of purchasing from equipment vendors for the new packaging paper manufacturing network (Machine 8), in the sum of NIS 195 million (net of supplier credit in the amount of approximately NIS 60 million). Additional investments included were related to environmental protection (wastewater treatment) and current investments in equipment renewal, means of transportation and building maintenance at the Hadera site.

2. Financial Liabilities

The long-term liabilities (including current maturities) amounted to NIS 733.0 million as at June 30, 2009, as compared with NIS 290.1 million as at June 30, 2008. Long-term liabilities grew year-over-year, primarily as a result of the issuing of two debenture series (Series 3 and Series 4) in the third quarter last year, in the total sum of NIS 427 million, coupled with long-term loans assumed intended for financing payments on account of Machine 8 and the consolidation of the loans of Carmel and Frenkel CD, in the total sum of NIS 90.6 million. This increase was offset as a result of the repayment of the old debenture series, coupled with the repayment of a capital note to an associated company.

The long-term liabilities include primarily three series of debentures and the following long-term bank loans:

Series 2 NIS 160.4 million, for repayment until 2013.

Series 3 NIS 192.7 million, for repayment until 2018.

Series 4 NIS 235.6 million, for repayment until 2015.

Long-term loans NIS 142.2 million.

The outstanding short-term credit totaled NIS 114.8 million as at June 30, 2009, as compared with NIS 106.3 million as at June 30, 2008 and NIS 77.7 million as at December 31, 2008.

After balance date, the Company raised approximately NIS 100 million, by way of NIS long term loan from institutional loner.

3. Financial liabilities at fair value through the statement of income

Put Option to a Shareholder at an Associated Company

As part of an agreement dated November 21, 1999 with Mondi Business Paper (hereinafter MBP, formerly Neusiedler AG) Mondi Hadera acquired the Group s operation in fine paper and issued MBP 50.1% of its shares.

As part of this agreement, MBP was granted the option to sell its holdings in Mondi Hadera to the Company at a price 20% lower than its value (as defined in the agreement), or $20 million, less 20% the higher of the two. According to verbal understandings that were reached in proximity to the signing of the agreement, between elements at the company and elements at MBP, the latter can exercise the option only in the most exceptional cases, such as those that paralyze production in Israel for long periods of time.

Due to the extended period of time that has passed since these understandings were reached and in view of recent changes in the management of MBP, the Company has decided to adopt a conservative approach in this respect and to reflect the economic value of the option. The value of the option was calculated according to IFRS and was recognized as a liability that is measured at fair value, with changes in fair value being allocated to the statement of income in accordance with IAS 39.

The difference between the value of the liabilities according to the agreement NIS 62.7 million as compared with the value of the liabilities through fair value NIS 12.6 million amounts to NIS 50.1 million.

The liability on account of the Put option to the shareholder at the associated company as at June 30, 2009, June 30, 2008, and as at December 31, 2008, amounts to NIS 12.6 million, NIS 5.2 million and NIS 13.9 million, respectively.

On account of the Put option, other expenses grew by NIS 1.3 million during the reported period, as compared with other expenses of NIS 1.3 million in the corresponding period last year.

The principal factors behind the change in the fair value during the reported period include the change in the risk-free interest rate and the change in the standard deviation of the Hadera paper share that serve for the calculation of the value of the option.

4. The net profit and the earnings per share attributed to the Company s shareholders

The net profit attributed to the Company s shareholders in amounted to NIS 34.7 million in the reported period, as compared with net profit of NIS 39.3 million in the corresponding period last year, representing a decrease of 11.7%.

The net profit attributed to the company shareholders during the reported period was affected by the improvement in operating profitability at some of the groups companies in Israel and in Turkey and by the recording of earnings as a result of the distribution of a unilateral dividend on account of the application of a preferred share by an associated company that generated net revenues of NIS 8.4 million for the company. Moreover, a reduction in the company s share in the losses on account of the operations in Turkey (KCTR) in relation to the corresponding period last year (see above, Strategic Investment in Turkey, as well as chapter C7, below) also contributed to the improved profitability.

The net profit for the second quarter this year amounted to NIS 15.6 million, as compared with a net profit of NIS 18.0 million in the corresponding quarter last year, representing a decrease of approximately 13%.

