
**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, 2013

or

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

Commission file number 000-51539

Vistaprint N.V.

(Exact Name of Registrant as Specified in Its Charter)

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

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

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

As of January 24, 2014, there were outstanding 33,229,228 ordinary shares, par value €0.01 per share, of Vistaprint N.V.

VISTAPRINT N.V.
QUARTERLY REPORT ON FORM 10-Q
For the Three and Six Months Ended December 31, 2013

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	December 31, 2013	June 30, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 62,310	\$ 50,065
Accounts receivable, net of allowances of \$126 and \$104, respectively	24,172	22,026
Inventory	8,298	7,620
Prepaid expenses and other current assets	40,681	20,520
Total current assets	135,461	100,231
Property, plant and equipment, net	308,301	280,022
Software and web site development costs, net	11,318	9,071
Deferred tax assets	4,151	581
Goodwill	144,483	140,893
Intangible assets, net	27,160	30,337
Other assets	29,304	29,184
Investment in equity interests	14,466	11,248
Total assets	\$ 674,644	\$ 601,567
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$ 28,677	\$ 22,597
Accrued expenses	129,904	103,338
Deferred revenue	18,272	18,668
Deferred tax liabilities	1,435	1,466
Current portion of long-term debt	15,250	8,750
Other current liabilities	4,363	207
Total current liabilities	197,901	155,026
Deferred tax liabilities	8,543	12,246
Other liabilities	18,662	14,734
Long-term debt	189,250	230,000
Total liabilities	414,356	412,006
Commitments and contingencies (Note 13)		
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 33,136,153 and 32,791,338 shares outstanding, respectively	615	615
Treasury shares, at cost, 10,944,474 and 11,289,289 shares, respectively	(387,533)	(398,301)
Additional paid-in capital	307,408	299,659
Retained earnings	340,431	299,144
Accumulated other comprehensive loss	(633)	(11,556)
Total shareholders' equity	260,288	189,561
Total liabilities and shareholders' equity	\$ 674,644	\$ 601,567

See accompanying notes.

VISTAPRINT 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,	
	2013	2012	2013	2012
Revenue	\$ 370,807	\$ 348,312	\$ 645,896	\$ 599,728
Cost of revenue (1)	120,789	114,150	216,579	202,177
Technology and development expense (1)	42,874	40,045	85,121	77,702
Marketing and selling expense (1)	124,128	134,364	226,561	234,361
General and administrative expense (1)	30,494	26,712	56,704	52,213
Income from operations	52,522	33,041	60,931	33,275
Other expense, net	(3,209)	(310)	(8,035)	(819)
Interest expense, net	(1,566)	(1,264)	(3,143)	(2,426)
Income before income taxes and loss in equity interests	47,747	31,467	49,753	30,030
Income tax provision	6,005	8,189	6,820	8,323
Loss in equity interests	867	318	1,646	443
Net income	\$ 40,875	\$ 22,960	\$ 41,287	\$ 21,264
Basic net income per share	\$ 1.24	\$ 0.69	\$ 1.26	\$ 0.63
Diluted net income per share	\$ 1.18	\$ 0.66	\$ 1.20	\$ 0.61
Weighted average shares outstanding — basic	32,861,393	33,377,045	32,760,384	33,525,669
Weighted average shares outstanding — diluted	34,552,194	34,544,965	34,463,006	34,754,574

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
Cost of revenue	\$ 72	\$ 107	\$ 138	\$ 205
Technology and development expense	2,418	2,366	4,878	4,606
Marketing and selling expense	1,588	1,590	3,277	3,139
General and administrative expense	3,795	4,287	7,965	8,667

See accompanying notes.

VISTAPRINT N.V.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited in thousands)

	Three Months Ended December		Six Months Ended	
	31,		December 31,	
	2013	2012	2013	2012
Net income	\$ 40,875	\$ 22,960	\$ 41,287	\$ 21,264
Other comprehensive income:				
Foreign currency translation	4,865	4,138	10,991	8,226
Net unrealized gain (loss) on derivative instruments designated and qualifying as cash flow hedges	33	(227)	(68)	(515)
Total comprehensive income	<u>\$ 45,773</u>	<u>\$ 26,871</u>	<u>\$ 52,210</u>	<u>\$ 28,975</u>

See accompanying notes.

VISTAPRINT N.V.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited in thousands)

	Six Months Ended December 31,	
	2013	2012
Operating activities		
Net income	\$ 41,287	\$ 21,264
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	32,465	30,824
Share-based compensation expense	16,258	16,617
Excess tax (benefits) shortfall derived from share-based compensation awards	(1,987)	201
Deferred taxes	(7,594)	(3,859)
Loss in equity interests	1,646	443
Non-cash gain on equipment	—	(1,414)
Unrealized loss on derivative instruments included in net income	3,701	—
Effect of exchange rate changes on monetary assets and liabilities denominated in non-functional currency	2,868	(94)
Other non-cash items	323	(158)
Changes in operating assets and liabilities:		
Accounts receivable	(1,414)	(2,754)
Inventory	(563)	(2,890)
Prepaid expenses and other assets	(12,865)	(4,170)
Accounts payable	4,751	8,603
Accrued expenses and other liabilities	16,028	32,570
Net cash provided by operating activities	<u>94,904</u>	<u>95,183</u>
Investing activities		
Purchases of property, plant and equipment	(42,169)	(55,368)
Proceeds from sale of assets	137	1,750
Purchases of intangible assets	(119)	(370)
Capitalization of software and website development costs	(4,419)	(3,140)
Investment in equity interests	(4,994)	(12,753)
Issuance of note receivable	—	(512)
Net cash used in investing activities	<u>(51,564)</u>	<u>(70,393)</u>
Financing activities		
Proceeds from borrowings of long-term debt	67,000	55,212
Payments of long-term debt and debt issuance costs	(101,604)	(53,895)
Payments of withholding taxes in connection with vesting of restricted share units	(3,941)	(1,790)
Purchase of ordinary shares	—	(24,775)
Excess tax benefits (shortfall) derived from share-based compensation awards	1,987	(201)
Proceeds from issuance of ordinary shares	4,163	1,758
Net cash used in financing activities	<u>(32,395)</u>	<u>(23,691)</u>
Effect of exchange rate changes on cash	1,300	1,426
Net increase in cash and cash equivalents	12,245	2,525
Cash and cash equivalents at beginning of period	50,065	62,203
Cash and cash equivalents at end of period	<u>\$ 62,310</u>	<u>\$ 64,728</u>

See accompanying notes.

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

1. Description of the Business

The Vistaprint group of companies offers micro businesses the ability to market their businesses with a broad range of brand identity and promotional products, marketing services and digital solutions. Through the use of proprietary Internet-based graphic design software, localized websites, proprietary order receiving and processing technologies and advanced computer integrated production facilities, we offer a broad spectrum of products, such as business cards, website hosting, apparel, signage, promotional gifts, brochures, online marketing and creative services. We focus on serving the marketing, graphic design and printing needs of the micro business market, generally businesses or organizations with fewer than 10 employees and usually 2 or fewer. We also provide personalized products for home and family use.

2. Summary of Significant Accounting Policies

Basis of Presentation

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

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 a 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. Operating results for the three and six months ended December 31, 2013 are not necessarily indicative of the results that may be expected for the year ending June 30, 2014 or for any other period. The consolidated balance sheet at June 30, 2013 has been derived from our audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2013 included in the 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 our long-lived assets and goodwill, advertising expense and related accruals, share-based compensation, accounting for business combinations, income taxes, and litigation and contingencies, among others. By their nature, estimates are subject to an inherent degree of uncertainty. Actual results could differ from those estimates.

Net Income Per Share

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

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
Weighted average shares outstanding, basic	32,861,393	33,377,045	32,760,384	33,525,669
Weighted average shares issuable upon exercise/vesting of outstanding share options/RSUs/RSAs	1,690,801	1,167,920	1,702,622	1,228,905
Shares used in computing diluted net income per share	34,552,194	34,544,965	34,463,006	34,754,574
Weighted average anti-dilutive shares excluded from diluted net income per share	913,562	2,486,505	920,889	2,121,833

Share-Based Compensation

During the three and six months ended December 31, 2013, we recorded share-based compensation expense of \$7,873 and \$16,258, respectively, and \$8,350 and \$16,617 during the three and six months ended December 31, 2012, respectively. As of December 31, 2013, there was \$47,001 of total unrecognized compensation cost related to non-vested share-based compensation arrangements, net of estimated forfeitures. This cost is expected to be recognized over a weighted average period of 2.98 years.

Derivative Financial Instruments

We record all derivatives on the consolidated balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative, whether we have elected to designate a derivative as being a hedging relationship, and whether the hedging relationship has satisfied the criteria necessary to apply hedge accounting. Derivatives designated and qualifying as a hedge of the exposure to changes in the fair value of an asset, liability or firm commitment attributable to a particular risk are considered fair value hedges. Derivatives designated and qualifying as hedges of the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges. Hedge accounting generally provides for the matching of the timing of gain or loss recognition on the hedging instrument with the recognition of the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk in a fair value hedge or the earnings effect of the hedged forecasted transaction in a cash flow hedge. We also enter into derivative contracts that are intended to economically hedge certain of our risks, even though we may not elect to apply hedge accounting or the instrument may not qualify for hedge accounting. The changes in the fair value of derivatives not designated as being in hedging relationships are recorded directly in earnings as a component of other expense, net. In accordance with the fair value measurement guidance, our accounting policy is to measure the credit risk of our derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio. We execute our derivative instruments with financial institutions that we judge to be credit-worthy, defined as institutions that hold an investment grade credit rating.

Restructuring

Restructuring costs are recorded in connection with initiatives designed to improve efficiency or enhance competitiveness. Restructuring initiatives require us to make estimates in several areas, including expenses for severance and other employee separation costs and the ability to generate sublease income to terminate lease obligations at the estimated amounts. One-time termination benefits are expensed at the date we notify the employee, unless the employee must provide future service beyond the statutory minimum retention period, in which case the benefits are expensed ratably over the future service period. Liabilities for costs associated with an exit or disposal activity are recognized when the liability is incurred, as opposed to when management commits to an exit plan, and are measured at fair value. Restructuring costs are included as a component of each related operating expense within our consolidated statement of operations.

Leases

We categorize leases at their inception as either operating or capital leases. Costs for operating leases that include incentives such as payment escalations or rent abatements are recognized on a straight-line basis over the term of the lease. Additionally, inducements received are treated as a reduction of our costs over the term of the agreement. Leasehold improvements are capitalized at cost and amortized over the shorter of their expected useful

life or the life of the lease, excluding renewal periods. For lease arrangements where we are deemed to be involved in the construction of structural improvements prior to the commencement of the lease or take some level of construction risk, we are considered the owner of the assets during the construction period. Accordingly, as the lessor incurs the construction project costs, the assets and corresponding financial obligation are recorded in our consolidated balance sheet. Once the construction is completed, if the lease meets certain “sale-leaseback” criteria, we will remove the asset and related financial obligation from the balance sheet and treat the building lease as either an operating or capital lease based on our assessment of the guidance. If upon completion of construction, the project does not meet the “sale-leaseback” criteria, the lease will be treated as a financing obligation and we will depreciate the asset over its estimated useful life for financial reporting purposes.

Recently Issued or Adopted Accounting Pronouncements

None.

3. Fair Value Measurements

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, 2013			
	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	\$ 142	\$ —	\$ 142	\$ —
Currency forward contracts	597	—	597	—
Total assets recorded at fair value	<u>\$ 739</u>	<u>\$ —</u>	<u>\$ 739</u>	<u>\$ —</u>
Liabilities				
Interest rate swap contracts	\$ (119)	\$ —	\$ (119)	\$ —
Currency forward contracts	(4,298)	—	(4,298)	—
Total liabilities recorded at fair value	<u>\$ (4,417)</u>	<u>\$ —</u>	<u>\$ (4,417)</u>	<u>\$ —</u>
	June 30, 2013			
	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	\$ 344	\$ —	\$ 344	\$ —
Currency forward contracts	70	—	70	—
Total assets recorded at fair value	<u>\$ 414</u>	<u>\$ —</u>	<u>\$ 414</u>	<u>\$ —</u>
Liabilities				
Interest rate swap contracts	\$ (70)	\$ —	\$ (70)	\$ —
Currency forward contracts	(203)	—	(203)	—
Total liabilities recorded at fair value	<u>\$ (273)</u>	<u>\$ —</u>	<u>\$ (273)</u>	<u>\$ —</u>

During the three and six months ended December 31, 2013 and December 31, 2012 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 counterparty's 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, 2013, 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.

As of December 31, 2013 and June 30, 2013, the carrying amounts of cash and cash equivalents, receivables, accounts payable, and other current liabilities approximated their estimated fair values. We performed an evaluation of the estimated fair value of our debt and determined that the fair value approximates the carrying value of the liability as of June 30, 2013. As of December 31, 2013 the carrying value of our debt was \$204,500 and the fair value was \$208,099. Our debt is a variable rate debt instrument indexed to LIBOR that resets periodically. 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. This estimated fair value may not be representative of actual values that could have been or will be realized in the future.

4. Derivative Financial Instruments

Hedges of Interest Rate Risk

We enter into interest rate swap contracts to manage differences in the amount of our known or expected cash payments related to our debt. Our objective in using interest rate derivatives is to add stability to interest expense and to manage our exposure to interest rate movements. 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 derivative agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recorded in accumulated other comprehensive loss and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. If a derivative is deemed to be ineffective, the ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three and six months ended December 31, 2013, we did not hold any interest rate derivative instruments that were determined 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. Assuming these derivative instruments continue to qualify for hedge accounting, as of December 31, 2013, we estimate that \$197 will be reclassified from accumulated other comprehensive loss to interest expense during the twelve months ending December 31, 2014. As of December 31, 2013, we had 6 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 maturity dates from 2014 - 2017. As the start date of certain contracts has not yet commenced, the notional amount of our outstanding contracts is in excess of the variable-rate debt being hedged as of the balance sheet date.

<u>Interest rate swap contracts outstanding:</u>	<u>Notional Amounts</u>	
Contracts accruing interest as of December 31, 2013	\$	130,000
Contracts with a future start date		40,000
Total	\$	170,000

Hedges of Currency Risk

We execute currency forward contracts in order to mitigate our exposure to fluctuations in various currencies against our reporting currency, the U.S. dollar. We use currency derivatives, specifically currency forward contracts, to manage this exposure. During the six months ended December 31, 2013, we had both currency forward contract activity for which we elected hedge accounting and activity for which we did not elect hedge accounting. In evaluating our currency hedging program and ability to achieve hedge accounting in light of certain changes in 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 not seek hedge accounting for our current currency forward contracts, but we may elect to apply hedge accounting in future scenarios. As a result, during the three and six months ended December 31, 2013, we have experienced increased volatility within other expense, net in our consolidated statements of operations from unrealized gains and losses on the mark-to-market of outstanding currency forward contracts. We expect this volatility to continue in future periods for contracts for which we do not apply hedge accounting.

