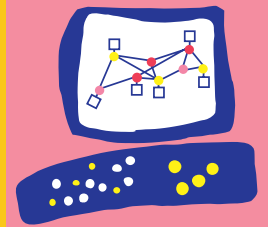


Check Point™

SOFTWARE TECHNOLOGIES LTD.

Letter To Shareholders

Check Point™
SOFTWARE TECHNOLOGIES LTD.



We Secure the Internet.



To Our Shareholders

In a year that brought continued economic challenges to companies in and out of the IT sector, I am very happy to share the significant accomplishments that Check Point has achieved over the past year.

We have maintained solid financial performance, grown our leadership in virtually every market we participate in and made strides into new and emerging markets. We also expanded our technology partnerships with some of the largest companies in the world and continued to deliver innovative solutions, such as our recent release of Next Generation™ with Application Intelligence™, which set Check Point apart from all other security vendors and, more importantly, solved real customer challenges.

Today, millions of users around the world rely on Internet security solutions from Check Point to secure their business communications. In fact, we've installed our security solutions at hundreds of thousands of sites globally, including 97% of the Fortune 100 companies. It's this success and our innovative technologies that have led us to the position of proven market leader, allowing us to continue to drive the evolution of this industry with intelligent, cutting-edge solutions that consistently raise the bar for Internet security.

Solid Financial Performance

The global technology sector experienced continued slowdown in the years 2001 and 2002. Despite these challenging macro-economic conditions, Check Point has continued to demonstrate successful business controls and high levels of profitability. Net income for the year ended December 31, 2002 was \$255 million, or \$1.00 per share (diluted), compared to \$322 million, or \$1.25 per share (diluted) during fiscal year 2001. Revenues for the year ended December 31, 2002 were \$427 million, compared to \$528 million for 2001. Check Point's products and solutions were sold to users around the globe, with 43% sold in the Americas, 41% in Europe, the Middle East and Africa and 16% in Asia Pacific and Japan.

Since the IT market peaked in 2000, very few IT companies that focused on networking and the Internet were able to maintain good results, however, our 2002 revenues remained at the same solid level as 2000. Additionally, we were able to increase our operating income by 11%, net income by 15% and earnings per share (EPS) by 19% during this two year period. Our operating margins grew to 60% and we doubled our cash position to \$1.3 billion by the end of 2002. While many companies have experienced layoffs, reorganizations, write-offs and other significant measures to improve their business and cost structures, Check Point has remained on a steady course and used its financial resources wisely. We persistently manage our resources to yield the greatest results, for the benefit of our shareholders, customers, partners and employees. While our financial controls and short-term company performance are important, we are still able to deliver incredible innovations while advancing our long-term business strategies.

Redefining Internet Security

Internet attacks are becoming more and more sophisticated, with the most damaging attacks being application-driven. CERT®, the first computer security incident response team, has noted that there have been 80,000 attack incidents in 2002 alone. Check Point is once again redefining Internet security with the recent unveiling of our Next Generation with Application Intelligence product suite — the industry's only comprehensive, integrated solution for protecting against both network and application attacks. Integrating Check Point's patented Stateful Inspection, which revolutionized Internet security and has become the de facto standard, Next Generation with Application Intelligence is a breakthrough we are extremely excited about and confident will be a growth driver for us in the future.

Over the past year, Check Point took additional technological leaps forward, including the introduction of Application Intelligence's precursor, SmartDefense™, as well as major advances in securing the wireless world, emerging technologies and elevating performance levels to unprecedented heights.

Recognizing that Internet security must always stay dynamic, Check Point unveiled SmartDefense, the industry's first Internet security solution to combine attack detection and response, real-time information and online updates in a powerful, centralized

solution for defeating known and unknown network attacks. Lauded throughout the industry for setting new standards in Internet security, SmartDefense set Check Point solidly on the path of Active Defense and became the springboard for Application Intelligence.

In this same spirit of innovation, Check Point continued to enhance its client VPN solutions. Our primary solution, VPN-1® SecureClient™ offers the industry's most comprehensive VPN capabilities, an integrated personal firewall with the security policy defined at the corporate level. This enables users to securely connect to their business network from other companies and wireless "hotspots" in airports, hotels, restaurants and other public locations, as well as private residences where 'always-on' broadband use is growing everyday. We also participate in Intel's Centrino efforts to make these technologies more integrated, optimized and widely supported.

Additionally, we experienced a momentous performance advancement. Check Point was awarded an industry patent for SecureXL™, a new performance technology that enables an unparalleled 10-fold increase in VPN/security performance levels. This performance upgrade benefits software implementation and helps our hardware partners to come up with unique designs for accelerating network security performance. One example is the SecureXL Turbocard™ — developed jointly with IBM and Corrent. It provides the industry with the first multifunctional security accelerator card designed to deliver nearly 3.0 gigabits per second of firewall and virtual private network (VPN) throughput at a fraction of the cost of any other solution on the market today.

Our success with anticipating security requirements and market trends continued with the unveiling of solutions to secure emerging technologies, such as Peer-to-Peer (P2P), Web Services and Voice over IP (VoIP), clearing the way for rapid adoption and real-world business use of these technologies.

Led by Check Point Next Generation with Application Intelligence, these products and technologies are the key components of our continuing innovation and our forward drive as the Internet security market leader. We believe that none of our competitors today can deliver what we can.

Demand For Internet Security Continues To Rise

Even though customer budgets have been tight, sales of Internet security solutions continue to climb for every size and every sector of business worldwide. By 2005, 87% of organizations plan on deploying a VPN, and 95% plan on at least considering one — according to *Information Security, May 2003*.

