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

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the Quarterly Period Ended March 31, 2016

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission file number 000-51539

Cimpres N.V.

(Exact Name of Registrant as Specified in Its Charter)

The Netherlands
(State or Other Jurisdiction of
Incorporation or Organization)

98-0417483
(I.R.S. Employer
Identification No.)

Hudsonweg 8
5928 LW Venlo
The Netherlands
(Address of Principal Executive Offices) (Zip Code)

Registrant's telephone number, including area code: 31-77-850-7700

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Exchange Act Rule 12b-2). See definitions of "large accelerated filer," "accelerated filer," "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes No

As of April 22, 2016, there were 31,468,685 of Cimpres N.V. ordinary shares, par value €0.01 per share, outstanding.

CIMPRESS N.V.
QUARTERLY REPORT ON FORM 10-Q
For the Three and Nine Months Ended March 31, 2016

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I FINANCIAL INFORMATION</u>	
Item 1. Financial Statements (unaudited)	1
Consolidated Balance Sheets as of March 31, 2016 and June 30, 2015	1
Consolidated Statements of Operations for the three and nine months ended March 31, 2016 and 2015	2
Consolidated Statements of Comprehensive Income for the three and nine months ended March 31, 2016 and 2015	3
Consolidated Statements of Cash Flows for the nine months ended March 31, 2016 and 2015	4
Notes to Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	29
Item 3. Quantitative and Qualitative Disclosures About Market Risk	43
Item 4. Controls and Procedures	45
<u>PART II OTHER INFORMATION</u>	
Item 1A. Risk Factors	45
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	61
Item 6. Exhibits	62
Signatures	63

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CIMPRESS N.V. CONSOLIDATED BALANCE SHEETS (unaudited in thousands, except share and per share data)

	March 31, 2016	June 30, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 76,726	\$ 103,584
Marketable securities	6,194	6,910
Accounts receivable, net of allowances of \$425 and \$372, respectively	36,992	32,145
Inventory	19,640	18,356
Prepaid expenses and other current assets	64,656	55,103
Total current assets	204,208	216,098
Property, plant and equipment, net	497,182	467,511
Software and web site development costs, net	31,850	22,109
Deferred tax assets	21,560	17,172
Goodwill	474,736	400,629
Intangible assets, net	232,100	151,063
Other assets	24,905	25,213
Total assets	<u>\$ 1,486,541</u>	<u>\$ 1,299,795</u>
Liabilities, noncontrolling interests and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 72,068	\$ 65,875
Accrued expenses	191,757	172,826
Deferred revenue	29,383	23,407
Deferred tax liabilities	—	1,043
Short-term debt	19,842	21,057
Other current liabilities	24,900	21,470
Total current liabilities	337,950	305,678
Deferred tax liabilities	72,792	48,007
Lease financing obligation	111,109	93,841
Long-term debt	676,805	493,039
Other liabilities	71,231	52,073
Total liabilities	1,269,887	992,638
Commitments and contingencies (Note 15)		
Redeemable noncontrolling interests	64,871	57,738
Shareholders' equity:		
Preferred shares, par value €0.01 per share, 100,000,000 shares authorized; none issued and outstanding	—	—
Ordinary shares, par value €0.01 per share, 100,000,000 shares authorized; 44,080,627 shares issued; and 31,465,174 and 33,203,065 shares outstanding, respectively	615	615
Treasury shares, at cost, 12,615,453 and 10,877,562 shares, respectively	(550,766)	(412,132)
Additional paid-in capital	335,272	324,281
Retained earnings	465,168	435,052
Accumulated other comprehensive loss	(98,864)	(98,909)
Total shareholders' equity attributable to Cimpres N.V.	151,425	248,907
Noncontrolling interest	358	512
Total shareholders' equity	151,783	249,419
Total liabilities, noncontrolling interests and shareholders' equity	<u>\$ 1,486,541</u>	<u>\$ 1,299,795</u>

See accompanying notes.

CIMPRESS N.V.
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited in thousands, except share and per share data)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
Revenue	\$ 436,817	\$ 339,901	\$ 1,308,839	\$ 1,113,738
Cost of revenue (1)	197,365	125,540	552,219	412,381
Technology and development expense (1)	57,392	48,311	160,358	138,841
Marketing and selling expense (1)	132,352	120,795	397,158	371,680
General and administrative expense (1)	36,398	40,914	106,100	109,748
Impairment of goodwill	30,841	—	30,841	—
(Loss) income from operations	(17,531)	4,341	62,163	81,088
Other (expense) income, net	(9,003)	8,291	7,929	30,282
Interest expense, net	(10,091)	(3,131)	(28,377)	(9,508)
(Loss) income before income taxes	(36,625)	9,501	41,715	101,862
Income tax (benefit) provision	(162)	1,576	10,857	7,658
Net (loss) income	(36,463)	7,925	30,858	94,204
Add: Net loss attributable to noncontrolling interests	3,100	686	4,177	1,710
Net (loss) income attributable to Cimpres N.V.	\$ (33,363)	\$ 8,611	\$ 35,035	\$ 95,914
Basic net (loss) income per share attributable to Cimpres N.V.	\$ (1.06)	\$ 0.26	\$ 1.10	\$ 2.95
Diluted net (loss) income per share attributable to Cimpres N.V.	\$ (1.06)	\$ 0.25	\$ 1.07	\$ 2.85
Weighted average shares outstanding — basic	31,343,711	32,694,354	31,734,226	32,537,940
Weighted average shares outstanding — diluted	31,343,711	34,180,563	32,792,355	33,637,567

(1) Share-based compensation is allocated as follows:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
Cost of revenue	\$ 3	\$ 17	\$ 57	\$ 62
Technology and development expense	1,606	1,032	4,358	2,961
Marketing and selling expense	387	465	1,223	1,437
General and administrative expense	3,957	5,124	12,571	14,304

See accompanying notes.

CIMPRESS N.V.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(unaudited in thousands)

	<u>Three Months Ended March 31,</u>		<u>Nine Months Ended March 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net (loss) income	\$ (36,463)	\$ 7,925	\$ 30,858	\$ 94,204
Other comprehensive (loss) income, net of tax:				
Foreign currency translation gain (loss), net of hedges	27,563	(40,592)	3,426	(115,143)
Net unrealized loss on derivative instruments designated and qualifying as cash flow hedges	(4,820)	(1,036)	(5,282)	(1,057)
Amounts reclassified from accumulated other comprehensive income to net income on derivative instruments	3,160	201	3,600	630
Unrealized gain (loss) on available-for-sale-securities	27	(546)	(1,063)	(5,266)
Gain (loss) on pension benefit obligation, net	811	39	900	(26)
Comprehensive (loss) income	(9,722)	(34,009)	32,439	(26,658)
Add: Comprehensive loss attributable to noncontrolling interests	653	1,561	2,641	3,984
Total comprehensive (loss) income attributable to Cimpres N.V.	<u>\$ (9,069)</u>	<u>\$ (32,448)</u>	<u>\$ 35,080</u>	<u>\$ (22,674)</u>

See accompanying notes.

CIMPRESS N.V.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited in thousands)

	Nine Months Ended March 31,	
	2016	2015
Operating activities		
Net income	\$ 30,858	\$ 94,204
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	96,517	69,756
Impairment of goodwill	30,841	—
Share-based compensation expense	18,153	18,764
Excess tax benefits derived from share-based compensation awards	(11,683)	(2,686)
Deferred taxes	(12,176)	(8,666)
Abandonment of long-lived assets	9,763	—
Unrealized loss (gain) on derivatives not designated as hedging instruments included in net income	979	(7,435)
Change in fair value of contingent consideration	—	14,890
Payment of contingent consideration in excess of acquisition date fair value	—	(1,249)
Effect of exchange rate changes on monetary assets and liabilities denominated in non-functional currency	(3,172)	(15,932)
Other non-cash items	2,795	3,126
Gain on proceeds from insurance	(3,136)	—
Changes in operating assets and liabilities excluding the effect of business acquisitions:		
Accounts receivable	2,370	(855)
Inventory	(1,316)	(2,201)
Prepaid expenses and other assets	(4,269)	18,064
Accounts payable	12,496	(5,049)
Accrued expenses and other liabilities	14,515	17,683
Net cash provided by operating activities	<u>183,535</u>	<u>192,414</u>
Investing activities		
Purchases of property, plant and equipment	(62,641)	(50,105)
Business acquisitions, net of cash acquired	(162,440)	(22,997)
Purchases of intangible assets	(453)	(201)
Capitalization of software and website development costs	(18,184)	(12,517)
Proceeds from insurance related to investing activities	3,624	—
Other investing activities	775	—
Net cash used in investing activities	<u>(239,319)</u>	<u>(85,820)</u>
Financing activities		
Proceeds from borrowings of debt	516,008	218,500
Proceeds from issuance of senior notes	—	275,000
Payments of debt and debt issuance costs	(332,191)	(518,624)
Payment of purchase consideration included in acquisition-date fair value	(4,350)	(7,021)
Payments of withholding taxes in connection with equity awards	(5,768)	(4,297)
Payments of capital lease obligations	(10,137)	(4,315)
Excess tax benefits derived from share-based compensation awards	11,683	2,686
Purchase of ordinary shares	(153,467)	—
Proceeds from issuance of ordinary shares	3,379	10,967
Capital contribution from noncontrolling interest	5,141	4,160
Other financing activities	(303)	(118)
Net cash provided by (used in) financing activities	<u>29,995</u>	<u>(23,062)</u>
Effect of exchange rate changes on cash and cash equivalents	(1,069)	(11,828)
Net (decrease) increase in cash and cash equivalents	(26,858)	71,704
Cash and cash equivalents at beginning of period	103,584	62,508
Cash and cash equivalents at end of period	<u>\$ 76,726</u>	<u>\$ 134,212</u>

See accompanying notes.

CIMPRESS N.V.
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(unaudited in thousands)

	Nine Months Ended March 31,	
	2016	2015
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	\$ 22,882	\$ 7,366
Income taxes	11,089	10,629
Supplemental schedule of non-cash investing and financing activities:		
Capitalization of construction costs related to financing lease obligation	\$ 19,264	\$ 59,790
Property and equipment acquired under capital leases	7,244	9,762
Amounts due for acquisitions of businesses	18,361	13,614

See accompanying notes.

CIMPRESS N.V.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited in thousands, except share and per share data)

1. Description of the Business

We are a technology and manufacturing-driven company that aggregates, via the Internet, large volumes of small, individually customized orders for a broad spectrum of print, signage, apparel and similar products. We produce those orders in highly automated, capital and technology intensive production facilities in a manner that we believe makes our production techniques significantly more competitive than those of traditional suppliers. We bring our products to market through a portfolio of focused brands serving the needs of small and medium businesses and consumers. These brands include Vistaprint, our global brand for micro business marketing products and services, as well as brands we have acquired that serve the needs of various market segments including resellers, small and medium businesses with differentiated service needs, and consumers purchasing products for themselves and their families.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and, accordingly, do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments, consisting primarily of normal recurring accruals, considered necessary for fair statement of the results of operations for the interim periods reported and of our financial condition as of the date of the interim balance sheet have been included.

The consolidated financial statements include the accounts of Cimpres N.V., its wholly owned subsidiaries, entities in which we maintain a controlling financial interest, and those entities in which we have a variable interest and are the primary beneficiary. Intercompany balances and transactions have been eliminated. Investments in entities in which we can exercise significant influence, but do not own a majority equity interest or otherwise control, are accounted for using the equity method and are included as investments in equity interests on the consolidated balance sheets.

Operating results for the three and nine months ended March 31, 2016 are not necessarily indicative of the results that may be expected for the year ending June 30, 2016 or for any other period. The consolidated balance sheet at June 30, 2015 has been derived from our audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2015 included in our Annual Report on Form 10-K filed with the United States Securities and Exchange Commission (the "SEC").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We believe our most significant estimates are associated with the ongoing evaluation of the recoverability of our long-lived assets and goodwill, estimated useful lives of assets, share-based compensation, accounting for business combinations, and income taxes and related valuation allowances, among others. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results could differ from those estimates.

Insurance Recoveries

During the nine months ended March 31, 2016, we received \$9,711 in cash for payments toward an insurance settlement related to a fire that occurred at our Venlo, Netherlands production facility during the first quarter of fiscal 2016. The insurance proceeds were used to offset incurred losses, including the write-off of the net book value of damaged machinery, equipment and inventory and property-related cleanup costs, as well as business interruption losses for increased shipping and outsourcing costs. Insurance proceeds related to incurred

losses are recognized when recovery is probable, while business interruption recoveries follow the gain contingency model and are recognized when realized or realizable and earned.

During the nine months ended March 31, 2016, we recognized \$6,575 as a reduction to cost of revenue, including \$1,359 related to business interruption recoveries. We recognized a net gain of \$3,136 on the recovery of the replacement value of damaged machinery and equipment in excess of carrying value, as a component of other (expense) income, net in our consolidated statement of operations. We did not recognize any related gain or loss during the three months ended March 31, 2016, but we expect to finalize the settlement of our insurance claim by the end of the current fiscal year.

Long-Lived Assets

Long-lived assets with a finite life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or any other significant adverse change that would indicate that the carrying amount of an asset or group of assets may not be recoverable. During the three and nine months ended March 31, 2016 we committed to plans to abandon certain manufacturing equipment and recognized a loss of \$6,741 and \$9,763, respectively in cost of revenue during the periods.

Share-Based Compensation

During the three and nine months ended March 31, 2016, we recorded share-based compensation expense of \$5,953 and \$18,209, respectively, and \$6,638 and \$18,764 during the three and nine months ended March 31, 2015, respectively. As of March 31, 2016, there was \$38,303 of total unrecognized compensation cost related to non-vested share-based compensation arrangements, net of estimated forfeitures. This cost is expected to be recognized over a weighted average period of 2.3 years.

Foreign Currency Translation

Our non-U.S. dollar functional currency subsidiaries translate their assets and liabilities denominated in their functional currency to U.S. dollars at current rates of exchange in effect at the balance sheet date, and revenues and expenses are translated at average rates prevailing throughout the period. The resulting gains and losses from translation are included as a component of accumulated other comprehensive loss. Transaction gains and losses and remeasurement of assets and liabilities denominated in currencies other than an entity's functional currency are included in other (expense) income, net in our consolidated statements of operations.

Other (expense) income, net

The following table summarizes the components of other (expense) income, net:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
(Losses) gains on derivatives not designated as hedging instruments (1)	\$ (1,505)	\$ 5,756	\$ 4,048	\$ 13,398
Currency related (losses) gains, net (2)	(7,656)	2,535	(149)	16,884
Other gains (3)	158	—	4,030	—
Total other (expense) income, net	\$ (9,003)	\$ 8,291	\$ 7,929	\$ 30,282

(1) Includes both realized and unrealized (losses) gains on derivative forward currency contracts not designated as hedging instruments.

(2) We have significant non-functional currency intercompany financing relationships subject to currency exchange rate volatility and the net currency related (losses) gains for the three and nine months ended March 31, 2016 and 2015 are primarily driven by this intercompany activity. Includes unrealized losses of \$4,034 for the three and nine months ended March 31, 2016 related to certain cross-currency swaps designated as cash flow hedges which offset unrealized gains on the remeasurement of certain intercompany loans.

(3) Primarily relates to a gain of \$3,136 for the nine months ended March 31, 2016, related to insurance proceeds received for an insurance claim resulting from a fire at our Venlo, Netherlands production facility.

Net (Loss) Income Per Share Attributable to Cimpres N.V.

Basic net (loss) income per share attributable to Cimpres N.V. is computed by dividing net (loss) income attributable to Cimpres N.V. by the weighted-average number of ordinary shares outstanding for the respective period. Diluted net (loss) income per share attributable to Cimpres N.V. gives effect to all potentially dilutive securities, including share options, restricted share units ("RSUs") and restricted share awards ("RSAs"), if the effect of the securities is dilutive using the treasury stock method. Awards with performance or market conditions are included using the treasury stock method only if the conditions would have been met as of the end of the reporting period and their effect is dilutive.

The following table sets forth the reconciliation of the weighted-average number of ordinary shares:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
Weighted average shares outstanding, basic	31,343,711	32,694,354	31,734,226	32,537,940
Weighted average shares issuable upon exercise/vesting of outstanding share options/RSUs/RSAs (1)	—	1,486,209	1,058,129	1,099,627
Shares used in computing diluted net (loss) income per share attributable to Cimpres N.V.	31,343,711	34,180,563	32,792,355	33,637,567
Weighted average anti-dilutive shares excluded from diluted net (loss) income per share attributable to Cimpres N.V.	1,095,873	39,265	41,854	380,136

(1) Due to the net loss for the three months ended March 31, 2016, the effect of share options, RSUs, and RSAs is anti-dilutive.

Treasury Shares

Treasury shares are accounted for using the cost method and are included as a component of shareholders' equity. During the three and nine months ended March 31, 2016, we purchased 156,778 and 2,159,613 of our ordinary shares, respectively, for a total cost of \$11,263 and \$153,467, respectively, inclusive of transaction costs, in connection with our publicly announced share purchase programs. During the third quarter of fiscal 2016, we issued 112,364 of our ordinary shares from our treasury account as part of the acquisition of WIRmachenDRUCK. Refer to Note 7 for additional details of the acquisition.

Recently Issued or Adopted Accounting Pronouncements

New Accounting Standards Adopted

In November 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-17, "Balance Sheet Classification of Deferred Taxes," (ASU 2015-17), which requires an entity to present deferred tax assets and liabilities, along with any related valuation allowance, as noncurrent on the balance sheet. The new standard is effective for us on July 1, 2017, with early adoption permitted. We elected to early adopt this guidance for the second quarter of fiscal year 2016 on a prospective basis and therefore have not retrospectively adjusted any prior reporting periods. The adoption of this standard did not have a material effect on our consolidated financial statements.

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-03, "Interest- Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs," (ASU 2015-03), which requires an entity to present debt issuance costs related to recognized debt liability in the balance sheet as a direct deduction from the carrying amount of that debt liability. The new standard is effective for us on July 1, 2016 and early adoption is permitted. We elected to early adopt this new guidance effective for the first quarter of fiscal year 2016 and we have applied the changes retrospectively to all periods presented. The adoption of this standard did not have a material effect on our consolidated financial statements.

New Accounting Standards to be Adopted

In March 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-09, "Compensation - Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting," (ASU 2016-09), which requires all excess tax benefits and deficiencies on share-based payment awards to be recognized as income tax expense or benefit in the income statement. In addition, the tax effects of

exercised or vested awards should be treated as discrete items in the reporting period in which they occur and excess tax benefits should be classified with other income tax cash flows as an operating activity. The new standard is effective for us on July 1, 2017. The standard permits early adoption in any annual or interim period and will be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. We are currently evaluating our adoption timing and the effect that ASU 2016-09 will have on our consolidated financial statements.

In March 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-04, "Liabilities - Extinguishment of Liabilities (Subtopic 405-20): Recognition of Breakage for Certain Prepaid Stored-Value Products," (ASU 2016-04), which requires an entity to recognize breakage for a liability resulting from the sale of a prepaid stored-value product in proportion to the pattern of rights expected to be exercised by the product holder only to the extent that it is probable that a significant reversal of the recognized breakage amount will not subsequently occur. The new standard is effective for us on July 1, 2018. The standard permits early adoption and should be applied either retrospectively to each period presented or by means of a cumulative adjustment to retained earnings as of the beginning of the fiscal year adopted. We do not expect the effect of ASU 2016-04 to have a material impact on our consolidated financial statements.

In March 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-02, "Leases (Topic 842)," (ASU 2016-02), which requires the recognition of lease assets and lease liabilities by lessees for those leases currently classified as operating lease. The standard also retains a distinction between finance leases and operating leases. The new standard is effective for us on July 1, 2019. The standard permits early adoption. We are currently evaluating the effect that ASU 2016-02 will have on our consolidated financial statements.

In January 2016, the Financial Accounting Standards Board issued Accounting Standards Update No. 2016-01, "Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities," (ASU 2016-01) which requires an entity to recognize the fair value change of equity securities with readily determinable fair values in net income which was previously recognized within other comprehensive income. The new standard is effective for us on July 1, 2018. The standard does not permit early adoption and should be applied by means of a cumulative-effect adjustment to the balance sheet as of the beginning of the fiscal year of adoption. The impact of ASU 2016-01 will result in the recognition of fair value changes for our available-for-sale securities within earnings. While we do not believe the impact will be material based on our current investments, it could create volatility in our consolidated statement of operations.

In September 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-16, "Business Combinations (Topic 805): Simplifying the Accounting for Measurement-Period Adjustments," (ASU 2015-16) which requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. The new standard is effective for us on July 1, 2016 and we do not expect the adoption of this standard to have a material effect on our consolidated financial statements.

In July 2015, Financial Accounting Standards Board issued Accounting Standards Update No. 2015-11, "Simplifying the Measurement of Inventory," which requires an entity to measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less reasonably predictable costs of completions, disposal, and transportation. The new standard is effective for us on July 1, 2016 and will be applied prospectively as of the interim or annual period of adoption. We do not expect the effect of ASU 2015-11 to have a material impact on our consolidated financial statements.

In February 2015, the Financial Accounting Standards Board issued Accounting Standards Update No. 2015-02, "Consolidation (Topic 810): Amendments to the Consolidation Analysis," (ASU 2015-02) which places more emphasis in the consolidation evaluation on variable interests other than fee arrangements such as principal investment risk (for example, debt or equity interests), guarantees of the value of the assets or liabilities of the VIE, written put options on the assets of the VIE, or similar obligations. The new standard is effective for us on July 1, 2016. The standard permits early adoption and the use of a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption or by applying it retrospectively. We do not expect the effect of ASU 2015-02 to have a material impact on our consolidated financial statements.