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recorded in accumulated other comprehensive loss and is subsequently reclassified into earnings in the period in which the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. As of December 31, 2013, we have no outstanding currency forward contracts that qualify for hedge accounting and, as such, there are no current balances to be reclassified into earnings over the next twelve months.

The changes in the fair value of derivatives not designated in hedging relationships are recorded directly in earnings as a component of other expense, net.

As of December 31, 2013, we had the following outstanding currency forward contracts that were not designated for hedge accounting and used to hedge fluctuations in the U.S. Dollar value of forecasted transactions denominated in Canadian Dollar, Danish Krone, The Euro, Great British Pound, Indian Rupee, Japanese Yen, New Zealand Dollar, Norwegian Krone, Singapore Dollar, Swedish Krona, and Swiss Franc:

Notional Amount	Effective Date	Maturity Date	Number of Instruments	Index	Hedge Designation
\$123,034	July 2013 through December 2013	Various through December 2014	103	Various	Non-designated

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, 2013 and June 30, 2013:

December 31, 2013								
Derivatives designated as hedging instruments	Balance Sheet Line Item	Asset Derivatives			Liability Derivatives			
		Gross amounts of recognized assets	Gross amount offset in consolidated balance sheet	Net amount	Balance Sheet Line Item	Gross amounts of recognized liabilities	Gross amount offset in consolidated balance sheet	Net amount
Interest rate swaps	Other non-current assets	\$ 220	\$ (78)	\$ 142	Other current liabilities/other liabilities	\$ (119)	\$ —	\$ (119)
Currency forward contracts	Other current assets	—	—	—	Other current liabilities	—	—	—
Total derivatives designated as hedging instruments		\$ 220	\$ (78)	\$ 142		\$ (119)	\$ —	\$ (119)
Derivatives not designated as hedging instruments								
Currency forward contracts	Other current assets	\$ 866	\$ (269)	\$ 597	Other current liabilities	\$ (4,378)	\$ 80	\$ (4,298)
Total derivatives not designated as hedging instruments		\$ 866	\$ (269)	\$ 597		\$ (4,378)	\$ 80	\$ (4,298)
June 30, 2013								
Derivatives designated as hedging instruments	Balance Sheet Line Item	Asset Derivatives			Liability Derivatives			
		Gross amounts of recognized assets	Gross amount offset in consolidated balance sheet	Net amount	Balance Sheet Line Item	Gross amounts of recognized liabilities	Gross amount offset in consolidated balance sheet	Net amount
Interest rate swaps	Other non-current assets	\$ 400	\$ (56)	\$ 344	Other current liabilities/other liabilities	\$ (81)	\$ 11	\$ (70)
Currency forward contracts	Other current assets	83	(13)	70	Other current liabilities	(208)	5	(203)
Total derivatives designated as hedging instruments		\$ 483	\$ (69)	\$ 414		\$ (289)	\$ 16	\$ (273)
Derivatives not designated as hedging instruments								
Currency forward contracts	Other current assets	\$ —	\$ —	\$ —	Other current liabilities	\$ —	\$ —	\$ —
Total derivatives not designated as hedging instruments		\$ —	\$ —	\$ —		\$ —	\$ —	\$ —

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The following table presents the effect of our derivative financial instruments designated as hedging instruments and their classification within comprehensive income for the three and six months ended December 31, 2013 and 2012:

Derivatives in Hedging Relationships	Amount of Gain (Loss) Recognized in Comprehensive Income on Derivatives (Effective Portion)			
	Three Months Ended December 31,		Six months ended December 31,	
	2013	2012	2013	2012
In thousands				
Currency contracts that hedge revenue	\$ —	\$ (651)	\$ (107)	\$ (651)
Currency contracts that hedge cost of revenue	—	82	59	82
Currency contracts that hedge technology and development expense	—	210	70	210
Currency contracts that hedge general and administrative expense	—	15	12	15
Interest Rate Swaps	(30)	44	(324)	(277)
Total loss recognized in comprehensive income during the period	\$ (30)	\$ (300)	\$ (290)	\$ (621)

The following table presents reclassifications out of accumulated other comprehensive loss for the three and six months ended December 31, 2013 and 2012:

Details about Accumulated Other Comprehensive Loss Components	Amount Reclassified from Accumulated Other Comprehensive Loss to Net Income Gain/(Loss)				Affected line item in the Statement of Operations
	Three Months Ended December 31,		Six months ended December 31,		
	2013	2012	2013	2012	
In thousands					
Currency contracts that hedge revenue	\$ —	\$ (47)	\$ (120)	\$ (47)	Revenue
Currency contracts that hedge cost of revenue	—	11	(112)	11	Cost of revenue
Currency contracts that hedge technology and development expense	—	9	122	9	Technology and development expense
Currency contracts that hedge general and administrative expense	—	2	11	2	General and administrative expense
Interest Rate Swaps	(79)	(48)	(154)	(81)	Interest expense
Total before income tax	(79)	(73)	(253)	(106)	Income (loss) before income taxes and loss in equity interests
Income tax benefit	16	—	31	—	Income tax provision
Total	\$ (63)	\$ (73)	\$ (222)	\$ (106)	

The following table presents the mark-to-market and settlement effect of our derivative financial instruments for contracts that we did not designate as hedging instruments, as well as those which have been de-designated and no longer qualify as hedging instruments, recorded within the statement of operations:

Derivatives not classified as hedging instruments under ASC 815	Amount of Gain (Loss) Recognized in Income				Location of Gain (Loss) Recognized in Income
	Three months ended December 31,		Six months ended December 31,		
	2013	2012	2013	2012	
In thousands					
Currency forward contracts	\$ (1,229)	\$ —	\$ (6,438)	\$ —	Other expense, net

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 \$4, for the six months ended December 31, 2013:

In thousands	Gains (Losses) on Cash Flow Hedges	Currency translation adjustments	Total
Balance as of June 30, 2013	\$ 86	\$ (11,642)	\$ (11,556)
Other comprehensive income (loss) before reclassifications	(290)	10,991	10,701
Amounts reclassified from accumulated other comprehensive loss to net income	222	—	222
Net current period other comprehensive income (loss)	(68)	10,991	10,923
Balance as of December 31, 2013	\$ 18	\$ (651)	\$ (633)

6. Waltham and Lexington Lease Arrangements

In July 2013, we executed a lease agreement to move our Lexington, Massachusetts ("Lexington") operations to a yet to be constructed facility in Waltham, Massachusetts ("Waltham"). The Waltham lease will commence upon completion of the building, scheduled for the first quarter of fiscal 2016, and will extend eleven years from the commencement date. The cash expected to be paid ratably over the initial eleven year term of the lease is approximately \$119,600 starting in September 2015.

Concurrent with the Waltham negotiations, we amended our current Lexington lease, as both leases are held with the same landlord. The amendment to the Lexington lease has a contingent feature to shorten the current term of the lease to coincide with the rent commencement date of the Waltham lease, and a second contingent feature to adjust the remaining annual rental amounts. Both of the arrangements are contingent upon the lessor obtaining certain building permits for the Waltham lease by March 2014. If the lessor does not fulfill this obligation, we have the option to cancel the Waltham lease, without penalty, and return to the terms our original Lexington lease. As of December 31, 2013, the lessor has yet to obtain all of the requisite building permits for the Waltham building construction.

For accounting purposes, we are deemed to be the owner of the Waltham building during the construction period and, accordingly, as of December 31, 2013 we have recorded \$2,711 of construction project costs incurred by the landlord as an asset with a corresponding financing obligation. The asset is included as construction in progress in property, plant and equipment, net and the liability is included in other liabilities on our consolidated balance sheet. Once the construction is completed, we will evaluate the Waltham lease in order to determine whether or not the lease meets the criteria for "sale-leaseback" treatment.

Although we will not begin making cash lease payments until the lease commencement date, a portion of the lease obligation attributable to the land is treated for accounting purposes as an operating lease that commenced during the second quarter of fiscal 2014. We bifurcate our future lease payments pursuant to the 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 is being constructed, which will be recorded as rental expense during the construction period. Although this is not currently a cash outlay for us, we recognized rent expense of \$125 in our consolidated statement of operations for the land operating lease during the three months ended December 31, 2013.

7. Goodwill and Acquired Intangible Assets

Goodwill

The carrying amount of goodwill by segment as of June 30, 2013 and December 31, 2013 is as follows:

	North America	Europe	Most of World	Total
Balance as of June 30, 2013	\$ 95,790	\$ 44,895	\$ 208	\$ 140,893
Effect of currency translation adjustments (1)	(743)	4,333	—	3,590
Balance as of December 31, 2013	\$ 95,047	\$ 49,228	\$ 208	\$ 144,483

(1) Relates to goodwill on non-U.S. Dollar functional currency legal entities.

Acquired Intangible Assets

Acquired intangible assets amortization expense was \$2,353 and \$4,657 for the three and six months ended December 31, 2013, respectively, and \$2,347 and \$4,630 for the three and six months ended December 31, 2012, respectively.

8. Accrued Expenses

Accrued expenses included the following:

	December 31, 2013	June 30, 2013
Advertising costs (1)	\$ 34,686	\$ 24,824
Compensation costs (2)	31,147	43,879
Income and indirect taxes (3)	29,879	12,463
Shipping costs	8,905	4,632
Purchases of property, plant and equipment	4,251	1,582
Professional costs	2,444	2,470
Other	18,592	13,488
Total accrued expenses	\$ 129,904	\$ 103,338

(1) The increase in accrued advertising costs is principally a result of increased holiday promotion costs during the quarter ended December 31, 2013.

(2) The decrease in accrued compensation costs is principally a result of the payment of our fiscal 2013 annual incentive compensation plans in the three months ended September 30, 2013 offset by compensation costs accrued during fiscal 2014.

(3) The increase in accrued income taxes and indirect taxes is principally a result of the timing of payment of indirect taxes and the seasonality of related revenue.

9. Debt

On January 17, 2014, we entered into an amendment to our credit agreement resulting in an increase to aggregate loan commitments under the credit agreement of \$303,750, to a total of \$800,000 by adding new lenders and increasing the commitments of several existing lenders. The new loan commitments include revolving loans of \$640,000 and term loans of \$160,000. The amendment did not result in any material changes to our debt covenants.

As of December 31, 2013, we had aggregate borrowings of \$496,250 available to us under our secured credit facility as follows:

- Revolving loans of \$400,000 with a maturity date of February 8, 2018;
- Term loan of \$96,250 amortizing over the loan period, with a final maturity date of February 8, 2018.

As of December 31, 2013 and June 30, 2013, our debt outstanding was \$204,500 and \$238,750, respectively.

Under the terms of our credit agreement, borrowings bear interest at a variable rate of interest based on LIBOR plus 1.50% to 2.00% depending on our leverage ratio, which is the ratio of our consolidated total indebtedness to our consolidated earnings before interest, taxes, depreciation and amortization (EBITDA), as defined by the credit agreement. As of December 31, 2013, the weighted-average interest rate on outstanding borrowings was 2.03%, inclusive of interest rate swap activity. We must also pay a commitment fee on unused balances of 0.225% to 0.350% 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, 2013.

Our credit agreement contains financial and other covenants, including but not limited to limitations on (1) our incurrence of additional indebtedness and liens, (2) the consummation of certain fundamental organizational changes or intercompany activities, for example acquisitions, (3) investments and restricted payments including the amount of purchases of our ordinary shares or payments of dividends, and (4) the amount of consolidated capital expenditures that we may make in each of our fiscal years through June 30, 2018. The credit agreement also contains financial covenants calculated on a trailing twelve month, or TTM, basis that:

- our consolidated leverage ratio, which is the ratio of our consolidated indebtedness (*) to our TTM consolidated EBITDA (*), will not exceed (i) 3.5 during the period from December 31, 2012 through December 31, 2013; (ii) 3.25 during the period from March 31, 2014 through December 31, 2014; and 3.0 after March 31, 2015; and
- our interest coverage ratio, which is the ratio of our consolidated EBITDA to our consolidated interest expense, will be at least 3.0.

(*) The definitions of EBITDA and consolidated indebtedness are maintained in our credit agreement included as an exhibit to Form 8-K filed on February 13, 2013 and January 22, 2014.

Our agreement also contains customary representations, warranties and events of default. As of December 31, 2013, we were in compliance with all financial and other covenants under the credit agreement.

10. Income Taxes

Income tax expense was \$6,005 and \$6,820 for the three and six months ended December 31, 2013, as compared to \$8,189 and \$8,323 for the same prior year periods. The decrease is primarily attributable to tax benefits resulting from changes to our corporate entity operating structure that became effective on October 1, 2013 and a lower annual effective tax rate relative to fiscal 2013. We made the changes to our corporate entity operating structure, which included transferring our intellectual property among certain of our subsidiaries, primarily to align our corporate entities with our evolving operations and business model. Additionally, income tax expense for the same periods in fiscal 2013 was reduced by a one-time currency exchange related tax benefit of \$1,918 recognized by one of our Canadian subsidiaries.

On an annual basis, our income tax expense for the majority of our subsidiaries is a function of our operating expenses and cost-based transfer pricing methodologies and not a function of consolidated pre-tax income. As a result, our consolidated annual effective tax rate will typically vary inversely to changes in our consolidated pre-tax income. For fiscal 2014 we are forecasting a lower consolidated annual effective tax rate as compared to 2013, primarily as a result of higher consolidated pre-tax earnings as compared to 2013 and changes to our geographic mix of earnings. Additionally, our fiscal 2014 consolidated annual effective tax rate will be further reduced by tax benefits recognized as a result of the changes to our corporate entity operating structure.

As of December 31, 2013, we had a net liability for unrecognized tax benefits included in the balance sheet of approximately \$6,140, including accrued interest of \$511. There have been no significant changes to these amounts during the three and six months ended December 31, 2013. Of the total amount of unrecognized tax benefits, approximately, \$2,664 will reduce the effective tax rate if recognized. We recognize interest and, if applicable, penalties related to unrecognized tax benefits in the provision for income taxes.

It is reasonably possible that a further change in unrecognized tax benefits may occur within the next twelve months related to the settlement of one or more audits or the lapse of applicable statutes of limitations. However, an estimated range of the impact on the unrecognized tax benefits cannot be quantified at this time. 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 2007 through 2013 remain open for examination by the United States Internal Revenue Service ("IRS") and the years 2006 through 2013 remain open for examination in the various states and non-US tax jurisdictions in which we file tax returns.