Basic earnings per share amounted to NIS 6.86 per share ($1.75 per share) in the reported period, as compared with basic earnings per share of NIS 7.77 per share ($2.32 per share) in the corresponding period last year.

Diluted earnings per share amounted to NIS 6.86 per share ($1.75 per share) in the reported period, as compared with NIS 7.76 per share ($2.31 per share) in the corresponding period last year.

The basic earnings per share amounted to NIS 3.09 per share in the second quarter ($0.79 per share), as compared with earnings of NIS 3.56 per share ($1.06 per share) in the corresponding quarter last year.

Diluted earnings per share amounted to NIS 3.09 per share ($0.79 per share) in the second quarter of the year, as compared with earnings of NIS 3.55 per share ($1.06 per share) in the corresponding quarter last year.

5. <u>Analysis of Operations and Profitability</u>

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

1. Sales

Consolidated sales in the reported period amounted to NIS 434.0 million, as compared to NIS 275.8 million in the corresponding period last year, representing an increase of 57.4%, which was due mainly to the first-time consolidation of the data of Carmel Container Systems and Frenkel C.D. in the reported period, in the amount of approximately NIS 240.1 million.

Sales of the packaging paper and recycling sector amounted to NIS 125.1 million in the reported period, as compared with NIS 216.5 million in the corresponding period last year.

The reduction in the sales turnover of the packaging paper and recycling segment was due both to the decrease in sales of packaging and recycling as a result of the erosion of selling prices, which was not counteracted by the increase of NIS prices (the sales of the segment are affected by the dollar-denominated import prices) and to the quantitative decrease in sales as a result of the import of paper from Europe at dumping prices, the reduced volume of activity of corrugated board manufacturers, the diminished demands in the local market, the slowdown of Israeli exports, and the non-recurring reduction of inventories in the reported period by the manufacturers of corrugated board as a means to improve cash flows.

Sales in the packaging products and cardboard segment amounted to NIS 240.1 million in the reported period.

Sales in the marketing of office supplies segment amounted to NIS 68.8 million in the reported period, as compared with NIS 59.3 million in the corresponding period last year, representing an increase of 16.0%, which was due to the continued implementation of the segment s growth plan by way of expanding the customer base and acquiring competing companies.

In the second quarter, consolidated sales amounted to NIS 204.1 million, as compared with NIS 133.3 million in the corresponding quarter last year, representing an increase of 53.1%, which is mainly due to the first-time consolidation of the data of Carmel Container Systems and Frenkel C.D. in the reported period, in the amount of approximately NIS 109.3 million, and compared with sales of NIS 229.9 million in the first quarter of the year, representing a decrease of 11.2%.

Sales in the packaging paper and recycling segment amounted to NIS 62.5 million in the second quarter of the year, as compared to NIS 107.1 million in the corresponding quarter last year, mainly as a result of the import of paper from Europe at dumping prices, the reduction of inventories by the manufacturers of corrugated board as a means to improve cash flows, adjustment to demands and preparations for the development of export markets in connection with the development of the new products as a substitute to pulp.

Sales in the packaging products and cardboard segment amounted to NIS 109.3 million in the second quarter of the year.

Sales in the marketing of office supplies segment amounted to NIS 32.3 million in the second quarter of the year, as compared with NIS 26.1 million in the corresponding quarter last year. This increase was due mainly to the expansion of the company s customer portfolio in this market.

2. Cost of Sales

The cost of sales amounted to NIS 373.2 million or 86.0% of sales during the reported period, as compared with NIS 208.9 million or 75.8% of sales in the corresponding period last year.

The gross profit totaled NIS 60.8 million during the reported period (14.0% of sales), as compared with NIS 66.8 million (24.2% of sales) in the corresponding period last year, representing a decrease of 9.0% in relation to the corresponding period last year.

The decrease in gross profit in relation originates primarily from the erosion of the prices of packaging paper as well as a result of the slowdown in the markets and the decrease in quantitative sales, coupled with a 6% increase in the price of water, that was offset by the lowering of paper collection costs and the procurement of raw materials, along with a 1% decrease in electricity prices. These impacts were offset as a result of the consolidation for the first time of the results of Carmel Container Systems and Frenkel CD during the reported period. Additionally, the cost of sales included an amortization of NIS 3.7 million in excess cost, as a result of excess cost recorded from the acquisition of Carmel and Frenkel CD in 2008.

