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 September 2015 (Report No. 1)

Commission File Number: 000-51694

Perion Network Ltd.

(Translation of registrant's name into English)

1 Azrieli Center, Building A, 4th Floor
26 HaRokmim Street, Holon, Israel 5885849
(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 x   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): N/A

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): N/A

Contents

This Report on Form 6-K of the registrant consists of the following documents, which are attached hereto, and incorporated by reference herein and into the registrant's Registration Statements on Form F-3 (Registration No. 333-195794) and Form S-8 (Registration Nos. 333-193145, 333-192376, 333-188714, 333-171781, 333-152010 and 333-133968).

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.

Perion Network Ltd.

By: /s/ Limor Gershoni Levy
Name: Limor Gershoni Levy
Title: Corporate Secretary & General Counsel

Date: September 24, 2015

Exhibit Index

Exhibit 99.1:	Unaudited Interim Consolidated Financial Statements as of June 30, 2015.
Exhibit 99.2:	Operating Results and Financial Review for the six months ended June 30, 2015.

Exhibit 99.1

PERION NETWORK LTD. AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS

AS OF JUNE 30, 2015

IN U.S. DOLLARS

UNAUDITED

INDEX

CONSOLIDATED BALANCE SHEETS

U.S. dollars in thousands (except share and per share data)

	December 31, 2014	June 30, 2015
	Audited	Unaudited
Assets		
Current Assets:		
Cash and cash equivalents	$ 101,183	$ 72,242
Short-term bank deposits	15,000	55,656
Accounts receivable (net of allowance of $1,035 and $1,047 in 2014 and 2015, respectively)	30,808	19,323
Prepaid expenses and other current assets	12,164	14,125
Total Current Assets	**159,155**	**161,346**
Property and equipment, net	12,180	12,240
Intangible assets, net	16,890	13,051
Goodwill	164,092	171,755
Other assets	3,822	3,381
Total Assets	**$ 356,139**	**$ 361,773**
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	$ 21,173	$ 15,079
Accrued expenses and other liabilities	26,241	15,148
Current maturities of long-term loans and convertible debt	2,300	9,697
Deferred revenues	7,323	7,653
Payment obligation related to acquisitions	8,587	7,646
Total Current Liabilities	**65,624**	**55,223**
Long-Term Liabilities:		
Convertible debt	35,752	29,589
Payment obligation related to acquisitions	5,058	-
Other long-term liabilities	3,708	3,605
Total Liabilities	**110,142**	**88,417**
Commitments and Contingencies		
Shareholders' Equity:		
Ordinary shares of ILS 0.01 par value - Authorized: 120,000,000 shares; Issued: 69,548,450 and 71,296,156 shares at December 31, 2014 and June 30, 2015, respectively; Outstanding: 69,202,431 and 70,950,137 shares at December 31, 2014 and June 30, 2015, respectively	189	194
Additional paid-in capital	203,984	211,955
Treasury shares at cost (346,019 shares at December 31, 2014 and June 30, 2015)	(1,002)	(1,002)
Accumulated other comprehensive income	-	429
Retained earnings	42,826	61,780
Total Shareholders' Equity	**245,997**	**273,356**
Total Liabilities and Shareholders' Equity	**$ 356,139**	**$ 361,773**

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

INTERIM CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

U.S. dollars in thousands (except per share data)

	Six months ended June 30	
	2014	**2015**
Revenues:		
Search	$ 189,346	$ 83,712
Advertising and other	35,012	16,994
Total Revenues	**224,358**	**100,706**
Costs and Expenses:		
Cost of revenues	12,963	5,626
Customer acquisition costs	115,542	35,143
Research and development	23,959	13,139
Selling and marketing	10,509	11,737
General and administrative	19,955	10,924
Gain on reversal of contingent consideration, net of impairment	-	(2,397)
Total Costs and Expenses	**182,928**	**74,172**
Income from Operations	**41,430**	**26,534**
Financial expense, net	867	1,058
Income before Taxes on Income	**40,563**	**25,476**
Taxes on income	9,060	6,522
Net Income	**$ 31,503**	**$ 18,954**
Net Earnings per Share - Basic	**$ 0.47**	**$ 0.27**
Net Earnings per Share - Diluted	**$ 0.46**	**$ 0.27**
Weighted average number of shares - Basic	**67,326**	**70,623**
Weighted average number of shares - Diluted	**69,040**	**70,764**

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

INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

U.S. dollars in thousands

	Six months ended June 30	
	2014	**2015**
Net income	**$ 31,503**	**$ 18,954**
Unrealized gain from cash-flow hedges, net of taxes	62	435
Foreign currency translation	-	(6)
Comprehensive Income	**$ 31,565**	**$ 19,383**

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

INTERIM STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

U.S. dollars in thousands (except share data)

	Common stock		Additional paid-in capital	Accum. other comprehensive income	Retained earnings	Treasury shares	Total shareholders' equity
	Number of Shares	$	$	$	$	$	$
Balance as of December 31, 2013 (audited)	**54,753,582**	**147**	**10,882**	**-**	**-**	**(1,002)**	**10,027**
Issuance of shares related to acquisitions	13,124,100	38	171,514	-	-	-	171,552
Acquisition related expenses paid by the shareholders	-	-	3,060	-	-	-	3,060
Contribution by shareholders	-	-	1,803	-	-	-	1,803
Stock-based compensation	-	-	15,145	-	-	-	15,145
Exercise of stock options	1,324,749	4	1,580	-	-	-	1,584
Net income	-	-	-	-	42,826	-	42,826
Balance as of December 31, 2014 (audited)	**69,202,431**	**189**	**203,984**	**-**	**42,826**	**(1,002)**	**245,997**
Issuance of shares related to acquisitions	1,456,508	4	4,554	-	-	-	4,558
Stock-based compensation	-	-	3,404	-	-	-	3,404
Exercise of stock options and vesting of restricted stock units	291,198	1	13	-	-	-	14
Other comprehensive income	-	-	-	429	-	-	429
Net income	-	-	-	-	18,954	-	18,954
Balance as of June 30, 2015 (unaudited)	**70,950,137**	**194**	**211,955**	**429**	**61,780**	**(1,002)**	**273,356**

