UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 6-K
Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
under the Securities Exchange Act of 1934

For the month of August 2021

Commission File Number: 001-38866

TUFIN SOFTWARE TECHNOLOGIES LTD.
(Translation of registrant's name into English)

Tufin Software Technologies Ltd.
5 HaShalom Road, ToHa Tower
Tel Aviv 6789205, Israel
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

EXPLANATORY NOTE

This Report of Foreign Private Issuer on Form 6-K (this "Form 6-K") is being furnished by Tufin Software Technologies Ltd. ("Tufin") to the Securities and Exchange Commission (the "SEC") for the sole purposes of: (i) furnishing, as Exhibit 99.1 to this Form 6-K, unaudited condensed consolidated financial statements of Tufin as of and for the six-months ended June 30, 2021; and (ii) furnishing, as Exhibit 99.2 to this Form 6-K, Management's Discussion and Analysis of Financial Condition and Results of Operations, which discusses and analyzes Tufin's financial condition and results of operations as of and for the six-month period ended June 30, 2021.

Exhibit 99.1 and 99.2 to this Form 6-K shall be deemed to be incorporated by reference into Tufin's registration statements on Form F-3 (File No. 333-239715) and Form S-8 (File Nos. 333-231985, 333-237291 and 333-253994).

EXHIBIT INDEX

Exhibit	Description
99.1	Unaudited Condensed Consolidated Financial Statements as of and for the Six Months Ended June 30, 2021
99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations in Relation to Unaudited Condensed Consolidated Financial Statements as of and for the Six Months Ended June 30, 2021
101	Interactive data files pursuant to Rule 405 of Regulation S-T, formatted in inline Extensible Business Reporting Language ("XBRL"): (i) Unaudited Interim Consolidated Balance Sheets, (ii) Unaudited Interim Consolidated Statements of Comprehensive Loss, (iii) Unaudited Consolidated Statements of Changes in Shareholders' Equity (iv) Unaudited Consolidated Statements of Cash Flows and (v) related notes to these unaudited consolidated financial statements.

SIGNATURES

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

TUFIN SOFTWARE TECHNOLOGIES LTD.

By: */s/ Reuven Kitov*
Name: Reuven Kitov
Title: CEO & Chairman of the Board of Directors

Date: August 30, 2021

Exhibit 99.1

TUFIN SOFTWARE TECHNOLOGIES LTD.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2021

(UNAUDITED)

INDEX

TUFIN SOFTWARE TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands
(Unaudited)

	December 31, 2020	June 30, 2021
Assets		
CURRENT ASSETS:		
Cash and cash equivalents	$ 58,449	$ 55,851
Marketable Securities – short term	19,586	26,250
Accounts receivable (net of allowance for credit losses of $85 at December 31, 2020 and June 30, 2021)	16,674	10,378
Prepaid expenses and other current assets	7,159	8,460
Total current assets	**101,868**	**100,939**
NON CURRENT ASSETS:		
Long-term restricted bank deposits	3,268	3,230
Marketable Securities - long term	22,705	16,603
Property and equipment, net	4,502	4,590
Deferred costs	6,348	6,131
Deferred tax assets	1,346	1,853
Operating lease assets	18,802	17,650
Other non-current assets	1,512	1,357
Total non-current assets	58,483	**51,414**
Total assets	**$ 160,351**	**$ 152,353**

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

TUFIN SOFTWARE TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
U.S. dollars in thousands (except share data)
(Unaudited)

	December 31, 2020	June 30, 2021
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Trade payables	$ 4,147	$ 5,878
Employee and payroll accrued expenses	17,985	15,865
Other accounts payables	578	677
Operating lease liabilities – current	3,185	3,238
Deferred revenues	24,940	29,695
Total current liabilities	**50,835**	**55,353**
NON-CURRENT LIABILITIES:		
Long-term deferred revenues	12,815	16,713
Non-current operating lease liabilities	20,240	18,563
Other non-current liabilities	1,282	1,347
Total non-current liabilities	**34,337**	**36,623**
Total liabilities	**$ 85,172**	**$ 91,976**
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY:		
Ordinary shares of NIS 0.015 par value; 150,000,000 shares authorized at December 31, 2020 and June 30, 2021, respectively; 35,972,470 and 37,252,251 shares issued and outstanding at December 31, 2020 and June 30, 2021, respectively;	148	153
Additional paid-in capital	178,864	187,535
Accumulated other comprehensive income (loss)	5	(18)
Accumulated deficit	(103,838)	(127,293)
TOTAL SHAREHOLDERS' EQUITY	**75,179**	**60,377**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 160,351**	**$ 152,353**

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

TUFIN SOFTWARE TECHNOLOGIES LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
U.S. dollars in thousands (except per share data)
(Unaudited)

	Six Months Ended	
	June 30, 2020	June 30, 2021
Revenues:		
Product	$ 13,705	$ 15,778
Maintenance and professional services	30,571	31,320
Total revenues	**44,276**	**47,098**
Cost of revenues:		
Product	1,213	1,331
Maintenance and professional services	9,113	9,866
Total cost of revenues	**10,326**	**11,197**
Gross profit	**33,950**	**35,901**
Operating expenses:		
Research and development	18,211	20,054
Sales and marketing	31,465	28,232
General and administrative	9,724	11,885
Total operating expenses	**59,400**	**60,171**
Operating loss	**$ (25,450)**	**$ (24,270)**
Financial income (expense), net	436	(241)
Loss before taxes on income	**$ (25,014)**	**$ (24,511)**
Taxes on income	(843)	1,056
Net loss	**$ (25,857)**	**$ (23,455)**
Basic and diluted net loss per ordinary share	$ (0.73)	$ (0.64)
Weighted average number of shares used in computing net loss per ordinary share - basic and diluted	35,552	36,715
Comprehensive Loss		
Net loss	**$ (25,857)**	**$ (23,455)**
Other comprehensive loss:		
Unrealized loss from available-for-sale securities	(10)	(23)
Total comprehensive loss	**(25,867)**	**(23,478)**

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

TUFIN SOFTWARE TECHNOLOGIES LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
U.S. dollars in thousands (except share data)
(Unaudited)

	Ordinary Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders' Equity
	Number of Shares	Amount				
Balance as of January 1, 2020	**35,230,253**	**145**	**162,609**	**-**	**(68,432)**	**94,322**
Issuance of ordinary shares in connection with stock-based compensation plans	484,146	2	733	-	-	735
Share-based compensation	-	-	7,192	-	-	7,192
Other comprehensive loss	-	-	-	(10)	-	(10)
Net loss	-	-	-	-	(25,857)	(25,857)
Balance as of June 30, 2020	**35,714,399**	**147**	**170,534**	**(10)**	**(94,289)**	**76,382**

