

CHECK POINT SOFTWARE TECHNOLOGIES LTD  
Form 20-F  
March 29, 2010

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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g)  
OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report \_\_\_\_\_

Commission file number 000-28584

CHECK POINT SOFTWARE TECHNOLOGIES LTD.  
(Exact name of Registrant as specified in its charter)

ISRAEL  
(Jurisdiction of incorporation or organization)

5 Ha'Solelim Street, Tel Aviv 67897, Israel  
(Address of principal executive offices)

John Slavitt, Esq.  
General Counsel  
Check Point Software Technologies, Inc.  
800 Bridge Parkway

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Redwood City, CA 94065 U.S.A.

Tel: (650) 628-2110

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(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of exchange on which registered
Ordinary shares, NIS 0.01 nominal value	NASDAQ Global Select Market

Securities registered or to be registered pursuant to Section 12(g) of the Act. None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act. None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2009. 209,099,392 ordinary shares, NIS 0.01 nominal value

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act:

Yes S No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934:

Yes  No S

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes S No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definitions of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large Accelerated filer S Accelerated filer  Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

S U.S. GAAP

International Financial Reporting Standards as issued by the International Accounting Standards Board

Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act):

Yes  No

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### Currency of Presentation and Certain Defined Terms

In this Annual Report on Form 20-F, references to “U.S.” or “United States” are to the United States of America, its territories and possessions; and references to “Israel” are to the State of Israel. References to “\$”, “dollar” or “U.S. dollar” are to the legal currency of the United States of America; references to “NIS” or “Israeli shekel” are to the legal currency of Israel; references to “Euro” are to the legal currency of the European Union; and references to “Swedish Krona” are to the legal currency of the Kingdom of Sweden. Our financial statements are presented in U.S. dollars and are prepared in conformity with accounting principles generally accepted in the United States of America, or U.S. GAAP.

All references to “we,” “us,” “our” or “Check Point” shall mean Check Point Software Technologies Ltd., and, unless specifically indicated otherwise or the context indicates otherwise, our consolidated subsidiaries.

### Forward-Looking Statements

Some of the statements contained in this Annual Report on Form 20-F are forward-looking statements that involve risks and uncertainties. The statements contained in this Annual Report on Form 20-F that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including, without limitation, statements regarding trends related to our business and our expectations, beliefs, intentions or strategies regarding the future. These statements are subject to known and unknown risks, uncertainties and other factors, which may cause our actual results to differ materially from those implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terminology, such as “may,” “will,” “could,” “should,” “expects,” “plans,” “anticipates,” “believes,” “intends,” “predicts,” “potential,” or “continue” or the negative of these terms or other comparable terminology. Forward-looking statements also include, but are not limited to, statements in (i) “Item 4 – Information on Check Point” regarding our belief as to increased use of Internet technologies, continued expansion of connectivity services, acceleration of the use of networks, the need and demand for network, gateway and virtual security, the need and demand for flexible and extensible security, the demand for our new blade architecture and adoption of new licensing offerings, increasing demands on enterprise security systems, the impact of our relationship with our technology partners on our sales goals, the contribution of our products to our future revenue, our development of future products, and our ability to integrate, market and sell acquired products and technologies; and (ii) “Item 5 – Operating and Financial Review and Prospects” regarding, among other things, our expectations regarding our business and the markets in which we operate and into which we sell products, future amounts and sources of our revenue, our ongoing relationships with our current and future customers and channel partners, our future costs and expenses, the adequacy of our capital resources.

Forward-looking statements involve risks, uncertainties and assumptions, and our actual results may differ materially from those predicted. Many of these risks, uncertainties and assumptions are described in the risk factors set forth in “Item 3 – Key Information – Risk Factors” and elsewhere in this Annual Report on Form 20-F. All forward-looking statements included in this Annual Report on Form 20-F are based on information available to us on the date of the filing and reasonable assumptions. We undertake no obligation to update any of the forward-looking statements after the date of the filing, except as required by applicable law.

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Selected Financial Data

We prepare our historical consolidated financial statements in accordance with United States generally accepted accounting principles (U.S. GAAP). The selected financial data, set forth in the table below, have been derived from our audited historical financial statements for each of the years from 2005 to 2009. The selected consolidated statement of income data for the years 2007, 2008 and 2009, and the selected consolidated balance sheet data at December 31, 2008 and 2009, have been derived from our audited consolidated financial statements set forth in “Item 18 – Financial Statements.” The selected consolidated statement of income data for the years 2005 and 2006, and the selected consolidated balance sheet data at December 31, 2005, 2006 and 2007, has been derived from our previously published audited consolidated financial statements, which are not included in this Annual Report on Form 20-F. This selected financial data should be read in conjunction with our consolidated financial statements, and are qualified entirely by reference to such consolidated financial statements.

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Year Ended December 31,  
2005                      2006                      2007                      2008                      2009  
(in thousands, except per share data)

Consolidated Statement of Income Data:					
Revenues	\$ 579,350	\$ 575,141	\$ 730,877	\$ 808,490	\$ 924,417
Operating expenses (*):					
Cost of revenues	30,540	36,431	82,301	92,609	133,270
Research and development	50,542	62,210	80,982	91,629	89,743
Selling and marketing	142,336	157,114	217,491	214,439	220,877
General and administrative	24,244	43,503	53,527	53,313	56,409
Restructuring and other acquisition related costs	–	–	–	–	9,101
Acquired in-process R&D	–	1,060	17,000	–	–
Total operating expenses	247,662	300,318	451,301	451,990	509,400
Operating income	331,688	274,823	279,576	356,500	415,017
Financial income, net	54,177	63,647	49,725	40,876	32,058
Other-than-temporary impairment, net of gain on sale of marketable securities previously impaired (**)	–	–	–	(11,221 )	(1,277 )
Income before taxes on income	385,865	338,470	329,301	386,155	445,798
Taxes on income	66,181	60,443	48,237	62,189	88,275
Net income	\$ 319,684	\$ 278,027	\$ 281,064	\$ 323,966	\$ 357,523
Basic earnings per share	\$ 1.30	\$ 1.18	\$ 1.26	\$ 1.51	\$ 1.71
Shares used in computing basic earnings per share	245,520	235,519	222,548	214,361	209,371
Diluted earnings per share	\$ 1.27	\$ 1.17	\$ 1.25	\$ 1.50	\$ 1.68
Shares used in computing diluted earnings per share	251,747	236,769	225,442	216,668	212,208

(\* ) Including pre-tax charges for amortization of intangible assets, acquisition related expenses and stock-based compensation in the following items:

