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 December 31, 2017

or

o **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

Cimpress N.V.
(Exact Name of Registrant as Specified in Its Charter)

The Netherlands	**98-0417483**
(State or Other Jurisdiction of Incorporation or Organization)	**(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
Securities Registered Pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Exchange on Which Registered
Ordinary Shares, €0.01 par value	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

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 o

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 o

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

Large accelerated filer ☑	Accelerated filer o	Non-accelerated filer o
	Smaller reporting company o	(Do not check if a smaller reporting company)
	Emerging growth company o	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). Yes o No ☑

As of January 26, 2018, there were 30,665,446 Cimpress N.V. ordinary shares, par value **€**0.01 per share, outstanding.

CIMPRESS N.V.
QUARTERLY REPORT ON FORM 10-Q
For the Three and Six Months Ended December 31, 2017

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PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

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

	December 31, 2017	June 30, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 40,064	$ 25,697
Accounts receivable, net of allowances of $7,426 and $3,590, respectively	66,876	48,630
Inventory	55,263	46,563
Prepaid expenses and other current assets	73,282	78,835
Assets held for sale	—	46,276
Total current assets	235,485	246,001
Property, plant and equipment, net	507,299	511,947
Software and website development costs, net	52,040	48,470
Deferred tax assets	66,022	48,004
Goodwill	531,199	514,963
Intangible assets, net	258,657	275,924
Other assets	28,238	34,560
Total assets	$ 1,678,940	$ 1,679,869
Liabilities, noncontrolling interests and shareholders' equity		
Current liabilities:		
Accounts payable	$ 165,798	$ 127,386
Accrued expenses	219,707	175,567
Deferred revenue	28,824	30,372
Short-term debt	35,569	28,926
Other current liabilities	89,269	78,435
Liabilities held for sale	—	8,797
Total current liabilities	539,167	449,483
Deferred tax liabilities	57,008	60,743
Lease financing obligation	104,737	106,606
Long-term debt	664,961	847,730
Other liabilities	107,884	94,683
Total liabilities	1,473,757	1,559,245
Commitments and contingencies (Note 13)		
Redeemable noncontrolling interests	85,478	45,412
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 30,973,620 and 31,415,503 shares outstanding, respectively	615	615
Treasury shares, at cost, 13,107,007 and 12,665,124 shares, respectively	(638,414)	(588,365)
Additional paid-in capital	378,121	361,376
Retained earnings	462,205	414,771
Accumulated other comprehensive loss	(83,093)	(113,398)
Total shareholders' equity attributable to Cimpress N.V.	119,434	74,999
Noncontrolling interests (Note 10)	271	213
Total shareholders' equity	119,705	75,212
Total liabilities, noncontrolling interests and shareholders' equity	$ 1,678,940	$ 1,679,869

See accompanying notes.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Revenue	$ 762,054	$ 576,851	$ 1,325,338	$ 1,020,564
Cost of revenue (1)	360,285	276,366	644,040	489,416
Technology and development expense (1)	59,228	56,282	121,331	115,292
Marketing and selling expense (1)	200,785	151,358	366,878	284,026
General and administrative expense (1)	44,988	48,161	83,766	104,741
Amortization of acquired intangible assets	12,558	9,879	25,191	20,092
Restructuring expense (1)	11,501	1,100	12,355	1,100
(Gain) on sale of subsidiaries	—	—	(47,545)	—
Income from operations	72,709	33,705	119,322	5,897
Other (expense) income, net	(7,732)	30,549	(24,044)	28,417
Interest expense, net	(12,529)	(9,631)	(25,611)	(19,535)
Income before income taxes	52,448	54,623	69,667	14,779
Income tax expense	21,825	19,601	15,638	9,787
Net income	30,623	35,022	54,029	4,992
Add: Net (income) loss attributable to noncontrolling interest	(688)	6	(731)	933
Net income attributable to Cimpress N.V.	$ 29,935	$ 35,028	$ 53,298	$ 5,925
Basic net income per share attributable to Cimpress N.V.	$ 0.96	$ 1.12	$ 1.71	$ 0.19
Diluted net income per share attributable to Cimpress N.V.	$ 0.93	$ 1.07	$ 1.65	$ 0.18
Weighted average shares outstanding — basic	31,026,043	31,291,356	31,123,177	31,431,090
Weighted average shares outstanding — diluted	32,319,022	32,614,013	32,325,592	32,846,275

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Cost of revenue	$ 95	$ 75	$ 135	$ 118
Technology and development expense	2,818	3,118	4,674	5,443
Marketing and selling expense	1,858	1,480	2,843	2,300
General and administrative expense	8,037	6,604	11,965	14,987
Restructuring expense	506	—	609	—

See accompanying notes.

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	**2016**	**2017**	**2016**
Net income	$ 30,623	$ 35,022	$ 54,029	$ 4,992
Other comprehensive income (loss), net of tax:				
Foreign currency translation gains (losses), net of hedges	11,827	(47,148)	39,134	(37,970)
Net unrealized gains on derivative instruments designated and qualifying as cash flow hedges	3,159	9,244	6,730	7,475
Amounts reclassified from accumulated other comprehensive loss to net income on derivative instruments	(1,370)	(6,426)	(4,134)	(5,594)
Unrealized loss on available-for-sale-securities	—	(4,832)	—	(5,756)
Amounts reclassified from accumulated other comprehensive loss to net income for realized gains on available-for-sale securities	—	2,268	—	2,268
Gain on pension benefit obligation, net	—	—	—	36
Comprehensive income (loss)	44,239	(11,872)	95,759	(34,549)
Add: Comprehensive (income) loss attributable to noncontrolling interests	(1,650)	4,235	(4,734)	4,625
Total comprehensive income (loss) attributable to Cimpress N.V.	$ 42,589	$ (7,637)	$ 91,025	$ (29,924)

See accompanying notes.

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

	Six Months Ended December 31,	
	2017	2016
Operating activities		
Net income	$ 54,029	$ 4,992
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	83,683	72,382
Share-based compensation expense	20,226	22,848
Deferred taxes	(6,869)	(17,508)
Gain on sale of subsidiaries	(47,545)	—
Change in contingent earn-out liability	1,774	22,766
Gain on sale of available-for-sale securities	—	(2,268)
Unrealized loss (gain) on derivatives not designated as hedging instruments included in net income	4,541	(4,573)
Effect of exchange rate changes on monetary assets and liabilities denominated in non-functional currency	13,275	(13,246)
Other non-cash items	817	1,719
Changes in operating assets and liabilities:		
Accounts receivable	(16,456)	822
Inventory	(7,357)	(4,187)
Prepaid expenses and other assets	(4,174)	(14,290)
Accounts payable	43,604	21,808
Accrued expenses and other liabilities	37,194	23,394
Net cash provided by operating activities	176,742	114,659
Investing activities		
Purchases of property, plant and equipment	(38,674)	(36,260)
Proceeds from the sale of subsidiaries, net of transaction costs and cash divested	93,779	—
Business acquisitions, net of cash acquired	(110)	(206,816)
Purchases of intangible assets	(278)	(88)
Capitalization of software and website development costs	(18,114)	(19,110)
Proceeds from sale of available-for-sale securities	—	6,346
Other investing activities	(669)	1,227
Net cash provided by (used in) investing activities	35,934	(254,701)
Financing activities		
Proceeds from borrowings of debt	311,349	447,000
Payments of debt and debt issuance costs	(490,717)	(247,771)
Payments of withholding taxes in connection with equity awards	(2,098)	(8,864)
Payments of capital lease obligations	(9,462)	(6,814)
Purchase of ordinary shares	(55,139)	(50,008)
Purchase of noncontrolling interests	—	(20,230)
Proceeds from issuance of ordinary shares	9,019	257
Issuance of loans	(12,000)	—
Proceeds from sale of noncontrolling interest	35,390	—
Capital contribution from noncontrolling interest	—	1,404
Other financing activities	(83)	1,281
Net cash (used in) provided by financing activities	(213,741)	116,255
Effect of exchange rate changes on cash	3,390	(4,051)
Change in cash held for sale	12,042	—
Net increase (decrease) in cash and cash equivalents	14,367	(27,838)
Cash and cash equivalents at beginning of period	25,697	77,426
Cash and cash equivalents at end of period	$ 40,064	$ 49,588

See accompanying notes.

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

	Six Months Ended December 31,	
	2017	**2016**
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 25,863	$ 20,155
Income taxes	10,452	20,309
Non-cash investing and financing activities:		
Property and equipment acquired under capital leases	$ 112	$ 4,912
Amounts accrued related to business acquisitions	52,472	27,155

See accompanying notes.

1. Description of the Business

We are a technology driven company that aggregates, largely via the internet, large volumes of small, individually customized orders for a broad spectrum of print, signage, apparel and similar products. We operate in a largely decentralized manner. Our businesses, discussed in more detail below, fulfill orders with manufacturing capabilities that include Cimpress owned and operated manufacturing facilities and a network of third-party fulfillers to create customized products on demand. Those businesses bring their products to market through a portfolio of customer-focused brands serving the needs of micro, small and medium sized businesses, resellers 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, micro, small and medium sized 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 presentation 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 Cimpress 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.

Operating results for the three and six months ended December 31, 2017 are not necessarily indicative of the results that may be expected for the year ending June 30, 2018 or for any other period. The consolidated balance sheet at June 30, 2017 has been derived from our audited consolidated financial statements at that date but does not include all of the information and notes 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, 2017 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.

Share-based compensation

Total share-based compensation costs were $13,314 and $20,226 for the three and six months ended December 31, 2017, respectively, and $11,277 and $22,848 for the three and six months ended December 31, 2016, respectively.

During the first quarter of fiscal 2018, we issued supplemental performance share unit awards to certain members of management. In addition to a service vesting and market condition (based on the three year moving average of the Cimpress share price) contained in our standard performance share units, these supplemental awards also contain a multi-year financial performance condition. The evaluation of achievement of the performance condition is at the discretion of the Compensation Committee and, therefore, is subject to mark-to-market accounting throughout the three year performance vesting period. The compensation expense for these awards is estimated at fair value using a Monte Carlo simulation valuation model and compensation costs are recorded only if it is probable that the performance condition will be achieved. We have concluded that the performance condition is currently probable of achievement and for the three and six months ended December 31, 2017, we recognized $4,310 of share-based compensation expense. We will continue to reassess the probability each reporting period and if we determine the awards are not probable at some point during the performance vesting period we would reverse any expense recognized to date.

Sale of Albumprinter

On August 31, 2017 we sold our Albumprinter business, including FotoKnudsen AS, for a total of €78,382 ($93,071 based on the exchange rate as of the date of sale) in cash, net of transaction costs and cash divested (after $11,874 in pre-closing dividends). As a result of the sale, we recognized a gain of $47,545, net of transaction costs, within our consolidated statement of operations for the six months ended December 31, 2017.

The transaction did not qualify for discontinued operations presentation, and as of June 30, 2017, the Albumprinter business assets and liabilities were presented as held-for-sale in our consolidated balance sheet. In connection with the divestiture, we entered into an agreement with Albumprinter under which Albumprinter will continue to fulfill photo book orders for our Vistaprint business. Additionally, we agreed to provide Albumprinter with certain transitional support services for a period of up to one year from the date of the sale.

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 December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
(Losses) gains on derivatives not designated as hedging instruments (1)	$ (1,752)	$ 13,477	$ (10,001)	$ 13,554
Currency-related (losses) gains, net (2)	(6,449)	14,988	(14,652)	12,022
Other gains (3)	469	2,084	609	2,841
Total other (expense) income, net	$ (7,732)	$ 30,549	$ (24,044)	$ 28,417

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

(2) We have significant non-functional currency intercompany financing relationships, which we may alter at times, and are subject to currency exchange rate volatility. The currency-related (losses) gains, net for the three and six months ended December 31, 2017 and 2016 are primarily driven by this intercompany activity. In addition, we have certain cross-currency swaps designated as cash flow hedges, which hedge the remeasurement of certain intercompany loans, both presented in the same component above. Unrealized losses related to cross-currency swaps were $2,016 and $6,126 for the three and six months ended December 31, 2017, respectively, and unrealized gains of $7,827 and $6,393 for the three and six months ended December 31, 2016, respectively.

(3) We recognized a gain of $377 related to insurance recoveries during the three and six months ended December 31, 2017. During the prior comparative periods we recognized a gain of $2,268 related to the sale of Plaza Create Co. Ltd. available for sale securities.

Net Income Per Share Attributable to Cimpress N.V.