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

INTERIM CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

U.S. dollars in thousands

	Six months ended June 30	
	2014	**2015**
Operating activities:		
Net income	$ 31,503	$ 18,954
Adjustments required to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,193	4,583
Impairment of intangible assets	-	4,167
Stock-based compensation expense	8,309	3,307
Issuance of shares related to acquisition	-	63
Acquisition related expenses paid by shareholders	3,060	-
Accrued interest, net	11	(71)
Deferred taxes, net	(2,369)	941
Accrued severance pay, net	89	167
Change in payment obligation related to acquisition	452	(5,577)
Fair value revaluation - convertible debt	-	1,780
Loss from sale of property and equipment	-	22
Net changes in operating assets and liabilities:		
Accounts receivable, net	(36,254)	12,148
Prepaid expenses and other current assets	(4,150)	(2,319)
Other assets	(660)	115
Accounts payable	10,206	(5,199)
Accrued expenses and other liabilities	517	(13,323)
Deferred revenues	1,003	206
Net cash provided by operating activities	**$ 21,910**	**$ 19,964**
Investing activities:		
Purchases of property and equipment	$ (3,113)	$ (1,408)
Proceeds from sale of property and equipment	-	21
Purchase of property and equipment on behalf of landlord	(4,515)	-
Capitalization of development costs	-	(1,228)
Restricted cash, net	(1,073)	50
Short-term deposits, net	-	(40,656)
Cash paid for the acquisition of Make Me Reach SAS, net of cash acquired	-	(4,533)
Cash acquired through the acquisition of Perion Network Ltd.	23,364	-
Net cash provided by (used in) investing activities	**$ 14,663**	**$ (47,754)**
Financing activities:		
Exercise of stock options	1,139	14
Contribution by shareholders	585	-
Payments made in connection with acquisition	(2,545)	-
Repayment of long-term loans	(1,150)	(1,150)
Net cash used in financing activities	**$ (1,971)**	**$ (1,136)**
Effect of exchange rate changes on cash and cash equivalents	-	**(15)**
Net increase (decrease) in cash and cash equivalents	**$ 34,602**	**$ (28,941)**
Cash and cash equivalents at beginning of period	949	101,183
Cash and cash equivalents at end of period	**$ 35,551**	**$ 72,242**
Supplemental Disclosure of Cash Flow Activities:		
Issuance of shares in connection with acquisitions	$ 165,795	$ 4,558
Contribution by shareholders	$ 1,218	$ -
Acquisition related expenses paid by shareholders	$ 3,060	$ -
Purchase of property and equipment on credit	$ -	$ (1,196)
Stock-based compensation that was capitalized as part of the capitalization of development costs	$ -	$ (34)

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

NOTES TO THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

U.S. dollars in thousands (except share and per share data)

NOTE 1: GENERAL

Perion Network Ltd. ("Perion") and its wholly-owned subsidiaries (collectively referred to as the "Company"), is a global performance-based media and internet company, providing online publishers and app developers advanced technology and a variety of intelligent, data-driven solutions, including mobile marketing platforms, to monetize their application or content and expand their reach to larger audiences. The Company generates revenues primarily through online search and advertising.

On February 10, 2015, the Company completed the acquisition of Make Me Reach SAS (see Note 3).

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

a. Interim Financial Statements

The accompanying consolidated balance sheet as of June 30, 2015, the consolidated statements of income, the consolidated statements of comprehensive income and the consolidated statements of cash flows for the six months ended June 30, 2014 and 2015, as well as the statement of changes in shareholders' equity for the six months ended June 30, 2015, are unaudited. These unaudited interim consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States ("U.S. GAAP"). In the management's opinion, the unaudited interim consolidated financial statements include all adjustments of a normal recurring nature necessary for the fair presentation of the Company's financial position as of June 30, 2015, as well as its results of operations and cash flows for the six months ended June 30, 2014 and 2015. The results of operations for the six months ended June 30, 2015 are not necessarily indicative of the results to be expected for the year ending December 31, 2015.

The accompanying unaudited interim financial statements should be read in conjunction with the Company's Annual Report on Form 6-K filed with the Securities and Exchange Commission (the "SEC") on April 6, 2015.

b. Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. Generally Accepted Accounting Principles ("GAAP") requires management to make estimates, judgments and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. Actual results could differ materially from those estimates. On an ongoing basis, the Company's management evaluates its estimates, including those related to accounts receivable, fair values and useful lives of intangible assets, fair values of stock-based awards, income taxes, and contingent liabilities, among others. Such estimates are based on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of the Company's assets and liabilities.

c. Impairment of long-lived assets and intangible assets subject to amortization

Property and equipment and intangible assets subject to amortization are reviewed for impairment in accordance with Accounting Standards Codification ("ASC") No. 360, "Accounting for the Impairment or Disposal of Long-Lived Assets", whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. The recoverability of these assets is measured by comparing the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If property and equipment and intangible assets are considered to be impaired, the impairment to be recognized equals the amount by which the carrying value of the asset exceeds its fair market value.

In determining the fair values of long-lived assets for purpose of measuring impairment, the Company's assumptions include those that market participants will consider in valuations of similar assets.

For the six months ended June 30, 2015, the Company recorded impairment charges of $4,167 with respect to intangible assets subject to amortization (see Note 4).

d. Goodwill and other intangible assets

Goodwill reflects the excess of the purchase price of business acquired over the fair value of net assets acquired. Goodwill is not amortized but instead is tested for impairment, in accordance with ASC No. 350, "Intangibles – Goodwill and Other", at least annually at December 31 each year, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The first step, identifying a potential impairment, compares the fair value of the reporting unit with its carrying amount. If the carrying amount exceeds its fair value, the second step would need to be performed; otherwise, no further step is required. The second step, measuring the impairment loss, compares the implied fair value of the goodwill with the carrying amount of the goodwill. Any excess of the carrying amount over the applied fair value is recognized as an impairment loss, and the carrying value of goodwill is written down to fair value. During the six months ended June 30, 2015, no such impairment losses were recorded.

Starting 2014, the Company operates in two operating segments, the search-based monetization for the desktop and mobile advertising. Each of the operating segments consists of one reporting unit. For the six months ended June 30, 2015, the search-based monetization operating segment constitutes of 97% of the consolidated revenues and 91% of the consolidated net income. In addition, as of June 30, 2015, the search-based monetization operating segment constitutes of 90% of the consolidated assets.

Intangible assets that are not considered to have an indefinite useful life are amortized over their estimated useful lives. The acquired customer arrangements, technology and logo are amortized over their estimated useful lives in proportion to the economic benefits realized. This accounting policy results in accelerated amortization of such intangible assets as compared to the straight-line method.

U.S. dollars in thousands (except share and per share data)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

e. Fair value of financial instruments

The carrying amounts of financial instruments carried at cost, including cash and cash equivalents, short-term deposits, restricted cash, accounts receivable, prepaid expenses and other assets, accounts payable, accrued expenses and other liabilities approximate their fair value due to the short-term maturities of such instruments.

The Company follows the provisions of ASC No. 820, "Fair Value Measurement" ("ASC 820"), which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

In determining a fair value, the Company uses various valuation approaches. ASC 820 establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing an asset or liability, based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect assumptions that market participants would use in pricing an asset or liability, based on the best information available under given circumstances.