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, "Revenue from Contracts with Customers," (ASU 2014-09) which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This guidance will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The FASB has elected to defer the effective date to fiscal years beginning after December 15, 2017, which would result in an effective date for us of July 1, 2018, with early application permitted one year earlier. The standard permits the use of either the retrospective or cumulative catch-up transition method. We are currently evaluating the adoption method for ASU 2014-09 but do not expect it to have a material impact on our consolidated financial statements.

3. Fair Value Measurements

The following table summarizes our investments in available-for-sale securities:

	March 31, 2016		
	Amortized Cost Basis (2)	Unrealized gain	Estimated Fair Value
Available-for-sale securities			
Plaza Create Co. Ltd. common shares (1)	\$ 4,286	\$ 1,908	\$ 6,194
Total investments in available-for-sale securities	<u>\$ 4,286</u>	<u>\$ 1,908</u>	<u>\$ 6,194</u>
	June 30, 2015		
	Amortized Cost Basis (2)	Unrealized gain	Estimated Fair Value
Available-for-sale securities			
Plaza Create Co. Ltd. common shares (1)	\$ 3,939	\$ 2,971	\$ 6,910
Total investments in available-for-sale securities	<u>\$ 3,939</u>	<u>\$ 2,971</u>	<u>\$ 6,910</u>

(1) On February 28, 2014, we purchased shares in our publicly traded Japanese joint venture partner. Refer to Note 12 for further discussion of the separate joint business arrangement.

(2) Amortized cost basis represents our initial investment adjusted for currency translation.

We use a three-level valuation hierarchy for measuring fair value and include detailed financial statement disclosures about fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- *Level 1:* Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2:* Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets in markets that are not active and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
- *Level 3:* Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following tables summarize our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy:

March 31, 2016					
Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Assets					
Available-for-sale securities	\$ 6,194	\$ 6,194	\$ —	\$ —	
Currency forward contracts	2,217	—	2,217	—	
Total assets recorded at fair value	<u>\$ 8,411</u>	<u>\$ 6,194</u>	<u>\$ 2,217</u>	<u>\$ —</u>	
Liabilities					
Interest rate swap contracts	\$ (1,954)	\$ —	\$ (1,954)	\$ —	
Cross-currency swap contracts	(14,750)	—	(14,750)	—	
Currency forward contracts	(2,572)	—	(2,572)	—	
Contingent consideration	(9,157)	—	—	(9,157)	
Total liabilities recorded at fair value	<u>\$ (28,433)</u>	<u>\$ —</u>	<u>\$ (19,276)</u>	<u>\$ (9,157)</u>	
June 30, 2015					
Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)		
Assets					
Available-for-sale securities	\$ 6,910	\$ 6,910	\$ —	\$ —	
Currency forward contracts	1,902	—	1,902	—	
Total assets recorded at fair value	<u>\$ 8,812</u>	<u>\$ 6,910</u>	<u>\$ 1,902</u>	<u>\$ —</u>	
Liabilities					
Interest rate swap contracts	\$ (1,150)	\$ —	\$ (1,150)	\$ —	
Cross-currency swap contracts	(8,433)	—	(8,433)	—	
Currency forward contracts	(407)	—	(407)	—	
Contingent consideration	(7,833)	—	—	(7,833)	
Total liabilities recorded at fair value	<u>\$ (17,823)</u>	<u>\$ —</u>	<u>\$ (9,990)</u>	<u>\$ (7,833)</u>	

During the quarter ended March 31, 2016 and the year ended June 30, 2015, there were no significant transfers in or out of Level 1, Level 2 and Level 3 classifications.

The valuations of the derivatives intended to mitigate our interest rate and currency risk are determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each instrument. This analysis utilizes observable market-based inputs, including interest rate curves, interest rate volatility, or spot and forward exchange rates, and reflects the contractual terms of these instruments, including the period to maturity. We incorporate credit valuation adjustments to appropriately reflect both our own nonperformance risk and the respective counterparties' nonperformance risk in the fair value measurements. In adjusting the fair value of our derivative contracts for the effect of nonperformance risk, we have considered the impact of netting and any applicable credit enhancements.

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to appropriately reflect both our own nonperformance risk and the respective counterparties' nonperformance risk in the fair value measurement. However, as of March 31, 2016, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our

derivative positions and have determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 in the fair value hierarchy.

Contingent consideration obligations are measured at fair value and are based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The valuation of contingent consideration uses assumptions and estimates to forecast a range of outcomes and probabilities for the contingent consideration. Certain contingent consideration obligations are valued using a Monte Carlo simulation model. We assess these assumptions and estimates on a quarterly basis as additional data impacting the assumptions is obtained. Any changes in the fair value of contingent consideration related to updated assumptions and estimates will be recognized within general and administrative expenses in the consolidated statements of operations during the period in which the change occurs.

Our contingent consideration liability increased during the three months ended March 31, 2016 due to the acquisition of WIRMachenDRUCK on February 1, 2016 which included a contingent payment based on the achievement of a cumulative gross margin target for calendar years 2016 and 2017. The fair value of the contingent consideration is \$1,185 and it is payable during the third quarter of fiscal 2018. See Note 7 for additional details related to the transaction. The remaining liability relates to the Printdeal contingent consideration which included terms to pay a fixed amount of €15,000, of which €8,000 was paid in March 2015 (\$8,547 based on the exchange rate as of the date of payment) and the remaining €7,000 (\$7,921 based on the exchange rate as of March 31, 2016) is payable during the fourth quarter of fiscal 2016. As the Printdeal contingent liability is no longer variable, we do not expect any additional adjustments to fair value prior to payment.

During the nine months ended March 31, 2016 and 2015, the following table represents the changes in fair value of Level 3 contingent consideration:

	Nine Months Ended March 31,	
	2016	2015
Balance at June 30, 2015 and 2014, respectively (1)	\$ 7,833	\$ 16,072
Fair value at acquisition date	1,185	—
Fair value adjustment	—	14,890
Cash payments	—	(8,271)
Foreign currency impact	139	(4,755)
Balance at March 31, 2016 and 2015, respectively (2)	<u>\$ 9,157</u>	<u>\$ 17,936</u>

(1) Of the total contingent consideration outstanding as of June 30, 2015 and 2014, \$7,833 and \$6,276 was classified as a current liability, respectively. As of June 30, 2014, \$9,796 was classified as a long-term liability.

(2) Of the total contingent consideration outstanding as of March 31, 2016 and 2015, \$7,921 and \$10,372 was classified as a current liability, respectively. As of March 31, 2016 and 2015, \$1,236 and \$7,564 was classified as a long-term liability, respectively.

As of March 31, 2016 and June 30, 2015, the carrying amounts of our cash and cash equivalents, accounts receivables, accounts payable, and other current liabilities approximated their estimated fair values. As of March 31, 2016 and June 30, 2015 the carrying value of our debt, excluding debt issuance costs and debt discounts was \$704,415 and \$523,036, respectively, and the fair value was \$701,837 and \$539,752, respectively. Our debt at March 31, 2016 includes a variable rate debt instrument indexed to LIBOR that resets periodically and fixed rate debt instruments. The estimated fair value of our debt was determined using available market information based on recent trades or activity of debt instruments with substantially similar risks, terms and maturities, which fall within Level 2 under the fair value hierarchy. The estimated fair value of assets and liabilities disclosed above may not be representative of actual values that could have been or will be realized in the future.

4. Derivative Financial Instruments

We use derivative financial instruments, such as interest rate swap contracts, cross-currency swap contracts, and currency forward contracts to manage interest rate and foreign currency exposures. Derivatives are recorded in the consolidated balance sheets at fair value. If the derivative is designated as a cash flow hedge or net investment hedge, the effective portion of changes in the fair value of the derivative is recorded in accumulated other comprehensive (loss) income and is subsequently reclassified into earnings in the period the hedged forecasted transaction affects earnings. If a derivative is deemed to be ineffective, the ineffective portion of the change in fair value of the derivative

is recognized directly in earnings. The change in the fair value of derivatives not designated as hedges is recognized directly in earnings, as a component of other (expense) income, net.

Hedges of Interest Rate Risk

We enter into interest rate swap contracts to manage variability in the amount of our known or expected cash payments related to a portion of our debt. Our objective in using interest rate swaps is to add stability to interest expense and to manage our exposure to interest rate movements. We designate our interest rate swaps as cash flow hedges. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for us making fixed-rate payments over the life of the contract agreements without exchange of the underlying notional amount. Realized gains or losses from interest rate swaps are recorded in earnings, as a component of interest expense, net.

During the three and nine months ended March 31, 2016, we held one interest rate swap instrument that was determined to be ineffective. We did not hold any interest rate swaps that were determined to be ineffective during the three and nine months ended March 31, 2015.

Amounts reported in accumulated other comprehensive (loss) income related to interest rate swap contracts will be reclassified to interest expense as interest payments are accrued or made on our variable-rate debt. As of March 31, 2016, we estimate that \$512 will be reclassified from accumulated other comprehensive (loss) income to interest expense during the twelve months ending March 31, 2017. As of March 31, 2016, we had six outstanding interest rate swap contracts indexed to one-month LIBOR. These instruments were designated as cash flow hedges of interest rate risk and have varying start dates and maturity dates through June 2019.

Interest rate swap contracts outstanding:	Notional Amounts	
Contracts accruing interest as of March 31, 2016	\$	150,000
Contracts with a future start date		65,000
Total	\$	215,000

Hedges of Currency Risk

Cross-Currency Swap Contracts

From time to time, we execute cross-currency swap contracts designated as cash flow hedges or net investment hedges. Cross-currency swaps involve an initial receipt of the notional amount in the hedge currency in exchange for our reporting currency based on a contracted exchange rate. Subsequently, we receive fixed rate payments in our reporting currency in exchange for fixed rate payments in the hedged currency over the life of the contract. At maturity, the final exchange involves the receipt of our reporting currency in exchange for the notional amount in the hedged currency.

Cross-currency swap contracts designated as cash flow hedges are executed to mitigate our currency exposure to the interest receipts as well as the principal remeasurement and repayment associated with certain intercompany loans denominated in a currency other than our reporting currency, the U.S. Dollar. As of March 31, 2016, we had two outstanding cross-currency swap contracts designated as cash flow hedges with a total notional amount of \$120,011, both maturing during June 2019. We entered into the two cross-currency swap contracts to hedge the risk of changes in one Euro denominated intercompany loan entered into with one of our consolidated subsidiaries that has the Euro as its functional currency.

During the three and nine months ended March 31, 2016, we recorded unrealized losses, net of tax, in accumulated other comprehensive (loss) income in the amount \$3,915. Amounts reported in accumulated other comprehensive (loss) income will be reclassified to other (expense) income, net as interest payments are accrued or paid and upon remeasuring the intercompany loan. As of March 31, 2016, we estimate that \$1,758 will be reclassified from accumulated other comprehensive (loss) income to other income, net during the twelve months ending March 31, 2017.

Cross-currency swap contracts designated as net investment hedges are executed to mitigate our currency exposure of net investments in subsidiaries that have reporting currencies other than U.S. Dollar. As of March 31, 2016, we had two outstanding cross-currency swap contracts designated as net investment hedges with a total

notional amount of \$122,969, both maturing during April 2019. We entered into the two cross-currency swap contracts to hedge the risk of changes in the U.S. Dollar equivalent value of a portion of our net investment in a consolidated subsidiary that has the Euro as its functional currency. During the three and nine months ended March 31, 2016, we recorded unrealized losses, net of tax, in accumulated other comprehensive (loss) income as a component of our cumulative translation adjustment in the amount \$2,999 and \$70, respectively.

We did not hold any cross-currency swap contracts that were determined to be ineffective during the three and nine months ended March 31, 2016.

Currency Forward Contracts

We execute currency forward contracts in order to mitigate our exposure to fluctuations in various currencies against our reporting currency, the U.S. Dollar. As of March 31, 2016, we had one currency forward contract designated as a net investment hedge with a total notional amount of \$31,727, maturing during June 2019. We entered into the currency forward contract designated as a net investment hedge to hedge the risk of changes in the U.S. Dollar equivalent value of a portion of our net investment in a consolidated subsidiary that has the Euro as its functional currency.

We have elected not to apply hedge accounting for all other currency forward contracts. During the three and nine months ended March 31, 2016 and 2015, we have experienced volatility within other (expense) income, net in our consolidated statements of operations from unrealized gains and losses on the mark-to-market of outstanding currency forward contracts. We expect this volatility to continue in future periods for contracts for which we do not apply hedge accounting. Additionally, since our hedging objectives may be targeted at non-GAAP financial metrics that exclude non-cash items such as depreciation and amortization, we may experience increased, not decreased, volatility in our GAAP results as a result of our currency hedging program.

As of March 31, 2016, we had the following outstanding currency forward contracts that were not designated for hedge accounting and were used to hedge fluctuations in the U.S. Dollar value of forecasted transactions denominated in Australian Dollar, Canadian Dollar, Danish Krone, Euro, Great British Pound, Indian Rupee, New Zealand Dollar, Norwegian Krone, Swedish Krona, and Swiss Franc:

Notional Amount	Effective Date	Maturity Date	Number of Instruments	Index
\$294,940	December 2014 through March 2016	Various dates through September 2017	441	Various

Financial Instrument Presentation

The table below presents the fair value of our derivative financial instruments as well as their classification on the balance sheet as of March 31, 2016 and June 30, 2015:

		March 31, 2016							
		Asset Derivatives			Liability Derivatives				
Derivatives designated as hedging instruments	Balance Sheet line item	Gross amounts of recognized assets	Gross amount offset in consolidated balance sheet	Net amount	Balance Sheet line item	Gross amounts of recognized liabilities	Gross amount offset in consolidated balance sheet	Net amount	
Derivatives in Cash Flow Hedging Relationships									
Interest rate swaps	Other non-current assets	\$ —	\$ —	\$ —	Other current liabilities / other liabilities	\$ (1,954)	\$ —	\$ (1,954)	
Cross-currency swaps	Other non-current assets	—	—	—	Other liabilities	(5,051)	—	(5,051)	
Derivatives in Net Investment Hedging Relationships									
Cross-currency swaps	Other non-current assets	—	—	—	Other liabilities	(9,699)	—	(9,699)	
Currency forward contracts	Other non-current assets	—	—	—	Other liabilities	(883)	—	(883)	
Total derivatives designated as hedging instruments		<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>		<u>\$ (17,587)</u>	<u>\$ —</u>	<u>\$ (17,587)</u>	
Derivatives not designated as hedging instruments									
Currency forward contracts	Other current assets / other assets	\$ 4,624	\$ (2,407)	\$ 2,217	Other current liabilities / other liabilities	\$ (1,703)	\$ 14	\$ (1,689)	
Total derivatives not designated as hedging instruments		<u>\$ 4,624</u>	<u>\$ (2,407)</u>	<u>\$ 2,217</u>		<u>\$ (1,703)</u>	<u>\$ 14</u>	<u>\$ (1,689)</u>	

June 30, 2015

Derivatives designated as hedging instruments	Balance Sheet line item	Asset Derivatives			Liability Derivatives			
		Gross amounts of recognized assets	Gross amount offset in consolidated balance sheet	Net amount	Balance Sheet line item	Gross amounts of recognized liabilities	Gross amount offset in consolidated balance sheet	Net amount
Derivatives in Cash Flow Hedging Relationships								
Interest rate swaps	Other non-current assets	\$ —	\$ —	\$ —	Other current liabilities / other liabilities	\$ (1,087)	\$ —	\$ (1,087)
Derivatives in Net Investment Hedging Relationships								
Cross-currency swaps	Other non-current assets	—	—	—	Other liabilities	(8,433)	—	(8,433)
Total derivatives designated as hedging instruments		<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>		<u>\$ (9,520)</u>	<u>\$ —</u>	<u>\$ (9,520)</u>
Derivatives not designated as hedging instruments								
Interest rate swaps	Other non-current assets	\$ —	\$ —	\$ —	Other liabilities	\$ (63)	\$ —	\$ (63)
Currency forward contracts	Other current assets	3,256	(1,354)	1,902	Other current liabilities	(1,792)	1,385	(407)
Total derivatives not designated as hedging instruments		<u>\$ 3,256</u>	<u>\$ (1,354)</u>	<u>\$ 1,902</u>		<u>\$ (1,855)</u>	<u>\$ 1,385</u>	<u>\$ (470)</u>

The following table presents the effect of our derivative financial instruments designated as hedging instruments and their classification within comprehensive (loss) income for the three and nine months ended March 31, 2016 and 2015:

Derivatives in Hedging Relationships	Amount of Gain (Loss) Recognized in Comprehensive (Loss) Income on Derivatives (Effective Portion)			
	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
Derivatives in Cash Flow Hedging Relationships				
Interest rate swaps	\$ (905)	\$ (1,036)	\$ (1,367)	\$ (1,057)
Cross-currency swaps	(3,915)	—	(3,915)	—
Derivatives in Net Investment Hedging Relationships				
Cross-currency swaps	(2,999)	—	(70)	—
Currency forward contracts	(730)	—	(730)	—
	<u>\$ (8,549)</u>	<u>\$ (1,036)</u>	<u>\$ (6,082)</u>	<u>\$ (1,057)</u>

The following table presents reclassifications out of accumulated other comprehensive (loss) income for the three and nine months ended March 31, 2016 and 2015:

Details about Accumulated Other Comprehensive (Loss) Income Components	Amount Reclassified from Accumulated Other Comprehensive (Loss) Income to Net Income Gain (Loss)				Affected line item in the Statement of Operations
	Three Months Ended March 31,		Nine Months Ended March 31,		
	2016	2015	2016	2015	
In thousands					
Derivatives in Cash Flow Hedging Relationships					
Interest rate swaps	\$ (180)	\$ (268)	\$ (768)	\$ (840)	Interest expense, net
Cross-currency swaps	(4,034)	—	(4,034)	—	Other (expense) income, net
Total before income tax	(4,214)	(268)	(4,802)	(840)	Income (loss) before income taxes
Income tax	1,054	67	1,202	210	Income tax provision
Total	\$ (3,160)	\$ (201)	\$ (3,600)	\$ (630)	

The following table presents the adjustment to fair value recorded within the consolidated statements of operations for derivative instruments for which we did not elect hedge accounting, as well as the effect of our de-designated derivative financial instruments that no longer qualify as hedging instruments in the period:

Derivatives not classified as hedging instruments	Amount of Gain (Loss) Recognized in Income				Location of Gain (Loss) Recognized in Income (Ineffective Portion)
	Three Months Ended March 31,		Nine Months Ended March 31,		
	2016	2015	2016	2015	
In thousands					
Currency contracts	\$ (1,505)	\$ 5,770	\$ 4,058	\$ 13,412	Other (expense) income, net
Interest rate swaps	—	(14)	(10)	(14)	Other (expense) income, net
	\$ (1,505)	\$ 5,756	\$ 4,048	\$ 13,398	

5. Accumulated Other Comprehensive Loss

The following table presents a roll forward of amounts recognized in accumulated other comprehensive loss by component, net of tax of \$24, for the nine months ended March 31, 2016:

	Gains (losses) on cash flow hedges (1)	Gains (losses) on available for sale securities	Losses on pension benefit obligation	Translation adjustments, net of hedges (2)	Total
Balance as of June 30, 2015	\$ (1,405)	\$ 2,971	\$ (3,112)	\$ (97,363)	\$ (98,909)
Other comprehensive (loss) income before reclassifications	(5,282)	(1,063)	136	1,890	(4,319)
Amounts reclassified from accumulated other comprehensive (loss) income to net income	3,600	—	764	—	4,364
Net current period other comprehensive (loss) income	(1,682)	(1,063)	900	1,890	45
Balance as of March 31, 2016	\$ (3,087)	\$ 1,908	\$ (2,212)	\$ (95,473)	\$ (98,864)

(1) Gains (losses) on cash flow hedges include our interest rates swap and cross-currency swap contracts designated in cash flow hedging relationships.

(2) Translation adjustment is inclusive of the effects of our net investment hedges, of which, unrealized losses, net of tax of \$9,017 have been included in accumulated other comprehensive loss as of March 31, 2016.

6. Waltham Lease Arrangement

In July 2013, we executed a lease agreement to move our Lexington, Massachusetts, USA operations to a yet to be constructed facility in Waltham, Massachusetts, USA. During the first quarter of fiscal 2016, the building was completed and we commenced lease payments in September 2015 and will make lease payments through September 2026.

For accounting purposes, we were deemed to be the owner of the Waltham building during the construction period and accordingly we recorded the construction project costs incurred by the landlord as an asset with a corresponding financing obligation on our balance sheet. We evaluated the Waltham lease in the first quarter of fiscal 2016 and determined the transaction did not meet the criteria for "sale-leaseback" treatment. Accordingly, we began depreciating the asset and incurring interest expense related to the financing obligation recorded on our consolidated balance sheet. We bifurcate the lease payments pursuant to the Waltham Lease into (i) a portion that is allocated to the building and (ii) a portion that is allocated to the land on which the building was constructed. The portion of the lease obligations allocated to the land is treated as an operating lease that commenced in fiscal 2014.

Property, plant and equipment, net, included \$121,193 and \$104,315 as of March 31, 2016 and June 30, 2015, respectively, related to the building. The financing lease obligation and deferred rent credit related to the building on our consolidated balance sheets was \$123,678 and \$104,315, respectively, as of March 31, 2016 and June 30, 2015.