Labor Wages

The labor wages within the cost of sales amounted to NIS 104.1 million during the reported period (approximately 24.0% of sales), as compared with NIS 60.4 million last year (approximately 21.9% of sales).

The labor wages within the general and administrative expenses amounted to NIS 44.3 million during the reported period (approximately 10.2% of sales), as compared with the sum of NIS 31.0 million last year (approximately 11.2% of sales).

The growth in the cost of labor wages in relation to the corresponding period last year originates primarily from additional labor expenses of NIS 52.3 million as a result of the consolidation of Carmel and Frenkel CD.

Moreover, the cost of labor includes the labor costs derived from the issue of options to executives and the allocation of the expenditure thereupon, at a cumulative rates of NIS 2.1 million during the reported period, an expenditure not involving cash flows.

As part of the alignment with the global economic crisis, the Company s management adopted a policy of mutually-agreed pay cuts for executives. In this capacity, senior executives and managers have mutually agreed to cut their wages by 8% to 10% in 2009, while senior employees have agreed that their wages be cut by 5%. The company also decided to freeze any raises in labor wages for employees under a personal employment contract in 2009.

3. Selling, General and Administrative and Other Expenses

The selling, general and administrative (including wages) and other expenses amounted to NIS 46.9 million in the reported period or 10.8% of sales as compared with NIS 36.8 million or 13.3% of sales in the corresponding period last year. When neutralizing revenues, as a result of the distribution of a unilateral dividend on account of a preferred share that was allocated by an associated company in the sum of NIS 16.4 million, the selling general, administrative and other expenses amounted to NIS 63.3 million.

The increase in selling, general and other expenses originated primarily from the consolidation of the expenses of Carmel and Frenkel CD in the company s financial statements, in the sum of NIS 26.4 million.

4. Operating Profit

The operating profit totaled NIS 13.9 million during the reported period (3.2% of sales), as compared with NIS 30.1 million (10.9% of sales) in the corresponding period last year. The decrease in the operating profits originated from the erosion of selling prices of packaging paper and recycling, the impact of a certain slowdown in operations at some of the companies as a result of the global crisis and its local repercussions, that was offset by the recording of non-recurring revenues in the sum of NIS 16.4 million on account of a unilateral dividend.

The operating loss of the paper and recycling sector amounted to NIS 8.2 million in the reported., as compared with NIS 28.7 million the corresponding period last year, primarily as a result of dumping prices of competing imports, that serve to erode the prices and quantities as mentioned above. The operating profit was also affected by the recording of revenues on account of a Put option to a shareholder at an associated company in the sum of NIS 1.3 million during the reported period.

The operating profit of the packaging products and cardboard sector amounted to NIS 4.6 million, while the operating profit of the office-supply sector amounted to NIS 1.2 million as compared with NIS 1.4 million during the corresponding period last year.

The operating loss amounted to NIS 4.6 million in the second quarter of the year, as compared with operating profit of NIS 12.6 million in the corresponding quarter last year.

The operating loss of the paper and recycling sector in the second quarter of the year amounted to NIS 5.6 million, as compared with operating profit of NIS 11.9 million in the corresponding quarter last year, as mentioned above, as a result of the continuing impact of dumping prices on sales in the sector.

The operating profit of the packaging products and cardboard sector amounted to NIS 0.7 million.

The operating profit of the office supplies sector amounted to NIS 0.2 million, as compared with NIS 0.8 million in the corresponding quarter last year.

5. Financial Expenses

The financial expenses during the reported period amounted to NIS 10.0 million, as compared with NIS 11.1 million in the corresponding period last year, representing a decrease of 9.9%.

The total average of interest bearing liabilities, net, carried to the company s financial expenses, decreased by approximately NIS 38 million between the periods 2008-2009. This decrease originated primarily from the positive cash flows from operating activities between the periods, net of the current investments in fixed assets.

The interest on the short-term interest-bearing credit decreased by NIS 1.8 million, both as a result of the decrease in the balance of short-term credit and as a result of the lower interest rate between the two periods. The interest expenses in respect of CPI-linked long-term liabilities (debentures) decreased by NIS 2.2 million as compared with the corresponding period last year, as a result of both the decrease in the balance of debentures following redemptions made to the holders of the debentures, coupled with hedging transactions on the CPI-linked debentures against the increase in the CPI, whose costs amounted to 0.3% per annum in 2009, as compared with 2.6% in 2008, and as a result of the valuation of the hedging transactions to their fair value, in accordance with international standards. The actual index rose by 2.1% in this period.