One of our subsidiaries Vistaprint Limited (domiciled in Bermuda) is currently under income tax audit by the IRS. In August 2012, we received a Revenue Agent's Report ("RAR") from the IRS proposing tax assessments for the 2007 to 2009 tax years. The issue in dispute is the imposition of U.S. federal income tax on effectively connected income associated with the IRS' assertion that Vistaprint Limited has a U.S. Trade or Business. In September 2012, we submitted to the IRS Examination team a written protest stating our formal disagreement with the facts and technical conclusions presented in the RAR and requesting the case be heard by the IRS Office of Appeals. In August 2013, the case was officially transferred to the IRS Office of Appeals. We anticipate our hearing in Appeals to commence sometime during fiscal year 2014.

One of our Canadian subsidiaries, Vistaprint North American Services Corp., was previously under income tax examination by the Canada Revenue Agency ("CRA") for the 2006 tax year. In October 2013, we had a formal hearing before the Appeals Division of the CRA. We were subsequently notified that the case has been concluded and the audit assessments have been overturned resulting in our owing no additional tax. As a result of this finding, there are no adjustments to our income tax reserves required for the three months ended December 31, 2013.

Vistaprint USA, Incorporated is currently under review by the Office of Appeals of the Massachusetts Department of Revenue ("DOR"). The tax years under examination are 2006 to 2008. In June 2013, Vistaprint USA, Incorporated received Notices of Assessment from the DOR containing proposed adjustments to taxable income for the years 2006 to 2008. The issue in dispute is whether there was appropriate value received with respect to intangible property rights owned by Vistaprint USA, Incorporated and licensed to Vistaprint Limited during these years. In August 2013, we submitted a written protest stating our formal disagreement with the technical analysis and conclusion by the DOR and requesting our case be heard by the Office of Appeals. The hearing process with the Appeals Division officially began in October 2013 and continues to progress at the Appeals stage.

We believe that our income tax reserves associated with these matters are adequate as the positions reported on our tax returns will be sustained on their technical merits. However, final resolution is uncertain and there is a possibility that the final resolution could have a material impact on our financial condition, results of operations or cash flows.

11. Investment in Equity Interests

In December 2013, pursuant to our shareholders agreement with Namex Limited and its related companies, we increased our equity interest in Namex Limited by contributing \$4,894 in cash. This contribution is in addition to our initial investment of \$12,653 in cash and \$500 to be paid on an installment basis through December 31, 2016. Namex includes an established Chinese printing business, and the investment provides us with access to this new market and an opportunity to participate in longer-term growth in China. Our proportionate ownership share in Namex Limited as of December 31, 2013 is 45%, with additional call options to increase ownership incrementally over the coming seven years.

This investment is accounted for using the equity method. We record in net income a proportionate share of the earnings or losses of Namex, as well as amortization related to our proportionate share of the fair value of certain assets at each investment date, with a corresponding increase or decrease in the carrying value of the investment. For the three and six months ended December 31, 2013, we recorded losses of \$867 and \$1,646, respectively, attributable to Namex in our consolidated statement of operations. As of December 31, 2013, the carrying value of our Namex investment, inclusive of our share of net assets and goodwill, was \$14,466 in our consolidated balance sheet and we have a contractual loan arrangement with the majority shareholder of Namex, resulting in a loan receivable of \$512 that is due with 6.5% per annum interest on or before December 31, 2016. We do not have any other material commercial arrangements with Namex as of December 31, 2013.

We have determined that the level of equity investment at risk is not sufficient for the entity to finance its activities without additional financial support and, as a result, Namex represents a variable interest entity. However, through consideration of the most significant activities of the entity in conjunction with the collective shareholders' rights of Namex, we have concluded that we do not have the power to direct the activities that most significantly impact the entity's economic performance, and therefore we do not qualify as the primary beneficiary. Our exposure

to loss is limited to our contributed capital and the standard risks of proportionate equity ownership associated with the entity's operating performance.

In January 2014, we agreed to loan approximately \$11,000 to Namex in the form of a convertible debt instrument. We may lend additional amounts at our sole discretion over the next two years, in amounts not to exceed \$11,000. We have the option to convert any outstanding borrowings into additional share capital in fiscal 2017. If we do not exercise our conversion option, Namex is required to repay the borrowings with 7.2% per annum compounded interest on or before December 31, 2016.

12. Segment Information

Operating segments are based upon our internal organization structure, the manner in which our operations are managed and the availability of separate financial information reported internally to the Chief Executive Officer, who constitutes our Chief Operating Decision Maker ("CODM") for purposes of making decision about how to allocate resources and assess performance. We have three geographically based operating segments: North America, Europe, and Most of World, which includes our historical Asia Pacific business and global emerging markets. The CODM measures and evaluates the performance of our operating segments based on revenue and income or loss from operations.

Consistent with our historical reporting, the costs associated with shared central functions are not allocated to the reporting segments and instead are reported and disclosed under the caption "Corporate and global functions," which includes expenses related to corporate support functions, software and manufacturing engineering, and the global component of our IT operations and customer service, sales and design support. We do not allocate non-operating income to our segment results. There are no internal revenue transactions between our reporting segments and all intersegment transfers are recorded at cost for presentation to the CODM, for example, products manufactured by our Venlo, the Netherlands facility for the Most of World segment; therefore, there is no intercompany profit or loss recognized on these transactions. At this time, we do not allocate support costs across operating segments or corporate and global functions, which may limit the comparability of income from operations by segment. Our balance sheet information is not presented to the CODM on an allocated basis and therefore we do not present asset information by segment.

Revenue by segment and geography is based on the country-specific website through which the customer's order was transacted. The following tables set forth revenue and income from operations by operating segment.

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
Revenue:				
North America	\$ 189,447	\$ 167,511	\$ 354,221	\$ 311,749
Europe	161,031	159,339	255,735	249,052
Most of World	20,329	21,462	35,940	38,927
Total revenue	<u>\$ 370,807</u>	<u>\$ 348,312</u>	<u>\$ 645,896</u>	<u>\$ 599,728</u>

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
Income (loss) from operations:				
North America	\$ 67,020	\$ 55,361	\$ 121,270	\$ 97,101
Europe	54,789	39,440	73,187	56,429
Most of World	(3,770)	(88)	(5,772)	(1,872)
Corporate and global functions	(65,517)	(61,672)	(127,754)	(118,383)
Total income from operations	<u>\$ 52,522</u>	<u>\$ 33,041</u>	<u>\$ 60,931</u>	<u>\$ 33,275</u>

Enterprise Wide Disclosures:

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
United States	\$ 175,809	\$ 156,703	\$ 330,709	\$ 293,418
Non-United States (1)	194,998	191,609	315,187	306,310
Total revenue	\$ 370,807	\$ 348,312	\$ 645,896	\$ 599,728

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
Physical printed products and other (2)	\$ 350,471	\$ 327,926	\$ 604,771	\$ 559,514
Digital products/services	20,336	20,386	41,125	40,214
Total revenue	\$ 370,807	\$ 348,312	\$ 645,896	\$ 599,728

(1) Our non-United States revenue includes the Netherlands, our country of domicile. Revenue earned in any individual country outside the United States was not greater than 10% of consolidated revenue for the years presented.

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

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

	December 31, 2013	June 30, 2013
Long-lived assets (3):		
Netherlands	\$ 106,128	\$ 99,521
Canada	99,924	90,807
Australia	35,246	36,774
United States	34,940	35,943
Switzerland	28,743	4,522
Jamaica	26,340	26,730
Bermuda	7,685	14,667
India	5,506	4,429
Other	4,411	4,884
Total	\$ 348,923	\$ 318,277

(3) Excludes goodwill of \$144,483 and \$140,893, intangible assets, net of \$27,160 and \$30,337, deferred tax assets of \$4,151 and \$581 and the investment in equity interests of \$14,466 and \$11,248 as of December 31, 2013 and June 30, 2013, respectively.

13. Commitments and Contingencies

Purchase Obligations

At December 31, 2013, we had unrecorded commitments under contract of \$16,163, which were principally composed of inventory purchase commitments of approximately \$7,742, production and computer equipment purchases of approximately \$5,552, and other unrecorded purchase commitments of \$2,869.

Other Obligations

We have an outstanding installment obligation of \$ 18,153 related to the fiscal 2012 intra-entity transfer of Webs' intellectual property, 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, 2013. In addition, in November 2013 we announced our intent to create a joint venture in Japan with Plaza Create Co. Ltd. ("Plaza Create"), an established retailer in that country, during the second half of fiscal 2014. We have a contingent arrangement in which we may contribute approximately \$5,100 in cash and certain intangible assets, in exchange for share capital in the new entity. In conjunction with that agreement, we also have a contingent obligation to purchase 800,000 common shares of Plaza Create, a publicly traded company, for approximately \$4,900.

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

During the three months ended December 31, 2013, we closed our Singapore location which provided strategic and administrative support services as part of our Most of World Segment. The following table summarizes the total restructuring costs incurred during the three and six months ended December 31, 2013. There were no such charges during the three and six months ended December 31, 2012.

	Three months ended December 31,	Six months ended December 31,
	2013	2013
Employee termination benefits	\$ 2,372	\$ 2,372
Facility termination costs (1)	614	614
Total restructuring expense	\$ 2,986	\$ 2,986

(1) Inclusive of \$472 of accelerated depreciation related to property, plant and equipment.

The following table summarizes the restructuring activity for the period ended December 31, 2013:

	Employee Termination Benefits	Facility Termination Costs
Accrued restructuring balance as of June 30, 2013	\$ —	\$ —
Restructuring additions	2,372	142
Cash payments	(2,171)	(29)
Accrued restructuring balance as of December 31, 2013	\$ 201	\$ 113

During the three months ended December 31, 2013, we recognized restructuring expense of \$2,663 in general and administrative expense, \$257 in technology and development expense and \$66 in marketing and selling expense. We do not expect to incur any additional costs related to this restructuring activity in future periods, however estimates may change which could result in additional expense.

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

This Report contains forward-looking statements that involve risks and uncertainties. The statements contained in this Report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including but not limited to our statements about anticipated income and revenue growth rates, future profitability and market share, new and expanded products and services, geographic expansion and planned capital expenditures. Without limiting the foregoing, the words "may," "should," "could," "expect," "plan," "intend," "anticipate," "believe," "estimate," "predict," "designed," "potential," "continue," "target," "seek" and similar expressions are intended to identify forward-looking statements. All forward-looking statements included in this Report are based on information available to us up to, and including the date of this document, and we disclaim any obligation to update any such forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain important factors, including those set forth in this "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" and elsewhere in this Report. You should carefully review those factors and also carefully review the risks outlined in other documents that we file from time to time with the United States Securities and Exchange Commission.

Executive Overview

For the three and six months ended December 31, 2013, we reported revenue of \$370.8 million and \$645.9 million, respectively, representing 6% and 8% revenue growth over the same periods in the prior year. Our constant-currency revenue growth of 6% and 7% for the three and six months ended December 31, 2013 continues to be lower than our historical growth but consistent with our near-term expectations. Diluted earnings per share (EPS) for the three and six months ended December 31, 2013 increased to \$1.18 and \$1.20, respectively, as compared to \$0.66 and \$0.61 for the three and six months ended December 31, 2012, respectively. This increase was driven primarily by growth in revenue and better leverage of our advertising and operating expense activities. For the remainder of fiscal 2014, we expect to continue to deliver increased net income margin as a percentage of revenue and EPS improvement relative to our fiscal 2013 performance, as we realize the benefits of our recent investment strategy and operating expense efficiency. Our profitability improvement and lower revenue growth is partly the result of improvements we are making in our European customer value proposition and marketing execution. The changes create near-term revenue headwinds but we believe these are important to our overall strategy, as well as near and long-term profitability.

Our second quarter has historically been our strongest revenue and earnings period during the course of a fiscal year, due to the sale of seasonal products such as holiday cards, calendars, and photo books. This typical seasonality was a significant driver of our stronger revenue performance in the second quarter of fiscal 2014 compared to the first quarter of fiscal 2014. Revenue from seasonal products, which was a material portion of our total revenue in the second quarter of fiscal 2014, does not repeat during other quarters of our fiscal year.

Our long-term goal is to be the leading online provider of micro business marketing solutions for businesses or organizations with fewer than 10 employees. Additionally, we plan to continue to focus on key market adjacencies where we believe we can drive long-term growth by employing our unique business model and customer value proposition. These adjacencies include digital marketing services, new geographic markets, and personalized products for home and family usage.

The strategy for growth in our core micro business marketing opportunity is to make investments and drive success in the following areas:

- **Customer Value Proposition.** We believe our average customer currently spends only a small portion of their annual budget for marketing products and services with us. By shifting our success metrics from transactionally focused profit measures to longer-term customer satisfaction and economic measures, we believe we can deliver improvements to our customer experience and value proposition that will significantly increase customer loyalty and lifetime value. Examples of these programs include improving the customer experience on our site, such as ease of use, less cross selling before customers reach the checkout, expanded customer service, and pricing transparency. While we serve customers across the spectrum of micro businesses with fewer than 10 employees, our strength has traditionally been in the smallest and most price sensitive of these customers rather than those with more sophisticated marketing

needs and higher expectations. We believe the customer value proposition investments we are making will be foundational to our ability to support the needs of these higher expectations customers. We believe that a majority of the value of our core market opportunity is in these slightly larger micro businesses, and over the next several years, we hope to unlock the potential of this market segment while continuing to drive value for the price sensitive customers we have historically excelled at serving .

- *Lifetime Value Based Marketing.* We have traditionally acquired customers by targeting micro businesses who are already shopping online through marketing channels such as search marketing, email marketing, and other online advertising. We believe a significant portion of micro businesses in our core markets do not currently use online providers of marketing services. By investing more deeply into existing marketing channels, as well as opening up new channels such as television broadcast, direct mail and social media, we believe we can drive continued new customer growth and reach offline audiences that are not currently looking to online partners for their marketing needs. Regionally, we have made the most progress executing this strategy in North America, where we have gained significant campaign and channel performance data that are helping us optimize advertising efficiencies. Given our recent revenue performance in Europe, we have made more modest advertising investments in that region, as the current customer economics do not support these higher levels of investment. If we are successful in improving the European customer economics over time, we believe we could then benefit from enhanced advertising investments as we have done in North America.
- *World Class Manufacturing.* We believe our manufacturing processes are best-in-class when it comes to the printing industry. However, when compared to the best manufacturing companies in the world, we believe there is significant opportunity to drive further efficiencies and competitive advantages. By focusing additional top engineering talent on key process approaches, we believe we can make a step-function improvement in product quality and reliability, and significantly lower unit manufacturing costs. We have dedicated resources focused on improving our current processes and developing new and better tools for the future. To date, our execution of this strategy element has been strong, and we believe we have many more opportunities for further enhancements.