	Ordinary Shares		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Shareholders' Equity
	Number of Shares	Amount				
Balance as of January 1, 2021	**35,972,470**	**148**	**178,864**	**5**	**(103,838)**	**75,179**
Issuance of ordinary shares in connection with stock-based compensation plans	1,279,781	5	1,501	-	-	1,506
Share-based compensation	-	-	7,170	-	-	7,170
Other comprehensive loss	-	-	-	(23)	-	(23)
Net loss	-	-	-	-	(23,455)	(23,455)
Balance as of June 30, 2021	**37,252,251**	**153**	**187,535**	**(18)**	**(127,293)**	**60,377**

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

TUFIN SOFTWARE TECHNOLOGIES LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
U.S. dollars in thousands
(Unaudited)

	Six Months Ended June 30,	
	2020	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	(25,857)	(23,455)
Adjustment to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation	694	837
Amortization of premium on marketable securities		167
Share-based compensation	7,192	7,170
Exchange rate differences on cash, cash equivalents and restricted cash	127	173
Other	2	-
Change in operating assets and liability items:		
Accounts receivable	5,469	6,296
Prepaid expenses and other current assets	(3,349)	(1,483)
Deferred costs	230	290
Deferred taxes and other non-current assets	137	(352)
Trade payables	(129)	1,731
Employee and payroll accrued expenses	(534)	(1,650)
Other accounts payable and non-current liabilities	60	178
Operating lease	(242)	(472)
Deferred revenues	4,988	8,653
Net cash used in operating activities	**(11,212)**	**(1,917)**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(1,598)	(938)
Investment in marketable securities	(10,638)	(16,127)
Proceeds from maturities of marketable securities	-	15,409
Net cash used in investing activities	**(12,236)**	**(1,656)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	954	1,580
Changes in withholding tax related to employee stock plans	(1,227)	(470)
Net cash provided by (used in) financing activities	**(273)**	**1,110**
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(127)	(173)
DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	**(23,848)**	**(2,636)**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT BEGINNING OF PERIOD	**121,729**	**61,717**
CASH, CASH EQUIVALENTS AND RESTRICTED CASH AT END OF PERIOD	**97,881**	**59,081**
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Property and equipment purchased but not yet paid	-	35

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

Note 1: Business Description and Basis of Presentation

a. Business Description

Tufin Software Technologies Ltd. (together with its subsidiaries, “Tufin” or the “Company”) is an Israeli company that develops, markets and sells software-based solutions that help organizations visualize, define and enforce a unified security policy across complex, heterogeneous network environments. Tufin’s solutions automate security policy management, and allow organizations to gain visibility and control over their IT and cloud environments. Substantially all of the Company’s sales of products and services worldwide are made through a global network of distributors and resellers, which sell the products and services to their end-user customers.

The Company was incorporated as an Israeli company on January 2, 2005 and commenced operations on that date. The Company has incorporated wholly owned subsidiaries in the United States, the United Kingdom, Germany, France, Australia and Romania.

b. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements and have been prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) using accounting policies that are consistent with those used in the preparation of the Company’s audited consolidated financial statements for the year ended December 31, 2020. The unaudited condensed consolidated financial statements include the accounts of Tufin Software Technologies Ltd. and its subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Certain financial information and footnote disclosures normally included in the annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted. Such information reflects all adjustments (consisting of normal, recurring adjustments), which are, in the opinion of management, necessary for a fair statement of results for the interim period.

The results of operations for the six months ended June 30, 2021 are not necessarily indicative of the results to be expected for the full year. These financial statements and accompanying notes should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2020, included in Company’s Annual Report on Form 20-F for such year that was filed with the SEC on March 2, 2021.

The preparation of financial statements and related disclosures in conformity with GAAP require the Company to make judgments, assumptions, and estimates that affect the amounts reported in the unaudited consolidated financial statements and accompanying notes. In particular, a number of estimates have been and will continue to be affected by the ongoing coronavirus (“COVID-19”) pandemic.

The effects of the COVID-19 pandemic have rapidly changed market and economic conditions globally and may continue to create significant uncertainty in the macroeconomic environment. The extent of the impact of the COVID-19 pandemic on the Company’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on the Company’s customers and its sales cycles, as well as the impact on its employees.

As the COVID-19 pandemic may continue to evolve and additional information is obtained, the Company may be required to update its estimates and assumptions. Actual results could differ from those estimates and any such differences may be material to the Company’s financial statements. The Company will continue to monitor the evolving situation and will assess the relevant implications on its consolidated financial statements.

c. Recently Adopted Accounting Standards

In December 2019, the Financial Accounting Standards Board issued ASU 2019-12 “Income Taxes (Topic 740)—Simplifying the Accounting for Income Taxes” (the “update”). The amendments in this update simplify the accounting for income taxes by removing the following exceptions in ASC 740: (1) exception to the incremental approach for intra-period tax allocation when there is a loss from continuing operations and income or a gain from other items; (2) exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment; (3) exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary; and (4) exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year.

In addition, the update also simplifies the accounting for income taxes in certain topics as follows: (1) requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax; (2) requiring that an entity evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction; (3) specifying that an entity can elect (rather than be required to) allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements; and (4) requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The amendments in this update are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company adopted ASU 2019-12 effective January 1, 2021 with no material impact on its consolidated financial statements.

NOTE 2: CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown in the statement of cash flows.

	December 31, 2020	June 30, 2021
	(U.S. $ in thousands)	
Cash and cash equivalents	$ 58,449	$ 55,851
Long-term restricted bank deposits	3,268	3,230
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$ 61,717	$ 59,081

Amounts included in restricted cash represent those required to be set aside by a contractual agreement with lease, hedging and credit card transactions.

NOTE 3: FAIR VALUE MEASUREMENT

The following tables summarize the Company's financial assets and liabilities that are carried at fair value on a recurring basis, by fair value hierarchy, on the consolidated balance sheet:

	December 31, 2020	June 30, 2021
	(U.S. $ in thousands)	
	Level 2	Level 2
Assets:		
Marketable securities	$ 42,291	$ 42,853
Foreign currency exchange derivative instrument	295	86
Total Financial Assets	$ 42,586	$ 42,939
Liabilities:		
Foreign currency exchange derivative instruments	8	64
Total Financial Liabilities	$ 8	$ 64

The Company's marketable securities are classified as Level 2 as these assets are valued using observable data, either directly or indirectly, that may include quoted market prices for similar instruments, broker-dealer quotes, market spreads, nonbinding market prices that are corroborated by observable market data and other observable market information.