Furthermore, an increase of NIS 1.8 million was recorded in financial expenses, originating primarily on account of the impact of the devaluation vis-à-vis the US dollar in the amount of 3.1% during the reported period, as compared with a revaluation of 12.8% during the corresponding period last year on the balance of dollar-denominated assets.

6. Taxes on Income

Taxes on income amounted to NIS 4.4 million in the reported period, as compared with NIS 5.4 million in the corresponding period last year. The decrease in tax expenses originates primarily from the decrease in pre-tax profits in the sum of NIS 15.1 million, that was offset a result of the recording of a provision for taxes on account of events that were included during the reported period.

7. Company s Share in Earnings of Associated Companies

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

The company s share in the profits of associated companies totaled NIS 34.9 million during the reported period, as compared with NIS 25.8 million in the corresponding period last year.

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

The Company s share in the net profit of Mondi Hadera Paper (49.9%) decreased by NIS 1.9 million. The decrease in profits originated primarily from the decrease in the operating profit of Mondi, that fell from NIS 17.7 million last year to NIS 15.9 million this year, primarily as a result of the erosion of prices due to imports at dumping prices. The net profit also decreased as a result of an increase in financial expenses during the reported period in relation to last year, primarily on account of the impact of the devaluation of the NIS against the US dollar.

The company s share in the net earnings of Hogla-Kimberly Israel (49.9%) increased by NIS 6.4 million. Hogla s operating profit grew from NIS 85.1 million to NIS 102.3 million this year. The improved operating profit originated from a quantitative increase in sales, improved selling prices in some of the sectors of operation, the continuing trend of raising the proportion of certain premium products out of the products basket, while innovating products and empowering the Company s brands, a decrease in the prices of certain company inputs in view of the erosion of global commodity prices, continuing efficiency measures across the company and growing savings in procurement that also contributed significantly to the profit.

The Company s share in the losses of KCTR Turkey (formerly: Ovisan) (49.9%) decreased by NIS 3.6 million. The significant decrease in the loss is attributed primarily to the growth in the volumes of operation (see above Strategic Investment in Turkey) that led to the continued reduction in the operating loss, from NIS 20.9 million last year to approximately NIS 14.1 million this year. Moreover, due to the increase in the shareholders equity of KCTR through a financial influx from Hogla-Kimberly last year and during the reported period, the bank loans were repaid, while reducing the financial expenses, thereby leading to an additional reduction in the net loss.

D. Liquidity

Cash Flows

The cash flows from operating activities totaled NIS 89.3 million during the reported period, as compared with NIS 56.7 million in the corresponding period last year. The increase in the cash flows from operating activities during the reported period, originated primarily from the reduced working capital in the reported period, that amounted to NIS 17.5 million, as compared with growth of NIS 6.9 million last year. The decrease in working capital during the reported period originated primarily from a decrease in the trade receivables item, that was offset as a result of a decrease in the accounts payable item, primarily due to the lowering of procurement costs during the reported period, as mentioned above.

E. Sources of Finance

See Section B2 Financial Liabilities and further details in the table below.

F. Exposure and Management of Market Risks

1. General

The Company conducts periodical discussions regarding market risks and exposure to exchange rate and interest rate fluctuations, with the participation of the relevant factors, so as to reach decisions in this matter. The individual responsible for the implementation of market risk management policy at the Company is Shaul Glicksberg, the Group s VP of Finance and Business Development.

2. Market Risks to which the Company is Exposed

Description of Market Risks

The market risks reflect the risk of changes in the value of financial instruments affected by changes in the interest rate, in the Consumer Price Index and in foreign currency exchange rates.

Exchange Rate Risks

Approximately half of the Company s sales are denominated in US dollars, whereas a significant share of its expenses and liabilities are in NIS. The Company is therefore exposed to fluctuations in the exchange rate of the NIS vis-à-vis the US dollar. This exposure includes economic exposure (on account of surplus proceeds on payments in foreign currency or linked thereto) and accounting exposure (on account of a surplus of dollar-linked assets over foreign-currency-denominated liabilities).