Basic net income per share attributable to Cimpress N.V. is computed by dividing net income attributable to Cimpress N.V. by the weighted-average number of ordinary shares outstanding for the respective period. Diluted net income per share attributable to Cimpress N.V. gives effect to all potentially dilutive securities, including share options, restricted share units ("RSUs"), restricted share awards ("RSAs") and performance share units ("PSUs"), 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 December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Weighted average shares outstanding, basic	31,026,043	31,291,356	31,123,177	31,431,090
Weighted average shares issuable upon exercise/vesting of outstanding share options/RSUs/RSAs	1,292,979	1,322,657	1,202,415	1,415,185
Shares used in computing diluted net income per share attributable to Cimpress N.V.	32,319,022	32,614,013	32,325,592	32,846,275
Weighted average anti-dilutive shares excluded from diluted net income per share attributable to Cimpress N.V.	—	28,031	4,582	22,586

Waltham Lease Arrangement

In July 2013, we executed a lease agreement to move our Lexington, Massachusetts, USA operations to a then 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 that the transaction did not meet the criteria for "sale-leaseback" treatment due to our planned subleasing activity over the term of the lease. 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 $113,985 and $116,045 as of December 31, 2017 and June 30, 2017, respectively, related to the building. The financing lease obligation and deferred rent credit related to the building on our consolidated balance sheets was $117,307 and $119,176 as of December 31, 2017 and June 30, 2017, respectively.

Treasury Shares

Treasury shares are accounted for using the cost method and are included as a component of shareholders' equity. During the six months ended December 31, 2017 and 2016, we repurchased 574,264 and 593,763, respectively, of our ordinary shares for a total cost of $55,139 and $50,008, respectively, inclusive of transaction costs, in connection with our publicly announced share repurchase programs.

Recently Issued or Adopted Accounting Pronouncements

New Accounting Standards Adopted

In October 2016, the FASB issued Accounting Standards Update No. 2016-16, "Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory" (ASU 2016-16), which requires the recognition for income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. We elected to early adopt the new standard during the first quarter of fiscal 2018, and recognized a reduction to prepaid and other current assets of $24,573, an increase in deferred tax assets of $18,710 and a cumulative-effect adjustment to retained earnings of $5,863. If we had not early adopted, the forecasted fiscal 2018 tax expense would be lower by $9,787.

Issued Accounting Standards to be Adopted

In August 2017, the FASB issued Accounting Standards Update No. 2017-12, "Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities (Topic 815)," (ASU 2017-12), which better aligns a company's financial reporting for hedging activities with the economic objectives of those activities. The amendment is effective for us on July 1, 2019 and permits early adoption, including adoption in an interim period. The standard requires a modified retrospective transition approach, in which the Company will recognize the cumulative effect of the change on the opening balance of each affected component of equity in the statement of financial position as of the date of adoption. We do not expect this standard to have material impact on our consolidated financial statements.

In May 2017, the FASB issued Accounting Standards Update No. 2017-09, "Compensation - Stock Compensation (Topic 718)," (ASU 2017-09), which clarifies the application of Topic 718 when accounting for changes in the terms and conditions of a share-based payment award. The new standard requires changes to the terms or conditions of a share-based payment award to be accounted for under modification accounting unless there is no change to the fair value, vesting conditions and classification of the award after modification. The amendment is effective for us on July 1, 2018 and permits early adoption. The amendment is to be applied prospectively, and we are currently evaluating the impact on our financial statements.

In November 2016, the FASB issued Accounting Standards Update No. 2016-18, "Statement of Cash Flows (Topic 230) Restricted Cash" (ASU 2016-18), which requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendment is effective for us on July 1, 2018 and permits early adoption. This amendment will affect the presentation of our statement of cash flows once adopted, and we do not expect it to have material impact on our consolidated financial statements.

In March 2016, the FASB 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 FASB 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 leases. 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 our adoption timing and the effect that ASU 2016-02 will have on our consolidated financial statements.

In May 2014, the FASB 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 new standard is effective for fiscal years beginning after December 15, 2017, which would result in an effective date for us of July 1, 2018. The standard permits the use of either the retrospective or modified retrospective method. We will adopt the new standard in the first quarter of fiscal 2019, and we will apply the modified retrospective approach. We are actively evaluating the impact of the new standard on a business unit by business unit basis through a review of contract terms and material revenue streams. Our ongoing assessment includes both the quantification of any material impacts, as well as the related disclosures.

3. Fair Value Measurements

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:

	December 31, 2017			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Interest rate swap contracts	$ 3,159	$ —	$ 3,159	$ —
Currency forward contracts	529	—	529	—
Total assets recorded at fair value	$ 3,688	$ —	$ 3,688	$ —
Liabilities				
Interest rate swap contracts	$ (146)	$ —	$ (146)	$ —
Cross-currency swap contracts	(33,872)	—	(33,872)	—
Currency forward contracts	(28,223)	—	(28,223)	—
Currency option contracts	(557)	—	(557)	—
Contingent consideration	(5,942)	—	—	(5,942)
Total liabilities recorded at fair value	$ (68,740)	$ —	$ (62,798)	$ (5,942)

	June 30, 2017			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Interest rate swap contracts	$ 1,717	$ —	$ 1,717	$ —
Total assets recorded at fair value	$ 1,717	$ —	$ 1,717	$ —
Liabilities				
Interest rate swap contracts	$ (483)	$ —	$ (483)	$ —
Cross-currency swap contracts	(19,760)	—	(19,760)	—
Currency forward contracts	(14,700)	—	(14,700)	—
Currency option contracts	(651)	—	(651)	—
Contingent consideration	(5,453)	—	—	(5,453)
Total liabilities recorded at fair value	$ (41,047)	$ —	$ (35,594)	$ (5,453)

During the quarter ended December 31, 2017 and year ended June 30, 2017, 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 December 31, 2017, 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.

As part of the acquisition of WIRmachenDRUCK on February 1, 2016, we agreed to a variable contingent payment up to €40,000, previously based on the achievement of a cumulative gross profit target for calendar years 2016 and 2017. During the fourth quarter of fiscal 2017, we determined it was reasonably certain, based on recent performance, that the maximum earn-out would be achieved. Subsequently, during the first quarter of fiscal 2018, we amended the terms of this arrangement to remove the performance target and agreed to pay the maximum amount in January 2018. As of December 31, 2017, the fair value of the liability is $47,994 and on January 2, 2018 we paid the maximum amount. Of the total liability, $5,942 is considered contingent consideration and included in the table below and the remaining portion of the liability is classified as a compensation arrangement as discussed in Note 7.

The following table represents the changes in fair value of Level 3 contingent consideration:

	Six Months Ended December 31,	
	2017 (1)	2016 (2)
Balance at June 30	$ 5,453	$ 1,212
Fair value adjustment	220	1,946
Foreign currency impact	269	(134)
Balance at December 31	$ 5,942	$ 3,024

(1) Classified as a current liability on the consolidated balance sheet.
(2) Classified as a long-term liability on the consolidated balance sheet.

As of December 31, 2017 and June 30, 2017, the carrying amounts of our cash and cash equivalents, accounts receivable, accounts payable, and other current liabilities approximated their estimated fair values. As of December 31, 2017 and June 30, 2017 the carrying value of our debt, excluding debt issuance costs and debt discounts, was $708,560 and $882,578, respectively, and the fair value was $716,837 and $906,744, respectively. Our debt at December 31, 2017 includes variable rate debt instruments 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 and option 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, then the effective portion of changes in the fair value of the derivative is recorded in accumulated other comprehensive loss and is subsequently reclassified into earnings in the period the hedged forecasted transaction affects earnings. If a derivative is deemed to be ineffective, then 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. A portion of seven of our interest rate swap contracts were deemed to be ineffective during the three and six months ended December 31, 2017 and during the three and six months ended December 31, 2016 a portion of one of our interest rate swap contracts was deemed to be ineffective.

Amounts reported in accumulated other comprehensive loss 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 December 31, 2017, we estimate that $385 will be reclassified from accumulated other comprehensive loss to interest expense during the twelve months ending December 31, 2018. As of December 31, 2017, we had nine 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 December 2025.

Interest rate swap contracts outstanding:	Notional Amounts
Contracts accruing interest as of December 31, 2017	$ 65,000
Contracts with a future start date	350,000
Total	$ 415,000

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 December 31, 2017, 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.

Amounts reported in accumulated other comprehensive loss will be reclassified to other (expense) income, net as interest payments are accrued or paid and upon remeasuring the intercompany loan. As of December 31, 2017, we estimate that $1,154 of income will be reclassified from accumulated other comprehensive loss to interest expense, net during the twelve months ending December 31, 2018.

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 the U.S. Dollar. As of December 31, 2017, 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. Amounts reported in accumulated other comprehensive loss are recognized as a component of our cumulative translation adjustment.

We did not hold any ineffective cross-currency swaps during the three and six months ended December 31, 2017 and 2016.

Other Currency Contracts

We execute currency forward and option contracts in order to mitigate our exposure to fluctuations in various currencies against our reporting currency, the U.S. Dollar.

As of December 31, 2017, we had six currency forward contracts designated as net investment hedges with a total notional amount of $175,262, maturing during various dates through October 2022. We entered into these 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. Amounts reported in accumulated other comprehensive loss are recognized as a component of our cumulative translation adjustment.

We have elected not to apply hedge accounting for all other currency forward and option contracts. During the three and six months ended December 31, 2017 and 2016, 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 and option 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 December 31, 2017, we had the following outstanding currency derivative 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, British Pound, Canadian Dollar, Danish Krone, Euro, Indian Rupee, Mexican Peso, New Zealand Dollar, Norwegian Krone, and Swedish Krona:

Notional Amount	Effective Date	Maturity Date	Number of Instruments	Index
$529,938	June 2016 through December 2017	Various dates through December 2019	489	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 December 31, 2017 and June 30, 2017:

	December 31, 2017							
	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	$ 3,518	$ (359)	$ 3,159	Other current liabilities / other liabilities	$ (146)	$ —	$ (146)
Cross-currency swaps	Other non-current assets	—	—	—	Other liabilities	(14,757)	—	(14,757)
Derivatives in Net Investment Hedging Relationships								
Cross-currency swaps	Other non-current assets	—	—	—	Other liabilities	(19,115)	—	(19,115)
Currency forward contracts	Other non-current assets	—	—	—	Other liabilities	(18,255)	—	(18,255)
Total derivatives designated as hedging instruments		$ 3,518	$ (359)	$ 3,159		$ (52,273)	$ —	$ (52,273)
Derivatives not designated as hedging instruments								
Currency forward contracts	Other current assets / other assets	$ 734	$ (205)	$ 529	Other current liabilities / other liabilities	$ (11,043)	$ 1,075	$ (9,968)
Currency option contracts	Other current assets / other assets	—	—	—	Other current liabilities / other liabilities	(557)	—	(557)
Total derivatives not designated as hedging instruments		$ 734	$ (205)	$ 529		$ (11,600)	$ 1,075	$ (10,525)

Derivatives designated as hedging instruments	June 30, 2017							
	Asset Derivatives				Liability Derivatives			
	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	$ 2,072	$ (355)	$ 1,717	Other current liabilities / other liabilities	$ (483)	$ —	$ (483)
Cross-currency swaps	Other non-current assets	—	—	—	Other liabilities	(7,640)	—	(7,640)
Derivatives in Net Investment Hedging Relationships								
Cross-currency swaps	Other non-current assets	—	—	—	Other liabilities	(12,120)	—	(12,120)
Currency forward contracts	Other non-current assets	—	—	—	Other liabilities	(9,896)	—	(9,896)
Total derivatives designated as hedging instruments		$ 2,072	$ (355)	$ 1,717		$ (30,139)	$ —	$ (30,139)
Derivatives not designated as hedging instruments								
Currency forward contracts	Other current assets / other assets	$ —	$ —	$ —	Other current liabilities / other liabilities	$ (8,033)	$ 3,229	$ (4,804)
Currency Option Contracts	Other current assets / other assets	—	—	—	Other current liabilities / other liabilities	(651)	—	(651)
Total derivatives not designated as hedging instruments		$ —	$ —	$ —		$ (8,684)	$ 3,229	$ (5,455)

The following table presents the effect of the effective portion of our derivative financial instruments designated as hedging instruments and their classification within comprehensive income (loss) for the three and six months ended December 31, 2017 and 2016:

Derivatives in Hedging Relationships	Amount of Gain (Loss) Recognized in Comprehensive Income (Loss) on Derivatives			
	Three Months Ended December 31,		Six Months Ended December 31,	
In thousands	2017	2016	2017	2016
Derivatives in Cash Flow Hedging Relationships				
Interest rate swaps	$ 1,593	$ 2,513	$ 1,656	$ 2,764
Cross-currency swaps	1,566	6,731	5,074	4,711
Derivatives in Net Investment Hedging Relationships				
Cross-currency swaps	(2,222)	6,883	(7,345)	4,824
Currency forward contracts	(3,148)	1,395	(9,542)	939
	$ (2,211)	$ 17,522	$ (10,157)	$ 13,238

The following table presents reclassifications out of accumulated other comprehensive loss for the three and six months ended December 31, 2017 and 2016:

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) to Net Income				Affected line item in the Statement of Operations
	Three Months Ended December 31,		Six Months Ended December 31,		
In thousands	2017	2016	2017	2016	
Derivatives in Cash Flow Hedging Relationships					
Interest rate swaps	$ (164)	$ 117	$ (106)	$ (38)	Interest expense, net
Cross-currency swaps	(1,688)	8,450	(5,435)	7,497	Other (expense) income, net
Total before income tax	(1,852)	8,567	(5,541)	7,459	Income before income taxes
Income tax	482	(2,141)	1,407	(1,865)	Income tax expense
Total	$ (1,370)	$ 6,426	$ (4,134)	$ 5,594	

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 the ineffective portion and de-designated derivative financial instruments that no longer qualify as hedging instruments in the period:

	Amount of Gain (Loss) Recognized in Net Income				Location of Gain (Loss) Recognized in Income (Ineffective Portion)
	Three Months Ended December 31,		Six Months Ended December 31,		
In thousands	2017	2016	2017	2016	
Derivatives not designated as hedging instruments					
Currency contracts	$ (1,999)	$ 13,224	$ (10,279)	$ 13,301	Other (expense) income, net
Interest rate swaps	247	253	278	253	Other (expense) income, net
	$ (1,752)	$ 13,477	$ (10,001)	$ 13,554	

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 $(1,482) for the six months ended December 31, 2017:

	Gains (losses) on cash flow hedges (1)	Gains (losses) on pension benefit obligation	Translation adjustments, net of hedges (2)	Total
Balance as of June 30, 2017	$ (2,250)	$ (357)	$ (110,791)	$ (113,398)
Other comprehensive income (loss) before reclassifications	6,730	—	27,709	34,439
Amounts reclassified from accumulated other comprehensive loss to net income	(4,134)	—	—	(4,134)
Net current period other comprehensive income (loss)	2,596	—	27,709	30,305
Balance as of December 31, 2017	$ 346	$ (357)	$ (83,082)	$ (83,093)

(1) Gains (losses) on cash flow hedges include our interest rates swap and cross-currency swap contracts designated in cash flow hedging relationships.
(2) As of December 31, 2017 and June 30, 2017, the translation adjustment is inclusive of the effects of our net investment hedges, of which, unrealized losses of $33,935 and $17,048, respectively, net of tax, have been included in accumulated other comprehensive loss.

6. Goodwill and Acquired Intangible Assets

Goodwill

The carrying amount of goodwill by reportable segment as of December 31, 2017 and June 30, 2017 is as follows:

	Vistaprint	Upload and Print	National Pen	All Other Businesses	Total
Balance as of June 30, 2017	$ 147,207	$ 321,805	$ 34,520	$ 11,431	$ 514,963
Adjustments	(58)	—	(86)	—	(144)
Effect of currency translation adjustments (1)	703	15,677	—	—	16,380
Balance as of December 31, 2017	$ 147,852	$ 337,482	$ 34,434	$ 11,431	$ 531,199

(1) 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 six months ended December 31, 2017 was $12,558 and $25,191, respectively, compared to $9,879 and $20,092 for the prior comparative periods, respectively. The increase in acquired intangible asset amortization is primarily related to our December 30, 2016 acquisition of National Pen.

7. Other Balance Sheet Components

Accrued expenses included the following:

	December 31, 2017	June 30, 2017
Income and indirect taxes (1)	$ 56,255	$ 34,469
Compensation costs	51,272	54,487
Advertising costs	35,774	26,641
Shipping costs (1)	12,416	6,651
Production costs (1)	11,335	7,472
Sales returns	6,085	4,474
Interest payable	5,546	5,263
Professional costs	3,120	3,021
Purchases of property, plant and equipment	1,724	3,786
Other	36,180	29,303
Total accrued expenses	$ 219,707	$ 175,567

(1) The increase in income and indirect taxes, as well as production and shipping costs, is due to increased sales volumes during our peak holiday season in the second quarter of our fiscal year.

Other current liabilities included the following:

	December 31, 2017	June 30, 2017
Contingent earn-out liability	$ 47,994	$ 44,049
Current portion of lease financing obligation	12,569	12,569
Short-term derivative liabilities	13,786	7,243
Current portion of capital lease obligations	10,998	11,573
Mandatorily redeemable noncontrolling interest (1)	1,010	901
Other	2,912	2,100
Total other current liabilities	$ 89,269	$ 78,435

Other liabilities included the following:

	December 31, 2017	June 30, 2017
Long-term derivative liabilities	$ 50,651	$ 31,936
Long-term capital lease obligations	23,004	28,306
Mandatorily redeemable noncontrolling interest (1)	2,757	2,456
Other (2)	31,472	31,985
Total other liabilities	$ 107,884	$ 94,683

(1) Relates to the mandatorily redeemable noncontrolling interest of Printi LLC. Refer to Note 11 for additional details.
(2) As of December 31, 2017 and June 30, 2017, other liabilities includes $9,773 and $8,173, respectively, related to share-based compensation awards associated with our investment in Printi LLC. Refer to Note 11 for additional details.

Contingent earn-out liability

Under the original terms of the WIRmachenDRUCK earn-out arrangement, a portion of the earn-out attributed to the minority selling shareholders was included as a component of purchase consideration as of the acquisition date, with any subsequent changes to fair value recognized within general and administrative expense. This earn-out was previously calculated on a sliding scale, based on the achievement of cumulative gross profit against a predetermined target. During the fourth quarter of fiscal 2017, we determined it was reasonably certain, based on recent performance, that the maximum earn-out would be achieved. During the first quarter of fiscal 2018, we amended the terms of this arrangement, to remove the performance condition and we paid the maximum amount of €40,000 on January 2, 2018.

The liability represents the present value of the agreed payment amount. We recognized $947 and $1,774 of expense during the three and six months ended December 31, 2017, respectively, and $6,746 and $22,766 of expense during the prior comparative periods, respectively, as part of general and administrative expense. As of December 31, 2017, the total liability is $47,994, of which $42,052 relates to the majority shareholders and $5,942 relates to the minority shareholders.

8. Debt

	December 31, 2017	June 30, 2017
Senior secured credit facility	$ 425,507	$ 600,037
7.0% Senior unsecured notes due 2022	275,000	275,000
Other	8,053	7,541
Debt issuance costs and debt discounts (1)	(8,030)	(5,922)
Total debt outstanding, net	700,530	876,656
Less short-term debt (2)	35,569	28,926
Long-term debt	$ 664,961	$ 847,730

(1) During the six months ended December 31, 2017, we capitalized $3,251 in debt issuance costs, which related to the amendment and restatement to our senior secured credit facility. Refer below for additional details relating to the amendment.
(2) Balances as of December 31, 2017 and June 30, 2017 are inclusive of short-term debt issuance costs and debt discounts of $1,846 and$1,693, respectively.

Our Debt

Our various debt arrangements described below contain customary representations, warranties and events of default. As of December 31, 2017, we were in compliance with all financial and other covenants related to our debt.

Senior Secured Credit Facility

On July 13, 2017, we entered into an amendment and restatement agreement for our senior secured credit facility resulting in an increase of loan commitments under the credit agreement to $1,045,000 in the aggregate. The amendment also extended the tenor of our borrowings to a maturity date of July 13, 2022. As of December 31, 2017, we have a committed credit facility of $1,037,500 as follows:

- Revolving loans of $745,000 with a maturity date of July 13, 2022

- Term loan of $292,500 amortizing over the loan period, with a final maturity date of July 13, 2022.

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 December 31, 2017, the weighted-average interest rate on outstanding borrowings was 3.77%, inclusive of interest rate swap rates. We are also required to 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 December 31, 2017.

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% 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.

Other debt

Other debt consists primarily of term loans acquired through our various acquisitions. As of December 31, 2017 and June 30, 2017 we had $8,053 and $7,541, respectively, outstanding for those obligations that are payable through September 2024.

9. Income Taxes

Our income tax expense was $21,825 and $15,638 for the three and six months ended December 31, 2017, respectively, as compared to $19,601 and $9,787 for the prior comparative periods. Income tax expense for the three and six months ended December 31, 2017 was higher than the same prior year periods primarily due to an increase in tax expense of $4,701 related to the impacts of U.S. tax reform recognized in the three months ended December 31, 2017. Additionally, during the three and six months ended December 31, 2017, we recognized tax benefits of $1,025 and $1,473, respectively, from share based compensation as compared to $425 and $4,614 for the comparable prior periods. Excluding the effect of these discrete tax items, we are forecasting a more favorable consolidated annual effective tax rate for fiscal 2018 as compared to fiscal 2017 primarily due to higher forecasted full year pre-tax income as well as a more favorable geographical mix of consolidated earnings. In addition, our effective tax rate is negatively impacted by losses in certain jurisdictions where we are unable to recognize a full tax benefit in the current period.

On December 22, 2017, the Tax Cuts and Jobs Act ("The Act") was signed into law, resulting in significant changes to U.S. tax law for corporations. One of the most significant changes is a reduction in the U.S. federal corporate tax rate from 35% to 21%, effective January 1, 2018. Since the effective date of the tax rate change is in the middle of our fiscal year, we are required to use a blended U.S. federal tax rate of 28% for fiscal 2018. As a result of The Act, we recognized an increase to our GAAP tax expense of $4,701 related to the re-measurement of deferred tax assets and liabilities during the three months ended December 31, 2017. However, based upon our current interpretations of The Act, we expect the tax reform changes to be net favorable to our fiscal 2018 cash taxes. Our tax balances have been adjusted based upon our interpretation of The Act, although the final impact on our tax balances may change due to the issuance of additional guidance, changes in our interpretation of The Act, changes in assumptions made by Cimpress, and actions Cimpress may take as a result of The Act. We will continue to review and assess the potential impact of any new information on our financial statement positions.

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. 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 a result of this amortization, we are expecting a loss for Swiss tax purposes during fiscal 2018.

As of December 31, 2017, we had a liability for unrecognized tax benefits included in the balance sheet of $5,317, including accrued interest and penalties of $391. We recognize interest and, if applicable, penalties related to unrecognized tax benefits in the provision for income taxes. If recognized, the entire liability for unrecognized tax benefits would reduce our income tax expense. It is reasonably possible that a reduction in unrecognized tax benefits may occur within the next twelve months in the range of $500 to $600 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 2014 through 2017 remain open for examination by the United States Internal Revenue Service (“IRS”) and the years 2011 through 2017 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.

10. Noncontrolling Interests

In certain of our strategic investments we own a controlling equity stake, but a third party owns a minority portion of the equity. 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 SAS. 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. As of December 31, 2017, the redemption value was less than the carrying value, and therefore no adjustment was required.

On August 23, 2017, we sold approximately 12% of the outstanding shares of our WIRmachenDRUCK subsidiary for a total of €30,000 ($35,390 based on the exchange rate on the date we received the proceeds). The minority equity interest is considered a redeemable noncontrolling interest, as it is redeemable for cash based on future financial results through put and call rights and not solely within our control. The noncontrolling interest was recorded at its fair value as of the sale 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. If the formulaic redemption value exceeds the fair value of the noncontrolling interest, then the accretion to redemption value will be offset to the net (income) loss attributable to noncontrolling interest in our consolidated statement of operations. As of December 31, 2017, the redemption value was less than the carrying value, and therefore no adjustment was required.

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

	Redeemable noncontrolling interests	Noncontrolling interest
Balance as of June 30, 2017	$ 45,412	$ 213
Net income attributable to noncontrolling interest	673	58
Proceeds from sale of noncontrolling interest	35,390	—
Foreign currency translation	4,003	—
Balance as of December 31, 2017	$ 85,478	$ 271

11. Variable Interest Entity ("VIE")

On August 7, 2014, we made a capital investment in Printi LLC, which operates in Brazil. This investment provided us access to a new market and the opportunity to drive longer-term growth in Brazil and other geographies as Printi expands internationally in the future. As of December 31, 2017, 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 the power to direct the activities that most significantly impact the entity's economic performance, 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 will purchase an additional 3.7% non-voting economic interest during the fourth quarter of fiscal 2018. In addition, we will acquire the remaining equity interest in Printi through a reciprocal put and call structure, exercisable from March 31, 2021 through a mandatory redemption date of July 31, 2023. As the remaining equity interests are mandatorily redeemable by all parties no later than a specified future date, the noncontrolling interest is within the scope of ASC 480 and is required to be presented as a liability on our consolidated balance sheet. We adjust the liability to its estimated redemption value each reporting period and recognize any changes within interest expense, net in our consolidated statement of operations.

We also have liability-based awards for Printi restricted stock held by Printi employees that are fully vested and marked to fair value each reporting period until cash settlement. As of December 31, 2017, through the use of an option pricing model we estimate the current fair value of the restricted stock to be $9,773 and we have recognized $1,007 and $1,047 in general and administrative expense for the three and six months ended December 31, 2017, respectively, compared to $398 and $784 in the prior comparative periods.