The hierarchy is broken down into three levels, based on the observability of inputs and assumptions, as follows:

- **Level 1** - Observable inputs obtained from independent sources, such as quoted prices for identical assets and liabilities in active markets.
- **Level 2** - Other inputs that are directly or indirectly observable in the market place.
- **Level 3** - Unobservable inputs which are supported by little or no market activity.

The following table present assets and liabilities measured at fair value on a recurring basis as of June 30, 2015:

	June 30, 2015			
	Fair value measurements using input type			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Derivative assets	$ -	$ 2,249	$ -	$ 2,249
Total financial assets	**$ -**	**$ 2,249**	**$ -**	**$ 2,249**
Liabilities:				
Payment obligation in connection with acquisitions	$ -	$ -	$ 7,646	$ 7,646
Derivative liabilities	-	18	-	18
Convertible debt	36,986	-	-	36,986
Total financial liabilities	**$ 36,986**	**$ 18**	**$ 7,646**	**$ 44,650**

The following table present assets and liabilities measured at fair value on a recurring basis as of December 31, 2014:

	December 31, 2014			
	Fair value measurements using input type			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets:				
Derivative assets	$ -	$ 1,349	$ -	$ 1,349
Total financial assets	**$ -**	**$ 1,349**	**$ -**	**$ 1,349**
Liabilities:				
Payment obligation in connection with acquisitions	$ -	$ -	$ 13,645	$ 13,645
Derivative liabilities	$ -	$ 1,779	$ -	$ 1,779
Convertible debt	$ 35,752	$ -	$ -	$ 35,752
Total financial liabilities	**$ 35,752**	**$ 1,779**	**$ 13,645**	**$ 51,176**

The following table summarizes the changes in the Company's liabilities measured at fair value using significant unobservable inputs (Level 3), during the six months ended June 30, 2015:

	$
Total fair value as of January 1, 2015	**13,645**
Accretion of contingent liability related to acquisition	594
Reversal of contingent liability related to acquisition, net	(6,564)

Changes in fair value recognized in earnings with respect to the employees of Grow Mobile	160
Reclassification to accrued expenses	(189)
Total fair value as of June 30, 2015	**7,646**

f. Internal-use Software Development

Costs incurred to develop software for internal use are capitalized and amortized over the estimated useful life of the software. Costs related to design or maintenance of internal-use software are expensed as incurred. For the six months ended June 30, 2014 and 2015, the Company capitalized $0 and $1,262 (including $34 of stock-based compensation), respectively. Amortization has not yet begun.

g. Impact of recently issued accounting standard not yet adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued guidance related to revenue from contracts with customers. Under this guidance, revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration that is expected to be received for those goods or services. The updated standard will replace most existing revenue recognition guidance under U.S. GAAP when it becomes effective and permits the use of either the retrospective or cumulative effect transition method. Early adoption is not permitted. The updated standard was expected to be effective for entities like the Company in the first quarter of 2017. However, on July 9, 2015, the FASB agreed to delay the effective date of this standard to annual reporting periods beginning after December 15, 2017. The Company is currently evaluating the effect that the updated standard will have on its consolidated financial statements and related disclosures.

U.S. dollars in thousands (except share and per share data)

NOTE 3: ACQUISITIONS

a. Make Me Reach SAS

On February 10, 2015, the Company consummated the acquisition of 100% of the shares of Make Me Reach SAS, a private French Company headquartered in Paris, France ("MMR"). MMR enables mobile app developers to efficiently and effectively scale their advertising campaigns on social media, with a specific focus on optimizing mobile ad campaigns. MMR is a Facebook Preferred Marketing Developer (PMD) and Twitter Marketing Platform Partner (MPP).

The acquisition of MMR is part of the Company’s strategy to channel its future growth efforts towards the mobile advertising market, to extend its mobile marketing technology by adding the ability to advertise on social media and to provide developers a more effective mobile advertising tool. Additionally, the acquisition of MMR establishes the Company’s first office in Europe which will lead the European sales efforts.

The acquisition has been accounted for as a business combination under ASC No. 805, “Business Combination”. The Purchase price was $6,394 in cash adjusted for working capital adjustment and $4,378 in form of 1,437,510 ordinary shares. In the subsequent 12 months, the Company may be required to pay additional $442 in cash and issue an additional $442 in ordinary shares to the founder of MMR, subject to retention conditions. In addition, certain key employees of MMR are entitled to retention payments in an aggregate amount of $775, of which $144 in cash and $63 in the form of 18,998 ordinary shares were paid upon closing. An additional $360 in cash and $208 in ordinary shares may be paid to such key employees in the 12 months post-closing, subject to retention conditions.

In addition, the Company incurred acquisition related costs in a total amount of $123 which are included in general and administrative expenses. Acquisition related costs include legal and accounting fees, as well as other external costs directly related to the acquisition.

The preliminary allocation of the purchase price to assets acquired and liabilities assumed was as follows:

	$
Cash	1,050
Accounts receivable	666
Prepaid expenses and other assets	86
Property and equipment	87
Accounts payable	(305)
Accrued expenses and other liabilities	(644)
Deferred revenues	(126)
Deferred tax liability	(1,159)
Intangible assets	3,454
Goodwill	7,663
Total purchase price	**10,772**

The following table sets forth the components of intangible assets associated with the acquisition:

	$	**Estimated useful life**
Acquired technology	1,261	5 years
Customer relationships	395	5 years
Distribution channel	1,798	5 years
Total amount allocated to intangible assets	**3,454**	

In performing the purchase price allocation, the Company considered, among other factors, analysis of historical financial performance, the best use of the acquired assets and estimates of future performance of MMR's products. In its allocation, the Company also conducted a valuation of intangible assets based on a market participant approach to valuation using an income approach and in connection therewith considered the report of an independent third party valuation firm and estimates and assumptions provided by management.

Pro forma results of operations for the acquisition of MMR have not been presented because they are not material to the interim consolidated results of operations.

b. Grow Mobile LLC

On July 15, 2014, the Company completed the acquisition of 100% of the shares of Grow Mobile LLC, a Delaware corporation ("Grow Mobile"). Grow Mobile provides an innovative platform for mobile advertising that enables developers to buy, track, optimize, and scale user acquisition campaigns from a single dashboard. For the acquisition of Grow Mobile, the Company paid a total consideration of $17,000 in cash and in shares, and the sellers were entitled for an additional milestones-based contingent consideration of up to $25,000 in cash and in shares (the “Contingent Payment”).

On July 8, 2015, the Company, the representative of Grow Mobile’s security holders and Grow Mobile's former security holders, entered into an agreement which amends the acquisition agreement that was signed in July 2014 (the “Amendment”). Under the Amendment, the Contingent Payment will be cancelled and in exchange, the Company agreed to pay $2,500 of which $1,500 were paid in cash and $1,000 in the form of 315,263 shares that were issued to Grow Mobile’s former security holders (the “Release Payment”). In addition, the Company also agreed to accelerate the release of $1,500 which were deposited with an escrow fund as part of the acquisition of Grow Mobile and were originally scheduled to be released on September 30, 2016 (the “Escrow Deposit”). Under the Amendment, $1,000 of the Escrow Deposit were released immediately upon signing, with the remaining balance of $500 to be released on December 31, 2015.