7. Business Combinations

Acquisition of WIRmachenDRUCK GmbH

On February 1, 2016, we acquired 100% of the outstanding shares of WIRmachenDRUCK GmbH, a web-to-print business focused primarily on the German market. At closing, we paid €138,383 (\$150,128 based on the exchange rate as of the date of acquisition) in cash and transferred €8,121 (\$8,810 based on the exchange rate as of the date of acquisition) in ordinary shares of Cimpres N.V. We will pay an estimated €1,818 in cash (\$1,972 based on the exchange rate as of the date of acquisition) during the fourth quarter of fiscal 2016 as a post-closing adjustment based on WIRmachenDRUCK's net cash and working capital position as of the acquisition date.

In addition, we agreed to a sliding scale earn-out of up to €40,000 (\$43,395 based on the exchange rate as of the date of acquisition) based on the achievement of a cumulative gross margin target for calendar years 2016 and 2017 and is payable at our option in cash or ordinary shares. The estimated fair value of the earn-out as of the acquisition date is \$9,872, based on a Monte Carlo Simulation valuation model. As a portion of the earn-out attributed to the two majority selling shareholders is contingent upon their post-acquisition employment, \$8,687 is not included as part of the consideration but will be recognized as compensation expense through the required employment period of December 2017. The remaining earn-out of \$1,185, not contingent upon post-acquisition employment is included as a component of purchase consideration. We will re-evaluate the fair value of the earn-out on a quarterly basis and recognize any change in estimate in general and administrative expense.

The acquisition supports our strategy to build a mass customization platform via focused brands and compliments similar previous investments in Europe. WIRmachenDRUCK brings internet-based capabilities that aggregate and route large numbers of small orders to a network of specialized production partners. Their outsourced supply chain model allows them to compete across a vast selection of product types, formats, sizes, finishing options and delivery choices.

Our consolidated financial statements include WIRmachenDRUCK from February 1, 2016, the date of acquisition. WIRmachenDRUCK's revenue included in our consolidated revenues for the quarter ended March 31, 2016 was \$28,397. WIRmachenDRUCK's net income included in our consolidated net (loss) income attributable to Cimpres N.V. for the quarter ended March 31, 2016 was \$1,560, inclusive of amortization of identifiable intangible assets but exclusive of earn-out related compensation expense and corporate level interest expense.

We have estimated the fair value of the contingent consideration and fair values of the identifiable intangible assets assumed as part of the acquisition. The amounts reported are considered provisional as we are completing the valuation work. The table below details the consideration transferred to acquire WIRmachenDRUCK:

Cash consideration	\$	152,100
Cimpres N.V. shares transferred		8,810
Fair value of contingent consideration		1,185
Total consideration	\$	162,095

The excess of the purchase price paid over the fair value of WIRmachenDRUCK's net assets was recorded as goodwill, which is primarily attributed to expected expansion of the customer base and value of the workforce of WIRmachenDRUCK. Goodwill is not expected to be deductible for tax purposes, and has been attributed to our Upload and Print business units reportable segment. The provisional fair value of the assets acquired and liabilities assumed was:

	Amount	Weighted Average Useful Life in Years
Tangible assets acquired and liabilities assumed		
Cash and cash equivalents	\$ 15,220	n/a
Other current assets	5,231	n/a
Other non-current assets	1,259	n/a
Accounts payable and other current liabilities	(17,566)	n/a
Deferred tax liability	(27,337)	n/a
Identifiable intangible assets:		
Customer relationships	24,952	7
Trade name	24,952	15
Print network	23,867	9
Referral network	10,849	7
Developed technology	8,679	3
Goodwill	91,989	n/a
Total purchase price	<u>\$ 162,095</u>	

Other fiscal 2016 acquisitions

During the first quarter of fiscal 2016, we acquired two businesses that were not material to our results either individually or in the aggregate. Complementing our Upload and Print business units segment, we acquired all of the outstanding capital stock of Tradeprint Distribution Limited (formerly known as Fairprint Distribution Limited) and Litotipografia Alcione S.r.l. on July 31, 2015 and July 29, 2015, respectively. The aggregate consideration for these two acquisitions was \$25,366, net of cash acquired. The consideration was allocated to the fair value of the assets acquired and liabilities assumed based on estimated fair values as of the respective acquisition dates. The aggregate allocation to goodwill, intangible assets, and net tangible assets was \$9,390, \$14,359 and \$1,617, respectively.

Goodwill is calculated as the excess of the consideration over the fair value of the net assets, including intangible assets, and is primarily related to expected synergies from the transaction. The goodwill for the two acquisitions is not deductible for tax purposes, and has been attributed to our Upload and Print business units. The results of these acquisitions have been included in the consolidated financial statements from the date of purchase and are not material for the three and nine months ended March 31, 2016.

We utilized proceeds from our credit facility to finance our fiscal 2016 acquisitions. In connection with these acquisitions, we incurred transaction costs related to investment banking, legal, financial, and other professional services of approximately \$844 and \$1,289 during the three and nine months ended March 31, 2016, respectively. We have not presented pro forma results of the operations of the companies we acquired in fiscal 2016 because the effects of the acquired companies are not material to our consolidated financial statements.

8. Goodwill and Acquired Intangible Assets

Goodwill

The carrying amount of goodwill by reportable segment as of June 30, 2015 and March 31, 2016 is as follows:

	Vistaprint business unit	Upload and Print business units	All Other business units	Total
Balance as of June 30, 2015 (1)	\$ 124,636	\$ 250,487	\$ 25,506	\$ 400,629
Acquisitions (2)	—	101,379	—	101,379
Impairments (3)	—	(30,841)	—	(30,841)
Adjustments	—	(62)	—	(62)
Effect of currency translation adjustments (4)	(1,628)	5,615	(356)	3,631
Balance as of March 31, 2016	\$ 123,008	\$ 326,578	\$ 25,150	\$ 474,736

(1) Our segment reporting was revised during the first quarter of fiscal 2016 and, as such, we have re-allocated our goodwill by segment for the period ended June 30, 2015. In connection with our change in operating segments, there was an immaterial re-allocation of historical goodwill in the period. See Note 14 for additional details.

(2) See Note 7 for additional details.

(3) During the third quarter of fiscal 2016 we recorded an impairment of \$30,841 related to our Exagroup reporting unit. See below for additional details.

(4) Relates to goodwill held by subsidiaries whose functional currency is not the U.S. Dollar.

Acquired Intangible Assets

Acquired intangible assets amortization expense for the three and nine months ended March 31, 2016 was \$10,812 and \$30,114, respectively, and \$4,719 and \$16,803 for the three and nine months ended March 31, 2015. Amortization expense has increased in the three and nine months ended March 31, 2016 primarily due to our acquisitions of WIRmachenDRUCK, Exagroup, druck.at, and Tradeprint.

Impairment Review

We perform our annual goodwill impairment test on January 1 of each fiscal year unless interim indicators of impairment exist. We perform our impairment test at a reporting unit level, which is either an operating segment or one level below, referred to as a "component." The level at which the impairment test is performed requires an assessment of whether the operations below an operating segment should be aggregated as one reporting unit due to their similarity or reviewed individually. As of January 1, 2016, we have ten reporting units containing goodwill, including six operating segments that are part of the Upload and Print business units reportable segment, three operating segments that are part of the All Other business units reportable segment and the Vistaprint business unit operating and reportable segment.

We have the option to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. For our annual impairment test as of January 1, 2016, we evaluated each of our ten reporting units individually. We considered the timing of our most recent fair value assessment and associated headroom, actual operating results as compared to cash flow forecasts used in the most recent fair value assessments, current long-term forecasts for each reporting unit, and the general market and economic environment of each reporting unit. Our qualitative assessment for fiscal 2016 determined that there was no indication that the carrying value for nine of our reporting units exceeded the fair value. We concluded that the goodwill of our Exagroup reporting unit, which is part of our Upload and Print business units reportable segment, may not be fully recoverable as the reporting unit is forecasting lower projected revenue and profitability levels than originally estimated as of the acquisition date. This change is due in part to Exagroup's need to, and plans to react to heightened competition in its target market, as well as reduction in our expectations for long-term margins in this business. As a result of the decline in the long-term expected cash flows, we performed the quantitative two-step goodwill impairment test.

Prior to performing the quantitative goodwill impairment test, we first evaluated the recoverability of the Exagroup long-lived assets as the change in expected long-term cash flows is indicative of a potential impairment. Long-lived and intangible assets are required to be reviewed whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The related estimated future undiscounted cash flows expected to result from the use of the asset group are compared to the asset group's carrying amount, and an impairment charge is recorded for the amount by which the carrying amount exceeds the fair value of the asset. We performed the recoverability test using undiscounted cash flows for our Exagroup asset group and concluded that no impairment of long-lived assets exists.

In order to execute the quantitative goodwill impairment test, we first compared the fair value of the Exagroup reporting unit to its carrying value. We used the income approach, specifically the discounted cash flow (DCF) method, to derive the fair value of the Exagroup reporting unit. This approach calculates fair value by estimating the after-tax cash flows attributable to a reporting unit and then discounting the after-tax cash flows to a present value using a risk-adjusted discount rate. We selected this method as being the most meaningful in preparing our goodwill assessment as we believe the income approach most appropriately measures our income producing assets. We considered using the market approach but concluded it was not appropriate in valuing this particular reporting unit given the lack of relevant market comparisons available for application of the market approach. The cash flow projections in the Exagroup fair value analysis are based on management's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions. The discount rate is based on a weighted average cost of capital ("WACC"), which represents the average rate a business must pay its providers of debt and equity, plus a risk premium. The WACC of 13% used to test the Exagroup goodwill was derived from a group of comparable companies. The calculated fair value of the Exagroup reporting unit was determined to be less than the carrying value as of January 1, 2016 and, as such, we concluded that the second step of the goodwill analysis was required to measure the impairment loss.

We performed step two of the goodwill impairment test and measured the fair value of all assets and liabilities of the reporting unit, including any unrecognized intangible assets, in a hypothetical analysis that calculated the implied fair value of goodwill in the same manner as if the reporting unit was being acquired in a business combination. The carrying amount of the goodwill as of January 1, 2016 was compared to the implied fair value of the goodwill, resulting in a partial impairment loss of \$30,841 during the quarter ended March 31, 2016. A portion of the impairment loss has been attributed to the noncontrolling interest based on its third-party shareholders' 30% ownership interest.

Our goodwill analysis requires significant judgment, including the identification of reporting units and the amount and timing of expected future cash flows. While we believe our assumptions are reasonable, actual results could differ from our projections.

9. Other Balance Sheet Components

Accrued expenses included the following:

	March 31, 2016	June 30, 2015
Compensation costs (1)	\$ 51,502	\$ 62,759
Income and indirect taxes (2)	42,972	25,495
Advertising costs	25,386	20,275
Acquisition-related consideration payable	10,337	17,400
Interest payable	10,000	5,731
Shipping costs	6,378	2,471
Sales returns	5,199	3,489
Production costs	3,967	3,348
Purchases of property, plant and equipment	3,362	3,030
Professional costs	1,733	2,396
Other	30,921	26,432
Total accrued expenses	<u>\$ 191,757</u>	<u>\$ 172,826</u>

- (1) The decrease in compensation costs is primarily due to accrued bonus and long-term incentive payments made in the first quarter of fiscal 2016.
(2) The increase in income and indirect taxes is primarily due to additional VAT and tax payable balances from our fiscal 2016 acquisitions.

Other current liabilities included the following:

	March 31, 2016	June 30, 2015
Current portion of lease financing obligation	\$ 12,569	\$ 10,475
Current portion of capital lease obligations	8,109	7,497
Other	4,222	3,498
Total other current liabilities	\$ 24,900	\$ 21,470

Other liabilities included the following:

	March 31, 2016	June 30, 2015
Long-term capital lease obligations	\$ 23,708	\$ 18,304
Long-term derivative liabilities	17,764	9,816
Other	29,759	23,953
Total other liabilities	\$ 71,231	\$ 52,073

10. Debt

	March 31, 2016	June 30, 2015
7.0% Senior unsecured notes due 2022	\$ 275,000	\$ 275,000
Senior secured credit facility	417,676	232,000
Other	11,739	11,536
Uncommitted credit facility	—	4,500
Debt issuance costs and debt discounts	(7,768)	(8,940)
Total debt outstanding, net	696,647	514,096
Less short-term debt (1)	19,842	21,057
Long-term debt	\$ 676,805	\$ 493,039

(1) Balances as of March 31, 2016 and June 30, 2015 are inclusive of short-term debt issuance costs and debt discounts of \$1,681 and \$1,662, respectively.

Our Debt

Our various debt arrangements described below contain customary representations, warranties and events of default. As of March 31, 2016, we were in compliance with all financial and other covenants related to our debt.

Indenture and Senior Unsecured Notes due 2022

On March 24, 2015, we completed a private placement of \$275,000 in aggregate principal amount of 7.0% senior unsecured notes due 2022 (the "Notes"). We issued the Notes pursuant to a senior notes indenture dated as of March 24, 2015 among Cimpress N.V., our subsidiary guarantors, and MUFG Union Bank, N.A., as trustee (the "Indenture"). We used the proceeds from the Notes to pay outstanding indebtedness under our unsecured line of credit and our senior secured credit facility and for general corporate purposes.

The Notes bear interest at a rate of 7.0% per annum and mature on April 1, 2022. Interest on the Notes is payable semi-annually on April 1 and October 1 of each year, commencing on October 1, 2015, to the holders of record of the Notes at the close of business on March 15 and September 15, respectively, preceding such interest payment date.

The Notes are senior unsecured obligations and rank equally in right of payment to all our existing and future senior unsecured debt and senior in right of payment to all of our existing and future subordinated debt. The

Notes are effectively subordinated to any of our existing and future secured debt to the extent of the value of the assets securing such debt. Subject to certain exceptions, each of our existing and future subsidiaries that is a borrower under or guarantees our senior secured credit facilities will guarantee the Notes.

The Indenture contains various covenants, including covenants that, subject to certain exceptions, limit our and our restricted subsidiaries' ability to incur and/or guarantee additional debt; pay dividends, repurchase shares or make certain other restricted payments; enter into agreements limiting dividends and certain other restricted payments; prepay, redeem or repurchase subordinated debt; grant liens on assets; enter into sale and leaseback transactions; merge, consolidate or transfer or dispose of substantially all of our consolidated assets; sell, transfer or otherwise dispose of property and assets; and engage in transactions with affiliates.

At any time prior to April 1, 2018, we may redeem some or all of the Notes at a redemption price equal to 100% of the principal amount redeemed, plus a make-whole amount as set forth in the Indenture, plus, in each case, accrued and unpaid interest to, but not including, the redemption date. In addition, at any time prior to April 1, 2018, we may redeem up to 35% of the aggregate outstanding principal amount of the Notes at a redemption price equal to 107.0% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the redemption date, with the net proceeds of certain equity offerings by Cimpress. At any time on or after April 1, 2018, we may redeem some or all of the Notes at the redemption prices specified in the Indenture, plus accrued and unpaid interest to, but not including, the redemption date.

Senior Secured Credit Facility

As of March 31, 2016, we have a senior secured credit facility of \$834,000 as follows:

- Revolving loans of \$690,000 with a maturity date of September 23, 2019
- Term loan of \$144,000 amortizing over the loan period, with a final maturity date of September 23, 2019

Under the terms of our credit agreement, borrowings bear interest at a variable rate of interest based on LIBOR plus 1.50% to 2.25% depending on our leverage ratio, which is the ratio of our consolidated total indebtedness to our consolidated EBITDA, as defined by the credit agreement. As of March 31, 2016, the weighted-average interest rate on outstanding borrowings was 2.39%, inclusive of interest rate swap rates. We must also pay a commitment fee on unused balances of 0.225% to 0.400% depending on our leverage ratio. We have pledged the assets and/or share capital of several of our subsidiaries as collateral for our outstanding debt as of March 31, 2016.

Other debt

Other debt consists of term loans acquired primarily as part of our fiscal 2015 acquisition of Exagroup SAS. As of March 31, 2016 we had \$11,739 outstanding for those obligations that are payable through September 2024.

11. Income Taxes

Income tax (benefit) expense was \$(162) and \$10,857 for the three and nine months ended March 31, 2016, respectively, as compared to \$1,576 and \$7,658 for the same prior year periods. The tax benefit recognized for the three months ended March 31, 2016 is primarily due to tax benefits associated with currency exchange losses and the manufacturing equipment abandonment loss described in Note 2. The increase in income tax expense for the nine months ended March 31, 2016 as compared to the same period ended in 2015 is primarily attributable to a higher consolidated annual effective tax rate forecasted for fiscal 2016 as compared to fiscal 2015. We are forecasting a higher annual effective tax rate in fiscal 2016 due to an expected decrease to, and less favorable geographical mix of, consolidated pre-tax earnings combined with an increase in losses in certain jurisdictions where we are unable to recognize a tax benefit in the current period. We also have losses in certain jurisdictions where we are able to recognize a tax benefit in the current period, but for which the cash benefit is expected to be realized in a future period. The acquisition of WIRmachenDRUCK has also contributed to the increase in our tax expense for the nine months ended March 31, 2016. Additionally, during the nine months ended March 31, 2016, we recognized a tax benefit of \$1,422 from a reduction in deferred tax liabilities due to future tax rate decreases in Italy and the UK and a current tax benefit of \$2,140 related to the extension of the US R&D credit. Income tax expense for the same period in fiscal 2015 was reduced by \$943 related to a reduction in our net liability for unrecognized tax benefits.

The impairment loss on goodwill described in Note 8 is nondeductible for tax purposes, and, accordingly, no tax benefit has been recorded related to this item. However, the reduction to pretax earnings does have an unfavorable impact on our effective tax rate for the quarter.

On October 1, 2013, we made changes to our corporate entity operating structure, including transferring our intellectual property among certain of our subsidiaries, primarily to align our corporate entities with our evolving operations and business model. The transfer of assets occurred between wholly owned legal entities within the Cimpress group that are based in different tax jurisdictions. As the impact of the transfer was the result of an intra-entity transaction, any resulting gain or loss and immediate tax impact on the transfer was eliminated and not recognized in the consolidated financial statements under U.S. GAAP. The transferor entity recognized a gain on the transfer of assets that was not subject to income tax in its local jurisdiction. Our subsidiary based in Switzerland was the recipient of the intellectual property. In accordance with Swiss tax law, we are entitled to amortize the fair market value of the intellectual property received at the date of transfer over five years for tax purposes.

As of March 31, 2016, we had a net liability for unrecognized tax benefits included in the balance sheet of approximately \$4,023, including accrued interest of \$103. We recognize interest and, if applicable, penalties related to unrecognized tax benefits in the provision for income taxes. During the nine months ended March 31, 2016, we recognized a decrease in the net liability of \$477 primarily due to the expiration of certain statutes of limitations during the quarter. Of the total amount of unrecognized tax benefits, approximately \$1,837 will reduce the effective tax rate if recognized. It is reasonably possible that a further reduction in unrecognized tax benefits in the range of \$400 to \$500 may occur within the next twelve months related to the lapse of applicable statutes of limitations. We believe we have appropriately provided for all tax uncertainties.

We conduct business in a number of tax jurisdictions and, as such, are required to file income tax returns in multiple jurisdictions globally. The years 2013 through 2015 remain open for examination by the United States Internal Revenue Service and the years 2011 through 2015 remain open for examination in the various states and non-US tax jurisdictions in which we file tax returns.

We believe that our income tax reserves are adequately maintained taking into consideration both the technical merits of our tax return positions and ongoing developments in our income tax audits. However, the final determination of our tax return positions, if audited, is uncertain, and there is a possibility that final resolution of these matters could have a material impact on our results of operations or cash flows.

12. Noncontrolling Interests

In certain of our strategic investments we have purchased a controlling equity stake, but there remains a minority portion of the equity that is owned by a third party. The balance sheet and operating activity of these entities are included in our consolidated financial statements and we adjust the net income in our consolidated statement of operations to exclude the noncontrolling interests' proportionate share of results. We present the proportionate share of equity attributable to the redeemable noncontrolling interests as temporary equity within our consolidated balance sheet and the proportionate share of noncontrolling interests not subject to a redemption provision that is outside of our control as equity.

Redeemable noncontrolling interests

On April 15, 2015, we acquired 70% of the outstanding shares of Exagroup. The remaining 30% is considered a redeemable noncontrolling equity interest, as it is redeemable in the future and not solely within our control. The Exagroup noncontrolling interest, redeemable at a fixed amount of €39,000, was recorded at its fair value as of the acquisition date and will be adjusted to its redemption value on a periodic basis, if that amount exceeds its carrying value. During the nine months ended March 31, 2016, the losses attributable to the noncontrolling interest, primarily due to the goodwill impairment loss as discussed in Note 8, reduced the carrying value below the fixed redemption amount. We recorded an adjustment of \$7,025 to increase the carrying value to the fixed redemption amount, which offset the net loss attributable to noncontrolling interest during the three months ended March 31, 2016.

On April 3, 2014, we acquired 97% of the outstanding corporate capital of Pixartprinting S.p.A. The remaining 3% is considered a redeemable noncontrolling equity interest, as it is redeemable for cash based on future financial results and not solely within our control. The redeemable noncontrolling interest was recorded at its fair value as of the acquisition date and will be adjusted to its redemption value on a periodic basis, with an offset to retained earnings, if that amount exceeds its carrying value. During the nine months ended March 31, 2016, we

increased the carrying amount of the redeemable noncontrolling interest by \$4,919 to reflect the estimated redemption value as of March 31, 2016.