We also have an arrangement to lend two Printi equity holders up to $24,000 that is payable on the date the put or call option is exercised, which will occur no later than July 31, 2023. As of December 31, 2017, the long-term loan receivable, including accrued interest, is $12,493 and classified within other assets in our consolidated balance sheets. We did not have a long-term loan receivable as of June 30, 2017. The loans carry 8.5% annual interest, and are not contingent upon continued employment. We expect that the loan proceeds will be used to offset our purchase of the remaining noncontrolling interest in the future.

12. Segment Information

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 December 31, 2017 we have numerous operating segments under our management reporting structure which are reported in the following four reportable segments:

- *Vistaprint* - Includes the operations of our Vistaprint 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* - Includes the results of our druck.at, Easyflyer, Exagroup, Pixartprinting, Printdeal, Tradeprint, and WIRmachenDRUCK businesses.

- *National Pen* - Includes the global operations of our National Pen businesses, which manufacture and market custom writing instruments and promotional products, apparel and gifts.

- *All Other Businesses* - Includes the operations of our Most of World and Corporate Solutions businesses. Most of World consists of our businesses in Brazil, China, India and Japan. In Japan and India, we primarily operate under close derivatives of the Vistaprint business model and technology, albeit with decentralized, locally-managed cross-functional operations in each country, and with product, content and service offerings which we tailor to the Japanese and Indian markets. Our Corporate Solutions business serves medium-sized businesses and larger corporations, as well as our legacy business with retail partners and franchise businesses, primarily through the "Vistaprint Corporate" brand. Our All Other Businesses segment also includes Albumprinter results through the divestiture date of August 31, 2017.

Central and corporate costs consists primarily of the team of software engineers that is building our mass customization platform, shared service organizations such as global procurement, technology services such as hosting and security, and administrative costs of our Cimpress India offices where numerous Cimpress businesses have dedicated business-specific team members, and corporate functions including our Supervisory Board, CEO, and the team members necessary for managing corporate activities, such as treasury, tax, capital allocation, financial consolidation, and legal. These costs also include certain unallocated share-based compensation costs.

During the first quarter of fiscal 2018, we began presenting inter-segment fulfillment activity as revenue for the fulfilling business unit for purposes of measuring and reporting our segment financial performance. Any historical inter-segment fulfillment transactions were previously recognized as cost relief for the fulfilling business unit in our presentation to the CODM. We now recognize these transactions as inter-segment revenue for presentation to the CODM; for example, a third-party customer order received by our Corporate Solutions business that is fulfilled at one of our Vistaprint production facilities is recognized as inter-segment revenue for our Vistaprint business based on pricing and terms agreed upon between segment management. Inter-segment revenues are recognized only for transactions between our reportable segments and do not include any transactions between businesses within a reportable segment, which are eliminated within each reportable segment. Intercompany revenues are eliminated in our consolidated results.

As part of these changes, we also recast historical segment results to ensure the consistent application of our current inter-segment revenue presentation. For the three and six months ended December 31, 2016, we increased revenue for our Vistaprint business by $1,407 and $2,520, with a corresponding increase to inter-segment eliminations. We also recast historical segment profitability for the allocation of certain IT costs, which previously burdened our Vistaprint business, but have now been allocated to each of our businesses in fiscal 2018. For the three and six months ended December 31, 2016, the cost allocation change resulted in an increase to Vistaprint segment profit by $624 and $1,247, respectively, with a corresponding decrease to segment profit for Upload and Print of $161 and $322, respectively, and All Other Businesses of $140 and $280, respectively, and an increase to our Central and corporate cost center of $323 and $646, respectively.

For awards granted under our 2016 Performance Equity Plan, the PSU expense value is based on a Monte Carlo fair value analysis and is required to be expensed on an accelerated basis. In order to ensure comparability in measuring our businesses results, we allocate the straight-line portion of the fixed grant value to our businesses. Any expense in excess of the amount as a result of the fair value measurement of the PSUs and the accelerated expense profile of the awards is recognized within Central and corporate costs.

Segment profit (loss) is the primary profitability metric by which our CODM measures segment financial performance and allocates resources. Certain items are excluded from segment profit (loss), such as acquisition-related amortization and depreciation, expense recognized for contingent 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 segment profit (loss) and allocated based on headcount to the appropriate business 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. We do not allocate non-operating income to our segment results.

Our All Other Businesses reportable segment includes our Most of World and Corporate Solutions businesses that have operating losses as they are in the early stage of investment relative to the scale of the underlying businesses, which may limit its comparability to other segments regarding profit (loss).

Our balance sheet information is not presented to the CODM on an allocated basis, and therefore we do not present asset information by segment. We do present other segment information to the CODM, which includes purchases of property, plant and equipment and capitalization of software and website development costs, and therefore include that information in the tables below.

Revenue by segment is based on the business-specific websites or sales channel through which the customer's order was transacted. The following tables set forth revenue, segment profit (loss), total income from operations and total income before income taxes.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Revenue:				
Vistaprint (1)	$ 428,908	$ 380,821	$ 747,951	$ 667,356
Upload and Print (2)	192,527	152,388	352,917	284,345
National Pen (3)	126,098	—	185,815	—
All Other Businesses (4)	20,994	45,049	49,048	71,383
Total segment revenue	768,527	578,258	1,335,731	1,023,084
Inter-segment eliminations	(6,473)	(1,407)	(10,393)	(2,520)
Total consolidated revenue	$ 762,054	$ 576,851	$ 1,325,338	$ 1,020,564

(1) Vistaprint segment revenues include inter-segment revenue of $2,803 and $5,006 for the three and six months ended December 31, 2017, respectively, and $1,407 and $2,520 for the prior comparative periods, respectively.
(2) Upload and Print segment revenues include inter-segment revenue of $480 and $808 for the three and six months ended December 31, 2017, respectively. No inter-segment revenue was recognized in the prior comparable periods.
(3) National Pen segment revenues include inter-segment revenue of $1,024 and $1,470 for the three and six months ended December 31, 2017, respectively. No inter-segment revenue was recognized in the prior comparable periods.
(4) All Other Businesses segment revenues include inter-segment revenue of $2,166 and $3,109 for the three and six months ended December 31, 2017, respectively. No inter-segment revenue was recognized in the prior comparable periods.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Segment profit (loss):				
Vistaprint	$ 99,049	$ 67,016	$ 129,944	$ 92,288
Upload and Print	22,470	16,798	37,238	30,249
National Pen	17,645	—	18,830	—
All Other Businesses	(8,566)	(2,107)	(16,117)	(11,859)
Total segment profit	130,598	81,707	169,895	110,678
Central and corporate costs	(33,410)	(31,228)	(61,667)	(59,414)
Acquisition-related amortization and depreciation	(12,613)	(10,019)	(25,300)	(20,232)
Earn-out related charges (1)	(1,254)	(7,010)	(2,391)	(23,257)
Share-based compensation related to investment consideration	(1,007)	(601)	(1,047)	(4,704)
Restructuring-related charges	(11,501)	(1,100)	(12,355)	(1,100)
Interest expense for Waltham, MA lease	1,896	1,956	3,807	3,926
Gain on the purchase or sale of subsidiaries (2)	—	—	48,380	—
Total income from operations	72,709	33,705	119,322	5,897
Other (expense) income, net	(7,732)	30,549	(24,044)	28,417
Interest expense, net	(12,529)	(9,631)	(25,611)	(19,535)
Income before income taxes	$ 52,448	$ 54,623	$ 69,667	$ 14,779

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(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 the gain on the sale of Albumprinter, as well as a bargain purchase gain as defined by ASC 805-30 for an acquisition in which the identifiable assets acquired and liabilities assumed are greater than the consideration transferred, that was recognized in general and administrative expense in our consolidated statement of operations during the six months ended December 31, 2017.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Depreciation and amortization:				
Vistaprint	$ 15,709	$ 16,128	$ 32,483	$ 30,899
Upload and Print	15,005	13,567	29,725	28,032
National Pen	5,275	—	10,370	—
All Other Businesses	2,156	3,730	4,443	7,334
Central and corporate costs	3,154	3,552	6,662	6,117
Total depreciation and amortization	$ 41,299	$ 36,977	$ 83,683	$ 72,382

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Purchases of property, plant and equipment:				
Vistaprint	$ 10,835	$ 8,335	$ 24,499	$ 19,544
Upload and Print	5,733	3,184	8,991	7,984
National Pen	1,219	—	3,708	—
All Other Businesses	308	3,874	979	6,513
Central and corporate costs	122	1,548	497	2,219
Total purchases of property, plant and equipment	$ 18,217	$ 16,941	$ 38,674	$ 36,260

	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Capitalization of software and website development costs:				
Vistaprint	$ 5,507	$ 5,528	$ 11,080	$ 8,662
Upload and Print	1,016	669	1,790	1,113
National Pen	367	—	367	—
All Other Businesses	400	637	1,368	1,905
Central and corporate costs	1,890	3,964	3,509	7,430
Total capitalization of software and website development costs	$ 9,180	$ 10,798	$ 18,114	$ 19,110

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

	December 31, 2017	June 30, 2017
Long-lived assets (1):		
Netherlands	$ 96,648	$ 83,223
Canada	86,096	85,926
Switzerland	49,852	49,017
Italy	44,328	44,423
United States	37,046	64,034
Australia	23,610	22,961
France	22,200	22,794
Jamaica	21,503	21,492
Japan	20,302	20,686
Other	72,007	64,377
Total	$ 473,592	$ 478,933

(1) Excludes goodwill of $531,199 and $514,963, intangible assets, net of $258,657 and $275,924, the Waltham lease asset of $113,985 and $116,045, and deferred tax assets of $66,022 and $48,004 as of December 31, 2017 and June 30, 2017, respectively.

13. 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 2. Total lease expense, net of sublease income, for the three and six months ended December 31, 2017 was $1,943 and $6,187, respectively and $4,021 and $6,292 for the three and six months ended December 31, 2016, respectively.

We lease certain machinery and plant equipment under both capital and operating lease agreements that expire at various dates through 2027. The aggregate carrying value of the leased buildings and equipment under capital leases included in property, plant and equipment, net in our consolidated balance sheet at December 31, 2017, is $36,611, net of accumulated depreciation of $32,783; the present value of lease installments not yet due included in other current liabilities and other liabilities in our consolidated balance sheet at December 31, 2017 amounts to $34,002.

Purchase Obligations

At December 31, 2017, we had unrecorded commitments under contract of $63,952 including commitments for third-party web services of $25,161. In addition, we had purchase commitments for production and computer equipment purchases of approximately $5,451, inventory purchase commitments of $5,026, commitments for advertising campaigns of $3,717, professional and consulting fees of $1,735, and other unrecorded purchase commitments of $22,862.

Other Obligations

We have an outstanding installment obligation of $3,470 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 December 31, 2017. Other obligations also include a liability related to our fiscal 2016 WIRmachenDRUCK acquisition of $47,994, which we paid on January 2, 2018. Refer to Note 7 for additional details. In addition, we have deferred payments related to our other acquisitions of $4,478 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.

14. Restructuring Charges

Restructuring costs include one-time employee termination benefits, acceleration of share-based compensation, and other related costs including third-party professional and outplacement services. In total, we recognized restructuring charges of $11,501 and $12,355 during the three and six months ended December 31, 2017, respectively. For the three and six months ended December 31, 2016, we recognized $1,100 of restructuring charges related to our January 2017 restructuring initiative which we completed during the prior year.

In November 2017, our Vistaprint business executed its previously announced plan to reorganize its business, resulting in reductions to headcount and other operating costs. These changes are intended to simplify operations and more closely align functions to increase the speed of execution. We recognized $11,455 in restructuring charges during the three and six months ended December 31, 2017 for this action, which relates primarily to employee termination benefits. We do not expect any additional material charges to be incurred in future periods related to this initiative.

During the first quarter of fiscal 2018, we also underwent a restructuring initiative within our All Other Businesses reportable segment, in order to more effectively allocate capital within the segment. The initiative resulted in restructuring charges of $92 and $819 during the three and six months ended December 31, 2017, respectively. We do not expect any material charges to be incurred in future periods related to this initiative.

The following table summarizes the restructuring activity during the six months ended December 31, 2017:

	Severance and Related Benefits	Other Restructuring Costs	Total
Accrued restructuring liability as of June 30, 2017 (1)	$ 4,602	$ 208	$ 4,810
Restructuring Charges (2)	12,396	(41)	12,355
Cash payments	(10,841)	(85)	(10,926)
Non-cash charges (3)	(609)	—	(609)
Accrued restructuring liability as of December 31, 2017	$ 5,548	$ 82	$ 5,630

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(1) Accrued restructuring liability as of June 30, 2017 relates to our restructuring initiative announced in January 2017 and all remaining obligations have been paid as of December 31, 2017.

(2) For the three and six months ended December 31, 2017, we recorded changes in estimates within restructuring expense from our January 2017 restructuring initiative of $(46) and $81, respectively.

(3) Non-cash charges include acceleration of share-based compensation expenses.