Our strategy to drive longer-term growth by addressing market adjacencies is to develop our business in the following areas:

- *Digital Marketing Services.* We estimate that less than 50% of micro businesses have a website today, but digital marketing services, including websites, email marketing, online search marketing and social media marketing, are a fast-growing part of the small business marketing space. We believe there is great value in helping customers understand the powerful ways in which physical and digital marketing can be combined. Our current digital offering includes websites, email marketing, local search visibility, blogs, search engine optimization, and personalized email domain names. In fiscal 2012, we acquired Webs, Inc. ("Webs") to significantly expand our ability to develop and deliver innovative, customer-focused online marketing solutions. During fiscal 2013 we introduced the Webs white-labeled Pagemodo product to Vistaprint customers and began cross-promotional offers of Vistaprint products to Webs customers. During the first quarter of fiscal 2014 we completed the integration of the Webs site builder technology into the Vistaprint website offering, and we expect that it will take several years to realize the full potential of this combination.
- *Geographies outside North America and Europe.* For the three and six months ended December 31, 2013, revenue generated outside of North America and Europe accounted for approximately 5% and 6% of our total revenue, respectively. We believe that we have significant opportunities to expand our revenue both in the countries we currently serve and in new markets. We intend to further extend our geographic reach by continuing to introduce localized websites in additional countries and languages, expanding our marketing efforts and customer service capabilities, and offering graphic design content, products, payment methodologies and languages specific to local markets. Developing a business in emerging markets is complex, and often requires local expertise and presence. To support our expansion into global emerging markets, during fiscal 2013 we launched our new website, customer service and manufacturing facility in India (after acquiring the assets and hiring the team of a local company), and also executed an indirect minority investment in a Chinese printing business. In November 2013, we announced our plan to launch a joint venture in Japan with Plaza Create, a well known retailer in that country, in the second half of fiscal 2014. We plan to continue to invest in these and potentially additional markets in the near term, as they could drive significant growth in the longer term, but expect that these investments will be dilutive to earnings for multiple years and will not become a material source of revenue for the foreseeable future.

- Home and Family.* Although we expect to maintain our primary focus on micro business marketing products and services, we also participate in the market for customized home and family products such as invitations, announcements, calendars, holiday cards, embroidered products, and apparel. We continue to add new products and services targeted at the home and family market. We believe that the economies of scale provided by cross sales of these products to our extensive micro business customer base, our large production order volumes and our integrated design and production software and facilities support and will continue to support our effort to profitably grow our home and family business. We expanded our product offerings in fiscal 2012 through the acquisition of Albumprinter, a leading provider of photo books and other photo products in Europe. In fiscal 2013, we began offering Albumprinter white-labeled photo books to Vistaprint customers in Europe. During fiscal 2014, we continue to focus on enhancements of home and family content for our customers by augmenting our already large creative base with more modern offerings and upgraded substrates for key products such as invitations and announcements, as well as improvements for our various photo products.

Results of Operations

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
As a percentage of revenue:				
Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue	32.6 %	32.8 %	33.5 %	33.7 %
Technology and development expense	11.5 %	11.5 %	13.2 %	13.0 %
Marketing and selling expense	33.5 %	38.6 %	35.1 %	39.1 %
General and administrative expense	8.2 %	7.6 %	8.8 %	8.7 %
Income from operations	14.2 %	9.5 %	9.4 %	5.5 %
Other expense, net	(0.9)%	(0.1)%	(1.2)%	(0.1)%
Interest expense, net	(0.4)%	(0.4)%	(0.5)%	(0.4)%
Income before income taxes and loss in equity interests	12.9 %	9.0 %	7.7 %	5.0 %
Income tax provision	1.6 %	2.3 %	1.1 %	1.4 %
Loss in equity interests	0.2 %	0.1 %	0.3 %	0.1 %
Net income	11.1 %	6.6 %	6.3 %	3.5 %

In thousands

	Three Months Ended December 31,			Six Months Ended December 31,		
	2013	2012	2013 vs. 2012	2013	2012	2013 vs. 2012
Revenue	\$ 370,807	\$ 348,312	6%	\$ 645,896	\$ 599,728	8%

Revenue

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

We seek to increase our revenue by increasing the number of customers who purchase from us (“unique active customers”), as well as the amount our customers spend on our offerings (“average bookings per unique active customer”). We use the combination of unique active customers and average bookings per unique active customer to describe our revenue performance as this approach is aligned with the way we manage our business and our efforts to increase our revenue. We believe that metrics relating to our unique active customers and average bookings per unique active customer offer shareholders a useful means of assessing our execution against our strategy. Because changes in one of these metrics may be offset by changes in the other metric, no single factor is determinative of our revenue and profitability trends, and we assess them together to understand their overall impact on revenue and profitability. A number of factors influence our ability to drive increases in these metrics:

- *Unique active customers.* The consolidated unique active customer count is the number of individual customers who purchased from us in a given period, with no regard to the frequency of purchase. For example, if a single customer makes two distinct purchases within a twelve-month period or is a distinct customer purchasing from Vistaprint and Albumprinter, that customer is tallied only once in the unique active customer count. We determine the uniqueness of a customer by looking at certain customer data. Unique active customers are driven by both the number of new customers we acquire, as well as our ability to retain customers after their first purchase. During our early growth phase, we focused more resources on the acquisition of new customers through the value of our offering and our broad-based marketing efforts targeted at the mass market for micro business customers. As we have grown larger, our acquisition focus has been supplemented with expanded retention efforts, such as email offers, customer service, and expanding our product offering. Our unique active customer count has grown significantly over the years, and we expect it will continue to grow as we see additional opportunity to drive both new customer acquisitions as well as increased retention rates. A retained customer is any unique customer in a specific period who has also purchased in any prior period.
- *Average bookings per unique active customer.* Average bookings per unique active customer is total bookings, which represents the value of total customer orders received on our websites, for a given period of time divided by the total number of unique active customers, regardless of brand, who purchased during that same period of time. We seek to increase average bookings per unique active customer as a means of increasing revenue. Average bookings per unique active customer are influenced by the frequency that a customer purchases from us, the number of products and feature upgrades a customer purchases in a given period, as well as the mix of tenured customers versus new customers within the unique active customer count, as tenured customers tend to purchase more than new customers. Average bookings per unique active customer have grown over a multi-year period, though they do sometimes fluctuate from one quarter to the next depending upon the type of products we promote during a period and promotional discounts we offer. For example, among other things, seasonal product offerings, such as holiday cards, can cause changes in bookings per customer in our second fiscal quarter ended December 31.

Revenue for the three months ended December 31, 2013 increased 6% to \$370.8 million compared to the three months ended December 31, 2012 due to increases in sales across our product and service offerings. The North American business continued to deliver solid performance with 14% constant-currency revenue growth during our peak holiday season. Our European business delivered results broadly in line with our expectations with a decline in constant-currency revenue of 2% during the quarter ended December 31, 2013, as compared to the prior comparative period. We continue to expect our fiscal 2014 European revenue growth rate to remain below our historical trends as we reduce certain advertising expenditures with lower returns to make more focused investments in the region. Most of World constant-currency revenue growth declined to 6% from 24% in the prior comparative period, because we have reached relative maturity in certain markets that currently comprise a majority of the region's revenue activity.

Revenue for the six months ended December 31, 2013 increased 8% to \$645.9 million compared to the six months ended December 31, 2012 due to increases in sales across our product and service offerings. The number of consolidated unique active customers increased by 2% to 16.9 million, supported by strong customer retention which contributed positively to our 8% reported revenue growth. The North American business continued to deliver solid performance with 14% constant-currency revenue growth, leveraging successful programs to drive customer value that we started two years ago. During the six months ended December 31, 2013, our European business experienced a 1% decline in constant-currency revenue as we continue to execute marketing improvement initiatives. Most of World constant-currency revenue grew 4% as compared to the prior period. We are implementing changes to our global customer value proposition that we believe will generate higher revenues in the long-term but that create pressure on growth in the near term.

We monitor unique active customers and average bookings per unique active customer on a trailing twelve-month, or TTM, basis. We have historically reported these metrics for our Vistaprint-branded business only; however, in fiscal 2014 we began including the Albumprinter and Webs activity since their respective acquisition dates. We have revised the December 31, 2012 information and presented it on a consolidated basis for comparative purposes. The following table summarizes our consolidated operational revenue metrics for the period ended December 31, 2013 and 2012:

	TTM Ended December 31,		
	2013	2012	% Increase/(Decrease)
Unique active customers	16.9 million	16.6 million	2 %
<i>New customers</i>	10.0 million	10.5 million	(5)%
<i>Retained customers</i>	6.9 million	6.1 million	13 %
Average bookings per unique active customer	\$ 72	\$ 67	7 %
<i>New customers</i>	\$ 53	\$ 50	6 %
<i>Retained customers</i>	\$ 100	\$ 96	4 %

Total revenue by geographic segment for the three and six months ended December 31, 2013 and 2012 is shown in the following table:

<i>In thousands</i>	Three Months Ended December 31,			Currency Impact: (Favorable)/Unfavorable	Constant- Currency Revenue Growth (1)
	2013	2012	% Change		
North America	\$ 189,447	\$ 167,511	13%	1%	14%
Europe	161,031	159,339	1%	(3)%	(2)%
Most of World	20,329	21,462	(5)%	11%	6%
Total revenue	\$ 370,807	\$ 348,312	6%	—%	6%

<i>In thousands</i>	Six Months Ended December 31,			Currency Impact: (Favorable)/Unfavorable	Constant- Currency Revenue Growth (1)
	2013	2012	% Change		
North America	\$ 354,221	\$ 311,749	14%	—%	14%
Europe	255,735	249,052	3%	(4)%	(1)%
Most of World	35,940	38,927	(8)%	12%	4%
Total revenue	\$ 645,896	\$ 599,728	8%	(1)%	7%

(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 and excludes the impact of gains or losses on effective currency hedges recognized in revenue. 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.

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

<i>In thousands</i>	Three Months Ended December 31,			Six Months Ended December 31,		
	2013	2012	2013 vs. 2012	2013	2012	2013 vs. 2012
Cost of revenue	\$ 120,789	\$ 114,150	6%	\$ 216,579	\$ 202,177	7%
<i>% of revenue</i>	32.6%	32.8%		33.5%	33.7%	
Technology and development expense	\$ 42,874	\$ 40,045	7%	\$ 85,121	\$ 77,702	10%
<i>% of revenue</i>	11.5%	11.5%		13.2%	13.0%	
Marketing and selling expense	\$ 124,128	\$ 134,364	(8)%	\$ 226,561	\$ 234,361	(3)%
<i>% of revenue</i>	33.5%	38.6%		35.1%	39.1%	
General and administrative expense	\$ 30,494	\$ 26,712	14%	\$ 56,704	\$ 52,213	9%
<i>% of revenue</i>	8.2%	7.6%		8.8%	8.7%	

Cost of revenue

Cost of revenue includes materials used to manufacture our products, payroll and related expenses for

production personnel, depreciation of assets used in the production process and in support of digital marketing service offerings, shipping, handling and processing costs, third-party production costs, costs of free products and other related costs of products sold by us. Cost of revenue as a percent of revenue improved during the current three and six month periods due to favorable pricing and manufacturing process efficiencies.

The increase in cost of revenue of \$6.6 million for the three months ended December 31, 2013, as compared to the prior period was primarily due to an increase in volumes produced. We incurred incremental shipping expenses of \$2.4 million as our customers preferred expedited delivery methods during the fiscal 2014 holiday season as compared to the prior year period. Overhead and other related expenses increased \$1.6 million as compared to the prior comparative period and our indirect labor expense grew by \$0.9 million due to a prolonged retention period for our temporary labor staff.

The increase in cost of revenue of \$14.4 million for the six months ended December 31, 2013, as compared to the prior period, was primarily due to an increase in volumes produced. We incurred incremental shipping and temporary labor related costs of \$3.2 million and \$2.4 million, respectively. The prior year period included a benefit from a non-cash gain related to a free piece of equipment of \$1.4 million in our European operations that did not occur in fiscal 2014 and therefore contributed to the \$3.6 million increase in overhead and other related expenses during the six months ended December 31, 2013.

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

The growth in our technology and development expenses of \$2.8 million and \$7.4 million for the three and six months ended December 31, 2013, respectively, as compared to the prior comparative periods was primarily due to increased compensation and facility-related costs of \$2.3 million and \$7.1 million, respectively, inclusive of restructuring-related expenses of \$0.3 million. We have increased headcount in our technology development and information technology support organizations to 799 employees at December 31, 2013, compared to 741 employees at December 31, 2012. Additionally, other technology and development expenses increased \$0.9 million and \$1.0 million, respectively, as compared to the prior comparative periods primarily due to increased recruitment, hosting services and other costs related to continued investment in our infrastructure. These expense increases were partially offset during the three and six months ended December 31, 2013 by higher capitalization of software costs of \$0.4 million and \$0.7 million, respectively, due to an increase in current costs that qualify for capitalization during the fiscal year.

Marketing and selling expense

Marketing and selling expense consists primarily of advertising and promotional costs; payroll and related expenses for our employees engaged in marketing, sales, customer support and public relations activities; amortization of certain acquired intangible assets, including customer relationships and trade names; and third-party payment processing fees.

The decrease in our marketing and selling expenses of \$10.2 million and \$7.8 million for the three and six months ended December 31, 2013, respectively, as compared to the prior comparative periods was primarily due to decreased advertising costs of \$12.3 million and \$14.4 million, respectively, as we executed more strategically focused marketing spend in the given periods, particularly in Europe. This reduction in spend was partially offset by increased payroll, share-based compensation and facility-related costs of \$1.5 million and \$4.9 million, respectively, during the three and six months ended December 31, 2013 as compared to the prior periods. We continue to expand our marketing organization and our customer service, sales and design support centers. At December 31, 2013, we employed 1,839 employees, compared to 1,678 employees at December 31, 2012. In addition, during the three and six months ended December 31, 2013 other marketing and selling expenses increased by \$0.6 million and \$1.7 million, respectively, due to increased outside service costs, payment processing fees, and other marketing costs.

General and administrative expense

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

The increase in our general and administrative expenses of \$3.8 million for the three months ended December 31, 2013, as compared to the same prior year period, was primarily due to \$2.7 million of restructuring expense for the closure of our Singapore office in our Most of World operations and increased professional fees of \$2.6 million incurred for certain strategic initiatives. These increases were partially offset by a net decrease of \$1.5 million primarily related to reduced payroll, share-based compensation and recruiting costs. At December 31, 2013, we employed 396 employees in these organizations compared to 405 employees at December 31, 2012.

