



Cimpress N.V.

2018 ANNUAL REPORT

CIMPRESS N.V.

For the Financial Year Ended June 30, 2018

TABLE OF CONTENTS

Management Board Report	3
Background	3
Strategy Overview	4
Results of Operations	12
Liquidity and Capital Resources	20
Risk Factors	22
Quantitative and Qualitative Disclosures About Market Risk	38
Disclosure Controls and Procedures	39
Corporate Governance Report	41
Profile of the Management Board and Supervisory Board	51
Supervisory Board Report	54
 Financial Statements	
Consolidated Financial Statements	78
Company Financial Statements	150
Other Information	176
Signatures	177

MANAGEMENT BOARD REPORT

Background

The following discussion of the financial condition and results of operations of Cimpress N.V. and its subsidiaries ("we," "us" or "Cimpress") is provided to assist readers in understanding our financial performance during the financial year ended June 30, 2018. This information should be considered with our consolidated financial statements and related notes included in this Annual Report. These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), whereas Cimpress' consolidated financial statements included in our Annual Report on Form 10-K as filed with the United States Securities and Exchange Commission are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP").

During fiscal year 2018, the Management Board decided to change the accounting principles from Dutch GAAP to IFRS starting in 2018. By doing so transparency and comparability with peers is maximized. More details about the conversion to IFRS are disclosed in Note 2 of the consolidated financial statements.

The primary accounting differences between these consolidated financial statements and those presented in our Form 10-K are summarized as follows:

- For U.S. GAAP we are considered the owner of our Waltham lease construction due to certain provisions within our lease contract; however, operating lease treatment is applied for IFRS and therefore such costs (and corresponding liability) are not recognized on the balance sheet, and the depreciation and interest expenses as recorded under U.S. GAAP are reversed and recognized as rent expense on a straight-line basis for operating lease treatment.
- Direct response advertising costs that are capitalized under U.S. GAAP and expensed over the period in which the future economic benefits are expected to be received, are expensed as incurred under IFRS.
- Certain share-based compensation awards are expensed on a straight-line basis over the vesting period for U.S. GAAP, but are required to be recognized on an accelerated basis under IFRS. In addition, we recognize the impact of forfeitures as they occur under U.S. GAAP, but under IFRS we are required to estimate the expected forfeitures.
- For IFRS, we are required to estimate and recognize expense for future employer payroll taxes related to share-based compensation awards over the vesting period, which is different from U.S. GAAP, in which we recognize the impact of employer taxes in the period an option is exercised or an award has vested for restricted share units and performance share units.
- For IFRS, we have accounted for each of our noncontrolling interests and the related put and call rights under the present access method. This method is different from U.S. GAAP, as we are required under IFRS to separately recognize the estimated put liability and call option as assets and liabilities on the balance sheet.

Strategy Overview

Cimpress is a strategically-focused group of more than a dozen businesses that specialize in mass customization, via which we deliver large volumes of individually small-sized customized orders for a broad spectrum of print, signage, photo merchandise, invitations and announcements, packaging, apparel and other categories. Mass customization is a core element of the business model of each Cimpress business. Stan Davis, in his 1987 strategy manifesto “Future Perfect” coined the term mass customization to describe “generating an infinite variety of goods and services, uniquely tailored to customers”. In 2001, Tseng & Jiao defined mass customization as “producing goods and services to meet individual customers’ needs with near mass production efficiency”. We discuss mass customization in more detail further below.

We have grown substantially over the past decade, from \$0.4 billion in fiscal year 2008 revenue to \$2.6 billion in fiscal year 2018 revenue, and as we have grown we have achieved important benefits of scale. However, we also believe it is critical for us to “stay small as we get big”. By this we mean that we need to serve customers, act and compete with focus, nimbleness and speed that is typical of smaller, entrepreneurial firms but often not typical of larger firms. This is because we face intense competition across all our businesses and we must constantly and rapidly improve the value we deliver to customers. To stay small as we get big, our strategy calls for us to pursue a deeply decentralized organizational structure which delegates responsibility, authority and resources to the CEOs and managing directors of our various businesses.

Specifically, our strategy is to invest in and build customer-focused, entrepreneurial mass customization businesses for the long term, which we manage in a decentralized, autonomous manner. We drive competitive advantage across Cimpress through a select few shared strategic capabilities that have the greatest potential to create Cimpress-wide value. We limit all other central activities to only those which absolutely must be performed centrally.

This decentralized structure is beneficial in many ways. We believe that, in comparison to a more centralized structure, decentralization enables our businesses to be more customer focused, to make better decisions faster, to manage a holistic cross-functional value chain required to serve customers well, to be more agile, to be held more accountable for driving investment returns, and to understand where we are successful and where we are not. In addition to these operational benefits, our decentralization has also enabled us to take significant complexity and cost out of our business in comparison to our previous centralized structure.

The select few shared strategic capabilities into which we invest include our (1) mass customization platform, (2) talent infrastructure in India, (3) central procurement of large-scale capital equipment, shipping services and major categories of our raw materials, and (4) peer-to-peer knowledge sharing between our businesses. We encourage each of our businesses to leverage these capabilities, but each business is free to choose whether or not to use these services. This optionality, we believe, creates healthy pressure on the central teams who provide such services to deliver compelling value to our businesses.

We limit all other central activities to only those which must be performed centrally. Out of more than 12,000 employees we have fewer than 80 that work in central activities that fall into this category, which includes tax, treasury, audit, general counsel, corporate communications, compliance, information security, investor relations, capital allocation and the functions of our CEO and CFO. We seek to avoid bureaucratic behavior in the corporate center.

Our Uppermost Financial Objective

Our uppermost financial objective is to maximize our intrinsic value per share. We define intrinsic value per share as (a) the unlevered free cash flow per share that, in our best judgment, will occur between now and the long-term future, appropriately discounted to reflect our cost of capital, minus (b) net debt per share. We define unlevered free cash flow as free cash flow plus interest expense related to borrowings.

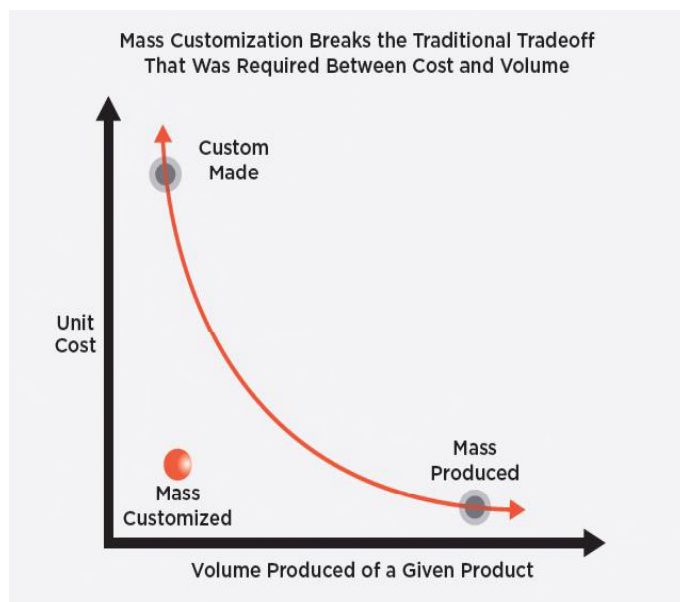
This financial objective is inherently long-term in nature. Thus an explicit outcome of this is that we accept fluctuations in our financial metrics as we make investments that we believe will deliver attractive long-term returns on investment.

We ask investors and potential investors in Cimpress to understand our uppermost financial objective by which we endeavor to make all financially evaluated decisions. We often make decisions in service of this priority that could be considered non-optimal were they to be evaluated based on other financial criteria such as (but not

limited to) near- and mid-term operating income, net income, EPS, Adjusted Net Operating Profit (Adjusted NOP), Adjusted EBITDA, and cash flow.

Mass Customization

Mass customization is a business model that allows companies to deliver major improvements to customer value across a wide variety of customized product categories. Companies that master mass customization can automatically direct high volumes of orders into smaller streams of homogeneous orders that are then sent to specialized production lines. If done with structured data flows and the digitization of the configuration and manufacturing processes, setup costs become very small, and small volume orders become economically feasible.



The chart illustrates this concept. The horizontal axis represents the volume of production of a given product; the vertical axis represents the cost of producing one unit of that product. Traditionally, the only way to manufacture at a low unit cost was to produce a large volume of that product: mass-produced products fall in the lower right hand corner of the chart. Custom-made products (i.e., those produced in small volumes for a very specific purpose) historically incurred very high unit costs: they fall in the upper left-hand side of the chart.

Mass customization breaks this trade off, enabling low-volume, low-cost production of individually unique products. Very importantly, relative to traditional alternatives mass customization creates value in many ways, not just lower cost. Other advantages can include faster production, greater personal relevance, elimination of obsolete stock, better design, flexible shipping options, more product choice, and higher quality.

Mass customization delivers a breakthrough in customer value particularly well in markets in which the worth of a physical product is inherently tied to a specific, unique use or application. For instance, there is limited value to a sign that is the same as is used by many other companies: the business owner needs to describe what is unique about his or her business. Likewise, a photo mug is more personally relevant if it shows pictures of someone's own friends and family. Before mass customization, producing a high quality custom product required high per-order setup costs, so it simply was not economical to produce a customized product in low quantities.

We believe that the business cards sold by our Vistaprint business provide a concrete example of the potential of our mass customization business model to deliver significant customer value and to develop strong profit franchises in large markets that were previously low growth and commoditized. Millions of very small customers (for example, home-based businesses) rely on Vistaprint to design and procure aesthetically pleasing, high-quality, quickly-delivered and low-priced business cards. The Vistaprint production operations for a typical order of 250 standard business cards in Europe and North America require less than 14 seconds of labor for all of pre-press, printing, cutting and packaging, versus an hour or more for traditional printers. Combined with advantages of scale in graphic design support services, purchasing of materials, our self-service online ordering, pre-press automation, auto-scheduling and automated manufacturing processes, we allow customers to design, configure, and procure business cards at a fraction of the cost of typical traditional printers with very consistent quality and delivery reliability. Customers have very extensive, easily configurable, customization options such as rounded corners, different shapes, specialty papers, "spot varnish", reflective foil, folded cards, or different paper thicknesses. Achieving this type of product variety while also being very cost efficient took us almost two decades and requires massive volume, significant engineering investments and significant capital. Business cards is a mature market that, at the overall market level, has experienced continual declines over the past two decades. Yet, for Vistaprint, this remains a growing category and is highly profitable, thus provides an example of the power of mass customization. Even though we do not expect many other products to reach this extreme level of automation, we do currently produce many other product categories (such as flyers, brochures, signage, mugs, calendars, pens, t-shirts, hats, embroidered soft goods, rubber stamps, photobooks, labels and holiday cards) via analogous methods whose volume and processes are well along the spectrum of mass customization relative to traditional suppliers and thus provide great customer value and a strong, profitable and growing revenue stream.

Market and Industry Background

Mass Customization Opportunity

Mass customization is not a market itself, but rather a competitive strategy that can be applied across many markets such as the following:

Product:	Geography:	Customer:
- Small format printing	- North America	- Businesses (micro, small, medium, large)
- Large format printing	- Europe	- Graphic designers, resellers, printers
- Promotional products and gifts	- Australia/New Zealand	- Traditional providers who choose to outsource these products
- Decorated apparel	- South America	- Teams, associations and groups
- Packaging	- Asia Pacific	- Consumers (home and family)
- Photo merchandise		
- Invitations and announcements		

Large traditional markets undergoing disruptive innovation

The products, geographies and customer applications listed above constitute a large market opportunity that is highly fragmented. We believe that the vast majority of the markets to which mass customization could apply are still served by traditional business models that force customers either to produce in large quantities per order or to pay a high price per unit.

We believe that these large and fragmented markets are moving away from small traditional suppliers that employ job shop business models to fulfill a relatively small number of customer orders and toward businesses such as those owned by Cimpress that aggregate a relatively large number of orders and fulfill them via a focused supply chain and production capabilities at relatively high volumes, thereby achieving the benefits of mass customization. We believe we are early in the process of what will be a multi-decade shift from job-shop business models to mass customization.

Cimpress' current revenue represents a very small fraction of this market opportunity. We believe that Cimpress and competitors who have built their business around a mass customization model are "disruptive innovators" to these large markets because we enable small-volume production of personalized, high-quality products at an affordable price. Disruptive innovation, a term coined by Harvard Business School professor Clayton Christensen, describes a process by which a product or service takes root initially in simple applications at the bottom of a market (such as free business cards for the most price sensitive of micro-businesses or low-quality white t-shirts) and then moves up market, eventually displacing established competitors (such as those in the markets mentioned above).

We believe that a large opportunity exists for major markets to shift to a mass customization paradigm and, even though we are largely decentralized, the select few shared strategic capabilities into which we centrally invest provide a significant scale-based competitive advantage for Cimpress.

We believe this opportunity to deliver substantially better customer value and to therefore disrupt very large traditional industries can translate into tremendous future opportunity for Cimpress. Until approximately our fiscal year 2012, we focused primarily on a narrow set of customers within the list above (highly price-sensitive and discount-driven micro businesses and consumers) with a very limited product offering. Through acquisitions and via significant investments in our Vistaprint business, we have expanded the breadth and depth of our product offerings, extended our ability to serve our traditional customers and gained a capability to serve a vast range of customer types.

As we continue to evolve and grow Cimpress, our understanding of these markets and their relative attractiveness is also evolving. Our expansion of product breadth and depth as well as new geographic markets has significantly increased the size of our addressable market opportunity. We base our market size and attractiveness estimates upon considerable research and analysis; however, our estimates are only approximate. Despite the imprecise nature of our estimates, we believe that our understanding is directionally correct and that we operate in

an enormous aggregate market with significant opportunity for Cimpress to grow should we be successful in delivering a differentiated and attractive value proposition to customers.

Today, we believe that the revenue opportunity for low-to-medium order quantities (i.e., still within our focus of small-sized individual orders) in the four product categories below is over \$100 billion annually in North America and Europe and at least \$150 billion annually if you include other geographies and consumer products:

- Small format marketing materials such as business cards, flyers, leaflets, inserts, brochures and magazines. Businesses of all sizes are the main end users of short-and-medium run lengths (per order quantities below 2,500 units for business cards and below 20,000 units for other materials).
- Large format products such as banners, signs, tradeshow displays, and point-of-sale displays. Businesses of all sizes are the main end users of short-and-medium run lengths (less than 1,000 units).
- Promotional products, apparel and gifts including decorated apparel, bags and textiles, and hard goods such as pens, USB sticks, and drinkware. The end users of short-and-medium runs of these products range from businesses to teams, associations and groups, as well as consumers.
- Packaging products, such as corrugated board packaging, folded cartons, bags and labels. Businesses are the primary end users for short-and-medium runs (below 10,000 units).

Our Businesses

Cimpress businesses include those we developed organically (Vistaprint, Vistaprint Corporate Solutions, Vistaprint India) plus previously independent businesses either that we have fully acquired or in which we have a majority equity stake. Prior to its acquisition, each of our acquired companies pursued business models that embodied the principles of mass customization. In other words, each provided a standardized set of products that could be configured and customized by customers, ordered in relatively low volumes, and produced via relatively standardized, homogeneous production processes, at prices lower than those charged by traditional producers.

Our businesses collectively operate across North America and Europe, as well as in India, Japan, Brazil, China and Australia. Their websites typically offer a broad assortment of tools and features allowing customers to create a product design or upload their own complete design and place an order, either on a completely self-service basis or with varying levels of assistance. Some of our businesses also use offline techniques to acquire customers (e.g., mail order, telesales). The combined product assortment across our businesses is extensive, including offerings in the following product categories: business cards, marketing materials such as flyers and postcards, digital and marketing services, writing instruments, signage, decorated apparel, promotional products and gifts, packaging, textiles and magazines and catalogs.

The majority of our revenue is driven by standardized processes and enabled by software. We endeavor to design these processes and technologies to readily scale as the number of orders received per day increases. In particular, the more individual jobs we receive in a given time period, the more efficiently we can sort and route jobs with homogeneous production processes to given nodes of our internal production systems or of our third-party supply chain. This sortation and subsequent process automation improves production efficiency. We believe that our strategy of systematizing our service and production systems enables us to deliver value to customers much more effectively than traditional competitors.

Our businesses operate production facilities in Australia, Austria, Brazil, Canada, China, France, India, Ireland, Italy, Japan, Mexico, the Netherlands, the United Kingdom and the United States. We also work extensively with several hundred external fulfillers located across the globe. We believe that the improvements we have made and the future improvements we intend to make in software technologies that support the design, sortation, scheduling, production and delivery processes provide us with significant competitive advantage. In many cases our businesses can produce and ship an order the same day they receive it. Our supply chain systems and processes seek to drive reduced inventory and working capital as well as faster delivery to customers. In certain of our company-owned manufacturing facilities, software schedules the near-simultaneous production of different customized products that have been ordered by the same customer, allowing us to produce and deliver multi-part orders quickly and efficiently.

We believe that the potential for scale-based advantages is not limited to focused, automated production lines. Other advantages include the ability to systematically and automatically sort through the voluminous “long tail”

of diverse and uncommon orders in order to group them into more homogeneous categories, and to route them to production nodes that are specialized for that category of operations and/or which are geographically proximate to the customer. In such cases, even though the daily production volume of a given production node is small in comparison to our highest-volume production lines, the homogeneity and volume we are able to achieve is nonetheless significant relative to traditional suppliers of the long tail product in question; thus, our relative efficiency gains remain substantial. For this type of long-tail production, we rely heavily on third-party fulfillment partnerships, which allow us to offer a very diverse set of products. We acquired most of our capabilities in this area via our investments in Exaprint, Printdeal, Pixartprinting and WIRmachenDRUCK. For instance, the product assortment of each of these four businesses is measured in the tens of thousands, versus just a few hundred at Vistaprint traditionally. This deep and broad product offering is important to many customers.

Our businesses are currently organized into the following four reportable segments:

1. Vistaprint:



Consists of the operations of our Vistaprint-branded websites in North America, Europe, Australia and New Zealand. This business also includes our Webs business, which is managed with the Vistaprint Digital business.

Our Vistaprint business helps more than 17 million micro businesses (companies with fewer than 10 employees) create attractive, professional-quality marketing products at affordable prices and at low volumes.

2. Upload and Print:



Consists of our druck.at, Easyflyer, Exagroup, Pixartprinting, Printdeal, Tradeprint, and WIRmachenDRUCK businesses.

These Cimpress businesses focus on serving graphic professionals: local printers, print resellers, graphic artists, advertising agencies and other customers with professional desktop publishing skill sets.

3. National Pen:



Consists of our National Pen business and a few smaller brands operated by National Pen that are focused on customized writing instruments and promotional products, apparel and gifts for small- and medium-sized businesses.

National Pen serves more than a million small businesses annually across more than 20 countries. Marketing methods are typically direct mail and telesales, as well as a small yet growing e-commerce site.

4. All Other Businesses:

Consists of multiple small, rapidly evolving early-stage businesses by which Cimpress is expanding to new markets. These businesses have been combined into one reportable segment based on materiality, the fact that they are early-stage businesses subject to high degrees of risk, and our expectation that each of their business models will rapidly evolve in function of future trials and entrepreneurial pivoting. Although not a comprehensive list, our All Other Businesses reportable segment includes the following:



Vistaprint Corporate Solutions serves medium-sized businesses and large corporations, as well as a legacy revenue stream with retail partners and franchise businesses.



As the online printing leader in Brazil, Printi offers a superior customer experience with transparent and attractive pricing, reliable service and quality. Printi is also expanding into the U.S. market.



Vistaprint India operates a derivative of the Vistaprint business model, albeit with higher service levels and quality, fully domestic-Indian content, pricing that is a slight premium to many traditional offline alternatives, and almost no discounting.



Vistaprint Japan operates a derivative of the Vistaprint business model with a differentiated position relative to competitors who tend to focus on upload and print, not the self-service, micro-business customer which Vistaprint Japan serves.

Central Procurement

Given the scale of purchasing that happens across Cimpres's businesses, there is significant value to coordinating our negotiations and purchasing to gain the benefit of scale. Our central procurement team negotiates and manages Cimpres-wide contracts for large-scale capital equipment, shipping services and major categories of raw materials (e.g., paper, plates, ink, etc.).

We are focused on achieving the lowest total cost in our strategic sourcing efforts by concentrating on quality, logistics, technology and cost, while also striving to use responsible sourcing practices within our supply chain. Our efforts include the procurement of high-quality materials and equipment that meet our strict specifications at a low total cost across a growing number of manufacturing locations, with an increasing focus on supplier compliance with our sustainable paper procurement policy as well as our Supplier Code of Conduct. Additionally, we work to develop and implement logistics, warehousing, and outbound shipping strategies to provide a balance of low-cost material availability while limiting our inventory exposure.

Technology

Our businesses typically rely on advanced proprietary technology to attract and retain our customers, to enable customers to create graphic designs and place orders on our websites, and to aggregate and produce multiple orders in standardized, scalable processes. Technology is core to our competitive advantage, as without it our businesses would not be able to produce custom orders in small quantities while achieving the economics that are more analogous to mass-produced items.

We are building and using our mass customization platform ("MCP") which is a cloud-based collection of software services, APIs, web applications and related technology offerings that can be leveraged independently or together by our businesses and third parties to perform common tasks that are important to mass customization. Cimpres businesses, and increasingly third-party fulfillers to our various businesses, can leverage different combinations of MCP services, depending on what capabilities they need to complement their business-specific technology. MCP is a multi-year investment that remains in its early stages, however many of our businesses are leveraging some of the technologies that have already been developed and/or shared by other businesses. The capabilities that are available in the mass customization platform today include customer-facing technologies, such as those that enable customers to visualize their designs on various products, as well as manufacturing, supply chain, and logistics technologies that automate various stages of the production and delivery of a product to a customer. The benefits of the mass customization platform include improved speed to market for new product introduction, reduction in fulfillment costs, and improvement of product delivery or geographic expansion. Over time, we believe we can generate significant customer and shareholder value from increased specialization of production facilities, aggregated scale from multiple businesses, increased product offerings and shared technology development costs.

We intend to continue developing and enhancing our MCP-based customer-facing and manufacturing, supply chain and logistics technologies and processes. We develop our MCP technology centrally, typically at our offices in Switzerland, India, the Netherlands, the Czech Republic and the United States.

We also have software and production engineering capabilities in each of our businesses. Our businesses are constantly seeking to strengthen our manufacturing and supply chain capabilities through engineering

improvements in areas like automation, lean manufacturing, choice of equipment, product manufacturability, materials science, process control and color control.

Each of our businesses uses a mix of proprietary and third-party technology that supports the specific needs of that business. Their technology intensity ranges from significant to light, depending on their specific needs. Over the past few years, an increasing number of our businesses have begun to modernize and modularize their business-specific technology to enable them to launch more new products faster, provide a better customer experience, more easily connect to our mass customization platform technologies, and to leverage third-party technologies where we do not need to bear the cost of developing and maintaining proprietary technologies. For example, our businesses are increasingly using third-party software for capabilities such as a shopping cart or customer reviews, which are areas that we can benefit from providing a more e-commerce standard experience, and better leverage engineering resources to focus on technologies from which we derive competitive advantage.

In our central Cimpress Technology team and in an increasing number of our decentralized businesses, we have adopted an agile, micro-services-based approach to technology development that enables multiple businesses or use cases to leverage this API technology regardless of where it was originally developed. We believe this development approach can help our businesses serve customers and scale operations more rapidly than could have been done as an individual business outside Cimpress.

Competition

The markets for the products our businesses produce and sell are intensely competitive, highly fragmented and geographically dispersed, with many existing and potential competitors. We have very low market share relative to the total. Within this highly competitive context, our businesses compete on the basis of breadth and depth of product offerings; price; convenience; quality; technology; design content, tools, and assistance; customer service; ease of use; and production and delivery speed. It is our intention to offer a broad selection of high-quality products as well as related services at low price points and in doing so, offer our customers an attractive value proposition. Our current competition includes a combination of the following:

- traditional offline suppliers and graphic design providers;
- online printing and graphic design companies, many of which provide products and services similar to ours;
- office superstores, drug store chains, food retailers and other major retailers targeting small business and consumer markets;
- wholesale printers;
- self-service desktop design and publishing using personal computer software;
- email marketing services companies;
- website design and hosting companies;
- suppliers of customized apparel, promotional products and gifts;
- online photo product companies;
- internet firms and retailers;
- online providers of custom printing services that outsource production to third party printers; and
- providers of other digital marketing such as social media, local search directories and other providers.