Amortization of intangible assets and acquisition related expenses					
Cost of products and licenses	\$5,414	\$5,414	\$27,724	\$24,554	\$28,224
Selling and marketing	228	604	12,260	12,428	22,429
General and administrative	–	927	–	–	–
Total	\$5,642	\$6,945	\$39,984	\$36,982	\$50,653
Stock-based compensation					
Cost of products and licenses	\$–	\$39	\$65	\$48	\$47
Cost of software updates, maintenance and services	408	470	668	684	641
Research and development	1,252	9,371	4,309	5,037	6,649
Selling and marketing	1,825	7,997	8,780	6,855	5,032
General and administrative	260	18,515	20,230	19,703	18,538
Total	\$3,745	\$36,392	\$34,052	\$32,327	\$30,907

(\*\*) The year ended December 31, 2008, includes a write down of \$11.2 million (pre-tax) of marketable securities. The year ended December 31, 2009, includes a write down of \$3.1 million related to auction rates securities, net of a \$1.8 million gain on the sale of marketable securities that were previously impaired in 2008.

December 31,  
2005      2006      2007      2008      2009  
(in thousands)

**Consolidated Balance Sheet Data:**

Working capital	\$1,186,119	\$967,805	\$692,316	\$791,976	\$648,944
Total assets	2,092,495	2,080,793	2,368,575	2,593,616	3,069,594
Shareholders' equity	1,775,721	1,711,533	1,856,955	2,015,865	2,319,718
Capital stock	387,303	423,155	465,104	504,182	528,648

**Risk Factors**

If any of the following risks actually occurs, our business, financial condition, results of operations, and future prospects could be materially and adversely affected. In that event, the market price of our ordinary shares could decline and you could lose part or all of your investment.

**Risks Related to Our Business and Our Market**

If the market for information and network security solutions does not continue to grow, our business will be adversely affected

The market for information and network security solutions may not continue to grow. Continued growth of this market will depend, in large part, upon:

- § the continued expansion of Internet usage and the number of organizations adopting or expanding intranets;
- § the ability of their respective infrastructures to support an increasing number of users and services;
- § the continued development of new and improved services for implementation across the Internet and between the Internet and intranets;
- § the adoption of data security measures as it pertains to data encryption technologies;
- § government regulation of the Internet and governmental and non-governmental requirements and standards with respect to data security and privacy; and
- § general economic conditions in the markets in which we, our customers and our suppliers operate.

Recently, economies around the world and financial markets experienced a significant slowdown caused by a multitude of factors, including adverse credit conditions, slower or receding economic activity, concerns about inflation and deflation, fluctuating energy costs, decreased consumer confidence, reduced corporate profits and capital spending, adverse business conditions and liquidity concerns and other factors. During this slowdown, many companies reduced expenditures, and if these adverse conditions continue, it may cause our customers to reduce or postpone their technology spending significantly, which could result in reductions in sales of our products, longer sales cycles, slower adoption of new technologies and increased price competition.

Further, if the necessary infrastructure or complementary products and services are not developed in a timely manner and, consequently, the enterprise security, data security, Internet, or intranet markets fail to grow or grow more slowly

than we currently anticipate, our business, operating results, and financial condition may be materially adversely affected. Additional details are provided in “Item 4 – Information on Check Point.”

We may not be able to successfully compete against our competitors

The market for information and network security solutions is intensely competitive and we expect that competition will continue to increase in the future. Our competitors include Cisco Systems, Inc., Juniper Networks, Inc., Fortinet Inc., SonicWall Inc., WatchGuard Technologies, Inc. McAfee, Inc. and other companies in the network security space. We also compete with several other companies, including Microsoft Corporation, Symantec Corporation, IBM Corporation with respect to specific products that we offer. There are hundreds of small and large companies that offer security products and services that we may compete with from time to time.

Some of our current and potential competitors have various advantages over us, including longer operating histories; access to larger customer bases; significantly greater financial, technical and marketing resources; a broader portfolio of products, applications and services; and larger patent and intellectual property portfolios. As a result, they may be able to adapt better than we can to new or emerging technologies and changes in customer requirements, or to devote greater resources to the promotion and sale of their products. Furthermore, some of our competitors with more diversified product portfolios and larger customer bases may be better able to withstand a reduction in spending on information and network security solutions and a general slowdown or recession in economic conditions in the markets in which they operate. In addition, some of our competitors have greater financial resources than we do, and they have offered, and in the future may offer, their products at lower prices than we do, particularly when economic conditions are weak, which may cause us to lose sales or to reduce our prices in response to competition.

In addition, consolidation in the markets in which we compete may affect our competitive position. This is particularly true in circumstances where customers are seeking to obtain a broader set of products and services than we are able to provide. The markets in which we compete also include many niche competitors, generally smaller companies at a relatively early stage of operations, which are focused on specific Internet and data security needs. These companies' specialized focus may enable them to adapt better than we can to new or emerging technologies and changes in customer requirements in their specific areas of focus. In addition, some of these companies can invest relatively large resources on very specific technologies or customer segments. The effect of these companies' activities in the market may result in price reductions, reduced gross margins and loss of market share, any of which will materially adversely affect our business, operating results, and financial condition.

Further, vendors of operating system software or networking hardware may enhance their products to include functionality that is currently provided by our products. The widespread inclusion of similar functionality to that which is offered by our solutions, as standard features of operating system software or networking hardware, could significantly reduce the demand for our products, particularly if the quality of such functionality were comparable to that of our products. Furthermore, even if the network or application security functionality provided as standard features by operating systems software or networking hardware is more limited than that of our solutions, a significant number of customers may elect to accept more limited functionality in lieu of purchasing additional products.

We may not be able to continue competing successfully against our current and future competitors, and increased competition may result in price reductions, reduced gross margins, and loss of market share, any of which will materially adversely affect our business, operating results, and financial condition. If any of the events described above occur, our business, operating results and financial condition could be materially adversely affected. Additional details are provided in "Item 4 – Information on Check Point."

If we fail to enhance our existing products, develop or acquire new and more technologically advanced products, or fail to successfully commercialize these products, our business and results of operations will suffer

The information and network security industry is characterized by rapid technological advances, changes in customer requirements, frequent new product introductions and enhancements, and evolving industry standards in computer hardware and software technology. In particular, the markets for data security, Internet, and intranet applications are rapidly evolving. As a result, we must continually change and improve our products in response to changes in operating systems, application software, computer and communications hardware, networking software, programming tools, and computer language technology. Further, we must continuously improve our products to protect our customers' data and networks from evolving security threats.