The growth in our general and administrative expenses of \$4.5 million for the six months ended December 31, 2013, as compared to the prior comparative period was primarily due to increased restructuring expenses of \$2.7 million for the closure of our Singapore office in our Most of World operations during the quarter ended December 31, 2013. In addition, we had increased professional fees and payroll related costs of \$1.8 million and \$1.4 million, respectively, as compared to the prior fiscal 2013 period. These amounts were offset by a decrease in share-based compensation of \$0.7 million and a decrease in other general and administrative expenses of \$0.7 million.

Other expense, net

Other expense, net, 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 our derivative instruments. The increase in other expense, net to \$3.2 million and \$8.0 million for the three and six months ended December 31, 2013, respectively, as compared to \$0.3 million and \$0.8 million, respectively, for the prior year periods, is primarily due to the net loss of \$1.2 million and \$6.5 million recognized for our currency forward contracts for which we did not seek hedge accounting. In evaluating our currency hedging program and ability to achieve hedge accounting in light of certain changes in 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 currency forward contracts that do not qualify for hedge accounting. As a result, during the three and six months ended December 31, 2013, we have experienced increased volatility within other expense, net in our consolidated statements of operations from unrealized gains and losses on the mark-to-market of outstanding currency forward contracts. We expect this volatility to continue in future periods for contracts for which we do not apply hedge accounting.

In addition, changes in our corporate entity operating structure, effective on October 1, 2013 impacted our intercompany transactional and financing activities and have resulted in increased unrealized currency exchange rate losses of \$3.4 million and \$2.9 million for the three and six months ended December 31, 2013, respectively, partially offset by realized currency gains of \$1.4 million and \$1.3 million for the same periods. We may experience increased volatility in exchange rate gains and losses in future periods as a result of these changes.

Interest expense, net

Interest expense, net, which consists primarily of interest paid to financial institutions on outstanding balances on our credit facility and amortization of debt issuance costs was \$1.6 million and \$3.1 million for the three and six months ended December 31, 2013, respectively. The increase in interest expense, net as compared to the prior year periods is principally the result of increased borrowings under our credit facility.

Income tax provision

	Three Months Ended December 31,		Six Months Ended December 31,	
	2013	2012	2013	2012
Income tax provision	\$ 6,005	\$ 8,189	\$ 6,820	\$ 8,323
Effective tax rate	12.6%	26.0%	13.7%	27.7%

Income tax expense was \$6.0 million and \$6.8 million for the three and six months ended December 31, 2013, respectively, as compared to \$8.2 million and \$8.3 million, respectively, for the same prior year periods. The

decrease is primarily attributable to tax benefits resulting from changes to our corporate entity operating structure that became effective on October 1, 2013 and a lower annual effective tax rate relative to fiscal 2013. We made the changes to our corporate entity operating structure, which included transferring our intellectual property among certain of our subsidiaries, primarily to align our corporate entities with our evolving operations and business model. Additionally, income tax expense for the same periods in fiscal 2013 was reduced by a one-time currency exchange related tax benefit of \$1,918 recognized by one of our Canadian subsidiaries.

On an annual basis, our income tax expense for the majority of our subsidiaries is a function of our operating expenses and cost-based transfer pricing methodologies and not a function of consolidated pre-tax income. As a result, our consolidated annual effective tax rate will typically vary inversely to changes in our consolidated pre-tax income. For fiscal 2014 we are forecasting a lower consolidated annual effective tax rate as compared to 2013, primarily as a result of higher consolidated pre-tax earnings as compared to 2013 and changes to our geographic mix of earnings. Additionally, our fiscal 2014 consolidated annual effective tax rate will be further reduced by tax benefits recognized as a result of the changes to our corporate entity operating structure.

We are currently under income tax audits in various jurisdictions. We believe that our income tax reserves associated with these matters are adequate as the positions reported on our tax returns will be sustained on their technical merits. However, final resolution is uncertain and there is a possibility that it could have a material impact on our financial condition, results of operations or cash flows. See Note 10 in our accompanying financial statements for additional discussion.

Loss in Equity Interest

We have an indirect investment in a Chinese printing business as of December 31, 2013. Our share of the loss for the three and six months ended December 31, 2013 was \$0.9 million and \$1.6 million, respectively, and \$0.3 million and \$0.4 million, respectively, for the comparative prior periods. See Note 11 in our accompanying consolidated financial statements for additional discussion.

Liquidity and Capital Resources

Consolidated Statements of Cash Flows Data:

In thousands

	Six Months Ended December 31,	
	2013	2012
Net cash provided by operating activities	\$ 94,904	\$ 95,183
Net cash used in investing activities	(51,564)	(70,393)
Net cash used in financing activities	(32,395)	(23,691)

At December 31, 2013, we had \$62.3 million of cash and cash equivalents and \$204.5 million of outstanding debt. Cash and cash equivalents increased \$12.2 million during the six months ended December 31, 2013. The cash flows during the six months ended December 31, 2013 related primarily to the following items:

Cash inflows:

- Net income of \$41.3 million;
- Positive adjustments to accrual based net income for non-cash items of \$47.7 million primarily related to depreciation and amortization of \$32.5 million and share-based compensation costs of \$16.3 million; and
- Proceeds from borrowing of long-term debt of \$67.0 million.

Cash outflows:

- Capital expenditures of \$42.2 million of which \$22.9 million were related to the purchase of manufacturing and automation equipment for our production facilities, \$7.1 million were related to the construction of facilities, and \$12.2 million were related to purchases of other assets, including information technology infrastructure and office equipment;

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- Repayments of long-term debt and debt issuance costs of \$101.6 million;
- Increased equity investment in Namex Limited of \$5.0 million; and
- Internal costs for software and website development that we have capitalized of \$4.4 million.

Additional Liquidity and Capital Resources Information. During the six months ended December 31, 2013, we financed our operations and strategic investments in capital expenditures through internally generated cash flows from operations and our debt financing. We currently plan to invest approximately \$80 million to \$90 million in total capital expenditures in fiscal 2014. Due to our recent investments, our current liabilities continue to exceed our current assets; however, we believe that our available cash, cash flows generated from operations, and our debt financing capacity will be sufficient to satisfy our working capital and planned investments to support our long-term growth strategy, including investments in joint ventures and other strategic initiatives, capital expenditure requirements and any share purchase activity, for the foreseeable future.

At December 31, 2013, approximately \$61.1 million of our cash and cash equivalents was held by our subsidiaries; and undistributed earnings of our subsidiaries that are considered to be indefinitely reinvested were \$143.9 million. However, we do not intend to repatriate such funds as the cash and cash equivalent balances are generally used and available, without legal restrictions, to fund ordinary business operations and investments of the respective subsidiaries. If there is a change in the future, the repatriation of undistributed earnings from certain subsidiaries, in the form of dividends or otherwise, could have tax consequences that may result in material cash outflows.

Debt. On January 17, 2014, we entered into an amendment to our credit agreement resulting in an increase to aggregate loan commitments under the credit agreement by \$303.8 million, to a total of \$800.0 million by adding new lenders and increasing the commitments of several existing lenders. The new loan commitments consist of revolving loans of \$640.0 million and a term loan of \$160.0 million. The amendment did not result in any material changes to our debt covenants.

In the next twelve months we may use, as needed, our revolving credit facility or additional sources of borrowings in order to fund our ongoing operations, support our long-term growth through strategic investments, or purchase our ordinary shares. We have other financial obligations that constitute additional indebtedness based on the definitions within the credit facility. As of December 31, 2013, the amount available for borrowing under our credit facility was as follows, not including the subsequent amendment to our credit agreement described above:

	December 31, 2013
<i>In thousands</i>	
Maximum aggregate available borrowing amounts	\$ 496,250
Outstanding borrowings of credit facility	204,500
Remaining amount	291,750
Limitations to borrowing due to debt covenants and other obligations (1)	(2,082)
Amount available for borrowing as of December 31, 2013 (2)	\$ 289,668

(1) Our borrowing ability can be limited by our debt covenants each quarter. These covenants may limit our borrowing capacity depending on our leverage, other indebtedness, such as installment obligations and letters of credit, and other factors that are outlined in our credit agreement filed as an exhibit in our Form 8-K filed on February 13, 2013 and January 22, 2014.

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

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

- (1) The credit agreement contains financial covenants calculated on a trailing twelve month, or TTM, basis that:
- our consolidated leverage ratio, which is the ratio of our consolidated indebtedness (*) to our TTM consolidated EBITDA (*), will not exceed (i) 3.5 during the period from December 31, 2012 through December 31, 2013; (ii) 3.25 during the period from March 31, 2014 through December 31, 2014; and (iii) 3.0 after March 31, 2015; and
 - our interest coverage ratio, which is the ratio of our consolidated EBITDA to our consolidated interest expense, will be at least 3.0.

(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 revolving credit facility.

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

(*) The definitions of EBITDA and consolidated indebtedness are maintained in the credit agreement included as an exhibit to Form 8-K filed on February 13, 2013 and January 22, 2014.

At December 31, 2013, we were in compliance with all financial and other covenants under the credit agreement in effect at that time.

Contractual Obligations

Contractual obligations at December 31, 2013 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	\$ 49,959	\$ 13,270	\$ 22,234	\$ 7,691	\$ 6,764
Purchase commitments	16,163	16,163	—	—	—
Debt	222,933	20,112	32,934	169,887	—
Other	28,153	13,213	6,539	6,702	1,699
Total (1)	\$ 317,208	\$ 62,758	\$ 61,707	\$ 184,280	\$ 8,463

(1) We may be required to make cash outlays related to our unrecognized tax benefits. However, due to the uncertainty of the timing of future cash flows associated with our unrecognized tax benefits, we are unable to make reasonably reliable estimates of the period of cash settlement, if any, with the respective taxing authorities. Accordingly, unrecognized tax benefits of \$6.1 million as of December 31, 2013 have been excluded from the contractual obligations table above. For further information on unrecognized tax benefits, see Note 10 to the accompanying consolidated financial statements.

Operating Leases. We rent office space under operating leases expiring on various dates through 2024. Future rental payments required under our leases are an aggregate of approximately \$50.0 million. The terms of certain lease agreements require security deposits in the form of bank guarantees and a letter of credit in the amounts of \$1.7 million and \$2.2 million, respectively. In July 2013, we executed a lease for an eleven-year term to move our Lexington, Massachusetts operations to a new facility in Waltham, Massachusetts, that is expected to commence in the second half of calendar 2015. The table above includes the lease payments associated with our current lease but no future lease payments associated with the new facility as the lease is contingent on certain future events, including the receipt by the landlord of certain building permits that have not yet all been approved. If the contingencies are resolved, the cash expected to be paid ratably over the initial eleven-year term of the lease is approximately \$119.6 million starting in September 2015, partially offset by a reduction in the commitments under our existing lease.

Purchase Obligations. At December 31, 2013, we had unrecorded commitments under contract of \$16.2 million, which were principally composed of inventory purchase commitments of approximately \$7.7 million, production and computer equipment purchases of approximately \$5.6 million, and other unrecorded purchase commitments of approximately \$2.9 million.

Debt. The term loan outstanding under our credit facility has repayments due on various dates through February 8, 2018, with the revolving loans due on February 8, 2018. Interest payable included in this table is based on the interest rate as of December 31, 2013 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.

Other Obligations. Included above is an installment obligation of \$18.2 million related to the fiscal 2012 intra-entity transfer of Webs' intellectual property, 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, 2013. In addition, in November 2013 we announced our intent to create a joint venture in Japan with Plaza Create, an established retailer in that country, during the second half of fiscal 2014. We have a contingent arrangement in which we may contribute approximately \$5.1 million in cash and certain intangible assets in exchange for share capital in the new entity. In conjunction with that agreement, we also have a contingent obligation to purchase 800,000 common shares of Plaza Create, a publicly traded entity, for approximately \$4.9 million.

Recently Issued or Adopted Accounting Pronouncements

None.

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 long-term debt. As of December 31, 2013, our cash and cash equivalents consisted of standard depository accounts which are held for working capital purposes. Due to the nature of our cash and cash equivalents, we do not believe we have a material exposure to interest rate fluctuations.

As of December 31, 2013, we have \$204.5 million of total U.S. dollar denominated variable rate debt and a \$ 18.2 million 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, we execute interest rate swap contracts to fix the interest rate on a portion of our outstanding long-term debt with varying maturities. As of December 31, 2013, 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 \$1.6 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. Our international revenues, as well as costs and expenses denominated in currencies other than the U.S. dollar, expose us to the risk of fluctuations in exchange rates of such currencies versus the U.S. dollar. Our most significant net currency exposures are the British pound, Canadian dollar and Swiss Franc, although our exposures to these and other currencies fluctuate, particularly in our fiscal second quarter. 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 and cash flows 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 cash flows.

We use currency forward contracts to protect our forecasted U.S. dollar-equivalent cash flows from adverse changes in currency exchange rates. These hedging contracts reduce, but do not entirely eliminate, the impact of adverse currency exchange rate movements. We have executed currency forward contracts that do not qualify for hedge accounting. As a result, we may experience volatility in our consolidated statements of operations due to (i) the impact of unrealized gains and losses reported in other expense, net on the mark-to-market of outstanding contracts and (ii) realized gains and losses recognized in other expense, net, whereas the offsetting 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.
- *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, net on the consolidated statements of operations.

Our subsidiaries have intercompany accounts that are eliminated in consolidation and cash and cash equivalents denominated in various currencies that expose us to fluctuations in currency exchange rates. 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. A hypothetical decrease in exchange rates of 10% against the functional currency of our subsidiaries would have resulted in an increase of \$6.7 million and \$4.7 million on our income before taxes for the three months ended December 31, 2013 and 2012, respectively. Changes in our corporate entity operating structure, effective on October 1, 2013, resulted in changes in our intercompany transactional and financing activities that may cause increased volatility in exchange rate gains and losses in future periods. Additionally, some of our subsidiaries prepare tax returns in currencies other than their functional currency.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and our chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2013. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, 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 Securities 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 Securities 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, 2013, 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.