The Company's foreign currency exchange derivative financial instruments are classified as Level 2, as they as they represent foreign currency forward and option contracts that are not actively traded and are valued using pricing models that use observable market inputs, including interest rate curves and both forward rates and spot prices for currencies (Level 2 inputs). The fair value of foreign currency exchange derivative instruments was estimated by obtaining current quotes from banks and third-party valuations.

Other financial instruments consist mainly of cash and cash equivalents, restricted bank deposits, accounts receivable, accounts payable and other accounts payables. The fair value of these financial instruments approximates their carrying values.

NOTE 4: MARKETABLE SECURITIES

The following tables summarize the amortized cost, unrealized gains and losses, and fair value of available-for-sale marketable securities as of June 30, 2021:

	June 30, 2021			
	Amortized cost	Gross unrealized losses	Gross unrealized gains	Fair value
U.S. government and agency debentures	$ 10,256	$ (5)	$ 10	$ 10,261
Corporate debentures	32,615	(25)	2	32,592
Total	$ 42,871	$ (30)	$ 12	$ 42,853

	December 31, 2020 (U.S. dollars in thousands)			
	Amortized cost	Gross unrealized losses	Gross unrealized gains	Fair value
U.S. government and agency debentures	$ 32,578	$ (5)	$ 1	$ 32,574
Corporate debentures	9,708	(1)	10	9,717
Total	$ 42,286	$ (6)	$ 11	$ 42,291

	June 30, 2021 (U.S. dollars in thousands)	
	Amortized cost	Fair value
Due within one year	$ 26,263	$ 26,250
Due between one and two years	16,608	16,603
Total	$ 42,871	$ 42,853

	December 31, 2020 (U.S. dollars in thousands)	
	Amortized cost	Fair value
Due within one year	$ 19,585	$ 19,586
Due between one and two years	22,701	22,705
Total	$ 42,286	$ 42,291

During the six months ended June 30, 2021 and 2020, the Company did not recognize an allowance for credit losses on its available-for-sale marketable debt securities.

NOTE 5: DERIVATIVE INSTRUMENTS

The Company carries out transactions involving foreign currency exchange derivative financial instruments. The transactions are designed to hedge the Company's exposure in currencies other than the U.S. dollar, but are not designated as an accounting hedge. The Company is primarily exposed to foreign exchange risk with respect to recognized assets and liabilities and forecasted transactions denominated in NIS, Euros and GBP.

The following table summarizes the consolidated balance sheets classification and fair values of the Company's derivative instruments:

	Balance sheet location	Fair Value		Notional Amount	
		December 31, 2020	June 30, 2021	December 31, 2020	June 30, 2021
		(U.S. $ in thousands)			
Assets derivatives -Foreign exchange contracts, not designated as cash flow hedge	Other current assets	$ 295	$ 86	$ 8,796	$ 13,363
Liability derivatives -Foreign exchange contracts, not designated as hedging instruments	Other accounts payables	(8)	(64)	8,796	2,273
		$ 287	$ 22	$ 17,592	$ 15,636

NOTE 6: SHARE-BASED COMPENSATION

Under the 2019 Plan, options or restricted share units (RSUs) generally vest over a requisite service period of four years commencing on the grant date and have a contractual term of ten years from the grant date. As of June 30, 2021, 1,252,376 shares were available for future equity awards under the 2019 Plan.

Share-based compensation expenses for options were allocated as follows:

	Six Months Ended	
	June 30, 2020	June 30, 2021
Cost of revenues	962	1,061
Research and development	2,183	2,362
Sales and marketing	2,209	1,643
General and administrative	1,838	2,104
Total share-based compensation expense	**7,192**	**7,170**

The fair value of options granted was estimated using the Black-Scholes option-pricing model. The fair value of RSUs was determined based on the quoted price of the Company's ordinary shares on the date of the grant.

The Company recognizes compensation expenses for its stock-based option awards and RSUs on the graded vesting attribution method over the requisite service period (primarily a four-year period).

a. A summary of the Company’s option activity for the six months ended June 30, 2021 is as follows:

	Amount of Options	Weighted average exercise price
Balance as of January 1, 2021	6,930,143	$ 8.51
Granted	-	$ -
Exercised	948,511	$ 1.59
Forfeited	466,904	$ 11.28
Balance as of June 30, 2021	5,514,728	$ 9.47
Exercisable as of June 30, 2021	3,509,343	$ 6.76

As of June 30, 2021, the Company had 2,005,385 unvested options. As of June 30, 2021, the unrecognized compensation cost related to all unvested, equity-classified options of $4.9 million is expected to be recognized as an expense over a weighted-average recognition period of approximately 0.9 years.

b. A summary of the Company’s RSUs activity for the six months ended June 30, 2021 is as follows:

	Amount of RSUs	Weighted Average Grant Date Fair Value
Balance as of January 1, 2021	1,311,702	$ 9.21
Granted	1,303,700	$ 12.36
Vested	331,270	$ 9.41
Forfeited	206,301	$ 10.58
Unvested as of June 30, 2021	2,077,831	$ 11.02

As of June 30, 2021, the unrecognized compensation cost of $16.1 million related to all unvested RSUs is expected to be recognized as expense over a weighted-average recognition period of approximately 1.2 years.

In the third quarter of 2021, the Company granted certain of its employees 143,650 restricted stock units with a vesting period of four years.

c. The Company incurred net losses for the six months ended June 30, 2020 and 2021. Therefore, the inclusion of all potential ordinary shares outstanding would have had an anti-dilutive effect on the diluted net loss per share. As a result, 8,469,253 and 7,592,559 options and RSUs were not included in the calculation of diluted net loss per share for the six months ended June 30, 2020 and 2021, respectively.