As a result of the Amendment, the Company recorded a net gain of $6,564, comprising of the reversal of $9,064 previously accrued Contingent Payment, net of $2,500 accrual of the Release Payment. Such gain is included in gain on reversal of contingent consideration net of impairment in the statement of income for the six months ended June 30, 2015.

U.S. dollars in thousands (except share and per share data)

NOTE 4: GOODWILL AND INTANGIBLE ASSETS, NET

a. Goodwill

The changes in the carrying amount of goodwill in the six months ended June 30, 2015 were as follows:

	$
Balance as of January 1, 2015	**164,092**
Acquisition of Make Me Reach	7,663
Balance as of June 30, 2015 (unaudited)	**171,755**

b. Intangible assets, net

	December 31, 2014 $ Audited	Additions $	Amortization $	Impairment $	Disposals $	June 30, 2015 $ Unaudited
Acquired technology	**38,515**	**1,261**	-	-	**(28,515)**	**11,261**
Accumulated amortization	(15,698)	-	(2,163)	-	11,107	(6,754)
Impairment	(14,347)	-	-	(3,061)	17,408	-
Acquired technology, net	**8,470**	**1,261**	**(2,163)**	**(3,061)**	-	**4,507**
In-process R&D	**2,000**	-	-	-	**(2,000)**	-
Accumulated amortization	-	-	-	-	-	-
Impairment	(2,000)	-	-	-	2,000	-
In-process R&D, net	-	-	-	-	-	-
Tradename and other	**15,055**	**2,193**	-	-	**(6,474)**	**10,774**
Accumulated amortization	(3,041)	-	(963)	-	1,774	(2,230)
Impairment	(3,594)	-	-	(1,106)	4,700	-
Tradename and other, net	**8,420**	**2,193**	**(963)**	**(1,106)**	-	**8,544**
Intangible assets, net	**16,890**	**3,454**	**(3,126)**	**(4,167)**	-	**13,051**

In June 2015, the Company performed an impairment review of intangible assets that were recognized in connection with the acquisition of Grow Mobile as a result of lower sales and cash flows than anticipated, which resulted in impairments of all intangible assets that were acquired in the total amount of $4,167. The impairment amount is included in gain on reversal of contingent consideration, net of impairment in the statement of income for the six months ended June 30, 2015. The related deferred tax liability in the amount of $1,667 has also been written off and is included in taxes on income, as tax benefit, for the six months ended June 30, 2015.

Amortization of other intangible assets, net, in each of the succeeding five years and thereafter is estimated as follows:

	$
2015 (six months ending December 31)	2,416
2016	2,966
2017	2,130
2018	1,620
2019	1,419
Thereafter	2,500
	13,051

U.S. dollars in thousands (except share and per share data)

NOTE 5: DERIVATIVES AND HEDGING ACTIVITES

The Company follows the requirements of ASC No. 815, "Derivatives and Hedging" ("ASC 815"), which requires companies to recognize all of their derivative instruments as either assets or liabilities on the balance sheet at fair value. The accounting for changes in fair value (i.e. gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging transaction and further, on the type of hedging transaction. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge, or a hedge of a net investment in a foreign operation.

To protect against the increase in value of forecasted foreign currency cash flow resulting mainly from salaries and related benefits and taxes paid in New Israeli Shekels ("ILS") during the year, the Company hedges portions of its anticipated payroll denominated in ILS for a period of one to twelve months with forward and options contracts (the "Hedging Contracts"). Accordingly, when the USD strengthens against the ILS, the decline in present value of future ILS currency expenses is offset by losses in the fair value of the Hedging Contracts. Conversely, when the USD weakens, the increase in the present value of future ILS expenses is offset by gains in the fair value of the Hedging Contracts. These Hedging Contracts are designated as cash flow hedges.

Additionally, in order to mitigate the potential adverse impact of the fluctuations in the ILS-USD exchange rate in connection with the convertible debt (see note 6), the Company has entered into a cross currency interest rate SWAP agreement (the "SWAP") in order to hedge the future interest and principal payments, which are all denominated in ILS. However, due to the different risk components of the SWAP and the convertible debt, the SWAP does not qualify and was not designated as a cash flow hedge under ASC 815.

For derivative instruments that are designated and qualify as a cash flow hedge (i.e. hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income (loss) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Any gain or loss on a derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item is recognized in current earnings during the period of change.

As of June 30, 2015 and December 31, 2014, the notional principal amount of the Hedging Contracts and SWAP held by the Company was $43,361 and $43,520, respectively.

The fair value of the Company's outstanding derivative instruments is as follows:

	December 31, 2014	June 30, 2015
	Audited	Unaudited
Derivative assets:		
SWAP	$ 141	$ 1,617
Option contracts	1,208	167
Forward contracts	-	465
Total assets	**$ 1,349**	**$ 2,249**
Derivative liabilities:		
Option contracts	1,779	18
Total liabilities	**$ 1,779**	**$ 18**

The Company recorded the fair value of derivative assets in Prepaid expenses and other current assets, and the fair value of derivative liabilities in Accrued expenses and other liabilities on its interim consolidated balance sheets.

The increase in unrealized gains (losses) recognized in accumulated other comprehensive income (loss) on derivatives, is as follows:

	Six months ended June 30, 2014	Six months ended June 30, 2015
	Unaudited	Unaudited
Option contracts	$ 62	$ 150
Forward contracts	-	285
Total unrealized gain (loss)	**$ 62**	**$ 435**

The net (gains) losses reclassified from accumulated other comprehensive income (loss) to the operating expenses are as follows:

	Six months ended June 30, 2014	Six months ended June 30, 2015
	Unaudited	Unaudited
Option contracts	$ (3)	$ (20)

Forward contracts	(18)	(18)
Total realized gain (loss)	**$ (21)**	**$ (38)**

U.S. dollars in thousands (except share and per share data)

NOTE 6: CONVERTIBLE DEBT

In September 2014, the Company completed a public offering in Israel of its Series L Convertible Bonds (the "Bonds"). The Company issued Bonds with an aggregate par value of approximately ILS 143,500 thousands ($38,100 as of June 30, 2015). The Bonds were issued at a purchase price equal to 96.5% of their par value and bear annual interest at a rate of 5%, payable semi-annually. The proceeds of the offering, before issuance costs of $741, amounted to $37,852. The principal of the Bonds, denominated in ILS, will be repaid in five equal annual instalments commencing on March 31, 2016.