Among the fastest growing segments of security are deployments of Virtual Private Networks (VPNs) to connect remote/branch offices by means of cost-effective Internet communications. Recent government scrutiny and regulations in the U.S., such as the Health Insurance Portability and Accountability Act (HIPAA), eGovernment and Homeland Security initiatives, are also driving firewall and VPN sales. Other drivers include increasing numbers of wireless LANs and mobile access points. Additionally, our Safe@ solutions, which are geared

toward small businesses and branch offices, are experiencing increased sales due to the growing use of broadband by small businesses and service providers, and an increasing realization that security is important to businesses of every size.

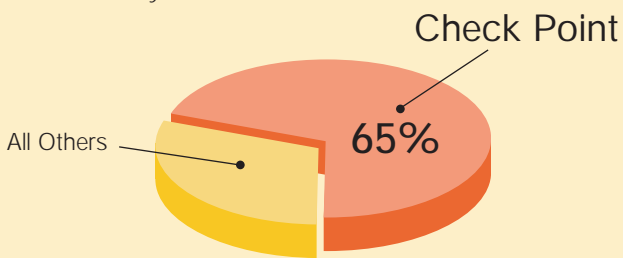
Market Leadership

Continuing at a healthy pace, adoption of Check Point Internet security solutions has grown to more than 273,000 VPN/firewall installations worldwide, and a global partner program that now exceeds 2,500 partners. Many analyst reports confirmed our continued leadership position in the VPN and firewall markets and new markets like Small Business and Remote Office/Branch Office (ROBO).

Our latest successes in the high-end appliance and small business segments reveal the customer demand for best-of-breed security from a proven industry innovator. This has been exhibited by growing demand for our Safe@ solutions by ROBO's and small businesses in 2002. To support this growth segment, we launched our Small Business Channel Partner Program to enable Solution Providers to deliver our Safe@ solutions to their small business customers more effectively.

Check Point Highlights:

- Enterprise VPN/firewall software market share
— *IDC, July, 2002*



- "Secured by Check Point" appliances #1 with 36% market share for VPN/firewall
— *IDC, November 2002*
- Check Point is #1 in performance — solutions deliver 5x more performance at a fraction of the cost of competing products according to independent tests by the Tolly Group
— *The Tolly Group, 2002*
- Named visionary and leader, according to the prestigious Magic Quadrant VPN and firewall reports
— *Gartner Group, September 2002*
- Combined "Secured by Check Point" appliance partners #1, with 32% market share for VPN/firewall high-end appliances
— *Infonetics, 2002*

New And Expanded Global Partnerships

Through enhanced and broader partnerships with Sun, IBM, HP, Nortel Networks, Crossbeam Systems, Siemens and Nokia, Check Point expanded the choice of deployment options for customers and increased penetration of our solutions with more than 20 new "Secured by Check Point" appliances.

This year, we grew our OPSEC™ (Open Platform for Security) Alliance to 350 participating companies that provide complete security solutions. Check Point's OPSEC Alliance is the most widely supported security framework in the industry. OPSEC continues to set the standard throughout the industry for partner collaboration and integration with 200 certified products. OPSEC remains a key component to our future growth as we move into other expanding areas.

Our Commitment To Deliver The Best Security

It's now been ten years since we founded Check Point, and our commitment to staying focused on the real customer needs of developing new and innovative security solutions and maintaining a vision to make Internet communications available and secure everywhere, continues to drive us today. Our employees remain our strongest asset and are the driving force of our continued success. All of us at Check Point remain committed to leveraging our experience, market leadership, strong financial position and innovative technology to deliver the best security solutions worldwide. We also continue to address more and more security areas that are important to our customers and manage those areas to produce the best results for our shareholders.



Chairman and Chief Executive Officer
June 2003

Revenues And Net Income

(Millions of \$US)



Financial Highlights

(Thousands of \$US except per share amount)

Year ended December 31

	2000	2001	2002
Revenues	\$425,283	\$527,643	\$426,989
Operating Income	\$229,297	\$336,763	\$255,012
Net Income	\$221,213	\$321,920	\$255,080
Earnings Per Share (fully diluted)	0.84	1.25	1.00
Cash, Cash Equivalents and Other Investments	\$655,952	\$1,028,317	\$1,314,752

CHKP
NASDAQ-100
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(a member of Ernst & Young Global)

Registrar and Transfer Agent

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Tel: (800) 937-5449

Common Stock

Check Point Software Technologies Ltd.
common stock trades on the NASDAQ Stock
MarketSM under the symbol CHKP.

Annual Report on Form 20-F

To review the company's Annual Report
on Form 20-F, filed with the Securities
Exchange Commission, please visit
www.checkpoint.com/corporate/ir/cp2002ar/.
The 20-F is available in downloadable PDF
format or without charge upon request to
Investor Relations.

Investor Relations

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Executive Management

Gil Shwed

Chairman and Chief Executive Officer, Founder

Marius Nacht

Vice Chairman and Senior Vice President, Founder

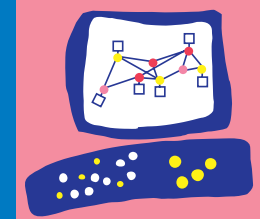
Jerry T. Ungerman

President

Eyal Desheh

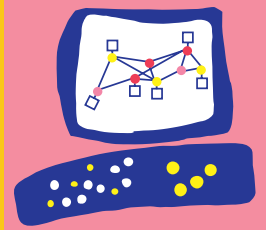
Chief Financial Officer

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We Secure the Internet.

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