NOTE 7: REVENUES, DEFERRED REVENUES AND DEFERRED COSTS

Disaggregation of Revenue

The Company generates revenue from the sale of software products, hardware products, maintenance and support, and professional services. All revenue recognized in the consolidated statement of operations is considered to be revenue from contracts with customers. The following table sets for the disaggregated revenue by revenue type and is consistent with how the Company evaluates its performance obligations:

	Six Months Ended June 30,	
	2020	2021
	(U.S. dollars in thousands)	
Product		
Software products	12,625	14,330
Hardware products	1,080	1,448
	$ 13,705	$ 15,778
Maintenance and professional services		
Support and maintenance	24,703	26,090
Professional services	5,868	5,230
	$ 30,571	$ 31,320
Total revenue	$ 44,276	$ 47,098

Deferred revenue

	December 31, 2020	June 30, 2021
	(U.S. $ in thousands)	
Deferred revenues:		
Deferred product revenues	$ 1,515	$ 2,161
Deferred maintenance and professional services revenues	59,176	54,933
	60,691	57,094
Less - amounts offset from accounts receivable	(22,936)	(10,686)
Deferred revenues	37,755	46,408
The change in deferred revenues:		
Balance at beginning of year	57,595	60,691
Deferred revenue relating to new sales	44,105	21,756
Revenue recognition during the period	(41,009)	(25,353)
Balance at end of year	60,691	57,094
Less - amounts offset from accounts receivable	(22,936)	(10,686)
Deferred revenues	$ 37,755	$ 46,408

Remaining Performance Obligations

As of June 30, 2021, the Company's total remaining performance obligations were approximately $60,893 thousand. The Company expects that it will satisfy the majority of its remaining performance obligations over a period of three years during which, on June 30, 2021, an amount of $35,851 thousand will be recognized in the next twelve months, which constitutes 59% of total remaining performance obligations.

Assets Recognized from the Costs to Obtain a Contract with a Customer

The Company determined that certain costs related to its sales incentive programs meet the requirements to be capitalized and deferred. These assets are recorded as current and non-current assets. The Company amortizes these deferred costs over the benefit period, currently estimated to be four years. The Company considers the benefit period to exceed the initial contract term for certain costs because of anticipated renewals and because sales commission rates for renewal contracts are not commensurate with sales commissions for initial contracts.

	December 31, 2020	June 30, 2021
	(U.S. $ in thousands)	
Balance at beginning of year	$ 5,962	$ 6,627
Additional costs deferred	3,398	1,295
Amortization of deferred costs	(2,733)	(1,586)
Balance at end of year	$ 6,627	$ 6,336

NOTE 8: ENTITY WIDE DISCLOSURES

ASC 280, "Segment Reporting," establishes standards for reporting information about operating segments. The Company manages its business based on one operating segment and derives revenues from licensing of software, sales of hardware, providing maintenance and technical support and sales of professional services.

The following is a summary of revenues within geographic areas:

	Six Months Ended June 30, 2020	2021
	(U.S. dollars in thousands)	
Americas:		
United States	$ 23,304	$ 21,616
Other	551	477
	23,855	22,093
EMEA:		
Germany	5,045	6,214
Israel	556	793
United Kingdom	3,145	4,655
Other	8,451	9,942
	17,197	21,604
APAC	3,224	3,401
Total	**$ 44,276**	**$ 47,098**

Revenues are attributed to geographic areas based on the location of customer.

For the year ended December 31, 2020 and six months ended June 30, 2021, each of the following distributors comprised more than 10% of the Company's revenue:

	Year Ended December 31, 2020	Six months Ended June 30, 2021
Customer A	15%	17%
Customer B	10%	12%

Property, plant and equipment, net by geographical area were as follows as of December 31, 2020 and June 30, 2021:

	December 31, 2020	June 30, 2021
	(U.S. $ in thousands)	
Americas (primarily the United States)	$ 1,125	996
EMEA	108	102
Israel	3,269	3,492
	$ 4,502	4,590

As of December 31, 2020 and June 30, 2021, each of the following distributors comprised more than 10% of the Company's accounts receivable:

	December 31, 2020	June 30, 2021
Customer A	16%	23%
Customer B	12%	17%
Customer C	11%	0%

For purposes of this calculation, the Company assessed distributors by aggregating distributors within the same holding group.

NOTE 9: Income Taxes

The Company had income tax benefit of $1.1 million for the six-month period ended June 30, 2021 compared to income tax expense of $0.8 million for the six-month period ended June 30, 2020. The Company's income taxes for the six-month period ended June 30, 2021 were primarily impacted by tax benefits associated with stock-based compensation of its US subsidiary and its full valuation allowance against potential future benefits for deferred tax assets of its Israeli entity, including loss carryforwards generated in Israel. In addition, the Company's effective tax rate is based on recurring factors, including the geographic mix of foreign taxable income and loss, as well as nonrecurring items that may not be predictable.

NOTE 10: Contingencies

Legal Proceedings

The Company, along with its directors and officers (the "Individual Defendants") at the time of our initial public offering ("IPO") were named as defendants in four putative shareholder class action lawsuits filed in the Supreme Court of the State of New York on (1) February 26, 2020, captioned *Matt Primozich v. Tufin Software Technologies Ltd., et al.,* Index No. 651287/2020 (Sup. Ct. N.Y. Cnty.) ("Primozich Action"), (2) May 28, 2020, captioned *Allen v. Tufin Software Technologies Ltd., et al.,* Index No. 652118/2020 (Sup. Ct. N.Y. Cnty.) ("Allen Action"), (3)June 15, 2020, captioned *Avi Shmuely v. Tufin Software Technologies Ltd., et al.,* Index No. 652475/2020 (Sup. Ct. N.Y. Cnty.) ("Shmuely Action"), and (4) July 1, 2020 captioned *Michael Roche v.Tufin Software Technologies Ltd., et al.,* Index No. 652833/2020 (Sup. Ct. N.Y. Cnty.) ("Roche Action", and with the Primozich Action, Allen Action, and Shmuely Action, the "Tufin State Actions"). In addition to naming the Company and the Individual Defendants as defendants, the Roche Action names the underwriters in the IPO as defendants ("IPO Underwriter Defendants"). On November 17, 2020, plaintiffs in the Primozich Action and Allen Action filed amended complaints.

In the Tufin State Actions, the plaintiffs, seeking to represent a class of all purchasers and acquirers of the Company's ordinary shares issued in connection with the April 2019 IPO, allege that the (1) the defendants made material misstatements or failed to disclose material information in the IPO Offering Documents, thereby allegedly violating Section 11 of the Securities Act and (2) the Individual Defendants were "control persons" of the Company by virtue of their positions, and thereby are allegedly liable under Section 15 of the Securities Act. The Roche Action also asserted a claim under Section 12(a)(2) of the Securities Act alleging that defendants issued, caused to be issued, and/or signed the IPO Offering Documents in connection with issuance of stock to shareholders in the IPO. On August 5, 2021, the state court entered an order consolidating the Tufin State Actions and appointing lead plaintiffs and class counsel. On August 16, 2021, these lead plaintiffs filed a consolidated amended complaint, which asserts claims under Sections 11 and 15 of the Securities Act and names only us and the Individual Defendants as defendants. Defendants' response to the consolidated amended complaint is due on September 15, 2021.