The Bonds are convertible, at the election of each holder, into the Company’s ordinary shares at a conversion price of ILS 33.605 per share ($8.92 on June 30, 2015) from the date of issuance and until March 15, 2020. The ordinary shares issued upon conversion of the Bonds will be listed on the NASDAQ Stock Market (“Nasdaq”) and the Tel-Aviv Stock Exchange (“TASE”), to extent that the Company's ordinary shares are listed thereon at the time of conversion. The conversion price is subject to adjustment in the event that the Company effects a share split or reverse share split, a rights offering or a distribution of bonus shares or a cash dividend.

The Company may redeem the Bonds upon delisting of the Bonds from the TASE, subject to certain conditions. In addition, the Company may redeem the Bonds or any part thereof at its discretion after December 1, 2014, subject to certain conditions.

The Company elected to apply the fair value option in accordance with ASC No. 825, “Financial Instruments”, to the Bonds and therefore all unrealized gains and losses are recognized in earnings. As of June 30, 2015, the fair value of the Bonds, based on its quoted price at the TASE and including accrued interest of $474, was $37,460.

The changes of the convertible debt in the six months ended June 30, 2015 were as follows:

	$
Balance as of January 1, 2015	**35,752**
Accrued interest	839
Change in fair value	1,780
Payment of interest	(911)
Balance as of June 30, 2015 *	**37,460**

* Includes accrued interest of $474

In order to mitigate the potential adverse impact of the fluctuations in the ILS-USD exchange rate, the Company has entered into a cross currency interest rate SWAP agreement (the “SWAP”) in order to hedge the future interest and principal payments, which are all denominated in ILS.

As of June 30, 2015, the Company satisfies all of the financial covenants associated with both, the Bonds and the SWAP.

As of June 30, 2015, the aggregate principal annual payments of the bonds are as follows:

	Repayment amount $
2016	7,620
2017	7,620
2018	7,620
2019	7,620
2020	7,620
	38,100

U.S. dollars in thousands (except share and per share data)

NOTE 7: COMMITMENTS AND CONTINGENT LIABILITIES

a. Office lease commitments

In January 2014, the Company entered into a lease agreement for new corporate offices in Holon, Israel. The lease expires in January 2025, with an option by the Company to extend for two additional terms of 24 months each. Additionally, the Company may choose an early termination in November 2019. On September 1, 2014, the Company moved all of its Israeli personnel to Holon.

Additionally, two of the Company's subsidiaries in the U.S. and one subsidiary in France, lease their offices in San-Francisco, CA, Redmond, WA and in Paris. The lease agreements expire in December 2019, December 2015 and October 2017, respectively.

Furthermore, the Company leases motor vehicles for employees under operating lease agreements.

Aggregate minimum lease commitments under the aforesaid non-cancelable operating leases as of June 30, 2015 are as follows:

	$
2015 (six months ending December 31)	1,492
2016	2,319
2017	2,370
2018	2,179
Thereafter	11,457
	19,817

b. Contingent purchase obligation

On November 30, 2012, the Company completed the acquisition of 100% of the shares of Sweet IM Ltd. ("SweetIM"), an Israeli-based consumer internet company that develops a variety of applications. Pursuant to the terms of the Share Purchase Agreement ("SPA") between the Company and SweetIM, the Company was obligated to pay SweetIM's former shareholders, among other payments, a payment of up to $ 7,500 in cash in May 2014, if certain milestones were met (the "Contingent Payment"). The milestones were based on the Company's revenues in 2013, and the absence of certain changes in the industry in which the Company operates. On May 28, 2014, the Company paid $2,500 on account of the Contingent Payment. Following such payment, on June 22, 2014, SweetIM's former Shareholders' representative has delivered to the Company a notice in which they claim that the Company owes SweetIM's shareholders the entire Contingent Payment. The parties have agreed on the identity of an arbitrator, and currently arbitration procedures are being held. The Company believes that the claim is without merit and has submitted to the arbitrator a statement of defense accordingly. Until this dispute is resolved, the Company will maintain the $5,000 liability in its financial statements that was recorded at the time it entered into the SPA.

c. Legal Matters

In November 2013, MyMail, Ltd. ("MyMail"), a non-practicing entity, filed a lawsuit in the Eastern District of Texas alleging that ClientConnect's toolbar technology infringes one of its U.S. patents issued in September 2012 and demanding an injunction and monetary payments. In November 2014, the Company filed a Petition for Inter Partes Review ("IPR") in the United States Patent & Trademark Office, challenging the validity of the asserted claims of the patent in question. On December 31, 2014, MyMail filed an unopposed motion to stay the district court case pending resolution of the Petition for IPR. On January 9, 2015, the court granted a stay pending resolution of the Petition for IPR and on March 9, 2015, MyMail filed a Patent Owner Preliminary Response. On June 8, 2015, the United States Patent & Trademark Office Board issued a decision instituting inter partes review of certain claims and a scheduling order. The Company is unable to predict the outcome or range of possible loss at this stage, believes that it has strong defenses against this lawsuit and intends to defend against it vigorously.

U.S. dollars in thousands (except share and per share data)

NOTE 8: SHAREHOLDERS' EQUITY

a. Ordinary shares

The ordinary shares of the Company entitle their holders to voting rights, the right to receive cash dividend and the right to a share in excess assets upon liquidation of the Company.

b. Stock Options and Restricted Stock Units

The Company's Equity Incentive Plan (the "Plan") was initially adopted in 2003 and had an initial term of ten years from adoption. On December 9, 2012, the Company's Board of Directors extended the term of the Plan for an additional ten years. In addition, on August 7, 2013, the Company's Board of Directors approved amendments to the Plan to include the ability to grant RSUs and restricted stock.

The contractual term of the stock options is generally no more than five years and the vesting period of the options and RSUs granted under the Plan is between 1 and 3 years from the date of grant. The rights of the ordinary shares obtained from the exercise of stock options or RSUs are identical to those of the other ordinary shares of the Company.

As of June 30, 2015, there were 4,785,567 ordinary shares reserved for future stock-based awards under the Plan.

The following table summarizes the activities for the Company's stock options for the six months ended June 30, 2015:

		Weighted average		
	Number of options	Exercise price	Remaining contractual term (in years)	Aggregate intrinsic value
Outstanding at January 1, 2015	3,339,412	$ 8.85	2.93	$ 348
Granted	2,479,500	$ 3.48		
Exercised	(6,400)	$ 2.00		
Cancelled	(258,662)	$ 7.58		
Forfeited	(798,813)	$ 8.23		
Outstanding at June 30, 2015	4,755,037	$ 6.24	3.11	$ 91
Exercisable at June 30, 2015	1,297,717	$ 7.09	1.94	$ 66

The following table summarizes the activities for the Company's RSUs for the six months ended June 30, 2015:

	Number of RSUs	Weighted average grant date fair value
Unvested at January 1, 2015	1,397,300	$ 12.45
Granted	-	
Vested	(284,798)	$ 12.32
Cancelled	(316,982)	$ 12.07
Unvested at June 30, 2015	795,520	$ 12.64

NOTE 9: INCOME TAXES

Taxable income of Israeli companies is generally subject to corporate tax at the rate of 26.5%. The corporate tax rate is scheduled to remain at a rate of 26.5% for future tax years.