As we expand our geographic reach, product and service portfolio and customer base, our competition increases. Our geographic expansion creates competition with companies that have a multi-national presence as well as experienced local firms that have an excellent understanding of customer needs specific to each country. Product offerings such as photo products, packaging, websites, email marketing, signage, apparel and promotional products have resulted in new competition as we entered those markets. We encounter competition from large retailers offering

a wide breadth of products and highly focused companies specializing in a subset of our customers or product offerings. Given the state of maturity of the online mass customization market, we believe that in aggregate, offline providers remain our biggest competition.

Barriers to entry have been lowered in many of our markets, and new players have entered the mass customization space, enabled by asset-light models, software-driven print-fulfillment platforms, innovation in production technology, and/or benefits of an intense focus on a niche product or geographic market. We believe that the long-term leaders in terms of transforming these markets via mass customization will be the companies that are innovative and agile, but also bring significant scale-based advantages to drive value to customers in the form of product selection, quality and cost, as well as service.

Social and Environmental Responsibility

Above and beyond compliance with applicable laws and regulations, we expect all parts of Cimpres to conduct business in a socially responsible, ethical manner. Examples of these efforts are:

- **Environmental** - We regularly evaluate ways to minimize the impact of our operations on the environment. In terms of combating CO2 pollution, we have established and centrally fund a company-wide carbon emissions reduction program to lower emissions at a rate in line with - or better than - science-based targets established in 2015 at the United Nations Global Change Conference (COP21 “Paris Climate Accord”). Our plan includes investments in energy-reducing infrastructure and equipment and renewable energy sourcing. In 2017 we reduced our carbon intensity per million USD of revenue by 12% and we seek to make further improvements each year going forward for the foreseeable future.

In terms of responsible forestry, we have converted the vast majority of the paper we print on in our Cimpres owned production facilities to the leading certification of responsible forestry practices. This certification confirms that the paper we print on comes from responsibly managed forests that meet high environmental and social standards.

- **Fair labor practices** - We make recruiting, retention, and other performance management related decisions based solely on merit and other organizational needs and considerations, such as an individual's ability to do their job with excellence and in alignment with the company's strategic and operational objectives. We do not tolerate discrimination on any basis protected by human rights laws or anti-discrimination regulations, and we strive to do more in this regard than the law requires. We are committed to a work environment where team members are treated with respect and fairness. We value individual differences, unique perspectives and the distinct contributions that each one of us can make to the company.
- **Team member health and safety** - We do not tolerate unsafe conditions that may endanger team members or other parties. We require training on – and compliance with – safe work practices and procedures at all manufacturing facilities to ensure the safety of team members and visitors to our plant floors.
- **Ethical supply chain** - It is important to us that our supply chain reflects our commitment to doing business with the highest standards of ethics and integrity. Each Cimpres business seeks to ensure its supply chain does not allow for unacceptable practices such as environmental crimes, child labor, slavery or unsafe working conditions.

More information can be found at www.cimpres.com in our Corporate Social Responsibility section, including links to reports and documents such as our supplier code of conduct, compliance with the UK anti-slavery act and our supply chain transparency disclosure.

Intellectual Property

We seek to protect our proprietary rights through a combination of patents, copyrights, trade secrets, trademarks and contractual restrictions. We enter into confidentiality and proprietary rights agreements with our employees, consultants and business partners, and control access to, and distribution of, our proprietary information. We have registered, or applied for the registration of, a number of U.S. and international domain names, trademarks, and copyrights. Additionally, we have filed U.S. and international patent applications for certain of our proprietary technology.

Additional information regarding the risks associated with our intellectual property is contained in the “Risk Factors” section of this report.

Business Segment and Geographic Information

For information about our reporting segments and geographic information about our revenues, segment profit and long-lived assets, see "Consolidated Financial Statements — Note 5 — Segment Information". The descriptions of our business, products, and markets in this section apply to all of our operating segments.

Seasonality

Our profitability has historically been highly seasonal. Our second fiscal quarter, ending December 31, includes the majority of the holiday shopping season and has become our strongest quarter for sales of our consumer-oriented products, such as holiday cards, calendars, photo books, and personalized gifts.

Employees

As of June 30, 2018, we had approximately 10,800 full-time and approximately 1,200 temporary employees worldwide.

Corporate Information

Cimpress N.V. (formerly named Vistaprint N.V.) was incorporated under the laws of the Netherlands on June 5, 2009 and on August 30, 2009 became the publicly traded parent company of the Cimpress group of entities. We maintain our registered office at Hudsonweg 8, 5928 LW Venlo, the Netherlands. Our telephone number in the Netherlands is +31-77-850-7700.

Results of Operations

The primary financial metric by which we set quarterly and annual budgets both for individual businesses and Cimpress-wide is our free cash flow prior to cash interest costs; however, in evaluating the financial condition and operating performance of our business, management considers a number of metrics including revenue growth, constant-currency revenue growth, operating income, cash flow from operations and free cash flow. A summary of these key financial metrics for the year ended June 30, 2018 as compared to the year ended June 30, 2017 follows:

Fiscal Year 2018

- Revenue increased by 21% to \$2,592.5 million.
- Consolidated constant-currency revenue (a non-IFRS financial measure) increased by 17% and, excluding acquisitions and divestitures completed in the last four quarters, increased by 11%.
- Operating income (loss) increased by \$195.3 million to \$155.9 million
- Cash provided by operating activities increased by \$35.7 million to \$188.2 million

For our fiscal year 2018, the increase in reported revenue includes the impact of a full year of National Pen revenue as compared to a portion of the prior year due to timing of the acquisition, continued growth in our various businesses, as well as positive impacts from currency exchange rate fluctuations. This was partially offset by the loss of Albumprinter revenue as we divested this business as of August 31, 2017. Our constant-currency revenue growth excluding acquisitions and divestitures was driven primarily by continued growth in our Vistaprint and Upload and Print businesses.

In addition to incremental profits generated from the revenue growth described above, the following items positively impacted our operating income for the year ended June 30, 2018, leading to the increase in operating income as compared to the prior period:

- Significant year-over-year operating expense savings of approximately \$55 million related to the restructuring actions announced in January and November 2017, as well as a reduction of restructuring charges of \$11.5 million.
- Recognized gain on the sale of subsidiaries of \$47.5 million, related to the August 2017 sale of Albumprinter.

- Decrease of acquisition-related expenses of \$46.6 million, due to the following:
 - Reduction to earn-out related charges of \$40.7 million, related primarily to the WIRmachenDRUCK contingent earn-out arrangement that was paid in fiscal year 2018.
 - Impairment charges of \$9.6 million recognized during the prior period, which did not recur during the current period.
 - Increased amortization of acquired intangible assets of \$3.7 million, due to the timing of our fiscal year 2017 acquisition of National Pen, which partially offset the above decreases.
- Increase in National Pen segment profit of \$23.3 million, primarily due to the timing of the acquisition in fiscal year 2017.
- Decreased impact of organic investments in fiscal year 2018 as compared to fiscal year 2017, due to reduced net investments in various areas including "Columbus" which was the name of a project to organically build our business in promotional products and logo apparel, new product introduction, and the businesses within our All Other Businesses segment.

Diluted net income per share for the year ended June 30, 2018 increased to \$0.65 as compared to a diluted net loss per share of \$3.36 in the prior period, primarily due to the same reasons as operating income mentioned above.

Consolidated Results of Operations

Consolidated Revenue

Our businesses generate revenue primarily from the sale and shipment of customized manufactured products. To a much lesser extent (and only in our Vistaprint business) we provide digital services, website design and hosting, and email marketing services, as well as a small percentage from order referral fees and other third-party offerings.

For the year ended June 30, 2018, our reported revenue increased as compared to the prior comparable period. This includes the full year revenue benefit of the National Pen business as results were included for only a portion of the prior period. We also delivered continued growth in our Vistaprint and Upload and Print businesses. Our reported revenue was negatively impacted by the divestiture of our Albumprinter business, which was completed during the first quarter of fiscal year 2018. The remaining businesses within our All Other Businesses segment continue to grow strongly off small bases. Currency fluctuations positively impacted our fiscal 2018 reported revenue as compared to the prior year.

Total revenue by reportable segment for the years ended June 30, 2018 and 2017 is shown in the following tables.

	Year Ended June 30,		% Change	Currency Impact: (Favorable)/Unfavorable	Constant-Currency Revenue Growth (2)	Impact of Acquisitions: (Favorable)/Unfavorable	Constant-Currency revenue growth Excluding acquisitions (3)
	2018	2017 (1)					
Vistaprint	\$ 1,462,686	\$ 1,310,975	12%	(3)%	9%	—%	9%
Upload and Print	730,010	588,613	24%	(11)%	13%	—%	13%
National Pen	333,266	112,712	196%	(6)%	190%	(165)%	25%
All Other Businesses (4)	87,583	128,795	(32)%	—%	(32)%	72%	40%
Inter-segment eliminations	(21,004)	(5,690)					
Total revenue	<u>\$ 2,592,541</u>	<u>\$ 2,135,405</u>	21%	(4)%	17%	(6)%	11%

(1) Fiscal 2017 includes the impact of National Pen from its acquisition date of December 30, 2016 in our National Pen segment.

(2) Constant-currency revenue growth, a non-IFRS 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.

- (3) Constant-currency revenue growth excluding acquisitions, a non-IFRS financial measure, excludes revenue results for businesses in the period in which there is no comparable year-over-year revenue. Revenue from our fiscal 2017 acquisitions is excluded from fiscal 2018 revenue growth for quarters with no comparable year-over-year revenue. For example, revenue from National Pen, which we acquired in Q2 2017, is excluded from Q1 and Q2 2018 revenue growth since there are no full quarter results in the comparable period, but revenue from National Pen is included in Q3 and Q4 2018 revenue growth.

We have provided these non-IFRS 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-IFRS financial measures, in addition to IFRS financial measures, to evaluate our operating results. These non-IFRS financial measures should be considered supplemental to and not a substitute for our reported financial results prepared in accordance with IFRS.

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

Consolidated Cost of Revenue

Cost of revenue includes materials used by our businesses to manufacture their products, payroll and related expenses for production and design services personnel, depreciation of assets used in the production process and in support of digital marketing service offerings, shipping, handling and processing costs, third-party production costs, costs of free products and other related costs of products our businesses sell. Cost of revenue as a percent of revenue increased during the year ended June 30, 2018, compared to the prior year, primarily due to the divestiture of our Albumprinter business which had a higher gross margin than our consolidated gross margin percentage, as well as the increased weight of our Upload and Print portfolio, which has higher cost of revenue as a percentage of revenue than our Vistaprint and National Pen businesses.

	Year Ended June 30,	
	2018	2017
Cost of revenue	\$ 1,282,607	\$ 1,039,747
% of revenue	49.5%	48.7%

For the year ended June 30, 2018, cost of revenue for our Upload and Print businesses increased by \$103.6 million primarily driven by revenue growth in our Exagroup, Pixartprinting, Printdeal and WIRmachenDRUCK businesses, as well as unfavorable currency impacts. We also recognized an additional \$91.6 million of costs primarily due to the timing of our National Pen acquisition and the inclusion of operating results for only part of the prior comparable period. In our Vistaprint business, cost of revenue increased by \$71.5 million primarily due to increased production volume, as well as unfavorable currency impacts. These increases were partially offset by a decrease in cost of revenue of \$29.2 million resulting from the divestiture of our Albumprinter business on August 31, 2017.

Consolidated Operating Expenses

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

In thousands

	Year Ended June 30,	
	2018	2017
Technology and development expense	\$ 257,589	\$ 256,778
% of revenue	9.9 %	12.0%
Marketing and selling expense	\$ 752,000	\$ 643,310
% of revenue	29.0 %	30.1%
General and administrative expense	\$ 191,974	\$ 234,958
% of revenue	7.4 %	11.0%
(Gain) on sale of subsidiaries	\$ (47,545)	\$ —
% of revenue	(1.8)%	0.0%

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.

During the year ended June 30, 2018, technology and development expenses increased by \$0.8 million as compared to the prior year, primarily due to our fiscal year 2017 acquisition of National Pen, which resulted in \$7.3 million of additional expense in fiscal 2018 due to the timing of the acquisition in fiscal 2017. We also recognized additional costs related to technology enhancements intended to enable rapid product introduction and improved connection points to the mass customization platform, as well as increased depreciation expense related to past investments in infrastructure-related assets. These increases were partially offset by a decrease in costs of \$6.5 million, primarily from the divestiture of our Albumprinter business on August 31, 2017, as well as cost savings realized as a result of our recent restructuring initiatives.

Marketing and selling expense

Marketing and selling expense consists primarily of advertising and promotional costs; payroll and related expenses for our employees engaged in marketing, sales, customer support and public relations activities; direct-mail advertising costs; and third-party payment processing fees. Our Vistaprint and National Pen businesses have higher marketing and selling costs as a percentage of revenue, as compared to our Upload and Print businesses.

Our marketing and selling expenses increased by \$108.7 million during the year ended June 30, 2018 as compared to the prior year. We recognized an additional \$88.0 million of costs for our National Pen business including the amortization expense for related intangible assets, primarily due to the timing of the acquisition in fiscal 2017. For the year ended June 30, 2018, advertising expenses for the remaining businesses increased by \$35.1 million primarily as a result of additional advertising spend in the Vistaprint business to support continued growth. These increases were partially offset by a decrease in costs of \$21.7 million due to the sale of our Albumprinter business on August 31, 2017. In addition, internal marketing and customer service costs within the Vistaprint business decreased by \$3.7 million as a result of realized cost savings from our recent restructuring initiatives.

General and administrative expense

General and administrative expense consists primarily of transaction costs, including third-party professional fees, insurance and payroll and related expenses of employees involved in executive management, finance, legal, strategy, human resources and procurement. We also recognized impairment charges related to goodwill and acquired intangible assets, as well as restructuring expense. Restructuring expense consists of costs directly incurred as a result of restructuring initiatives, including employee-related termination costs, third party professional fees, facility exit costs and write-off of abandoned assets.

For the year ended June 30, 2018, general and administrative expenses decreased by \$43.0 million primarily due to a decline in acquisition-related charges of \$40.7 million, as compared to the prior year. The decrease in acquisition-related charges is due to significant expense in the prior comparable period for the WIRmachenDRUCK contingent earn-out arrangement, which was paid during fiscal 2018. We also recognized cost savings from our recent restructuring actions, which were partially offset by an additional \$13.0 million of expense from our fiscal 2017 acquisition of National Pen as the prior year did not include a full year of results.

During the year ended June 30, 2018, we recognized restructuring expense of \$15.1 million for employee-related termination benefits. The restructuring expense during the current period relates primarily to the reorganization of our Vistaprint business that we announced in November 2017, which resulted in a reduction in headcount and other operating costs. During the year ended June 30, 2017, we recognized \$25.6 million of restructuring charges. Refer to Note 23 in the accompanying consolidated financial statements for additional details regarding these actions..

For the year ended June 30, 2017, we recognized an impairment charge of \$9.6 million as part of general and administrative expense for our Tradeprint unit. This impairment was a result of their under performance during the impairment period, combined with lower cash flow outlooks when compared to the initial deal model upon which we based our purchase accounting. Refer to Note 9 in the accompanying consolidated financial statements for additional information relating to the impairment.

Gain on sale of subsidiaries

During the year ended June 30, 2018, we recognized a gain on the sale of our Albumprinter business of \$47.5 million, net of transaction costs. The amount of our gain on the sale of Albumprinter was impacted by the partial allocation of goodwill to our Vistaprint business in past periods, as well as minimal carrying value of Albumprinter's acquired intangible assets at the time of the sale, as well as currency impacts. Refer to Note 7 in the accompanying consolidated financial statements for additional details.

Other Consolidated Results

Other (expense) income, net

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

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

In thousands

	Year Ended June 30,	
	2018	2017
(Losses) gains on derivatives not designated as hedging instruments	\$ (2,687)	\$ 936
Currency-related (losses) gains, net	(19,500)	5,577
Other gains	1,258	3,876
Total other (expense) income, net	<u>\$ (20,929)</u>	<u>\$ 10,389</u>

During fiscal 2018, we recognized net losses of \$20.9 million, as compared to net gains of \$10.4 million in fiscal 2017. The decrease in other (expense) income, net is primarily due to the currency exchange rate volatility impacting our derivatives that are not designated as hedging instruments. We expect volatility to continue in future periods as we do not apply hedge accounting for most of our derivative currency contracts. We also experienced currency-related losses due to currency exchange rate volatility on our non-functional currency intercompany relationships, which we alter from time to time. The impact of certain cross-currency swap contracts designated as cash flow hedges is included in our currency-related (losses) gains, net, offsetting the impact of certain non-functional currency intercompany relationships.

In addition, during the year ended June 30, 2018, we recognized other gains related to insurance recoveries. During fiscal year 2017, other gains were primarily related to the sale of marketable securities.

Finance income

Finance income relates to interest earned on our cash balances at banking institutions. We recognized \$3.0 million and \$1.0 million in finance income during the years ended June 30, 2018 and 2017, respectively.

Finance costs

Finance costs primarily consist of interest paid on outstanding debt balances, amortization of debt issuance costs, interest related to capital lease obligations and realized gains (losses) on effective interest rate swap contracts and certain cross-currency swap contracts. As part of finance costs, we also recognize adjustments to the put liabilities for non-controlling interests, which reflects changes to the estimated future redemption value.

Finance costs were \$59.5 million and \$43.2 million for the years ended June 30, 2018 and 2017, respectively. Finance costs were higher this year relative to historical trends primarily as a result of higher interest rates. Refer to Note 20 in the accompanying consolidated financial statements for additional details regarding our debt arrangements. In addition, the finance costs for changes to the estimated future redemption value of the put liabilities for our non-controlling interest were \$4.9 million higher in fiscal 2018 as compared to the prior period.

Loss on early extinguishment of debt

During the fourth quarter of fiscal 2018, we redeemed all of our senior notes due 2022 and satisfied the indenture governing those senior notes using funds from the senior notes due 2026 that we issued on June 15, 2018. As a result of the redemption, we incurred a loss on the extinguishment of debt of \$17.4 million, which included an early redemption premium for the senior notes due 2022 of \$14.4 million and the write-off of unamortized debt issuance costs related to the redeemed notes of \$3.0 million.

Income tax

	Year Ended June 30,	
	2018	2017
Income tax	\$ 37,213	\$ 34,267
Effective tax rate	61.0%	(48.1)%

Income tax expense for the year ended June 30, 2018 was higher than the prior year primarily due to pre-tax income in the current period as compared to pre-tax losses in the prior period. We recognized tax expense of \$5.8 million related to U.S. tax reform in the year ended June 30, 2018, primarily due to the impact of the reduction in the federal tax rate on our U.S. deferred tax assets. We also recognized a reduction to our deferred tax assets of \$4.9 million related to expected changes to our U.S. state apportionment.

On December 22, 2017, H.R. 1, originally known as the Tax Cuts and Jobs Act, ("The Act") was signed into law, resulting in significant changes to U.S. federal tax law for corporations. Among these changes is the immediate reduction in the federal statutory tax rate from 35% to 21%. As discussed in Note 28 in our accompanying consolidated financial statements, the impact of The Act was unfavorable to our fiscal 2018 tax provision mainly due to a one-time reduction to our existing U.S. deferred tax assets. The reduction in our net deferred tax assets reduces the future cash tax benefit on existing timing differences as of the date of enactment; however, we will also benefit from a reduced tax rate that will apply to future taxable earnings. Overall, we expect our future U.S. cash taxes to be lower based solely on the reduction in the U.S. federal tax rate to 21%. For context, going forward we expect the annualized impact of the U.S. federal tax rate reduction alone on our cash taxes (excluding the impact of other tax reform items) to be approximately \$2.0 million. Our tax balances were adjusted for the year ended June 30, 2018 based upon our interpretation of The Act, although the final impact on our tax balances may change due to the issuance of additional guidance, changes in our interpretation of The Act, changes in assumptions, and actions we may take as a result of The Act. We will continue to review and assess the potential impact of any new information on our financial statement positions.

Our cash paid for income taxes for fiscal 2018 was lower than our income tax expense primarily due to non-cash impacts of U.S. tax reform and changes to our U.S. state apportionment. Cash paid for income taxes in fiscal 2017 was higher than our income tax expense primarily as a result of non-cash tax benefits recognized in our income tax expense relating to timing differences for which the cash benefit is expected to occur in a future period.

We believe that our income tax reserves are adequately maintained by taking into consideration both the technical merits of our tax return positions and ongoing developments in our income tax audits. However, the final determination of our tax return positions, if audited, is uncertain and therefore there is a possibility that final resolution of these matters could have a material impact on our results of operations or cash flows. See Note 28 in our accompanying consolidated financial statements for additional discussion.

Reportable Segment Results

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

Vistaprint

	Year Ended June 30,		2018 vs. 2017
	2018	2017	
Reported revenue	\$ 1,462,686	\$ 1,310,975	12%
Segment profit	246,670	173,123	42%
% of revenue	17%	13%	

Segment Revenue

Vistaprint's reported revenue growth for the year ended June 30, 2018 of 12% was positively affected by currency impacts of 3%, resulting in constant-currency growth of 9%. The Vistaprint constant-currency growth was due to continued growth in repeat customer bookings and was positively impacted by strategic initiatives, including new product and service introductions.

Segment Profitability

Vistaprint's adjusted net operating profit increased for the year ended June 30, 2018 as compared to the prior period, driven primarily by operating expense savings as a result of recent reorganization initiatives and incremental profit from revenue growth. In the current period, Vistaprint's segment profit was positively impacted by currency movements. Our investments in new products and services positively impacted revenue but have had a more limited benefit to segment profit as we continue to scale and optimize these new offerings.

Upload and Print

	Year Ended June 30,		2018 vs. 2017
	2018	2017	
Reported revenue	\$ 730,010	\$ 588,613	24%
Segment profit	79,310	63,189	26%
% of revenue	11%	11%	

Segment Revenue

Upload and Print's reported revenue growth for the year ended June 30, 2018 as positively affected by currency impacts of 11%, resulting in constant-currency growth of 13%. During fiscal 2018, we owned all of our Upload and Print businesses for the full comparable period, so all businesses are included in the constant-currency growth rate. The Upload and Print constant-currency revenue growth was primarily driven by continued growth from our Exagroup, Pixartprinting, Printdeal and WIRmachenDRUCK businesses. During the fourth quarter of fiscal 2018, some of our businesses experienced increased price-focused competition in certain markets and products. We believe that we are well positioned for long-term success in the European market and that our geographic diversity, profitability and scale would enable us to reduce prices in the near term, if and when appropriate, to address any price-focused competition. Any such price reductions could create fluctuations in growth and, sometimes, profit; however we believe we remain poised to outperform and outlast these competitors in the long term.

Segment Profitability

Upload and Print's segment profit for the year ended June 30, 2018 increased compared to the prior year primarily due to incremental gross profits driven by the revenue growth described above and operating expense efficiencies in several businesses. Segment profit was also influenced by lower investments due in part to prior year investments related to certain technology enhancements and improved connection points to the mass customization platform. Upload and Print segment profit was positively impacted by currency movements.

National Pen

	Year Ended June 30,		2018 vs. 2017
	2018	2017	
Reported revenue	\$ 333,266	\$112,712	196%
Segment profit (loss)	21,363	(1,955)	1,193%
% of revenue	6%	(2)%	

Segment Revenue

National Pen's reported revenue growth for the year ended June 30, 2018 was positively affected by currency impacts of 6%, resulting in constant-currency revenue growth of 190%. Fiscal 2017 included only a partial year of National Pen results due to the timing of the acquisition. The constant-currency revenue growth, excluding the impacts of quarters with no comparable results, was 25% and driven by increases across channels and geographies, as we have seen improved marketing performance, increased marketing and prospecting activities, and increased sales to other Cimpress businesses. We expect revenue growth in future periods will moderate from the recent high-growth trend, which was influenced by easier comparisons versus the year-ago period during which National Pen had reduced marketing investments and therefore had lower revenue.

Segment Profitability

Segment profit increased \$23.3 million for the year ended June 30, 2018 as fiscal 2017 included only a partial period of results, as well as the revenue growth described above and cost savings from post-acquisition synergies. These increases were partially offset by increased customer prospecting activities, as well as planned technology investments. Due to our adoption of the new revenue standard on July 1, 2018, we will no longer capitalize and amortize direct-response advertising costs, which is expected to create volatility in our profitability results as costs will be expensed earlier, as incurred.

All Other Businesses

	Year Ended June 30,		2018 vs. 2017
	2018	2017	
Reported revenue	\$ 87,583	\$ 128,795	(32)%
Segment loss	(33,976)	(30,709)	(11)%
% of revenue	(39)%	(24)%	

This segment consists of multiple small, rapidly evolving early-stage businesses by which Cimpress is expanding to new markets. These businesses are subject to high degrees of risk and we expect that each of their business models will rapidly evolve in function of future trials and entrepreneurial pivoting. Therefore, in all of these businesses we continue to operate at a significant operating loss as previously described and as planned, and we expect to continue to do so in the next several years. Our All Other Businesses segment also includes Albumprinter results through the divestiture date of August 31, 2017.