The Company periodically reexamines the need for hedging on account of this exposure. True to June 30, 2009, the Company entered into hedging transactions in the sum of 19 million euro, in order to hedge the cash flows for the acquisition of fixed assets from equipment vendors for Machine 8.

It should be noted that on the aggregate level that includes associated companies, the currency exposure is limited.

Consumer Price Index Risks

The Company is exposed to changes in the Consumer Price Index, pertaining to the debentures issued by the Company and to long-term loans, in the total sum of NIS 382.2 million.

In early 2009, the Company entered into hedging transactions for a period of one year, to protect itself against a rise in the CPI, in the amount of NIS 250 million, pursuant to previous transactions that were made in early 2008 and in August 2008 and terminated at the end of 2008.

The company also enjoys natural hedging due to the current debt of an associated company that is linked to the consumer price index.

Credit Risks

Most of the Group s sales are made in Israel to a large number of customers and the exposure to customer-related credit risks is consequently generally limited. The Group regularly analyzes through credit committees that operate within the various companies the quality of the customers, their credit limits and the relevant collateral required, as the case may be.

The financial statements include provisions for doubtful debts, based on the existing risks on the date of the statements.

Sensitivity Analysis Tables for Sensitive Instruments, According to Changes in Market Elements as at June 30, 2009:

Sensitivity to Interest Rates

Sensitive Instruments	Profit (loss) from changes			Profit (loss) from changes	
	Interest rise 10%	Interest rise 5%	Fair value as at Jun-30-09	Interest decrease 5%	Interest decrease 10%
	In NIS thousands				
Series 2 Debentures	(1,517)	(762)	(170,959)	768	1,541
Series 3 Debentures	(3,397)	(1,710)	(206,823)	1,733	3,489
Series 4 Debentures	(3,177)	(1,596)	(270,192)	1,612	3,240
Fixed-interest loans	(195)	(98)	(27,029)	99	198
Long-term loans and capital notes - granted	193	96	50,258	(97)	(194)

The fair value of the loans is based on a calculation of the present value of the cash flows, according to the generally-accepted interest rate on loans with similar characteristics (4% in 2009).

Regarding the terms of the debentures and other liabilities See Note 8 to the annual financial statements dated December, 31, 2008.

Regarding long-term loans and capital notes granted See Note 4 to the annual financial statements dated December 31, 2008.

Sensitivity of -linked instruments to changes in the exchange rate

Sensitive Instruments	Profit (loss) from changes		Fair value as at Jun-30-09	Profit (loss) from changes	
	Rise in 10%	Rise in 5%		Decrease in 5%	Decrease in 10%
	In NIS thousands				
Cash and cash equivalents	164	82	1,641	(82)	(164)
Designated deposits	3,191	1,596	31,913	(1,596)	(3,191)
Other Accounts Receivable	264	132	2,635	(132)	(264)
Other Accounts Payable	(7,760)	(3,880)	(77,595)	3,880	7,760
NIS- forward transaction	10,954	5,696	429	(4,819)	(10,077)

Sensitivity to the US Dollar Exchange Rate

Sensitive Instruments	Profit (loss) from changes		Fair value as at Jun-30-09	Profit (loss) from changes	
	Revaluation of $ 10%	Revaluation of $ 5%		Devaluation of $ 5%	Devaluation of $ 10%
	In NIS thousands				
Cash and cash equivalents	257	128	2,565	(128)	(257)
Other Accounts Receivable	1,338	669	13,380	(669)	(1,388)
Other Accounts Payable	(2,783)	(1,392)	(27,834)	1,392	2,783
Liabilities at fair value through the statement of income	(1,255)	(628)	(12,553)	628	1,255

Other accounts receivable reflect primarily short-term customer debts.

Capital note See Note 4d to the annual financial statements dated December 31, 2008

Accounts payable reflect primarily short-term liabilities to suppliers.