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 losses, planned investments in our business, expenses, seasonality of certain of our businesses, the impacts of changes in accounting standards, our anticipated effective tax rate, the impact of the U.S. Tax Cuts and Jobs Act, the sufficiency of our tax reserves, sufficiency of our cash, legal proceedings, the impact of our restructuring initiatives, and the impact of exchange rate and currency volatility. 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

We are a technology driven company that aggregates, largely via the internet, large volumes of small, individually customized orders for a broad spectrum of print, signage, apparel and similar products. We operate in a largely decentralized manner. Our businesses, discussed in more detail below, fulfill orders with manufacturing capabilities that include Cimpress owned and operated manufacturing facilities and a network of third-party fulfillers to create customized products on demand. Those businesses bring their products to market through a portfolio of customer-focused brands serving the needs of micro, small and medium sized businesses, resellers 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, micro, small and medium sized businesses with differentiated service needs, and consumers purchasing products for themselves and their families.

As of December 31, 2017, we have numerous operating segments under our management reporting structure which are reported in the following four reportable segments: Vistaprint, Upload and Print, National Pen, and All Other Businesses. Vistaprint represents our Vistaprint websites focused on the North America, Europe, Australia and New Zealand markets, and our Webs business, which is managed with the Vistaprint digital business. Upload and Print includes the druck.at, Easyflyer, Exagroup, Pixartprinting, Printdeal, Tradeprint, and WIRmachenDRUCK businesses. National Pen includes the global operations of our National Pen business, which manufactures and markets custom writing instruments and promotional products, apparel and gifts for small- and medium-sized businesses. All Other Businesses segment includes the operations of our Most of World and Corporate Solutions businesses, and the Albumprinter business, through its divestiture on August 31, 2017.

During the first quarter of fiscal 2018, we began presenting inter-segment fulfillment activity as revenue for the fulfilling business unit for purposes of measuring and reporting our segment financial performance. We have revised historical results to reflect the consistent application of our current accounting methodology. In addition, we adjusted our historical segment profitability for the allocation of certain IT costs that are allocated to each of our businesses in fiscal 2018, to better reflect where those resources are consumed. Refer to Note 12 of the accompanying consolidated financial statements for additional details of these changes.

Financial Summary

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, cash flow from operations and free cash flow. A summary of these key financial metrics for the three and six months ended December 31, 2017 as compared to the three and six months ended December 31, 2016 follows:

Second Quarter 2018

- Reported revenue increased by 32% to $762.1 million.
- Consolidated constant-currency revenue (a non-GAAP financial measure) increased by 27% and excluding acquisitions and divestitures completed in the last four quarters increased by 11%.
- Operating income increased $39.0 million to $72.7 million.
- Adjusted net operating profit (a non-GAAP financial measure which we refer to as adjusted NOP) increased $36.4 million to $93.7 million.

Year to Date 2018

- Reported revenue increased by 30% to $1,325.3 million.
- Consolidated constant-currency revenue increased by 26% and excluding acquisitions and divestitures completed in the last four quarters increased by 11%.
- Operating income increased $113.4 million to $119.3 million.
- Adjusted NOP increased $44.1 million to $104.1 million.
- Cash provided by operating activities increased $62.1 million to $176.7 million.
- Free cash flow (a non-GAAP financial measure) increased $60.5 million to $119.7 million.

For the second quarter of fiscal 2018, the increase in reported revenue growth was primarily due to the addition of the revenue of our National Pen business, which we acquired on the last day of the second quarter of fiscal 2017 and therefore did not contribute to the prior comparative period, as well as continued growth in the Vistaprint business and Upload and Print businesses. This was offset by the loss of Albumprinter revenue as we divested this business as of August 31, 2017. Our reported revenue growth also provided incremental profits that increased operating income and adjusted NOP as compared to the prior comparative periods. Vistaprint recognized incremental gross profits due to its revenue growth but also the non-recurrence of production inefficiencies in the prior year period and profit gains in some of our newer product lines as we have begun optimization efforts to improve pricing and operational performance. We also realized cost savings from our restructuring initiatives, which was offset by restructuring charges of $11.4 million related to the November 2017 restructuring action by our Vistaprint business. Vistaprint plans to simplify operations and more closely align functions to increase the speed of execution, and we expect to realize savings of $8-10 million net of the restructuring charges for fiscal 2018. We expect to realize savings in future periods but plan to reinvest a portion of the savings in our business.

Consolidated Results of Operations

Consolidated 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.

For the three and six months ended December 31, 2017 and 2016, our reported revenue increased, partly due to the addition of revenue from our National Pen business that we acquired on December 30, 2016. Currency fluctuations have positively impacted our reported revenue growth for both the three and six months ended December 31, 2017, as compared to the prior comparative periods. The increases in constant-currency revenue excluding acquisitions and divestitures for which there is no comparable year-over-year revenue were driven by continued growth in the Vistaprint business, as well as growth in our Upload and Print businesses. Our Most of World and Corporate Solutions businesses continue to grow strongly, but each off of small bases.

Our total revenue by reportable segment is shown in the following table:

In thousands	Three Months Ended December 31, 2017	2016	% Change	Currency Impact: (Favorable)/Unfavorable	Constant-Currency Revenue Growth (1)	Impact of Acquisitions/ Divestitures: (Favorable)/Unfavorable	Constant- Currency revenue growth Excluding acquisitions/ divestitures (2)
Vistaprint	$ 428,908	$ 380,821	13%	(4)%	9%	—%	9%
Upload and Print	192,527	152,388	26%	(10)%	16%	—%	16%
National Pen	126,098	—	100%	—%	100%	(100)%	—%
All Other Businesses (3)	20,994	45,049	(53)%	—%	(53)%	77%	24%
Inter-segment eliminations	(6,473)	(1,407)					
Total revenue	$ 762,054	$ 576,851	32%	(5)%	27%	(16)%	11%

In thousands	Six Months Ended December 31, 2017	2016	% Change	Currency Impact: (Favorable)/Unfavorable	Constant-Currency Revenue Growth (1)	Impact of Acquisitions/ Divestitures: (Favorable)/Unfavorable	Constant- Currency revenue growth Excluding acquisitions (2)
Vistaprint	$ 747,951	$ 667,356	12%	(2)%	10%	—%	10%
Upload and Print	352,917	284,345	24%	(8)%	16%	—%	16%
National Pen	185,815	—	100%	—%	100%	(100)%	—%
All Other Businesses (3)	49,048	71,383	(31)%	(1)%	(32)%	63%	31%
Inter-segment eliminations	(10,393)	(2,520)					
Total revenue	$ 1,325,338	$ 1,020,564	30%	(4)%	26%	(15)%	11%

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(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. Our reportable segments-related growth is inclusive of inter-segment revenues, which are eliminated in our consolidated results.

(2) Constant-currency revenue growth excluding acquisitions/divestitures, a non-GAAP financial measure, excludes revenue results for businesses in the period in which there is no comparable year-over-year revenue. Revenue from our fiscal 2017 acquisitions is excluded from fiscal 2018 revenue growth for quarters with no comparable year-over-year revenue. For example, revenue from National Pen, which we acquired on December 30, 2016 in Q2 2017, is excluded from Q1 and Q2 2018 revenue growth since there are no full quarter results in the comparable period, but revenue will be included for Q3, and Q4 2018 revenue growth. Our reportable segments-related growth is inclusive of inter-segment revenues, which are eliminated in our consolidated results.

(3) The All Other Businesses segment includes the revenue of the Albumprinter business until the sale completion date of August 31, 2017. Constant currency revenue growth excluding acquisitions/divestitures, excludes the revenue results for Albumprinter through the divestiture date.

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.

Consolidated Cost of Revenue

Cost of revenue includes materials used to manufacture our products, payroll and related expenses for production and design services 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 we sell. Cost of revenue as a percent of revenue decreased during the three months ended December 31, 2017, compared to the prior year period, primarily due to the non-recurrence of production inefficiencies that occurred in the second quarter of fiscal 2017, as well as the addition of National Pen which has a higher gross margin than our consolidated gross margin percentage. These items are partially offset by the divestiture of our Albumprinter business and growth of our Upload and Print businesses which have a lower gross margin than our consolidated gross margin percentage.

In thousands	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Cost of revenue	$ 360,285	$ 276,366	$ 644,040	$ 489,416
% of revenue	*47.3%*	*47.9%*	*48.6%*	*48.0%*

For the three and six months ended December 31, 2017, we recognized $51.5 million and $77.3 million, respectively, of additional costs from our National Pen acquisition that were not included in the prior comparable periods. For our Vistaprint business, cost of revenue increased by $14.6 million and $40.5 million, respectively, primarily due to increased production volume during our seasonally strong second quarter and from our newer product lines, partially offset by the non-recurrence of production inefficiencies in the prior periods. Cost of revenue for our Upload and Print businesses increased by $29.1 million and $50.9 million, respectively, primarily driven by revenue growth in our Exagroup, Pixartprinting, Printdeal and WIRmachenDRUCK businesses, as well as unfavorable currency impacts. These increases were partially offset by a decrease in cost of revenue of $11.4 million and $15.0 million, respectively, resulting from the sale of our Albumprinter business which was completed during the first quarter of fiscal 2018.

Consolidated Operating Expenses

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

In thousands	Three Months Ended December 31,			Six Months Ended December 31,		
	2017	2016	2017 vs. 2016	2017	2016	2017 vs. 2016
Technology and development expense	$ 59,228	$ 56,282	5 %	$ 121,331	$ 115,292	5 %
% of revenue	*7.8%*	*9.8%*		*9.2 %*	*11.3%*	
Marketing and selling expense	$ 200,785	$ 151,358	33 %	$ 366,878	$ 284,026	29 %
% of revenue	*26.3%*	*26.2%*		*27.7 %*	*27.8%*	
General and administrative expense	$ 44,988	$ 48,161	(7)%	$ 83,766	$ 104,741	(20)%
% of revenue	*5.9%*	*8.3%*		*6.3 %*	*10.3%*	
Amortization of acquired intangible assets	$ 12,558	$ 9,879	27 %	$ 25,191	$ 20,092	25 %
% of revenue	*1.6%*	*1.7%*		*1.9 %*	*2.0%*	
Restructuring expense	$ 11,501	$ 1,100	946 %	$ 12,355	$ 1,100	1,023 %
% of revenue	*1.5%*	*0.2%*		*0.9 %*	*0.1%*	
(Gain) on sale of subsidiaries	$ —	$ —	— %	$ (47,545)	$ —	(100)%
% of revenue	*—%*	*—%*		*(3.6)%*	*—%*	

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, as well as amortization of capitalized software and website development costs, including 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 $2.9 million and $6.0 million for the three and six months ended December 31, 2017 as compared to the prior comparative periods was primarily due to our fiscal 2017 acquisition of National Pen, which resulted in $3.3 million and $6.5 million of additional expense in the current periods, respectively, without any costs in the prior comparable periods. We also recognized additional costs primarily related to technology enhancements intended to enable rapid product introduction and improved connection points to the mass customization platform of $1.8 million and $3.1 million, respectively, as well as increased depreciation expense of $1.3 million and $2.3 million, respectively, related to past investments in infrastructure-related assets. These increases were partially offset by a decrease in costs of $2.7 million and $4.0 million, respectively, resulting from the divestiture of our Albumprinter business which was completed during the first quarter of fiscal 2018. Other technology and development costs decreased by $0.8 million and $1.9 million, respectively, due to cost savings realized as a result of our January 2017 restructuring initiative.

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; direct-mail advertising costs; and third-party payment processing fees. Our Vistaprint and National Pen businesses have higher marketing and selling costs structures, as compared to our Upload and Print businesses.

Our marketing and selling expenses increased by $49.4 million and $82.9 million during the three and six months ended December 31, 2017, respectively, as compared to the prior comparative periods. The increase is primarily due to the addition of National Pen which incurred $46.2 million and $70.1 million of marketing and selling expense during the three and six months ended December 31, 2017, respectively, primarily for direct-mail advertising and telesales costs that were not in our prior comparable periods. In addition, advertising expenses for the remaining businesses increased by $10.6 million and $16.8 million, respectively, which is primarily a result of additional advertising spend in the Vistaprint business. These increases were partially offset by a decrease in costs of $9.0 million and $10.3 million, respectively, resulting from the sale of our Albumprinter business during the first quarter of fiscal 2018.

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, strategy, human resources, and procurement.

During the three and six months ended December 31, 2017, general and administrative expenses decreased by $3.2 million and $21.0 million, respectively, due to a decrease in acquisition-related charges of $5.4 million and $24.6 million, respectively, primarily related to the WIRmachenDRUCK earn-out. Payroll and share-based compensation expense decreased by $1.2 million and $3.4 million, respectively, primarily due to compensation-related cost savings realized from our January 2017 restructuring initiative and partially offset by additional costs of $4.3 million for certain equity awards granted in the first quarter of fiscal 2018 that are subject to performance vesting conditions that we have deemed to be probable of achievement. During the quarter we recognized decreased professional fees of $1.2 million, due to transaction costs associated with our National Pen acquisition in the prior comparative period. For the three and six months ended December 31, 2017, we also had lower travel, training and recruitment costs.