Segment Revenue

The All Other Businesses segment revenue decline was caused by the divestiture of our Albumprinter business, which was completed on August 31, 2017. Constant-currency growth, excluding the impact of the Albumprinter business, was 40% for the year ended June 30, 2018 driven by continued growth in the remaining businesses in the segment.

Segment Profitability

The segment loss increased by \$3.3 million for the year ended June 30, 2018, as compared to the prior period, primarily due to our first quarter fiscal 2018 divestiture of our Albumprinter business, as well as additional investments in our Vistaprint Corporate Solutions business. The increase to segment loss was offset by volume absorption and advertising spend efficiencies in the other businesses in this segment.

Liquidity and Capital Resources

Consolidated Statements of Cash Flows Data:

In thousands

	Year Ended June 30,	
	2018	2017
Net cash provided by operating activities	\$ 188,214	\$ 152,474
Net cash used in investing activities	(10,594)	(301,789)
Net cash (used in) provided by financing activities	(173,639)	108,839

At June 30, 2018, we had \$44.2 million of cash and cash equivalents and \$839.4 million of outstanding debt, excluding debt issuance costs and debt discounts. We expect cash and cash equivalents and debt levels to fluctuate over time depending on our working capital needs, our organic investment levels, share repurchases and acquisition activity. The cash flows during the year ended June 30, 2018 related primarily to the following items:

Cash inflows:

- Net income of \$24.0 million
- Adjustments for non-cash items of \$186.6 million primarily related to positive adjustments for depreciation and amortization of \$164.9 million, share-based compensation costs of \$44.3 million, changes in the carrying value of put and call rights associated with noncontrolling interests of \$10.9 million, unrealized currency-related losses of \$3.9 million, and the change of our contingent earn-out liability of \$1.8 million partially offset by negative adjustments for our gain on the sale of our Albumprinter business of \$47.5 million and non-cash tax related items of \$3.6 million
- Proceeds from the sale of our Albumprinter business of \$93.8 million, net of transaction costs and cash divested
- Proceeds from the sale of a non-controlling interest related to our WIRmachenDRUCK business of \$35.4 million
- Proceeds from the issuance of ordinary shares from the exercise of share options of \$12.0 million
- Excluding the impact of the earn-out and restructuring payments described in the cash outflows section below, the changes in operating assets and liabilities were a source of cash during the period.

Cash outflows:

- Purchases of our ordinary shares of \$94.7 million
- Capital expenditures of \$60.9 million of which the majority of these assets were related to the purchase of manufacturing and automation equipment for our production facilities, and computer and office equipment
- Payments for acquisition-related earn-outs of \$51.3 million, primarily for our WIRmachenDRUCK acquisition. The portion of the earn-out payment contingent upon employment, as well as the contingent consideration payment in excess of acquisition date fair value, is \$49.2 million and presented within operating activities. The remaining \$2.1 million cash outflow representing the purchase consideration included in the acquisition date fair value is a financing activity.
- Payments of debt and debt issuance costs of \$54.4 million, net of proceeds
- Internal costs for software and website development that we have capitalized of \$40.8 million
- Issuance of loans of \$21.0 million to two equity holders of our Printi business (refer to Note 10 in the accompanying consolidated financial statements for additional details)
- Payments of withholding taxes in connection with share awards of \$19.7 million

- Payments for financial lease arrangements of \$13.5 million
- Payments related to our recent restructuring actions were \$17.3 million
- Payment of an early redemption premium of \$14.4 million, related to the refinancing of our senior unsecured notes

Additional Liquidity and Capital Resources Information. During the year ended June 30, 2018, we financed our operations and strategic investments through internally generated cash flows from operations and debt financing. As of June 30, 2018, a significant portion 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 \$29.4 million. We do not intend to repatriate these funds as the cash and cash equivalent balances are generally used and available, without legal restrictions, to fund ordinary business operations and investments of the respective subsidiaries. If there is a change in the future, the repatriation of undistributed earnings from certain subsidiaries, in the form of dividends or otherwise, could have tax consequences that could result in material cash outflows.

Debt. On June 15, 2018, we completed a debt offering of \$400.0 million in aggregate principal amount of 7.0% senior notes due 2026. We used a portion of the net proceeds of this offering to redeem the \$275.0 million of senior notes due 2022 and fund the satisfaction of the indenture governing those notes. We used the remaining portion of the net proceeds to repay indebtedness outstanding under the credit facility and fund the payment of all related fees and expenses. Refer to Note 20 in the accompanying consolidated financial statements for additional details.

In conjunction with the senior notes offering described above, we executed an amendment to our senior secured credit facility that expanded the total capacity from \$1,045.0 million to \$1,128.2 million. The amendment made changes to the senior secured credit agreement, including:

- The aggregate revolving loan commitments under the agreement were increased from \$745.0 million to \$839.4 million. The capacity of term loans remained unchanged, of which \$285.0 million remained outstanding as of June 30, 2018.
- The amendment extended the maturity date of all loans under the agreement from July 13, 2022 to June 14, 2023.
- The interest rate at which LIBOR borrowings bear interest was lowered from LIBOR plus 1.50% to 2.25% to LIBOR plus 1.375% to 2.0%, depending on our leverage ratio, which is the ratio of our consolidated total indebtedness to our consolidated trailing twelve-month EBITDA.
- Our maximum leverage ratio under the agreement was increased from 4.50 to 4.75, and we may increase our leverage ratio to up to 5.00 (4.75 allowed before the amendment) for up to four consecutive fiscal quarters after certain corporate acquisitions as defined within the agreement.
- The amendment decreased the maximum commitment fee paid on unused balances from 0.40% to 0.35%, depending upon our leverage ratio.

We expect to use our expanded credit facility to fund investments and working capital needs. Refer to Note 20 in the accompanying consolidated financial statements for additional details.

As of June 30, 2018, we had aggregate loan commitments from our senior secured credit facility totaling \$1,124.4 million. The loan commitments consisted of revolving loans of \$839.4 million and term loans of \$285.0 million. We have other financial obligations that constitute additional indebtedness based on the definitions within the credit facility. As of June 30, 2018, the amount available for borrowing under our senior secured credit facility was as follows:

In thousands

	June 30, 2018
Maximum aggregate available for borrowing	\$ 1,124,422
Outstanding borrowings of senior secured credit facilities	(432,414)
Remaining amount	692,008
Limitations to borrowing due to debt covenants and other obligations (1)	(124,467)
Amount available for borrowing as of June 30, 2018 (2)	\$ 567,541

- (1) The debt covenants of our senior secured credit facility limit our borrowing capacity each quarter, depending on our leverage and other indebtedness, such as notes, capital leases, letters of credit, and any other debt, as well as other factors that are outlined in the credit agreement.
- (2) Share purchases, dividend payments, and corporate acquisitions are subject to more restrictive covenants, and therefore we may not be able to use the full amount available for borrowing for these purposes.

Debt Covenants. Our credit agreement and senior unsecured notes indenture contain financial and other covenants as well as customary representations, warranties and events of default, which are detailed in Note 20 of the accompanying consolidated financial statements. As of June 30, 2018, we were in compliance with all financial and other covenants under the credit agreement and senior unsecured notes indenture.

Other debt. Other debt primarily consists of term loans acquired through our various acquisitions.. As of June 30, 2018 and June 30, 2017 we had \$7.0 million and \$7.5 million, respectively, outstanding for those obligations that are payable through September 2024.

Risk Factors

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

Risks Related to Our Business

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

We may not achieve our long-term objectives, and our investments in our business may fail to impact our results and growth as anticipated. Some of the factors that could cause our business strategy to fail to achieve our objectives include the following, among others:

- our failure to adequately execute our strategy or anticipate and overcome obstacles to achieving our strategic goals
- our failure to develop our mass customization platform or the failure of the platform to drive the efficiencies and competitive advantage we expect
- our failure to manage the growth, complexity, and pace of change of our business and expand our operations
- our failure to acquire, at a value-accretive price or at all, businesses that enhance the growth and development of our business or to effectively integrate the businesses we do acquire into our business
- our inability to purchase or develop technologies and other key assets and capabilities to increase our efficiency, enhance our competitive advantage, and scale our operations
- our failure to realize the anticipated benefits of the decentralization of our operations

- the failure of our current supply chain to provide the resources we need at the standards we require and our inability to develop new or enhanced supply chains
- our failure to acquire new customers and enter new markets, retain our current customers, and sell more products to current and new customers
- our failure to address inefficiencies and performance issues in some of our businesses and markets
- our failure to sustain growth in relatively mature markets
- our failure to promote, strengthen, and protect our brands
- our failure to effectively manage competition and overlap within our brand portfolio
- the failure of our current and new marketing channels to attract customers
- our failure to realize expected returns on our capital allocation decisions
- unanticipated changes in our business, current and anticipated markets, industry, or competitive landscape
- our failure to attract and retain skilled talent needed to execute our strategy and sustain our growth
- general economic conditions

If our strategy is not successful, then our revenue, earnings, cash flows and value may not grow as anticipated, be negatively impacted, or decline, our reputation and brands may be damaged, and the price of our shares may decline. In addition, we may change our strategy from time to time, which can cause fluctuations in our financial results and volatility in our share price.

Purchasers of customized products may not choose to shop online, which would limit our acquisition of new customers that are necessary to the success of our business.

We sell most of our products and services through the Internet. Because the online market for most of our products and services is not mature, our success depends in part on our ability to attract customers who have historically purchased products and services we offer through offline channels. Specific factors that could prevent prospective customers from purchasing from us online include the following:

- concerns about buying customized products without face-to-face interaction with design or sales personnel
- the inability to physically handle and examine product samples before making a purchase
- delivery time associated with Internet orders
- concerns about the security of online transactions and the privacy of personal information
- delayed or lost shipments or shipments of incorrect or damaged products
- a desire to support and buy from local businesses
- limited access to the Internet
- the inconvenience associated with returning or exchanging purchased items

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

customers and potential customers have difficulty accessing and using our websites and technologies, then our revenue could decline.

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

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

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

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

- investments in our business in the current period intended to generate longer-term returns, where the costs in the near term will not be offset by revenue or cost savings until future periods, if at all;
- seasonality-driven or other variations in the demand for our products and services, in particular during our second fiscal quarter;
- currency and interest rate fluctuations, which affect our revenues, costs, and fair value of our assets and liabilities;
- our hedging activity;
- our ability to attract and retain customers and generate purchases;
- shifts in revenue mix toward less profitable products and brands;
- the commencement or termination of agreements with our strategic partners, suppliers, and others;
- our ability to manage our production, fulfillment, and support operations;
- costs to produce and deliver our products and provide our services, including the effects of inflation;
- our pricing and marketing strategies and those of our competitors;
- expenses and charges related to our compensation arrangements with our executives and employees;
- costs and charges resulting from litigation;
- significant increases in credits, beyond our estimated allowances, for customers who are not satisfied with our products;
- changes in our income tax rate;

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

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

We may not be successful in developing our mass customization platform or in realizing the anticipated benefits of the platform.

A key component of our strategy is the development of a mass customization platform. The process of developing new technology is complex, costly, and uncertain, and the development effort could be disruptive to our business and existing systems. We must make long-term investments, develop or obtain appropriate intellectual property, and commit significant resources before knowing whether our mass customization platform will be successful and make us more effective and competitive. As a result, there can be no assurance that we will successfully complete the development of the platform, that our diverse businesses will realize value from the platform, or that we will realize expected returns on the capital expended to develop the platform.

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

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

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

- difficulty managing operations in, and communications among, multiple businesses, locations, and time zones;
- difficulty complying with multiple tax laws, treaties, and regulations and limiting our exposure to onerous or unanticipated taxes, duties, and other costs;
- our failure to improve and adapt our financial and operational controls to manage our decentralized business and comply with our legal obligations;
- the challenge of complying with disparate laws in multiple countries, such as local regulations that may impair our ability to conduct our business as planned, protectionist laws that favor local businesses, and restrictions imposed by local labor laws;
- our inexperience in marketing and selling our products and services within unfamiliar countries and cultures;
- challenges of working with local business partners;

- our failure to properly understand and develop graphic design content and product formats and attributes appropriate for local tastes;
- disruptions caused by political and social instability that may occur in some countries;
- corrupt business practices, such as bribery or the willful infringement of intellectual property rights, that may be common in some countries or in some sales channels and markets;
- difficulty repatriating cash from some countries;
- difficulty importing and exporting our products across country borders and difficulty complying with customs regulations in the many countries where we sell products;
- disruptions or cessation of important components of our international supply chain; and
- failure of local laws to provide a sufficient degree of protection against infringement of our intellectual property.

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

In addition, we are exposed to fluctuations in currency exchange rates that may impact items such as the translation of our revenues and expenses, remeasurement of our intercompany balances, and the value of our cash and cash equivalents and other assets and liabilities denominated in currencies other than the U.S. dollar, our reporting currency. The hedging activities we engage in may not mitigate the net impact of currency exchange rate fluctuations, and our financial results may differ materially from expectations as a result of such fluctuations.

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

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

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

- cause us to lose revenue if existing and potential customers believe that their personal and payment information may not be safe with us.

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

Acquisitions and strategic investments may be disruptive to our business.

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

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

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

- The business we acquired or invested in may not perform as well as we expected.
- We may overpay for acquired businesses, which can, among other things, negatively affect our intrinsic value per share.
- We may fail to integrate acquired businesses, technologies, services, or internal systems effectively, or the integration may be more expensive or take more time than we anticipated.
- The management of our minority investments and joint ventures may be more expensive or may take more resources than we expected.
- We may not realize the anticipated benefits of integrating acquired businesses into our mass customization platform.
- We may encounter cultural or language challenges in integrating an acquired business or managing our minority investment in a business.
- We may not be able to retain customers and key employees of the acquired businesses, and we and the businesses we acquire or invest in may not be able to cross sell products and services to each other's customers.

We generally assume the liabilities of businesses we acquire, which could include liability for an acquired business' violation of law that occurred before we acquired it. In addition, we have historically acquired smaller, privately held companies that may not have as strong a culture of legal compliance or as robust financial controls as a larger, publicly traded company like Cimpress, and if we fail to implement adequate training, controls, and monitoring of the acquired companies, we could also be liable for post-acquisition legal violations.

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

Acquisitions and minority investments can be costly, and some of our acquisitions and investments may be dilutive, leading to reduced earnings. Acquisitions and investments can result in increased expenses including impairments of goodwill and intangible assets if financial goals are not achieved, assumptions of contingent or unanticipated liabilities, amortization of acquired intangible assets, and increased tax costs.

In addition, the accounting for our acquisitions and minority investments requires us to make significant estimates, judgments, and assumptions that can change from period to period, based in part on factors outside of our control, which can create volatility in our financial results. For example, we often pay a portion of the purchase price for our acquisitions in the form of an earn out based on performance targets for the acquired companies or enter into obligations or options to purchase non-controlling interests in our minority investments, which can be difficult to forecast. If in the future our assumptions change and we determine that higher levels of achievement are likely under our earn outs or future purchase obligations, we will need to pay and record additional amounts to reflect the increased purchase price. These additional amounts could be significant and could adversely impact our results of operations.

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

If we are unable to attract new and repeat customers in a cost-effective manner, 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 do this including drawing visitors to our websites, promoting our products and services through search engines such as Google, Bing, and Yahoo!, email, direct mail, advertising banners and other online links, broadcast media, telesales and word-of-mouth customer referrals. If the search engines on which we rely modify their algorithms, terminate their relationships with us, or increase the prices at which we may purchase listings, our costs could increase, and fewer customers may click through to our websites. If links to our websites are not displayed prominently in online search results, if fewer customers click through to our websites, if our direct mail marketing campaigns are not effective, or if the costs of attracting customers using any of our current methods significantly increase, then our ability to efficiently attract new and repeat customers would be reduced, our revenue and net income could decline, and our business and results of operations would be harmed.

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

Our profitability has historically been highly seasonal. Our second fiscal quarter includes the majority of the holiday shopping season and accounts for a disproportionately high portion of our earnings for the year, primarily due to higher sales of home and family products such as holiday cards, calendars, photo books, and personalized gifts. In addition, the National Pen business we acquired in December 2016 has historically generated nearly all of its profits during the December quarter. In anticipation of increased sales activity during our second fiscal quarter holiday season, we typically incur significant additional capacity related expenses each year to meet our seasonal needs, including facility expansions, equipment purchases and leases, and increases in the number of temporary and permanent employees. Lower than expected sales during the second quarter would likely have a disproportionately large impact on our operating results and financial condition for the full fiscal year. In addition, if our manufacturing and other operations are unable to keep up with the high volume of orders during our second fiscal quarter or we experience inefficiencies in our production, then our costs may be significantly higher, and we and our customers can experience delays in order fulfillment and delivery and other disruptions. If we are unable to accurately forecast and respond to seasonality in our business, our business and results of operations may be materially harmed.

Our hedging activity could negatively impact our results of operations, cash flows, or leverage.

We have entered into derivatives to manage our exposure to interest rate and currency movements. If we do not accurately forecast our results of operations, execute contracts that do not effectively mitigate our economic exposure to interest rates and currency rates, elect to not apply hedge accounting, or fail to comply with the complex accounting requirements for hedging, our results of operations and cash flows could be volatile, as well as negatively impacted. Also, our hedging objectives may be targeted at improving our non-IFRS financial metrics, which could result in increased volatility in our IFRS results. Since some of our hedging activity addresses long-term exposures, such as our net investment in our subsidiaries, the gains or losses on those hedges could be recognized before the offsetting exposure materializes to offset them. This could result in our having to borrow to settle a loss on a derivative without an offsetting cash inflow, potentially causing volatility in our cash or debt balances and therefore our leverage.

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

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

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

Any interruptions to our businesses' systems or operations could result in lost revenue, increased costs, negative publicity, damage to our businesses' reputation and brands, and an adverse effect on our business and results of operations. Building redundancies into our businesses' 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 their business increases with no assurance that their revenues will increase.

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

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

- traditional offline suppliers and graphic design providers
- online printing and graphic design companies

- office superstores, drug store chains, food retailers, and other major retailers targeting small business and consumer markets
- wholesale printers
- self-service desktop design and publishing using personal computer software
- email marketing services companies
- website design and hosting companies
- suppliers of customized apparel, promotional products, gifts, and packaging
- online photo product companies
- Internet retailers
- online providers of custom printing services that outsource production to third party printers
- providers of digital marketing such as social media and local search directories

Many of our current and potential competitors have advantages over us, including longer operating histories, greater brand recognition or loyalty, more focus on a given subset of our business, or significantly greater financial, marketing, and other resources. Many of our competitors currently work together, and additional competitors may do so in the future through strategic business agreements or acquisitions. In addition, we have in the past and may in the future choose to collaborate with some of our existing and potential competitors in strategic partnerships that we believe will improve our competitive position and financial results. It is possible, however, that such ventures will be unsuccessful and that our competitive position and financial results will be adversely affected as a result of such collaboration.

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

Demand for our products and services is sensitive to price for almost all of our businesses, and changes in our pricing strategies, including shipping pricing, have had a significant impact on the numbers of customers and orders in some regions, which in turn affects our revenues, profitability, and results of operations. Many factors can significantly impact our pricing and marketing strategies, including the costs of running our business, our competitors' pricing and marketing strategies, and the effects of inflation. If we fail to meet our customers' price expectations, our business and results of operations may suffer.

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

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

In some cases we pursue self-imposed socially responsible policies that are more stringent than is typically required by laws and regulations, for instance in the areas of worker safety, team member social benefits and

environmental protection such as carbon reduction initiatives. The costs of this added SHE effort are often substantial and could grow over time.

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

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

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

Our senior secured credit facility, which we refer to as our credit facility, and the indenture that governs our 7.0% senior unsecured notes due 2026, which we refer to as our senior notes, contain a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our best interest, including restrictions on our ability to:

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

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

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

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

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

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

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

As of June 30, 2018, our total debt was \$826.8 million, made up of \$400.0 million of senior notes, \$432.4 million of loan obligations under our credit facility and \$7.0 million of other debt. We had unused commitments of \$689.7 million under our credit facility (after giving effect to letter of credit obligations).

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

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

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

Our ability to make scheduled payments on or refinance our debt obligations depends on our financial condition and operating performance, which are subject to economic and competitive conditions and to various financial, business, legislative, regulatory, and other factors beyond our control. We may be unable to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and could be forced to reduce or delay investments and capital expenditures or to dispose of material assets or operations, seek additional debt or equity capital, or restructure or refinance our indebtedness. We may not be able to effect any such alternative measures, if necessary, on commercially reasonable terms or at all.

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

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

Borrowings under our credit facility are at variable rates of interest and expose us to interest rate risk, and any interest rate swaps we enter into in order to reduce interest rate volatility may not fully mitigate our interest rate risk. If interest rates were to increase, our debt service obligations on the variable rate indebtedness would increase even if the amount borrowed remained the same, and our net income and cash flows, including cash available for servicing our indebtedness, will correspondingly decrease. As of June 30, 2018, 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 \$2.4 million over the next 12 months.

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

Many governments impose restrictions on shipping goods into their countries, as well as protectionist measures such as customs duties and tariffs that may apply directly to product categories comprising a material portion of our revenues. The customs laws, rules and regulations that we are required to comply with are complex and subject to unpredictable enforcement and modification. As a result of these restrictions, we have from time to time experienced delays in shipping our manufactured products into certain countries, and changes in cross-border regulations could have a significant negative effect on our business. For example, the current United States administration has made, and may continue to make, major changes in trade policy between the United States and other countries, such as the imposition of additional tariffs and duties on imported products. Because we produce most physical products for our United States customers at our facilities in Canada and Mexico and we source most materials for our products outside the United States, including material amounts of sourcing from China, future changes in tax policy or trade relations could adversely affect our business and results of operations.

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

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

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

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

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

Due to our dependence on the Internet for most of our sales, laws specifically governing the Internet, e-commerce, and email marketing may have a greater impact on our operations than other more traditional businesses. Existing and future laws, such as laws covering pricing, customs, privacy, consumer protection, or

commercial email, may impede the growth of e-commerce and our ability to compete with traditional “bricks and mortar” retailers. Existing and future laws or unfavorable changes or interpretations of these laws could substantially harm our business and financial results.

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

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

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

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

We are subject to customer payment-related risks.

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

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

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

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

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

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

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

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

In some of the jurisdictions where we sell products and services, we do not collect or have imposed upon us sales, value added or other consumption taxes, which we refer to as indirect taxes. The application of indirect taxes to e-commerce businesses such as Cimpress is a complex and evolving issue, and in many cases, it is not clear how existing tax statutes apply to the Internet or e-commerce. If a government entity claims that we should have been collecting indirect taxes on the sale of our products in a jurisdiction where we have not been doing so, then we could incur substantial tax liabilities for past sales.

For example, certain of our businesses do not currently collect sales tax in all U.S. states where they sell products. Many state governments in the United States have imposed or are seeking to impose sales tax collection responsibility on out-of-state, online retailers, and the recent U.S. Supreme Court ruling in *South Dakota v. Wayfair, Inc. et al.* enables states to consider adopting laws requiring remote sellers to collect and remit sales tax, even in states in which the seller has no physical presence. To the extent that individual states decide to adopt similar legislation, this could significantly increase the collection and compliance burden on Cimpress businesses operating in the U.S. In addition, there is risk that a state government in which a Cimpress business currently is not registered to collect and remit sales tax may attempt to assess tax, interest and penalties relating to prior periods.

Risks Related to Our Corporate Structure

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

We are a Dutch limited liability company that operates through various subsidiaries in a number of countries throughout the world. Consequently, we are subject to tax laws, treaties and regulations in the countries in which we operate, and these laws and treaties are subject to interpretation. From time to time, we are subject to tax audits, and the tax authorities in these countries could claim that a greater portion of the income of the Cimpress N.V. group should be subject to income or other tax in their respective jurisdictions, which could result in an increase to our effective tax rate and adversely affect our results of operations.

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

A change in tax laws, treaties or regulations, or their interpretation, of any country in which we operate could result in a higher tax rate on our earnings, which could result in a significant negative impact on our earnings and cash flow from operations. In addition to the passage of the Tax Cuts and Jobs Act in the United States, there are currently multiple initiatives for comprehensive tax reform underway in other key jurisdictions where we have operations. We continue to assess the impact of the U.S. Tax Cuts and Jobs Act as well as various international tax reform proposals and modifications to existing tax treaties in all jurisdictions where we have operations that could result in a material impact on our income taxes. We cannot predict whether any other specific legislation will be enacted or the terms of any such legislation. However, if such proposals were enacted, or if modifications were to

be made to certain existing treaties, the consequences could have a materially adverse impact on us, including increasing our tax burden, increasing costs of our tax compliance or otherwise adversely affecting our financial condition, results of operations and cash flows.