Our future operating results will depend upon our ability to enhance our current products and to develop and introduce new products on a timely basis; to address the increasingly sophisticated needs of our customers; and to keep pace with technological developments, new competitive product offerings, and emerging industry standards. Our competitors' introduction of products embodying new technologies and the emergence of new industry standards may render our existing products obsolete or unmarketable. While we have historically been successful in developing, acquiring, and marketing new products and product enhancements that respond to technological change and evolving industry standards, we may not be able to continue to do so. In addition, we may experience difficulties that could delay or prevent the successful development, introduction, and marketing of these products, as well as the integration of acquired products. Furthermore, our new products or product enhancements may not adequately meet the requirements of the marketplace or achieve market acceptance. In some cases, a new product or product enhancements may negatively affect sales of our existing products. If we do not respond adequately to the need to develop and introduce new products or enhancements of existing products in a timely manner in response to changing market conditions or customer requirements, our business, operating results and financial condition may be materially adversely affected. Additional details are provided in "Item 4 – Information on Check Point" and under the caption "We may not be able to successfully compete" in this "Item 3 – Key Information – Risk Factors."

Product defects may increase our costs and impair the market acceptance of our products and technology

Our products are complex and must meet stringent quality requirements. They may contain undetected hardware or software errors or defects, especially when new or acquired products are introduced or when new versions are released. In particular, the personal computer hardware environment is characterized by a wide variety of non-standard configurations that make pre-release testing for programming or compatibility errors very difficult and time-consuming. We may need to divert the attention of our engineering personnel from our research and development efforts to address instances of errors or defects. In addition, we may in the future incur costs associated with warranty claims.

Our products are used to deploy and manage Internet security and protect information, which may be critical to organizations. As a result, the sale and support of our products entails the risk of product liability and related claims. We do not know whether, in the future, we will be subject to liability claims or litigation for damages related to product errors, or will experience delays as a result of these errors. Our sales agreements and product licenses typically contain provisions designed to limit our exposure to potential product liability or related claims. In selling our products, we rely primarily on "shrink wrap" licenses that are not signed by the end user, and for this and other reasons, these licenses may be unenforceable under the laws of some jurisdictions. As a result, the limitation of liability provisions contained in these licenses may not be effective. Although we maintain product liability insurance for most of our products, the coverage limits of these policies may not provide sufficient protection against an asserted claim. If litigation were to arise, it could, regardless of its outcome, result in substantial expense to us, significantly divert the efforts of our technical and management personnel, and disrupt or otherwise severely impact our relationships with current and potential customers. In addition, if any of our products fail to meet specifications or have reliability, quality or compatibility problems, our reputation could be damaged significantly and customers might be reluctant to buy our products, which could result in a decline in revenues, a loss of existing customers, and difficulty attracting new customers.

We are subject to risks relating to acquisitions

We have made acquisitions in the past and we may make additional acquisitions in the future. The pursuit of acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not they are consummated.



Competition within our industry for acquisitions of businesses, technologies, assets and product lines has been, and may in the future continue to be, intense. As such, even if we are able to identify an acquisition that we would like to consummate, we may not be able to complete the acquisition on commercially reasonable terms or because the target is acquired by another company. Furthermore, in the event that we are able to identify and consummate any future acquisitions, we could:

- § issue equity securities which would dilute current shareholders' percentage ownership;
- § incur substantial debt;
- § assume contingent liabilities; or
- § expend significant cash.

These financing activities or expenditures could harm our business, operating results and financial condition or the price of our ordinary shares. Alternatively, due to difficulties in the capital and credit markets, we may be unable to secure capital on acceptable terms, or at all, to complete acquisitions.

In addition, if we acquire additional businesses, we may not be able to integrate the acquired personnel, operations, and technologies successfully or effectively manage the combined business following the completion of the acquisition. We may also not achieve the anticipated benefits from the acquired business due to a number of factors, including:

- § unanticipated costs or liabilities associated with the acquisition;
- § incurrence of acquisition-related costs;
- § diversion of management's attention from other business concerns;
- § harm to our existing business relationships with manufacturers, distributors and customers as a result of the acquisition;
- § the potential loss of key employees;
- § use of resources that are needed in other parts of our business;
- § use of substantial portions of our available cash to consummate the acquisition; or
- § unrealistic goals or projections for the acquisition.

Moreover, even if we do obtain benefits from acquisitions in the form of increased sales and earnings, there may be a delay between the time when the expenses associated with an acquisition are incurred and the time when we recognize such benefits.

We are dependent on a small number of distributors

We derive our sales primarily through indirect channels. During 2009, we derived approximately 58% of our sales from our 10 largest distributors, with the largest distributor accounting for approximately 18% of our sales, and the second largest distributor accounting for approximately 17% of our sales. During 2008, these two distributors

accounted for approximately 30% of our sales in the aggregate. We expect that a small number of distributors will continue to generate a significant portion of our sales. Furthermore, there has been an industry trend toward consolidation among distributors, and we expect this trend to continue in the near future which could further increase our reliance on a small number of distributors for a significant portion of our sales. If these distributors reduce the amount of their purchases from us for any reason, including because they choose to focus their efforts on the sales of the products of our competitors, our business, operating results and financial condition could be materially adversely affected.

Our future success is highly dependent upon our ability to establish and maintain successful relationships with our distributors. In addition, we rely on these entities to provide many of the training and support services for our products and equipment. Accordingly, our success depends in large part on the effective performance of these distributors. Recruiting and retaining qualified distributors and training them in our technology and products requires significant time and resources. Further, we have no long-term contracts or minimum purchase commitments with any of our distributors, and our contracts with these distributors do not prohibit them from offering products or services that compete with ours. Our competitors may be effective in providing incentives to existing and potential distributors to favor their products or to prevent or reduce sales of our products. Our distributors may choose not to offer our products exclusively or at all. Our failure to establish and maintain successful relationships with distributors would likely materially adversely affect our business, operating results and financial condition.

We purchase several key components and finished products from sole or limited sources, and we are increasingly dependent on contract manufacturers for our hardware products.

Many components, subassemblies and modules necessary for the manufacture or integration of our hardware products are obtained from a sole supplier or a limited group of suppliers. Our reliance on sole or limited suppliers, particularly foreign suppliers, and our reliance on subcontractors involves several risks, including a potential inability to obtain an adequate supply of required components, subassemblies or modules and limited control over pricing, quality and timely delivery of components, subassemblies or modules. Replacing suppliers may be difficult and could result in an inability or delay in producing designated hardware products. Substantial delays would have a material adverse impact on our business.