Israeli companies are entitled to Tax benefits under the Israeli Law for the Encouragement of Capital Investments, 1959 (the "Law"). Commencing 2011, Perion and its Israeli subsidiaries elected to apply the new Preferred Enterprise benefits under the Law which include reduced tax rates of currently 16%.

Non-Israeli subsidiaries are taxed according to the tax laws in their respective countries of residence.

U.S. dollars in thousands (except share and per share data)

NOTE 10: EARNINGS PER SHARE

The table below presents the computation of basic and diluted net earnings per common share:

	Six months ended June 30,	
	2014	**2015**
Numerator:		
Net income attributable to ordinary shares (basic and diluted)	$ 31,503	$ 18,954
Denominator:		
Weighted average number of ordinary shares outstanding during the period	67,325,808	70,623,006
Weighted average effect of dilutive securities:		
Shares to be issued in connection with acquisition	-	64,697
Employee stock options and restricted stock units	1,714,560	76,316
Diluted number of ordinary shares outstanding	69,040,368	70,764,019
Net earnings per ordinary share - Basic	$ 0.47	$ 0.27
Net earnings per ordinary share - Diluted	$ 0.46	$ 0.27
Ordinary shares equivalents excluded because their effect would have been anti-dilutive	2,621,487	9,967,014

NOTE 11: RESTRUCTURING COSTS

In November 2014, the Company initiated a restructuring plan of its search monetization business, mainly to reduce workforce, close or consolidate certain facilities, as well as other cost saving measures.

As of June 30, 2015, the restructuring accrual on the balance sheet amounted to $459.

U.S. dollars in thousands (except share and per share data)

NOTE 12: MAJOR CUSTOMER

A substantial portion of the Company's revenue is derived from search fees and online advertising, the market for which is highly competitive and rapidly changing. Significant changes in this industry or in customer buying behavior could adversely affect the Company’s operating results.

The following table sets forth one customer that represented more than 10% of the Company’s total revenues in each of the periods presented below:

	Six months ended June 30,	
	2014	**2015**
Customer A	70%	90%

The following table sets forth one of the customers that accounted for more than 10% of the total accounts receivable as of December 31, 2014 and June 30, 2015:

	December 31	June 30
	2014	**2015**
Customer A	65%	71%

NOTE 13: GEOGRAPHIC INFORMATION

The following table presents the total revenues for the six months ended June 30, 2014 and 2015, allocated to the geographic areas in which it was generated:

	Six months ended June 30	
	2014	**2015**
	Unaudited	**Unaudited**
North America (mainly U.S.)	$ 167,165	$ 78,592
Europe	44,618	17,952
Other	12,575	4,162
	$ 224,358	**$ 100,706**

The total revenues are attributed to geographic areas based on the location of the end-users.

The following table presents the locations of the Company’s property and equipment as of December 31, 2014 and June 30, 2015:

	December 31,	June 30,
	2014	**2015**
	Audited	**Unaudited**
Israel	$ 9,952	$ 10,371
U.S.	1,460	1,219
Europe	768	650
	$ 12,180	**$ 12,240**

NOTE 14: SUBSEQUENT EVENTS

On July 1, 2015, the Company entered into retention award agreements with certain employees of Grow Mobile. The service-based retention awards, totaling $450, will be paid in four semi-annual payments, according to a pre-defined payment schedule, through June 30, 2017.

OPERATING AND FINANCIAL REVIEW AND PROSPECTS IN CONNECTION WITH THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED JUNE 30, 2015

In this report, as used herein, and unless the context suggest otherwise, the terms "Perion," "Company," "we," "us" or "ours" refer to Perion Network Ltd. and subsidiaries. References to "dollar" and "$" are to U.S. dollars, the lawful currency of the United States, and references to "ILS" are to New Israeli Shekels, the lawful currency of the State of Israel. This report contains translations of certain ILS amounts into U.S. dollars at specified rates solely for your convenience. These translations should not be construed as representations by us that the ILS amounts actually represent such U.S. dollar amounts or could, at this time, be converted into U.S. dollars at the rate indicated. Unless otherwise indicated, we have translated ILS amounts into U.S. dollars at an exchange rate of ILS 3.769 to $1.00, the representative exchange rate reported by the Bank of Israel on June 30, 2015.

The following discussion of our financial condition and results of operations should be read in conjunction with our unaudited consolidated financial statements as of and for the six months ended June 30, 2015 and 2014 and the notes thereto (the “Financial Statements”), which were filed with the Securities and Exchange Commission (the "SEC") on this report on Form 6-K on September 24, 2015. In addition to historical financial information, the following discussion and analysis contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act, including, without limitation, statements regarding the Company’s expectations, beliefs, intentions, or future strategies that are signified by the words "expects," "anticipates," "intends," "believes," or similar language. These forward looking statements involve risks, uncertainties and assumptions. Our actual results, including the timing of future events, may differ materially from those anticipated in these forward looking statements as a result of many factors, including those discussed in our 2014 annual report on Form 20-F filed with the SEC on April 16, 2015 (the “Annual Report”) and elsewhere in this report.

Overview

Perion is a global performance-based media and Internet company, providing online publishers and app developers advanced technology and a variety of intelligent, data-driven solutions to monetize their application or content and expand their reach to larger audiences. Our software monetization platform, Perion Codefuel, empowers digital businesses to optimize installs, analyze data and maximize revenue. Our advertising mobile marketing business enables developers to make decisions on where to spend advertising budgets to produce the highest yield and the most visibility.

Our headquarters and primary research and development facilities are located in Israel, and we have other offices located in the United States and France.

Recent Acquisitions

On February 10, 2015, we consummated the acquisition of Make Me Reach SAS, a private French company headquartered in Paris, France (“Make Me Reach”). The purchase price was $6.4 million in cash, after giving effect to a working capital adjustment, and $4.4 million in the form of 1,437,510 ordinary shares. In the subsequent 12 months post-closing, the founder of Make Me Reach may be entitled to receive an additional amount of $0.4 million in cash and $0.4 million in ordinary shares. In addition, certain key employees of Make Me Reach are entitled to retention payments in an aggregate amount of up to $0.8 million, of which, $0.15 million was paid in cash and $0.06 million was paid in the form of 18,998 ordinary shares at closing. In the subsequent 12 months post-closing, certain key employees may be entitled to receive the remaining balance of the retention payment of up to $0.4 million in cash and $0.2 million in ordinary shares. Make Me Reach is a Facebook Preferred Marketing Developer (PMD) and Twitter Marketing Platform Partner (MPP).