We own a 51% controlling interest in a joint business arrangement with Plaza Create Co. Ltd., a leading Japanese retailer of photo products, to expand our market presence in Japan. During the nine months ended March 31, 2016, we contributed an additional \$5,350 in cash and Plaza Create made a capital contribution of \$5,141 in cash to the joint business. We have a call option to acquire the remaining 49% of the business if Plaza Create materially breaches any of its contracts with us. If we materially breach any of our contracts with Plaza Create, Plaza Create has an option to put its shares to us. As the exercise of this put option is not solely within our control, the noncontrolling equity interest in the business is presented as temporary equity in our consolidated balance sheet. As of March 31, 2016, it is not probable that the noncontrolling interest will be redeemable.

Noncontrolling interest

On August 7, 2014, we made a capital investment in Printi LLC as described in Note 13. The noncontrolling interest was recorded at its estimated fair value as of the investment date. The allocation of the net loss of the operations to the noncontrolling interest considers our stated liquidation preference in applying the loss to each party.

The following table presents the reconciliation of changes in our noncontrolling interests:

	Redeemable noncontrolling interests	Noncontrolling interest
Balance as of June 30, 2015	\$ 57,738	\$ 512
Capital contribution from noncontrolling interest	5,141	—
Accretion to redemption value recognized in retained earnings (1)	4,919	—
Accretion to redemption value recognized in net loss attributable to noncontrolling interest (2)	7,025	—
Net loss attributable to noncontrolling interest	(11,126)	(76)
Dividend to noncontrolling interest	(368)	—
Adjustment to noncontrolling interest	—	(74)
Foreign currency translation	1,542	(4)
Balance as of March 31, 2016	<u>\$ 64,871</u>	<u>\$ 358</u>

(1) The estimated fair value of the noncontrolling interest exceeds the carrying value as of March 31, 2016.

(2) As of March 31, 2016, the noncontrolling interest redemption amount is greater than the estimated fair value.

13. Variable Interest Entity ("VIE")

On August 7, 2014, we made a capital investment in Printi LLC, which operates in Brazil. This investment provides us access to a newer market and the opportunity to drive longer-term growth in Brazil. As of March 31, 2016, we have a 49.99% equity interest in Printi. Based upon the level of equity investment at risk, Printi is considered a variable interest entity. The shareholders of Printi share profits and voting control on a pro-rata basis. While we do not manage the day to day operations of Printi, we do have the unilateral ability to exercise participating voting rights for specific transactions and as such no one shareholder is considered to be the primary beneficiary. However, certain significant shareholders cannot transfer their equity interests without our approval and as a result are considered de facto agents on our behalf in accordance with ASC 810-10-25-43.

In aggregating our rights, as well as those of our de facto agents, the group as a whole has both the power to direct the activities that most significantly impact the entity's economic performance and the obligation to absorb losses and the right to receive benefits from the entity. In situations where a de facto agency relationship is present, one party is required to be identified as the primary beneficiary and the evaluation requires significant judgment. The factors considered include the presence of a principal/agent relationship, the relationship and significance of activities to the reporting entity, the variability associated with the VIE's anticipated economics and the design of the VIE. The analysis is qualitative in nature and is based on weighting the relative importance of each of the factors in relation to the specifics of the VIE arrangement. Upon our investment we performed an analysis and concluded that we are the party that is most closely associated with Printi, as we are most exposed to the variability of the economics and therefore considered the primary beneficiary.

We have call options to increase our ownership in Printi incrementally over an eight-year period with certain employee shareholders. As the employees' restricted stock in Printi is contingent on post-acquisition employment, share-based compensation will be recognized over the four-year vesting period. The awards are considered liability awards and will be marked to fair value each reporting period. In order to estimate the fair value of the award as of March 31, 2016, we utilized a lattice model with a Monte Carlo simulation. The current fair value of the award is \$6,015 and we have recognized \$372 and \$1,153 in general and administrative expense for the three and nine months ended March 31, 2016, respectively, and \$999 for the nine months ended March 31, 2015.

14. Segment Information

During the first quarter of fiscal 2016, we revised our internal organizational and reporting structure resulting in changes to our reportable segments. Our operating segments are based upon the manner in which our operations are managed and the availability of separate financial information reported internally to the Chief Executive Officer, who is our Chief Operating Decision Maker ("CODM") for purposes of making decisions about how to allocate resources and assess performance. As of March 31, 2016 we have several operating segments under our management reporting structure which are reported in the following three reportable segments:

- *Vistaprint business unit* - Includes the operations of our Vistaprint-branded websites focused on the North America, Europe, Australia and New Zealand markets, and our Webs-branded business, which is managed with the Vistaprint-branded digital business in the previously listed geographies.
- *Upload and Print business units* - This operating segment includes the results of our druck.at, Exagroup, Easyflyer, Printdeal, Pixartprinting, Tradeprint, and WIRmachenDRUCK branded businesses.
- *All Other business units* - Includes the operations of our Albumprinter and Most of World business units and newly formed Corporate Solutions business unit. Our Most of World business unit is focused on our emerging market portfolio, including operations in Brazil, China, India and Japan. The results of the newly formed Corporate Solutions business unit were previously part of the Vistaprint business unit, and the Corporate Solutions business unit will focus on delivering volume and revenue via partnerships. These business units have been combined into one reportable segment based on materiality.

Consistent with our historical reporting, the cost of our global legal, human resource, finance, facilities management, software and manufacturing engineering, the global component of our IT operations functions, and certain start-up costs related to new product introductions and manufacturing technologies are generally not allocated to the reporting segments and are instead reported and disclosed under the caption "Corporate and global functions." Corporate and global functions is a cost center and does not meet the definition of an operating segment. We have revised our presentation of all prior periods presented to reflect our revised segment reporting.

In addition, during the first quarter of fiscal 2016 we introduced adjusted net operating profit as the primary metric by which our CODM measures segment financial performance. Certain items are excluded from segment adjusted net operating profit, such as acquisition-related amortization and depreciation, expense recognized for earn-out related charges, including the changes in fair value of contingent consideration and compensation expense related to cash-based earn-out mechanisms dependent upon continued employment, share-based compensation related to investment consideration, certain impairment expense and restructuring charges. A portion of the interest expense associated with our Waltham lease is included as expense in adjusted net operating profit and allocated based on headcount to the appropriate business unit or corporate and global function. The interest expense represents a portion of the cash rent payment and is considered an operating expense for purposes of measuring our segment performance. There are no internal revenue transactions between our operating segments, and we do not allocate non-operating income to our segment results. All intersegment transfers are recorded at cost for presentation to the CODM, for example, we allocate costs related to products manufactured by our global network of production facilities to the applicable operating segment. There is no intercompany profit or loss recognized on these transactions.

The following factors, among others, may limit the comparability of adjusted net operating profit by segment:

- We do not allocate global support costs across operating segments or corporate and global functions.

- Some of our acquired operations in our Upload and Print business units and All Other business units segments are burdened by the costs of their local finance, HR, and other administrative support functions, whereas other business units leverage our global functions and do not receive an allocation for these services.
- Our All Other business units reporting segment includes our Most of World business unit, which has operating losses as it is in its early stage of investment relative to the scale of the underlying business.

Our balance sheet information is not presented to the CODM on an allocated basis, and therefore we do not present asset information by segment.

Revenue by segment is based on the business unit-specific websites through which the customer's order was transacted. The following tables set forth revenue, adjusted net operating profit by reportable segment, total income from operations and total income before taxes.

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
Revenue:				
Vistaprint business unit	\$ 289,901	\$ 268,490	\$ 912,153	\$ 875,184
Upload and Print business units	116,356	38,674	286,171	121,382
All Other business units	30,560	32,737	110,515	117,172
Total revenue	\$ 436,817	\$ 339,901	\$ 1,308,839	\$ 1,113,738

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
Adjusted net operating profit by segment:				
Vistaprint business unit	\$ 79,791	\$ 69,255	\$ 263,974	\$ 249,049
Upload and Print business units	15,880	3,438	42,004	13,575
All Other business units	(3,895)	451	1,901	10,319
Total adjusted net operating profit by segment	91,776	73,144	307,879	272,943
Corporate and global functions	(60,770)	(54,757)	(170,451)	(156,304)
Acquisition-related amortization and depreciation	(10,879)	(4,515)	(30,316)	(16,891)
Earn-out related charges (1)	(883)	(7,512)	(4,585)	(14,890)
Share-based compensation related to investment consideration	(1,168)	(1,499)	(3,705)	(3,096)
Certain impairments (2)	(37,582)	—	(40,604)	—
Restructuring charges	—	(520)	(381)	(674)
Interest expense for Waltham lease	1,975	—	4,326	—
Total income from operations	(17,531)	4,341	62,163	81,088
Other income, net	(9,003)	8,291	7,929	30,282
Interest expense, net	(10,091)	(3,131)	(28,377)	(9,508)
Income before income taxes	\$ (36,625)	\$ 9,501	\$ 41,715	\$ 101,862

(1) Includes expense recognized for the change in fair value of contingent consideration and compensation expense related to cash-based earn-out mechanisms dependent upon continued employment.

(2) Includes the impact of impairments or abandonments of goodwill and other long-lived assets as defined by ASC 350 - "Intangibles - Goodwill and Other" or ASC 360 - "Property, plant, and equipment."

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
Depreciation and amortization:				
Vistaprint business unit	\$ 10,049	\$ 9,679	\$ 30,106	\$ 29,704
Upload and Print business units	12,850	5,119	33,399	16,103
All Other business units	4,667	3,137	14,637	10,994
Corporate and global functions	6,888	4,467	18,375	12,955
Total depreciation and amortization	<u>\$ 34,454</u>	<u>\$ 22,402</u>	<u>\$ 96,517</u>	<u>\$ 69,756</u>

Enterprise Wide Disclosures:

The following tables set forth revenues by geographic area and groups of similar products and services:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
United States	\$ 192,933	\$ 177,268	\$ 580,009	\$ 532,243
Non-United States (3)	243,884	162,633	728,830	581,495
Total revenue	<u>\$ 436,817</u>	<u>\$ 339,901</u>	<u>\$ 1,308,839</u>	<u>\$ 1,113,738</u>

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
Physical printed products and other (4)	\$ 421,402	\$ 322,564	\$ 1,260,647	\$ 1,059,805
Digital products/services	15,415	17,337	48,192	53,933
Total revenue	<u>\$ 436,817</u>	<u>\$ 339,901</u>	<u>\$ 1,308,839</u>	<u>\$ 1,113,738</u>

(3) Our non-United States revenue includes the Netherlands, our country of domicile.

(4) Other revenue includes miscellaneous items which account for less than 1% of revenue.

The following tables set forth long-lived assets by geographic area:

Long-lived assets (5):	March 31, 2016	June 30, 2015
	Netherlands	\$ 93,438
Canada	89,696	99,474
Switzerland	38,479	41,357
Italy	33,874	28,548
United States	32,189	31,417
Australia	25,544	26,908
France	25,081	21,449
Jamaica	22,851	23,814
Japan	21,530	16,219
Other	50,062	29,946
Total	<u>\$ 432,744</u>	<u>\$ 417,420</u>

(5) Excludes goodwill of \$474,736 and \$400,629, intangible assets, net of \$232,100 and \$151,063, the Waltham lease asset of \$121,193 and \$104,315, and deferred tax assets of \$21,560 and \$17,172 as of March 31, 2016 and June 30, 2015, respectively.

15. Commitments and Contingencies

Lease Commitments

We have commitments under operating leases for our facilities that expire on various dates through 2026, including the Waltham lease arrangement discussed in Note 6. Total lease expense, net of sublease income for the three and nine months ended March 31, 2016 was \$3,083 and \$9,932, respectively, and \$4,087 and \$12,886 for the three and nine months ended March 31, 2015, respectively. The decrease in total lease expense during fiscal 2016 as compared to the prior comparable periods is due to the move to our Waltham, Massachusetts facility during the first quarter of fiscal 2016 and the treatment of the related lease similar to a capital lease, with cash payments allocated to depreciation expense and interest expense.

We also lease certain machinery and plant equipment under both capital and operating lease agreements that expire at various dates through 2020. The aggregate carrying value of the leased equipment under capital leases included in property, plant and equipment, net in our consolidated balance sheet at March 31, 2016, is \$38,532, net of accumulated depreciation of \$24,437; the present value of lease installments not yet due included in other current liabilities and other liabilities in our consolidated balance sheet at March 31, 2016 amounts to \$31,813.

Purchase Obligations

At March 31, 2016, we had unrecorded commitments under contract of \$31,571, which were principally composed of commitments for third-party web services of approximately \$5,002, production and computer equipment purchases of approximately \$12,669, commitments for professional and consulting fees of approximately \$5,542, commitments for advertising campaigns of \$3,286, and other unrecorded purchase commitments of \$5,072.

Other Obligations

We have an outstanding installment obligation of \$10,389 related to the fiscal 2012 intra-entity transfer of the intellectual property of our subsidiary Webs, Inc., which results in tax being paid over a 7.5 year term and has been classified as a deferred tax liability in our consolidated balance sheet as of March 31, 2016. Other obligations also include a fixed contingent consideration payment for Printdeal of \$7,921 payable during the fourth quarter of fiscal 2016 and a variable contingent consideration payment for our recent WIRmachenDRUCK acquisition, based on the achievement of certain financial targets, payable at our option in cash or ordinary shares in fiscal 2018 of \$1,236. In addition, we have deferred payments related to fiscal 2015 and 2016 acquisitions of \$8,416 in aggregate.

Legal Proceedings

We are not currently party to any material legal proceedings. Although we cannot predict with certainty the results of litigation and claims to which we may be subject from time to time, we do not expect the resolution of any of our current matters to have a material adverse impact on our consolidated results of operations, cash flows or financial position. In all cases, at each reporting period, we evaluate whether or not a potential loss amount or a potential range of loss is probable and reasonably estimable under the provisions of the authoritative guidance that addresses accounting for contingencies. We expense the costs relating to our legal proceedings as those costs are incurred.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Report contains forward-looking statements that involve risks and uncertainties. The statements contained in this Report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including but not limited to our statements about anticipated income and revenue growth rates, future profitability and market share, new and expanded products and services, geographic expansion and planned capital expenditures. Without limiting the foregoing, the words "may," "should," "could," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," "designed," "potential," "continue," "target," "seek" and similar expressions are intended to identify forward-looking statements. All forward-looking statements included in this Report are based on information available to us up to, and including the date of this document, and we disclaim any obligation to update any such forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements as

a result of certain important factors, including those set forth in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" and elsewhere in this Report. You should carefully review those factors and also carefully review the risks outlined in other documents that we file from time to time with the United States Securities and Exchange Commission.

Executive Overview

Cimpress, the world leader in mass customization, is a technology and manufacturing-driven company that aggregates, via the Internet, large volumes of small, individually customized orders for a broad spectrum of print, signage, apparel and similar products. We produce those orders in highly automated, capital and technology intensive production facilities in a manner that we believe makes our production techniques significantly more competitive than those of traditional suppliers. We bring our products to market through a portfolio of focused brands serving the needs of small and medium businesses and consumers. These brands include Vistaprint, our global brand for micro business marketing products and services, as well as brands that we have acquired that serve the needs of various market segments, including resellers, small and medium businesses with differentiated service needs, and consumers purchasing products for themselves and their families.

During the first quarter of fiscal 2016, we modified our internal organizational and reporting structure, resulting in the Vistaprint business unit, the Upload and Print business units, and the All Other business units constituting our reportable segments. The Vistaprint business unit represents our Vistaprint-branded websites focused on the North America, Europe, Australia and New Zealand markets, and our Webs-branded business, which is managed with the Vistaprint-branded digital business. The Upload and Print business units segment includes the druck.at, Exagroup, Easyflyer, Printdeal, Pixartprinting, Tradeprint, and WIRmachenDRUCK branded businesses. The All Other business units segment includes the operations of our Albumprinter and Most of World business units and newly formed Corporate Solutions business unit, which historically was part of the Vistaprint business unit and is focused on delivering volume and revenue via partnerships.

In evaluating the financial condition and operating performance of our business, management focuses on revenue growth, constant-currency revenue growth, operating income, adjusted net operating profit after tax (NOPAT) and cash flow from operations. A summary of these key financial metrics for the three and nine months ended March 31, 2016, as compared to the three and nine months ended March 31, 2015 are as follows:

Third Quarter 2016

- Reported revenue increased by 29% to \$436.8 million.
- Consolidated constant-currency revenue increased by 31% and excluding acquisitions increased by 10%.
- Operating income decreased \$21.9 million to an operating loss of \$17.5 million.
- Adjusted NOPAT increased \$8.5 million to \$24.0 million and is defined in the Non-GAAP Financial Measure section below.

Fiscal Year to Date 2016

- Reported revenue increased by 18% to \$1,308.8 million.
- Consolidated constant-currency revenue increased by 24% and excluding acquisitions increased by 11%.
- Operating income decreased \$18.9 million to \$62.2 million.
- Adjusted NOPAT increased \$17.6 million to \$122.9 million.
- Cash provided by operating activities decreased \$8.9 million to \$183.5 million.

For our third quarter and fiscal year to date results, reported revenue growth was primarily due to the addition of the revenue of our recently acquired WIRmachenDRUCK, Exagroup and druck.at brands, as well as continued growth in the Vistaprint business unit and Upload and Print businesses acquired in 2014. The third quarter operating loss, as well as the decrease in operating income on the year to date basis, was primarily due to a goodwill impairment loss related to our Exagroup business, as well as losses recognized for the abandonment of production equipment. Adjusted NOPAT, which excludes several non-operational items including the impairment related charges, increased versus the comparative periods a year ago. The increases in adjusted NOPAT are primarily due to increased profits in the Vistaprint business unit and Upload and Print business units, partially offset

by planned increased investments in our Most of World businesses, product expansion, and the mass customization platform.

Our Priorities

Extending our history of success into our third decade, and beyond, is important to us. To that end we work to optimize our business according to two priorities:

1. **Strategic Objective:** To be the world leader in mass customization. By mass customization, we mean producing, with the reliability, quality and affordability of mass production, small individual orders where each and every one embodies the personal relevance inherent to customized physical products.
2. **Financial Objective:** To maximize intrinsic value per share, defined as (a) the unlevered free cash flow per share that, in our best judgment, will occur between now and the long-term future, appropriately discounted to reflect our cost of capital, minus (b) net debt per share.

Cimpress' focus on mass customization lies at the intersection of three overlapping areas:

- **Empowering People to Make an Impression (what we are passionate about)** - Cimpress empowers people to make an impression through individually meaningful physical products. In other words, we make it easy and affordable for our customers to convey, in tangible and enduring media, the thoughts, design aesthetics, messages and/or sentiments that are important to them, their customers, their organization or their loved ones.
- **Computer Integrated Manufacturing (where we can be the best in the world)** - Computer integrated manufacturing (CIM) harnesses the power of software and IT networks to automate the flow of information, allowing individual processes to exchange information with each other, to schedule activities, to initiate actions, and to route and control all aspects of our manufacturing process. Throughout our history, a differentiating capability of Cimpress has been our ability to develop software systems to integrate every step of the value chain, from browser-based design creation and ordering through to shipment. This greatly reduces the marginal cost of processing information related to each individual, customized order. Low-volume custom products traditionally have a very high per-unit cost of production because, in the absence of computer integration, there are significant fixed costs related to conveying information that is required to process each order.
- **Large Scale in Small Quantities (what drives our economic engine)** - The third aspect of the Cimpress focus on mass customization is an understanding of how we generate economic value. Mass customization enables the production of small quantities, but large scale is the most important driver of competitive advantage in the Cimpress business model. When we have increased the volume of orders that we process and produce we have seen material improvement to quality, product selection, speed and cost. In fiscal 2015, we processed over 46 million unique ordered items, and during peak production weeks we produced well over 1 million orders per week.

Results of Operations

The following table presents our operating results for the periods indicated as a percentage of revenue:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
As a percentage of revenue:				
Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue	45.2 %	36.9 %	42.2 %	37.0 %
Technology and development expense	13.1 %	14.2 %	12.3 %	12.5 %
Marketing and selling expense	30.3 %	35.5 %	30.3 %	33.4 %
General and administrative expense	8.3 %	12.1 %	8.1 %	9.9 %
Impairment of goodwill	7.1 %	— %	2.4 %	— %
(Loss) Income from operations	(4.0)%	1.3 %	4.7 %	7.2 %
Other (expense) income, net	(2.1)%	2.4 %	0.6 %	2.7 %
Interest expense, net	(2.3)%	(0.9)%	(2.2)%	(0.8)%
(Loss) Income before income taxes	(8.4)%	2.8 %	3.1 %	9.1 %
Income tax (benefit) provision	— %	0.5 %	0.8 %	0.6 %
Net (loss) income	(8.4)%	2.3 %	2.3 %	8.5 %
Add: Net loss attributable to noncontrolling interests	0.7 %	0.2 %	0.3 %	0.2 %
Net (loss) income attributable to Cimpres N.V.	(7.7)%	2.5 %	2.6 %	8.7 %

In thousands

	Three Months Ended March 31,			Nine Months Ended March 31,		
	2016	2015	2016 vs. 2015	2016	2015	2016 vs. 2015
Revenue	\$ 436,817	\$ 339,901	29%	\$ 1,308,839	\$ 1,113,738	18%

Revenue

We generate revenue primarily from the sale and shipping of customized manufactured products, and by providing digital services, website design and hosting, and email marketing services, as well as a small percentage from order referral fees and other third-party offerings.

