



Attached hereto as Exhibit 1 and incorporated herein by reference is the Registrant's press release dated November 20, 2006.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**AMERICAN ISRAELI PAPER MILLS LTD.**  
(Registrant)

By: /s/ Lea Katz  
Name: Lea Katz  
Title: Corporate Secretary

Dated: November 20, 2006

**EXHIBIT INDEX**

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
1.	Press release dated November 20, 2006

EXHIBIT 1

# NEWS

**Client:** AMERICAN ISRAELI  
PAPER MILLS LTD.

**Agency Contact:** PHILIP Y. SARDOFF

**For Release:** IMMEDIATE

## **American Israeli Paper Mills Ltd. Approves an Investment in Paper Machine**

Hadera, Israel, November 20, 2006 American Israeli Paper Mills Ltd. (ASE:AIP) (the Company or AIPM ), announced that the Board of Directors approved yesterday an investment of approximately \$140 million in a project setting up a new packaging paper machine for the production of packaging paper from recycled paper and board. The new machine, to be installed at the Company's facility in Hadera, will have a capacity of approximately 230 thousands tons per annum.

After the installation of the new packaging paper machine, planned to start production in 2009, and the shut down of one of the two machines working today, the capacity of the Company in packaging paper will increase from approximately 150 thousands tons per annum to approximately 330 thousands tons per annum. The new machine should provide a high quality and cost-competitive solution to the ever-growing demands of the local market, in comparison to the solutions provided by the imported competition.

The Company expects that the planned significant increase in its paper production, based on the existing infrastructures, will improve its profitability for the long run.

The Company hasn't decided yet regarding the financing of the project and is reviewing different alternatives.

This report contains various forward-looking information, based upon information and estimates of the Company in the present. The implementation of this project and its outcomes might be different from the current estimations, as a result of a variety of factors, including factors which lie outside the control of the Company, such as changes in market conditions and costs.