These decreases were partially offset by an additional $7.5 million and $13.2 million, respectively, of expense from our National Pen business which has no expense in the comparable prior periods.

Amortization of acquired intangible assets

Amortization of acquired intangible assets consists of amortization expense associated with separately identifiable intangible assets capitalized as part of our acquisitions, including customer relationships, trade names, developed technologies, print networks, and customer and referral networks.

Amortization of acquired intangible assets increased by $2.7 million and $5.1 million, respectively, during the three and six months ended December 31, 2017, as compared to the three and six months ended December 31, 2016, primarily due to amortization for our fiscal 2017 acquisition of National Pen.

Restructuring expense

Restructuring expense consists of costs directly incurred as a result of restructuring initiatives, inclusive of employee-related termination costs, third party professional fees, facility exit costs and write-off of abandoned assets.

During the three and six months ended December 31, 2017, we recognized restructuring expense of $11.5 million and $12.4 million, respectively, primarily for employee-related termination benefits. The restructuring expense during the current periods relates primarily to the reorganization of our Vistaprint business that we announced in November 2017, which resulted in a reduction in headcount and other operating costs. Refer to Note 14 in the accompanying consolidated financial statements for additional details regarding the reorganization.

The restructuring costs of $1.1 million recognized in each of the three and six months ended December 31, 2016 was related to our January 2017 restructuring initiative that we completed during the prior year.

Gain on sale of subsidiaries

During the six months ended December 31, 2017, we recognized a gain on the sale of our Albumprinter business of $47.5 million, net of transaction costs. The amount of our gain on the sale of Albumprinter was impacted by the partial allocation of goodwill to our Vistaprint business in past periods, as well as minimal carrying value of Albumprinter's acquired intangible assets at the time of the sale and currency impacts. Refer to Note 2 in the accompanying consolidated financial statements for additional details.

Other Consolidated Results

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 qualify for 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 derivative contracts that do not qualify for hedge accounting.

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

In thousands	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
(Losses) gains on derivatives not designated as hedging instruments	$ (1,752)	$ 13,477	$ (10,001)	$ 13,554
Currency-related (losses) gains, net	(6,449)	14,988	(14,652)	12,022
Other gains	469	2,084	609	2,841
Total other (expense) income, net	$ (7,732)	$ 30,549	$ (24,044)	$ 28,417

During the three and six months ended December 31, 2017, we recognized net losses of $7.7 million and $24.0 million, respectively, as compared to net gains of $30.5 million and $28.4 million, respectively, during the prior comparable periods. The decrease in other (expense) income, net is primarily due to the currency exchange rate volatility impacting our derivatives that are not designated as hedging instruments. We expect volatility to continue in future periods as we do not currently apply hedge accounting for most of our derivative currency contracts. We also experienced currency-related losses due to currency exchange rate volatility on our non-functional currency intercompany relationships, which we may alter from time to time. The impact of certain cross-currency swap contracts designated as cash flow hedges is included in our currency-related (losses) gains, net, offsetting the impact of certain non-functional currency intercompany relationships.

In addition, during the three and six months ended December 31, 2017, we recognized other gains, which related primarily to insurance recoveries. The gains in the prior comparable periods consisted primarily of gains related to the sale of marketable securities.

Interest expense, net

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 swap contracts.

Interest expense, net was $12.5 million and $25.6 million for the three and six months ended December 31, 2017, respectively, compared to $9.6 million and $19.5 million for the three and six months ended December 31, 2016, respectively. We expect interest expense to be higher this year relative to historical trends as a result of increased borrowing levels expected on our senior secured credit facility which was expanded in July 2017, increased capital lease obligations for machinery and equipment, and higher interest rates. Refer to Note 8 in the accompanying consolidated financial statements for additional details regarding the credit facility amendment.

Income tax expense

In thousands	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
Income tax expense	$ 21,825	$ 19,601	$ 15,638	$ 9,787
Effective tax rate	*41.6%*	*35.9%*	*22.4%*	*66.2%*

Income tax expense for the three and six months ended December 31, 2017 was higher than the same prior year periods primarily due to an increase in tax expense of $4.7 million related to U.S. tax reform recognized in the three months ended December 31, 2017, as described below. Additionally, during the three and six months ended December 31, 2017, we recognized tax benefits of $1.0 million and $1.5 million, respectively, from share based compensation as compared to $0.4 million and $4.6 million for the comparable prior periods. Excluding the effect of these discrete tax items, we are forecasting a more favorable consolidated annual effective tax rate for fiscal 2018 as compared to fiscal 2017 primarily due to higher forecasted full year pre-tax income as well as a more favorable geographical mix of consolidated earnings. In addition, our effective tax rate is negatively impacted by losses in certain jurisdictions where we are unable to recognize a full tax benefit in the current period.

On December 22, 2017, the Tax Cuts and Jobs Act ("The Act") was signed into law, resulting in significant changes to U.S. tax law for corporations. One of the most significant changes is a reduction in the federal corporate tax rate from 35% to 21%, effective January 1, 2018. Since the effective date of the tax rate change is in the middle of our fiscal year, we are required to use a blended U.S. federal tax rate of 28% for fiscal 2018. As a result of the change in tax rate, we recognized an increase to our GAAP tax expense of $4.7 million related to the remeasurement of net deferred tax assets during the three months ended December 31, 2017. The reduction in our net deferred tax assets reduces the future cash tax benefit on existing timing differences as of the date of enactment; however, we will also benefit from a reduced tax rate that will apply to future taxable earnings. Overall, we expect our future U.S. cash taxes to be lower based solely on the reduction in the U.S. federal tax rate to 21%. For context, had the new tax law been effective as of the beginning of fiscal 2018, rather than as of January 1, 2018, the annualized impact of the U.S. federal tax rate reduction alone on our cash taxes (excluding the impact of other tax reform items) would have been approximately $2 million. The expected future impact of tax reform on our U.S. cash taxes is based upon our interpretation of The Act. The final impact of The Act on our tax balances may change due to the issuance of additional guidance, changes in our interpretations of The Act, changes in assumptions made by Cimpress, and actions Cimpress may take as a result of The Act. We will continue to review and assess the potential impact of any new information on our financial statement positions.

We expect certain other aspects of the tax reform will impact Cimpress in fiscal 2018 and beyond, including the beneficial impact of immediate expensing of certain qualified capital expenditures in the U.S., unfavorable changes to, and limitations on, the deductibility of meals and entertainment expense, and unfavorable changes to the deductibility of executive compensation. Most notably, we expect changes in the deductibility of “performance based” executive compensation to impact Cimpress negatively in the longer term. Historically, certain compensation awards issued to our top executives, such as stock options, were considered "performance based" as defined under Section 162(m) of the Internal Revenue Code and, therefore, were not subject to the annual $1 million deduction limitation per individual, as defined under prior law. The new law eliminates the "performance-based" exception for these types of awards to the extent they are not "grandfathered" in and granted under a written binding agreement in effect on November 2, 2017. Prior to this change, Cimpress had not been limited on the deductibility of “performance based” awards, which resulted in sizable cash and GAAP tax benefits in past years. We believe that most of the share-based compensation awards to date meet the "grandfather" requirement and will not be subject to the annual $1 million deduction limitation. However, future equity awards to our named executive officers may no longer be fully deductible upon vest or exercise over the long term. This will negatively impact our GAAP and cash taxes in the year of vest or exercise. As an example, performance share units (PSUs) granted to named executive officers under our current PSU plan that are subject to this limitation will vest no earlier than fiscal 2024 and may be subject to limited deductibility for U.S. tax purposes in that year.

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 9 in our accompanying consolidated financial statements for additional discussion.

Reportable Segment Results

Our segment financial performance is measured based on segment profit (loss) which excludes certain non-operational items including acquisition-related expenses, certain impairments and restructuring charges.

Vistaprint

In thousands	Three Months Ended December 31,			Six Months Ended December 31,		
	2017	2016	2017 vs. 2016	2017	2016	2017 vs. 2016
Reported Revenue	$ 428,908	$ 380,821	13%	$ 747,951	$ 667,356	12%
Segment Profit	99,049	67,016	48%	129,944	92,288	41%
% of revenue	*23%*	*18%*		*17%*	*14%*	

Segment Revenue

Vistaprint's reported revenue was positively affected by currency impacts during the three and six months ended December 31, 2017 of 4% and 2%, respectively, resulting in constant-currency growth of 9% and 10%. The Vistaprint constant-currency growth was due to continued growth in both repeat and new customer bookings, though repeat customer bookings continue to grow faster due to higher revenue per customer and repeat rates. We also experienced growth from our seasonal holiday product offerings, which includes holiday cards, calendars and gifts.

Segment Profitability

Vistaprint's segment profit increased for the three and six months ended December 31, 2017 as compared to the prior periods, driven by operating expense savings as a result of our January and November 2017 restructuring initiatives. We also recognized incremental gross profits, driven by the revenue growth described above, as well as the non-recurrence of production inefficiencies in the prior periods and profit gains in some of our newer product lines as we have begun optimization efforts to improve pricing and operational performance. In the current periods, Vistaprint's segment profit was positively influenced by currency movements. These increases were partially offset by the timing of our prior year roll-out of planned investments in shipping price reductions which in the U.S. market did not occur until the third quarter of fiscal 2017, but have impacted our current year profits.

Upload and Print

In thousands	Three Months Ended December 31,			Six Months Ended December 31,		
	2017	2016	2017 vs. 2016	2017	2016	2017 vs. 2016
Reported Revenue	$ 192,527	$ 152,388	26%	$ 352,917	$ 284,345	24%
Segment Profit	22,470	16,798	34%	37,238	30,249	23%
% of revenue	*12%*	*11%*		*11%*	*11%*	

Segment Revenue

The reported revenue growth of 26% and 24%, respectively, for the three and six months ended December 31, 2017 was positively affected by currency impacts of 10% and 8%, resulting in constant-currency growth of 16% in both periods. The Upload and Print constant-currency revenue growth was primarily driven by continued growth from our Exagroup, Pixartprinting, Printdeal and WIRmachenDRUCK businesses. Each of our other Upload and Print businesses continue to grow at varying rates.

Segment Profitability

The increase in segment profit for the three and six months ended December 31, 2017 as compared to the prior periods was primarily due to incremental gross profits, driven by the revenue growth described above, and operating expense efficiencies in several businesses. The gross profit increases were partially offset by planned investments, relating primarily to technology enhancements intended to enable rapid new product introduction and improved connection points to the mass customization platform.

National Pen

In thousands	Three Months Ended December 31,			Six Months Ended December 31,		
	2017	2016	2017 vs. 2016	2017	2016	2017 vs. 2016
Reported Revenue	$ 126,098	n/a	n/a	$ 185,815	n/a	n/a
Segment Profit	17,645	n/a	n/a	18,830	n/a	n/a
% of revenue	*14%*	*n/a*		*10%*	*n/a*	

Segment Revenue and Profitability

As we acquired National Pen on December 30, 2016 there are no comparative operating results presented. For the three and six months ended December 31, 2017 reported revenue was $126.1 million and $185.8 million, respectively, and segment profit was $17.6 million and $18.8 million, respectively. The National Pen business is highly seasonal and we expect National Pen's second quarter to include the majority of their fiscal 2018 profits.

All Other Businesses

In thousands	Three Months Ended December 31,			Six Months Ended December 31,		
	2017	2016	2017 vs. 2016	2017	2016	2017 vs. 2016
Reported Revenue	$ 20,994	$ 45,049	(53)%	$ 49,048	$ 71,383	(31)%
Segment Loss	(8,566)	(2,107)	(307)%	(16,117)	(11,859)	(36)%
% of revenue	*(41)%*	*(5)%*		*(33)%*	*(17)%*	

Segment Revenue

The All Other Businesses segment's revenue decline was negatively impacted by the divestiture of our Albumprinter business, which we completed on August 31, 2017. Our constant-currency growth, excluding the impacts of our Albumprinter business, was 24% and 31%, respectively, driven by continued growth in our Most of World businesses, as well as growth in our Corporate Solutions business.

Segment Profitability

The increase in segment loss for the three and six months ended December 31, 2017 as compared to the prior periods is primarily due to our first quarter fiscal 2018 divestiture of our Albumprinter business, as well as additional investments in our Corporate Solutions business.

Corporate Solutions continues to build foundations for new growth opportunities and remains early in this process. Our multiple Most of World businesses also continue to grow strongly, but each off small bases. Our objective for each of these young businesses remains the same: to build foundations in large and potentially long-term attractive markets. In all of these businesses we continue to operate at a significant operating loss as previously described and as planned, and we expect to continue to do so in the next several years.