Total revenue by reportable segment for the three and nine months ended March 31, 2016 and 2015 are shown in the following tables:

In thousands	Three Months Ended March 31,		% Change	Currency Impact: (Favorable)/Unfavorable	Constant-Currency Revenue Growth (1)	Impact of Acquisitions: (Favorable)/Unfavorable	Constant-Currency Revenue Growth Excluding Acquisitions (2)
	2016	2015					
Vistaprint business unit	\$ 289,901	\$ 268,490	8%	2%	10%	—%	10%
Upload and Print business units (3)	116,356	38,674	201%	2%	203%	(178)%	25%
All Other business units	30,560	32,737	(7)%	4%	(3)%	—%	(3)%
Total revenue	\$ 436,817	\$ 339,901	29%	2%	31%	(21)%	10%

In thousands

	Nine Months Ended March 31,			Currency Impact: (Favorable)/Unfavorable	Constant-Currency Revenue Growth (1)	Impact of Acquisitions: (Favorable)/Unfavorable	Constant-Currency Revenue Growth Excluding Acquisitions (2)
	2016	2015	% Change				
Vistaprint business unit	\$ 912,153	\$ 875,184	4%	5%	9%	—%	9%
Upload and Print business units (3)	286,171	121,382	136%	13%	149%	(120)%	29%
All Other business units	110,515	117,172	(6)%	10%	4%	—%	4%
Total revenue	\$ 1,308,839	\$ 1,113,738	18%	6%	24%	(13)%	11%

(1) Constant-currency revenue growth, a non-GAAP financial measure, represents the change in total revenue between current and prior year periods at constant-currency exchange rates by translating all non-U.S. dollar denominated revenue generated in the current period using the prior year period's average exchange rate for each currency to the U.S. dollar.

(2) Constant-currency revenue growth excluding acquisitions, a non-GAAP financial measure, excludes revenue results for businesses and brands in the period in which there is no comparable year over year revenue. Revenue from our fourth quarter fiscal 2015 and fiscal 2016 acquisitions is excluded from Q3 2016 revenue growth.

We have provided these non-GAAP financial measures because we believe they provide meaningful information regarding our results on a consistent and comparable basis for the periods presented. Management uses these non-GAAP financial measures, in addition to GAAP financial measures, to evaluate our operating results. These non-GAAP financial measures should be considered supplemental to and not a substitute for our reported financial results prepared in accordance with GAAP.

(3) The Upload and Print business units include the impact of our fiscal 2016 and 2015 acquisitions from their respective acquisition dates.

Vistaprint business unit

Reported revenue for the three and nine months ended March 31, 2016 increased 8% and 4% to \$289.9 million and \$912.2 million, respectively, compared to the three and nine months ended March 31, 2015. Our reported revenue growth was negatively affected by currency impacts during the three and nine months ended March 31, 2016 of 2% and 5%, respectively. The Vistaprint business unit constant-currency growth of 10% and 9% in such periods was primarily due to repeat customer bookings growth, with improving growth in new customer bookings. We experienced strong revenue growth in our focus product categories which include signage, marketing materials and promotional products and apparel. Performance continues to be stronger in North American and Australian markets than most markets in Europe where we have more substantial customer value proposition changes to make in order to appeal more broadly to higher expectations customers. Although some of these customer value proposition efforts continue to create revenue headwinds in certain markets including recent changes and tests we have implemented in a limited number of markets to reduce shipping pricing which are expected to have a greater impact in future periods, we are realizing benefits from these investments in fiscal 2016 through improved customer retention rates and positive results in our current period Net Promoter Score™ (which polls our customers on their willingness to recommend us to friends and colleagues based on a score of 0 to 10) in markets around the world.

Upload and Print business units

Reported revenue for the three and nine months ended March 31, 2016 increased 201% and 136% to \$116.4 million and \$286.2 million, respectively, compared to three and nine months ended March 31, 2015. Our reported revenue included the addition of aggregate revenue of \$68.8 million and \$145.4 million for the three and nine months ended March 31, 2016 from the brands we acquired in the fourth quarter of fiscal 2015 and fiscal 2016. The Upload and Print business units constant-currency revenue growth excluding revenue from businesses acquired in the past twelve months was 25% and 29%, primarily due to continued strong performance from our Pixartprinting and Printdeal brands, which we acquired in fiscal 2014.

All Other business units

Reported revenue for the three and nine months ended March 31, 2016 decreased 7% and 6% to \$30.6 million and \$110.5 million, respectively, compared to the three and nine months ended March 31, 2015. Our reported revenue growth was negatively affected by currency impacts during the three and nine months ended March 31, 2016 of 4% and 10%, respectively. The All Other business units constant-currency revenue decline of 3% for the three months ended March 31, 2016 was driven by the expected loss in revenue from a major partner in both the Corporate Solutions business unit and Albumprinter business. The constant-currency revenue growth of 4% for

the nine months ended March 31, 2016 was primarily due to seasonally strong growth from our Albumprinter brand during the second quarter of fiscal 2016, partially offset by the decline in our Corporate Solutions business unit. The Most of World portfolio continues to grow faster than other parts of this segment, but is small relative to the size of the other components.

The following table summarizes our comparative operating expenses for the period:

In thousands

	Three Months Ended March 31,			Nine Months Ended March 31,		
	2016	2015	2016 vs. 2015	2016	2015	2016 vs. 2015
Cost of revenue	\$ 197,365	\$ 125,540	57 %	\$ 552,219	\$ 412,381	34 %
<i>% of revenue</i>	45.2%	36.9%		42.2%	37.0%	
Technology and development expense	\$ 57,392	\$ 48,311	19 %	\$ 160,358	\$ 138,841	15 %
<i>% of revenue</i>	13.1%	14.2%		12.3%	12.5%	
Marketing and selling expense	\$ 132,352	\$ 120,795	10 %	\$ 397,158	\$ 371,680	7 %
<i>% of revenue</i>	30.3%	35.5%		30.3%	33.4%	
General and administrative expense	\$ 36,398	\$ 40,914	(11)%	\$ 106,100	\$ 109,748	(3)%
<i>% of revenue</i>	8.3%	12.1%		8.1%	9.9%	

Cost of revenue

Cost of revenue includes materials used to manufacture our products, payroll and related expenses for production personnel, depreciation of assets used in the production process and in support of digital marketing service offerings, shipping, handling and processing costs, third-party production costs, costs of free products and other related costs of products sold by us. Cost of revenue as a percent of revenue increased during the three and nine months ended March 31, 2016, as the operations within the Upload and Print business units have a lower gross margin profile than our traditional business and are growing faster; however, these companies also have lower marketing and selling costs.

The Vistaprint business unit cost of revenue increased to \$95.0 million and \$298.6 million for the three and nine months ended March 31, 2016, respectively, from \$85.0 million and \$279.9 million in the prior year periods. The increase was primarily due to increased costs associated with production volume and product mix of \$8.6 million and \$24.9 million during the three and nine months ended March 31, 2016. In addition, costs increased for the three months ended March 31, 2016 by \$1.4 million due to the net impact from currency, productivity and efficiency losses. For the nine months ended March 31, 2016, the increase was partially offset by the aggregate benefits of currency, productivity and efficiency gains of \$6.2 million during the nine months ended March 31, 2016.

The Upload and Print business units cost of revenue increased to \$79.9 million and \$191.1 million for the three and nine months ended March 31, 2016 from \$26.7 million and \$85.2 million in the prior comparable period primarily due to incremental manufacturing costs of \$49.9 million and \$102.4 million for the operations acquired in the fourth quarter of fiscal 2015 and fiscal 2016.

The All Other business units cost of revenue increased to \$14.5 million and \$49.7 million for the three and nine months ended March 31, 2016 from \$13.8 million and \$47.3 million in the prior year periods, primarily due to increased manufacturing costs.

During the three and nine months ended March 31, 2016 we had cost of revenue that was not allocated to our business units for management reporting of \$8.0 million and \$12.8 million, respectively. These costs primarily relate to a \$6.7 million and \$9.7 million loss in the respective periods for the abandonment of a proprietary production platform and other print production equipment, as well as certain start-up costs related to new product introductions and manufacturing technologies.

Technology and development expense

Technology and development expense consists primarily of payroll and related expenses for our employees engaged in software and manufacturing engineering, information technology operations and content development; amortization of capitalized software, website development costs and certain acquired intangible assets, including

developed technology, hosting of our websites, asset depreciation, patent amortization, legal settlements in connection with patent-related claims, and other technology infrastructure-related costs. Depreciation expense for information technology equipment that directly supports the delivery of our digital marketing services products is included in cost of revenue.

The growth in our technology and development expenses of \$9.1 million and \$21.5 million for the three and nine months ended March 31, 2016 as compared to the prior comparative period was due to increased payroll, share-based compensation and facility-related costs of \$5.0 million and \$13.0 million, respectively, as a result of increased headcount in our technology development and information technology support organizations. The increase in headcount is partly due to increases in software and manufacturing engineering resources related to our mass customization platform and product expansion, and partly due to headcount from acquired businesses. Depreciation and amortization expense increased by \$2.3 million and \$4.1 million, respectively, for the three and nine months ended March 31, 2016 primarily due to expense related to our fiscal 2015 fourth quarter and fiscal 2016 acquisitions. Technology infrastructure-related costs increased by \$1.3 million and \$4.9 million, respectively, for the three and nine months ended March 31, 2016 primarily due to increased software maintenance and licensing costs, as well as increased IT cloud service costs. The increase was partially offset by a decrease in other technology and development expense of \$0.9 million and \$0.3 million in the respective periods primarily due to decreased third party services. Also during the three months ended March 31, 2016, we had a lower net capitalization of software costs of \$1.4 million due to an increase in amortization expense. For the nine months ended March 31, 2016, we had higher net capitalization of software costs of \$0.2 million, due to an increase in costs that qualified for capitalization during the fiscal year.

Marketing and selling expense

Marketing and selling expense consists primarily of advertising and promotional costs; payroll and related expenses for our employees engaged in marketing, sales, customer support and public relations activities; amortization of certain acquired intangible assets, including customer relationships and trade names; and third-party payment processing fees. Our Upload and Print business units have a lower marketing and selling cost structure compared to the Vistaprint business unit.

Our marketing and selling expenses increased by \$11.6 million and \$25.5 million for the three and nine months ended March 31, 2016 as compared to the prior comparative period primarily due to increased amortization expense of \$3.9 million and \$9.8 million, respectively, as a result of the customer and trademark related intangible assets related to our fourth quarter fiscal 2015 acquisitions and fiscal 2016 acquisitions. Our payroll and facility-related costs, inclusive of share-based compensation, increased by \$3.5 million and \$5.3 million, respectively, as we expanded our marketing and customer service, sales and design support organization through our recent acquisitions and continued investment in the Vistaprint business unit customer service resources in order to provide higher value services to our customers. Advertising costs increased by \$2.2 million and \$8.2 million, respectively, for the three and nine months ended March 31, 2016 primarily due to product-focused television ad investments in both the U.S. and Canada for the Vistaprint business unit during the first quarter of fiscal 2016, as well as increased activity from our recently acquired brands. Payment processing and third party services were \$1.1 million and \$1.3 million higher than the prior period. Other marketing and selling costs increased by \$0.9 million for the three and nine months ended March 31, 2016, primarily due to increased travel and training costs.

General and administrative expense

General and administrative expense consists primarily of transaction costs, including third-party professional fees, insurance and payroll and related expenses of employees involved in executive management, finance, legal, and human resources.

During the three and nine months ended March 31, 2016 our general and administrative expenses decreased by \$4.5 million and \$3.6 million as compared to the prior comparative period. We recognized \$7.5 million and \$14.9 million of expense during the three and nine months ended March 31, 2015, respectively to remeasure the contingent consideration liabilities related to the Printdeal and Pixartprinting acquisitions which did not recur in the current period. The decreases in fiscal 2016 were partially offset by increased payroll-related costs of \$1.2 million and \$5.2 million, respectively, as compared to the prior comparative period. We incurred additional expense of \$0.9 million and \$3.4 million during the three and nine months ended March 21, 2016, related to contingent compensation arrangements from our WIRMACHENDRUCK and Easyflyer acquisitions. In addition, our employee

travel, training, and recruitment costs and third-party professional fees declined by \$0.9 million and \$2.7 million, respectively, as compared to the prior comparative period.

Impairment of goodwill

During the three and nine months ended March 31, 2016, we recognized a \$30.8 million goodwill impairment loss related to our Exagroup business. As we began our annual capital allocation and budgeting process during this quarter, we determined that the revenue and profit outlook for this business was lower than the initial deal model upon which we based our purchase accounting. This is due in part to Exagroup's need to, and plans to, react to heightened competition in its target market, which led to a reduction in our expectations for long-term margins in this business. We performed a quantitative goodwill analysis which concluded that the fair value of our goodwill was less than the carrying amount, resulting in an impairment loss.

Other (expense) income, net

Other (expense) income, net generally consists of gains and losses from currency exchange rate fluctuations on transactions or balances denominated in currencies other than the functional currency of our subsidiaries, as well as the realized and unrealized gains and losses on some of our derivative instruments. In evaluating our currency hedging program and ability to achieve hedge accounting in light of our legal entity cash flows, we considered the benefits of hedge accounting relative to the additional economic cost of trade execution and administrative burden. Based on this analysis, we decided to execute certain currency forward contracts that do not qualify for hedge accounting. The following table summarizes the components of other (expense) income, net:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
(Losses) gains on derivatives not designated as hedging instruments	\$ (1,505)	\$ 5,756	\$ 4,048	\$ 13,398
Currency related (losses) gains, net	(7,656)	2,535	(149)	16,884
Other gains	158	—	4,030	—
Total other (expense) income, net	\$ (9,003)	\$ 8,291	\$ 7,929	\$ 30,282

During the three and nine months ended March 31, 2016, we recognized net losses of \$9.0 million and net gains of \$7.9 million, respectively, in other (expense) income, net as compared to net gains of \$8.3 million and \$30.3 million during the three and nine months ended March 31, 2015. The decrease in other (expense) income, net was partially driven by losses of \$7.7 million and \$0.1 million during the three and nine months ended March 31, 2016, respectively, due to currency exchange rate volatility related to our non-functional currency intercompany relationships, which is partially offset by the the impact of certain cross-currency swap contracts designated as cash flow hedges.

In addition, we recognized net losses on our currency forward contracts not designated as hedging instruments during the three months ended March 31, 2016 of \$1.5 million and lower net gains of \$4.0 million during the nine months ended March 31, 2016, as compared to net gains of \$5.8 million and \$13.4 million that were recognized during the prior comparative periods. We expect this volatility to continue in future periods as we do not currently apply hedge accounting for most of our currency forward contracts.

Other gains primarily consists of \$3.1 million for the nine months ended March 31, 2016, related to insurance proceeds received for equipment damaged from a fire at our Venlo, Netherlands production facility.

Interest expense, net

Interest expense, net was \$10.1 million and \$28.4 million for the three and nine months ended March 31, 2016, respectively, and \$3.1 million and \$9.5 million during the three and nine months ended March 31, 2015. Interest expense, net primarily consists of interest paid on outstanding debt balances, amortization of debt issuance costs, interest related to capital lease obligations and realized gains (losses) on effective interest rate swap contracts and certain cross-currency swaps. The increase in interest expense, net is primarily a result of the issuance of our senior unsecured notes in March 2015, as well as increased interest expense associated with our Waltham lease arrangement. We expect interest expense to increase in future periods relative to historical trends as

a result of our senior unsecured notes, our Waltham lease arrangement, and increased capital lease obligations for machinery and equipment.

Income tax (benefit) provision

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
Income tax (benefit) provision	\$ (162)	\$ 1,576	\$ 10,857	\$ 7,658
Effective tax rate	0.4%	16.6%	26.0%	7.5%

Income tax (benefit) expense was \$(0.2) million and \$10.9 million for the three and nine months ended March 31, 2016, respectively, as compared to \$1.6 million and \$7.7 million for the same prior year periods. The tax benefit recognized for the three months ended March 31, 2016 is primarily due to tax benefits associated with currency exchange losses and the manufacturing equipment abandonment loss described in Note 2. The increase in income tax expense for the nine months ended March 31, 2016 as compared to the same period ended in 2015 is primarily attributable to a higher consolidated annual effective tax rate forecasted for fiscal 2016 as compared to fiscal 2015. We are forecasting a higher annual effective tax rate in fiscal 2016 due to an expected decrease to, and less favorable geographical mix of, consolidated pre-tax earnings combined with an increase in losses in certain jurisdictions where we are unable to recognize a tax benefit in the current period. We also have losses in certain jurisdictions where we are able to recognize a tax benefit in the current period, but for which the cash benefit is expected to be realized in a future period. The acquisition of WIRmachenDRUCK has also contributed to the increase in our tax expense for the nine months ended March 31, 2016. Additionally, during the nine months ended March 31, 2016, we recognized a tax benefit of \$1.4 million from a reduction in deferred tax liabilities due to future tax rate decreases in Italy and the UK and a current tax benefit of \$2.1 million related to the extension of the US research and development credit. Income tax expense for the same period in fiscal 2015 was reduced by \$0.9 million related to a reduction in our net liability for unrecognized tax benefits.

The impairment loss on goodwill described in Note 8 is nondeductible for tax purposes, and, accordingly, no tax benefit has been recorded related to this item. However, the reduction to pretax earnings does have an unfavorable impact on our effective tax rate for the quarter.

We believe that our income tax reserves are adequately maintained taking into consideration both the technical merits of our tax return positions and ongoing developments in our income tax audits. However, the final determination of our tax return positions, if audited, is uncertain, and there is a possibility that final resolution of these matters could have a material impact on our results of operations or cash flows. See Note 11 in our accompanying consolidated financial statements for additional discussion.

Segment profitability

Our primary metric used to measure segment financial performance is adjusted net operating profit which excludes certain non-operational items including acquisition-related expenses, certain impairments and restructuring charges. For the three and nine months ended March 31, 2016, the Vistaprint business unit adjusted net operating profit increased by \$10.5 million and \$14.9 million, respectively, as compared to the prior comparative periods primarily due to \$11.5 million and \$18.3 million in additional gross profit as a result of revenue growth. The Upload and Print business units adjusted net operating profit increased by \$12.4 million and \$28.4 million primarily due to the addition of aggregate adjusted net operating profit of \$7.8 million and \$17.3 million from the brands we acquired during the fourth quarter of fiscal 2015 and fiscal 2016. In addition, both the Pixartprinting and Printdeal brands have increased their contribution to our consolidated adjusted net operating profit due to growth in revenue and improvements in gross margin. Our All Other business units adjusted net operating profit decreased by \$4.3 million and \$8.4 million as we continued to invest in our Most of World portfolio and experienced a decline in partner related revenue and profits.

Liquidity and Capital Resources

Consolidated Statements of Cash Flows Data:

In thousands

	Nine Months Ended March 31,	
	2016	2015
Net cash provided by operating activities	\$ 183,535	\$ 192,414
Net cash used in investing activities	(239,319)	(85,820)
Net cash provided by (used in) financing activities	29,995	(23,062)

At March 31, 2016, we had \$76.7 million of cash and cash equivalents and \$704.4 million of outstanding debt, excluding debt issuance costs and debt discounts. Cash and cash equivalents decreased by \$26.9 million during the nine months ended March 31, 2016. We expect cash and cash equivalents to fluctuate over time depending on our working capital needs, as well as our organic investment, share repurchase and acquisition activity. The cash flows during the nine months ended March 31, 2016 related primarily to the following items:

Cash inflows:

- Net income of \$30.9 million;
- Adjustments for non-cash items of \$132.0 million primarily related to positive adjustments for depreciation and amortization of \$96.5 million, goodwill impairment of \$30.8 million, share-based compensation costs of \$18.2 million and abandonment of long-lived assets of \$9.8 million, offset by negative adjustments for non-cash tax related items of \$12.2 million and unrealized currency-related gains of \$3.2 million;
- Changes in working capital balances of \$23.8 million primarily driven by improved management of accounts payable and accrued expenses;
- Proceeds of debt of \$183.8 million, net of payments;
- Proceeds from excess tax benefits derived from shared-based compensation awards increased by \$9.0 million, driven primarily by the cash receipt of a tax refund of \$8.5 million;
- Proceeds from an initial insurance claim settlement of \$9.7 million, of which \$6.1 million is presented as cash from operations and \$3.6 million is presented as cash from investing activities; and
- Capital contribution from a noncontrolling interest of \$5.1 million.

Cash outflows:

- Payments for acquisitions, net of cash acquired, of \$162.4 million;
- Purchases of our ordinary shares of \$153.5 million;

- Capital expenditures of \$62.6 million of which \$28.5 million were related to the purchase of manufacturing and automation equipment for our production facilities, \$18.4 million were related to the purchase of land, facilities and leasehold improvements, and \$15.7 million were related to purchases of other capital assets, including facility improvements and office equipment;
- Internal costs for software and website development that we have capitalized of \$18.2 million;
- Payments for capital lease arrangements of \$10.1 million; and
- Payments of withholding taxes in connection with share awards of \$5.8 million.

Additional Liquidity and Capital Resources Information. During the nine months ended March 31, 2016, we financed our operations and strategic investments through internally generated cash flows from operations and debt financing. As of March 31, 2016, approximately \$76.3 million of our cash and cash equivalents was held by our subsidiaries, and undistributed earnings of our subsidiaries that are considered to be indefinitely reinvested were \$67.0 million. We do not intend to repatriate such funds as the cash and cash equivalent balances are generally used and available, without legal restrictions, to fund ordinary business operations and investments of the respective subsidiaries. If there is a change in the future, the repatriation of undistributed earnings from certain subsidiaries, in the form of dividends or otherwise, could have tax consequences that could result in material cash outflows.

Debt. On March 24, 2015, we completed a private placement of \$275.0 million of 7.0% senior unsecured notes due 2022. The proceeds from the sales of the notes were used to repay existing outstanding indebtedness under our unsecured line of credit and senior secured credit facility and for general corporate purposes. As of March 31, 2016, we have aggregate loan commitments from our senior secured credit facility totaling \$834.0 million. The loan commitments consist of revolving loans of \$690.0 million and the remaining term loans of \$144.0 million.