Managing our supplier and contractor relationships is particularly difficult during time periods in which we introduce new products and during time periods in which demand for our products is increasing, especially if demand increases more quickly than we expect.

We are dependent on a limited number of product families

Currently, we derive the majority of our revenues from sales of integrated appliances and Internet security products primarily under our UTM-1, Power-1, IP Series and related brands, as well as related revenues from software updates, maintenance and other services. We expect that this concentration of revenues from a small number of product families will continue to be the case in the foreseeable future. Endpoint security products and associated software updates, maintenance and support services represent an additional revenue source. Our future growth depends heavily on our ability to effectively develop and sell new and acquired products as well as add new features to existing products. For more details, see “Item 4 – Information on Check Point” and “Item 5 – Operating and Financial Review and Prospects.”

We incorporate third party technology in our products, which may make us dependent on the providers of these technologies and expose us to potential intellectual property claims

Our products contain certain technology that we license from other companies. Third party developers or owners of technologies may not be willing to enter into, or renew, license agreements with us regarding technologies that we may wish to incorporate in our products, either on acceptable terms or at all. If we cannot obtain licenses to these technologies, we may be at a disadvantage compared with our competitors who are able to license these technologies. In addition, when we do obtain licenses to third party technologies that we did not develop, we may have little or no ability to determine in advance whether the technology infringes the intellectual property rights of others. Our suppliers and licensors may not be required or may not be able to indemnify us in the event that a claim of infringement is asserted against us, or they may be required to indemnify us only up to a maximum amount, above which we would be responsible for any further costs or damages. Any failure to obtain licenses to intellectual property or any exposure to liability as a result of incorporating third party technology into our products could material and adversely affect our business, results or operations and financing condition.

We incorporate open source technology in our products which may expose us to liability and have a material impact on our product development and sales

Some of our products utilize open source technologies. These technologies are licensed to us under varying license structures, including the General Public License. If we have improperly integrated, or in the future improperly integrate software that is subject to such licenses into our products, in such a way that our software becomes subject to the General Public License, we may be required to disclose our own source code to the public. This could enable our competitors to eliminate any technological advantage that our products may have over theirs. Any such requirement to

disclose our source code or other confidential information related to our products could materially and adversely affect our competitive position and impact our business, results of operations and financial condition.

We are the defendants in various lawsuits and are also subject to certain tax disputes and governmental proceedings, which could adversely affect our business, results of operations and financial condition

We operate our business in various countries, and accordingly attempt to utilize an efficient operating model to optimize our tax payments based on the laws in the countries in which we operate. This can cause disputes between us and various tax authorities in different parts of the world.

In particular, following audits of our 2002 and 2003 corporate tax returns, the Israeli Tax Authority (the "ITA") issued orders challenging our positions on several issues, including matters, such as the usage of funds earned by our approved enterprise for investments outside of Israel, deductibility of employee stock options expenses, percentage of foreign ownership of our shares, taxation of interest earned outside of Israel and deductibility of research and development expenses. The largest amount in dispute relates to the treatment of financial income on cash that is held and managed by our wholly-owned Singapore subsidiary, which the ITA is seeking to tax in Israel. In an additional challenge to this amount, the ITA reclassified the transfer of funds from Check Point to our subsidiary in Singapore as a dividend for purposes of the Law for the Encouragement of Capital Investments, which would result in tax on the funds transferred. The ITA orders also contest our positions on various other issues. The ITA, therefore, demanded the payment of additional taxes in the aggregate amount of NIS 963 million with respect to 2002 (assessment received on December 27, 2007) and NIS 151 million with respect to 2003 (assessment received on May 29, 2008), in each case including interest as of the assessment date. We have appealed the orders relating to both years with the Tel Aviv District Court, and these appeals are pending. There can be no assurance that the court will accept our positions on these matters or others and, in such an event, we may record additional tax expenses if these matters are settled for amounts in excess of our current provisions. In addition the ITA is currently examining the income tax returns for the years 2004-2007. The ITA has issued a preliminary assessment under which it demanded the payment of additional taxes in the aggregate amount of NIS 817 million with respect to these years (assessment received on August 2, 2009) including interest as of the assessment date. We appealed such assessment and the ITA is currently conducting a re-examination. There can be no assurance that the ITA will accept our positions on matters raised and, in such an event, an order will be issued.

We have also been named as a defendant in three patent related lawsuits: 1) Information Protection and Authentication of Texas, LLC filed a complaint against us on December 30, 2008, in the Eastern District of Texas, alleging infringement by us of U.S. patents nos. 5,311,591 and 5,412,717 and seeking an injunction and an unspecified amount of damages; 2) Enhanced Security Research filed a complaint against us on June 6, 2009, in the District of Delaware, alleging patent infringement; and 3) MPH filed a complaint against us on February 3, 2010, in the Northern District Of Illinois, alleging patent infringement. All of the above complaints are filed against multiple security vendors and all of the plaintiffs are non practicing entities. They are businesses established to hold the patent. We currently intend to vigorously defend these claims. However, as with most litigation, the outcome is difficult to determine.

We are currently engaged in various legal disputes with two minority shareholders of our subsidiary SofaWare Technologies Ltd. Both of these shareholders are alleging that we are oppressing them as minority shareholders. One of them is seeking to compel us to purchase his shares, currently values his shares at NIS 16 million, and is seeking judicial appraisal with respect to his shares. The other minority shareholder is seeking remedies that include restrictions on our ability to develop products that compete with SofaWare, and changes in SofaWare's board of directors. The same shareholder also filed a derivative claim against us on behalf of SofaWare. On February 14, 2008, the court hearing this case partially accepted the derivative claim and ordered that we pay SofaWare NIS 13 million plus interest. Both parties have appealed this ruling. We are also engaged in additional litigation with these two minority shareholders. We believe that the claims filed by these two minority shareholders are without merit and intend to continue to contest these claims vigorously.



Further, we are the defendant in various other lawsuits, including employment-related litigation claims, lease termination claims and other legal proceedings in the normal course of our business. Litigation and governmental proceedings can be expensive, lengthy and disruptive to normal business operations, and can require extensive management attention and resources, regardless of their merit. While we currently intend to defend the aforementioned matters vigorously, we cannot predict the results of complex legal proceedings, and an unfavorable resolution of a lawsuit or proceeding could materially adversely affect our business, results of operations and financial condition. See also “Item 8 – Financial Information” under the caption “Legal Proceedings.”