Linkage Base Report

Below are the balance sheet items, according to linkage bases, as at June 30, 2009:

In NIS millions	Unlinked	CPI-linked	In foreign currency, or linked thereto (primarily US$)	-linked	Non-Monetary Items	Total
Assets						
Cash and cash equivalents	12.3		2.6	1.6		16.5
Short-term deposits and investments	64.9			31.9		96.8
Other Accounts Receivable	369.1	0.9	14.3	2.6	3.9	390.8
Inventories					169.1	169.1
Current tax assets	0.1					0.1
Investments in Associated Companies	53.7				264.8	318.5
Deferred taxes on income					31.5	31.5
Fixed assets, net					1,013.8	1,013.8
Intangible Assets					29.0	29.0
Land under lease					38.1	38.1
Other assets					2.5	2.5
Assets on account of employee benefits	0.7					0.7
Total Assets	500.8	0.9	16.9	36.1	1,552.7	2,107.4
Liabilities						
Short-term credit from banks	114.8					114.8
Other Accounts Payable	223.7		30.5	77.6		331.8
Deferred taxes on income					75.8	75.8
Long-Term Loans	111.5	31.7				143.2
Notes (debentures) - including current maturities	238.3	351.4				589.7
Liabilities on account of employee benefits	38.1					38.1
Liabilities at fair value through the statement of income			12.5			12.5
Shareholders' equity, reserves and retained earnings					801.5	801.5
Total liabilities and equity	726.4	383.1	43.0	77.6	877.3	2,107.4
Surplus financial assets (liabilities) as at Jun-30-09	**(225.6)**	**(382.2)**	**(26.1)**	**(41.4)**	**730.0**	
Surplus financial assets (liabilities) as at Dec-31-08	**(157.4)**	**(389.0)**	**(12.6)**	**107.6**	**471.4**	

* As to hedging transactions associated with surplus CPI-linked liabilities, see Section F(2), above.

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Associated Companies

Hadera Paper 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 and political instability, high devaluation and elevated inflation rates that have characterized the Turkish economy in the past and that may recur and harm the KCTR operations.

G. Forward-Looking Statements

This report contains various forecasts that constitute forward-looking statements, as defined in the Securities Law, 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.

H. Detailed processes undertaken by the company s supreme supervisors, prior to the approval of the financial statements

The Company s Board of Directors has appointed the Company s Audit Committee to serve as a Balance Sheet Committee and to supervise the completeness of the financial statements and the work of the CPAs and to offer recommendations regarding the approval of the financial statements and the discussion thereof prior to said approval. The Committee consists of three directors, of which two possess accounting and financial expertise. The meetings of the Balance Sheet Committee, as well as the board meetings during which the financial statements are discussed and approved, are attended by the company s auditing CPAs, who are instructed to present the principal findings if there are any that surfaced during the audit or review process, as well as by the Internal Auditor.

The Committee conducts its examination via detailed presentations from company executives and others, including: General Manager Avi Brener, and CFO Shaul Glicksberg. The material issues in the financial reports, including any extraordinary transactions if any, the material assessments and critical estimates implemented in the financial statements, the reasonability of the data, the financial policy implemented and the changes therein, as well as the implementation of proper disclosure in the financial statements and the accompanying information. The Committee examines various aspects of risk assessment and control, as reflected in the financial statements (such as reporting of financial risks), as well as those affecting the reliability of the financial statements. In case necessary, the Committee demands to receive comprehensive reviews of matters with especially relevant impact, such as the implementation of international standards.

The approval of the financial statements involves several meetings, as necessary: The first is held by the Audit Committee to discuss the material reporting issues in depth and at great length, whereas the second is held by the Board of Directors to discuss the actual results. Both meetings are held in proximity to the approval date of the financial statements. As to the supreme supervision regarding the impact of the transition to international financial reporting standards, the Committee held a detailed discussion regarding the said disclosure and the accounting policy implemented in its respect.

Zvika Livnat Chairman of the Board of Directors	Avi Brener General Manager

Exhibit 3

HADERA PAPER LTD
UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2009

HADERA PAPER LTD

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AS OF JUNE 30, 2009

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HADERA PAPER LTD

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(NIS in thousands)

	Note	June 30		December 31
		2009	2008	2008
		(Unaudited)		
Assets				
Current Assets				
Cash and cash equivalents		16,530	5,553	13,128
Designated deposits		96,862	67,055	249,599
Accounts receivable:				
Trade receivables		293,993	159,224	318,926
Other receivables		96,831	97,011	100,888
Current tax assets		65	5,478	6,271
Inventory		169,014	69,201	168,755
Total Current Assets		**673,295**	**403,522**	**857,567**
Non-Current Assets				
Fixed assets, net		1,013,787	527,165	767,542
Investments in associated companies		318,509	351,221	318,101
Deferred tax assets		31,481	21,037	29,848
Prepaid expenses with respect to an operating lease		38,117	35,797	36,344
Other intangible assets		29,011	1,503	31,519
Other assets		2,549	-	2,549
Employee benefit assets		705	* 645	624
Total Non-Current Assets		**1,434,159**	**937,368**	**1,186,527**
Total Assets		**2,107,454**	**1,340,890**	**2,044,094**

* Reclassified, see note 10.