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with Generally Accepted Accounting Principles in the United States (“U.S. GAAP”). In doing so, we have to make estimates and assumptions that affect our reported amounts of assets, liabilities, revenues and expenses, as well as related disclosure of contingent assets and liabilities. In some cases, we could reasonably have used different accounting policies and estimates. In some cases, changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ materially from our estimates. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations will be affected. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. We refer to accounting estimates of this type as critical accounting policies and estimates, which we discuss further below. We have reviewed our critical accounting policies and estimates with the audit committee of our board of directors.

Please see Note 2 of this report on Form 6-K for a summary of significant accounting policies. In addition, please see Part I, Item 5, "Critical Accounting Policies and Estimates" in our 2014 Annual Report.

Recently Adopted and Issued Accounting Pronouncements

See the notes to the interim consolidated financial statements included in this report.

Legal Proceedings

We are involved in various litigation and other legal proceedings. For a discussion of these matters, see “Contingencies” included in note 7 to the Financial Statements.

Results of Operations

Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

Revenues

The following table shows our revenues by category (in thousands of U.S. dollars):

	Six months ended June 30	
	2014	**2015**
Search	$ 189,346	$ 83,712
Advertising and other	35,012	16,994
Total Revenues	**$ 224,358**	**$ 100,706**

Revenues decreased by 55%, from $224.4 million in the first half of 2014, to $100.7 million in the first half of 2015. This decrease was primarily a result of the significantly lower customer acquisition costs, as discussed below.

Search revenues. Search revenues decreased by 56%, from $189.3 million in the first half of 2014, to $83.7 million in the first half of 2015. Since the second half of 2014, with the somewhat reduced level of revenues and primarily a lack of visibility regarding the future revenues from newly acquired users, we drew back on our customer acquisition costs which caused our revenues to decline. In addition, revenues in the first half of 2015 were reduced by $12.7 million of customer acquisition costs which were offset directly from revenues. We expect search-generated revenues to continue and be our main source of revenues in the second half of 2015 and into 2016. However, as a result of our decision to exit certain parts of the download industry and thus significantly reduce our customer acquisition costs which drive the sales in this industry, we expect a comparative decline in our search revenues on a year over year basis through the end of 2015.

Advertising and other revenues. Advertising and other revenues decreased by 51%, from $35.0 million in the first half of 2014 to $17.0 million in the first half of 2015. Advertising revenues, for the most part, benefit from the distribution achieved for our search revenues, which relied on partners we no longer are able to work with. Therefore, as with the continued trend in search-generated revenues, we expect a continued decline in our advertising revenues in the second half of 2015 and into 2016.

Costs and Expenses

The following table shows costs and expenses by category (in thousands of U.S. dollars):

	Six months ended June 30	
	2014	**2015**
Cost of revenues	$ 12,963	$ 5,626
Customer acquisition costs	115,542	35,143
Research and development	23,959	13,139
Selling and marketing	10,509	11,737
General and administrative	19,955	10,924
Gain on reversal of contingent consideration, net of impairment	-	(2,397)
Total Costs and Expenses	**$ 182,928**	**$ 74,172**

Cost of revenues

Cost of revenues consists primarily of salaries and related expenses, license fees, amortization of acquired technology and payments for content and server maintenance.

Cost of revenues remained 6% of revenues, decreasing by $7.3 million, or 57%, from $13.0 million in the six months ended June 30, 2014, to $5.6 million in the six months ended June 30, 2015. The decrease is primarily attributable to a $5.4 million decrease in amortization of intangible assets, as a result of an impairment of certain intangible assets in the fourth quarter of 2014. In addition, our hosting expenses decreased by approximately $2.3 million due to the reduction in the search revenue volume.

Customer acquisition costs

Customer acquisition costs (“CAC”) consist primarily of payments to publishers and developers who distribute our search properties together with their products, as well as the cost of distributing our own products. These amounts are primarily based on fixed fee arrangements and on revenue share agreements with our traffic sources.

CAC decreased by $80.4 million, or 70%, from $115.5 million in the six months ended June 30, 2014, to $35.1 million in the six months ended June 30, 2015. Due to the lower level of return and more importantly the lack of visibility regarding future returns from newly acquired customers, we decided to engage fewer but higher margin software developing partners. Furthermore, in order to mitigate some of the risk inherent in paying up front for customers, while lacking visibility regarding the generation of future revenues by the users of our partners' software, starting in the third quarter of 2014, we have been gradually shifting our model, with an emphasis on revenue share agreements instead of fixed fee arrangements paid in advance. In addition, $12.7 million of customer acquisition costs were deducted directly from revenues in the first six months of 2015. We expect to maintain this reduced level of investment in CAC in the foreseeable future.

Research and development expenses

Research and development expenses ("R&D") consist primarily of salaries and other personnel-related expenses for employees primarily engaged in developing our products, our search monetization tools and our advertising platforms for mobile app developers, as well as allocated facilities costs, subcontractors and consulting fees in connection with our development activities.

R&D decreased by $10.8 million, or 45%, from $24.0 million in the six months ended June 30, 2014, to $13.1 million in the six months ended June 30, 2015. The decrease is primarily attributable to the restructuring of our search monetization business in November 2014, including a head count reduction as well as other cost saving measures, such as the consolidation of our Israeli offices. In addition, in the first six months of 2015, $1.3 million was capitalized, representing mainly compensation expenses for employees engaged in the development of our mobile advertising platform.

Selling and marketing expenses

Selling and marketing expenses ("S&M") consist primarily of salaries and other personnel-related expenses for employees primarily engaged in sales and marketing activities, allocated facilities costs, as well as other outsourced marketing activity.

S&M increased by $1.2 million, or 12%, from $10.5 million in the six months ended June 30, 2014, to $11.7 million in the six months ended June 30, 2015. The increase is primarily attributable to expenses related to the acquisition of Grow Mobile and MMR in July 2014 and February 2015, respectively, offset by a decrease in expenses resulting from the restructuring of our search monetization business in November 2014.

General and administrative expenses

General and administrative expenses ("G&A") consist primarily of salaries and other personnel-related expenses for general executive, financial, legal, human resources, and other administrative personnel, as well as professional services, including investor relations, legal, accounting and other consulting services, insurance fees and other general corporate expenses.

G&A decreased by $9.0 million, or 45%, from $20.0 million in the six months ended June 30, 2014, to $10.9 million in the six months ended June 30, 2015. The decrease is primarily attributable to decreases of $3.8 million in share based compensation and $3.0 million of acquisition related expenses, as well as other cost reductions to match the level of operation in 2015.