We have other financial obligations that constitute additional indebtedness based on the definitions within the credit facility. As of March 31, 2016, the amount available for borrowing under our senior secured credit facility was as follows:

In thousands

	March 31, 2016
Maximum aggregate available for borrowing	\$ 834,000
Outstanding borrowings of senior secured credit facilities	(417,676)
Remaining amount	416,324
Limitations to borrowing due to debt covenants and other obligations (1)	(1,651)
Amount available for borrowing as of March 31, 2016 (2)	\$ 414,673

(1) Our borrowing ability under our senior secured credit facility can be limited by our debt covenants each quarter. These covenants may limit our borrowing capacity depending on our leverage, other indebtedness, such as notes, capital leases, letters of credit, and any other debt, as well as other factors that are outlined in the credit agreement.

(2) The use of available borrowings for share purchases, dividend payments, or corporate acquisitions is subject to more restrictive covenants that can lower available borrowings for such purposes relative to the general availability described in the above table.

Debt Covenants. Our credit agreement contains financial and other covenants, including but not limited to the following:

(1) The credit agreement contains financial covenants calculated on a trailing twelve month, or TTM, basis that:

- our total leverage ratio, which is the ratio of our consolidated total indebtedness (*) to our TTM consolidated EBITDA (*), will not exceed 4.50 to 1.00.
- our senior secured leverage ratio, which is the ratio of our consolidated senior secured indebtedness (*) to our TTM consolidated EBITDA (*), will not exceed 3.25 to 1.00.
- our interest coverage ratio, which is the ratio of our consolidated EBITDA to our consolidated interest expense, will be at least 3.00 to 1.00.

(2) Purchases of our ordinary shares, payments of dividends, and corporate acquisitions and dispositions are subject to more restrictive consolidated leverage ratio thresholds than those listed above when calculated on a proforma basis in certain scenarios. Also, regardless of our leverage ratio, the credit agreement limits the amount of purchases of our ordinary shares, payments of dividends, corporate acquisitions and dispositions, investments in joint ventures or minority interests, and consolidated capital expenditures that we may make. These limitations can include annual limits that vary from year-to-year and aggregate limits over the term of the credit facility. Therefore, our ability to make desired investments may be limited during the term of our senior secured credit facility.

(3) The credit agreement also places limitations on additional indebtedness and liens that we may incur, as well as on certain intercompany activities.

(*) The definitions of EBITDA, consolidated total indebtedness, and consolidated senior secured indebtedness are maintained in our credit agreement included as an exhibit to our Form 8-K filed on February 13, 2013, as amended by amendments no. 1 and no. 2 to the credit agreement included as exhibits to our Forms 8-K filed on January 22, 2014 and September 25, 2014.

The indenture under which our 7.0% senior unsecured notes due 2022 are issued contains various covenants, including covenants that, subject to certain exceptions, limit our and our restricted subsidiaries' ability to incur and/or guarantee additional debt; pay dividends, repurchase shares or make certain other restricted payments; enter into agreements limiting dividends and certain other restricted payments; prepay, redeem or repurchase subordinated debt; grant liens on assets; enter into sale and leaseback transactions; merge, consolidate or transfer or dispose of substantially all of our consolidated assets; sell, transfer or otherwise dispose of property and assets; and engage in transactions with affiliates.

Our credit agreement and senior unsecured notes indenture also contain customary representations, warranties and events of default. As of March 31, 2016, we were in compliance with all financial and other covenants under the credit agreement and senior unsecured notes indenture.

Other debt. Other debt consists of term loans primarily acquired as part of our fiscal 2015 acquisition of Exagroup SAS. As of March 31, 2016 we had \$11.7 million outstanding for those obligations that are payable through September 2024.

Our expectations for fiscal year 2016. Our current liabilities continue to exceed our current assets; however, we believe that our available cash, cash flows generated from operations, and cash available under our committed debt financing will be sufficient to satisfy our liabilities and planned investments to support our long-term growth strategy for the foreseeable future. We endeavor to invest large amounts of capital that we believe will generate returns that are above our weighted average cost of capital. We consider any use of cash that we expect to require more than 12 months to return our invested capital to be an allocation of capital. For fiscal 2016 we expect to allocate capital to the following broad categories and consider our capital to be fungible across all of these categories:

- Large, discrete, internally developed projects that we believe can, over the longer term, provide us with materially important competitive capabilities and/or positions in new markets, such as investments in our software, service operations and other supporting capabilities for our integrated platform, costs incurred for post-merger integration efforts and expansion into new geographic markets
- Other organic investments intended to maintain or improve our competitive position or support growth, such as costs to develop new products and expand product attributes, production and IT capacity expansion, Vistaprint business unit related advertising costs and continued investment in our employees
- Purchases of ordinary shares
- Corporate acquisitions and similar investments
- Reduction of debt

Contractual Obligations

Contractual obligations at March 31, 2016 are as follows:

In thousands

	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating leases, net of subleases	\$ 42,908	\$ 7,760	\$ 12,140	\$ 11,390	\$ 11,618
Build-to-suit lease	124,437	12,569	25,139	25,139	61,590
Purchase commitments	31,571	26,571	5,000	—	—
Senior unsecured notes and interest payments	400,125	19,250	38,500	38,500	303,875
Other debt and interest payments	466,715	33,726	105,741	325,278	1,970
Capital leases	32,522	11,176	15,104	5,840	402
Other	27,963	13,489	12,530	1,944	—
Total (1)	<u>\$ 1,126,241</u>	<u>\$ 124,541</u>	<u>\$ 214,154</u>	<u>\$ 408,091</u>	<u>\$ 379,455</u>

(1) We may be required to make cash outlays related to our uncertain tax positions. However, due to the uncertainty of the timing of future cash flows associated with our uncertain tax positions, we are unable to make reasonably reliable estimates of the period of cash settlement, if any, with the respective taxing authorities. Accordingly, uncertain tax positions of \$4.0 million as of March 31, 2016 have been excluded from the contractual obligations table above. For further information on uncertain tax positions, see Note 11 to the accompanying consolidated financial statements.

Operating Leases. We rent office space under operating leases expiring on various dates through 2024. Future minimum rental payments required under our leases are an aggregate of approximately \$42.9 million. The terms of certain lease agreements require security deposits in the form of bank guarantees and a letter of credit in the amount of \$4.5 million.

Build-to-suit lease. Represents the cash payments for our facility in Waltham, Massachusetts, USA. Please refer to Note 6 in the accompanying consolidated financial statements for additional details.

Purchase Commitments. At March 31, 2016, we had unrecorded commitments under contract of \$31.6 million, which were principally composed of commitments for third-party web services of approximately \$5.0 million, production and computer equipment purchases of approximately \$12.7 million, commitments for professional fees of approximately \$5.5 million, and other unrecorded purchase commitments of \$5.1 million.

Senior unsecured notes and interest payments. Our 7.0% senior unsecured notes due 2022 bear interest at a rate of 7.0% per annum and mature on April 1, 2022. Interest on the notes will be payable semi-annually on April 1 and October 1 of each year, commencing on October 1, 2015 and has been included in the table above.

Other debt and interest payments. The term loans of \$144.0 million outstanding under our credit agreement have repayments due on various dates through September 23, 2019, with the revolving loans outstanding of \$273.7 million due on September 23, 2019. Interest payable included in this table is based on the interest rate as of March 31, 2016 and assumes all revolving loan amounts outstanding will not be paid until maturity, but that the term loan amortization payments will be made according to our defined schedule. Interest payable includes the estimated impact of our interest rate swap agreements. In addition, we assumed term loan debt as part of certain of our fiscal 2015 acquisitions, and as of March 31, 2016 we had \$11.7 million outstanding for those obligations that have repayments due on various dates through September 2024.

Capital leases. We lease certain machinery and plant equipment under capital lease agreements that expire at various dates through 2020. The aggregate carrying value of the leased equipment under capital leases included in property, plant and equipment, net in our consolidated balance sheet at March 31, 2016, is \$38.5 million, net of accumulated depreciation of \$24.4 million. The present value of lease installments not yet due included in other current liabilities and other liabilities in our consolidated balance sheet at March 31, 2016 amounts to \$31.8 million.

Other Obligations. Other obligations include an installment obligation of \$10.4 million related to the fiscal 2012 intra-entity transfer of the intellectual property of our subsidiary Webs, Inc., which resulted in tax being paid

over a 7.5 year term and has been classified as a deferred tax liability in our consolidated balance sheet as of March 31, 2016. Other obligations also include the remaining fixed contingent consideration payment for Printdeal of \$7.9 million, payable during the fourth quarter of fiscal 2016 and the fair value of the contingent earn-out payment related to the WIRMachenDruck acquisition of \$1.2 million. The WIRMachenDRUCK earn-out is payable at our option in cash or ordinary shares, based on the achievement of a cumulative gross margin target for calendar years 2016 and 2017. In addition, we have deferred payments related to our fiscal 2015 and 2016 acquisitions of \$8.4 million, in aggregate.

Non-GAAP Financial Measure

Adjusted net operating profit after tax (NOPAT) presented below is a supplemental measure of our performance that is not required by, or presented in, accordance with GAAP. This metric is the primary metric by which we measure our consolidated financial performance and is intended to supplement investors' understanding of our operating results. Adjusted NOPAT is defined as GAAP operating income excluding certain items such as acquisition-related amortization and depreciation, expense recognized for earn-out related charges, including the change in fair value of contingent consideration and compensation expense related to cash-based earn-out mechanisms dependent upon continued employment, share-based compensation related to investment consideration, certain impairment expense and restructuring charges. The interest expense associated with our Waltham lease, as well as realized gains (losses) on currency forward contracts that do not qualify for hedge accounting, are included in adjusted NOPAT. We do not, nor do we suggest that investors should, consider such non-GAAP financial measures in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

The table below sets forth operating income and adjusted net operating profit after tax for each of the three and nine months ended March 31, 2016 and 2015:

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2016	2015	2016	2015
GAAP operating (loss) income	\$ (17,531)	\$ 4,341	\$ 62,163	\$ 81,088
Less: Cash taxes attributable to current period (see below)	(8,392)	(4,666)	(19,587)	(17,332)
Exclude expense (benefit) impact of:				
Acquisition-related amortization and depreciation	10,879	4,515	30,316	16,891
Earn-out related charges (1)	883	7,512	4,585	14,890
Share-based compensation related to investment consideration	1,168	1,499	3,705	3,096
Certain impairments (2)	37,582	—	40,604	—
Restructuring costs	—	520	381	674
Less: Interest expense associated with Waltham lease	(1,975)	—	(4,326)	—
Include: Realized gains on currency forward contracts not included in operating income	1,391	1,802	5,026	5,963
Adjusted NOPAT (3)	\$ 24,005	\$ 15,523	\$ 122,867	\$ 105,270
Cash taxes paid in the current period (4)	\$ 344	\$ 3,089	\$ 11,089	\$ 10,646
Less: cash taxes (paid) received and related to prior periods (4)	4,760	(1,103)	2,656	(4,551)
Plus: cash taxes attributable to the current period but not yet paid	2,343	1,420	3,982	2,964
Plus: cash impact of excess tax benefit on equity awards attributable to current period	1,705	2,115	4,350	10,838
Less: installment payment related to the transfer of intellectual property in a prior year	(760)	(855)	(2,490)	(2,565)
Cash taxes attributable to current period	\$ 8,392	\$ 4,666	\$ 19,587	\$ 17,332

(1) Includes expense recognized for the change in fair value of contingent consideration and compensation expense related to cash-based earn-out mechanisms dependent upon continued employment.

(2) Includes the impact of impairments or abandonments of goodwill and other long-lived assets as defined by ASC 350 - "Intangibles - Goodwill and Other" or ASC 360 - "Property, plant, and equipment."

(3) Adjusted NOPAT will include the impact of discontinued operations as defined by ASC 205-20 in periods in which they occur.

(4) For the three and nine months ended March 31, 2016, cash taxes paid in the current period includes a cash tax refund of \$8,479, which is subsequently eliminated from cash taxes attributable to the current period as it relates to a refund of a prior years' taxes generated as a result of a prior year excess share-based compensation deduction. Therefore, the impact is not included in adjusted NOPAT for the current period.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk. Our exposure to interest rate risk relates primarily to our cash, cash equivalents and debt.

As of March 31, 2016, our cash and cash equivalents consisted of standard depository accounts which are held for working capital purposes. We do not believe we have a material exposure to interest rate fluctuations related to our cash and cash equivalents.

As of March 31, 2016, we had \$417.7 million of variable rate debt and \$10.4 million of variable rate installment obligation related to the fiscal 2012 intra-entity transfer of Webs' intellectual property. As a result, we have exposure to market risk for changes in interest rates related to these obligations. In order to mitigate our exposure to interest rate changes related to our variable rate debt, we execute interest rate swap contracts to fix the interest rate on a portion of our outstanding long-term debt with varying maturities. As of March 31, 2016, a hypothetical 100 basis point increase in rates, inclusive of our outstanding interest rate swaps, would result in an increase of interest expense of approximately \$3.1 million over the next 12 months.

Currency Exchange Rate Risk. We conduct business in multiple currencies through our worldwide operations but report our financial results in U.S. dollars. We manage these risks through normal operating activities and, when deemed appropriate, through the use of derivative financial instruments. We have policies governing the use of derivative instruments and do not enter into financial instruments for trading or speculative purposes. The use of derivatives is intended to reduce, but do not entirely eliminate, the impact of adverse currency exchange rate movements. A summary of our currency risk is as follows:

- *Translation of our non-U.S. dollar revenues and expenses:* Revenue and related expenses generated in currencies other than the U.S. dollar could result in higher or lower net income when, upon consolidation, those transactions are translated to U.S. dollars. When the value or timing of revenue and expenses in a given currency are materially different, we may be exposed to significant impacts on our net income and non-GAAP financial metrics, such as EBITDA.

Our most significant net currency exposures by volume are in the British Pound, Canadian Dollar, Euro and Swiss Franc, although our exposures to these and other currencies fluctuate, particularly in our fiscal second quarter. Beginning in the fourth quarter of fiscal 2015, our currency hedging objectives are targeted at reducing volatility in our forecasted U.S. dollar-equivalent EBITDA in order to protect our debt covenants. Since EBITDA excludes non-cash items such as depreciation and amortization that are included in net income, we may experience increased, not decreased, volatility in our GAAP results due to our hedging approach.

In addition, we elect to execute currency forward contracts that do not qualify for hedge accounting. As a result, we may experience volatility in our consolidated statements of operations due to (i) the impact of unrealized gains and losses reported in other income, net on the mark-to-market of outstanding contracts and (ii) realized gains and losses recognized in other income, net, whereas the offsetting economic gains and losses are reported in the line item of the underlying cash flow, for example, revenue.

- *Translation of our non-U.S. dollar assets and liabilities:* Each of our subsidiaries translates its assets and liabilities to U.S. dollars at current rates of exchange in effect at the balance sheet date. The resulting gains and losses from translation are included as a component of accumulated other comprehensive (loss) income on the consolidated balance sheet. Fluctuations in exchange rates can materially impact the carrying value of our assets and liabilities.

We have currency exposure arising from our net investments in foreign operations. We enter into cross-currency swap contracts to mitigate the impact of currency rate changes on certain net investments.

- *Remeasurement of monetary assets and liabilities:* Transaction gains and losses generated from remeasurement of monetary assets and liabilities denominated in currencies other than the functional

currency of a subsidiary are included in other income, net on the consolidated statements of operations. Certain of our subsidiaries hold intercompany loans denominated in a currency other than their functional currency. Due to the significance of these balances, the revaluation of intercompany loans can have a material impact on other income, net. We expect these impacts may be volatile in the future, although our largest intercompany loans do not have a U.S. dollar cash impact for the consolidated group because they are either 1) USD loans or 2) we elect to hedge certain non-USD loans with cross currency swaps. A hypothetical 10% change in currency exchange rates was applied to total net monetary assets denominated in currencies other than the functional currencies at the balance sheet dates to compute the impact these changes would have had on our income before taxes in the near term. The balances are inclusive of the notional value of any cross currency swaps designated as cash flow hedges. A hypothetical decrease in exchange rates of 10% against the functional currency of our subsidiaries would have resulted in an increase of \$31.0 million and \$19.0 million on our income before taxes for the three months ended March 31, 2016 and 2015, respectively.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2016. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, or Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2016, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no significant changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended March 31, 2016 that materially affect, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

Our future results may vary materially from those contained in forward-looking statements that we make in this Report and other filings with the SEC, press releases, communications with investors, and oral statements due to the following important factors, among others. Our forward-looking statements in this Report and in any other public statements we make may turn out to be wrong. These statements can be affected by, among other things, inaccurate assumptions we might make or by known or unknown risks and uncertainties or risks we currently deem immaterial. Consequently, no forward-looking statement can be guaranteed. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events, or otherwise.

Risks Related to Our Business

If our long-term growth strategy is not successful or if our financial projections relating to the effects of our strategy turn out to be incorrect, our business and financial results could be harmed.

We may not achieve the objectives of our long-term investment and financial strategy, our financial projections relating to the growth and development of our business may turn out to be incorrect, and our investments in our business may fail to impact our results and growth as anticipated. Some of the factors that could cause our business strategy to fail to achieve our objectives include, among others:

- our failure to adequately execute our operational strategy or anticipate and overcome obstacles to achieving our strategic goals;
- our failure to develop our mass customization platform or the failure of the platform to drive the efficiencies and competitive advantage we expect;
- our failure to manage the growth, complexity, and pace of change of our business and expand our operations;
- our failure to acquire businesses that enhance the growth and development of our business or to effectively integrate the businesses we do acquire into our business;

- our inability to purchase or develop technologies and other key assets to increase our efficiency, enhance our competitive advantage, and scale our operations;
- the failure of our current supply chain to provide the resources we need at the standards we require and our inability to develop new or enhanced supply chains;
- our failure to acquire new customers and enter new markets, retain our current customers, and sell more products to current and new customers;
- our failure to identify and address the causes of our revenue weakness in some markets;
- our failure to sustain growth in relatively mature markets;
- our failure to promote, strengthen, and protect our brands;
- our failure to effectively manage competition and overlap within our brand portfolio;
- the failure of our current and new marketing channels to attract customers;
- our failure to realize expected returns on our capital allocation decisions;
- unanticipated changes in our business, current and anticipated markets, industry, or competitive landscape;
- our failure to attract and retain skilled talent needed to execute our strategy and sustain our growth; and
- general economic conditions.

In addition, projections are inherently uncertain and are based on assumptions and judgments by management that may be flawed or based on information about our business and markets that may change in the future in ways that may be beyond our control. Our actual results may differ materially from our projections due to various factors, including the factors listed immediately above and in the risk factor below entitled "We manage our business for long-term results," which are also applicable to longer-term results.

If our strategy is not successful, or if there is a market perception that our strategy is not successful, then our revenue, earnings, and value may not grow as anticipated or may decline, we may not be profitable, our reputation and brands may be damaged, and the price of our shares may decline. In addition, we may change our strategy from time to time, which can cause fluctuations in our financial results and volatility in our share price.

Purchasers of customized micro business marketing products and services, including graphic design and customized printing, may not choose to shop online, which would prevent us from acquiring new customers that are necessary to the success of our business.

The online market for micro business marketing products and services is less developed than the online market for other business and home and family products, and our success depends in part on our ability to attract customers who have historically purchased products and services we offer through offline channels. Specific factors that could prevent prospective customers from purchasing from us as an online retailer include:

- concerns about buying graphic design services and marketing products without face-to-face interaction with sales personnel;
- the inability to physically handle and examine product samples;
- delivery time associated with Internet orders;
- concerns about the security of online transactions and the privacy of personal information;
- delayed shipments or shipments of incorrect or damaged products;

- limited access to the Internet; and
- the inconvenience associated with returning or exchanging purchased items.

In addition, our internal research shows that an increasing number of current and potential customers access our websites using smart phones or tablet computing devices and that our website visits using traditional desktop computers may be declining. Designing and purchasing custom designed products on a smart phone, tablet, or other mobile device is more difficult than doing so with a traditional computer due to limited screen sizes and bandwidth constraints. If our customers and potential customers have difficulty accessing and using our websites and technologies, then our revenue could decline.

We may not succeed in promoting and strengthening our brands, which could prevent us from acquiring new customers and increasing revenues.

A primary component of our business strategy is to promote and strengthen our brands to attract new and repeat customers to our websites, and we face significant competition from other companies in our markets who also seek to establish strong brands. To promote and strengthen our brands, we must incur substantial marketing expenses and establish a relationship of trust with our customers by providing a high-quality customer experience. Providing a high-quality customer experience requires us to invest substantial amounts of resources in our website development, design and technology, graphic design operations, production operations, and customer service operations. Our ability to provide a high-quality customer experience is also dependent on external factors over which we may have little or no control, including the reliability and performance of our suppliers, third-party carriers, and communication infrastructure providers. If we are unable to promote our brands or provide customers with a high-quality customer experience, we may fail to attract new customers, maintain customer relationships, and sustain or increase our revenues.

We manage our business for long-term results, and our quarterly and annual financial results will often fluctuate, which may lead to volatility in our share price.