There were no other changes in our internal control over financial reporting during the fiscal quarter ended December 31, 2013 that materially affect, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

We caution that 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. Many factors mentioned in the discussion below will be important in determining future results. Consequently, no forward-looking statement can be guaranteed. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Risks Related to Our Business

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

We may not achieve the objectives of the long-term investment and financial strategy we originally announced in July 2011, our associated financial projections relating to the long-term growth of our business may turn out to be incorrect, and our investments in our business may fail to positively impact our revenue or earnings per share, or EPS, growth as anticipated. Some of the factors that could cause our investment strategy and our overall business strategy to fail to achieve our objectives include, among others:

- our failure to adequately execute our operational strategy or anticipate and overcome obstacles to achieving our strategic goals;
- our failure to make our intended investments because the investments are more costly than we expected or because we are unable to devote the necessary operational and financial resources;
- our inability to purchase or develop technologies and production platforms to increase our efficiency, enhance our competitive advantage and scale our operations;
- the failure of our current supply chain to provide the resources we need and our inability to develop new or enhanced supply chains;
- our failure to acquire new customers and enter new markets, retain our current customers, and sell more products to current and new customers;
- our failure to identify and address the causes of our revenue weakness in selected markets, in particular Europe;
- our failure to sustain growth in relatively mature markets;
- our failure to promote, strengthen, and protect our brands;
- the failure of our current and new marketing channels to attract customers;
- our failure to manage the growth and complexity of our business and expand our operations;
- our failure to realize our net income goals due to lower revenue or higher than expected costs;
- our failure to acquire businesses that enhance the growth and development of our business or to effectively integrate the businesses we do acquire into our business;
- unanticipated changes in our business, current and anticipated markets, industry, or competitive landscape; and

- general economic conditions.

In addition, projections are inherently uncertain and are based on assumptions and judgments by management that may be flawed or based on information about our business and markets that may change in the future in ways that may be beyond our control. Our actual results may differ materially from our projections due to various factors, including but not limited to the factors listed immediately above and in the risk factor below entitled "Our quarterly financial results will often fluctuate," which is also applicable to longer term results.

If our strategy is not successful, or if there is a market perception that our strategy is not successful, then our revenue and earnings may not grow as anticipated or may decline, we may not be profitable, our reputation and brand may be damaged, and the price of our shares may decline. In addition, we may change our financial strategy or other components of our overall business strategy if we believe our current strategy is not effective, if our business or markets change, or for other reasons, which may cause fluctuations in our financial results and volatility in our share price.

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, e-mail, direct mail, advertising banners and other online links, broadcast media, and word-of-mouth customer referrals. If we are not effective at reaching new and repeat customers, if the costs of attracting customers using our current methods significantly increase, or if we are unable to develop new cost-effective means to obtain customers, then traffic to our websites would be reduced, and our business and results of operations would be harmed.

In addition, our internal research shows that an increasing number of current and potential customers access our websites using smart phones or tablet computing devices and that our website visits using traditional desktop computers may be declining. Designing and purchasing custom designed products on a smart phone, tablet, or other mobile device is more difficult than doing so with a traditional computer due to limited screen sizes and bandwidth constraints. Beyond these generic difficulties with a mobile device, our technology is not currently optimized for mobile devices, and the development of mobile-oriented user interfaces and other technologies is complex. Although we are investing to update our technology to be more effective on mobile devices and have made some mobile functionality available to our customers, we cannot predict the success of those investments. We also rely heavily on email to contact and market to our customers, and we believe we may be losing potential sales to customers who use mobile devices to skim and then delete emails without opening them. If we fail to make changes to our websites, technologies, and marketing methods to facilitate the design and purchase of our products with mobile devices, or if the market shift to mobile devices accelerates faster than we are able to make the necessary changes, then we could find it increasingly difficult to attract new and repeat visitors to our websites and convert these visitors to customers, and our revenue could decline.

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

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

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

- delayed shipments or shipments of incorrect or damaged products;
- lack of access to the Internet; and
- the inconvenience associated with returning or exchanging purchased items.

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

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

Our quarterly financial results will often fluctuate, which may lead to volatility in our share price.

Our revenues and operating results often vary significantly from quarter to quarter due to a number of factors, some of which are inherent in our business strategies but many of which are outside of our control. We target annual, rather than quarterly, EPS objectives which can lead to fluctuations in our quarterly results. Other factors that could cause our quarterly revenue and operating results to fluctuate include among others:

- seasonality-driven or other variations in the demand for our products and services;
- currency and interest rate fluctuations, which affect our revenues and costs;
- hedge activity that does not qualify for hedge accounting;
- 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 product mix toward less profitable products;
- 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;
- investments in our business to generate or support revenues and operations in future periods, such as incurring marketing, engineering or consulting expenses in a current period for revenue growth or support in future periods;
- expenses and charges related to our compensation agreements with our executives and employees;
- costs and charges resulting from litigation;
- significant increases in credits, beyond our estimated allowances, for customers who are not satisfied with our products;
- changes in our income tax rate;

- costs to acquire businesses or integrate our acquired businesses;
- impairments of our tangible and intangible assets including goodwill; and
- the results of our minority investments.

We base our operating expense budgets in part on expected revenue trends. A portion 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 adjust spending quickly enough to offset any revenue shortfall. Accordingly, any shortfall in revenue may cause significant variation in operating results in any quarter. Based on the above factors, among others, we believe that quarter-to-quarter comparisons of our operating results may not be a good indication of our future performance. 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.

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

Our second fiscal quarter includes the majority of the holiday shopping season and in each of the last three fiscal years has accounted for more of our revenue and earnings than any other quarter, primarily due to higher sales of home and family products such as holiday cards, calendars, photo books, and personalized gifts. We believe our second fiscal quarter is likely to continue to account for a disproportionate amount of our revenue and earnings for the foreseeable future. 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 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. If we are unable to accurately forecast and respond to seasonality in our business, our business and results of operations may be materially harmed.

A significant portion of our revenues and expenses are transacted in currencies other than the U.S. dollar, our reporting currency. We therefore have currency exchange risk, despite our efforts to mitigate such risk through our currency hedging program.

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 denominated in currencies other than the U.S. dollar. For example, when currency exchange movements are unfavorable to our business, the U.S. dollar equivalent of our revenue and operating income recorded in other currencies is diminished, particularly in certain currencies where we have disproportionate revenues or expenses. While we engage in hedging activities to try to partially mitigate the impact of currency exchange rate fluctuations, our revenue and results of operations may differ materially from expectations as a result of such fluctuations. As we expand our revenues and operations throughout the world and to additional currencies, our exposure to currency exchange rate fluctuations is increasing. Additionally, our income tax rate may be impacted by fluctuations in currency exchange rates in jurisdictions where our tax returns are prepared in a currency other than the functional currency.

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

We are growing rapidly. We currently operate production facilities or offices in 14 countries and have approximately 30 localized websites to serve various geographic markets. We expect to establish operations 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 where we establish operations, and in some cases we may choose to cease operations in a particular region, as we have for example in Singapore, which may be costly to us. We are subject to a number of risks and challenges that relate to our global operations and expansion, including, among others:

- difficulty managing operations in, and communications among, multiple locations and time zones;
- difficulty complying with multiple tax laws, treaties, and regulations and limiting our exposure to onerous or unanticipated taxes, duties, and other costs;

- local regulations that may restrict or impair our ability to conduct our business as planned;
- protectionist laws and business practices that favor local producers and service providers;
- our inexperience in marketing and selling our products and services within unfamiliar countries and cultures;
- our failure to properly understand and develop graphic design content and product formats appropriate for local tastes;
- disruptions caused by political and social instability that may occur in some countries;
- corrupt business practices, such as bribery, that may be common in some countries;
- difficulty expatriating our earnings from some countries;
- disruptions or cessation of important components of our international supply chain;
- the challenge of complying with disparate laws in multiple countries;
- restrictions imposed by local labor practices and laws on our business and operations; and
- failure of local laws to provide a sufficient degree of protection against infringement of our intellectual property.

To manage our operations and anticipated growth, we must continue to refine our operational, financial, and management controls, human resource policies, reporting systems, and procedures in the locations in which we operate. If we are unable to implement improvements to these systems and controls in an efficient or timely manner or if we discover deficiencies in our existing systems and controls, then our ability to provide a high-quality customer experience could be harmed, which would damage our reputation and brands and substantially harm our business and results of operations.

Acquisitions and strategic investments may be disruptive to our business.

A component of our strategy is to selectively pursue acquisitions of businesses, technologies, or services and invest in businesses and joint ventures. The time and expense associated with finding suitable businesses, technologies, or services to acquire or invest in can be disruptive to our ongoing business and divert our management's attention. In addition, we may need 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. For example, to finance the acquisitions we completed in fiscal 2012, we borrowed amounts under our credit facility.

In addition, integrating newly acquired businesses, technologies, and services and monitoring and managing our investments and joint ventures are complex, expensive, time consuming and subject to many risks, including the following:

- We may not be able to retain customers and key employees of the acquired businesses, and we and the businesses we acquire or invest in may not be able to cross sell products and services to each other's customers.
- In some cases, our acquisitions and investments are dilutive for a period of time, leading to reduced earnings. For example, both the Albumprinter and Webs acquisitions have resulted in additional amortization and share-based compensation expense, and the Namex investment has been dilutive to our earnings.
- An acquisition or investment may fail to achieve our goals and expectations because we fail to integrate the acquired business, technologies, or services effectively, the integration is more expensive or takes more time than we anticipated, the management of our investment is more expensive or takes more

resources than we expected, or the business we acquired or invested in does not perform as well as we expected.

- Acquisitions can result in large write-offs including impairments of goodwill and intangible assets, assumptions of contingent or unanticipated liabilities, or increased tax costs.

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 in all cases to carry on these operations in the event of an interruption. Some of the events that could cause interruptions in our operations or systems are, among others:

- fire, flood, earthquake, hurricane, or other natural disaster or extreme weather;
- labor strike, work stoppage, or other issue 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; and
- human error, including but not limited to poor managerial judgment or oversight.

In particular, both Bermuda, where substantially all of the computer hardware necessary to operate our websites is located in a single facility, and Jamaica, our largest customer service, sales, and design support operation, are subject to a high degree of hurricane risk and extreme weather conditions.

We have not identified alternatives to all of our facilities, systems, supply chains and infrastructure, including production, to serve us in the event of an interruption, and if we were to find alternatives, they may not be able to meet our requirements on commercially acceptable terms or at all. In addition, we are dependent in part on third parties for the implementation and maintenance of certain aspects of our communications and production systems, and because many of the causes of system interruptions or interruptions of the production process may be outside of our control, we may not be able to remedy such interruptions in a timely manner, or at all.

Any interruptions that cause any of our websites to be unavailable, reduce our order fulfillment performance, or interfere with our manufacturing, technology, or customer service operations could result in lost revenue, increased costs, negative publicity, damage to our reputation and brand, and an adverse effect on our business and results of operations. Building redundancies into our infrastructure, systems and supply chain to mitigate these risks may require us to commit substantial financial, operational, and technical resources, in some cases before the volume of our business increases with no assurance that our revenues will increase.

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

The markets for small business marketing products and services and home and family custom products, including the printing and graphic design market, are intensely competitive, highly fragmented and geographically dispersed. The increased use of the Internet for commerce and other technological advances have allowed traditional providers of these products and services to improve the quality of their offerings, produce and deliver those products and services more efficiently, and reach a broader purchasing public. 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 results of operations. Current and potential competitors include:

- traditional storefront printing and graphic design companies;
- office superstores and other retailers targeting small business and home and family markets;
- companies offering small business or consumer websites and other digital products, including website design and hosting companies;
- wholesale printers;
- online printing and graphic design companies, many of which provide printed products and services similar to ours;
- self-service desktop design and publishing using personal computer software with a laser or inkjet printer and specialty paper;
- email marketing services companies;
- suppliers of custom apparel, promotional products and customized gifts;
- online photo product companies;
- Internet firms and retailers; and
- other digital marketing such as social media, local search directories, and other providers.

Many of our current and potential competitors have advantages over us, including longer operating histories, greater brand recognition, more focus on a given subset of our business, existing customer and supplier relationships, 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.

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. Competitors may also develop new or enhanced products, technologies or capabilities that could render many of the products, services and content we offer obsolete or less competitive, which could harm our business and results of operations.

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 results of operations, such as through a retail in-store or web-based collaborative offering. It is possible, however, that such ventures will be unsuccessful and that our competitive position and results of operations 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, and changes in our pricing strategies have a significant impact on our revenues and results of operations. Many factors can significantly impact our pricing strategies, including the costs of running our business, our competitors' pricing and marketing strategies, and the effects of inflation. We offer some free or discounted products and services as a means of attracting customers and encouraging repeat purchases, but these free offers and discounts reduce our profit margins and may not result in repeat business to increase our revenues. If we fail to meet our customers' price expectations, our business and results of operations will suffer.

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

We may need to expend significant resources to protect against security breaches or to address problems caused by breaches. Any compromise or breach of our network or the technology that we use to protect our network and our customer transaction data, including credit and debit card information, could damage our reputation and brand; expose us to losses, litigation, and possible liability; lead to the misappropriation of our proprietary information; or cause interruptions in our operations. Although we maintain network security insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on reasonable terms, or at all. In addition, some of our partners also collect information from transactions with our customers, and we may be liable or our reputation may be harmed if our partners fail to protect our customers' information or use it in a manner that is inconsistent with our practices.

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

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

We depend on search engines to attract a substantial portion of the customers who visit our websites, and losing these customers would adversely affect our business and results of operations.

Many customers access our websites by clicking through on search results displayed by search engines such as Google, Bing, and Yahoo!. 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 fewer customers click through to our websites, we could be required to resort to other more costly resources to replace this traffic, which could adversely affect our revenues and operating and net income and could harm our business.

In addition, some of our competitors purchase the term "Vistaprint" and other terms incorporating our proprietary trademarks from Google and other search engines as part of their search listing advertising. Courts do not always side with the trademark owners in cases involving search engines, and Google has refused to prevent companies from purchasing search results that use the trademark "Vistaprint." As a result, we may not be able to prevent our competitors from advertising to, and directly competing for, customers who search for the term "Vistaprint" on search engines.

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

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

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

Our customers create products that incorporate images, illustrations and fonts that we license from third parties, and any loss of the right to use these licensed materials may substantially harm our business and results of operations.

Many of the images, illustrations, and fonts incorporated in the design products and services we offer are the copyrighted property of other parties that we use under license agreements. If one or more of our licenses covering a significant amount of content were terminated, the amount and variety of content available on our websites would be significantly reduced, and we may not be able to find, license, and introduce substitute content in a timely manner, on acceptable terms, or at all.

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

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

Our credit facility contains financial and operating restrictions and covenants that may limit our access to additional credit and could negatively impact our liquidity.

Our credit facility imposes limitations on our ability to, among other things:

- incur additional indebtedness and liens outside of the credit facility;
- make certain investments, payments, or changes in our corporate structure; and
- make capital expenditures or purchase our ordinary shares in excess of certain limits.