Two federal class actions were also filed in the Southern District of New York: (1) the matter captioned *Matthew Ellison v. Tufin Software Technologies Ltd. et al.*, Case No. 1:20-cv-05646 (S.D.N.Y.) was filed on July 21, 2020 and names the Company, the Individual Defendants, the IPO Underwriter Defendants, and certain underwriters in the secondary public offering (“SPO Underwriter Defendants”) as defendants (“Ellison Action”) and (2) the matter captioned *Michaelson v. Tufin Software Technologies Ltd. et al.*, Case No. 1: 20-cv-06290 (S.D.N.Y.) was filed on August 10, 2020 and names the Company and the Individual Defendants as defendants (“Michaelson Action” and with the Ellison Action, the “Tufin Federal Actions”). The Tufin Federal Actions were brought on behalf of all persons or entities, who purchased stock in the April 2019 IPO and/or December 2019 secondary public offering (“SPO”), pursuant to and/or traceable to the alleged misleading IPO Offering Documents or SPO Offering Documents, and assert violations of Sections 11 and 12(a)(2) (against all defendants) and Section 15 (against Individual Defendants) of the Securities Act. On October 19, 2020, the New York federal court entered an order consolidating the Tufin Federal Actions under Master File No. 1:20-cv-05646, appointing Mark Henry as lead plaintiff, and approving Henry’s selection of lead counsel. On February 4, 2021, lead plaintiff filed a Consolidated Amended Complaint, which asserts only claims for violations of Sections 11 and 15 of the Securities Act of 1933, based on alleged false or misleading statements or omissions only in the Registration Statement issued in connection with our April 2019 IPO. The Consolidated Amended Complaint names only us and the Individual defendants as defendants. Defendants have moved to dismiss the Tufin Federal Actions in their entirety, which motion was fully briefed on August 25, 2021.

The Company is also subject to certain indemnification obligations with respect to the Individual Defendants, IPO Underwriter Defendants, and the SPO Underwriter Defendants, in connection with the Tufin State Actions and Tufin Federal Actions.

Based on information currently available and the current stage of the litigation, the Company is unable to reasonably estimate a possible loss or range of possible losses, if any, with regard to the Tufin State Actions and Tufin Federal Actions; therefore, no estimated liability has been recorded in the Company’s consolidated balance sheets as of June 30, 2021. The Company will continue to evaluate information as it becomes known and will record an estimate for losses at the time or times if and when it is probable that a loss will be incurred and the amount of the loss is reasonably estimable.

Exhibit 99.2

TUFIN SOFTWARE TECHNOLOGIES LTD.

Special Note Regarding Forward-Looking Statements

We make forward-looking statements in this report that are subject to risks and uncertainties. The Private Securities Litigation Reform Act of 1995 provides safe harbor protections for forward-looking statements in order to encourage companies to provide prospective information about their business. These forward-looking statements include information about possible or assumed future results of our business, financial condition, results of operations, liquidity, plans and objectives. In some cases, you can identify forward-looking statements by terminology such as "believe," "may," "estimate," "continue," "anticipate," "intend," "should," "plan," "expect," "predict," "potential," or the negative of these terms or other similar expressions. The statements we make regarding the following matters are forward-looking by their nature:

- the impact of the global pandemic caused by COVID-19 on the budgets of our customers and on economic conditions generally, as well as the length, severity of and pace of recovery following the pandemic;
- the successful management of our business model, as well as current and future growth, particularly with respect to our plans to transition to a subscription-based business model over time
- political conditions and economic downturns, particularly in areas where we operate;
- compliance, managerial and regulatory risks associated with international sales and operations;
- our expectation that policy-centric, automated solutions will garner a growing share of enterprise security spend;
- our expectations for growth in certain key verticals and geographic regions and our intention to expand international operations;
- our ability to maintain effective internal controls over financial reporting;
- our expectations concerning seasonality and the predictability of our sales cycle;
- our expectations regarding customer relationships developed by our hybrid sales model, including our ability to acquire new customers and maintain a high level of customer retention;
- our ability to compete and increase positive market awareness of our brand, particularly with respect to markets for security policy management;
- our ability to align our future and past performance by continuing to generate sufficient revenues;
- the compatibility of our product and service offerings with customers' existing technologies and applications;
- our plans to deploy additional cloud-based subscription products over time, to enable more customers to consume our products beyond our existing on-premise solutions;
- our reliance on certain products and customers to generate revenue;
- our intention to invest further in the Tufin Orchestration Suite to extend its functionality and features;
- our expectations regarding sales of our newest product, SecureCloud;
- our expectations regarding sales driven by channel partners and our technology alliance partners through joint selling efforts and go-to-market strategies;

- our dependence on a single third-party manufacturer to fulfill certain software license orders;
- the effect of cybersecurity threats or attacks on our technologies, products and services;
- the effect of any real or perceived shortcomings, defects or vulnerabilities in our solutions;
- our compliance laws, regulations and requirements in the jurisdictions where we operate, including with respect to with data protection and privacy and export and import control requirements;
- our expectations regarding the outcome of securities class action lawsuits; and
- our ability to adequately protect and defend our intellectual property and other proprietary rights;
- our ability to effectively manage, invest in, grow and retain our sales force, research and development capabilities, marketing teams and other key personnel;
- our expectations regarding growth in the market for enterprise security and network management products;
- the volatility of our share price and active trading market for our shares;
- political, economic, governmental and tax consequences associated with our incorporation and location in Israel; and
- our expectations regarding our tax classifications.

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account the information currently available to us. These statements are only predictions based upon our current expectations and projections about future events. There are important factors that could cause our actual results, levels of activity, performance or achievements to differ materially from the results, levels of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider other factors described in “Risk Factors” in our annual report on Form 20-F filed with the SEC on March 2, 2021 and this Form 6-K.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this annual report, to conform these statements to actual results or to changes in our expectations.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Company Overview

We are pioneering a policy-centric approach to security and IT operations. We transform enterprises' security operations by helping them visualize, define and enforce a unified security policy across complex, heterogeneous IT and cloud environments. Our products govern how individuals, systems and applications are permitted to communicate and provide policy-based security automation, enabling customers to reduce the time to implement complex network changes from days to minutes. Our solutions increase business agility, eliminate errors from manual processes and ensure continuous compliance through a single console. Since our inception, our solutions have been purchased by over 2,000 customers in over 70 countries, including approximately 16% of the Global 2000.