Our revenues and operating results often vary significantly from period to period due to a number of factors, and as a result comparing our financial results on a period-to-period basis may not be meaningful. Many of the factors that lead to period-to-period fluctuations are outside of our control; however, some factors are inherent in our business strategies. We prioritize longer-term results over shorter-term results and generally do not manage our business to maximize current period financial results, including our GAAP net income and operating cash flow and other results we report. Some of the specific factors that could cause our operating results to fluctuate from quarter to quarter or year to year include among others:

- investments in our business in the current period intended to generate longer-term returns, where the shorter-term costs of, for example, developing technology, building infrastructure, or developing new customer offerings will not be offset by revenue or cost savings until future periods;
- seasonality-driven or other variations in the demand for our products and services, in particular during our second fiscal quarter;
- currency and interest rate fluctuations, which affect our revenues, costs, and fair value of our assets;
- our hedging activity;
- our ability to attract visitors to our websites and convert those visitors into customers;
- our ability to retain customers and generate repeat purchases;
- shifts in revenue mix toward less profitable products and brands;
- the commencement or termination of agreements with our strategic partners, suppliers, and others;
- our ability to manage our production, fulfillment, and support operations;

- costs to produce and deliver our products and provide our services, including the effects of inflation;
- our pricing and marketing strategies and those of our competitors;
- expenses and charges related to our compensation agreements with our executives and employees;
- costs and charges resulting from litigation;
- significant increases in credits, beyond our estimated allowances, for customers who are not satisfied with our products;
- changes in our income tax rate;
- costs to acquire businesses or integrate our acquired businesses;
- impairments of our tangible and intangible assets including goodwill; and
- the results of our minority investments and joint ventures.

Some of our expenses, such as office leases, depreciation related to previously acquired property and equipment, and personnel costs, are relatively fixed, and we may be unable to, or may not choose to, adjust operating expenses to offset any revenue shortfall. Accordingly, any shortfall in revenue may cause significant variation in operating results in any period. Our operating results may sometimes be below the expectations of public market analysts and investors, in which case the price of our ordinary shares will likely decline.

We may not be successful in developing our mass customization platform or in realizing the anticipated benefits of a mass customization platform, once it has been developed.

A key component of our strategy is the development of a mass customization platform that combines the strengths of the production technologies and processes from all of our subsidiaries into a shared platform we can leverage across all of our brands. The process of developing new technology is complex, costly, and uncertain, and the development effort could be disruptive to our business and existing systems. We must make long-term investments, develop or obtain appropriate intellectual property, and commit significant resources before knowing whether our mass customization platform will be successful and make us more effective and competitive. As a result, there can be no assurance that we will successfully develop the platform nor that we will realize expected returns on the capital expended to develop the platform.

Our global operations and expansion place a significant strain on our management, employees, facilities, and other resources and subject us to additional risks.

We are a global company with production facilities, offices, and localized websites in multiple countries across six continents. We expect to establish operations, acquire or invest in businesses, and sell our products and services in additional geographic regions, including emerging markets, where we may have limited or no experience. We may not be successful in all regions in which we invest or where we establish operations, which may be costly to us. We are subject to a number of risks and challenges that relate to our global operations and expansion, including, among others:

- difficulty managing operations in, and communications among, multiple locations and time zones;
- difficulty complying with multiple tax laws, treaties, and regulations and limiting our exposure to onerous or unanticipated taxes, duties, and other costs;
- our failure to improve and expand our financial and operational controls to manage our business and comply with our legal obligations;
- local regulations that may restrict or impair our ability to conduct our business as planned;
- protectionist laws and business practices that favor local producers and service providers;

- our inexperience in marketing and selling our products and services within unfamiliar countries and cultures;
- challenges of working with local business partners in some regions, such as Japan and Brazil;
- our failure to properly understand and develop graphic design content and product formats appropriate for local tastes;
- disruptions caused by political and social instability that may occur in some countries;
- corrupt business practices, such as bribery or the willful infringement of intellectual property rights, that may be common in some countries;
- difficulty expatriating cash from some countries;
- difficulty importing and exporting our products across country borders and difficulty complying with customs regulations in the many countries where we sell products;
- disruptions or cessation of important components of our international supply chain;
- the challenge of complying with disparate laws in multiple countries;
- restrictions imposed by local labor practices and laws on our business and operations; and
- failure of local laws to provide a sufficient degree of protection against infringement of our intellectual property.

In addition, we are exposed to fluctuations in currency exchange rates that may impact items such as the translation of our revenues and expenses, remeasurement of our intercompany balances, and the value of our cash and cash equivalents and other assets and liabilities denominated in currencies other than the U.S. dollar, our reporting currency. While we engage in hedging activities to mitigate some of the net impact of currency exchange rate fluctuations, our financial results may differ materially from expectations as a result of such fluctuations.

Acquisitions and strategic investments may be disruptive to our business and may fail to achieve our goals.

An important component of our strategy is to selectively pursue acquisitions of businesses, technologies, and services and invest in businesses and joint ventures. The time and expense associated with finding suitable businesses, technologies, or services to acquire or invest in can be disruptive to our ongoing business and divert our management's attention. In addition, we have needed in the past, and may need in the future, to seek financing for acquisitions and investments, which may not be available on terms that are favorable to us, or at all, and can cause dilution to our shareholders, cause us to incur additional debt, or subject us to covenants restricting the activities we may undertake.

Integrating newly acquired businesses, technologies, and services into our business and systems and monitoring and managing our investments and joint ventures are complex, expensive, time consuming, and subject to many risks, including the following:

- We may not be able to retain customers and key employees of the acquired businesses, and we and the businesses we acquire or invest in may not be able to cross sell products and services to each other's customers.
- An acquisition or investment may fail to achieve our goals and expectations for a number of reasons including the following: We may fail to integrate acquired businesses, technologies, services, or internal systems effectively, or the integration may be more expensive or take more time than we anticipated. The management of our investments may be more expensive or may take more resources than we expected. We may encounter unexpected cultural or language challenges in integrating an acquired business or managing our investment in a business. The business we acquired or invested in may not

perform as well as we expected. We may not realize the anticipated benefits of integrating acquired businesses into our mass customization platform.

- In some cases, our acquisitions and investments are dilutive for a period of time, leading to reduced earnings.
- Acquisitions and investments can result in increased expenses including impairments of goodwill and intangible assets if financial goals are not achieved, assumptions of contingent or unanticipated liabilities, or increased tax costs.
- We generally assume the liabilities of businesses we acquire, which could include liability for an acquired business' violation of law that occurred before we acquired it. In addition, we have historically acquired smaller, privately held companies that may not have as strong a culture of legal compliance as a larger, publicly traded company like Cimpress, and if we fail to implement adequate training, controls, and monitoring of the acquired companies, we could also be liable for post-acquisition legal violations.

The accounting for our acquisitions requires us to make significant estimates, judgments, and assumptions that can change from period to period, based in part on factors outside of our control, and can create volatility in our financial results. For example, we often pay a portion of the purchase price for our acquisitions in the form of an earn-out based on performance targets for the acquired companies, which can be difficult to forecast. We accrue liabilities for estimated future contingent earn-out payments based on an evaluation of the likelihood of achievement of the contractual conditions underlying the earn-out and weighted probability assumptions of the required outcomes. If in the future our assumptions change and we determine that higher levels of achievement are likely under our earn-outs, we will need to pay and record additional amounts to reflect the increased purchase price. These additional amounts could be significant and could adversely impact our results of operations. In addition, earn-out provisions can lead to disputes with the sellers about the achievement of the earn-out performance targets, and earn-out performance targets can sometimes create inadvertent incentives for the acquired company's management to take actions designed to maximize the earn-out instead of benefiting the business.

If we are unable to attract visitors to our websites and convert those visitors to customers, our business and results of operations could be harmed.

Our success depends on our ability to attract new and repeat customers in a cost-effective manner. We rely on a variety of methods to draw visitors to our websites and promote our products and services, such as purchased search results from online search engines such as Google and Yahoo!, email, direct mail, advertising banners and other online links, broadcast media, and word-of-mouth customer referrals. If the search engines on which we rely modify their algorithms, terminate their relationships with us, or increase the prices at which we may purchase listings, our costs could increase, and fewer customers may click through to our websites. If we are not effective at reaching new and repeat customers, if fewer customers click through to our websites, or if the costs of attracting customers using our current methods significantly increase, then traffic to our websites would be reduced, our revenue and net income could decline, and our business and results of operations would be harmed.

Seasonal fluctuations in our business place a strain on our operations and resources.

Our profitability has historically been highly seasonal. Our second fiscal quarter includes the majority of the holiday shopping season and accounts for a disproportionately high portion of our earnings for the year, primarily due to higher sales of home and family products such as holiday cards, calendars, photo books, and personalized gifts. Our operating income during the second fiscal quarter represented 62%, 61%, and 72% of annual operating income in the years ended June 30, 2015, 2014, and 2013, respectively. In anticipation of increased sales activity during our second fiscal quarter holiday season, we typically incur significant additional capacity related expenses each year to meet our seasonal needs, including facility expansions, equipment purchases and leases, and increases in the number of temporary and permanent employees. Lower than expected sales during the second quarter would likely have a disproportionately large impact on our operating results and financial condition for the full fiscal year. In addition, if our manufacturing and other operations are unable to keep up with the high volume of orders during our second fiscal quarter, we and our customers can experience delays in order fulfillment and delivery and other disruptions. If we are unable to accurately forecast and respond to seasonality in our business, our business and results of operations may be materially harmed.

Our hedging activity could negatively impact our results of operations and cash flows.

We have entered into derivatives to manage our exposure to interest rate and currency movements. If we do not accurately forecast our results of operations, execute contracts that do not effectively mitigate our economic exposure to interest rates and currency rates, elect to not apply hedge accounting, or fail to comply with the complex accounting requirements for hedging, our results of operations and cash flows could be volatile, as well as negatively impacted. Also, our hedging objectives may be targeted at non-GAAP financial metrics, which could result in increased volatility in our GAAP results.

We face risks related to interruption of our operations and lack of redundancy.

Our production facilities, websites, infrastructure, supply chain, customer service centers, and operations may be vulnerable to interruptions, and we do not have redundancies or alternatives in all cases to carry on these operations in the event of an interruption. In addition, because we are dependent in part on third parties for the implementation and maintenance of certain aspects of our communications and production systems, we may not be able to remedy interruptions to these systems in a timely manner or at all due to factors outside of our control. Some of the events that could cause interruptions in our operations or systems are, among others:

- fire, natural disasters, or extreme weather - for example, our largest customer service center is located in Jamaica, which is subject to the risk of hurricanes
- labor strike, work stoppage, or other issues with our workforce
- political instability or acts of terrorism or war
- power loss or telecommunication failure
- attacks on our external websites or internal network by hackers or other malicious parties
- undetected errors or design faults in our technology, infrastructure, and processes that may cause our websites to fail
- inadequate capacity in our systems and infrastructure to cope with periods of high volume and demand
- human error, including poor managerial judgment or oversight

Any interruptions to our systems or operations could result in lost revenue, increased costs, negative publicity, damage to our reputation and brands, and an adverse effect on our business and results of operations. Building redundancies into our infrastructure, systems and supply chain to mitigate these risks may require us to commit substantial financial, operational, and technical resources, in some cases before the volume of our business increases with no assurance that our revenues will increase.

We face intense competition, and we expect our competition to continue to increase.

The markets for small business marketing products and services and home and family custom products, including the printing and graphic design market, are intensely competitive, highly fragmented, and geographically dispersed. The competitive landscape for e-commerce companies continues to change as new e-commerce businesses are introduced and traditional "bricks and mortar" businesses establish an online presence. Competition may result in price pressure, reduced profit margins and loss of market share and brand recognition, any of which could substantially harm our business and financial results. Current and potential competitors include (in no particular order):

- traditional offline printers and graphic design providers;
- online printing and graphic design companies, many of which provide printed products and services similar to ours;
- office superstores, drug store chains, food retailers and other major retailers targeting small business and consumer markets;

- wholesale printers;
- self-service desktop design and publishing using personal computer software;
- email marketing services companies;
- website design and hosting companies;
- suppliers of customized apparel, promotional products and gifts;
- online photo product companies;
- Internet firms and retailers;
- online providers of custom printing services that outsource production to third party printers; and
- providers of other digital marketing such as social media, local search directories and other providers.

Many of our current and potential competitors have advantages over us, including longer operating histories, greater brand recognition or loyalty, more focus on a given subset of our business, or significantly greater financial, marketing, and other resources. Many of our competitors currently work together, and additional competitors may do so in the future through strategic business agreements or acquisitions. Competitors may also develop new or enhanced products, technologies or capabilities that could render many of the products, services and content we offer obsolete or less competitive, which could harm our business and financial results.

In addition, we have in the past and may in the future choose to collaborate with some of our existing and potential competitors in strategic partnerships that we believe will improve our competitive position and financial results, such as through a retail in-store or web-based collaborative offering. It is possible, however, that such ventures will be unsuccessful and that our competitive position and financial results will be adversely affected as a result of such collaboration.

Failure to meet our customers' price expectations would adversely affect our business and results of operations.

Demand for our products and services, in particular in the Price Primary Market Segment where the Vistaprint business unit has historically generated most of its business, is sensitive to price, and changes in our pricing strategies have had a significant impact on the numbers of customers and orders in some regions, which in turn affects our revenues and results of operations. Many factors can significantly impact our pricing and marketing strategies, including the costs of running our business, our competitors' pricing and marketing strategies, and the effects of inflation. If we fail to meet our customers' price expectations, our business and results of operations may suffer.

Failure to protect our networks and the confidential information of our customers, employees, and business partners against security breaches or thefts could damage our reputation and brands and substantially harm our business and results of operations.

Businesses like ours are increasingly becoming targets for cyber attacks and other thefts of data. We may need to expend significant resources to protect against security breaches and thefts of data or to address problems caused by breaches or thefts. Any compromise or breach of our network, websites, offices, or retail locations, our employee personal data, or our customer transaction data, including credit and debit card information, could, among other things:

- damage our reputation and brands;
- expose us to losses, litigation, and possible liability;
- result in a failure to comply with legal and industry privacy regulations and standards;

- lead to the misappropriation of our and our customers' proprietary or personal information; or
- cause interruptions in our operations.

In addition, some of our vendors collect and maintain personal data about our employees, and some of our partners collect information from transactions with our customers. We may be liable or our reputation may be harmed if our vendors or partners fail to protect this information or use it in a manner that is inconsistent with legal and industry privacy regulations or our practices.

If we fail to address risks associated with payment fraud, our reputation and brands could be damaged, and our business and results of operations could be harmed.

We may be liable for fraudulent transactions conducted on our websites, such as through the use of stolen credit card numbers. To date, quarterly losses from payment fraud have not exceeded 1% of total revenues in any quarter, but we continue to face the risk of significant losses from this type of fraud.

We rely heavily on email to market to and communicate with customers, and email communications are subject to regulatory and reputation risks.

Various private entities attempt to regulate the use of commercial email solicitation by blacklisting companies that the entities believe do not meet their standards, which results in those companies' emails being blocked from some Internet domains and addresses. Although we believe that our commercial email solicitations comply with all applicable laws, from time to time some of our Internet protocol addresses appear on some of these blacklists, which can interfere with our ability to market our products and services, communicate with our customers, and operate and manage our websites and corporate email accounts. In addition, as a result of being blacklisted, we have had disputes with, or concerns raised by, various service providers who perform services for us, including co-location and hosting services, Internet service providers and electronic mail distribution services.

Further, we have contractual relationships with partners that market our products and services on our behalf, and some of our marketing partners engage third-party email marketers with which we do not have any contractual or other relationship. Although we believe we comply with all applicable laws relating to email solicitations and our contracts with our partners require that they do the same, we do not always have control over the third-party email marketers that our partners engage. If such a third party were to send emails marketing our products and services in violation of applicable anti-spam or other laws, then our reputation could be harmed and we could potentially be liable for their actions.

We are subject to safety, health, and environmental laws and regulations, which could result in liabilities, cost increases or restrictions on our operations.

We are subject to a variety of safety, health and environmental, or SHE, laws and regulations in each of the jurisdictions in which we operate. These laws and regulations govern, among other things, air emissions, wastewater discharges, the storage, handling and disposal of hazardous and other regulated substances and wastes, soil and groundwater contamination and employee health and safety. We use regulated substances such as inks and solvents, and generate air emissions and other discharges at our manufacturing facilities, and some of our facilities are required to hold environmental permits. If we fail to comply with existing SHE requirements, or new, more stringent SHE requirements applicable to us are imposed, we may be subject to monetary fines, civil or criminal sanctions, third-party claims, or the limitation or suspension of our operations. In addition, if we are found to be responsible for hazardous substances at any location (including, for example, offsite waste disposal facilities or facilities at which we formerly operated), we may be responsible for the cost of cleaning up contamination, regardless of fault, as well as to claims for harm to health or property or for natural resource damages arising out of contamination or exposure to hazardous substances.

The loss of key personnel or an inability to attract and retain additional personnel could affect our ability to successfully grow our business.

We are highly dependent upon the continued service and performance of our senior management team and key technical, marketing, and production personnel, any of whom may cease their employment with us at any time with minimal advance notice. We face intense competition for qualified individuals from many other companies in diverse industries. The loss of one or more of our key employees may significantly delay or prevent the achievement of our business objectives, and our failure to attract and retain suitably qualified individuals or to adequately plan for succession could have an adverse effect on our ability to implement our business plan.

Our credit facility and the indenture that governs our senior notes restrict our current and future operations, particularly our ability to respond to changes or to take certain actions.

Our senior secured credit facility, which we refer to as our credit facility, and the indenture that governs our 7.0% senior unsecured notes due 2022, which we refer to as our senior notes, contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our best interest, including restrictions on our ability to:

- incur additional indebtedness, guarantee indebtedness, and incur liens;
- pay dividends or make other distributions or repurchase or redeem capital stock;
- prepay, redeem, or repurchase certain subordinated debt;
- issue certain preferred stock or similar redeemable equity securities;
- make loans and investments;
- sell assets;
- enter into transactions with affiliates;
- alter the businesses we conduct;
- enter into agreements restricting our subsidiaries' ability to pay dividends; and
- consolidate, merge, or sell all or substantially all of our assets.

As a result of these restrictions, we may be limited in how we conduct our business, grow in accordance with our strategy, compete effectively, or take advantage of new business opportunities. In addition, the restrictive covenants in the credit facility require us to maintain specified financial ratios and satisfy other financial condition tests. Our ability to meet those financial ratios and tests can be affected by events beyond our control, and we may be unable to meet them.

A default under our indenture or credit facility would have a material, adverse effect on our business.

Our failure to make scheduled payments on our debt or our breach of the covenants or restrictions under the indenture that governs our senior notes or under our credit facility could result in an event of default under the applicable indebtedness. Such a default would have a material, adverse effect on our business and financial condition, including the following, among others:

- Our lenders could declare all outstanding principal and interest to be due and payable, and we and our subsidiaries may not have sufficient assets to repay that indebtedness.
- Our secured lenders could foreclose against the assets securing their borrowings.

- Our lenders under the credit facility could terminate all commitments to extend further credit under that facility.
- We could be forced into bankruptcy or liquidation.

Our material indebtedness and interest expense could adversely affect our financial condition.

As of March 31, 2016, our total debt was \$704.4 million, made up of \$275.0 million of senior unsecured notes, \$417.7 million of loan obligations under our credit facility and \$11.7 million of other debt. We had unused commitments of \$414.7 million under our credit facility (after giving effect to letter of credit obligations).

Subject to the limits contained in the credit facility, the indenture that governs our senior unsecured notes, and our other debt instruments, we may be able to incur substantial additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other purposes. If we do so, the risks related to our level of debt could intensify. Specifically, our level of debt could have important consequences, including the following:

- making it more difficult for us to satisfy our obligations with respect to our debt;
- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions, or other general corporate requirements;
- requiring a substantial portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions, and other general corporate purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- exposing us to the risk of increased interest rates as some of our borrowings, including borrowings under our credit facility, are at variable rates of interest;
- limiting our flexibility in planning for and reacting to changes in the industry in which we compete;
- placing us at a disadvantage compared to other, less leveraged competitors; and
- increasing our cost of borrowing.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or refinance our debt obligations depends on our financial condition and operating performance, which are subject to economic and competitive conditions and to various financial, business, legislative, regulatory, and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital, or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all, and, even if successful, those alternative actions may not allow us to meet our scheduled debt service obligations. The credit facility and the indenture that governs our senior notes restrict our ability to dispose of assets and use the proceeds from those dispositions and may also restrict our ability to raise debt or equity capital to be used to repay other indebtedness when it becomes due. We may not be able to consummate those dispositions or to obtain proceeds in an amount sufficient to meet any debt service obligations then due.

In addition, we conduct a substantial portion of our operations through our subsidiaries, which may not be able to make distributions to enable us to make payments in respect of our indebtedness because of legal

restrictions in some cases. If we do not receive distributions from our subsidiaries, we may be unable to make required principal and interest payments on our indebtedness.

If we cannot make scheduled payments on our debt, we will be in default. Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms or at all, would materially and adversely affect our financial position and results of operations.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under our credit facility are at variable rates of interest and expose us to interest rate risk. If interest rates were to increase, our debt service obligations on the variable rate indebtedness would increase even if the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. As of March 31, 2016, a hypothetical 100 basis point increase in rates, inclusive of our outstanding interest rate swaps, would result in an increase of interest expense of approximately \$3.1 million over the next 12 months. Although we generally enter into interest rate swaps that involve the exchange of floating for fixed rate interest payments in order to reduce interest rate volatility, we might not maintain interest rate swaps with respect to all of our variable rate indebtedness, and any swaps we enter into may not fully mitigate our interest rate risk.

Border controls and duties and restrictions on cross-border commerce may impede our shipments across country borders.