Gain on reversal of contingent consideration net of impairment

- On July 8, 2015, we entered into an agreement with Grow Mobile's former security holders and with their representative, which amends the acquisition agreement that was signed in July 2014 (the “Amendment”). The Amendment canceled the additional milestones-based contingent consideration that could have been paid to Grow Mobile’s security holders under certain conditions and, in exchange, we paid $1.5 million in cash and $1.0 million in the form of 315,263 shares (the “Release Payment”). As a result of the Amendment, we recorded a net gain of $6.6 million, comprised of the reversal of the previously accrued contingent payment in the amount of $9.1 million, net of the $2.5 million accrual of the Release Payment. Such gain is included in gain on reversal of contingent consideration, net of impairment in the statement of income for the six months ended on June 30, 2015.

- In June 2015, we performed an impairment review of several intangible assets that were recognized in connection with the acquisition of Grow Mobile, which resulted in impairments of $4,167 that are included in gain on reversal of contingent consideration net of impairment in the statement of income for the six months ended June 30, 2015.

Taxes on income

A significant portion of our income is taxed in Israel. The standard corporate tax rate in Israel for 2014 and 2015 is 26.5%. With respect to our Israeli operations, we have elected to implement a tax incentive program pursuant to a 2011 Israeli tax reform, referred to as a "Preferred Enterprise," according to which a reduced tax rate of 16.0% is applied to our preferred income in 2014 and 2015.

Taxes on income decreased by $2.5 million, or 28%, to $6.5 million in the six months ended June 30, 2015, as compared to $9.1 million in the six months ended June 30, 2014. The decrease in the income tax amount is primarily attributable to our reduced net income before taxes as a result of the decrease in our search generated revenues. The effective tax rate for the six months ended 2015 was 25.6% compared to 22.3% in the same period last year. The increase in the effective tax rate is primarily due to losses for which a deferred tax asset was not recognized.

Net income

Net income decreased by $12.5 million, or 40%, from $31.5 million in the six months ended June 30, 2014, to $19.0 million in the six months ended June 30, 2015. The decrease resulted primarily from the decrease in our revenues, net of CAC, in the amount of $43.3 million, partially offset by a gain on the reversal of contingent consideration, net of impairment, in the amount of $2.4 million, a decrease in the amortization of intangible assets of $5.9 million, a decrease in our share based compensation expenses of $5.0 million, a decrease in acquisition related costs of $2.7 million and other significant cost saving measures, mostly attributable to the restructuring of our search monetization business in November 2014 and the consolidation of our Israeli offices.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2015, we had $127.9 million in cash, cash equivalents and short-term deposits, compared to $116.2 million at December 31, 2014. The $11.7 million increase is the result of $20.0 million cash provided by operating activities, partially offset by $4.5 million cash paid for the acquisition of Make Me Reach, $2.6 million used in other investing activities and $1.2 million repayment of long term loans.

For the six months ended 2014 and 2015, our cash flows were as follows (in thousands of U.S. dollars):

	Six months ended June 30	
	2014	**2015**
Net cash provided by operating activities	$ 21,910	$ 19,964
Net cash provided by (used in) investing activities	$ 14,663	$ (47,754)
Net cash used in financing activities	$ (1,971)	$ (1,136)
	$ 34,602	**$ (28,926)**

Net cash provided by operating activities

In the six months ended June 30, 2015, our operating activities provided cash in the amount of $20.0 million, primarily due to net income of $19.0 million, increased by non-cash depreciation and amortization of $4.6 million, impairment expenses of $4.2 million, non-cash share-based compensation expenses of $3.3 million and other non-cash operating expenses of $2.9 million, partially offset by a decrease of $5.6 million in the payment obligation related to acquisition and by net changes of $8.4 million in operating assets and liabilities.

In the six months ended June 30, 2014, our operating activities provided cash in the amount of $21.9 million, primarily due to a net income of $31.5 million, increased by non-cash depreciation and amortization in the amount $10.2 million, non-cash share-based compensation expenses of $8.3 million and other non-cash operating expenses of $1.2 million, partially offset by an increase in accounts receivable of $36.3 million and net changes in other operating assets and liabilities of $6.9 million.

Net cash provided by (used in) investing activities

In the six months ended June 30, 2015, our investing activities used cash in the amount of $47.8 million, primarily due to a $40.7 million deposit in short-term bank deposits, $4.5 million in cash used for the acquisition of Make Me Reach, $1.4 million invested in the purchase of property and equipment and $1.2 million for the capitalization of development costs.

In the six months ended June 30, 2014, our investing activities provided cash in the amount of $14.7 million, primarily due to the cash acquired through the deemed reverse acquisition of Perion in the amount of $23.4 million, offset by purchase of equipment in the amount of $7.6 million in connection with our move to new headquarters and an increase in restricted cash of $1.1 million.

Net cash used in financing activities

In the six months ended June 30, 2015, our financing activities used $1.1 million for repayments of long-term loans.

In the six months ended June 30, 2014, our financing activities used cash in the amount of $2.0 million, primarily due to the $2.5 million of payment made in connection of a prior acquisition and a $1.2 million repayment of long-term loans, partially offset by proceeds from the exercise of stock options in the amount of $1.1 million.

Credit Facilities

As of June 30, 2015, we had bank loans outstanding in the amount of $3.1 million to be paid over the next one to two years, including $0.8 million classified as long term debt and $2.3 million as current maturities. In order to secure our obligations to the banks, we have in place negative pledges for the benefit of the banks and liens over other deposits deposited with the banks from time to time.

Series L Convertible Bonds

On September 23, 2014, we completed a public offering in Israel of Series L Convertible Bonds (the "Bonds"). The Bonds have an aggregate principal amount of approximately ILS 143.5 million (approximately $38.1 million as of June 30, 2015) at a price of ILS 965 per unit of ILS 1,000 par value. We received total net proceeds of approximately ILS 136.4 million (approximately $36.2 million as of June 30, 2015). The Bonds, which are listed on the Tel Aviv Stock Exchange, are convertible into an aggregate of approximately 4.27 million ordinary shares, at a conversion price of ILS 33.605 per share (approximately $8.9 per share as of June 30, 2015). The principal of the Bonds are repayable in five equal annual installments commencing on March 31, 2016, with a final maturity date of March 31, 2020. The Bonds bear interest at the rate of 5% per year, subject to increase to up to 6% in the event of downgrades of our debt rating. The interest is payable semi-annually on March 31 and September 30 of each of the years 2015 through 2019, as well as a final payment on March 31, 2020.

As of June 30, 2015, we were in compliance with all of the financial covenants governing the Bonds.

Financing Needs

We believe that our current working capital and cash flow from operations are sufficient to meet our operating cash requirements for at least the next twelve months, including payments required under our existing bank loans. An important part of our growth and diversification strategy is to pursue acquisition opportunities. If we do not have available sufficient cash to finance additional acquisitions, we may be required to obtain additional debt or equity financing. We cannot be certain that we will be able to obtain, if required, additional financing on acceptable terms or at all.