Class action litigation due to stock price volatility or other factors could cause us to incur substantial costs and divert our management’s attention and resources

In the past, following periods of volatility in the market price of a public company’s securities, securities class action litigation has often been instituted against that company. Companies such as ours in the software industry, and other technology industries, are particularly vulnerable to this kind of litigation as a result of the volatility of their stock prices. We have been named as a defendant in this type of litigation in the past. Any litigation of this sort could result in substantial costs and a diversion of management’s attention and resources.

We may not be able to successfully protect our intellectual property rights

We seek to protect our proprietary technology by relying on a combination of statutory as well as common law copyright and trademark laws, trade secrets, confidentiality procedures, and contractual provisions as indicated below in the section entitled “Proprietary Rights” in “Item 4 – Information on Check Point.” We have certain patents in the United States and in some other countries, as well as pending patent applications. We cannot assure you that pending patent applications will be issued, either at all or within the scope of the patent claims that we have submitted. In addition, someone else may challenge our patents and these patents may be found invalid. Furthermore, others may develop technologies that are similar to or better than ours, or may work around any patents issued to us. Despite our efforts to protect our proprietary rights, others may copy aspects of our products or obtain and use information that we consider proprietary. Although we do not know the extent to which there is piracy of our software products, software piracy is a persistent problem. We try to police this type of activity, but it is difficult to do so effectively. In addition, the laws of some foreign countries do not protect our proprietary rights to the same extent as the laws of the United States, Israel or Sweden. Our efforts to protect our proprietary rights may not be adequate and our competitors may independently develop technology that is similar to our technology. If we are unable to secure, protect, and enforce our intellectual property rights, such failure could harm our brand and adversely impact our business, financial condition, and results of operations.

If a third-party asserts that we are infringing its intellectual property, whether successful or not, it could subject us to costly and time-consuming litigation or expensive licenses, which could harm our business

There is considerable patent and other intellectual property development activity in our industry. Our success depends, in part, upon our ability not to infringe upon the intellectual property rights of others. Our competitors, as well as a number of other entities and individuals, own or claim to own intellectual property relating to our industry. From time to time, third parties may claim that we are infringing upon their intellectual property rights, and we may be found to be infringing upon such rights. As noted above, we have been named in three patent related intellectual property lawsuits. In addition, third-parties have in the past sent us correspondence regarding their intellectual property and in the future we may receive claims that our products infringe or violate their intellectual property rights. Furthermore, we may be unaware of the intellectual property rights of others that may cover some or all of our technology or products. Any claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or royalty payments, prevent us from selling our products, or require that we comply with other unfavorable terms. In addition, we may decide to pay substantial settlement costs and/or

licensing fees in connection with any claim or litigation, whether or not successfully asserted against us. Even if we were to prevail, any litigation regarding our intellectual property could be costly and time-consuming and divert the attention of our management and key personnel from our business operations. As such, third-party claims with respect to intellectual property may increase our cost of goods sold or reduce the sales of our products, and may have a material and adverse effect on our business.

We are exposed to various legal, business, political and economic risks associated with international operations; these risks could increase our costs, reduce future growth opportunities and affect our results of operations

We sell our products worldwide, and we book a significant portion of our revenue outside the United States. We intend to continue to expand our international operations, which will require significant management attention and financial resources. In order to continue to expand worldwide, we will need to establish additional operations, hire additional personnel and recruit additional channel partners, internationally. To the extent that we are unable to do so effectively, our growth is likely to be limited and our business, operating results and financial condition may be materially adversely affected.

Our international revenues and operations subject us to many potential risks inherent in international business activities, including, but not limited to:

- § technology import and export license requirements;
- § costs of localizing our products for foreign countries, and the lack of acceptance of localized products in foreign countries;
- § trade restrictions;
- § imposition of or increases in tariffs or other payments on our revenues in these markets;
- § changes in regulatory requirements;
- § greater difficulty in protecting intellectual property;
- § difficulties in managing our overseas subsidiaries and our international operations;
- § declines in general economic conditions;
- § political instability and civil unrest which could discourage investment and complicate our dealings with governments;
- § difficulties in complying with a variety of foreign laws and legal standards;
- § expropriation and confiscation of assets and facilities;
- § difficulties in collecting receivables from foreign entities or delayed revenue recognition;
- § differing labor standards;
- § potentially adverse tax consequences, including taxation of a portion of our revenues at higher rates than the tax rate that applies to us in Israel;
- § fluctuations in currency exchange rates and the impact of such fluctuations on our results of operations and financial position; and
- § the introduction of exchange controls and other restrictions by foreign governments.

These difficulties could cause our revenues to decline, increase our costs or both. This is also specifically tied to currency exchange rates which has an impact on our financial statements based on currency rate fluctuations.

Compliance with new and changing corporate governance and public disclosure requirements adds uncertainty to our compliance policies and increases our costs of compliance

Changing laws, regulations and standards relating to accounting, corporate governance and public disclosure, including the Sarbanes-Oxley Act of 2002, new SEC regulations and NASDAQ Global Select Market rules are creating uncertainty for companies like ours. These new or changed laws, regulations and standards may lack specificity and are subject to varying interpretations. Their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such governance standards.

In particular, continuing compliance with Section 404 of the Sarbanes-Oxley Act of 2002 and the related regulations regarding our required assessment of our internal control over financial reporting requires the commitment of significant financial and managerial resources and external auditor's independent attestation on management's assessment of the internal control over financial reporting.

In connection with our Annual Report on Form 20-F for fiscal 2009, our management assessed our internal control over financial reporting, and determined that our internal control over financial reporting was effective as of December 31, 2009, and our independent auditors have expressed an unqualified opinion over the effectiveness of our internal control over financial reporting as of the end of such period. However, we will undertake management assessments of our internal control over financial reporting in connection with each annual report, and any deficiencies uncovered by these assessments or any inability of our auditors to issue an unqualified report could harm our reputation and the price of our ordinary shares.

If we fail to comply with new or changed laws or regulations, our business and reputation may be harmed.

We are controlled by a small number of shareholders who may make decisions with which you or others may disagree

As of January 31, 2010, our directors and executive officers owned approximately 20.8% of the voting power of our outstanding ordinary shares, or 24.3% of our outstanding ordinary shares if the percentage includes options currently exercisable or exercisable within 60 days of January 31, 2010 (the exercise price of some of these options is greater than our current share market price). The interests of these shareholders may differ from your interests and present a conflict. If these shareholders act together, they could exercise significant influence over our operations and business strategy. For example, although these shareholders hold considerably less than a majority of our outstanding ordinary shares, they may have sufficient voting power to influence matters requiring approval by our shareholders, including the election and removal of directors and the approval or rejection of mergers or other business combination transactions. In addition, this concentration of ownership may delay, prevent or deter a change in control, or deprive a shareholder of a possible premium for its ordinary shares as part of a sale of our company.