Many governments impose restrictions on shipping goods into their countries, as well as protectionist measures such as customs duties and tariffs that may apply directly to product categories comprising a material portion of our revenues. The customs laws, rules and regulations that we are required to comply with are complex and subject to unpredictable enforcement and modification. As a result of these restrictions, we have from time to time experienced delays in shipping our manufactured products into certain countries. For example, we produce substantially all physical products for our United States customers at our facility in Ontario, Canada and have occasionally experienced delays shipping from Canada into the United States, where we have historically derived more than half of our annual revenue. If we experience difficulty or delays shipping products into the United States or other key markets, or are prevented from doing so, or if our costs and expenses materially increased, our business and results of operations could be harmed.

If we are unable to protect our intellectual property rights, our reputation and brands could be damaged, and others may be able to use our technology, which could substantially harm our business and financial results.

We rely on a combination of patents, trademarks, trade secrets and copyrights and contractual restrictions to protect our intellectual property, but these protective measures afford only limited protection. Despite our efforts to protect our proprietary rights, unauthorized parties may be able to copy or use technology or information that we consider proprietary. There can be no guarantee that any of our pending patent applications or continuation patent applications will be granted, and from time to time we face infringement, invalidity, intellectual property ownership, or similar claims brought by third parties with respect to our patents. In addition, despite our trademark registrations throughout the world, our competitors or other entities may adopt names, marks, or domain names similar to ours, thereby impeding our ability to build brand identity and possibly leading to customer confusion. Enforcing our intellectual property rights can be extremely costly, and a failure to protect or enforce these rights could damage our reputation and brands and substantially harm our business and financial results.

Intellectual property disputes and litigation are costly and could cause us to lose our exclusive rights, subject us to liability, or require us to stop some of our business activities.

From time to time, we receive claims from third parties that we infringe their intellectual property rights, that we are required to enter into patent licenses covering aspects of the technology we use in our business, or that we improperly obtained or used their confidential or proprietary information. Any litigation, settlement, license, or other proceeding relating to intellectual property rights, even if we settle it or it is resolved in our favor, could be costly, divert our management's efforts from managing and growing our business, and create uncertainties that may make it more difficult to run our operations. If any parties successfully claim that we infringe their intellectual property

rights, we might be forced to pay significant damages and attorney's fees, and we could be restricted from using certain technologies important to the operation of our business.

Our business is dependent on the Internet, and unfavorable changes in government regulation of the Internet, e-commerce, and email marketing could substantially harm our business and financial results.

Due to our dependence on the Internet for our sales, laws specifically governing the Internet, e-commerce and email marketing may have a greater impact on our operations than other more traditional businesses. Existing and future laws, such as laws covering pricing, customs, privacy, consumer protection, or commercial email, may impede the growth of e-commerce and our ability to compete with traditional "bricks and mortar" retailers. It is not always clear how existing laws governing these and other issues apply to the Internet and e-commerce, as the vast majority of applicable laws were adopted before the advent of the Internet and do not contemplate or address the unique issues raised by the Internet or e-commerce. Those laws that do reference the Internet, such as the Bermuda Electronic Transactions Act 1999, the U.S. Digital Millennium Copyright Act, and the U.S. CAN SPAM Act of 2003, are only beginning to be interpreted by the courts, and their applicability and reach are therefore uncertain. Those current and future laws and regulations or unfavorable resolution of these issues may substantially harm our business and financial results.

Our suppliers' failure to use legal and ethical business practices could negatively impact our business.

We source the raw materials for the products we sell from an expanding number of suppliers in an increasing number of jurisdictions worldwide, and we require our suppliers to operate in compliance with all applicable laws, including those regarding corruption, working conditions, employment practices, safety and health, and environmental compliance. However, we cannot control our suppliers' business practices, and we may not be able to adequately vet, monitor, and audit our many suppliers (or their suppliers) throughout the world. If any of our suppliers violates labor, environmental, or other laws or implements business practices that are regarded as unethical, our reputation could be severely damaged, and our supply chain could be interrupted, which could harm our sales and results of operations.

If we were required to review the content that our customers incorporate into our products and interdict the shipment of products that violate copyright protections or other laws, our costs would significantly increase, which would harm our results of operations.

Because of our focus on automation and high volumes, the vast majority of our sales do not involve any human-based review of content. Although our websites' terms of use specifically require customers to make representations about the legality and ownership of the content they upload for production, there is a risk that a customer may supply an image or other content for an order we produce that is the property of another party used without permission, that infringes the copyright or trademark of another party, or that would be considered to be defamatory, hateful, obscene, or otherwise objectionable or illegal under the laws of the jurisdiction(s) where that customer lives or where we operate. If we were to become legally obligated to perform manual screening of customer orders, our costs would increase significantly, and we could be required to pay substantial penalties or monetary damages for any failure in our screening process.

We are subject to customer payment-related risks.

We accept payments for our products and services on our websites by a variety of methods, including credit or debit card, PayPal, check, wire transfer or other methods. In some geographic regions, we rely on one or two third party companies to provide payment processing services. If any of the payment processing or other companies with which we have contractual arrangements became unwilling or unable to provide these services to us or they or we are unable to comply with our contractual requirements under such arrangements, then we would need to find and engage replacement providers, which we may not be able to do on terms that are acceptable to us or at all, or to process the payments ourselves. Any of these scenarios could be disruptive to our business as they could be costly and time consuming and may unfavorably impact our customers.

As we offer new payment options to our customers, we may be subject to additional regulations, compliance requirements and fraud risk. For some payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower our profit margins or require that we charge our customers more for our products. We are also subject to payment card association and similar operating rules and requirements, which could change or be reinterpreted to make it difficult

or impossible for us to comply. If we fail to comply with these rules and requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our customers or facilitate other types of online payments, and our business and operating results could be materially adversely affected.

We may be subject to product liability claims if people or property are harmed by the products we sell.

Some of the products we sell may expose us to product liability claims relating to personal injury, death, or property damage, and may require product recalls or other actions. Any claims, litigation, or recalls relating to product liability could be costly to us and damage our brands and reputation.

Our inability to acquire or maintain domain names in each country or region where we currently or intend to do business could negatively impact our brands and our ability to sell our products and services in that country or region.

From time to time we have difficulty obtaining a domain name using Cimpress, Vistaprint, or our other trademarks in a particular country or region, and we may not be able to prevent third parties from acquiring domain names that infringe or otherwise decrease the value of our trademarks and other proprietary rights. If we are unable to use a domain name in a particular country, then we could be forced to purchase the domain name from an entity that owns or controls it, which we may not be able to do on commercially acceptable terms or at all; we may incur significant additional expenses to develop a new brand to market our products within that country; or we may elect not to sell products in that country.

We do not collect indirect taxes in all jurisdictions, which could expose us to tax liabilities.

In some of the jurisdictions where we sell products and services, we do not collect or have imposed upon us sales, value added or other consumption taxes, which we refer to as indirect taxes. The application of indirect taxes to e-commerce businesses such as Cimpress is a complex and evolving issue, and in many cases, it is not clear how existing tax statutes apply to the Internet or e-commerce. For example, some state governments in the United States have imposed or are seeking to impose indirect taxes on Internet sales. A successful assertion by one or more governments in jurisdictions where we are not currently collecting sales or value added taxes that we should be, or should have been, collecting indirect taxes on the sale of our products could result in substantial tax liabilities for past sales.

If we are unable to retain security authentication certificates, which are supplied by a limited number of third party providers over which we exercise little or no control, our business could be harmed.

We are dependent on a limited number of third party providers of website security authentication certificates that are necessary for conducting secure transactions over the Internet. Despite any contractual protections we may have, these third party providers can disable or revoke, and in the past have disabled or revoked, our security certificates without our consent, which would render our websites inaccessible to some of our customers and could discourage other customers from accessing our sites. Any interruption in our customers' ability or willingness to access our websites if we do not have adequate security certificates could result in a material loss of revenue and profits and damage to our brands.

Risks Related to Our Corporate Structure

Challenges by various tax authorities to our international structure could, if successful, increase our effective tax rate and adversely affect our earnings.

We are a Dutch limited liability company that operates through various subsidiaries in a number of countries throughout the world. Consequently, we are subject to tax laws, treaties and regulations in the countries in which we operate, and these laws and treaties are subject to interpretation. From time to time, we are subject to tax audits, and the tax authorities in these countries could claim that a greater portion of the income of the Cimpress N.V. group should be subject to income or other tax in their respective jurisdictions, which could result in an increase to our effective tax rate and adversely affect our results of operations. For more information about audits to which we are currently subject refer to Note 11 "Income Taxes" in the accompanying notes to the consolidated financial statements included in Item 1 of Part I of this Report.

Changes in tax laws, regulations and treaties could affect our tax rate and our results of operations.

A change in tax laws, treaties or regulations, or their interpretation, of any country in which we operate could result in a higher tax rate on our earnings, which could result in a significant negative impact on our earnings and cash flow from operations. We continue to assess the impact of various international tax reform proposals and modifications to existing tax treaties in all jurisdictions where we have operations that could result in a material impact on our income taxes. We cannot predict whether any specific legislation will be enacted or the terms of any such legislation. However, if such proposals were enacted, or if modifications were to be made to certain existing treaties, the consequences could have a materially adverse impact on us, including increasing our tax burden, increasing costs of our tax compliance or otherwise adversely affecting our financial condition, results of operations and cash flows.

Our intercompany arrangements may be challenged, which could result in higher taxes or penalties and an adverse effect on our earnings.

We operate pursuant to written transfer pricing agreements among Cimpres N.V. and its subsidiaries, which establish transfer prices for various services performed by our subsidiaries for other Cimpres group companies. If two or more affiliated companies are located in different countries, the tax laws or regulations of each country generally will require that transfer prices be consistent with those between unrelated companies dealing at arm's length. With the exception of certain jurisdictions where we have obtained rulings or advance pricing agreements, our transfer pricing arrangements are not binding on applicable tax authorities, and no official authority in any other country has made a determination as to whether or not we are operating in compliance with its transfer pricing laws. If tax authorities in any country were successful in challenging our transfer prices as not reflecting arm's length transactions, they could require us to adjust our transfer prices and thereby reallocate our income to reflect these revised transfer prices. A reallocation of taxable income from a lower tax jurisdiction to a higher tax jurisdiction would result in a higher tax liability to us. In addition, if the country from which the income is reallocated does not agree with the reallocation, both countries could tax the same income, resulting in double taxation.

Our Articles of Association, Dutch law and the independent foundation, *Stichting Continuïteit Cimpres*, may make it difficult to replace or remove management, may inhibit or delay a change of control or may dilute shareholder voting power.

Our Articles of Association, or Articles, as governed by Dutch law, limit our shareholders' ability to suspend or dismiss the members of our management board and supervisory board or to overrule our supervisory board's nominees to our management board and supervisory board by requiring a supermajority vote to do so under most circumstances. As a result, there may be circumstances in which shareholders may not be able to remove members of our management board or supervisory board even if holders of a majority of our ordinary shares favor doing so.

In addition, an independent foundation, *Stichting Continuïteit Cimpres*, or the Foundation, exists to safeguard the interests of Cimpres N.V. and its stakeholders, which include but are not limited to our shareholders, and to assist in maintaining Cimpres' continuity and independence. To this end, we have granted the Foundation a call option pursuant to which the Foundation may acquire a number of preferred shares equal to the same number of ordinary shares then outstanding, which is designed to provide a protective measure against unsolicited takeover bids for Cimpres and other hostile threats. If the Foundation were to exercise the call option, it may prevent a change of control or delay or prevent a takeover attempt, including a takeover attempt that might result in a premium over the market price for our ordinary shares. Exercise of the preferred share option would also effectively dilute the voting power of our outstanding ordinary shares by one half.

We have limited flexibility with respect to certain aspects of capital management and certain corporate transactions.

Dutch law requires shareholder approval for the issuance of shares and grants preemptive rights to existing shareholders to subscribe for new issuances of shares. In November 2011, our shareholders granted our supervisory board and management board the authority to issue ordinary shares as the boards determine appropriate, without obtaining specific shareholder approval for each issuance, and to limit or exclude shareholders' preemptive rights. However, this authorization expires in November 2016. Although we plan to seek re-approval from our shareholders from time to time in the future, we may not succeed in obtaining future re-approvals. In addition, subject to specified exceptions, Dutch law requires shareholder approval for many corporate actions, such as the approval of dividends, authorization to purchase outstanding shares, and corporate acquisitions of a certain

size. Situations may arise where the flexibility to issue shares, pay dividends, purchase shares, acquire other companies, or take other corporate actions without a shareholder vote would be beneficial to us, but is not available under Dutch law.

Because of our corporate structure, our shareholders may find it difficult to pursue legal remedies against the members of our supervisory board or management board.

Our Articles and our internal corporate affairs are governed by Dutch law, and the rights of our shareholders and the responsibilities of our supervisory board and management board are different from those established under United States laws. For example, under Dutch law derivative lawsuits are generally not available, and our supervisory board and management board are responsible for acting in the best interests of the company, its business and all of its stakeholders generally (including employees, customers and creditors), not just shareholders. As a result, our shareholders may find it more difficult to protect their interests against actions by members of our supervisory board or management board than they would if we were a U.S. corporation.

Because of our corporate structure, our shareholders may find it difficult to enforce claims based on United States federal or state laws, including securities liabilities, against us or our management team.

We are incorporated under the laws of the Netherlands, and the vast majority of our assets are located outside of the United States. In addition, some of our officers and management board members reside outside of the United States. In most cases, a final judgment for the payment of money rendered by a U.S. federal or state court would not be directly enforceable in the Netherlands. Although there is a process under Dutch law for petitioning a Dutch court to enforce a judgment rendered in the United States, there can be no assurance that a Dutch court would impose civil liability on us or our management team in any lawsuit predicated solely upon U.S. securities or other laws. In addition, because most of our assets are located outside of the United States, it could be difficult for investors to place a lien on our assets in connection with a claim of liability under U.S. laws. As a result, it may be difficult for investors to enforce U.S. court judgments or rights predicated upon U.S. laws against us or our management team outside of the United States.

We may not be able to make distributions or purchase shares without subjecting our shareholders to Dutch withholding tax.

A Dutch withholding tax may be levied on dividends and similar distributions made by Cimpres N.V. to its shareholders at the statutory rate of 15% if we cannot structure such distributions as being made to shareholders in relation to a reduction of par value, which would be non-taxable for Dutch withholding tax purposes. We have purchased our shares and may seek to purchase additional shares in the future. Under our Dutch Advanced Tax Ruling, a purchase of shares should not result in any Dutch withholding tax if we hold the purchased shares in treasury for the purpose of issuing shares pursuant to employee share awards or for the funding of acquisitions. However, if the shares cannot be used for these purposes, or the Dutch tax authorities successfully challenge the use of the shares for these purposes, such a purchase of shares may be treated as a partial liquidation subject to the 15% Dutch withholding tax to be levied on the difference between our average paid in capital per share for Dutch tax purposes and the redemption price per share, if higher.

We may be treated as a passive foreign investment company for United States tax purposes, which may subject United States shareholders to adverse tax consequences.

If our passive income, or our assets that produce passive income, exceed levels provided by law for any taxable year, we may be characterized as a passive foreign investment company, or a PFIC, for United States federal income tax purposes. If we are treated as a PFIC, U.S. holders of our ordinary shares would be subject to a disadvantageous United States federal income tax regime with respect to the distributions they receive and the gain, if any, they derive from the sale or other disposition of their ordinary shares.

We believe that we were not a PFIC for the tax year ended June 30, 2015 and we expect that we will not become a PFIC in the foreseeable future. However, whether we are treated as a PFIC depends on questions of fact as to our assets and revenues that can only be determined at the end of each tax year. Accordingly, we cannot be certain that we will not be treated as a PFIC for our current tax year or for any subsequent year.

If a United States shareholder acquires 10% or more of our ordinary shares, it may be subject to increased United States taxation under the “controlled foreign corporation” rules. Additionally, this may negatively impact the demand for our ordinary shares.

If a United States shareholder owns 10% or more of our ordinary shares, it may be subject to increased United States federal income taxation (and possibly state income taxation) under the “controlled foreign corporation” rules. In general, if a U.S. person owns (or is deemed to own) at least 10% of the voting power of a non-U.S. corporation, or “10% U.S. Shareholder,” and if such non-U.S. corporation is a “controlled foreign corporation”, or “CFC,” for an uninterrupted period of 30 days or more during a taxable year, then such 10% U.S. Shareholder who owns (or is deemed to own) shares in the CFC on the last day of the CFC’s taxable year, must include in its gross income for United States federal income tax (and possibly state income tax) purposes its pro rata share of the CFC’s “subpart F income”, even if the “subpart F income” is not distributed. In general, a non-U.S. corporation is considered a CFC if one or more 10% U.S. Shareholders together own more than 50% of the voting power or value of the corporation on any day during the taxable year of the corporation. “Subpart F income” consists of, among other things, certain types of dividends, interest, rents, royalties, gains, and certain types of income from services and personal property sales.

The rules for determining ownership for purposes of determining 10% U.S. Shareholder and CFC status are complicated, depend on the particular facts relating to each investor, and are not necessarily the same as the rules for determining beneficial ownership for SEC reporting purposes. For taxable years in which we are a CFC for an uninterrupted period of 30 days or more, each of our 10% U.S. Shareholders will be required to include in its gross income for United States federal income tax purposes its pro rata share of our “subpart F income”, even if the subpart F income is not distributed by us. We currently do not believe we are a CFC. However, whether we are treated as a CFC can be affected by, among other things, facts as to our share ownership that may change. Accordingly, we cannot be certain that we will not be treated as a CFC for our current tax year or any subsequent tax year.

The risk of being subject to increased taxation as a CFC may deter our current shareholders from acquiring additional ordinary shares or new shareholders from establishing a position in our ordinary shares. Either of these scenarios could impact the demand for, and value of, our ordinary shares.

We will pay taxes even if we are not profitable on a consolidated basis, which could harm our results of operations.

The intercompany service and related agreements among Cimpress N.V. and its direct and indirect subsidiaries ensure that many of the subsidiaries realize profits based on their operating expenses. As a result, if the Cimpress group is less profitable, or even not profitable on a consolidated basis, many of our subsidiaries will be profitable and incur income taxes in their respective jurisdictions.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On December 11, 2014, our supervisory board authorized the repurchase of up to 6,400,000 of our issued and outstanding ordinary shares on the open market (including block trades that satisfy the safe harbor provisions of Rule 10b-18 pursuant to the U.S. Securities Exchange Act of 1934), through privately negotiated transactions, or in one or more self-tender offers. This December 2014 program terminated on February 22, 2016 when the supervisory board authorized the new repurchase program described below. The following table outlines the purchases of our ordinary shares under the December 2014 program during the three months ended March 31, 2016:

	Total Number of Shares Purchased	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of a Publicly Announced Program	Approximate Number of Shares that May Yet be Purchased Under the Program
January 1, 2016 through January 31, 2016 (2)	156,778	\$ 71.84	156,778	4,240,387
February 1, 2016 through February 29, 2016 (3)	—	—	—	6,300,000
March 1, 2016 through March 31, 2016	—	—	—	6,300,000
Total	156,778	\$ 71.84	156,778	6,300,000

(1) Average price paid per share includes commissions paid.

(2) As of January 31, 2016, represents the number of shares remaining in the December 2014 repurchase program.

(3) As of February 29, 2016, represents the number of shares remaining in the February 2016 repurchase program described below.

On February 22, 2016, our supervisory board authorized a new repurchase program that replaced the repurchase program described above. Under this new repurchase program we may repurchase up to 6,300,000 of our issued and outstanding ordinary shares on the open market (including block trades that satisfy the safe harbor provisions of Rule 10b-18 pursuant to the U.S. Securities Exchange Act of 1934), through privately negotiated transactions, or in one or more self-tender offers. This share repurchase program expires on May 17, 2017, and we may suspend or discontinue the repurchase program at any time. We did not repurchase any shares under this February 2016 program during our fiscal quarter ended March 31, 2016.

Item 6. Exhibits

We are filing the exhibits listed on the Exhibit Index following the signature page to this Report.

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.

April 28, 2016

Cimpress N.V.

By: _____
/s/ Sean E. Quinn
Sean E. Quinn
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description
10.1	Share Purchase Agreement dated December 18, 2015 among Cimpress Deutschland GmbH, Cimpress N.V., WIRMachenDRUCK GmbH, Samuel Voetter, Johannes Voetter, Aart Izelaar-Buchholz, V2 Holding GmbH, and Markus Trautwein, is incorporated by reference to our Current Report on Form 8-K filed with the SEC on December 22, 2015
10.2	Executive Retention Agreement dated February 16, 2016 between Cimpress N.V. and Sean Quinn, is incorporated by reference to our Current Report on Form 8-K filed with the SEC on February 18, 2016
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Rule 13a-14(a)/15d-14(a), by Chief Executive Officer
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Rule 13a-14(a)/15d-14(a), by Chief Financial Officer
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Chief Executive Officer and Chief Financial Officer
101	The following materials from this Quarterly Report on Form 10-Q, formatted in Extensible Business Reporting Language (XBRL): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statements.

CERTIFICATION

I, Robert S. Keane, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cimpress N.V.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2016

/s/ Robert S. Keane

Robert S. Keane
Chief Executive Officer

CERTIFICATION

I, Sean E. Quinn, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cimpress N.V.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 28, 2016

/s/ Sean E. Quinn

Sean E. Quinn
Chief Financial Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of Cimpress N.V. (the "Company") for the fiscal quarter ended March 31, 2016 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Robert S. Keane, Chief Executive Officer, and Sean E. Quinn, Chief Financial Officer, of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, that, to his knowledge on the date hereof:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 28, 2016

/s/ Robert S. Keane

Robert S. Keane
Chief Executive Officer

Date: April 28, 2016

/s/ Sean E. Quinn

Sean E. Quinn
Chief Financial Officer