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

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

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

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

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

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

Dutch law imposes limitations and requirements on corporate actions such as the payment of dividends, issuance of new shares, repurchase of outstanding shares, and corporate acquisitions of a certain size, among other actions. For example, Dutch law requires shareholder approval for many corporate actions that would not be subject to shareholder approval if we were incorporated in the United States. Situations may arise where the flexibility to issue shares, pay dividends, purchase shares, acquire other companies, or take other corporate actions would be beneficial to us, but is subject to limitations, subject to delay due to shareholder approval requirements, or unavailable under Dutch law.

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

Our Articles and our internal corporate affairs are governed by Dutch law, and the rights of our shareholders and the responsibilities of our supervisory board and management board are different from those established under United States laws. For example, under Dutch law derivative lawsuits are generally not available, and our supervisory board and management board are responsible for acting in the best interests of the company, its business and all of its stakeholders generally (including employees, customers and creditors), not just shareholders.

As a result, our shareholders may find it more difficult to protect their interests against actions by members of our supervisory board or management board than they would if we were a U.S. corporation.

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

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

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

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

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

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

We believe that we were not a PFIC for the tax year ended June 30, 2018 and we expect that we will not become a PFIC in the foreseeable future. However, whether we are treated as a PFIC depends on questions of fact as to our assets and revenues that can only be determined at the end of each tax year. Accordingly, we cannot be certain that we will not be treated as a PFIC in future years.

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

If a United States shareholder owns 10% or more of our ordinary shares, it may be subject to increased United States federal income taxation (and possibly state income taxation) under the “controlled foreign corporation” rules. In general, if a U.S. person owns (or is deemed to own) at least 10% of the voting power or value of a non-U.S. corporation, or “10% U.S. Shareholder,” and if such non-U.S. corporation is a “controlled foreign corporation,” or “CFC,” then such 10% U.S. Shareholder who owns (or is deemed to own) shares in the CFC on the last day of the CFC’s taxable year must include in its gross income for United States federal income tax (and possibly state income tax) purposes its pro rata share of the CFC’s “subpart F income,” even if the “subpart F income” is not distributed. In addition, a 10% U.S. shareholder’s pro rata share of other income of a CFC, even if not distributed, might also need to be included in a 10% U.S. Shareholder’s gross income for United States federal income tax (and possibly state income tax) purposes under the “global intangible low-taxed income” or “GILTI” provisions of the U.S. tax law. 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, each of our 10% U.S. Shareholders will be required to include in its gross income for United States federal income tax (and possibly state income tax) purposes its pro rata share of our “subpart F income,” even if the subpart F income is not distributed by us, and might also be required to include its pro rata share of other income of ours, even if not distributed by us, under the GILTI provisions of the U.S. tax law. We currently do not believe we are a CFC. However, whether we are treated as a CFC can be affected by, among other things, facts as to our share ownership that may change. Accordingly, we cannot be certain that we will not be treated as a CFC in future years.

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

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

More than 70% of our ordinary shares are held by our top 10 shareholders, and we may repurchase shares in the future, which could further increase the concentration of our share ownership. Because of this reduced liquidity, the trading of relatively small quantities of shares by our shareholders could disproportionately influence the price of those shares in either direction. The price for our shares could, for example, decline precipitously if a large number of our ordinary shares were sold on the market without commensurate demand, as compared to a company with greater trading liquidity that could better absorb those sales without adverse impact on its share price.

Quantitative and Qualitative Disclosures About Market Risk

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

As of June 30, 2018, our cash and cash equivalents consisted of standard depository accounts which are held for working capital purposes. We do not believe we have a material exposure to interest rate fluctuations related to our cash and cash equivalents.

As of June 30, 2018, we had \$432.4 million of variable rate debt and \$2.1 million of variable rate installment obligation related to the fiscal 2012 intra-entity transfer of Webs’ intellectual property. As a result, we have exposure to market risk for changes in interest rates related to these obligations. In order to mitigate our exposure to interest rate changes related to our variable rate debt, we execute interest rate swap contracts to fix the interest rate on a portion of our outstanding or forecasted long-term debt with varying maturities. As of June 30, 2018, 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 \$2.4 million over the next 12 months.

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

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

Our currency hedging objectives are targeted at reducing volatility in our forecasted U.S. dollar-equivalent adjusted EBITDA in order to protect our debt covenants. Since adjusted EBITDA excludes non-cash items such as depreciation and amortization that are included in net income, we may experience increased, not decreased, volatility in our GAAP results due to our hedging approach. Our most significant net currency exposures by volume are in the Euro and British Pound.

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

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

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

Remeasurement of monetary assets and liabilities: Transaction gains and losses generated from remeasurement of monetary assets and liabilities denominated in currencies other than the functional currency of a subsidiary are included in other (expense) income, net on the consolidated statements of operations. Certain of our subsidiaries hold intercompany loans denominated in a currency other than their functional currency. Due to the significance of these balances, the revaluation of intercompany loans can have a material impact on other (expense) income, net. We expect these impacts may be volatile in the future, although our largest intercompany loans do not have a U.S. dollar cash impact for the consolidated group because they are either 1) U.S. dollar loans or 2) we elect to hedge certain non-U.S. dollar loans with cross currency swaps. A hypothetical 10% change in currency exchange rates was applied to total net monetary assets denominated in currencies other than the functional currencies at the balance sheet dates to compute the impact these changes would have had on our income before taxes in the near term. The balances are inclusive of the notional value of any cross currency swaps designated as cash flow hedges. A hypothetical decrease in exchange rates of 10% against the functional currency of our subsidiaries would have resulted in an increase of \$51.1 million and \$61.3 million on our income before taxes for the years ended June 30, 2018 and 2017, respectively.

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of June 30, 2018. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, or the Exchange Act, means controls and other procedures of a company that are designed to ensure that information

required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of June 30, 2018, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no significant changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the year ended June 30, 2018 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the company. Internal control over financial reporting is defined in Rules 13a-15(f) and 15d-15(f) promulgated under the Exchange Act as a process designed by, or under the supervision of, the company's chief executive officer and chief financial officer and effected by the company's supervisory board, management and other personnel, 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 and includes those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the company;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of June 30, 2018. In making this assessment, our management used the criteria set forth in the Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, management concluded that, as of June 30, 2018, our internal control over financial reporting is effective based on criteria in Internal Control - Integrated Framework (2013) issued by the COSO.

CORPORATE GOVERNANCE REPORT

Governance Guidelines

We believe that good corporate governance is important to ensure that Cimpres is managed for the long-term benefit of our stakeholders, including our shareholders. The Management Board and Supervisory Board have adopted Rules to assist each Board in the exercise of its duties and responsibilities and to serve the best interests of Cimpres and our shareholders. The Rules for each Board provide a framework for the conduct of each Board's business. You can access our Rules for the Supervisory Board, our Rules for the Management Board, our Code of Business Conduct and Ethics and the current charters for our Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee at ir.cimpres.com or by writing to:

Investor Relations Department
c/o Cimpres USA Incorporated
275 Wyman Street
Waltham, MA 02451
USA
Email: ir@Cimpres.com

The Dutch Corporate Governance Code (or the Dutch Code)

The Dutch Corporate Governance Code, or Dutch Code, applies to Cimpres. A revised version of the Dutch Code was published on 8 December 2016 by the Corporate Governance Code Monitoring Committee. The revised Dutch Code was implemented with effect from January 1, 2017 and applies to management board reports in respect of financial years commencing on or after January 1, 2017. A copy of the revised Dutch Code can be downloaded from www.commissiecorporategovernance.nl. The Dutch Code includes certain principles of good corporate governance, supported by "best practice" provisions, and our Management Board and Supervisory Board agree with the fundamental principles of the Dutch Code. However, as a company whose ordinary shares are traded on NASDAQ in the United States, we are subject to the corporate governance rules of the NASDAQ Stock Market and U.S. securities laws, and we may also choose to follow certain market practices that are common for NASDAQ-traded companies. Some of the U.S. corporate governance rules and market practices that we are required to or choose to follow conflict, in whole or in part, with the best practice provisions of the Dutch Code. As a result, we do not apply some of the Dutch best practice provisions. In accordance with the Dutch Code's compliance principle of "apply or explain," which permits Dutch companies to be fully compliant with the Dutch Code either by applying the Dutch best practices or by explaining why the company has chosen not to apply certain of the best practices, we are disclosing in this separate "Corporate Governance" section to what extent we do not fully apply provisions of the Dutch Code, together with the reasons for those deviations. This section also contains a broad outline explaining the corporate governance structure of Cimpres. We will explain any substantial change in the corporate governance structure of Cimpres in our proxy statement for the annual general meeting of shareholders.

Deviations from the Dutch Corporate Governance Code

Best practice provision 1.3: *The duty of the internal audit function is to assess the design and operation of the internal risk management and control systems. The management board is responsible for the internal audit function. The supervisory board oversees the internal audit function and maintains regular contact with the person fulfilling this function.*

Cimpres' internal audit function reports to the Audit Committee of Cimpres' Supervisory Board, which oversees and assesses the internal audit function.

Best practice provision 1.7.6: *The external auditor should in any event attend the meeting of the supervisory board at which the report of the external auditor on the audit of the financial statements is discussed.*

Cimpres' external auditor attends all meetings of the Audit Committee of Cimpres' Supervisory Board, including the meeting at which the Audit Committee reviews and discusses the auditor's report and audit are discussed, as is customary and best practice for NASDAQ-traded companies.

Best practice provision 2.1.5: *The supervisory board should draw up a diversity policy for the composition of the management board, the supervisory board and, if applicable, the executive committee. The policy should address*

the concrete targets relating to diversity and the diversity aspects relevant to the company, such as nationality, age, gender, and education and work background.

Best practice provision 2.1.6: *The corporate governance statement should explain the diversity policy and the way that it is implemented in practice, addressing:*

- i. the policy objectives;*
- ii. how the policy has been implemented; and*
- iii. the results of the policy in the past financial year.*

If the composition of the management board and the supervisory board diverges from the targets stipulated in the company's diversity policy and/or the statutory target for the male/female ratio, if and to the extent that this is provided under or pursuant to the law, the current state of affairs should be outlined in the corporate governance statement, along with an explanation as to which measures are being taken to attain the intended target, and by when this is likely to be achieved.

In general, the profile for Cimpres's Supervisory Board aims for an adequate composition reflecting the international business activities of Cimpres as well as an adequate level of experience and independence of its members. The Rules for the Supervisory Board specify that nominees shall not be discriminated against on the basis of race, religion, national origin, sex, sexual orientation, disability or any other basis proscribed by law and that the Nominating and Corporate Governance Committee and Supervisory Board should consider the value of diversity on the Supervisory Board. We believe that the backgrounds and qualifications of our supervisory directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the Supervisory Board to fulfill its responsibilities. Accordingly, the Nominating and Corporate Governance Committee seeks nominees with a broad diversity of experience, professions, skills and backgrounds.

Furthermore, based on the Dutch Civil Code, Cimpres should strive for a balanced composition of the Management Board and the Supervisory Board, to the effect that at least 30% of the positions on each of these boards are held by women and at least 30% by men. In fiscal year 2018, one of the three positions on Cimpres' Management Board was held by a woman. The NASDAQ listing requirements do not require companies to meet specific criteria regarding gender diversity, nor is it standard practice for NASDAQ-listed companies to have specific gender diversity targets. Cimpres aims for an adequate composition of both boards, and believes that a composite mix of experience, knowledge and abilities in each board allows each board to fulfill its responsibilities. Cimpres has been successful in recruiting women to the Supervisory Board to bring the composition of the Supervisory Board more in line with the balanced composition as provided for in the Dutch Civil Code, and in fiscal year 2018 two of the eight positions on the Supervisory Board were held by women. We refer also to page 58 of the report regarding the Supervisory Director nomination process.

Best practice provision 2.2.2: *A supervisory board member is appointed for a period of four years and may then be reappointed once for another four-year period. The supervisory board member may then subsequently be reappointed again for a period of two years, which appointment may be extended by at most two years. In the event of a reappointment after an eight-year period, reasons should be given in the report of the supervisory board. In any appointment or reappointment, the profile referred to in best practice provision 2.1.1 should be observed.*

We believe that our stakeholders benefit from the diversity of experience of our Supervisory Board, which includes long-term directors who bring a wealth of institutional knowledge and Cimpres history to the Board, as well as directors who have been appointed in recent years who bring fresh ideas and perspective to the Board. It is not customary for NASDAQ-listed companies to have term limits for their directors. Accordingly, we seek to have directors reappointed for terms of three or four years regardless of the number of terms they have served.

Best practice provision 2.2.4: *The supervisory board should ensure that the company has a sound plan in place for the succession of management board and supervisory board members that is aimed at retaining the balance in the requisite expertise, experience and diversity.*

Cimpres' Supervisory Board has succession plans for its executives, including its executives who serve on the Management Board, as is customary and best practice for NASDAQ-traded companies. It is not customary for NASDAQ-listed companies to have succession plans for supervisory board members, and accordingly Cimpres does not have such a plan for its Supervisory Board.

Best practice provision 2.7.4: *All transactions in which there are conflicts of interest with management board members or supervisory board members should be agreed on terms that are customary in the market. Decisions to*

enter into transactions in which there are conflicts of interest with management board members or supervisory board members that are of material significance to the company and/or to the relevant management board members or supervisory board members should require the approval of the supervisory board. Such transactions should be published in the management report, together with a statement of the conflict of interest and a declaration that best practice provisions 2.7.3 and 2.7.4 have been complied with.

We have a written related person transaction policy that sets forth the policies and procedures for the review and approval or ratification of related person transactions. All related person transactions (as defined in our policy) that we propose to enter into must be reported to our Chief Legal Officer (who is currently our General Counsel) and Chief Accounting Officer (who is currently our Chief Financial Officer) and reviewed and approved by the Audit Committee of our Supervisory Board before the transaction becomes effective or is consummated. In addition, the Audit Committee will review annually any previously approved or otherwise already existing related person transaction that is ongoing in nature to ensure that such related person transaction has been conducted in accordance with the Audit Committee's previous approval, if any, and that all required disclosures regarding the related person transaction are made.

Best practice provision 3.1.2 vi: *The following aspects should in any event be taken into consideration when formulating the remuneration policy:*

vi. if shares are being awarded, the terms and conditions governing this. Shares should be held for at least five years after they are awarded.

No retention period applies to shares granted without financial consideration to the members of the Management Board, and our approach is common for NASDAQ-listed companies. The Supervisory Board has, however, instituted share ownership guidelines for our executive officers as defined under SEC rules, including the members of our Management Board, which require our executive officers to hold Cimpres equity with a value equal to or greater than five times annual base salary for our Chief Executive Officer and three times annual base salary for our other executive officers. The Supervisory Board takes the view that in combination with the characteristics of our 2016 Performance Equity Plan under which no shares are issuable until a minimum of six years after a performance share unit award is granted (unless there is an earlier change in control), as described in relation to best practice provision II.2.4, the long-term character of the share remuneration and retention of management are sufficiently met.

Best practice provision 3.1.2 vii: *The following aspects should in any event be taken into consideration when formulating the remuneration policy:*

vii. if share options are being awarded, the terms and conditions governing this and the terms and conditions subject to which the share options can be exercised. Share options cannot be exercised during the first three years after they are awarded.

The Compensation Committee of our Supervisory Board believes that granting equity awards is an effective way to motivate our Management Board members to manage the company in a manner that is consistent with our long term interests and those of our shareholders, with equity awards generating returns for our board members and employees as our share price increases. In the past, as part of our long term incentive plan, we have granted share options to the members of our Management Board from time to time. The exercise price of all share options we grant is at least 100% of the fair market value on the date of grant. Share options vest over either a four- or seven-year period. Although this vesting timeline is not in line with best practice provision 3.1.2 vii, these incentive vehicles are standard for NASDAQ-listed companies and provide us with an important retention tool, as the equity grants vest only if the board member continues to be employed by us on each vest date. We have not established any predetermined performance criteria for these share options.

In fiscal year 2016, under the leadership of our Compensation Committee and with input from our shareholders, we significantly redesigned our compensation program for executives and employees. We now grant to our Management Board members and employees performance share units under our new 2016 Performance Equity Plan, which are based upon performance conditions relating to the compound annual growth rate of the three-year moving average of the daily closing share price of Cimpres' ordinary shares over a 6- to 10-year period. Shares are issuable under the performance share units only if (i) the service vesting requirement has been met, which is 25% per year for four years; (ii) the performance conditions are satisfied; and (iii) a minimum of six years has elapsed (unless there is an earlier change in control of Cimpres). The Compensation Committee considers the performance conditions to be challenging.

Best practice provision 3.2.3: *The remuneration in the event of dismissal should not exceed one year's salary (the 'fixed' remuneration component). Severance pay will not be awarded if the agreement is terminated early at the initiative of the management board member, or in the event of seriously culpable or negligent behaviour on the part of the management board member.*

Cimpress has arrangements that are commensurate with local and legal requirements to ensure competitive employment offers to the members of our Management Board. We have entered into executive retention agreements with the members of our Management Board that provide that if we terminate a managing director's employment without cause or he or she terminates his or her employment for good reason before a change in control of Cimpress or within one year after a change in control (as defined in the executive retention agreements), then the managing director is entitled under the executive retention agreement to receive a lump sum severance payment equal to two years' salary and bonus for Robert Keane or one year's salary and bonus for the other members of the Management Board. In addition, the managing director would receive a pro rata portion, based on the number of days from the beginning of the then current fiscal year until the date of termination, of his or her annual and multi-year cash incentive awards, as well as continuation of all other employment-related benefits.

Best practice provision 3.3.2: *Supervisory board members may not be awarded remuneration in the form of shares and/or rights to shares.*

Each Supervisory Board member receives performance share units under our 2016 Performance Equity Plan upon his or her initial appointment and annually on the date of each annual general meeting. Performance share units are based upon performance conditions relating to the compound annual growth rate of the three-year moving average of the daily closing share price of Cimpress' ordinary shares over a 6- to 10-year period. Shares are issuable under the performance share units only if (i) the service vesting requirement has been met; (ii) the performance conditions are satisfied; and (iii) a minimum of six years has elapsed (unless there is an earlier change in control of Cimpress). When we recommend our Supervisory Board members' compensation to our shareholders, we considered the significant amount of time that directors expend in fulfilling their duties to Cimpress, the skill level that we require of members of our Supervisory Board, and competitive compensation data from our peer group. This practice is in compliance with international business practice in our industry, including NASDAQ-listed companies, and we consider the grant of equity to be an important incentive to attract individuals with the required skills and expertise to serve on our Supervisory Board.

Best practice provision 3.3.3: *Shares held by a supervisory board member in the company on whose supervisory board they serve should be long-term investments.*

The NASDAQ listing requirements do not require board members to hold shares for any length of time. However, the Supervisory Board has instituted share ownership guidelines for all members of the Supervisory Board requiring our supervisory directors to hold Cimpress equity with a value equal to or greater than three times the Supervisory Board's annual cash retainer. Cimpress believes that allowing our Supervisory Board members flexibility to sell their shares enhances our ability to attract and retain individuals with the required skills and expertise to serve on our Supervisory Board.

Best practice provision 4.1.9: *The external auditor may be questioned by the general meeting in relation to his report on the fairness of the financial statements. The external auditor should for this purpose attend and be entitled to address this meeting.*

In practice, shareholders generally do not attend our general meetings, and therefore Cimpress' external auditor does not attend. If a shareholder were to request in advance that the external auditor attend a general meeting, we would consider asking our external auditor to do so.

Best practice provision 4.3.3: *The general meeting of shareholders of a company not having statutory two-tier status (structuurregime) may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the management board or of the supervisory board and/or a resolution to dismiss a member of the management board or of the supervisory board by an absolute majority of the votes cast. It may be provided that this majority should represent a given proportion of the issued capital, which proportion may not exceed one-third. If this proportion of the capital is not represented at the meeting, but an absolute majority of the votes cast is in favour of a resolution to cancel the binding nature of a nomination, or to dismiss a board member, a new meeting may be*

convened at which the resolution may be passed by an absolute majority of the votes cast, regardless of the proportion of the capital represented at the meeting.

The articles of association currently provide that our shareholders at a general meeting may at all times overrule a binding nomination by a resolution adopted by at least a two-thirds majority of the votes cast, if such majority represents more than half of the issued share capital. We believe that this provision enhances the continuity of the Management Board and Supervisory Board, which we believe to be in the best interest of our stakeholders.

A resolution of the general meeting to suspend or dismiss members of the Management Board pursuant to a proposal by the Supervisory Board requires an absolute majority of the votes cast to be passed. A resolution of the general meeting to suspend or dismiss members of the Management Board other than pursuant to a proposal by the Supervisory Board requires a two-third majority of the votes cast representing more than half of the issued capital.

Board Structure

We have a two-tiered board structure consisting of a Supervisory Board and a Management Board. The Supervisory Board consists of our independent, non-employee supervisory directors, and the Management Board consists of managing directors who are members of our senior management team. Each of our Supervisory Board and Management Board has its own chairman. The Chairman of our Supervisory Board is Mr. Riley, an independent, non-employee supervisory director, and the Chairman of our Management Board is Mr. Keane, who is also our Chief Executive Officer and President.

Management Board

General

The principal responsibility of the members of the Management Board is to manage Cimpress, which means, among other things, that it is responsible for implementing Cimpress' aims and strategy, managing Cimpress' associated risk profile, operating Cimpress' business on a day-to-day basis and addressing corporate social responsibility issues that are relevant to the enterprise. The Management Board is accountable to the Supervisory Board and to our shareholders.

Composition and appointment

The articles of association of Cimpress provide that Cimpress must have a Management Board consisting of one or more members. The Supervisory Board determines the number of members of the Management Board. Currently, the Management Board consists of three members, and their names and biographies can be found in the "Profiles of the Management Board and Supervisory Board" below. Each member of the Management Board is appointed for a maximum period of four years. Unless a Management Board member resigns at an earlier date, his or her term of office lapses on the day of the general meeting that is held in the fourth year after his or her appointment. Ms. Blake's term expires at our 2019 annual general meeting, Mr. Keane's term expires at our 2021 annual general meeting, and Mr. Quinn's term expires at our 2020 annual general meeting.

Members of the Management Board are appointed by shareholders at a general meeting, from the binding nomination to be drawn up by the Supervisory Board. Shareholders at a general meeting may at all times, by a resolution passed with a two-third majority of the votes cast, representing more than one-half of the issued capital, resolve that the binding nomination submitted by the Supervisory Board is not binding. In such cases the shareholders may appoint a member of the Management Board in contravention of the nomination of the Supervisory Board, by a resolution passed with a majority of at least two-thirds of the votes cast representing more than one-half of the issued capital.

A resolution of the general meeting to suspend or dismiss members of the Management Board pursuant to a proposal by the Supervisory Board requires an absolute majority of the votes cast to be passed. A resolution of the general meeting to suspend or dismiss members of the Management Board other than pursuant to a proposal by the Supervisory Board requires a two-third majority of the votes cast representing more than half of the issued capital.

The Management Board has adopted Rules to assist the Management Board in the exercise of its duties and responsibilities and to serve the best interests of Cimpress and our stakeholders. Among other things, the Rules for the Management Board provide that:

- the Management Board is responsible for managing Cimpress, including implementing Cimpress' aims and strategy, managing risks, operating the business on a day-to-day basis, and addressing corporate social responsibilities that are relevant to the enterprise;
- the Management Board is responsible for determining that effective systems are in place for the periodic and timely reporting to the Supervisory Board on important matters concerning Cimpress and its subsidiaries; and
- at least annually the Supervisory Board is required to conduct an evaluation of the Management Board to determine whether the Management Board is functioning effectively.

Remuneration of the Management Board

The Supervisory Board determines the remuneration of the individual members of the Management Board, in accordance with the remuneration policy, as adopted by our shareholders at a general meeting. For further information about the remuneration of the members of the Management Board, see the "Executive Compensation" section of the Supervisory Board Report.

Conflicts of interest

During our fiscal year ended June 30, 2018, there were no material conflicts of interest involving the members of our Management Board or Supervisory Board.

Policies and Procedures for Related Party Transactions

We have a written related person transaction policy that sets forth the policies and procedures for the review and approval or ratification of related person transactions. This policy covers any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships in which we are a participant, the amount involved exceeds \$25,000, and a related person has a direct or indirect material interest, including, without limitation, purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness, and employment by us of a related person. A related person is any person who is or was a Cimpress executive officer or member of our Management Board or Supervisory Board at any time since the beginning of our most recently completed fiscal year, the beneficial holder of more than 5% of any class of our voting securities, or an immediate family member of anyone described in this sentence.