In addition, we are required to meet certain financial covenants that are customary with this type of credit facility, and our inability to comply with these covenants could result in a default under the credit facility, which could cause us to be unable to borrow under the credit facility and may result in the acceleration of the maturity of our outstanding indebtedness under the facility. If we were unable to borrow further under the facility, we may not be able to make investments in our business to support our strategy. If the maturities were accelerated, we may not have sufficient funds available for repayment, and we could end up in bankruptcy proceedings or other similar processes or may have to refinance at unfavorable terms. In addition, our shareholders would be detrimentally impacted as shareholder value could decrease to a point of limited return. Each scenario would result in significant negative implications to our business, liquidity, and results of operations.

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

We have entered into interest rate swap and currency forward contracts to manage differences in the amount of our known or expected cash payments or receipts related to our long-term debt and operating cash flows. Our objective in using these derivatives is to manage our exposure to interest rate and currency movements. If we do not accurately forecast our future long-term debt, revenue or expenditure levels, execute contracts that do not effectively mitigate our economic exposure to variable interest 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.

Our business and results of operations may be negatively impacted by general economic and financial market conditions, and these conditions may increase the other risks that affect our business.

Many of the markets in which we operate are still experiencing economic uncertainty that we believe could have a negative impact on our business. Turmoil in the world's financial markets has materially and adversely impacted the availability of financing to a wide variety of businesses, including micro businesses, and the resulting uncertainty led to reductions in capital investments, marketing expenditures, overall spending levels, future product plans, and sales projections across industries and markets. These trends could have a material and adverse impact

on the demand for our products and services, our financial results from operations, and our ability to attract and retain employees in jurisdictions where we have significant operations.

The United States government may further increase border controls and impose duties or restrictions on cross-border commerce that may substantially harm our business by impeding our shipments into the United States from our Canadian manufacturing facility.

For the fiscal years ended June 30, 2013 and June 30, 2012 we derived 52% and 51% of our revenue, respectively, from sales to customers made through Vistaprint.com, our United States-focused website. We produce substantially all physical products for our United States customers at our facility in Ontario, Canada and the United States imposes restrictions on shipping goods into the United States from Canada. The United States also imposes protectionist measures such as customs duties and tariffs that limit free trade, some of which may apply directly to product categories that comprise 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. We have from time to time experienced delays in shipping our manufactured products into the United States as a result of these restrictions which have, in some instances, resulted in delayed delivery of orders.

In the future, the United States could impose further border controls, tariffs, and restrictions, interpret or apply regulations in a manner unfavorable to the importation of products from outside of the U.S., or take other actions that have the effect of restricting the flow of goods from Canada and other countries to the United States, up to and including shutting down the U.S.-Canadian border for an extended period of time. If we experienced greater difficulty or delays shipping products into the United States or were foreclosed from doing so, or if our costs and expenses materially increased, our business and results of operations could be harmed.

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

We rely on a combination of patent, trademark, trade secret and copyright law 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 or marks similar to ours, thereby impeding our ability to build brand identity and possibly leading to customer confusion. Any patent, trademark, or other intellectual property claims or any customer confusion related to our trademarks could be extremely costly, damage our reputation and brands, and substantially harm our business and results of operations.

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 are involved in lawsuits or disputes in which third parties claim that we infringe their intellectual property rights or that we improperly obtained or used their confidential or proprietary information. In addition, from time to time we receive letters from third parties who claim to have patent rights that cover aspects of the technology that we use in our business and that the third parties believe we must license in order to continue to use such technology.

The cost to us of any litigation or other proceeding relating to intellectual property rights, even if resolved in our favor, could be substantial. Litigation diverts our management's efforts from managing and growing our business and can create uncertainties that may make it more difficult to run our operations. If any parties successfully claim that our sale, use, manufacturing or importation of technologies infringes upon their intellectual property rights, we might be forced to pay significant damages and attorney's fees, and a court could enjoin us from performing the infringing activity, which could restrict our ability to use certain technologies important to the operation of our business.

Alternatively, we may be required to, or decide to, enter into a license with a third party that claims infringement by us. Any such license may not be made available on commercially acceptable terms, if at all. In addition, such licenses are likely to be non-exclusive, and therefore our competitors may have access to the same

technology licensed to us. If we fail to obtain a required license and are unable to design around a third party's patent, we may be unable to effectively conduct some of our business activities, which could limit our ability to generate revenues, grow our business or maintain profitability.

In addition, from time to time, we initiate lawsuits, proceedings or claims to enforce our patents, copyrights, trademarks and other intellectual property rights or to determine the scope and validity of third-party proprietary rights. Our ability to enforce our intellectual property rights is subject to general litigation risks, as well as uncertainty as to the enforceability of our intellectual property rights in various countries. In response to our actions to enforce our rights, a third party may seek to have a court or government authority determine that our intellectual property rights are invalid or unenforceable or may seek to assert alleged intellectual property rights of its own against us, either of which may adversely impact our business. Our inability to enforce our intellectual property rights may negatively impact our competitive position and 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 results of operations.

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

We face judicial and regulatory challenges to our practice of offering free products and services, which, if successful, could hinder our ability to attract customers and generate revenue.

We regularly offer free products and services as an inducement for customers to try our products and services. Although we believe that we conspicuously and clearly communicate all details and conditions of these offers, from time to time we face claims, complaints, and inquiries from our customers, competitors, governmental regulators, standards bodies, and others that our free offers are misleading or do not comply with applicable legislation or regulation. If we are compelled or determine to curtail or eliminate our use of free offers as the result of any such actions, our business prospects and results of operations could be materially harmed.

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 represent that the content they upload for production complies with all laws and that they have the right to use and reproduce that content, we do not have the ability to determine the accuracy of these representations on a case-by-case basis. There is a risk that a customer may supply an image or other content for a product order that 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 become legally obligated in the future to perform manual screening and review for all orders destined for a jurisdiction, we will encounter increased production costs or may cease accepting orders for shipment to that jurisdiction, which could substantially harm our business and results of operations. In addition, if we were held liable for actions of our customers, we could be required to pay substantial penalties, fines, or monetary damages.

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 we are unable to comply with our contractual requirements under such arrangements, then we would need to find and engage replacement providers, which we may not be able to do on terms that are acceptable to us or at all, or to process the payments ourselves. Any of these scenarios could be disruptive to our business as they could be costly and time consuming and may unfavorably impact our customers.

As we offer new payment options to our customers, we may be subject to additional regulations, compliance requirements and fraud risk. For some payment methods, including credit and debit cards, we pay interchange and other fees, which may increase over time and raise our operating costs and lower our profit margins or require that we charge our customers more for our products. We are also subject to payment card association and similar operating rules and requirements, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules and requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our customers or facilitate other types of online payments, and our business and operating results could be materially adversely affected.

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

Some of the products we sell may expose us to product liability claims relating to personal injury, death, or property damage, and may require product recalls or other actions. Although we maintain product liability insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on reasonable terms, or at all.

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

We sell our products and services primarily through our websites and from time to time we have difficulty obtaining a domain name using Vistaprint or our other trademarks in a particular country or region. The requirements for obtaining domain names vary from region to region and are subject to change, and the relationship between the regulations governing domain names and the laws protecting trademarks and similar proprietary rights is unclear. We may not be able to prevent third parties from acquiring domain names that infringe or otherwise decrease the value of our trademarks and other proprietary rights. If we are unable to use a domain name in a particular country, then we could be forced to purchase the domain name from an entity that owns or controls it, which we may not be able to do on commercially acceptable terms or at all; incur significant additional expenses to develop a new brand to market our products within that country; or elect not to sell products in that country.

Our results of operations may be negatively affected if we are required to charge sales, value added, or other taxes on Internet sales in additional jurisdictions.

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 Vistaprint is a complex and evolving issue. Many of the fundamental statutes and regulations that impose these taxes were established before the growth of the Internet and e-commerce, and in many cases, it is not clear how existing 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. The imposition by national, state or local governments, whether within or outside the United States, of additional taxes upon Internet commerce could discourage customers from purchasing products from us, decrease our ability to compete with traditional retailers, or otherwise negatively impact our results of operations. Additionally, a successful assertion by one or more governments in jurisdictions where we are not currently collecting sales or value added taxes that we should be, or should have been, collecting indirect taxes on the sale of our products could result in substantial tax liabilities for past sales.

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

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

Risks Related to Our Corporate Structure

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

We are a Dutch limited liability company that operates through various subsidiaries in a number of countries throughout the world. Consequently, we are subject to tax laws, treaties and regulations in the countries in which we operate, and these laws and treaties are subject to interpretation. From time to time, we are subject to tax audits, and the tax authorities in these countries could claim that a greater portion of the income of the Vistaprint N.V. group should be subject to income or other tax in their respective jurisdictions, which could result in an increase to our effective tax rate and adversely affect our results of operations. For more information about audits to which we are currently subject refer to [Note](#) 10 "Income Taxes" in the accompanying notes to the consolidated financial statements included in Item 1 of Part I of this Report.

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

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

We operate pursuant to written intercompany service and related agreements, which we also refer to as transfer pricing agreements, among Vistaprint N.V. and its subsidiaries. These agreements establish transfer prices for production, marketing, management, technology development and other services performed by these subsidiaries for other group companies. Transfer prices are prices that one company in a group of related companies charges to another member of the group for goods, services or the use of property. 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 Vistaprint*, may make it difficult to replace or remove management, may inhibit or delay a change of control or may dilute your 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, we have established an independent foundation, *Stichting Continuïteit Vistaprint*, or the Foundation, to safeguard the interests of Vistaprint N.V. and its stakeholders, which include but are not limited to our shareholders, and to assist in maintaining Vistaprint's 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 Vistaprint 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.

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

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

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

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

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

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 Vistaprint 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 some employee share awards or for the funding of acquisitions. However, if the shares cannot be used for these purposes, or the Dutch tax authorities challenge the use of the shares for these purposes, such a purchase of shares for the purposes of capital reduction may be treated as a partial liquidation subject to the 15% Dutch withholding tax to be levied on the difference between our recognized paid in capital per share for Dutch tax purposes and the redemption price per share. Our recognized paid in capital per share for Dutch tax purposes is €28.99 per share translated as of the date of our reincorporation to the Netherlands on August 28, 2009.

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, 2013 and we expect that we will not become a PFIC in the foreseeable future. However, whether we are treated as a PFIC depends on questions of fact as to our assets and revenues that can only be determined at the end of each tax year. Accordingly, we cannot be certain that we will not be treated as a PFIC for our current tax year or for any subsequent year.

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

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

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

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

Our tax rate may increase during periods when our profitability declines. Additionally, we will pay taxes even if we are not profitable on a consolidated basis, which would harm our results of operations.

The intercompany service and related agreements among Vistaprint N.V. and our direct and indirect subsidiaries ensure that most of the subsidiaries realize profits based on their operating expenses. As a result, if the Vistaprint group is less profitable, or even not profitable on a consolidated basis, the majority of our subsidiaries will be profitable and incur income taxes in their respective jurisdictions. In periods of declining operating profitability or losses on a consolidated basis this structure will increase our effective tax rate or our consolidated losses and further harm our results of operations.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On February 13, 2013, we announced that our Supervisory Board authorized the purchase of up to 6,800,000 of our outstanding ordinary shares on the open market (including block trades that satisfy the safe harbor provisions of Rule 10b-18 pursuant to the Exchange Act), through privately negotiated transactions or in one or more self tender offers. This share purchase authorization expires on May 8, 2014, and we may suspend or discontinue the purchase program at any time.

We did not purchase any shares during the three months ended December 31, 2013, and 6,152,275 shares remain available for purchase under this program, subject to certain limitations imposed by our credit agreement.

ITEM 6. EXHIBITS

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

EXHIBIT INDEX

Exhibit	
No.	Description
10.1	Summary of Compensatory Arrangements with Members of the Supervisory Board
10.2	Form of Restricted Share Unit Agreement for Supervisory Board members under our 2011 Equity Incentive Plan
10.3	Amendment No. 1 dated January 17, 2014 to Credit Agreement dated as of October 21, 2011, as amended and restated as of February 8, 2013, among Vistaprint N.V., Vistaprint Limited, Vistaprint Schweiz GmbH, Vistaprint B.V., and Vistaprint USA, Incorporated, as borrowers; the lenders named therein as lenders; and JPMorgan Chase Bank N.A., as administrative agent, is incorporated by reference to our Current Report on Form 8-K filed with the SEC on January 22, 2014
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)/15(d)-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.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

* Submitted electronically herewith.

Attached as Exhibit 101 to this report are the following materials from this Quarterly Report on Form 10-Q, formatted in Extensible Business Reporting Language (XBRL): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows, and (iv) Notes to Consolidated Financial Statements.

In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Quarterly Report on Form 10-Q is deemed not filed or part of a registration statement or prospectus for purposes of sections 11 or 12 of the Securities Act, is deemed not filed for purposes of section 18 of the Exchange Act, and otherwise is not subject to liability under these sections.

**Summary of Compensatory Arrangements with Members of the Supervisory Board
Fiscal Year 2014**

Each member of the Supervisory Board of Vistaprint N.V. receives an annual cash retainer of \$34,000 per year, plus \$3,000 for each regularly scheduled meeting of the board that the director physically attends and \$10,000 annually for each committee on which the director serves. The chairs of the Supervisory Board and of the Audit Committee each receive an additional annual cash retainer of \$15,000, and the chairs of the Compensation Committee and of the Nominating and Corporate Governance Committee each receive an additional annual cash retainer of \$10,000.

Directors are also reimbursed for reasonable travel and other expenses incurred in connection with attending meetings of the board of directors and its committees.

On the date of each annual general meeting, each director will receive two equity grants: (i) a share option to purchase a number of ordinary shares having a fair value equal to \$50,000, up to a maximum of 12,500 shares, and (ii) restricted share units having a fair value equal to \$110,000.

Each newly elected Supervisory Board member will receive upon his or her initial election to the board a share option to purchase a number of ordinary shares having a fair value equal to \$150,000, up to a maximum of 50,000 shares.

The directors' options vest at a rate of 8.33% per quarter over a period of three years from grant, and the directors' restricted share units vest at a rate of 12.5% per quarter over a period of two years from grant, in both cases so long as the director continues to serve as a director on each such vesting date. Each option terminates upon the earlier of ten years from the date of grant and 90 days after the director ceases to serve as a director, and each restricted share unit award terminates upon the earlier of the date on which it is fully vested and the date on which the director ceases to serve as a director. The exercise price of the options will be the fair market value of Vistaprint N.V. ordinary shares on the date of grant.

All dollar amounts are in United States dollars.