We generate revenues from sales of our products and associated maintenance and professional services. We primarily sell our software through perpetual license agreements and, to a lesser extent, term-based subscription license agreements. Our products offer the same functionality whether our customers receive them through a perpetual or term-based license. Our agreements with customers for software licenses include maintenance contracts and may also include professional services contracts. Maintenance revenues consist of fees for providing software updates and technical support for our products for a specified term, which is typically one or three years. We offer a portfolio of professional services and extended support contract options to assist our customers with integration, customization, optimization, training and ongoing advanced technical support.

Our goal is to provide significant benefits to customers seeking to enforce enterprise-wide security policies and automate network change process, which we believe will enable us to maximize the lifetime value of our customers. We believe our existing customers serve as a strong source of incremental revenues given our multiple product offerings and the growing complexity of IT and cloud environments and networks. Our products provide customers the flexibility to initially deploy one or more of our products in all or parts of their IT and cloud environments, and further expand deployment as they purchase additional products or cover additional parts of their IT and cloud environments. We believe our "land and expand" sales strategy capitalizes on this potential. We make significant investments in acquiring new customers and expect to achieve a favorable return on investments by maintaining a high level of customer retention, which we define as our maintenance renewal rate.

We believe our diverse global footprint provides a significant growth opportunity. We aim to continue to expand our business globally, particularly in the Americas and EMEA. In the six months ended June 30, 2021 we generated 47% of our revenues from customers in the Americas and 46% of our revenues from customers in EMEA. We expect sales in the Americas to continue to account for a majority of our revenues. Our customers include leading enterprises across a broad range of geographies in a diverse set of industries, including financial services, telecommunications, automotive, manufacturing, energy, healthcare and pharmaceuticals, technology, government, retail and business services. We believe our expansion within the Global 2000 is a key indicator of our market penetration and the value that our products provide to large customers. We sell our products and services through our sales force, including our field sales team and our inside sales team, which works closely with our global network. Our highly trained sales force is responsible for overall market development. Our sales force consists of our field sales team, which accounts for most of our sales, and our inside sales team. Our field sales team targets large organizations, which we define as those comprising the Global 2000, while our inside sales team targets mid-market companies that do not belong to the Global 2000. Within our field sales team, our regional field sales representatives develop new business relationships with our key customers, and our channel account managers support and expand existing relationships with our channel partners. Our sales engineers provide technical expertise and support, and architect our solutions to address the business needs of our customers. Our sales cycle usually lasts several months from proof of concept to purchase order, and is often longer for larger transactions. Our channel partners include distributors and resellers, as well as service delivery partners that help customers successfully deploy, configure and maintain our products and services. We sell substantially all of our products and services through our global network of channel partners, who then sell to end-user customers.

We integrate with leading network and cloud platforms, such as Check Point, Cisco, Fortinet, Palo Alto Networks, F5 Networks, Forcepoint, Juniper Networks, VMware, AWS, Google Cloud, Microsoft Azure and Kubernetes, to provide vendor agnostic solutions, which is key to our value proposition. In addition, we believe our technology alliance partner program, which is an ecosystem of technology partners who build certified integrations to our platform, helps to expand our common use cases.

Recent Developments

COVID-19 Impacts

The global spread of COVID-19, which began to accelerate late in March of 2020, has since continued to spread and adversely affect workforces, economies, and financial markets globally, leading to an economic downturn and continued economic uncertainty. The extensive impact of the pandemic caused by COVID-19 has resulted and, particularly as a result of recent surges in variants of the COVID-19 virus, will likely continue to result in significant disruptions to the global economy, as well as businesses and capital markets around the world.

As part of our initial response to COVID-19, we focused on the safety and well-being of our employees and initiated a global work-from-home policy beginning in March 2020, which included transitioning our employees to remote working arrangements and temporarily closed and/or otherwise implemented hybrid remote-work with limited onsite presence in our offices worldwide. To date, we have not experienced significant disruptions in our operations resulting from our remote working arrangements.

In addition, we adjusted our operations, including transitioning from in-person marketing events to virtual formats, utilizing a virtual sales strategy and minimizing employee travel.

We continue to monitor, assess and respond to the implications of the COVID-19 pandemic on our operations and our customers, partners and suppliers. In addition, we continue to actively evaluate and respond to new developments relating to the evolving COVID-19 pandemics.

The extent to which COVID-19 impacts our business going forward will depend on numerous evolving factors that we cannot reliably predict, including the duration and scope of the pandemic, efficiency of available vaccines and the availability of such vaccines to the worldwide population; governmental, business, and individuals' actions in response to the pandemic, and the impact on economic activity including the possibility of a recession or financial market instability. The uncertainty surrounding the containment of COVID-19 could affect management's accounting estimates and assumptions. The impact on our business, the business of our channel partners and other factors are further described in the "Risk Factors" section of our annual report on Form 20-F, filed with the SEC on March 2, 2021 and this Form 6-K.

Comparison of Period to Period Results of Operations

The following tables summarize our results of operations in dollars and as a percentage of our total revenues for the periods indicated. The period-to-period comparison of results is not necessarily indicative of results for future periods.

	Six Months Ended June 30,			
	2020		2021	
	Amount	%	Amount	%
	(U.S. dollars in thousands)			
Revenues:				
Product	$ 13,705	31.0%	$ 15,778	33.5%
Maintenance and professional services	30,571	69.0	31,320	66.5
Total revenues	44,276	100.0	47,098	100.0
Cost of revenues:				
Product	1,213	2.7	1,331	2.8
Maintenance and professional services	9,113	20.6	9,866	20.9
Total cost of revenues(1)	10,326	23.3	11,197	23.8
Gross profit	33,950	76.7	35,901	76.2
Operating expenses:				
Research and development(1)	18,211	41.1	20,054	42.6
Sales and marketing(1)	31,465	71.1	28,232	59.9
General and administrative(1)	9,724	22.0	11,885	25.2
Total operating expenses	59,400	134.2	60,171	127.8
Operating loss	$ (25,450)	(57.5)	$ (24,270)	(51.5)
Financial expense, net	436	1.0	(241)	(0.5)
Loss before taxes on income	$ (25,014)	(56.5)	$ (24,511)	(52.0)
Taxes on income	(843)	(1.9)	1,056	2.2
Net loss	$ (25,857)	(58.4)%	$ (23,455)	(49.8)