All potential related person transactions that we propose to enter into must be reported to our Chief Legal Officer (CLO, who is currently our General Counsel) or Chief Accounting Officer (CAO, who is currently our Chief Financial Officer), who will determine whether each reported transaction qualifies as a related person transaction. If so, then the CLO and CAO will submit the transaction for review and approval by our Audit Committee. If our CLO and CAO determine that advance approval of a related person transaction by the full Audit Committee is not practicable under the circumstances, then they will submit the transaction to the Audit Committee chair for review and approval, and the full Audit Committee will review and ratify the related person transaction at the next Committee meeting.

In addition, the Audit Committee will review annually any previously approved or otherwise already existing related person transaction that is ongoing in nature to ensure that such related person transaction has been conducted in accordance with the Audit Committee's previous approval, if any, and that all required disclosures regarding the related person transaction are made.

When considering a proposed related person transaction, the Audit Committee will review and consider, to the extent appropriate for the circumstances:

- the related person's interest in the related person transaction;
- the approximate dollar value of the amount involved in the related person transaction;

- the approximate dollar value of the amount of the related person's interest in the transaction without regard to the amount of any profit or loss;
- whether the transaction was undertaken in the ordinary course of business;
- whether the transaction with the related person is entered into on terms no less favorable to us than terms that could have been reached with an unrelated third party;
- the purpose of, and the potential benefits to us of, the transaction; and
- any other information regarding the related person transaction or the related person that would be material to investors in light of the circumstances of the particular transaction.

The Audit Committee will review all relevant information available to it about the related person transaction. The Audit Committee may approve or ratify the related person transaction only if the Committee determines that, under all of the circumstances, the transaction is in or is not inconsistent with our best interests. The Committee may, in its sole discretion, impose conditions as it deems appropriate on us or the related person in connection with approval of the related person transaction.

In addition, under Dutch law, any member of our Supervisory Board or Management Board who has a conflict of interest is required to disclose that conflict to the Chairman of the Supervisory Board and to abstain from voting on any resolution involving, or participating in any board discussion of, the conflict.

General Meeting

Functioning General Meeting of Shareholders

Cimpress must hold its annual general meeting of shareholders within six months after the end of each fiscal year. The Management Board or the Supervisory Board may convene an extraordinary general meeting of shareholders whenever our interests so require.

Shareholders having the right thereto according to applicable law may submit proposals for the agenda. Because we are a Dutch limited company whose shares are traded on a U.S. securities exchange, both U.S. and Dutch rules and timeframes apply for shareholders to submit proposals for the agenda of a general meeting. Under Dutch law and our articles of association, we must receive such proposals no later than the 60th day before the general meeting of shareholders, and the proposals must meet other criteria set forth under applicable law and our articles of association to be included in the notice for the general meeting. Under U.S. securities laws, if a shareholder wishes to have a proposal included in the notice for the general meeting and proxy statement, then in addition to the above requirements, the shareholder also needs to follow the procedures outlined in Rule 14a-8 of the Exchange Act, and the deadline for submitting a proposal to us is generally earlier than the deadline specified above.

To facilitate the voting and attendance of shareholders at general meetings of shareholders, we set a record date. Shareholders registered at such date are entitled to vote in and attend the meeting and to exercise other shareholder rights during the meeting, notwithstanding the subsequent sale of their shares after the record date. Pursuant to the Dutch Civil Code the record date is a fixed date 28 days before the general meeting of shareholders.

We will give notice of the general meeting of shareholders in accordance with Dutch law, U.S. law and our articles of association.

Shareholders may appoint a proxy who can vote on their behalf in the general meeting of shareholders.

We will record the minutes of the general meeting of shareholders and make them available to shareholders on our website no later than three months after the meeting. The minutes are adopted by the chairman and the company secretary of the meeting. Also, we will publish the voting results via a Current Report on Form 8-K that we will file with the SEC no later than four business days after the general meeting, which Current Report will be available on our website.

Voting rights

Each of our ordinary shares and preference shares is entitled to one vote. Shareholders may vote by proxy. Resolutions of the general meeting of shareholders are adopted by a simple majority in a meeting in which at least one third of Cimpres's capital is represented, except where Dutch law or our articles of association provide for a special majority.

According to the articles of association, the following decisions of the general meeting of shareholders require a majority of at least two-thirds of the votes cast, representing more than 50% of the issued share capital:

- a resolution to cancel a binding nomination for the appointment of members of the Management Board and Supervisory Board
- a resolution to appoint members of the Management Board or Supervisory Board in contravention of the list of nominees submitted by the Supervisory Board
- a resolution to dismiss or suspend members of the Management Board or Supervisory Board, other than pursuant to a proposal of the Supervisory Board.

In addition, the articles of association require a majority of at least two-thirds of the issued capital, if less than 50% of the issued share capital is represented for among other matters:

- a resolution of the general meeting of shareholders regarding restricting and excluding pre-emptive rights, or decisions to designate the Management Board as the body authorised to exclude or restrict pre-emptive rights
- a resolution of the general meeting of shareholders to reduce the outstanding share capital
- a resolution of the general meeting of shareholders to merge or demerge.

Amendment of the Articles of Association

The general meeting of shareholders can resolve to amend our articles of association only upon a proposal by the Management Board, which proposal requires the approval of the Supervisory Board. A resolution of the general meeting of shareholders requires a simple majority of votes cast in a meeting in which at least one third of Cimpres's capital is represented. We will include the complete proposals in our proxy statement filed with the SEC and also make them available for inspection by the shareholders at our office from the date of the notice until the close of that meeting.

The capital structure

The company's authorised share capital equals €2,000,000 and is divided in 100,000,000 ordinary shares, each with a nominal value of €0.01 and 100,000,000 preferred shares, each with a nominal value of €0.01. As of June 30, 2018, a total of 44,080,627 and 30,876,193 ordinary shares are issued and outstanding, respectively.

Issue of shares

The Management Board, subject to the prior approval of the Supervisory Board has the power to issue shares or grant rights to acquire shares if so designated by the general meeting of shareholders. No resolution of the general meeting of shareholders or the Management Board is required for an issue of shares pursuant to the exercise of a previously granted right to subscribe for shares.

At our annual general meeting on November 14, 2017, our shareholders resolved to authorize the Management Board, until May 14, 2019 and subject to the prior approval of the Supervisory Board, to issue ordinary shares or to grant rights to subscribe for ordinary shares up to a maximum of 10% of our outstanding share capital at the time of issue for general corporate purposes (including but not limited to equity compensation, acquisitions, and financings) and an additional 10% of our outstanding share capital at the time of issue in connection with our acquisition of all or a majority of the equity or assets of another entity. In addition to and separate from the general authorization described in the previous sentence, on May 27, 2016 our shareholders authorized our Management Board, with the approval of our Supervisory Board, until May 27, 2021 to issue ordinary shares, or grant rights to subscribe for ordinary shares, pursuant to our 2016 Performance Equity Plan, up to a maximum of the number of ordinary shares issuable under that plan.

Pre-emptive rights

Without prejudice to the applicable legal provisions, upon the issue of ordinary shares for cash, each holder of ordinary shares has a pre-emptive right in proportion to the aggregate amount of ordinary shares held by him, her or it. The Management Board, subject to the prior approval of the Supervisory Board, and if so designated by the general meeting of shareholders, may restrict or exclude shareholder pre-emptive rights. A resolution by the general meeting of shareholders to authorize the Management Board to exclude or restrict pre-emptive rights requires a majority of at least two-thirds of the votes cast, if less than 50% of our issued share capital is present or represented at the general meeting of shareholders. If the general meeting of shareholders has not delegated this authority to the Management Board, the general meeting of shareholders may itself vote to restrict or exclude pre-emptive rights, but only upon a proposal of the Management Board.

At our annual general meeting on November 14, 2017, our shareholders resolved to authorize the Management Board to restrict or exclude pre-emptive rights until May 14, 2019.

Purchase by the Company of its own shares

Under Dutch law and our articles of association, our shareholders may authorize the Management Board, with the prior approval of the Supervisory Board and subject to certain Dutch statutory provisions, to repurchase issued shares on our behalf in an amount, at prices and in the manner authorized by the shareholders. This authorization may not continue for more than 18 months, but may be given on a rolling basis. We currently have authorization from our shareholders to repurchase up to 6,300,000 of our issued and outstanding ordinary shares on the open market (including block trades that satisfy the safe harbor provisions of Rule 10b-18 pursuant to the Exchange Act), through privately negotiated transactions, or in one or more self tender offers at prices per share between an amount equal to €0.01 and an amount equal to 120% of the market price of our ordinary shares on the NASDAQ Global Select Market or any other securities exchange where our shares are then traded (the market price being deemed to be the average of the closing price on each of the consecutive days of trading during a period no shorter than one trading day and no longer than 10 trading days immediately preceding the date of repurchase, as reasonably determined by the Management Board). This authorization expires on May 14, 2019. As of June 30, 2018, we have repurchased 442,557 ordinary shares under this authorization.

Our Management Board, with the prior approval of our Supervisory Board, determines the number of shares repurchased, if any, and the timing and manner of any repurchases in light of prevailing market conditions, our available resources, obligations under our equity compensation plans, and other factors that we cannot now predict. The repurchased shares will be used for the issuance of shares under our equity compensation plans and, if so desired, for corporate acquisitions or similar transactions and any other valid corporate purposes. The reduction in our outstanding shares resulting from any repurchases would increase the proportionate interest of the remaining shareholders in whatever future profits we may earn. Under Dutch law, the number of our ordinary shares that we or our subsidiaries hold may never exceed 50% of the total number of our issued shares.

Preference Shares

An independent foundation, Stichting Continuïteit Cimpres (the "Foundation"), was established to safeguard the interests of Cimpres and its stakeholders and to assist in maintaining our continuity and independence. On November 16, 2009, we entered into a Call Option Agreement (the "Call Option") with the Foundation pursuant to which the Foundation may acquire a number of our preferred shares up to a maximum of the total number of our ordinary shares then outstanding at an exercise price of €0.01 per share. The Call Option held by the Foundation is designed to provide a protective measure against unsolicited take-over bids for Cimpres or other hostile threats through the issuance of preferred shares to the Foundation that would give the Foundation voting and dispositive power over up to 50% of our outstanding securities.

There are currently no preferred shares issued.

Upon the issue of preferred shares, subscribers for preferred shares must pay at least 25% of the nominal value of the preferred shares. Each transfer of preferred shares requires the prior approval of the Management Board and the Supervisory Board. No resolution of the general meeting of shareholders or the Management Board is required for an issue of preferred shares pursuant to the exercise of a previously granted right to subscribe for preferred shares (including the right of the Foundation to acquire preferred shares under the Call Option).

Mandatory Statement within the meaning of the Decree regarding the Content of the Management Report
(Besluit inhoud bestuursverslag)

According to the Decree regarding the Content of the Management Report (Besluit inhoud bestuursverslag), as last amended on January 1, 2018 (the “Decree”), Cimpres must publish a statement on corporate governance (the “Corporate Governance Statement”). The Corporate Governance Statement must report on compliance with the Dutch Corporate Governance Code

The Management Board states that the aforementioned information is included in this Corporate Governance section.

PROFILE OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

Our Supervisory Board:

Our Supervisory Board consists of eight independent, non-employee directors who serve for rotating terms of up to four years.

<i>Name</i>	<i>Age</i>	<i>Cimpress Director Since</i>	<i>Current Term Expires at our Annual General Meeting In:</i>	<i>Independent Director (Nasdaq rules)</i>
Paolo De Cesare	58	March 2013	2020	Yes
Sophie A. Gasperment	54	November 2016	2020	Yes
John J. Gavin, Jr.	63	August 2006	2021	Yes
Richard T. Riley	62	February 2005	2018	Yes
Nadia Shouraboura	48	January 2015	2019	Yes
Zachary S. Sternberg	33	November 2017	2021	Yes
Mark T. Thomas	64	November 2009	2020	Yes
Scott Vassalluzzo	46	January 2015	2018	Yes

PAOLO DE CESARE has served as Chief Executive Officer of Printemps Department Store Paris, a retailer dedicated to fashion and luxury brands with department stores in France, since September 2007. Previously, Mr. De Cesare served in various executive capacities at Procter & Gamble from 1983 to 2007, most recently as President of Procter & Gamble Global Skin Care and, prior to that, as Vice President of Procter & Gamble Far East and President Max Factor KK, the Cosmetic division of Procter in Japan. Mr. De Cesare also served on the board of Indesit Company, a publicly traded company and leading European manufacturer and distributor of domestic appliances, from 2009 until 2013. Mr. De Cesare brings to the Supervisory Board his strong knowledge of brand and marketing strategy, his international business experience and perspective, and his operational, executive, and board experience in a variety of roles worldwide.

SOPHIE A. GASPERMENT has served as Group General Manager, Financial Communication and Strategic Prospective of L'Oréal, the world's leading beauty company, since January 2014. She has held multiple marketing and general management positions at L'Oréal since joining the company in September 1986, including Chief Executive Officer and Executive Chairman of The Body Shop International, the iconic British retailer spanning 60 countries and ca. 20,000 people strong, from July 2008 to October 2013, as well as Managing Director, L'Oréal UK and Ireland, from January 2004 to January 2008. Since June 2010, Ms. Gasperment also serves on the board of AccorHotels, a publicly traded company and a world leader in hospitality, and is currently Chair of that board's Appointments, Compensation and CSR Committee and a member of the Audit and Compliance Committee. Since May 2018, Ms. Gasperment has also served on the Supervisory Board of D'Ieteren, a Euronext-listed global company, and is a member of the Appointments and Compensation Committee. Ms. Gasperment brings to the Supervisory Board her leadership and strategy skills and perspective, her international brand-building and go-to-market expertise, her experience of businesses undergoing digital transformation, her experience on the boards of other public companies, and her acumen in both consumer goods and retail, as well as her broader business experience in multi-cultural environments.

JOHN J. GAVIN, JR. serves on the board of Varonis Systems, Inc., a provider of data governance solutions for unstructured data. Mr. Gavin previously served as Chief Financial Officer of BladeLogic, Inc., a provider of data center automation software, from January 2007 through June 2008, when it was acquired by BMC Software, and as Chief Financial Officer of Navisite, Inc., a provider of information technology hosting, outsourcing and professional services, from April 2004 through December 2006. Prior to Navisite, Mr. Gavin served as the Chief Financial Officer of Cambridge Technology Partners and Data General Corporation. Mr. Gavin also spent ten years at Price Waterhouse LLP (now PricewaterhouseCoopers LLP), an accounting firm, in various accounting and audit positions including as Senior Manager in charge of multi-national audits. In addition to serving on the Supervisory Board of Cimpress N.V., Mr. Gavin also serves on the supervisory board of Vistaprint B.V., a wholly owned Dutch subsidiary of Cimpress. Mr. Gavin brings to the Supervisory Board his extensive experience as chief financial officer of several growing companies, his experience on the boards of other public companies, and ten years as an independent auditor. Mr. Gavin is a certified public accountant.

RICHARD T. RILEY, *Chairman of the Supervisory Board*, served in various capacities at LoJack Corporation, a publicly traded provider of tracking and recovery systems, during the period from 2005 until 2013, including Chairman of the Board of Directors from November 2006 to May 2012; Chief Executive Officer from November 2006 to February 2008 and again from May 2010 to November 2011; and President, Chief Operating Officer and a director from February 2005 through November 2006 and again from May 2010 to November 2011. From 1997 through 2004, Mr. Riley held a variety of positions with New England Business Service, Inc., a publicly traded provider of products and services to small businesses, most recently serving as Chief Executive Officer, President, Chief Operating Officer and director. Mr. Riley also serves on the boards of Dorman Products, Inc., a supplier of original equipment automotive replacement parts, and Tupperware Brands Corporation, a direct-to-consumer marketer of various products across a range of brands and categories worldwide. In addition to serving on the Supervisory Board of Cimpress N.V., Mr. Riley also serves on the supervisory board of Vistaprint B.V., a wholly owned Dutch subsidiary of Cimpress. Mr. Riley brings to the Supervisory Board his extensive experience of leading companies as a chief executive officer and board member, including 22 years leading a publicly traded company providing products and services to small businesses.

NADIA SHOURABOURA has served as the Founder and Chief Executive Officer of Hointer, Inc., a technology company that brings together the best features of virtual shopping with in-store shopping, since August 2012. Before founding Hointer, Dr. Shouraboura served on the senior management team responsible for overall direction and operations at Amazon.com, Inc. from April 2004 to August 2012, including as Technology Vice President, Global Supply Chain and Fulfillment Platform from 2008 to August 2012. Before joining Amazon.com, Dr. Shouraboura served in technology and leadership roles at Diamond Technology Partners, Mobilicity, and Exelon Corporation. Dr. Shouraboura also currently serves on the board of directors of Ferguson plc, a world-leading specialist distributor of plumbing and heating products, and X5 Retail Group N.V., a leading Russian food retailer. Dr. Shouraboura brings to the Supervisory Board her strong advocacy and experience with building customer-centric company cultures and her experience in operations and technology.

ZACHARY S. STERNBERG is the co-founder and Managing Member of the General Partner of The Spruce House Partnership, a New York-based investment partnership. Spruce House invests in public and private companies globally and seeks to partner with management teams that are focused on growing the per share value of their companies over the long-term. Mr. Sternberg graduated from The Wharton School at The University of Pennsylvania with a concentration in accounting. Spruce House holds 7.6% of Cimpress' outstanding shares and has been a shareholder of Cimpress since 2011. Mr. Sternberg brings to the Supervisory Board his perspective as a material and long-term shareholder of Cimpress with a deep understanding of the importance of long-term stewardship of capital informed by more than a decade of successful investment experience.

MARK T. THOMAS has served as a Founder and Partner of Monitor Clipper Partners, a middle market private equity firm, since December 1997 and also serves as a member of Monitor Clipper Partners' Investment Committee and as a director of several of its portfolio companies. In addition, Mr. Thomas was a co-founder of Monitor Company Group LP, a global strategy and marketing consulting firm, where he served in various leadership positions from 1983 to November 2012. Monitor Company Group LP was sold to Deloitte Consulting in January 2013. In June 2016, Roger Garments LLC, a portfolio company of MCP Fund III and of which Mr. Thomas was a director at the time, assigned all its assets for the benefit of creditors. Mr. Thomas also serves as Executive Chairman and Advisory Board member of Agero, Inc., the leading provider of B2B roadside assistance and accident management services in the United States. In addition to serving on the Supervisory Board of Cimpress N.V., Mr. Thomas serves on the supervisory board of Vistaprint B.V., a wholly owned Dutch subsidiary of Cimpress. Mr. Thomas brings to the Supervisory Board his extensive strategy, investment, and international experience, which includes more than 30 years of building companies, serving on boards, and providing advice to top executives on strategic matters.

SCOTT VASSALLUZZO is a Managing Member of Prescott General Partners LLC ("PGP"), an investment adviser registered with the U.S. Securities and Exchange Commission that holds 15.1% of Cimpress' outstanding shares. PGP serves as the general partner of three private investment limited partnerships, including Prescott Associates L.P. (together, the "Prescott Partnerships"). Mr. Vassalluzzo joined the Prescott organization in 1998 as an equity analyst, became a general partner of the Prescott Partnerships in 2000, and transitioned to Managing Member of PGP following Prescott's reorganization in January 2012. Prior to 1998, Mr. Vassalluzzo worked in public accounting at Coopers & Lybrand (now PricewaterhouseCoopers LLP) and was a certified public accountant. Mr. Vassalluzzo serves on the boards of directors of Credit Acceptance Corporation, an auto finance company providing automobile loans and other related financial products, and World Acceptance

Corporation, a personal installment loan company. Mr. Vassalluzzo brings to the Supervisory Board his advocacy for the priorities of long-termism and intrinsic value per share, his appreciation and understanding of the perspectives of our other long-term shareholders, and his experience on the boards and board committees of other publicly traded companies.

Our Management Board and Executive Officers:

Our Management Board: The Management Board of Cimpress N.V. consists of three of our executive officers.

ROBERT S. KEANE, *Founder, President, Chief Executive Officer, and Chairman of the Management Board*, age 55, has served as our President and Chief Executive Officer since he founded Cimpress in January 1995. Mr. Keane served as the Chairman of our Board of Directors from January 1995 to August 2009 and was appointed Chairman of the Management Board in September 2009. From 1988 to 1994, Mr. Keane was an executive at Flex-Key Corporation, an original equipment manufacturer of keyboards, displays and retail kiosks used for desktop publishing. Mr. Keane holds a Bachelor of Arts in economics from Harvard College and a Masters of Business Administration from INSEAD in Fontainebleau, France.

KATRYN "TRYNKA" S. BLAKE (née Shineman), *Executive Vice President and Chief Executive Officer, Vistaprint*, age 44, has served as our Executive Vice President and Chief Executive Officer, Vistaprint since February 2017. Ms. Blake previously served in a variety of positions since joining Cimpress in March 2004, including President, Vistaprint Business Unit from July 2014 to January 2017, Executive Vice President, Global Marketing from July 2012 to June 2014, Chief Customer Officer from June 2011 to June 2014, and President of Vistaprint's North American business unit from November 2010 to June 2012. Before joining Cimpress, she served as a director and senior manager for PreVision Marketing from 1996 to March 2004. Ms. Blake also serves on the board of directors of Ally Financial Inc., a leading digital financial services company. Ms. Blake holds a Bachelor of Arts in psychology from Cornell University and a Masters of Business Administration from Columbia Business School.

SEAN E. QUINN, *Executive Vice President and Chief Financial Officer*, age 39, has served as our Chief Financial Officer since October 2015 and as Executive Vice President since July 2016. Mr. Quinn previously served as Senior Vice President from October 2015 to July 2016, as Chief Accounting Officer from November 2014 to October 2015, as Vice President, Corporate Finance from January 2014 to October 2015, as Global Controller from April 2012 to November 2014, and in various other financial roles from October 2009 to April 2012. Before joining Cimpress, Mr. Quinn was a Certified Public Accountant with KPMG LLP from September 2001 to October 2009 in the firm's Philadelphia, London, and Boston offices, most recently as an Audit Senior Manager. Mr. Quinn holds a Bachelor of Science in accounting from Saint Joseph's University.

Other Executive Officers: We have two additional executive officers who do not serve on our current Management Board.

CORNELIS DAVID ("KEES") ARENDS, *Executive Vice President and President, Upload and Print Businesses*, age 58, has served as our Executive Vice President and President, Upload and Print Businesses since July 2016. Mr. Arends previously served as our President, European Business Units from November 2015 to July 2016. Before joining Cimpress, Mr. Arends was an entrepreneur and founder of various companies. His relationship with Cimpress goes back to 2011 when he was Chief Executive Officer and one of the shareholders of AlbumPrinter B.V. which was sold to Cimpress in October of that year, and he served as Managing Director of AlbumPrinter until November 2012. From December 2013 to January 2015, Mr. Arends was Chief Executive Officer of NPM Capital NV. Before joining Cimpress' executive team he served as interim Chief Executive Officer of Drukwerkdeal.nl B.V., a Cimpress company, from March 2015 to January 2016. Mr. Arends studied at Nijenrode Business School in Breukelen, the Netherlands.

DONALD LEBLANC, *Executive Vice President and President, Vistaprint Corporate Solutions*, age 50, has served as our President, Vistaprint Corporate Solutions since October 2015 and as Executive Vice President since July 2016. Mr. LeBlanc previously served as our Chief Marketing Officer for the Vistaprint brand from May 2011 to October 2015. Before joining Cimpress, Mr. LeBlanc held various senior roles at Staples, including Senior Vice President of Retail Marketing and Vice President of Strategy. Mr. LeBlanc holds a Bachelor of Science from Worcester Polytechnic Institute and a Masters of Business Administration from the Tuck School at Dartmouth College.

SUPERVISORY BOARD REPORT

General

The principal responsibility of the members of the Supervisory Board is to oversee the Management Board and the management of Cimpress and, in so doing, serve the best interests of Cimpress and its stakeholders.

The articles of association require that certain decisions of the Management Board are to be approved by the Supervisory Board. These decisions include the issue of shares or granting of rights to subscribe for shares, and the exclusion of pre-emptive rights, to the extent that these rights are vested in the Management Board; proposals to amend the articles of association; proposals to merge or demerge; and proposals to dissolve the company.

Composition and appointment

The articles of association of Cimpress provide that Cimpress must have a Supervisory Board consisting of at least three members. The Supervisory Board determines the number of members of the Supervisory Board. Currently the Supervisory Board consists of eight members, and their names and biographies can be found in the "Profiles of the Management Board and Supervisory Board" above. Each member of the Supervisory Board may be appointed for a maximum period of four years and may be reappointed for additional terms. The members of the Supervisory Board retire periodically in accordance with a rotation schedule. Unless such member resigns at an earlier date, his or her term of office lapses on the day of the general meeting that is held in the fourth year after his or her appointment.