Liquidity and Capital Resources

Consolidated Statements of Cash Flows Data:

In thousands	Six Months Ended December 31,	
	2017	2016
Net cash provided by operating activities	$ 176,742	$ 114,659
Net cash provided by (used in) investing activities	35,934	(254,701)
Net cash (used in) provided by financing activities	(213,741)	116,255

At December 31, 2017, we had $40.1 million of cash and cash equivalents and $708.6 million of outstanding debt, excluding debt issuance costs and debt discounts. We expect cash and cash equivalents and outstanding debt levels 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 six months ended December 31, 2017 related primarily to the following items:

Cash inflows:

- Net income of $54.0 million
- Adjustments for non-cash items of $69.9 million primarily related to positive adjustments for depreciation and amortization of $83.7 million, share-based compensation costs of $20.2 million, unrealized currency-related losses of $17.8 million, and the change of our contingent earn-out liability of $1.8 million partially offset by negative adjustments for our gain on the sale of our Albumprinter business of $47.5 million and non-cash tax related items of $6.9 million
- Proceeds from the sale of our Albumprinter business of $93.8 million, net of transaction costs
- Changes in operating asset and liability balances of $52.8 million primarily driven by an increase in accounts payable and accrued expenses and increased seasonal volume for marketing, third-party production and shipping costs that have not yet been paid
- Proceeds from the sale of a noncontrolling interest related to our WIRmachenDRUCK business of $35.4 million
- Proceeds from the issuance of ordinary shares from the exercise of share options of $9.0 million

Cash outflows:

- Payments of debt and debt issuance costs of $179.4 million, net of proceeds
- Purchases of our ordinary shares of $55.1 million
- Capital expenditures of $38.7 million of which $10.7 million were related to the purchase of manufacturing and automation equipment for our production facilities, $6.7 million were related to the purchase of land, facilities and leasehold improvements, and $21.3 million were related to computer and office equipment
- Issuance of loans of $12.0 million to two equity holders of our Printi business (refer to Note 11 for additional details)
- Internal costs for software and website development that we have capitalized of $18.1 million
- Payments for capital lease arrangements of $9.5 million
- Payments of withholding taxes in connection with share awards of $2.1 million

Additional Liquidity and Capital Resources Information. During the three months ended December 31, 2017, we financed our operations and strategic investments through internally generated cash flows from operations and debt financing. As of December 31, 2017, a significant portion of our cash and cash equivalents were held by our subsidiaries, and undistributed earnings of our subsidiaries that are considered to be indefinitely reinvested were $29.9 million. We do not intend to repatriate these 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. O*n July 13, 2017, we executed an amendment to our senior secured credit facility that, among other things, expanded the total capacity to $1,045.0 million, which includes $745.0 million of revolving loans and $300.0 million of term loans. We expect to use our expanded credit facility to fund investments intended to support our long-term growth strategy. Refer to Note 8 in the accompanying consolidated financial statements for additional details.

As of December 31, 2017, we had aggregate loan commitments from our senior secured credit facility totaling $1,037.5 million. The loan commitments consisted of revolving loans of $745.0 million and term loans of $292.5 million. We have other financial obligations that constitute additional indebtedness based on the definitions within the credit facility. As of December 31, 2017, the amount available for borrowing under our senior secured credit facility was as follows:

In thousands	December 31, 2017
Maximum aggregate available for borrowing	$ 1,037,500
Outstanding borrowings of senior secured credit facilities	(425,507)
Remaining amount	611,993
Limitations to borrowing due to debt covenants and other obligations (1)	(122,233)
Amount available for borrowing as of December 31, 2017 (2)	$ 489,760

(1) The debt covenants of our senior secured credit facility limit our borrowing capacity each quarter, depending on our leverage and 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) Share purchases, dividend payments, and corporate acquisitions are subject to more restrictive covenants, and therefore we may not be able to use the full amount available for borrowing for these purposes.

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, except that we may, on no more than three occasions during the term of the Credit Agreement, increase our leverage ratio to up to 4.75 for up to four consecutive fiscal quarters after a corporate acquisition that meets certain criteria.

- 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, except that we may, on no more than three occasions during the term of the Credit Agreement, increase our senior leverage ratio to up to 3.50 for up to four consecutive fiscal quarters after a corporate acquisition that meets certain criteria.

- 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 July 14, 2017.

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 December 31, 2017, we were in compliance with all financial and other covenants under the credit agreement and senior unsecured notes indenture.

Other debt. Other debt primarily consists of term loans acquired through our various acquisitions. As of December 31, 2017 we had $8.1 million outstanding for other debt payable through September 2024.

Our expectations for fiscal year 2018. 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 at least the next twelve months. 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 twelve months to return our invested capital to be an allocation of capital. For fiscal 2018 we expect to allocate capital to the following broad categories and consider our capital to be fungible across all of these categories:

- Organic investments will continue to be made across a wide spectrum of activities. These range from large, discrete projects that we believe can provide us with materially important competitive capabilities and/or market positions over the longer term to smaller investments intended to maintain or improve our competitive position and support value-creating revenue growth.
- Purchases of ordinary shares
- Corporate acquisitions and similar investments
- Reduction of debt

Contractual Obligations

Contractual obligations at December 31, 2017 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	$ 61,739	$ 17,601	$ 25,936	$ 10,052	$ 8,150
Build-to-suit lease	102,440	12,569	25,139	24,248	40,484
Purchase commitments	63,952	40,633	23,319	—	—
Senior unsecured notes and interest payments	361,625	19,250	38,500	303,875	—
Other debt and interest payments	514,880	55,117	97,591	356,353	5,819
Capital leases	35,510	12,847	15,849	4,152	2,662
Other	55,942	51,110	4,288	544	—
Total (1)	$ 1,196,088	$ 209,127	$ 230,622	$ 699,224	$ 57,115

(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 $5.3 million as of December 31, 2017 have been excluded from the contractual obligations table above. For further information on uncertain tax positions, see Note 9 to the accompanying consolidated financial statements.

Operating Leases. We rent office space under operating leases expiring on various dates through 2026. Future minimum rental payments required under our leases are an aggregate of approximately $61.7 million. The terms of certain lease agreements require security deposits in the form of bank guarantees and letters of credit in the amount of $2.9 million.

Build-to-suit lease. Represents the cash payments for our leased facility in Waltham, Massachusetts, USA. Please refer to Note 2 in the accompanying consolidated financial statements for additional details.

Purchase Commitments. At December 31, 2017, we had unrecorded commitments under contract of $64.0 million. Purchase commitments consisted of third-party web services of $25.2 million, production and computer equipment purchases of approximately $5.5 million, inventory purchase commitments of $5.0 million, commitments for advertising campaigns of $3.7 million, commitments for professional and consulting fees of $1.7 million, and other unrecorded purchase commitments of $22.9 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 is payable semi-annually on April 1 and October 1 of each year and has been included in the table above.

Other debt and interest payments. On July 13, 2017, we amended our credit agreement to, among other things, expand the total capacity and extend the term of our term loans and revolving loans. Refer to Note 8 for additional information.

At December 31, 2017, the term loans of $292.5 million outstanding under our credit agreement have repayments due on various dates through July 13, 2022, with the revolving loans outstanding of $133.0 million due on July 13, 2022. Interest payable included in this table is based on the interest rate as of December 31, 2017 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 have other debt which consists primarily of debt assumed as part of certain of our fiscal 2015 acquisitions, and as of December 31, 2017 we had $8.1 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 2022. The aggregate carrying value of the leased equipment under capital leases included in property, plant and equipment, net in our consolidated balance sheet at December 31, 2017, is $36.6 million, net of accumulated depreciation of $32.8 million. The present value of lease installments not yet due included in other current liabilities and other liabilities in our consolidated balance sheet at December 31, 2017 amounts to $34.0 million.

Other Obligations. Other obligations include the following:

- Earn-out liability related to the WIRmachenDRUCK acquisition of $48.0 million, paid on January 2, 2018.
- Deferred payments related to our other acquisitions of $4.5 million in the aggregate.
- Installment obligation of $3.5 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 December 31, 2017.

Additional Non-GAAP Financial Measures

Adjusted net operating profit (NOP) and free cash flow presented below are supplemental measures of our performance that are not required by, or presented in accordance with, GAAP. During the first quarter of fiscal 2018, we removed the cash tax attributable to the current period portion of our consolidated NOP measure as management no longer uses this metric. 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 consolidated NOP 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 consolidated NOP.

Adjusted NOP is provided to enhance investors' understanding of our current operating results from the underlying and ongoing business for the same reasons it is used by management. For example, as we have become more acquisitive over recent years we believe excluding the costs related to the purchase of a business (such as amortization of acquired intangible assets, contingent consideration, or impairment of goodwill) provides further insight into the performance of the underlying acquired business in addition to that provided by our GAAP operating income. As another example, as we do not apply hedge accounting for our currency forward contracts, we believe inclusion of realized gains and losses on these contracts that are intended to be matched against operational currency fluctuations provides further insight into our operating performance in addition to that provided by our GAAP operating income. 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.

Beginning in the first quarter of fiscal 2018, we included free cash flow as a non-GAAP financial measure, which management uses to assess the cash flow generation of the company. Free cash flow is defined as net cash provided by operating activities less purchases of property, plant and equipment, purchases of intangible assets not related to acquisitions, and capitalization of software and website development costs, plus payment of contingent consideration in excess of acquisition-date fair value and gains on proceeds from insurance.

The table below sets forth operating income and adjusted net operating profit for each of the three and six months ended December 31, 2017 and 2016:

In thousands	Three Months Ended December 31,		Six Months Ended December 31,	
	2017	2016	2017	2016
GAAP operating income	$ 72,709	$ 33,705	$ 119,322	$ 5,897
Exclude expense (benefit) impact of:				
Acquisition-related amortization and depreciation	12,613	10,019	25,300	20,232
Earn-out related charges (1)	1,254	7,010	2,391	23,257
Share-based compensation related to investment consideration	1,007	601	1,047	4,704
Restructuring related charges	11,501	1,100	12,355	1,100
Less: Interest expense associated with Waltham, MA lease	(1,896)	(1,956)	(3,807)	(3,926)
Less: Gains on the purchase or sale of subsidiaries (2)	—	—	(48,380)	—
Include: Realized (losses) gains on certain currency derivatives not included in operating income	(3,513)	6,839	(4,147)	8,727
Adjusted net operating profit	$ 93,675	$ 57,318	$ 104,081	$ 59,991

(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 the gain on the sale of Albumprinter, as well as a bargain purchase gain as defined by ASC 805-30 for an acquisition in which the identifiable assets acquired and liabilities assumed are greater than the consideration transferred, that was recognized in general and administrative expense in our consolidated statement of operations during the six months ended December 31, 2017.

The table below sets forth net cash provided by operating activities and free cash flow for each of the six months ended December 31, 2017 and 2016:

In thousands	Six Months Ended December 31,	
	2017	2016
Net cash provided by operating activities	$ 176,742	$ 114,659
Purchases of property, plant and equipment	(38,674)	(36,260)
Purchases of intangible assets not related to acquisitions	(278)	(88)
Capitalization of software and website development costs	(18,114)	(19,110)
Free cash flow	$ 119,676	$ 59,201

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 December 31, 2017, 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 December 31, 2017, we had $425.5 million of variable rate debt and $3.5 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 or forecasted long-term debt with varying maturities. As of December 31, 2017, 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 $3.3 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 does 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 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. Our most significant net currency exposures by volume are in the Euro and British Pound.

  In addition, we elect to execute currency derivatives 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 (expense) income, net on the mark-to-market of outstanding contracts and (ii) realized gains and losses recognized in other (expense) 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 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 currency derivatives 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 (expense) 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 (expense) 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) U.S. dollar loans or 2) we elect to hedge certain non-U.S. dollar 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 $34.6 million and $24.0 million on our income before income taxes for the three months ended December 31, 2017 and 2016, 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 December 31, 2017. 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 the 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 December 31, 2017, 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 December 31, 2017 that materially affected, 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, except as required by law.

Risks Related to Our Business

If our long-term growth strategy is not successful, our business and financial results could be harmed.

We may not achieve our long-term objectives, 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 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, at a value-accretive price or at all, 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 and capabilities to increase our efficiency, enhance our competitive advantage, and scale our operations;

- our failure to realize the anticipated benefits of the decentralization of 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 address inefficiencies and performance issues in some of our businesses and 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.

If 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 cash flow may be negatively impacted, 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 products may not choose to shop online, which would limit our acquisition of new customers that are necessary to the success of our business.

We sell most of our products and services through the Internet. Because the online market for most of our products and services is not mature, 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 customized products without face-to-face interaction with design or sales personnel;

- the inability to physically handle and examine product samples before making a purchase;

- delivery time associated with Internet orders;

- concerns about the security of online transactions and the privacy of personal information;

- delayed or lost 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 tablets and that our website visits using traditional 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, 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, which requires us to invest substantial amounts of our resources. Our ability to provide a high-quality customer experience is also dependent on external factors over which we may have little or no control, such as the reliability and performance of our suppliers, third-party fulfillers, 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. We prioritize our two uppermost objectives (leadership in mass customization and maximizing intrinsic value per share) even at the expense of 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. 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. 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 will not be offset by revenue or cost savings until future periods, if at all;
- 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 and liabilities;
- 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 arrangements 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;
- financing costs;
- 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 the platform.