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

HADERA PAPER LTD

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(NIS in thousands)

	Note	June 30		December 31
		2009	2008	2008
		(Unaudited)		
Liabilities and Equity				
Current Liabilities				
Credit from banks and others		114,769	106,276	77,655
Current maturities of long-term bonds and long term loans		69,636	50,984	76,469
Trade payables		222,940	103,501	195,020
Other payables and accrued expenses		108,824	* 79,802	* 104,943
Short term employee benefit liabilities		20,382	* 12,576	* 17,478
Other financial liabilities		-	31,990	32,770
Financial liabilities at fair value through profit and loss	7	12,553	5,196	13,904
Total Current Liabilities		**549,104**	**390,325**	**518,239**
Non-Current Liabilities				
Loans from banks and others		105,694	51,617	121,910
Bonds		557,699	155,487	554,124
Deferred tax liabilities		75,771	42,566	76,641
Employee benefit liabilities		17,696	* 10,352	* 15,551
Total Non-Current Liabilities		**756,860**	**260,022**	**768,226**
Capital and reserves				
Issued capital		125,267	125,267	125,267
Reserves		308,720	289,687	299,949
Retained earnings		341,971	275,589	306,097
capital and reserves attributed to shareholders		**775,958**	**690,543**	**731,313**
Minority Interests		25,532	-	26,316
Total capital and reserves		**801,490**	**690,543**	**757,629**
Total Liabilities and Equity		**2,107,454**	**1,340,890**	**2,044,094**

* Reclassified, see note 10.

Z. Livnat	**A. Brener**	**S. Gliksberg**
Chairman of the Board of Directors	Chief Executive Officer	Chief Financial and Business Development Officer

Approval date of the interim financial statements: August 9, 2009.

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

HADERA PAPER LTD

CONDENSED CONSOLIDATED INCOME STATEMENTS
(NIS in thousands)

	Note	Six months ended June 30		Three months ended June 30		Year ended December 31
		2009	**2008**	**2009**	**2008**	**2008**
		(Unaudited)		(Unaudited)		
Revenue		434,034	275,786	204,153	133,267	673,484
Cost of sales		373,195	208,937	180,685	102,958	542,387
Gross profit		**60,839**	**66,849**	**23,468**	**30,309**	**131,097**
Selling and marketing expenses		34,982	15,653	16,966	7,765	45,674
General and administrative expenses		29,917	19,670	15,686	9,546	54,970
Other (income) expenses, net	7	(17,965)	1,445	(4,577)	378	(4,898)
Total expenses		**46,934**	**36,768**	**28,075**	**17,689**	**95,746**
Profit (loss) from ordinary operations		**13,905**	**30,081**	**(4,607)**	**12,620**	**35,351**
Finance income		3,814	3,530	783	1,636	12,069
Finance expenses		13,809	14,660	6,228	5,959	27,112
Finance expenses, net		**9,995**	**11,130**	**5,445**	**4,323**	**15,043**
Profit after financial expenses		**3,910**	**18,951**	**(10,052)**	**8,297**	**20,308**
Share in profit of associated companies, net		34,905	25,771	19,857	11,138	51,315
Profit (loss) before taxes on income		**38,815**	**44,722**	**9,805**	**19,435**	**71,623**
Taxes on income	8	4,409	5,420	(5,545)	1,403	3,663
Profit for the period		**34,406**	**39,302**	**15,350**	**18,032**	**67,960**
Attributed to:						
Company shareholders		34,716	39,302	15,637	18,032	69,710
Minority interests		(310)	-	(287)	-	(1,750)
		34,406	**39,302**	**15,350**	**18,032**	**67,960**
Earning for share:						
Primary attributed to Company shareholders		6.86	7.77	3.09		