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LIPMAN ELECTRONIC ENGINEERING LTD

Form 425

April 10, 2006

Filed by VeriFone Holdings, Inc.

Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12

of the Securities Exchange Act of 1934

Subject Company: Lipman Electronic Engineering Ltd.

Commission File No.: 000-50544

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**THE WAY TO PAY™**

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**April 2006**

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**Management Participants**

**Doug Bergeron**

**Chairman & Chief Executive Officer VeriFone**

**Barry Zwarenstein**

**Chief Financial Officer VeriFone**

**Isaac Angel**

**Chief Executive Officer - Lipman**

## Safe Harbor

We have included or incorporated by reference in this document financial estimates and other forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These estimates and statements are subject to risks and uncertainties, and actual results might differ materially from these estimates and statements. Such estimates and statements include, but are not limited to, statements about the benefits of the acquisition, including future financial and operating results, VeriFone's plans, objectives, expectations and intentions, the markets for products, and other statements that are not historical facts. Such statements are based upon the current beliefs and expectations of the management of VeriFone Holdings, Inc. and Lipman Electronic Engineering Inc. and are subject to significant risks and uncertainties outside of their control. There is no assurance the transaction contemplated in this release will be completed at all, or completed upon the same terms and conditions described.

The following factors, among others, could cause actual results to differ from those described in the forward-looking statements in this document: the ability to obtain governmental approvals of the merger on the proposed terms and schedule; the failure of VeriFone stockholders to approve the issuance of VeriFone common shares or the failure of Lipman shareholders to approve the merger; the risk that the businesses of VeriFone and Lipman will not be integrated successfully or as quickly as expected; the risk that the cost savings and any other synergies from the merger may not be fully realized or may take longer to realize than expected; disruption from the merger making it more difficult to maintain relationships with customers, employees or suppliers. Additional factors that may affect future results are contained in VeriFone's and Lipman's filings with the Securities and Exchange Commission (SEC), which are available at the SEC's Web site (<http://www.sec.gov>). Neither VeriFone nor Lipman is under any obligation, and expressly disclaim any obligation, to update, alter or otherwise revise any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future events or otherwise.

## Disclosures

In connection with the proposed transaction, VeriFone intends to file a registration statement on Form S-4, including a proxy statement for VeriFone, with the Securities and Exchange Commission (the SEC). Investors and security holders are urged to read the registration statement, including the proxy statement (and all amendments and supplements to it) and other materials that VeriFone may file with the SEC when they become available, because they contain important information. Investors and security holders will be able to obtain free copies of the registration statement, including the joint proxy statement/prospectus, as well as VeriFone's other filings, at the SEC's web site ([www.sec.gov](http://www.sec.gov)) when they become available. Free copies of VeriFone's filings with the SEC may also be obtained at VeriFone's web site ([www.VeriFone.com](http://www.VeriFone.com)) or by directing a request to: VeriFone Holdings Inc., 2099 Gateway Place, Suite 600, San Jose, CA 95110 (Tel: +1-408-232-7800, Attention: Director, Corporate Development & IR).

VeriFone, Lipman and their respective directors and executive officers and certain other members of management and employees may be deemed to be participants in the solicitation of proxies from VeriFone stockholders in respect of the proposed transaction. Information regarding VeriFone's directors and executive officers is available in its Annual Report on Form 10-K for the year ended October 31, 2004, filed with the SEC on December 20, 2005 and its proxy statement for its 2006 annual meeting of stockholders, filed with the SEC on February 17, 2006. Information regarding Lipman's directors and executive officers is available in Lipman's 2005 Annual Report on Form 20-F filed with the SEC on March 9, 2006. Additional information regarding the interests of such potential participants will be included in the registration statement and proxy statement/prospectus, and the other relevant documents filed with the SEC when they become available.

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## **Introduction**

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## **The VeriFone Story**

Operational excellence

Highly disciplined and experienced management team

Industry leading revenue growth and profitability

Consistent overachievement across all financial metrics

Globally trusted brand developed over 25 years

Integrated into the world's largest payment networks

Unparalleled customer loyalty

Largest installed base

Scale permits significant investment in R&D

Geographical and product diversification

## Our Leading Growth Drivers

<b>Emerging Markets</b>	Less than 5% of United States penetration rates Government VAT mandates Development of consumer economies Foreign investment in emerging market banks
<b>Wireless Solutions</b>	25% of international revenue now wireless; fastest growing product line Wireless solutions attract premium margins Many international markets lack reliable land line infrastructure Banks need to capture cash transactions (40% of total in US)
<b>Proliferation of IP</b>	Demand for faster, advanced IP-enabled payment solutions Powerful phenomenon driving US reterminalization

**Financial Performance**

	Q1	Q2	FY 2005	Q3	Q4	FY 2006 Q1
<b>Revenue Growth (Y-o-Y)</b>	26.5%	31.8%		20.8%	20.1%	21.0%
<b>Gross Margin (1)</b>	40.1%	41.7%		42.0%	44.0%	45.6%
<b>EBITDA Margin (2)</b>	15.6%	17.2%		17.8%	20.3%	21.0%
<b>Net Margin (3)</b>	8.4%	10.4%		10.5%	11.4%	12.3%

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(1) Excludes amortization of intangibles and stock-based compensation.