(1) Includes share-based compensation expense as follows:

	Six Months Ended	
	June 30, 2020	June 30, 2021
Cost of revenues	962	1,061
Research and development	2,183	2,362
Sales and marketing	2,209	1,643
General and administrative	1,838	2,104
Total share-based compensation expense	**7,192**	**7,170**

Comparison of the Six Months Ended June 30, 2020 and 2021

Revenues

The following table presents the breakdown of revenue between product, maintenance and support and professional services:

	Six Months Ended June 30,		Change	
	2020	2021		
	Amount	Amount	Amount	%
	(U.S. dollars in thousands)			
Revenues:				
Product	$ 13,705	$ 15,778	$ 2,073	15.1%
Maintenance and support	24,703	26,090	1,387	5.6
Professional services	5,868	5,230	(638)	(10.9)
Total revenues	$ 44,276	$ 47,098	$ 2,822	6.4%

Revenues increased by $2.8 million, or 6.4%, from $44.3 million in the six months ended June 30, 2020 to $47.1 million in the six months ended June 30, 2021. The increase in total revenues was driven by an increase in product revenues and in maintenance and support revenues and was partially offset by decrease in professional services revenues.

Sales volumes to existing customers amounted to $34.3 million in six months ended June 30, 2020 compared to $38.8 million in six months ended June 30, 2021. Sales volumes to new customers amounted to $10.0 million in six months ended June 30, 2020 compared to $8.3 million in six months ended June 30, 2021.

Product revenues increased by $2.1 million, or 15.1%, from $13.7 million in the six months ended June 30, 2020 to $15.8 million in the six months ended June 30, 2021. This increase was primarily attributable to significant increase in term-based subscription license revenues, which reflect our strategic transition to subscription-based business model and supported by large multi-year deals. Product revenues were partially offset by decrease in perpetual licenses revenues, as part of this transition. In addition, hardware revenues increased by $0.4 million.

Maintenance and support revenues increased by $1.4 million, or 5.6%, from $24.7 million in the six months ended June 30, 2020 to $26.1 million in the six months ended June 30, 2021. Revenues from maintenance and support contract renewals for perpetual licenses increased by $1.8 million. Revenues from initial maintenance and support contracts for perpetual licenses decreased by $1.3 million and were partially offset by increase of $0.7 million maintenance and support revenues for term-based subscription license contracts, which reflect our strategic transition to subscription-based business model.

Professional services revenues decreased by $0.6 million, or 10.9%, from $5.9 million in the six months ended June 30, 2020 to $5.2 million in the six months ended June 30, 2021. This decrease was mainly due to timing of milestone completion for large professional services contracts.

Geographic Breakdown of Revenues

The following table sets forth the geographic breakdown of our revenues by region for the periods indicated:

	Six Months Ended June 30,			
	2020		2021	
	Amount	%	Amount	%
	(U.S. dollars in thousands)			
Americas	$ 23,855	53.9%	$ 22,093	46.9%
EMEA	17,197	38.8	21,604	45.9
APAC	3,224	7.3	3,401	7.2
Total	$ 44,276	100%	$ 47,098	100%

The Americas accounted for 46.9% of our revenues in the six months ended June 30, 2021. Revenues in the Americas region decreased by $1.8 million, or 7.4%, from $23.9 million in the six months ended June 30, 2020 to $22.1 million in the six months ended June 30, 2021.

EMEA also accounted for a significant portion of our revenues in the six months ended June 30, 2020 and 2021.

Revenues in the EMEA region increased by $4.4 million, or 25.6%, from $17.2 million in the six months ended June 30, 2020 to $21.6 million in the six months ended June 30, 2021.

Revenues in the APAC region increased by $0.2 million, or 5.5%, from $3.2 million in the six months ended June 30, 2020 to $3.4 million in the six months ended June 30, 2021.

Cost of Revenues

	Six Months Ended June 30, 2020	2021	Change	
	Amount	Amount	Amount	%
	(U.S. dollars in thousands)			
Cost of revenues:				
Product	$ 1,213	1,331	$ 118	9.7%
Maintenance and professional services	9,113	9,866	753	8.3%
Total cost of revenues	**$ 10,326**	**11,197**	$ 871	8.4%

Cost of revenues increased by $0.9 million, or 8.4%, from $10.3 million in the six months ended June 30, 2020 to $11.2 million in the six months ended June 30, 2021. This increase was primarily driven by the increase in compensation costs and hardware cost of sales, and was partially offset by related overhead expenses.

Cost of product revenues increased by $0.1 million, or 9.7%, from $1.2 million in the six months ended June 30, 2020 to $1.3 million in the six months ended June 30, 2021. The increase in cost of product revenues was primarily driven by higher hardware cost of sales.

Cost of maintenance and professional services revenues increased by $0.8 million, or 8.3%, from $9.1 million in the six months ended June 30, 2020 to $9.9 million in the six months ended June 30, 2021. The increase in cost of maintenance and professional services revenues was driven primarily by an increase in personnel costs and was partially offset by related overhead expenses.

Gross Profit

	Six Months Ended June 30, 2020		2021		Gross Profit Change	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Amount	%
Gross profit	$ 33,950	76.7%	$ 35,901	76.2%	1,951	5.7%

Gross profit increased by $2.0 million, or 5.7%, from $34.0 million in the six months ended June 30, 2020 to $35.9 million in 2021. Gross margins decreased from 76.7% to 76.2% during the same period. This decrease was driven by higher costs of revenues, primarily due to increase in compensation costs and related overhead, as well as, our revenues mix.

Operating Expenses

	Six Months Ended June 30, 2020	2021	Change	
	Amount	Amount	Amount	%
	(U.S. dollars in thousands)			
Operating expenses:				
Research and development	$ 18,211	$ 20,054	$ 1,843	10.1%
Sales and marketing	31,465	28,232	(3,233)	(10.3)%
General and administrative	9,724	11,885	2,161	22.2%
Total operating expenses	$ 59,400	$ 60,171	$ 771	1.3%

Total operating expenses increased by $0.8 million, or 1.3%, from $59.4 million in the six months ended June 30, 2020 to $60.1 million in the six months ended June 30, 2021.