We may be required to indemnify our directors and officers in certain circumstances

We have entered into agreements with each of our directors and senior officers to insure, indemnify and exculpate them against some types of claims, subject to dollar limits and other limitations. Subject to Israeli law, these agreements provide that we will indemnify each of these directors and senior officers for any of the following liabilities or expenses that they may incur due to an act performed or failure to act in their capacity as our director or senior officer:

- § Monetary liability imposed on the director or senior officer in favor of a third party in a judgment, including a settlement or an arbitral award confirmed by a court.

- § Reasonable legal costs, including attorneys' fees, expended by a director or senior officer as a result of an investigation or proceeding instituted against the director or senior officer by a competent authority; provided, however, that such investigation or proceeding concludes without the filing of an indictment against the director or senior officer and either:
- o No financial liability was imposed on the director or senior officer in lieu of criminal proceedings, or
  - o Financial liability was imposed on the director or senior officer in lieu of criminal proceedings, but the alleged criminal offense does not require proof of criminal intent.

- § Reasonable legal costs, including attorneys' fees, expended by the director or senior officer or for which the director or senior officer is charged by a court:
- o In an action brought against the director or senior officer by us, on our behalf or on behalf of a third party,
  - o In a criminal action in which the director or senior officer is found innocent, or
  - o In a criminal action in which the director or senior officer is convicted, but in which proof of criminal intent is not required.

Our cash balances and investment portfolio have been, and may continue to be, adversely affected by market conditions and interest rates

We maintain substantial balances of cash and liquid investments, for purposes of acquisitions and general corporate purposes. Our cash, cash equivalents and marketable securities totaled \$1,847 million as of December 31, 2009. The performance of the capital markets affects the values of funds that are held in marketable securities. These assets are subject to market fluctuations and various developments, including, without limitation, rating agency downgrades that may impair their value. During 2008 and 2009, we recorded an other-than-temporary impairment of marketable securities in the amount of \$11.2 million and \$3.1 million respectively. We expect that market conditions will continue to fluctuate and that the fair value of our investments may be affected accordingly.

Financial income is an important component of our net income. The outlook for our financial income is dependent on many factors, some of which are beyond our control, and they include the future direction of interest rates, the amount of any share repurchases or acquisitions that we effect and the amount of cash flows from operations that are available for investment. We rely on third-party money managers to manage the majority of our investment portfolio in a risk-controlled framework. Our investment portfolio throughout the world is invested in fixed-income securities and is affected by changes in interest rates which have declined considerably. Interest rates are highly sensitive to many factors, including governmental monetary policies and domestic and international economic and political conditions. In a declining interest rate environment, borrowers may seek to refinance their borrowings at lower rates and, accordingly, prepay or redeem securities we hold more quickly than we initially expected. This action may cause us to reinvest the redeemed proceeds in lower yielding investments. Any significant decline in our financial income or the value of our investments as a result of falling interest rates, deterioration in the credit of the securities in which we have invested, or general market conditions, could have an adverse effect on our results of operations and financial condition.

We generally buy and hold our portfolio positions, while minimizing credit risk by setting maximum concentration limit per issuer and credit rating. Our investments consist primarily of government and corporate debentures. Although we believe that we generally adhere to conservative investment guidelines, the continuing turmoil in the financial markets may result in impairments of the carrying value of our investment assets. We classify our investments as available-for-sale. Changes in the fair value of investments classified as available-for-sale are not recognized to income during the period, but rather are recognized as a separate component of equity until realized. Realized losses in our investments portfolio may adversely affect our financial position and results. Had we reported all the changes in the fair values of our investments into income, our reported net income for the year ended December 31, 2009, would have increased by \$12.6 million.

Our business and operations are subject to the risks of earthquakes, fire, floods and other natural catastrophic events, as well as manmade problems such as power disruptions or terrorism

Our headquarters in the United States, as well as certain of our research and development operations, are located in the Silicon Valley area of Northern California, a region known for seismic activity. We also have significant operations in other regions that have experienced natural disasters. We also rely on information technology systems to communicate among our workforce located worldwide. Any disruption to our internal communications, whether caused by a natural disaster or by manmade problems, such as power disruptions or terrorism, could delay our research and development efforts. A significant natural disaster or manmade problem could damage our operations and properties, and adversely affect our business, operating results, and financial condition.

#### Risks Related to Our Operations in Israel

Potential political, economic and military instability in Israel, where our principal executive offices and our principal research and development facilities are located, may adversely affect our results of operations

We are incorporated under the laws of the State of Israel, and our principal executive offices and principal research and development facilities are located in Israel. Accordingly, political, economic and military conditions in and surrounding Israel may directly affect our business. Since the State of Israel was established in 1948, a number of armed conflicts have occurred between Israel and its Arab neighbors, and recent years have witnessed increased terrorist activity within Israel. Terrorist attacks and hostilities within Israel, the hostilities between Israel and Hezbollah, and Israel and Hamas, the conflict between Hamas and Fatah, as well as tensions between Israel and Iran, have also heightened these risks. Any hostilities involving Israel, a significant increase in terrorism or the interruption or curtailment of trade between Israel and its present trading partners, or a significant downturn in the economic or financial condition of Israel, could materially adversely affect our operations. Ongoing and revived hostilities or other Israeli political or economic factors could materially adversely affect our business, operating results and financial condition.

Our operations may be disrupted by the obligations of our personnel to perform military service

Many of our officers and employees in Israel are obligated to perform annual military reserve duty in the Israel Defense Forces, in the event of a military conflict, could be called to active duty. Our operations could be disrupted by the absence of a significant number of our employees related to military service or the absence for extended periods of military service of one or more of our key employees. Military service requirements for our employees could materially adversely affect our business, operating results and financial condition.

The tax benefits available to us require us to meet several conditions, and may be terminated or reduced in the future, which would increase our taxes.

For the year ended December 31, 2009, our effective tax rate was 20%. There can be no assurance that our effective tax rate will not change over time as a result of changes in corporate income tax rates, changes in the tax laws of the various countries in which we operate and fluctuations in the growth rate of our business. We have benefited or currently benefit from a variety of government programs and tax benefits that generally carry conditions that we must meet in order to be eligible to obtain any benefit.

If we fail to meet the conditions upon which certain favorable tax treatment is based, we would not be able to claim future tax benefits and could be required to refund tax benefits already received. Additionally, some of these programs and the related tax benefits are available to us for a limited number of years, and these benefits expire from time to time.