(2) Includes addbacks of amortization of acquisition related intangible assets, amortization of debt issuance costs and other debt related costs, and stock-based compensation.

(3) Excludes non-cash amortization of purchased intangibles, debt issuance costs and stock-based compensation, as well as the interest on debt retired out of VeriFone's IPO proceeds. Assumes tax rate of 32 percent.

**Stock Price Performance**

[CHART]

## **Introduction to Lipman**

Long history of innovation

Founded in 1974

Public in Tel Aviv since 1993 and on NASDAQ since 2004

Consistently first to market with new technologies

Leading wireless portfolio

Focus on emerging markets and wireless solutions

China, India, Brazil, Turkey

Leading share of US wireless installed base

Attractive financial profile

History of 20%+ revenue growth and 40%+ gross margins

Highly efficient business model

Substantial cash balance and zero debt

Well managed and well positioned to continue growth

Not a turn-around story

Strong management team led by Isaac Angel 27 years experience at Lipman

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## **Strategic Rationale**

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Strong financial performance + strong financial performance = stronger financial performance and immediate accretion

Complementary geographic coverage

Cements leading position in North America

Creates #1 position across emerging markets

Creates #1 or #2 position in most other major markets worldwide

Ability to deploy Lipman's advanced wireless portfolio across VeriFone's worldwide distribution platform

Strong customer relationships

Complementary efficient manufacturing models

**Financial Performance**

	Most Recent Year		Most Recent Quarter	
	VeriFone	Lipman	VeriFone	Lipman
<b>04 05 Revenue Growth</b>	<b>24.4%</b>	<b>30.4%</b>	<b>21.0%</b>	<b>4.7%</b>
<b>Gross Margin (1)</b>	<b>42.0%</b>	<b>42.5%</b>	<b>45.6%</b>	<b>41.0%</b>
<b>EBITDA Margin (2)</b>	<b>17.8%</b>	<b>20.6%</b>	<b>21.0%</b>	<b>20.9%</b>
<b>Net Margin (3)</b>	<b>10.2%</b>	<b>14.9%</b>	<b>12.3%</b>	<b>14.0%</b>

**VeriFone expects the acquisition will be 10% accretive to current street estimates for Fiscal 2007**

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(1) *Excludes amortization of intangibles and stock-based compensation (VeriFone).*

(2) *Includes addbacks of acquisition-related intangible asset amortization, goodwill impairment (Lipman), debt issuance cost amortization (VeriFone) and stock-based compensation.*

(3) *Excludes non-cash acquisition-related intangible asset amortization, goodwill impairment (Lipman), debt issuance cost amortization (VeriFone) and stock-based compensation as well as interest on debt retired out of VeriFone's IPO proceeds. Assumes a 32.0% tax rate for VeriFone and 20.7% tax rate for Lipman.*



**Complementary Geographic Coverage**

**VeriFone s Important Markets**

United States  
Banks, processors, oil companies, retail  
Recent focus on ISOs and wireless

Europe  
Eastern Europe  
Investing for future growth in Continental Europe

Emerging markets  
Mexico, Caribbean, South East Asia

**Lipman s Important Markets**

United States  
ISO channel  
Leading wireless provider

Europe  
UK, Spain, Italy

Emerging markets  
China, India, Brazil, Turkey

**VeriFone will be #1 or #2 in most major markets worldwide**

**The China and India Opportunity**

	[GRAPHIC] US	[GRAPHIC] China	[GRAPHIC] India
Population	296 million	1,306 million	1,080 million
Annual Electronic Transactions per Person (1)	155.0	1.0	1.0
Financial Card Transaction CAGR (1)	11.0%	30.0%	99.0%
Solutions / 1,000 people (2)	9.8	0.5	0.1
Key Trends	Wireless	Foreign bank ownership	Foreign bank ownership
	IP	VAT collection	Strong economic growth
	PIN-Debit	Modernization	VAT collection
		Olympics	Expanding wireless networks

### **Advanced Wireless Portfolio**

Lipman began to develop its wireless portfolio in 1995

Wealth of R&D experience from former Motorola Israel engineers

Currently on seventh generation wireless product

Variety of access methods including GPRS, CDMA, WiFi and Bluetooth

Wireless technology is well suited for emerging markets

In North America, wireless solutions are needed for applications such as pay-at-the-table, sports stadiums, taxicabs and home delivery

### **Wireless / Mobile Terminal Market: Unit Shipment and Revenue Forecasts (World), 2002-2009 (1)**

[CHART]

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(1) *Source: Frost and Sullivan, 2005*

## **Strong Customer Relationships**

### **Lipman has strong customer relationships**

Customers diversified geographically

Never lost a material customer

Many customers purchase a range of Lipman products

### **Key Customers**

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**Provides Significant Cost Flexibility**