Members of the Supervisory Board are appointed by shareholders at a general meeting, from the binding nomination to be drawn up by the Supervisory Board. Shareholders at a general meeting may at all times, by a resolution passed with a two-third majority of the votes cast, representing more than one-half of the issued capital, resolve that the binding nomination submitted by the Supervisory Board is not binding. In such cases the shareholders may appoint a member of the Supervisory Board at a general meeting in contravention of the nomination of the Supervisory Board, by a resolution passed with a majority of at least two-thirds of the votes cast representing more than one-half of the issued capital.

A resolution of the general meeting to suspend or dismiss members of the Supervisory Board pursuant to a proposal by the Supervisory Board requires an absolute majority of the votes cast to pass. A resolution of the general meeting to suspend or dismiss members of the Supervisory Board other than pursuant to a proposal by the Supervisory Board requires a two-third majority of the votes cast representing more than half of the issued capital.

The Supervisory Board has adopted Rules to assist the Supervisory Board in the exercise of its duties and responsibilities and to serve the best interests of Cimpress and our shareholders. The Rules of the Supervisory Board also contains a profile of the Supervisory Board's size and composition and are posted on Cimpress' website. Among other things, the Rules for the Supervisory Board provide that:

- A majority of the members of the Supervisory Board must be independent directors, except as permitted by Nasdaq rules.
- The Supervisory Board must meet at least twice a year in executive session.
- The Supervisory Board has full and free access to management and employees and, as necessary and appropriate, to hire and consult with independent advisors.
- All members of the Supervisory Board are expected to participate in continuing director education on an ongoing basis.
- At least annually the Nominating and Corporate Governance Committee is required to oversee a self-evaluation of the Supervisory Board to determine whether the Supervisory Board and its committees are functioning effectively. Every other year the committee engages an outside advisor to interview confidentially each of the members of our Supervisory Board and to conduct a comprehensive Supervisory Board self-evaluation to assess the effectiveness of our Supervisory Board and committees. The Supervisory Board then meets with the outside advisor to review and discuss the evaluation results and any actions to be taken as a result of the discussion. The evaluation aims to (1) find opportunities where our Supervisory Board and committees can

improve their performance and effectiveness, (2) assess any need to evolve the composition and expertise of our Supervisory Board, and (3) assure that our Supervisory Board and committees are operating in accordance with our Rules for the Supervisory Board and committee charters.

In fiscal year 2018, the Supervisory Board conducted an internal self evaluation, without the assistance of an outside advisor, and determined that the Supervisory Board performs well against key external evaluation benchmarks and that the expertise represented on Supervisory Board was diverse and well matched to Cimpres's strategy. The Supervisory Board also evaluated the Management Board and determined that the Management Board was functioning effectively.

Activities of the Supervisory Board - Fiscal 2018

During our fiscal year ended June 30, 2018, our Supervisory Board met four times, and each of the members of our Supervisory Board attended at least 83% of the total number of meetings of the Supervisory Board and the committees of which such director was a member during the period of time he or she served on such committee. In addition, it is our policy that one or more of the members of our Supervisory Board should attend annual general meetings of shareholders to the extent practicable. All of our supervisory directors attended our 2017 annual general meeting of shareholders.

Below are some of the activities and actions that our Supervisory Board undertook during our fiscal year ended June 30, 2018:

- The Supervisory Board reviewed Cimpres's corporate strategy and oversaw the strategy planning process.
- The Supervisory Board approved Cimpres's operational and financial objectives, strategy, and capital allocation as presented by the Management Board.
- The Supervisory Board reviewed and approved the redemption of the company's 7% senior notes due 2022 and the offering and issuance of 7% senior notes due 2026.
- The Supervisory Board reviewed and approved a program for the repurchase of Cimpres's ordinary shares.
- The Supervisory Board reviewed and approved strategic transactions of Cimpres.
- The Supervisory Board reviewed the company's progress on its decentralization initiative.
- The Supervisory Board regularly reviews and discusses executive succession planning at its meetings to ensure that Cimpres will be prepared in the event of a departure of one or more members of senior management.
- The Audit Committee of the Supervisory Board regularly reviews and discusses our internal control over financial reporting at its meetings and reviewed management's conclusion that such internal control was effective during fiscal 2018.

Committees

The Supervisory Board has standing Audit, Compensation, and Nominating and Corporate Governance Committees. Each committee has a charter that has been approved by the Supervisory Board, and each committee must review the appropriateness of its charter at least annually. All members of all committees are non-employee directors, and the Supervisory Board has determined that all of the members of our three standing committees are independent as defined under Nasdaq's Marketplace Rules.

Audit Committee

The current members of our Audit Committee are Messrs. Gavin (Chair), Riley, and Thomas. Our Supervisory Board has determined that Mr. Gavin qualifies as an "audit committee financial expert" under SEC rules, and all three Audit Committee members meet the SEC's independence criteria for audit committee members. The Audit Committee met seven times during fiscal year 2018. The Audit Committee's responsibilities include:

- retaining our independent registered public accounting firm, subject to shareholder ratification and approval;
- approving the compensation of, and assessing (or recommending that the Supervisory Board assess) the independence of, our registered public accounting firm;
- overseeing the work of our independent registered public accounting firm, including the receipt and consideration of certain reports from the firm;
- coordinating the Supervisory Board's oversight of our internal control over financial reporting and disclosure controls and procedures;
- overseeing our internal audit function;
- establishing procedures for the receipt, retention, and treatment of accounting-related complaints and concerns;
- reviewing and approving any related person transactions;
- meeting independently with our independent registered public accounting firm and management; and
- preparing the Audit Committee report included in our proxy statement.

Compensation Committee

The current members of the Compensation Committee are Messrs. Vassalluzzo (Chair), Riley, and Thomas, and all three Compensation Committee members meet Nasdaq's independence criteria for compensation committee members. The Compensation Committee met twice during fiscal year 2018. The Compensation Committee's responsibilities include:

- reviewing and approving, or making recommendations to the Supervisory Board with respect to, the compensation of our Chief Executive Officer and our other executive officers;
- overseeing and administering our cash and equity incentive plans;
- reviewing and making recommendations to the Supervisory Board with respect to Supervisory Board compensation;
- reviewing and discussing with management the Compensation Discussion and Analysis section of our proxy statement and considering whether to recommend to the Supervisory Board that the Compensation Discussion and Analysis be included in the proxy statement; and
- preparing the Compensation Committee report included in our proxy statement.

Nominating and Corporate Governance Committee

The current members of the Nominating and Corporate Governance Committee are Messrs. Thomas (Chair) and De Cesare, Ms. Gasperment and Dr. Shouraboura. The Nominating and Corporate Governance Committee met twice during fiscal year 2018. The responsibilities of the Nominating and Corporate Governance Committee include:

- identifying individuals qualified to become Supervisory Board members;
- recommending to the Supervisory Board the persons to be nominated for appointment as members of the Supervisory Board and the Management Board and to each of the Supervisory Board's committees;
- overseeing an annual evaluation of the Supervisory Board, the Management Board and all committees of the Supervisory Board to determine whether each is functioning effectively;
- overseeing succession planning for the Supervisory Board; and

- reviewing and assessing the adequacy of the Rules of the Supervisory Board and of the Management Board.

Code of Business Conduct

We have adopted a written code of business conduct that applies to our Supervisory Board, officers, and employees, a current copy of which is posted on the Corporate Governance Page of *ir.cimpress.com*. In addition, we intend to post on our website all disclosures that are required by law or Nasdaq stock market listing standards concerning any amendments to, or waivers from, any provision of the code.

Determination of Independence

Under Nasdaq rules, members of our Supervisory Board qualify as “independent directors” only if, in the opinion of our Supervisory Board, they do not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Supervisory Board has determined that none of its members has a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director and that all of its members are “independent directors” as defined under Nasdaq's Marketplace Rules.

In addition, all members of our Supervisory Board satisfy the criteria for independence under the Dutch Code, other than Scott Vassalluzzo, who is a Managing Member of a major shareholder of Cimpress.

Oversight of Risk

Our Supervisory Board has responsibility for risk oversight, and the relevant committees of the Board, and, when appropriate, the full Board, regularly conduct reviews of certain risk areas. The oversight responsibility of the Supervisory Board and its committees is enabled by our internal risk management processes, including but not limited to our Enterprise Risk Management (ERM) program, which conducts company-wide risk assessments to identify our most important enterprise risks, develops mitigation strategies, standards, and tools, and monitors the implementation of risk mitigation activities by all of our businesses. Our Audit Committee oversees the ERM program, and areas of ERM focus for fiscal years 2018 and 2019 include cybersecurity, data privacy, supply chain ethics and product safety, fraud and corruption, and control environment in a decentralized structure.

In addition, based on an internal risk assessment, we believe that any risks arising from our compensation programs for our employees are not reasonably likely to have a material adverse effect on Cimpress.

Supervisory Board Nomination Process

The process that our Nominating and Corporate Governance Committee follows to identify and evaluate candidates for members of our Supervisory Board includes requests to its members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates, and interviews of selected candidates by members of the Committee and the Supervisory Board.

In considering whether to recommend any particular candidate for inclusion in the Supervisory Board's slate of nominees, the Nominating and Corporate Governance Committee applies, among other things, the criteria for Supervisory Board members set forth as an attachment to the Rules for the Supervisory Board. These criteria include among others the candidate's integrity, business acumen, knowledge of our business and industry, experience, diligence, absence of any conflicts of interest, and ability to act in the interests of all of Cimpress' stakeholders. In addition, the Rules for the Supervisory Board specify that nominees shall not be discriminated against on the basis of race, religion, national origin, sex, sexual orientation, disability, or any other basis proscribed by law and that the Nominating and Corporate Governance Committee and Supervisory Board should consider the value of diversity on the Supervisory Board. The Committee does not assign specific weights to particular criteria, and no particular criterion other than integrity and good character is a prerequisite for each prospective nominee.

We believe that the backgrounds and qualifications of the members of our Supervisory Board, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the Supervisory Board to fulfill its responsibilities. Accordingly, the Nominating and Corporate Governance Committee seeks nominees with a broad diversity of experience, professions, skills and backgrounds.

Shareholders may recommend individuals to the Nominating and Corporate Governance Committee for consideration as potential candidates for the Supervisory Board by submitting their names, together with appropriate biographical information and background materials and a statement as to whether the shareholder or group of shareholders making the recommendation has beneficially owned more than 5% of our ordinary shares for at least a year as of the date such recommendation is made, to Nominating and Corporate Governance Committee, c/o General Counsel, Cimpress USA Incorporated, 275 Wyman Street, Waltham, MA 02451 USA. If appropriate biographical and background material has been provided on a timely basis, the Nominating and Corporate Governance Committee will evaluate shareholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others.

If the Supervisory Board does not submit a binding nomination for a Supervisory Board position, then the shareholders represented at the general meeting may select a nominee. The shareholders may appoint such a nominee as a member of the Supervisory Board by the vote of at least two thirds of the votes cast at the meeting representing more than half of our share capital.

EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Executive Overview

Our success depends on our ability to attract and retain top talent in a competitive marketplace, and to motivate that talent to achieve outstanding performance. In determining the compensation of our executive officers, our Compensation Committee begins with an analysis of the competitiveness of our executive compensation program and, as a starting point, seeks to pay our executives total compensation (including base salary and long-term incentive awards) at the 75th percentile of our peer group for extraordinary performance by Cimpress. The Compensation Committee then applies its own discretion to take into account any other factors it may deem relevant in any given fiscal year, such as general economic conditions, the internal equity of compensation among our executives, each executive's experience and role, and individual performance. The Committee does not assign specific weights to particular factors but considers them together in determining compensation.

Incentive compensation redesign. In fiscal year 2016, under the leadership of our Compensation Committee and with input from our shareholders, we significantly redesigned our compensation program for executives and employees. Beginning with fiscal year 2017, we now use the following two long-term incentive, or LTI, compensation vehicles:

1. Performance share units, or PSUs, granted under our 2016 Performance Equity Plan, or 2016 Plan. Each PSU represents a right to receive between 0 and 2.5 ordinary shares of Cimpress N.V. upon the satisfaction of both service-based vesting over time and performance conditions relating to the compound annual growth rate, or CAGR, of the three-year moving average of the daily closing share price of Cimpress' ordinary shares, or 3YMA, over a 6- to 10-year period.
2. Cash retention bonus awards for employees other than Robert Keane, who receives 100% of his LTI compensation in the form of PSUs. These bonus awards are focused on retention and pay the employee a fixed amount in equal payments over several years (typically four years) so long as Cimpress continues to employ the recipient.

As described in more detail below, we give employees other than Robert Keane an opportunity to elect the percentage of their LTI compensation that will be allocated to PSUs versus cash retention bonuses, subject to minimum thresholds depending on each employee's level within the organization.

In addition, beginning in fiscal year 2017, we incorporated the annual cash incentive component of our previous compensation program into the base salary for our executive officers and broader employee population, in order to reduce incentives to take actions that enhance short-term financial performance at the expense of long-term value creation and to support a culture of long-termism.

Pay for performance. Cimpress' uppermost financial objective is to maximize our intrinsic value per share, or IVPS. We define IVPS as (a) the unlevered free cash flow per diluted share that, in our best judgment, will occur

between now and the long-term future, appropriately discounted to reflect our cost of capital, minus (b) net debt per diluted share. We define unlevered free cash flow as free cash flow plus cash interest expense related to borrowing. Extending our history of success into the next decade and beyond in line with this top-level objective is important to us, and we have designed our compensation program to encourage our executives and employees to manage to a long-term time horizon and to forgo short-term actions and metrics except to the extent those short-term actions and metrics support our long-term goals. Accordingly, the PSUs we grant to our executives and employees are based on Cimpres's performance over a period of six to ten years, and the earliest that Cimpres may issue shares under a PSU award, and therefore the earliest that executives and employees could receive any value from the PSUs, is six years from grant (unless there is an earlier change in control), and only if Cimpres' 3YMA meets or exceeds our CAGR targets.

The total compensation package for our executive officers is weighted heavily toward compensation based on Cimpres' long-term performance. For example, 76% of the total compensation granted to our Chief Executive Officer for fiscal year 2018 was at risk through our LTI program.

Shareholder engagement. Our executive compensation program has received more than 99% approval from our shareholders at each of our last five annual general meetings of shareholders, and we believe that our collaboration with shareholders on executive compensation design and our emphasis on long-term, performance-based compensation are major contributors to these results. When our Compensation Committee redesigned our compensation program for executives and employees during fiscal year 2016, we reached out to our major shareholders during the planning phase, and the Compensation Committee took shareholders' feedback into account in the design process. When we sought shareholder approval of our 2016 Plan that is the lynchpin of the redesigned compensation program, we listened to the constructive feedback of our major, long-term shareholders and made several changes to the compensation program to address shareholders' concerns, which we believe contributed to our shareholders' voting to approve the plan in 2016.

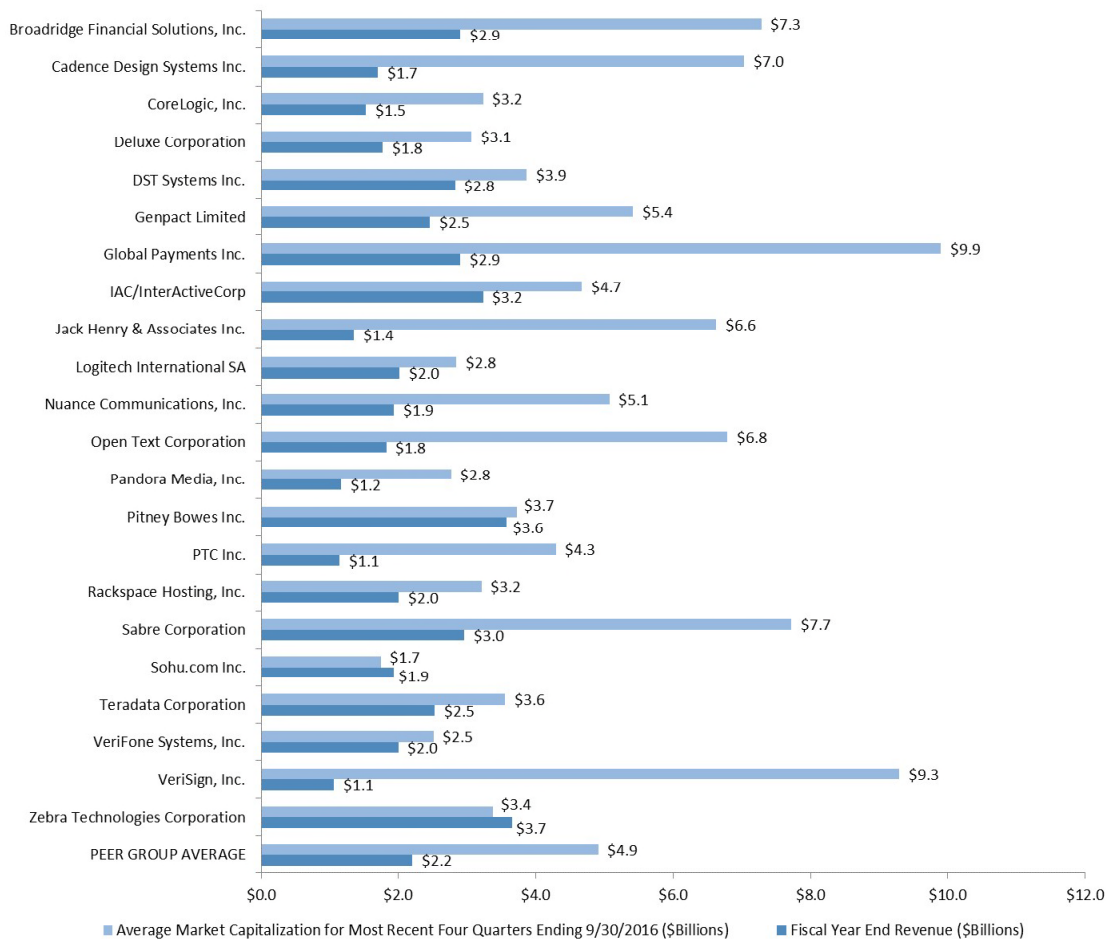
Compensation Committee Approach

In determining the competitiveness of our executive compensation program for fiscal year 2018, our Compensation Committee took into account the analysis and recommendations of the Committee's independent compensation consultant (Willis Towers Watson), data from the comparison peer group described below, published compensation survey data, and detailed tally sheets summarizing our executive officers' current and historical compensation.

Our Compensation Committee worked with Willis Towers Watson to update its comparison peer group for fiscal year 2018, which consists of the 22 publicly traded companies listed below that have characteristics that are currently comparable to Cimpres or comparable to where Cimpres expects to be in the near future, including:

- annual revenue in the range of \$1.8 billion to \$4.8 billion
- market capitalization between \$2.4 billion and \$6.5 billion (utilizing a 75% to 200% criteria range for both revenue and market capitalization)
- same general industry as Cimpres
- high growth

Because the Compensation Committee determined the peer group in December 2016, before the beginning of our fiscal year 2018, the Committee used the most recent information that was available at that time for each peer group company.



The Compensation Committee engaged and managed the relationship with Willis Towers Watson with respect to its work for fiscal year 2018, which took place during fiscal year 2017, and determined at the time of the services that the firm was independent. Willis Towers Watson did not provide any services to the Compensation Committee during fiscal year 2018.

Compensation Components for Executives

For fiscal year 2018, the principal elements of our compensation program for our executive officers were the following:

Base Salary	LTI Awards
Beginning with fiscal year 2017, we incorporated the annual cash incentive component of our previous compensation program into base salary	Reward executives based on the creation of value for our shareholders over the long term, as well as Cimpres's achievement of longer-term financial objectives:
Health and Welfare Benefits	<ul style="list-style-type: none"> • PSUs with performance conditions tied to the appreciation of our 3-year moving average share price over a 6- to 10-year period • Supplemental PSUs with the same performance conditions as "regular" PSUs listed above, plus an additional performance condition tied to a cumulative unlevered free cash flow target over 3 years • Cash retention bonuses and performance cash awards for executives who elected to allocate less than 100% of their LTI awards to PSUs (subject to minimum thresholds) • Legacy long-term cash incentives for Messrs. LeBlanc and Quinn, who received these awards in previous years before they became executive officers
Severance/CIC	
We have severance and change in control arrangements with most of our executive officers	
Expat Benefits	
From time to time we provide expatriate benefits for executives who are assigned to work in geographic locations outside of their home countries	

Under our pay-for-performance philosophy, the compensation of our executives and other employees at higher levels in the organization is more heavily weighted towards variable compensation based on our performance, and base salary generally accounts for a smaller portion of these employees' total compensation packages. The percentiles of our peer group that we use to evaluate the compensation of our named executive officers are designed to ensure that our executive officers will receive total compensation significantly below the median of our peer group if Cimpres does not perform well and significantly above the median for Cimpres' extraordinary performance. In accordance with this philosophy, the Compensation Committee initially allocates the compensation of our executive officers within the percentiles listed below, and then may use its discretion to adjust each executive officer's compensation to reflect other factors such as general economic conditions, the internal equity of compensation among our executives, and the executive's experience, role, and performance.

- Annual cash compensation at the 50th percentile of our peer group and published compensation surveys
- Total compensation (annual cash compensation plus LTI awards) at the 75th percentile of our peer group and published compensation surveys

Base Salary (Annual Cash Compensation)

In fiscal year 2017 in connection with the launch of our redesigned LTI program, we eliminated our annual cash incentive program and incorporated the annual incentive component of our previous program into the base salary for our executive officers and broader employee population to help our executives and employees focus on maximizing long-term value creation. We want to encourage our executives to make investment decisions that they believe are right for the long term even if they impact near-term financial performance, and we do not want to financially reward or penalize employees for those near-term impacts other than those that are also beneficial to enhancing our IVPS.

Accordingly, for fiscal years 2017 and 2018, the base salary of each of our executive officers other than Cornelis Arends included the amount of his or her fiscal year 2016 annual cash incentive at the target level. For fiscal year 2018, the Compensation Committee increased the base salaries of all our executive officers other than Mr. Arends by 4-10% to more closely align their salaries with the percentiles described above and also to reflect each executive's performance and internal equity with other Cimpres executives.

Mr. Arends has an employment agreement dated November 1, 2015 with Cimpress that sets his compensation, and therefore the Compensation Committee did not make any changes to his contractual base salary for fiscal year 2018.

Long-Term Incentive Program

Our LTI program is designed to focus our executives and employees on long-term performance and value creation for the company and our shareholders. In fiscal year 2018, we used the LTI compensation vehicles described below for our executive officers.

Performance Share Units (PSUs) under our 2016 Plan

Each PSU represents a right to receive between 0 and 2.5 ordinary shares of Cimpress N.V. upon the satisfaction of both service-based vesting over time and performance conditions relating to the 3YMA CAGR over a 6- to 10-year period. We refer to the issuance of Cimpress ordinary shares pursuant to a PSU upon satisfaction of both conditions as the Performance Dependent Issuance.

First condition to a Performance Dependent Issuance: Service-based Vesting

PSUs granted to employees generally vest no faster than 25% per year over four years so long as the employee remains employed by Cimpress. However, service-based vesting is not sufficient for payout; PSU service-based vesting events are the dates after which the participant gains the future right to a Performance Dependent Issuance with respect to his or her then-vested PSUs, subject to achievement of the relevant performance conditions.

If a participant resigns or is terminated other than for cause, they retain all PSUs that have satisfied the service-based vesting condition as of his or her resignation or termination date. If Cimpress achieves the performance thresholds described below, the former participant would receive Cimpress ordinary shares upon settlement of the PSUs, even though they no longer have an employment, director, or other service relationship with Cimpress.

Second condition to a Performance Dependent Issuance: 3YMA Performance

For each PSU award, we calculate a baseline 3YMA as of a specified date at the time of grant for two purposes: to establish the number of units to be granted and to establish the baseline for future performance measurement. Beginning on the sixth anniversary of this baseline measurement date, and on each anniversary thereafter through year nine, we will calculate the 3YMA as of such date. On the first of these measurement dates that the 3YMA equals or exceeds a CAGR of 11%, the 3YMA performance condition would be satisfied, and we would issue to the participant the number of Cimpress ordinary shares determined by multiplying the number of PSUs subject to the award by the applicable performance-based multiplier set forth in Table 1 below.