Any of the following could have a material effect on our overall effective tax rate:

- § Some programs may be discontinued,
- § We may be unable to meet the requirements for continuing to qualify for some programs,
- § These programs and tax benefits may be unavailable at their current levels,
- § Upon expiration of a particular benefit, we may not be eligible to participate in a new program or qualify for a new tax benefit that would offset the loss of the expiring tax benefit, or
- § We may be required to refund previously recognized tax benefits if we are found to be in violation of the stipulated conditions.

Additional details are provided in “Item 5 – Operating and Financial Review and Products” under the caption “Taxes on income”, in “Item 10 – Additional Information” under the caption “Israeli taxation, foreign exchange regulation and investment programs”, and in notes 10b and 11 to our consolidated financial statements.

Provisions of Israeli law and our articles of association may delay, prevent or make difficult an acquisition of us, prevent a change of control, and negatively impact our share price

Israeli corporate law regulates acquisitions of shares through tender offers and mergers, requires special approvals for transactions involving directors, officers or significant shareholders, and regulates other matters that may be relevant to these types of transactions. Furthermore, Israeli tax considerations may make potential acquisition transactions unappealing to us or to some of our shareholders. For example, Israeli tax law may subject a shareholder who exchanges his or her ordinary shares for shares in a foreign corporation, to taxation before disposition of the investment in the foreign corporation. These provisions of Israeli law may delay, prevent or make difficult an acquisition of our company, which could prevent a change of control and, therefore, depress the price of our shares.

In addition, our articles of association contain certain provisions that may make it more difficult to acquire us, such as the provision which provides that our board of directors may issue preferred shares. These provisions may have the effect of delaying or deterring a change in control of us, thereby limiting the opportunity for shareholders to receive a premium for their shares and possibly affecting the price that some investors are willing to pay for our securities.

Additional details are provided in “Item 10 – Additional Information” under the caption “Articles of association and Israeli Companies Law – Anti-takeover measures.”

Our operations expose us to risks associated with fluctuations in foreign currency exchange rates that could adversely affect our business

Although we have operations throughout the world, the majority of our revenue and approximately 59% of our operating costs in 2009 were denominated in, or linked to, the U.S. dollar. Accordingly, we consider the U.S. dollar to be our functional currency. However, approximately 41% of our operating costs in 2009 were incurred in other currencies, particularly in Israeli Shekels, Euros, Swedish Krona and British Pounds. As a result of from time to time we may experience increases in the costs of our operations outside the United States, as expressed in dollars, which could have a material adverse effect on our results of operations and financial condition.

We use derivative financial instruments, such as foreign exchange forward and option contracts, to mitigate the risk of changes in foreign exchange rates on balance sheet accounts and forecast cash flows. We may not purchase derivative

instruments adequate to insulate ourselves from foreign currency exchange risks and over the past year, we have incurred losses as a result of exchange rate fluctuations that have not been offset in full by our hedging strategy.

If foreign exchange currency markets continue to be volatile, such fluctuations in foreign currency exchange rates could materially and adversely affect our profit margins and results of operations in future periods. Also, the volatility in the foreign currency markets may make it challenging to hedge our foreign currency exposures effectively.

The imposition of exchange or price controls or other restrictions on the conversion of foreign currencies could also have a material adverse effect on our business, results of operations and financial condition.

#### ITEM 4. INFORMATION ON CHECK POINT SOFTWARE TECHNOLOGIES

##### Overview

Check Point's mission is to secure the Internet. Check Point was founded in 1993, and has since developed technologies to secure the use of the Internet by corporations and consumers when transacting and communicating. Seventeen years ago, risks and threats were limited and securing the Internet was relatively simple. A firewall and an antivirus solution were generally enough to secure a business. Today, many enterprises require many (in some cases 15 or more) point solutions to secure their information technology (IT) networks from the multitude of threats and potential attacks and are facing an increasingly complex IT security infrastructure.

While Check Point's mission is to secure the Internet, our core competency is reducing complexity in Internet security. We strive to solve the security maze by bringing more, better and simpler security solutions to our customers.

Check Point develops, markets and supports a wide range of software, as well as combined hardware and software products and services for IT security. We offer our customers an extensive portfolio of network and gateway security solutions, data and endpoint security solutions and management solutions. Our solutions operate under a unified security architecture that enables end-to-end security with a single line of unified security gateways, and allow a single agent for all endpoint security that can be managed from a single unified management console. This unified management allows for ease of deployment and centralized control and is supported by and reinforced with real-time security updates.

Check Point was an industry pioneer with our FireWall-1 and our patented Stateful Inspection technology. In 2009, Check Point continued to innovate with the development of our Software Blade architecture. The dynamic Software Blade architecture delivers secure, flexible and simple solutions that can be customized to meet the security needs of any organization or environment.

Our products and services are sold to enterprises, service providers, small and medium sized businesses and consumers. Our Open Platform for Security (OPSEC) framework allows customers to extend the capabilities of our products and services with third-party hardware and security software applications. Our products are sold, integrated and serviced by a network of partners worldwide. Check Point customers include tens of thousands of businesses and organizations of all sizes including all Fortune 100 companies. Check Point's award-winning ZoneAlarm solutions protect millions of consumers from hackers, spyware and identity theft.

## Business Highlights

In April 2009, we completed the acquisition of the security appliance business from Nokia pursuant to the terms of an Asset Purchase Agreement entered into on December 22, 2008. Prior to the completion of the acquisition, Check Point had collaborated with Nokia's security appliance business over the past decade to deliver industry-leading enterprise security solutions. Since completing the acquisition, we have been extending the security appliance portfolio that is developed, manufactured and supported by Check Point.

In November 2009, we acquired the application database of Facetime Communications. With the acquisition of the industry's most comprehensive application classification and signature database, Check Point has been able to add security controls for over 50,000 Web 2.0 widgets and more than 4,500 Internet applications to its security gateways. The new solutions enabled by this acquisition provide businesses granular control over application usage and enable security administrators to prevent threats associated with the use of certain Internet applications.

Additional details regarding the important events in the development of our business since the beginning of 2009 are provided in "Item 5 – Operating and Financial Review and Prospects" under the caption "Overview."

We were incorporated as a company under the laws of the State of Israel in 1993 under the name of "Check Point Software Technologies Ltd." Our registered office and principal place of business is located at 5 Ha'Solelim Street, Tel Aviv 67897 Israel. The telephone number of our registered office is 972-3-753-4555. Our company's Web site is [www.checkpoint.com](http://www.checkpoint.com). The contents of our Web site are not incorporated by reference into this Annual Report on Form 20-F.