A key component of our strategy is the development of a mass customization platform. 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 complete the development of the platform, that our diverse businesses will realize value from the platform, or that we will realize expected returns on the capital expended to develop the platform.

In addition, we are aware that other companies are developing platforms that could compete with ours. If a competitor were to develop and reach scale with a platform before we do, our competitive position could be harmed.

Our global operations, decentralized organizational structure, 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 many countries across six continents, and we have decentralized our organizational structure and operations. 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 and markets 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, decentralization, and expansion, including, among others:

- difficulty managing operations in, and communications among, multiple businesses, 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 adapt our financial and operational controls to manage our decentralized business and comply with our legal obligations;

- the challenge of complying with disparate laws in multiple countries, such as local regulations that may impair our ability to conduct our business as planned, protectionist laws that favor local businesses, and restrictions imposed by local labor laws;

- our inexperience in marketing and selling our products and services within unfamiliar countries and cultures;

- challenges of working with local business partners;

- our failure to properly understand and develop graphic design content and product formats and attributes 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 or in some sales channels and markets;

- difficulty repatriating 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; and

- failure of local laws to provide a sufficient degree of protection against infringement of our intellectual property.

There is considerable uncertainty about the economic and regulatory effects of the United Kingdom's exit from the European Union (commonly referred to as "Brexit"). The UK is one of our largest markets in Europe, but we currently ship products to UK customers primarily from continental Europe. If Brexit results in greater restrictions on imports and exports between the UK and the EU or increased regulatory complexity, then our operations and financial results could be negatively impacted.

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. The hedging activities we engage in may not mitigate the net impact of currency exchange rate fluctuations, and our financial results may differ materially from expectations as a result of such fluctuations.

Acquisitions and strategic investments may be disruptive to our business.

An important way in which we pursue our strategy is to selectively acquire businesses, technologies, and services and make minority investments 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.

Our acquisitions and strategic investments may fail to achieve our goals.

An acquisition, minority investment, or joint venture may fail to achieve our goals and expectations for a number of reasons including the following:

- The business we acquired or invested in may not perform as well as we expected.
- We may overpay for acquired businesses, which can, among other things, negatively affect our intrinsic value per share.
- 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 minority investments and joint ventures may be more expensive or may take more resources than we expected.
- We may not realize the anticipated benefits of integrating acquired businesses into our mass customization platform.
- We may encounter unexpected cultural or language challenges in integrating an acquired business or managing our minority investment in a business.
- 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.

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 or as robust financial controls 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.

Our acquisitions and minority investments can negatively impact our financial results.

Acquisitions and minority investments can be costly, and some of our acquisitions and investments may be dilutive, 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, amortization of acquired intangible assets, and increased tax costs.

In addition, 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, which 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 or enter into obligations to purchase non-controlling interests in our minority investments, which can be difficult to forecast. If in the future our assumptions change and we determine that higher levels of achievement are likely under our earn outs or future purchase obligations, 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.

Furthermore, earn-out provisions can lead to disputes with the sellers about the achievement of the earn-out performance targets, earn-out performance targets can sometimes create inadvertent incentives for the acquired company's management to take short-term actions designed to maximize the earn out instead of benefiting the business, and strong performance of the underlying business could result in material payments pursuant to earn-out provisions or future purchase obligations that may or may not reflect the fair market value of the asset at that time.

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. In addition, the National Pen business we acquired in December 2016 has historically generated nearly all of its profits during the December quarter. Our operating income during the second fiscal quarter represented more than 60% of annual operating income in the years ended June 30, 2016 and 2015, and during the year ended June 30, 2017, in a period we recognized a loss from operations, the second quarter was the only profitable quarter of the year. 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 or we experience inefficiencies in our production, then our costs may be significantly higher, and 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 improving our 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
- 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 our products and services 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 suppliers and graphic design providers
- online printing and graphic design companies
- 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 retailers
- online providers of custom printing services that outsource production to third party printers
- providers of digital marketing such as social media and local search directories

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. 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. 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 is sensitive to price for almost all of our businesses, and changes in our pricing strategies, including shipping pricing, have had a significant impact on the numbers of customers and orders in some regions, which in turn affects our revenues, profitability, 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 information systems and the confidential information of our customers, employees, and business partners against security breaches or thefts could damage our reputation and brands, subject us to litigation and enforcement actions, and substantially harm our business and results of operations.

Our business involves the receipt, storage, and transmission of customers' personal and payment information, as well as confidential information about our business, employees, suppliers, and business partners, some of which is entrusted to third-party service providers, partners, and vendors. Our information systems and those of third parties with which we share information are vulnerable to an increasing threat of cyber security risks, including physical and electronic break-ins, computer viruses, and phishing and other social engineering scams, among other risks. As security threats evolve and become more sophisticated and more difficult to detect and defend against, a hacker or thief may defeat our security measures, or those of our third-party service provider, partner, or vendor, and obtain confidential or personal information. We or the third party may not discover the security breach and theft of information for a significant period of time after the breach occurs. 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, and we may not be able to anticipate cyber attacks or implement adequate preventative measures. Any compromise or breach of our information systems or the information systems of third parties with which we share information could, among other things:

- damage our reputation and brands;
- expose us to losses, remediation costs, litigation, enforcement actions, and possible liability;
- result in a failure to comply with legal and industry privacy regulations and standards;
- lead to the misuse of our and our customers' confidential or personal information; and
- cause interruptions in our operations and lost revenue.

We are subject to the laws of many states, countries, and regions and industry guidelines and principles governing the collection, use, retention, disclosure, sharing, and security of data that we receive from and about our customers and employees. Any failure or perceived failure by us to comply with any of these laws, guidelines, or principles could result in actions against us by governmental entities or others, a loss of customer confidence, and damage to our brands, any of which could have an adverse effect on our business. In addition, the regulatory landscape is constantly changing, as various regulatory bodies throughout the world enact new laws concerning privacy, data retention, data transfer and data protection. For example, the recent General Data Protection Regulation in Europe includes operational and compliance requirements that are different than those currently in place and also includes significant penalties for non-compliance. Complying with these varying and changing requirements could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business and operating results.

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. From time to time some of our Internet protocol addresses appear on 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. 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. If we or our partners were to fail to comply with all applicable laws relating to email solicitations, including if one of our partners or another 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 for claims for harm to health or property or for natural resource damages arising out of contamination or exposure to hazardous substances.

In some cases we pursue self-imposed socially responsible policies that are more stringent than is typically required by laws and regulations, for instance in the areas of worker safety, team member social benefits and environmental protection such as carbon reduction initiatives. The costs of this added SHE effort are often substantial and could grow over time.

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 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 December 31, 2017, our total debt was $708.6 million, made up of $275.0 million of senior notes, $425.5 million of loan obligations under our credit facility and $8.1 million of other debt. We had unused commitments of $609.7 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 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 and marketplaces 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.

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, and any interest rate swaps we enter into in order to reduce interest rate volatility may not fully mitigate our 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 December 31, 2017, 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 $10.5 million over the next 12 months.

Border controls and duties and restrictions on cross-border commerce may negatively impact our business.

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, and changes in cross-border regulations could have a significant negative effect on our business. For example, the current United States administration has signaled the possibility of major changes in trade policy between the United States and other countries, such as the imposition of additional tariffs or duties on imported products. Because we produce most physical products for our United States customers at our facilities in Canada and Mexico and we source most materials for our products outside the United States, including large amounts of sourcing from China, major changes in tax policy or trade relations could adversely affect our business and results of operations.

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, 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 most of 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. Existing and future laws or unfavorable changes or interpretations of these laws could substantially harm our business and financial results.

The failure of our business partners to use legal and ethical business practices could negatively impact our business.

We contract with multiple business partners in an increasing number of jurisdictions worldwide, including sourcing the raw materials for the products we sell from an expanding number of suppliers and contracting with third-party merchants and manufacturers for the placement and fulfillment of customer orders. We require our suppliers, fulfillers, and merchants to operate in compliance with all applicable laws, including those regarding corruption, working conditions, employment practices, safety and health, and environmental compliance, but we cannot control their business practices. We may not be able to adequately vet, monitor, and audit our many business partners (or their suppliers) throughout the world, and our decentralized structure heightens this risk, as not all of our businesses have equal resources to manage their business partners. If any of them violates labor, environmental, or other laws or implements business practices that are regarded as unethical or inconsistent with our values, our reputation could be severely damaged, and our supply chain and order fulfillment process 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.

In addition, 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 may be subject to product liability or environmental compliance claims if people, property, or the environment are harmed by the products we sell.

Some of the products we sell may expose us to product liability or environmental compliance claims relating to issues such as personal injury, death, property damage, or the use or disposal of environmentally harmful substances and may require product recalls or other actions. Any claims, litigation, or recalls could be costly to us and damage our brands and reputation.

Our inability to use 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.

We may not be able to prevent third parties from acquiring domain names that use our brand names or other trademarks or that otherwise infringe or decrease the value of our trademarks and other proprietary rights. If we are unable to use or maintain a domain name in a particular country or region, 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. If a government entity claims that we should have been collecting indirect taxes on the sale of our products in a jurisdiction where we have not been doing so, then we could incur 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.

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. In addition to the passage of the Tax Cuts and Jobs Act in the United States, there are currently multiple initiatives for comprehensive tax reform underway in other key jurisdictions where we have operations. We continue to assess the impact of the U.S. Tax Cuts and Jobs Act as well as 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 other 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 Cimpress N.V. and its subsidiaries, which establish transfer prices for various services performed by our subsidiaries for other Cimpress 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 Cimpress*, 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 Cimpress*, or the Foundation, exists to safeguard the interests of Cimpress N.V. and its stakeholders, which include but are not limited to our shareholders, and to assist in maintaining Cimpress' 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 take-over bids for Cimpress 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 imposes limitations and requirements on corporate actions such as the payment of dividends, issuance of new shares, repurchase of outstanding shares, and corporate acquisitions of a certain size, among other actions. For example, Dutch law requires shareholder approval for many corporate actions that would not be subject to shareholder approval if we were incorporated in the United States. Situations may arise where the flexibility to issue shares, pay dividends, purchase shares, acquire other companies, or take other corporate actions would be beneficial to us, but is subject to limitations, subject to delay due to shareholder approval requirements, or unavailable 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 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 Cimpress 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, 2017 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 in future years.

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 in future years.

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 on an individual legal entity basis. 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.

The ownership of our ordinary shares is highly concentrated, which could cause or exacerbate volatility in our share price.

More than 75% of our ordinary shares are held by our top 10 shareholders, and we may repurchase shares in the future, which could further increase the concentration of our share ownership. Because of this reduced liquidity, the trading of relatively small quantities of shares by our shareholders could disproportionately influence the price of those shares in either direction. The price for our shares could, for example, decline precipitously if a large number of our ordinary shares were sold on the market without commensurate demand, as compared to a company with greater trading liquidity that could better absorb those sales without adverse impact on its share price.

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

On November 14, 2017, our Supervisory Board authorized the repurchase of 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 14, 2019. The following table outlines the purchase of our ordinary shares during the three months ended December 31, 2017:

	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
October 1, 2017 through October 31, 2017 (2)	—	$ —	—	5,847,180
November 1, 2017 through November 30, 2017 (3)	—	—	—	6,300,000
December 1, 2017 through December 31, 2017	121,444	119.11	121,444	6,178,556
Total	121,444	$ 119.11	121,444	6,178,556

(1) Average Price paid per share includes commissions paid.
(2) As of October 31, 2017, represents the number of shares remaining in the March 2017 repurchase program.
(3) As of November 30, 2017, represents the number of shares remaining in the November 2017 repurchase program described above.

Item 6. ***Exhibits***

Exhibit No.	Description
10.1*	Amendment to Employment Agreement dated December 18, 2017 between Cimpress N.V. and Cornelis David Arends is incorporated by reference to our Current Report on Form 8-K filed with the SEC on December 20, 2017
10.2*	Amendment to Long-Term Assignment Agreement dated December 18, 2017 between Cimpress N.V. and Cornelis David Arends is incorporated by reference to our Current Report on Form 8-K filed with the SEC on December 20, 2017
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.

*Management contract or compensatory plan or arrangement

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.

February 1, 2018 Cimpress N.V.

By: /s/ Sean E. Quinn

Sean E. Quinn
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

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 quarterly 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 registrants 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: February 1, 2018

/s/ Robert S. Keane

Robert S. Keane
Chief Executive Officer

Exhibit 31.2

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 quarterly 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 registrants 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: February 1, 2018

/s/ Sean E. Quinn

Sean E. Quinn
Chief Financial Officer

Exhibit 32.1

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 December 31, 2017 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: February 1, 2018

/s/ Robert S. Keane

Robert S. Keane
Chief Executive Officer

Date: February 1, 2018

/s/ Sean E. Quinn

Sean E. Quinn
Chief Financial Officer