**VeriFone and Lipman operate complementary manufacturing models**

VeriFone outsources 100% of its manufacturing requirements

Lipman manufactures the majority of its products internally

**On a combined basis, VeriFone expects to maintain Lipman's manufacturing capabilities**

Highly efficient, flexible manufacturing processes

Both low and high volume capability and significant customization expertise

Optimize best of both models

Global manufacturing platform brings products closer to customers

Provides meaningful tax benefits

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## **Transaction Overview**

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<b>Consideration</b>	<p>Total purchase price of \$793 million</p> <p>Represents a 15% premium to the unaffected closing price on March 21, 2006</p> <p>The amount of the special dividend has not been finally determined but will likely exceed \$23 million, payable to Lipman shareholders prior to closing</p> <p>Lipman shareholders can elect either 0.5 shares of VeriFone common stock and \$14.034 per share in cash, <i>or</i> \$29.07 in cash, <i>or</i> 0.9844 VeriFone shares per Lipman share (each adjusted for the special dividend and subject to proration)</p> <p>VeriFone will issue in the aggregate approximately 13.3 million shares of VeriFone stock and pay approximately \$382 million in cash, adjusted for the special dividend; for the outstanding Lipman shares</p>
<b>Financing</b>	<p>VeriFone will finance the acquisition and refinance existing debt through a \$540 million Senior Secured Credit Facility including a \$40 million undrawn revolver and a \$500 million Term Loan B</p> <p>Debt / EBITDA will approximate 3.0x at closing, with a goal of rapidly deleveraging post-closing</p>
<b>Key Conditions</b>	<p>VeriFone and Lipman shareholder approval</p> <p>Regulatory approval and other customary conditions</p>
<b>Timing</b>	<p>Closing is expected to occur by the end of VeriFone's current fiscal year (October 31, 2006)</p>

**Why Now?**

**Why Now for VeriFone?**

Demonstrated track record in public market since IPO

Outperformed expectations for 4 quarters as a public company

Accelerating focus on emerging market opportunities including China and India

Wireless has become a growth accelerator

Vx Solutions platform transition now complete

**Why Now for Lipman?**

Breadth and scale are critically important to remain on leading edge of technology and product development

Research and development spend is a differentiator

VeriFone's distribution infrastructure will accelerate sales of Lipman's leading wireless platform



**Integration Plan**

Full integration of the businesses

Proven integration experience by VeriFone management team

Continue profit focused, disciplined sales organization

Commitment to support and enhance all products currently in bank use

Develop future product roadmap leveraging VeriFone's distribution network

Key emphasis on security and wireless

Both companies have made the successful migration from Motorola-based platforms to industry leading ARM-based processing architectures

Continue to foster research and development excellence

Reinforce and capitalize on efficient in-house manufacturing and EMS strategy

Rationalization of overlapping infrastructure

**Long-Term Model**

	FY05	1Q06	Current	Long-Term Model Pro Forma
<b>Revenue Growth (Y-o-Y)</b>	<b>24.4%</b>	<b>21.0%</b>	<b>10-15%</b>	<b>10-15%</b>
<b>Gross Margin (1)</b>	<b>42.0%</b>	<b>45.6%</b>	<b>41-44%</b>	<b>42-47%</b>
<b>EBITDA Margin (2)</b>	<b>17.8%</b>	<b>21.0%</b>	<b>16-21%</b>	<b>18-24%</b>
<b>Net Margin (3)</b>	<b>10.2%</b>	<b>12.3%</b>	<b>10-15%</b>	<b>12-17%</b>

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(1) Excludes amortization of intangibles and stock-based compensation.

(2) Includes addbacks of amortization of acquisition related intangible assets, amortization of debt issuance costs and other debt related costs, and stock-based compensation.

(3) Excludes non-cash amortization of purchased intangibles, debt issuance costs and stock-based compensation, as well as the interest on debt retired out of VeriFone's IPO proceeds. Assumes tax rate of 32 percent in FY2005 and 1Q06, and 34 percent long-term.

**Capitalization**

	VeriFone	Lipman	As of January 31, 2006 Combined	Adjust.	Pro Forma
<b>Cash (1)</b>	\$ 88.2	\$ 116.9	\$ 205.1	\$ (97.6)	\$ 107.5
<b>Debt</b>	\$ 182.3		\$ 182.3	\$ 317.7	\$ 500.0
<b>Equity</b>	\$ 42.6	\$ 252.5			\$ 445.5
<b>Total Capitalization</b>	\$ 224.9	\$ 252.5			\$ 945.5

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(1) Lipman cash and cash equivalents of \$124.4 million as of 12/31/05 less \$7.5 million in share repurchases since the end of 2005.

**Conclusion**

Union of two very strong companies with like-minded cultures

Complementary geographic coverage

Leadership in wireless and security products

Engine for emerging markets penetration

Bringing added value to the worldwide payment industry

Creating shareholder value