Research and Development. Research and development expenses increased by $1.8 million, or 10.1%, from $18.2 million in the six months ended June 30, 2020 to $20.1 million in 2021. This increase was primarily attributable to an increase of $2.0 million in compensation related expenses, as we returned to pre-COVID-19 compensation levels. This increase was also driven by increase of IT investments of $0.4 million and was partially offset by decrease of $0.6 million in other allocated overhead costs which reflects reduced spending as a result of COVID-19. The increase in research and development expenses reflects our plans to invest in strategic initiatives that further strengthen our technology platform and enhance our current and future product and service offerings.

Sales and Marketing. Sales and marketing expenses decreased by $3.2 million, or 10.3%, from $31.5 million in the six months ended June 30, 2020 to $28.2 million in the six months ended June 30, 2021. This decrease was attributable to a $2.0 million decrease in compensation related expenses, primarily resulting from a decrease in our sales and marketing headcount on a six-month period average basis. Travel expenses decreased by $1.3 million due to COVID-19 travel restrictions, and other allocated overhead costs decreased by $0.4 million which reflects reduced spending as a result of COVID-19. This decrease was partially offset by $0.5 million increase in IT related expenses.

General and Administrative. General and administrative expenses increased by $2.2 million, or 22.2%, from $9.7 million in the six months ended June 30, 2020 to $11.9 million in the six months ended June 30, 2021. This increase was primarily attributable to an increase of $1.4 million in compensation related costs, as we returned to pre-COVID-19 compensation levels and includes a $0.3 million increase in share-based compensation expense. The remaining increase in general and administrative expense of $0.7 million was primarily due to increase in corporate insurance, as well as accounting and legal costs.

Financial Income (Expense), Net

	Six Months Ended June 30,		Change	
	2020	2021		
	Amount	Amount	Amount	%
	(U.S. dollars in thousands)			
Financial income (expense), net	$ 436	$ (241)	$ (677)	(155.3)%

Financial income, net for the six months ended June 30, 2020 were $0.4 million. Financial expense, net for the six months ended June 30, 2021 were $0.2 million. Our financial expense was impacted by exchange rate fluctuations in the foreign currencies against the U.S. dollar and our derivatives and hedging activities, which resulted in an expense of $0.2 million in the six months ended June 30, 2021 compared to financial income of $0.3 million the six months ended June 30, 2020.

Taxes on Income

	Six Months Ended June 30,		Change	
	2020	2021		
	Amount	Amount	Amount	%
	(U.S. dollars in thousands)			
Taxes on income	$ (843)	$ 1,056	$ 1,899	(225.3)%

Taxes on income decreased from a tax expense of $0.8 million in 2020 to a tax income of $1.1 million in 2021. Our taxes on income for the six-month period ended June 30, 2021 were primarily impacted by tax benefits associated with stock-based compensation of our US subsidiary, our full valuation allowance against potential future benefits for deferred tax assets of our Israeli entity, including loss carryforwards generated in Israel. In addition, our effective tax rate is based on recurring factors, including the geographic mix of foreign taxable income and loss, as well as nonrecurring items that may not be predictable.

Liquidity and Capital Resources

As of June 30, 2021, we had $101.9 million of cash and cash equivalents, restricted deposits and marketable securities. Our liquidity was primarily attributable to cash proceeds of $115.3 million received from the issuance and sale of 8,855,000 ordinary shares in our initial public offering in April 2019, partially offset by $2.6 million in payments made in connection to the initial public offering. We believe that our existing cash and cash equivalents will be sufficient to fund our operations and capital expenditures for at least the next 12 months. Our future capital requirements will depend on many factors, including our rate of revenue growth, the expansion of our sales and marketing activities, the timing and extent of spending to support product development efforts and expansion into new geographic locations, the timing of introductions of new products and enhancements to existing products and the continuing market acceptance of our products and solutions.

Net Cash Used in Operating Activities

Cash used in operating activities was $1.9 million during the six months ended June 30, 2021. This was primarily due to an increased net loss of $23.5 million adjusted by non-cash charges of $8.3 million, primarily relating to depreciation of property and equipment and share-based compensation, and a favorable impact of $13.2 million resulting from the net changes in our operating assets and liabilities. Changes in operating assets and liabilities included (i) a $8.7 million increase in deferred revenues representing unearned amounts resulting primarily from increased maintenance and support sales and (ii) a $6.3 million decrease in accounts receivable, partially offset by (a) a $1.5 million increase in prepaid expenses and other current assets, (b) a $0.3 million increase in deferred taxes and other non-current assets

Cash used in operating activities was $11.2 million during the six months ended June 30, 2020. This was primarily due to an increased net loss of $25.9 million adjusted by non-cash charges of $8.1 million, primarily relating to depreciation of property and equipment and share-based compensation, and a favorable impact of $6.6 million resulting from the net changes in our operating assets and liabilities. Changes in operating assets and liabilities included (i) a $5.0 million increase in deferred revenues representing unearned amounts resulting primarily from increased maintenance and support sales and (ii) a $5.4 million decrease in accounts receivable, partially offset by (a) a $3.3 million increase in prepaid expenses and other current assets, (b) a $0.5 million decrease in employee and payroll accrued expenses and (c) a $0.4 million decrease in trade payables and operating lease.

Net Cash Used in Investing Activities

Cash used in investing activities was $12.2 million and $1.7 million during the six months ended June 30, 2020 and 2021, respectively. Investing activities in six months ended June 30, 2021 consist primarily of investments in marketable securities, net of proceeds from marketable securities of $0.7 million and purchases of equipment for our offices of $1.0 million. Investing activities in six months ended June 30, 2020 consist primarily of investments in marketable securities of $10.6 million and purchases of equipment for our offices.

Net Cash Provided by (Used in) Financing Activities

Net cash provided by financing activities was $1.1 million in the six months ended June 30, 2021, consisting of $1.6 million in proceeds from the exercise of employee share options, partially offset by the changes in its related withholding amounts.

Net cash used in financing activities was $0.3 million in the six months ended June 30, 2020, consisting of $1.2 million changes in withholding tax related to employee share plans, which were partially offset by $1.0 million in proceeds from exercise of employee share options.

Contractual Obligations and Commercial Commitments

We have various contractual obligations, which are recorded as liabilities in our consolidated condensed financial statements. Other items are not recognized as liabilities in our consolidated condensed financial statements but are required to be disclosed. There have been no material changes, outside of the ordinary course of business, to our contractual obligations as previously disclosed in our Annual Report on Form 20-F for fiscal year ended December 31, 2020, as amended.