[Form of]
2011 Equity Incentive Plan
Restricted Share Unit Agreement

1. Grant of Award. This Agreement evidences the grant by Vistaprint N.V., a Netherlands company (the "Company"), on [date] to [name] (the "Participant") of [number of units] restricted share units (the "Units") with respect to a total of [number of shares] ordinary shares of the Company, €0.01 par value per share (the "Shares"), on the terms of this Agreement and the Company's 2011 Equity Incentive Plan (the "Plan").

Except as otherwise indicated by the context, the term "Participant," as used in this award, is deemed to include any person who acquires rights under this award validly under its terms.

2. Vesting.

(a) Subject to the terms and conditions of this award, the Units vest as to 12.5% of the original number of Units at the end of each successive three-month period after the date set forth in Section 1 above until the second anniversary of such date. On each vesting date, each Unit becoming vested is automatically converted into a Share on a one-to-one basis.

(b) This vesting schedule requires that, at the time any Units vest, the Participant is, and has been at all times since the date in Section 1 above on which the Units were granted, an employee, officer or director of, or consultant or advisor to, the Company or any parent or subsidiary of the Company as defined in Section 424(e) or (f) of the United States Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder (the "Code"). Therefore, the Participant expressly accepts and agrees that any termination of his or her relationship with the Company for any reason whatsoever (including without limitation unfair or objective dismissal, permanent disability, resignation or desistance) automatically means the forfeiture of all of his or her unvested Units, with no compensation whatsoever. The Participant acknowledges and accepts that this is an essential condition of this Agreement and expressly agrees to this condition. If the Participant serves as an employee, officer or director of, or consultant or advisor to, a parent or subsidiary of the Company, any references in this Agreement to such relationship with the Company or termination of such relationship with the Company are instead deemed to refer to such parent or subsidiary.

(c) If for any reason the Participant ceases to be an employee, officer or director of, or consultant or advisor to, the Company or any parent or subsidiary of the Company as defined in Section 2(b) above, then the vesting of Units ceases and the Participant has no further rights with respect to any unvested Units. If the Participant violates the non-competition or confidentiality provisions of any employment contract, confidentiality and nondisclosure agreement or other agreement between the Participant and the Company or a parent or subsidiary of the Company, then the vesting of Units ceases, and this award terminates immediately upon such violation.

3. Timing and Form of Distribution. The Company shall distribute to the Participant Shares on a one-to-one basis with respect to the Units that become vested on each vesting date, as soon as practicable after each vesting date but in no event later than 45 days after the applicable vesting date, except that in the case of Participants who are not subject to U.S. income taxes on this award, the Distribution Date may be a later date if required by local law. Each date of distribution of Shares is referred to as the "Distribution Date." The Participant receives distributions only with respect to his or her vested Units and has no right to a distribution of Shares with respect to unvested Units unless and until such Units vest. Once a Share with respect to a vested Unit has been distributed pursuant to this award, the Participant has no further rights with respect to that Unit.

4. Withholding. The Participant is required to satisfy the payment of any Withholding Taxes required to be withheld with respect to the vesting of Units. "Withholding Taxes" includes, as applicable and without limitation, federal, state, local, foreign and provincial income tax, social insurance contributions, payroll tax, payment on account or other tax-related items. The Participant acknowledges that the ultimate liability for all taxes relating to this award is and remains the Participant's responsibility and may exceed the amount that the Company withholds. The Company has no obligation to structure the terms of this award to reduce or eliminate the Participant's liability for Withholding Taxes or to achieve any particular tax result. Furthermore, if the Participant is subject to tax in more than one jurisdiction, the Participant acknowledges that the Company may be required to withhold or account for

Withholding Taxes in more than one jurisdiction. In order to satisfy the Withholding Taxes owed with respect to the vesting of Units, the Participant agrees as follows:

(a) Unless the Company, in its sole discretion, determines that the procedure set forth in this Section 4(a) is not advisable or unless the Participant is subject to Swiss income taxes on any income from this award, at the Distribution Date the Company shall withhold a number of Shares with a fair market value equal to the amount necessary to satisfy the minimum amount of Withholding Taxes due on such Distribution Date.

(b) If the Company, in its sole discretion, determines that the procedure set forth in Section 4(a) is not advisable or sufficient or if the Participant is subject to Swiss income taxes on any income from this award, then the Participant, as a condition to receiving any Shares upon the vesting of Units, shall (i) pay to the Company, by cash or check, or in the sole discretion of the Company, payroll deduction, an amount sufficient to satisfy any Withholding Taxes or otherwise make arrangements satisfactory to the Company for the payment of such amounts (including through offset of any amounts otherwise payable by the Company to the Participant, including salary or other compensation); or (ii) if the Company permits, make an arrangement that is acceptable to the Company with a creditworthy broker to sell, at the market price on the applicable Distribution Date, the number of Shares that the Company has instructed such broker is necessary to obtain proceeds sufficient to satisfy the Withholding Taxes applicable to the Shares to be distributed to the Participant on the Distribution Date (based on the fair market value of Shares on the Distribution Date) and to remit such proceeds to the Company; or (iii) only if the Participant is subject to Swiss income taxes on any income from this award, instruct the Company to withhold Shares as set forth in Section 4(a) above. The Participant agrees to execute and deliver such documents as may be reasonably required in connection with the sale of any Shares pursuant to this Section 4(b).

5. Nontransferability of Award. The Participant shall not sell, assign, transfer, pledge or otherwise encumber this award, either voluntarily or by operation of law, except by will or the laws of descent and distribution. However, with respect to any award that is exempt from the provisions of Section 409A of the Code and the guidance thereunder ("Section 409A") or with respect to a Participant who is not subject to U.S. income taxes on any income from this award, the Participant may transfer the award (a) pursuant to a qualified domestic relations order or (b) if the Company consents, to or for the benefit of any immediate family member, family trust, family partnership or family limited liability company established solely for the benefit of the holder and/or an immediate family member of the holder, if, in each case, as a condition to the transfer the transferee agrees to be subject to, and bound by, the terms of this Agreement. However, the Participant shall not transfer this award to any proposed transferee if, with respect to such proposed transferee, the Company would not be eligible to use a Form S-8 for the registration of the issuance and sale of the Shares subject to this award under the United States Securities Act of 1933, as amended.

6. No Right to Employment or Other Status. This award shall not be construed as giving the Participant the right to employment or any other relationship with the Company or any parent or subsidiary of the Company. The Company and any parent or subsidiary of the Company expressly reserve the right to dismiss or otherwise terminate its relationship with the Participant free from any liability or claim under the Plan or this award, except as expressly provided in this award.

7. No Rights as Shareholder. The Participant has no rights as a shareholder with respect to any Shares distributable under this award until such Shares are issued to the Participant.

8. Provisions of the Plan. This award is subject to the provisions of the Plan, a copy of which is furnished to the Participant with this award.

9. Imposition of Other Requirements. The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on the Units and on any Shares acquired under the Plan to the extent the Company determines it is necessary or advisable in order to comply with federal, state, local, foreign or provincial laws or to facilitate the administration of the Plan, except that with respect to awards that are subject to Section 409A, to the extent so permitted under Section 409A. Furthermore, the parties hereto agree to execute such further instruments and to take such further action as may reasonably be necessary to carry out the intent of this Agreement and the Plan.

10. Data Privacy Notice and Consent. The Participant understands that the Company and its subsidiaries hold certain personal information about the Participant, including the Participant's name, home address and telephone number, date of birth, social security number or identification number, salary, nationality, job title, any Shares or

directorships held in the Company, details of all equity awards or any other entitlement to Shares awarded, canceled, exercised, vested, unvested or outstanding in the Participant's favor, for the purpose of managing and administering the Plan ("Data"). The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of his or her Data by the Company and its subsidiaries and affiliates and understands and agrees that the Company and/or its subsidiaries will transfer Data amongst themselves as necessary for employment purposes, including implementation, administration and management of the Participant's participation in the Plan, and that the Company and/or any of its subsidiaries may each further transfer Data to E*Trade Financial Services, Inc. or another stock plan service provider or other third parties assisting the Company with processing of Data. The Participant understands that these recipients may be located in the United States, and that the recipient's country may have different data privacy laws and protections than in the Participant's country. The Participant authorizes them to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes described in this Section, including any requisite transfer to E*Trade Financial Services, Inc., or such other stock plan service provider or other third party as may be required for the administration of the Plan or the subsequent holding of Shares on the Participant's behalf. The Participant understands that he or she may, at any time, request access to the Data, request any necessary amendments to it or refuse or withdraw the consents in this Section, in any case without cost, by contacting in writing his or her local human resources representative. The Participant understands, however, that withdrawal of consent may affect the Participant's ability to participate in or realize benefits from the Plan. For more information on the consequences of refusal to consent or withdrawal of consent, the Participant understands that he or she may contact the Company's General Counsel.

11. Change in Control Events.

(a) Upon the occurrence of a Change in Control Event (as defined below), regardless of whether such event also constitutes a Reorganization Event (as defined in the Plan), except to the extent specifically otherwise provided in another agreement between the Company and the Participant, all of the then unvested Units become vested upon the consummation of the Change in Control Event without any action on the part of the Company, the acquiring or succeeding corporation or the Participant.

(b) For purposes of this Agreement, "Change in Control Event" means:

(i) the acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the United States Securities Exchange Act of 1934) (a "Person") of beneficial ownership of any capital shares or equity of the Company if, after such acquisition, such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under such Securities Exchange Act) 50% or more of either (x) the then-outstanding ordinary shares of the Company (the "Outstanding Company Ordinary Shares") or (y) the combined voting power of the then-outstanding securities of the Company entitled to vote generally in the election of the members of the Supervisory Board (the "Outstanding Company Voting Securities"), except that for purposes of this subsection (i), the following acquisitions do not constitute a Change in Control Event: (A) any acquisition directly from the Company (excluding an acquisition pursuant to the exercise, conversion or exchange of any security exercisable for, convertible into or exchangeable for ordinary shares or voting securities of the Company, unless the Person exercising, converting or exchanging such security acquired such security directly from the Company or an underwriter or agent of the Company), (B) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (C) any acquisition by any corporation pursuant to a Business Combination (as defined below) that complies with clauses (x) and (y) of subsection (ii) of this definition; or

(ii) the consummation of a merger, consolidation, reorganization, recapitalization or share exchange involving the Company or a sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"), unless, immediately after such Business Combination, each of the following two conditions is satisfied: (x) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Ordinary Shares and Outstanding Company Voting Securities immediately before such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding ordinary shares and the combined voting power of the then-outstanding securities entitled to vote generally in the election of the members of the Supervisory Board or the members of the Board of Directors, as the case may be, of the resulting or acquiring corporation in such Business Combination (which includes, without limitation, a corporation that as a result of such transaction owns the Company or

substantially all of the Company's assets either directly or through one or more subsidiaries) (such resulting or acquiring corporation is referred to as the "Acquiring Corporation") in substantially the same proportions as their ownership of the Outstanding Company Ordinary Shares and Outstanding Company Voting Securities immediately before such Business Combination and (y) no Person (excluding the Acquiring Corporation or any employee benefit plan or related trust maintained or sponsored by the Company or by the Acquiring Corporation) beneficially owns, directly or indirectly, 30% or more of the then-outstanding ordinary shares of the Acquiring Corporation, or of the combined voting power of the then-outstanding securities of such corporation entitled to vote generally in the election of the members of the Supervisory Board or the members of the Board of Directors, as the case may be, (except to the extent that such ownership existed before the Business Combination).

12. Section 409A.

(a) This award is intended to comply with or be exempt from the requirements of Section 409A and shall be construed consistently therewith. Subject to Sections 10(f) and 11(d) of the Plan, the Company reserves the right, to the extent the Company deems necessary or advisable in its sole discretion, to unilaterally amend the Plan or this Agreement to prevent this award from becoming subject to the requirements of Section 409A. However, the Company makes no representations or warranties and has no liability to the Participant or to any other person if any of the provisions of or payments under this award are determined to constitute nonqualified deferred compensation subject to Section 409A but do not satisfy the requirements of Section 409A.

(b) If the Units are considered to be "nonqualified deferred compensation" within the meaning of Section 409A, and the Participant is considered a "specified employee" within the meaning of Section 409A, then notwithstanding anything to the contrary in this Agreement, the Company shall not deliver to the Participant any Shares required to be delivered upon vesting of Units that occurs upon a termination of employment until the earlier of (i) the six-month and one-day anniversary of the Participant's termination of employment and (ii) the Participant's death. In addition, solely to the extent that the Units are considered to be "nonqualified deferred compensation" and solely to the extent that another agreement between the Participant and the Company provides for vesting of the Units and delivery of the Shares upon a "change in control," such event must constitute a "change in control event" within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(i) in order for the Shares to be delivered.

(c) For purposes of Section 12(b) of this Agreement, "termination of employment" and similar terms mean "separation from service" within the meaning of Section 409A. The determination of whether and when Participant's separation from service from the Company has occurred shall be made in a manner consistent with, and based on the presumptions set forth in, Treasury Regulation Section 1.409A-1(h). Solely for purposes of this Section 12(c), "Company" includes all persons with whom the Company would be considered a single employer under Section 414(b) and 414(c) of the Code.

13. Language. If the Participant receives this Agreement or any other document related to the Plan translated into a language other than English, the English version controls.

14. Electronic Delivery. The Company may, in its sole discretion, deliver any documents related to current or future participation in the Plan by electronic means. The Participant consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

15. Addendum. The Units and the Shares acquired under the Plan are subject to any country-specific terms and conditions set forth in any addendum to this Agreement or the Plan, and in the event of a conflict between this Agreement and any such addendum, the addendum governs. If the Participant relocates his or her residence to one of the countries included in any such addendum, the terms and conditions of such applicable addendum apply to the Participant to the extent the Company determines that the application of such terms and conditions is necessary or advisable in order to comply with local law or facilitate the administration of the Plan. Each such addendum, if any, constitutes part of this Agreement.

The parties have executed this Agreement.

VISTAPRINT N.V.

PARTICIPANT

By: _____
Name: _____
Title: _____

Name: _____

CERTIFICATION

I, Robert S. Keane, certify that:

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

Date: January 31, 2014

/s/ Robert S. Keane

Robert S. Keane
Chief Executive Officer

CERTIFICATION

I, Ernst J. Teunissen, certify that:

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

Date: January 31, 2014

/s/ Ernst J. Teunissen

Ernst J. Teunissen
Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q of Vistaprint N.V. (the "Company") for the fiscal quarter ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Robert S. Keane, Chief Executive Officer, and Ernst J. Teunissen, 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: January 31, 2014

/s/ Robert S. Keane

Robert S. Keane
Chief Executive Officer

Date: January 31, 2014

/s/ Ernst J. Teunissen

Ernst J. Teunissen
Chief Financial Officer