TABLE 1:

3YMA CAGR	Multiplier to the number of PSUs subject to the award
11 to 11.99%	125.0%
12 to 12.99%	137.5%
13 to 13.99%	150.0%
14 to 14.99%	162.5%
15 to 15.99%	175.0%
16 to 16.99%	187.5%
17 to 17.99%	200.0%
18 to 18.99%	212.5%
19 to 19.99%	225.0%
20% to 25.8925%	250.0%
Above 25.8925%	Variable Cap (defined below)

If the 3YMA has not reached at least 11% on any of the sixth through ninth anniversaries of the baseline measurement date for the PSU award and thus a Performance Dependent Issuance has not yet occurred, then the threshold CAGR level for 3YMA performance at the tenth anniversary of the baseline measurement date is lowered to a 7% CAGR for participants other than Robert Keane and members of our Supervisory Board. If the 3YMA performance meets or exceeds a 7% CAGR on the tenth anniversary, recipients other than Mr. Keane and Supervisory Board members would still receive Cimpress ordinary shares, but at a significantly declining multiple, as set forth in Table 2 below. Table 2 does not apply to PSUs granted to Mr. Keane or members of the Supervisory Board, and we will use Table 1 for all measurement dates for PSUs granted to Mr. Keane and the Supervisory Board members.

TABLE 2:

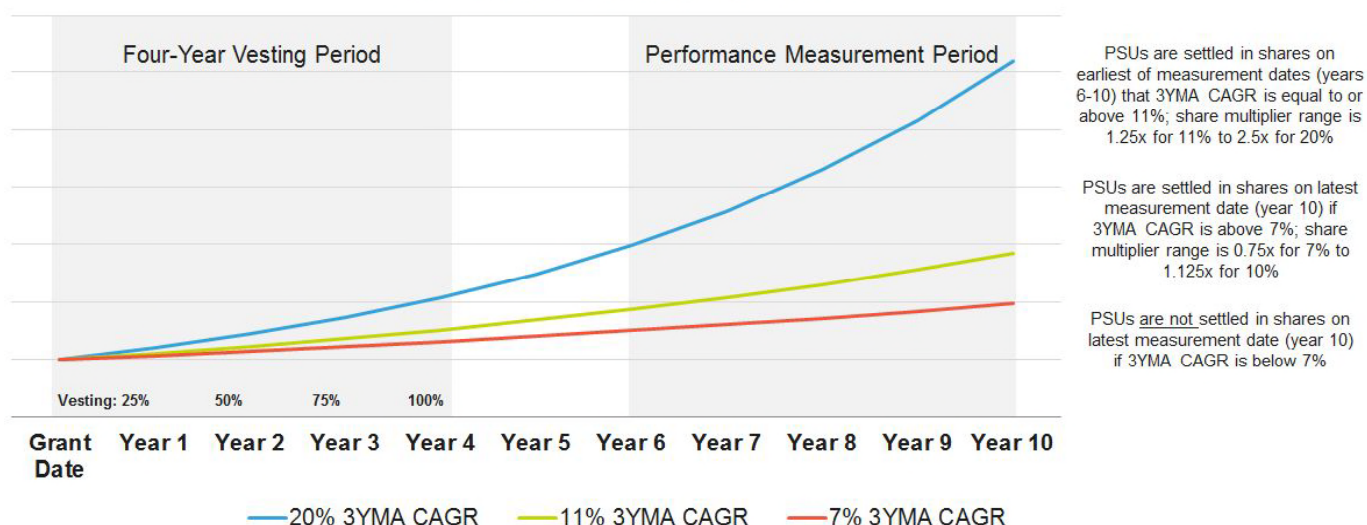
3YMA CAGR	Multiplier to the number of PSUs subject to the award
11% & higher	Same as Table 1 above
10 to 10.99%	112.5%
9 to 9.99%	100.0%
8 to 8.99%	87.5%
7 to 7.99%	75.0%
Less than 7%	0%

If none of the 3YMA CAGR performance goals are achieved by the tenth anniversary of the baseline measurement date for the PSU award, then the PSU award would be terminated and no Cimpress ordinary shares would be issued with respect to the award.

The 2016 Plan limits the 3YMA value of the share issuance (defined as the number of Cimpress ordinary shares to be issued multiplied by the 3YMA at the measurement date on which the Performance Dependent Issuance is triggered) to a maximum of ten times the 3YMA grant value of the PSU award (defined as the number of PSUs granted multiplied by the baseline 3YMA used for the initial grant). Therefore, in cases of a 3YMA CAGR above 25.8925%, a "Variable Cap," which is less than 250.0%, will be applied in order to achieve the fixed ten times maximum 3YMA value of the share issuance.

The actual closing price of the Cimpress shares issued upon the Performance Dependent Issuance may be higher or lower than the 3YMA used to calculate the number of shares issued at such time.

Example PSU Grant Timeline



Cash Retention Bonuses

Cash retention bonuses pay the employee a fixed amount in equal payments over several years (typically four years) so long as Cimpress continues to employ the recipient. Since PSU awards are more risky than cash retention bonuses, we allow our executive officers other than our Chief Executive Officer to choose the levels of risk and reward they wish to undertake by choosing the percentage of their LTI compensation that will be allocated to cash retention bonuses and PSU awards, subject to a minimum threshold of 60% of the value of their LTI award allocated to PSUs. Broader-based employees eligible for long-term incentives make a similar choice, with minimum thresholds allocated to PSUs decreasing at lower levels in the organization. This approach recognizes that different employees have a broad spectrum of personal circumstances and attitudes regarding the tradeoff between risk and reward. Because life events can change an individual's risk appetite, employees are allowed to make these choices annually for the following year's LTI award but always subject to the applicable minimum threshold.

The following table shows the amount of the annual LTI award received by each of our executive officers for fiscal year 2018, the minimum percentage that we require them to allocate to PSUs, and the actual percentage that each executive allocated to PSUs. Cornelis Arends did not receive an annual LTI award for fiscal year 2018 in line with the terms of his employment agreement.

Executive Officer	LTI award value FY2018	Minimum percentage of LTI award value required to be allocated to PSUs	Actual percentage of LTI award value allocated to PSUs (per each executive's election)
Robert Keane*	\$5,250,000	100%	100%
Katryn Blake	\$2,000,000	60%	60%
Donald LeBlanc	\$1,100,000	60%	100%
Sean Quinn	\$1,800,000	60%	75%

* Mr. Keane is not eligible to make an election and receives 100% of his LTI awards in the form of PSUs. The number of PSUs he may receive in any fiscal year is capped at a maximum of 75,000.

Supplemental PSUs and Performance Cash Awards

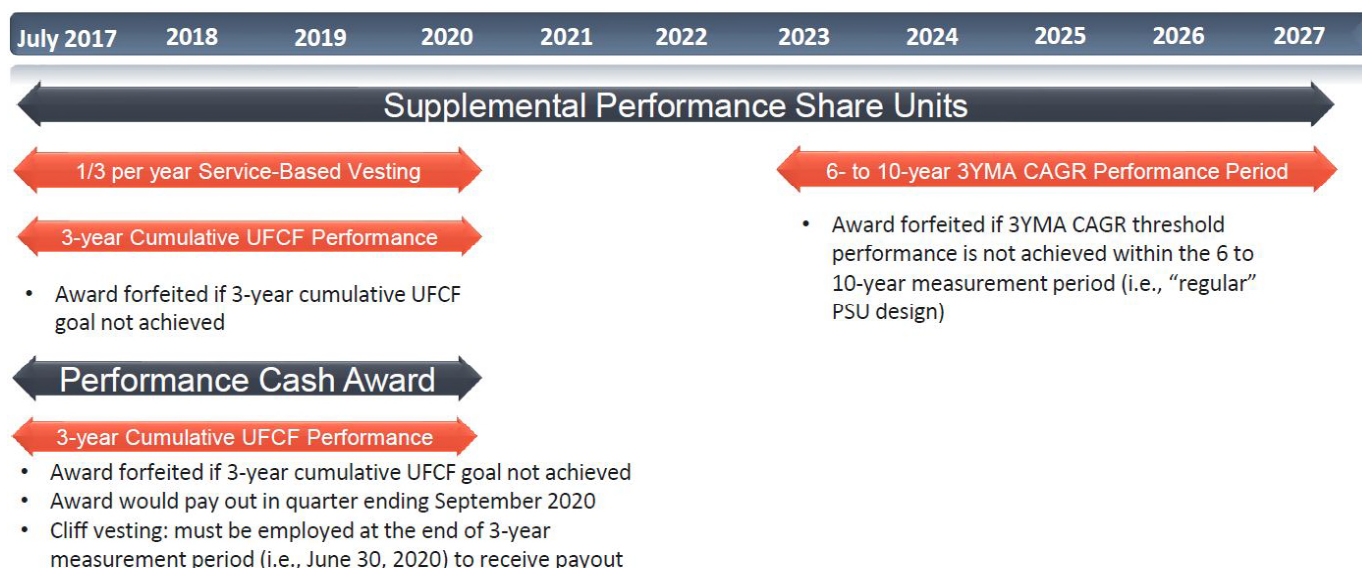
In fiscal year 2018, in addition to the annual LTI awards of PSUs and cash retention bonuses (as applicable) described above, the Compensation Committee decided to grant a one-time, supplemental LTI award to a small group of key leaders who we believe will be most critical to achieving a cumulative unlevered free cash flow goal over the period from July 1, 2017 through June 30, 2020. For purposes of this supplemental LTI award, we define unlevered free cash flow, or UFCF, as Cimpress' free cash flow plus cash interest expense related to borrowing, subject to adjustment by the Compensation Committee based on its assessment of Cimpress' performance. If Cimpress does not meet the three-year cumulative UFCF goal set by the Committee, then the supplemental awards would expire in their entirety promptly after June 30, 2020 and no Cimpress shares would be issued or cash paid with respect to the awards. The Committee believes that achieving the UFCF goal is feasible but not easy and will require our key leaders to reinvigorate Cimpress' entrepreneurial culture, master cash-flow-focused management skills, and make tough decisions that avoid sacrificing long-term value in favor of short-term benefits.

All of our named executive officers other than Mr. Keane received a supplemental LTI award consisting of the following:

1. Supplemental PSUs granted under the 2016 Plan with the same performance conditions relating to the CAGR of our 3YMA as described above, plus the additional performance condition relating to our three-year cumulative UFCF goal. A portion of each supplemental PSU award vests at the end of each fiscal year 2018 through 2020 so long as the executive has an employment, director, or other service relationship with Cimpress on each vesting date. However, satisfying the service-based vesting condition and achieving the three-year cumulative UFCF goal are not sufficient for a payout: As is the case with the "regular" PSUs described above, Cimpress will issue ordinary shares pursuant to a supplemental PSU award only if the

3YMA meets or exceeds the applicable CAGR thresholds on a measurement date six to ten years after the supplemental PSU award was granted (unless there is an earlier change in control).

- For executives who elected to allocate a portion of the LTI awards they received during fiscal year 2018 to cash retention bonuses, a performance cash award that will be paid only if (1) Cimpress achieves the UFCF goal and (2) the executive is still employed by Cimpress or one of its subsidiaries on June 30, 2020.



Our named executive officers other than Mr. Keane received supplemental LTI awards in the following amounts, and each supplemental award was allocated between supplemental PSUs and a performance cash award at the same percentages as the executive's annual LTI award described above.

Executive Officer	Supplemental LTI award value	Percentage of LTI award value allocated to supplemental PSUs	Percentage of LTI award value allocated to performance cash award
Cornelis Arends	\$515,000	100%	0%
Katryn Blake	\$2,000,000	60%	40%
Donald LeBlanc	\$1,100,000	100%	0%
Sean Quinn	\$1,800,000	75%	25%

Legacy Long-Term Cash Incentive Awards and Restricted Share Units

Donald LeBlanc and Sean Quinn became executive officers within the last three fiscal years, and because they participated in our long-term incentive program for non-executive employees before their promotions, they received fiscal year 2018 payouts under the four-year cash incentive awards they received in fiscal years 2015 and 2016. For fiscal years 2016 and before, we granted long-term cash incentive awards to our non-executive employees to reflect our pay-for-performance culture and philosophy, enhance our ability to manage the number of shares available under our equity compensation plans, and balance the focus on share price appreciation created through equity awards with cash awards based on the achievement of financial metrics that drive long-term company and shareholder value creation. Each of these long-term cash incentive awards has a performance cycle of four fiscal years, and each employee is eligible to receive 25% of his or her total award for each fiscal year in the performance cycle based on Cimpress' achievement of specified goals. For awards vesting in fiscal year 2018, the performance goal was based upon Cimpress' fiscal year 2018 unlevered free cash flow prior to working capital and cash taxes, as this was the primary metric used for budgeting with our businesses in the transition to using unlevered free cash flow throughout the company as our primary financial performance metric. This metric excludes the impact of currency.

We measure performance on an annual basis and make payments for each fiscal year in the performance cycle based on the level of goal achievement for that fiscal year. Cimpress' fiscal year 2018 adjusted unlevered cash flow calculated in accordance with the incentive cash awards was \$225,588,984, which was between our medium and high goals, and accordingly we paid employees 112.4% of their fiscal year 2018 targets for the cash incentive awards granted in fiscal year 2015 and 109.9% of their fiscal year 2018 targets for the cash incentive awards granted in fiscal year 2016.

In addition, for fiscal years 2016 and before, we granted restricted share units, or RSUs, to our employees to help align employees' interests with the long-term interests of both the company and our shareholders. The RSUs also serve as a retention tool, as the RSUs vest over four years only if the employee continues to be employed by us on each vesting date. Ms. Blake and Messrs. LeBlanc and Quinn hold RSUs that were granted to them before fiscal year 2017 and that continued to vest during fiscal year 2018.

Benefit Programs

The Compensation Committee believes that all employees based in the same geographic location should have access to similar levels of health and welfare benefits, and therefore our executive officers receive the same health and welfare benefits, including medical, dental, vision, and disability plans, group life and accidental death and disability insurance and other benefit plans, as those offered to other employees in their location. We do, however, from time to time enter into arrangements with some of our named executive officers to reimburse them for living and relocation expenses relating to their work outside of their home countries.

U.S. based employees may participate in a 401(k) plan that provides a company match of up to 50% on the first 6% of the participant's eligible compensation that is contributed, subject to certain limits under the United States Internal Revenue Code of 1986, or US Tax Code, with company matching contributions vesting over a four-year period. We also provide customary pension plans to our European employees.

Perquisites

In general, executives are not entitled to benefits that are not otherwise available to all other employees who work in the same geographic location.

Executive Retention and Other Agreements

We have entered into executive retention agreements with all of our executive officers other than Mr. Arends, whose employment agreement with Cimpress (described below) does not include any severance or change in control provisions. Under the executive retention agreements, if we terminate an executive officer's employment without cause (as defined in the agreements) or the executive terminates his or her employment for good reason (as defined in the agreements) before a change in control of Cimpress or within one year after a change in control (as defined in the agreements), then the executive is entitled to receive:

- A lump sum severance payment equal to two years' salary and bonus, in the case of Mr. Keane, or one year's salary and bonus, in the case of the other executive officers, excluding Mr. Arends.

- With respect to any outstanding annual cash incentive award under any cash incentive plan, a pro rata portion, based on the number of days from the beginning of the then current fiscal year until the date of termination, of his or her target incentive for the fiscal year multiplied by the average actual payout percentage for the previous two fiscal years. If there is no change in control of Cimpress during the fiscal year, this pro rata portion is capped at the actual amount of annual cash incentive that the executive would have received had he or she remained employed by Cimpress through the end of the fiscal year. Because we no longer grant annual cash incentive awards to our executives and employees, this amount would be zero.
- With respect to any outstanding multi-year cash incentive award under any cash incentive plan, a pro rata portion, based on the number of days from the beginning of the then current performance period until the date of termination, of his or her mid-range target incentive for the then current performance period multiplied by the average actual payout percentage for the previous two fiscal years. If there is no change in control of Cimpress during the applicable performance period, this pro rata portion is capped at the actual amount of cash incentive for the performance period that the executive would have received had he or she remained employed by Cimpress through the end of the performance period.
- The continuation of all other employment-related health and welfare benefits for two years after the termination in the case of Mr. Keane, or one year after the termination in the case of our other executive officers.

Both the executive retention agreements and our 2016 Plan have change of control provisions. The executive retention agreements provide that, upon a change in control of Cimpress, all equity awards (other than PSUs and supplemental PSUs granted under the 2016 Plan) granted to each executive officer will accelerate and become fully vested; each executive's multi-year cash incentive awards under our cash incentive plan will accelerate such that the executive will receive the mid-range target bonus for the then current performance period and each performance period after the change in control; and each executive will receive a pro rata portion, based on the number of days in the fiscal year before the change in control, of his or her target annual cash incentive award for that fiscal year. In addition, if after a change in control Cimpress' successor terminates the executive without cause, or the executive terminates his or her employment for good reason (as defined in the agreements), then each of the executive's share options remains exercisable until the earlier of one year after termination or the original expiration date of the award.

The 2016 Plan provides that, upon a change in control, all PSUs, including supplemental PSUs, that have satisfied the applicable service-based vesting conditions will be settled for Cimpress ordinary shares in accordance with the plan if the actual price paid per share to holders of Cimpress' securities in connection with the change in control equals or exceeds the 11% CAGR performance goal set forth in the plan.

Our Compensation Committee decided that we would no longer include any excise tax gross-up provisions in any executive retention agreements we enter into with new executives after August 1, 2012, and accordingly, the only current executive officers who have excise tax gross-up provisions in their agreements are Mr. Keane and Ms. Blake. If either of these two executives is required to pay any excise tax pursuant to Section 280G of the US Tax Code as a result of compensation payments made to him or her, or benefits obtained by him or her (including the acceleration of equity awards), resulting from a termination or change in ownership or control of Cimpress, we are required to pay the executive an amount, referred to as a gross-up payment, equal to the amount of such excise tax plus any additional taxes attributable to such gross-up payment. However, if reducing the executive's compensation payments by up to \$50,000 would eliminate the requirement to pay an excise tax under Section 280G of the US Tax Code, then Cimpress has the right to reduce the payment by up to \$50,000 to avoid triggering the excise tax and thus avoid providing gross-up payments to the executive.

The following table sets forth information on the potential payments to our named executive officers upon their termination or a change in control of Cimpress, assuming that a termination or change in control took place on June 30, 2018.

<u>Name</u>	<u>Cash Payment \$(1)</u>	<u>Accelerated Vesting of Share Options \$(2)</u>	<u>Accelerated Vesting of RSUs and PSUs \$(3)</u>	<u>Welfare Benefits \$(4)</u>	<u>Tax Gross-Up Payment \$(5)</u>	<u>Total (\$)</u>
Robert S. Keane						
• Termination Without Cause or With Good Reason.....	3,360	—	—	65	—	3,425
• Change in Control.....	—	7,267	9,657	—	—	16,924
• Change in Control w/ Termination Without Cause or With Good Reason.....	3,360	7,267	9,657	65	—	20,350
Cornelis David Arends(6)						
• Termination Without Cause or With Good Reason.....	—	—	—	—	—	—
• Change in Control.....	—	—	562	—	—	562
• Change in Control w/ Termination Without Cause or With Good Reason.....	—	—	562	—	—	562
Katryn S. Blake						
• Termination Without Cause or With Good Reason.....	850	—	—	26	—	876
• Change in Control.....	—	883	4,655	—	—	5,538
• Change in Control w/ Termination Without Cause or With Good Reason.....	850	883	4,655	26	—	6,414
Donald LeBlanc						
• Termination Without Cause or With Good Reason.....	705	—	—	26	—	731
• Change in Control.....	98	65	3,157	—	—	3,319
• Change in Control w/ Termination Without Cause or With Good Reason.....	803	65	3,157	26	—	4,050
Sean E. Quinn						
• Termination Without Cause or With Good Reason.....	770	—	—	20	—	790
• Change in Control.....	31	—	4,188	—	—	4,219
• Change in Control w/ Termination Without Cause or With Good Reason.....	801	—	4,188	20	—	5,009

- (1) Amounts in this column for Termination Without Cause or With Good Reason represent severance amounts payable under the executive retention agreements. For Messrs. LeBlanc and Quinn, the amounts in this column for Change in Control and Change in Control with Termination include the acceleration of their long-term cash incentive awards.
- (2) Amounts in this column represent the value of unvested, in-the-money share options that would vest upon the triggering event described in the first column. The value of share options is based on the difference between the exercise price of the options and \$144.96 per share, which was the closing price of our ordinary shares on Nasdaq on June 29, 2018, the last trading day of our 2018 fiscal year.
- (3) Amounts in this column represent the value, based on \$144.96 per share, which was the closing price of our ordinary shares on Nasdaq on June 29, 2018, the last trading day of our 2018 fiscal year, of (1) unvested RSUs that would vest and (2) shares that would be issued pursuant to vested PSUs upon the triggering event described in the first column. For PSUs, we assumed the price paid per share to holders of Cimpres's shares in connection with the change in control would represent an 11% CAGR over the baseline 3YMA of the PSUs, which is the target performance goal in the 2016 Plan.
- (4) Amounts reported in this column represent the estimated cost of providing employment related benefits (such as insurance for medical, dental, and vision) during the period the named executive officer is eligible to receive those benefits under the executive retention agreements, which is two years for Mr. Keane and one year for Ms. Blake and Messrs. LeBlanc and Quinn. Some of the amounts would be payable to Mr. Keane in Euros. For purposes of this table, we converted these payments from Euros to U.S. dollars at a currency exchange rate of 1.16776 based on the average currency exchange rate for the month of June 2018, which was the last month of our most recent fiscal year.
- (5) Amounts in this column are estimates based on a number of assumptions and do not necessarily reflect the actual amounts of tax gross-up payments that Mr. Keane or Ms. Blake would receive.
- (6) Mr. Arends' employment agreement with Cimpres (described below) does not provide for any cash payment upon termination or change in control.

Mr. Arends has an employment agreement with Cimpres N.V. dated November 1, 2015, as amended, under which Cimpres agreed to pay Mr. Arends a base salary of €125,000 per month and Mr. Arends is eligible to receive a monthly car and fuel allowance and to participate in the pension scheme made available to members of the management team in his location.

Mr. Arends also has a long-term international assignment agreement with Cimpres N.V. dated December 9, 2015, as amended, relating to his relocation and assignment to our office in Paris, France. Under this agreement, Mr. Arends' base salary is increased to €1,750,000 per year for the term of the assignment, and he receives a mobility premium of €500,000 per year. Cimpres also pays for Mr. Arends' housing costs up to €15,000 per month.

The Role of Company Executives in the Compensation Process

Although the Compensation Committee manages and makes decisions about the compensation process, the Committee also takes into account the views of our Chief Executive Officer, who makes initial recommendations with respect to executive officers other than himself. Other employees of Cimpres also participate in the preparation of materials presented to or requested by the Compensation Committee for use and consideration at Compensation Committee meetings.

Share Ownership Guidelines

We have share ownership guidelines for all of our executive officers and members of our Supervisory Board. The guidelines require our executive officers and Supervisory Board members to hold Cimpres equity, including ordinary shares they hold directly or indirectly, unvested restricted share units, vested and unvested PSUs, and vested, unexercised, in-the-money share options, with a value, based on the two-year trailing average of the closing prices of Cimpres' ordinary shares on Nasdaq, equal to or greater than a multiple of the executive officer's annual base salary or the Supervisory Board member's annual retainer, as follows:

- Chief Executive Officer: 5 times annual base salary
- Other executive officers: 3 times annual base salary
- Supervisory Board: 3 times Supervisory Board annual cash retainer

We give each executive officer and Supervisory Board member four years from his or her initial appointment as a Cimpres officer or director to comply with the share ownership guidelines. As of June 30, 2018, all executive officers and Supervisory Board members had satisfied their ownership guideline requirement, other than Mr. Arends who has two years to increase his share ownership to the level described above.

Tax Deductibility of Certain Awards

Changes to the United States tax laws in 2017 eliminated the tax deduction pursuant to Section 162(m) of the U.S. Internal Revenue Code for performance-based compensation paid to named executive officers under arrangements entered into or materially modified on or after November 2, 2017. Although our Compensation Committee previously considered the impact of Section 162(m) when administering Cimpress' compensation plans, it did not make decisions regarding executive compensation based solely on the expected tax treatment of such compensation. We designed the PSU awards granted to our named executive officers before that date to qualify as tax-deductible compensation under Section 162(m), but there is no guarantee that the United States Internal Revenue Service will ultimately view these awards as qualifying, and it is possible that we may not benefit from the deduction for these awards. We do not expect the elimination of the deduction to have a material effect on Cimpress or our compensation programs.

Compensation Committee Report

The Compensation Committee has reviewed and discussed with management the Compensation Discussion and Analysis contained in our proxy statement. Based on the Compensation Committee's review and discussions with management, the Compensation Committee recommended to the Supervisory Board that the Compensation Discussion and Analysis be included in the proxy statement.

SUMMARY COMPENSATION TABLES

Summary Compensation Table

The following table summarizes the compensation earned in each of the last three fiscal years by:

- (i) our principal executive officer,
- (ii) our principal financial officer, and
- (iii) our other three executive officers as of June 30, 2018.

Throughout this Executive Compensation section, we refer to the individuals listed in (i) through (iii) above as our named executive officers.