This Annual Report on Form 20-F is available on our Web site. If you would like to receive a printed copy via mail, please contact our Investor Relations department at 800 Bridge Parkway, Redwood City, CA 94065, U.S.A., Tel.: 650-628-2050, email: [ir@us.checkpoint.com](mailto:ir@us.checkpoint.com).

Our agent for service of process in the United States is CT Corporation System, 818 West Seventh Street, Los Angeles, CA 90017 U.S.A., Tel.: 213-627-8252.

## Industry Background

Several key factors and trends affect enterprise security. The first is the continuing evolution of threats and attacks, which over the years have become more sophisticated and targeted. Hackers use technology, the Internet and deception to acquire sensitive information. New threats such as drive-by downloads are polluting the Web by downloading malicious code on to a user's PC to steal confidential and marketable information. The Gumbler.cn exploit is a good example of a sophisticated attack. It targets users of Internet Explorer and Google search, delivering malware through compromised sites to infect a user's PC and subsequently intercept traffic between the user and the visited sites. Once infected, anything that is typed into the infected PC could be monitored and used to commit data theft.

The second challenge is the mounting number of governmental regulations around the world on data privacy and compliance. Enterprises need to put in place data security technologies to protect themselves from violating applicable law regarding data privacy and protection, and avoid experiencing data loss or data theft which could cause them to suffer reputational harm and governmental sanctions, fines and penalties.

The third factor is the growing number of people who work remotely or who conduct their activities over mobile devices. Whether remote or mobile, workers need constant connectivity to the enterprise network. The need for increased connectivity has, in turn, expanded the need to safeguard and manage the access to information available

over IT networks and to secure sensitive information contained on connected systems. In addition, remote and mobile users are looking to access private enterprise networks and information from a growing spectrum of endpoint devices, including laptops, PDAs, smartphones, portable media players, and removable media storage devices.

Finally, another key trend affecting IT security is the complexity of deploying, managing and monitoring the many technologies needed to fully-secure the enterprise IT network. Each security solution comes with its own management console and requires specific training, stretching IT department resources. Integrated security solutions are sought in an effort to keep the security infrastructure simple to manage yet flexible enough to make changes.

### Product Offerings

In an effort to simultaneously address the need for scalable security solutions and the retention of initial investments, Check Point introduced the Software Blade architecture in February 2009. The new architecture provides customers with the ability to tailor their security gateways based on their specific needs at any time. It offers enterprises a common platform to deploy independent, modular and interoperable security applications or “software blades,” such as firewall, virtual private network (VPN), intrusion prevention system (IPS), anti-virus, policy management or event analysis. The new architecture allows customers to select, from a library of over 30 software blades, the exact security they need and to combine these blades into a single, centrally managed solution. Customers can easily extend their security solutions by adding new software blades without the need to purchase additional hardware. This allows our customers to deploy security dynamically, when needed, with lower total cost of ownership, full integration, and on a single management console.

The Software Blade architecture is the foundation of our network, endpoint and security management offerings.

#### 1. Network security gateway software blades and appliances

Our wide range of network security gateways allows our customers to implement their security policies on network traffic between internal networks and the Internet, as well as between internal networks and private networks that are shared with partners. These gateways are available as either appliances or software solutions, providing customers with a broad range of deployment options, including the ability to customize the configuration to best meet their security needs.

Our security gateway product line includes the following offerings to secure traffic and optimize performance:

#### Software Blades:

- § Firewall software blade – Inspects traffic as it passes through security gateways, classifying it based on various criteria, such as source and destination of connection, protocol, services and application used. This provides a means to allow, block and log each connection based on the enterprise’s security policy. Our firewall technology is based on several key differentiated technologies, including the patented Stateful Inspection technology that allows flexible and programmable classification of network traffic.
- § Intrusion Prevention System (IPS) software blade – Monitors the network for malicious or unwanted traffic and is designed to be able to detect and block “known” and “unknown” attacks on the network or system. Our IPS software blade is supported by online security update services that provide the latest defense mechanisms, including “signatures” for the most recent attacks.
- § Virtual Private Networks (VPNs) software blade – Provides the means to enable private communication over a network by encrypting traffic between various sub-networks (site-to-site) or individual computers (such as laptops and other mobile devices) and the enterprise network.
- § Antivirus and Anti-Malware software blade – Stops viruses and other malware at the gateway before they affect users. Enables screening of specific application protocols such as Web traffic to allow/block access to specific

Web addresses based on their content. It also includes screening for viruses to detect downloads of malicious applications.

- § Anti-Spam and Email Security software blade – Provides comprehensive protection for an enterprise’s messaging infrastructure. A multi-dimensional approach protects the email infrastructure, provides highly accurate spam protection, and defends organizations from a wide variety of virus and malware threats delivered within email. Continual updates through a Check Point software update service help to intercept threats before they spread.
- § Web Security software blade – Protects users and enterprises by restricting access to an array of potentially dangerous sites and content, blocking inappropriate Web surfing to over 20 million URLs. Content profiles are updated continually through a Check Point software update service.
- § Acceleration & Clustering software blade – Delivers a set of patented security acceleration technologies, SecureXL and ClusterXL, that work together to optimize performance and increase security in high-performance environments. These technologies improve overall throughput and reduce latency through several different techniques, such as load balancing and sharing.
- § Advanced Networking software blade – Adds dynamic routing, multicast support and Quality of Service (QOS) to security gateways. This software blade makes it easier for administrators to deploy security within complex and highly utilized network environments where performance and availability are critical.

Most of our products are sold as predefined bundles of “software blades”. These systems are offered as software only which run on a variety of operating systems or as “Appliances” that include hardware and software directly from Check Point.

#### Appliances:

- § Power-1 Appliances – Enable enterprises to increase security in high-performance environments, such as large campuses or data centers. Our appliances include, Firewall, IPsec VPN, IPS, Acceleration and Clustering, and Advanced Networking, to deliver a high-performance security platform for multi-Gbps environments.
- § IP Appliances – Proven for years in complex networking and high-performance environments, Check Point IP Appliances, formerly Nokia IP appliances, offer customers turnkey security functionality, such as firewall, VPN and Intrusion Prevention (IPS) across a wide range of models.
- § UTM-1 Appliances – Offer comprehensive all-in-one security designed to deliver out-of-box simplicity that is ideal for small and mid-sized businesses. Built-in security services include firewall, VPN, IPS, antivirus, anti-malware, anti-spam, email security and URL filtering across a wide range of models.

#### Virtualization and Cloud Computing:

Consolidating multipl