Name and Principal Position	Year	Salary \$(1)	Bonus \$(2)	Share Awards \$(3)	Non-Equity Incentive Plan Compensation \$(4)	All Other Compensation (\$)	Total (\$)
Robert S. Keane <i>Founder, President, and Chief Executive Officer</i>	2018	1,677	—	6,784	—	3(5)	8,464
	2017	1,620	—	9,249	—	3	10,872
	2016	580	—	—	1,156	11	1,747
Cornelis David Arends(6)(7) <i>Executive Vice President and President, Upload and Print</i>	2018	1,894	—	1,229	—	737(8)	3,860
	2017	1,965	—	—	—	707(8)	2,672
Katryn S. Blake <i>Executive Vice President and Chief Executive Officer, Vistaprint</i>	2018	853	200	3,214	—	1404(9)	5,059
	2017	803	—	3,648	—	412(9)	4,863
	2016	380	—	—	436	974(9)	1,790
Donald LeBlanc(6) <i>Executive Vice President and President, Vistaprint Corporate Solutions</i>	2018	708	—	2,946	213	8(10)	3,875
	2017	678	—	2,006	143	7	2,834
Sean E. Quinn <i>Executive Vice President and Chief Financial Officer</i>	2018	773	225	3,616	55	7(10)	4,676
	2017	703	113	2,462	30	11	3,319
	2016	306	—	925	285	7	1,523

- (1) In fiscal year 2017 and for all fiscal years thereafter, we incorporated into the base salary of each of our executive officers other than Mr. Arends the amount of his or her fiscal year 2016 annual cash incentive at the target level.
- (2) The amounts reported in this column represent the payment of cash retention bonuses for executive officers who allocated a portion of the LTI awards they received during 2018 or a previous fiscal year to cash retention bonuses.
- (3) The amounts reported in this column represent a dollar amount equal to the grant date fair value of the share awards as computed in accordance with FASB ASC Topic 718. You can find the assumptions we used in the calculations for these amounts in Note 11 to our audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2018.
- (4) The amounts reported in this column represent the aggregate amounts earned for each such fiscal year under each named executive officer's annual cash incentive award for that fiscal year and the component of each officer's long-term cash incentive award that is attributable to that fiscal year.
- (5) \$1,640 of this amount represents payments of tax preparation fees and associated gross-up payments, and \$321 of this amount represents the reimbursement of business travel expenses for Mr. Keane's attendance at meetings of Cimpress' Management Board and associated tax gross-up payments. Although the reimbursement of business travel expenses would not be taxable to Mr. Keane in the United States and although Mr. Keane is not a resident of the Netherlands, under his ruling with the Dutch tax authorities, this reimbursement is considered taxable income to Mr. Keane. Because Mr. Keane should not be financially penalized as a result of taxation by the country in which Cimpress is incorporated, we gross up the reimbursement payments to offset the increased tax liability to him.
- (6) Messrs. Arends and LeBlanc were appointed executive officers in September 2016.
- (7) These amounts relating to Mr. Arends' compensation were paid in Euros. For purposes of this table, we converted these payments from Euros to U.S. dollars at a currency exchange rate of 1.16776 based on the average currency exchange rate for the month of June 2018, which was the last month of our most recent fiscal year.
- (8) For fiscal year 2018, \$584 of this amount represents a mobility premium, \$108 of this amount represents rent contribution for Mr. Arends' housing, and \$15 of this amount represents health insurance contributions, all of which amounts were paid under Mr. Arends' long term international assignment agreement. \$29 of this amount for fiscal year 2018 represents pension contributions.
- (9) For fiscal year 2018, \$1,391 of this amount represents tax payments, tax preparation fees, and associated tax gross-up amounts relating to Ms. Blake's expatriate payments for her assignment in Paris that ended in 2016, \$5 of this amount represents French taxes paid and associated tax-gross up amounts relating to the vesting of RSUs and exercise of share options attributable to Ms. Blake's assignment in Paris, and \$8 of this amount represents our matching contributions under Cimpress USA's 401(k) deferred savings plan. For fiscal year 2017, \$357 of this amount represents tax payments for 2015 and 2016, tax preparation fees, and associated tax gross-up amounts relating to Ms. Blake's expatriate payments for her assignment in Paris, \$48 of this amount represents French taxes paid and associated tax-gross up amounts relating to the vesting of RSUs and exercise of share options attributable to Ms. Blake's assignment in Paris, and \$8 of this amount represents our matching contributions under Cimpress USA's 401(k) deferred savings plan. For fiscal year 2016, \$621 of this amount represents tax payments for 2014 and 2015 and associated tax gross-up amounts relating to Ms. Blake's expatriate payments for her assignment in Paris, \$345 of this amount represents French taxes paid and associated tax-gross up amounts relating to the vesting of RSUs and exercise of share options attributable to Ms. Blake's assignment in Paris, and \$8 of this amount represents our matching contributions under Cimpress USA's 401(k) deferred savings plan.
- (10) This amount represents our matching contributions under Cimpress USA's 401(k) deferred savings retirement plan.

Grants of Plan-Based Awards in the Fiscal Year Ended June 30, 2018

The following table contains information about plan-based awards granted to each of our named executive officers during the fiscal year ended June 30, 2018.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (\$)(1)	Estimated Future Payouts Under Equity Incentive Plan Awards(2)			Grant Date Fair Value of Share Awards (\$)(5)
			Threshold (#)	Target (#)(3)	Maximum (#)(4)	
Robert S. Keane	8/15/2017(6)	—	—	79	158	6,784
Cornelis David Arends	5/15/2018(7)	—	—	8	15	1,229
Katryn S. Blake	8/15/2017(6)		—	18	36	1,607
	8/15/2017(7)		—	18	36	1,607
	7/1/2017	800				
Donald LeBlanc	8/15/2017(6)		—	17	33	1,473
	8/15/2017(7)	—	—	17	33	1,473
Sean E. Quinn	8/15/2017(6)		—	20	41	1,808
	8/15/2017(7)		—	20	41	1,808
	7/1/2017	450				

- (1) The amounts reported in this column represent target performance cash awards payable promptly after the close of our fiscal year ending June 30, 2020 if Cimpress achieves a cumulative consolidated unlevered free cash flow goal over the period from July 1, 2017 to June 30, 2020 ("UFCF Goal"), so long as the named executive officer's employment by Cimpress or its subsidiaries continues through June 30, 2020.
- (2) These columns represent PSUs granted under our 2016 Plan. Each PSU represents a right to receive between 0 and 2.5 Cimpress ordinary shares upon the satisfaction of (A) service-based vesting, (B) performance conditions relating to the CAGR of the 3YMA of Cimpress' ordinary shares, and (C) for the supplemental PSU awards described in footnote 7 only, Cimpress' achievement of the UFCF Goal.
- (3) These amounts represent the number of Cimpress ordinary shares issuable to each named executive officer six to ten years after August 15, 2017 if the following conditions are achieved: (1) The named executive officer fully satisfies the service-based vesting condition described in footnote 6 or 7, as applicable, (2) the 3YMA CAGR is 11% to 11.99% on any of the sixth through tenth anniversaries of August 15, 2017, and (3) for the supplemental PSU awards described in footnote 7 only, Cimpress achieves the UFCF Goal.
- (4) These amounts represent the number of Cimpress ordinary shares issuable to each named executive officer six to ten years after August 15, 2017 if the following conditions are achieved: (1) The named executive officer fully satisfies the service-based vesting condition described in footnote 6 or 7, as applicable, (2) the 3YMA CAGR is 20% to 25.8925% on any of the sixth through tenth anniversaries of August 15, 2017, and (3) for the supplemental PSU awards described in footnote 7 only, Cimpress achieves the UFCF Goal.
- (5) The amounts reported in this column represent the grant date fair value for the PSU awards computed in accordance with FASB ASC Topic 718. You can find the assumptions we used in the calculations for these amounts in Note 11 to our audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2018.
- (6) The service-based vesting condition of the PSUs reported in this row is that 25% of the original number of PSUs vest on June 30 of each of 2018 through 2021 so long as the executive officer continues to be an eligible participant under Cimpress' 2016 Plan on such vesting date.
- (7) The amounts in this row represent supplemental PSUs with a second performance condition in addition to the CAGR of the 3YMA of Cimpress' ordinary shares, which is that if Cimpress' cumulative consolidated unlevered free cash flow over the period from July 1, 2017 through June 30, 2020 does not equal or exceed the UFCF Goal, then the supplemental PSU award expires in its entirety promptly after June 30, 2020. The service-based vesting condition of the supplemental PSUs granted to Ms. Blake and Messrs. LeBlanc and Quinn is that 1/3 of the original number of PSUs vest on June 30 of each of 2018 through 2020 so long as the executive officer continues to be an eligible participant under Cimpress' 2016 Plan on such vesting date. The service-based vesting condition of the supplemental PSUs granted to Mr. Arends is that 50% of the original number of PSUs vested on June 30, 2018 and 25% vest on June 30 of each of 2019 through 2020 so long as Mr. Arends continues to be an eligible participant under Cimpress' 2016 Plan on such vesting date.

Outstanding Equity Awards at June 30, 2018

The following table contains information about unexercised share options, unvested RSUs, and unearned PSUs as of June 30, 2018 for each of our named executive officers.

Name	Option Awards				Share Awards			
	Number of Securities Underlying Unexercised Options		Option Exercise Price	Option Expiration	Number of Share Units That Have Not Vested	Market Value of Share Units That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares	Equity Incentive Plan Awards: Market Value of Unearned Shares
	(#) Exercisable	(#) Unexercisable	(\$)(1)	Date	(#)(2)	\$(3)	(#)(4)	\$(5)
Robert S. Keane(6)	146,028	—	34.25	5/7/2019				
	96,800	—	47.91	5/6/2020				
	105,240	—	54.02	5/5/2021				
	1,147,934	76,528(7)	50.00(7)	5/4/2020(7)				
					N/A	N/A	93,750(8) 78,970(9)	13,590 11,447
Cornelis David Arends	—	—	N/A	N/A	N/A	N/A	7,746(10)	1,123
Katryn S. Blake	—	9,297(7)	50.00(7)	5/4/2020(7)				
					3,583	519,392	36,001(8) 18,050(9)	5,219 2,617
							18,050(10)	2,617
Donald LeBlanc	3,055	680(7)	50.00(7)	8/15/2020(7)				
					2,225	322,536	19,801(8) 16,546(9)	2,870 2,399
							16,546(10)	2,399
Sean E. Quinn	—	—	N/A	N/A	4,894	709,434	24,301(8) 20,306(9)	3,523 2,944
							20,306(10)	2,944

- (1) Except as set forth in footnote 7 below, each share option has an exercise price equal to the fair market value of our ordinary shares on the date of grant and is fully exercisable as of June 30, 2018. Except as set forth in footnote 7, each share option expires 10 years after the date on which it was granted.
- (2) This column represents RSUs. So long as the named executive officer continues to be employed with us, each RSU award vests, and the vested shares are issued to the named executive officer, over a period of four years: 25% of the shares subject to the award after one year and 6.25% per quarter thereafter.
- (3) The market value of the unvested RSUs is determined by multiplying the number of RSUs by \$144.96 per share, which was the closing price of our ordinary shares on Nasdaq on June 29, 2018, the last trading day of our 2018 fiscal year.
- (4) This column represents the number of Cimpres ordinary shares that would be issuable under outstanding PSUs if the following conditions are achieved: (A) The service-based vesting condition described in footnote 8 or 9, as applicable, is fully satisfied, (B) the 3YMA CAGR is 11% to 11.99% on a measurement date six to ten years after grant, and (C) for the supplemental PSU awards described in footnote 10 only, Cimpres achieves the UFCF Goal.
- (5) The market value of the unearned PSUs is determined by multiplying the number of shares that would be issuable if the conditions described in footnote 4 were achieved by \$144.96 per share, which was the closing price of our ordinary shares on Nasdaq on June 29, 2018, the last trading day of our 2018 fiscal year.
- (6) Mr. Keane's share option awards are held by the Trusts.

- (7) These awards are premium-priced share options with an exercise price that is significantly higher than the closing price of Cimpress' ordinary shares on Nasdaq on the grant dates. The Compensation Committee chose this exercise price in part because it is higher than the highest of the three-, six-, and twelve-month trailing averages of Cimpress' share price on Nasdaq as of the July 28, 2011 public announcement of our growth strategy. The premium-priced share options vest over seven years and have an eight-year term. Mr. Keane may not exercise his premium-priced options unless our share price on Nasdaq is at least \$75.00 on the exercise date.
- (8) The service-based vesting condition for these PSUs is that 25% of the original number of PSUs vest on June 30 of each of 2017 through 2020 so long as the executive officer continues to be an eligible participant under Cimpress' 2016 Plan on such vesting date. However, the PSUs are not earned, and no shares are issuable pursuant to the PSUs, until August 15, 2023 at the earliest (unless there is an earlier change in control) and only if the performance conditions relating to the CAGR of the 3YMA of Cimpress' ordinary shares are satisfied.
- (9) The service-based vesting condition for these PSUs is that 25% of the original number of PSUs vest on June 30 of each of 2018 through 2021 so long as the executive officer continues to be an eligible participant under Cimpress' 2016 Plan on such vesting date. However, the PSUs are not earned, and no shares are issuable pursuant to the PSUs, until August 15, 2024 at the earliest (unless there is an earlier change in control) and only if the performance conditions relating to the CAGR of the 3YMA of Cimpress' ordinary shares are satisfied.
- (10) The service-based vesting condition of these supplemental PSUs granted to Ms. Blake and Messrs. LeBlanc and Quinn is that 1/3 of the original number of PSUs vest on June 30 of each of 2018 through 2020 so long as the executive officer continues to be an eligible participant under Cimpress' 2016 Plan on such vesting date. The service-based vesting condition of these supplemental PSUs granted to Mr. Arends is that 50% of the original number of PSUs vested on June 30, 2018 and 25% vest on June 30 of each of 2019 through 2020 so long as Mr. Arends continues to be an eligible participant under Cimpress' 2016 Plan on such vesting date. However, the supplemental PSUs are not earned, and no shares are issuable pursuant to the supplemental PSUs, until August 15, 2024 at the earliest (unless there is an earlier change in control) and only if (1) Cimpress' cumulative consolidated unlevered free cash flow over the period from July 1, 2017 through June 30, 2020 equals or exceeds the UFCF Goal and (2) the performance conditions relating to the CAGR of the 3YMA of Cimpress' ordinary shares are satisfied.

Option Exercises and Shares Vested in the Fiscal Year Ended June 30, 2018

The following table contains information about option exercises and vesting of RSUs on an aggregated basis during fiscal year 2018 for each of our named executive officers.

Name	Option Awards		Share Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (1)(\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (2)(\$)
Robert S. Keane	333,318	35,865	—	—
Cornelis David Arends	—	—	—	—
Katryn S. Blake	95,297	7,351	9,466	1,197
Donald LeBlanc	3,500	299	3,806	465
Sean E. Quinn	—	—	4,443	560

- (1) Represents the net amount realized from all option exercises during fiscal year 2018. In cases involving an exercise and immediate sale, the value was calculated on the basis of the actual sale price. In cases involving an exercise without immediate sale, the value was calculated on the basis of our closing sale price of our ordinary shares on Nasdaq on the date of exercise.
- (2) The value realized on vesting of RSUs is determined by multiplying the number of shares that vested by the closing sale price of our ordinary shares on Nasdaq on the vesting date.

COMPENSATION OF SUPERVISORY BOARD MEMBERS

We use a combination of cash and share-based incentive compensation to attract and retain qualified candidates to serve on our Supervisory Board. When considering the compensation of our Supervisory Board, our Compensation Committee considers the significant amount of time that directors expend in fulfilling their duties to Cimpress, the skill level that we require of members of our Supervisory Board, and competitive compensation data from our peer group.

Fees

We currently pay the members of our Supervisory Board the following fees for their service on our Supervisory Board:

All members of the Supervisory Board	\$112,500 retainer per fiscal year
Chairman of the Supervisory Board	Additional \$22,500 retainer per fiscal year
Audit Committee	<ul style="list-style-type: none"> \$15,000 retainer per fiscal year for all committee members (including the committee chairman) Additional \$22,500 retainer per fiscal year for the committee chairman
Compensation Committee	<ul style="list-style-type: none"> \$10,000 retainer per fiscal year for all committee members (including the committee chairman) Additional \$15,000 retainer per fiscal year for the committee chairman
Nominating and Corporate Governance Committee	<ul style="list-style-type: none"> \$10,000 retainer per fiscal year for all committee members (including the committee chairman) Additional \$12,500 retainer per fiscal year for the committee chairman

We also reimburse our Supervisory Board for reasonable travel and other expenses incurred in connection with attending meetings of our Supervisory Board and its committees, and we pay for their tax preparation fees and filings for their Dutch income tax returns.

Performance Share Units

In keeping with the goals of aligning the Supervisory Board's equity awards with the equity awards received by Cimpress' executives and employees and maintaining the competitiveness of the compensation program, beginning in fiscal year 2017, we grant to our Supervisory Board members PSUs under our 2016 Plan. PSUs granted to our Supervisory Board have the same terms as the PSUs granted to our executives and employees, except that, as described below, the Supervisory Board PSUs have the same more challenging performance threshold in the tenth year of the award as PSU awards granted to our Chief Executive Officer.

Each incumbent Supervisory Board member receives \$112,500 of PSUs annually in connection with our annual general meeting of shareholders so long as they remain a director following that annual general meeting. Each new director receives \$150,000 of PSUs in connection with his or her initial appointment to the Supervisory Board. Cimpress determines the number of PSUs to be granted to each director by dividing the applicable dollar amounts described in this paragraph by the 3YMA of Cimpress' ordinary shares as of the following date, which we refer to as a baseline date:

- For incumbent directors, the baseline date is November 15 of each year.
- For newly appointed directors, the baseline date is based on the date of the general meeting of shareholders at which the director is appointed:

<i>General meeting in the months of:</i>	<i>Baseline date is the nearest:</i>
June, July, or August	August 15
September, October, or November	November 15
December, January, or February	February 15
March, April, or May	May 15

PSU awards granted to our Supervisory Board have the same terms as PSU awards granted to our executives and employees, where each PSU represents a right to receive between 0 and 2.5 ordinary shares of Cimpress N.V. upon the satisfaction of both service-based vesting over time and performance conditions relating to the CAGR of the 3YMA over a 6- to 10-year period, in accordance with the 2016 Plan.

First condition to a Performance Dependent Issuance: Service-based Vesting

PSUs granted to members of our Supervisory Board vest at a rate of 25% of the original number of PSUs per year over the four years following the applicable annual general meeting (for PSU awards granted to incumbent directors) or the general meeting at which the Supervisory Board member was first appointed (for PSU awards granted to newly appointed directors), in each case so long as the director continues to serve on our Supervisory Board. If a director ceases to serve on the Supervisory Board, other than for cause, they retain all PSUs that have satisfied the service-based vesting condition as of his or her termination date. If Cimpress achieves the performance thresholds described below, the former director would receive Cimpress ordinary shares upon settlement of the PSUs, even though they are no longer a member of our Supervisory Board.

Second condition to a Performance Dependent Issuance: 3YMA Performance

The performance conditions set forth in the 2016 Plan apply to the PSU awards granted to Supervisory Board members. In summary, beginning on the sixth anniversary of the baseline date for each PSU award, and on each anniversary thereafter through the tenth anniversary, we will calculate the 3YMA as of such date, which we refer to as a measurement date. On the first such measurement date that the 3YMA equals or exceeds a CAGR of 11%, the 3YMA performance condition would be satisfied, and we would issue to the director the number of Cimpress ordinary shares determined by multiplying the number of vested PSUs subject to the award by the applicable performance-based multiplier set forth in the 2016 Plan. If none of the CAGR performance goals set forth in the 2016 Plan are achieved by the tenth anniversary of the baseline measurement date for the PSU award, then the PSU award will be terminated and no Cimpress ordinary shares will be issued with respect to the award.

Summary Compensation Table

The following contains information with respect to the compensation earned by our Supervisory Board members in the fiscal year ended June 30, 2018:

Name	Fees Earned or Paid in Cash (\$)	Share Awards \$(1)	Total (\$)
Paolo De Cesare	123	195	317
Sophie A. Gasperment	118	195	312
John J. Gavin, Jr.	150	195	345
Richard T. Riley	160	195	355
Nadia Shouraboura	123	195	317
Zachary S. Sternberg	71	260	330
Mark T. Thomas	160	195	355
Scott Vassalluzzo	138	195	332
Eric C. Olsen(2)	61	195	256

- (1) The amounts reported in this column represent a dollar amount equal to the grant date fair value of the PSUs granted to the directors as computed in accordance with FASB ASC Topic 718. You can find the assumptions we used in the calculations for these amounts in Note 11 to our audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2018.
- (2) Mr. Olsen resigned from the Supervisory Board in December 2017.

In addition, at June 30, 2018, our Supervisory Board members held the following equity compensation awards:

- Mr. De Cesare had 11,540 shares subject to outstanding, unexercised share options and 2,832 PSUs.
- Ms. Gasperment held 3,346 PSUs.
- Mr. Gavin had 24,311 shares subject to outstanding, unexercised share options and 2,832 PSUs.
- Mr. Riley had 14,763 shares subject to outstanding, unexercised share options and 2,832 PSUs.
- Each of Dr. Shouraboura and Mr. Vassalluzzo had 5,298 shares subject to outstanding, unexercised share options and 2,832 PSUs.
- Mr. Sternberg held 1,721 PSUs.
- Mr. Thomas had 4,536 shares subject to outstanding, unexercised share options and 2,832 PSUs.

Compensation Committee Interlocks and Insider Participation

During fiscal year 2018, Messrs. Olsen, Riley, Thomas, and Vassalluzzo served at various times as members of our Compensation Committee. During fiscal year 2018, no member of our Compensation Committee was an officer or employee of Cimpress or of our subsidiaries or had any relationship with us requiring disclosure under SEC rules.

During fiscal year 2018, none of our executive officers served as a member of the board of directors or compensation committee (or other committee serving an equivalent function) of any entity that had one or more executive officers serving as a member of our Supervisory Board or Compensation Committee.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information as of June 30, 2018 about the securities issued or authorized for future issuance under our equity compensation plans.

Equity Compensation Plan Information

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(1)	(b) Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights(2)	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a))
Equity compensation plans approved by shareholders(1)	3,563,083	\$22.59	8,771,434(3)
Equity compensation plans not approved by shareholders	—	—	—
Total	3,563,083	\$22.59	8,771,434(3)

- (1) Consists of our Amended and Restated 2005 Equity Incentive Plan, 2005 Non-Employee Directors' Share Option Plan, 2011 Equity Incentive Plan, and 2016 Performance Equity Plan. This column includes an aggregate of 1,911,776 shares underlying RSUs and PSUs based on 2.5 shares per PSU that were unvested as of June 30, 2018.
- (2) The RSUs and PSUs included in column (a) do not have an exercise price, and the weighted-average exercise price excluding these units is \$48.74.
- (3) Includes 6,298,093 shares available for future awards under our 2016 Performance Equity Plan, 2,422,483 shares available for future awards under our 2011 Equity Incentive Plan, and 50,858 shares available for future awards under our 2005 Non-Employee Directors' Share Option Plan, as amended. No shares are available for future award under our Amended and Restated 2005 Equity Incentive Plan. For PSUs under our 2016 Performance Equity Plan, we assumed that we would issue ordinary shares equal to 250% of the outstanding PSUs, which is the maximum potential share issuance.



Cimpress N.V.

2018 FINANCIAL STATEMENTS

Statutory seat:
Address:

Venlo, The Netherlands
Hudsonweg 8, 5928 LW Venlo, The Netherlands

CIMPRESS N.V.

INDEX TO FINANCIAL STATEMENTS

Consolidated Financial Statements	80
Consolidated Statement of Financial Position	80
Consolidated Statement of Profit or Loss	81
Consolidated Statement of Comprehensive Income	82
Consolidated Statement of Changes in Equity	83
Consolidated Statements of Cash Flows	85
Notes to Consolidated Financial Statements	87
 Company Only Financial Statements	149
Company Statement of Financial Position	150
Company Statements of Profit or Loss	151
Company Statement of Comprehensive Income	152
Company Statement of Change in Equity	153
Company Statement of Cash Flows	154
Notes to Company Financial Statements	155
 Other Information	176
Signatures	177
Independent Auditor's Report	178

CIMPRESS N.V.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(in thousands)

	June 30, 2018	June 30, 2017	July 1, 2016
Assets			
Property, plant and equipment (Note 8)	\$ 371,738	\$ 395,904	\$ 372,996
Intangible assets and goodwill (Note 9)	810,974	843,371	718,364
Other non-current investments, including derivatives (Note 10)	38,426	6,560	3,055
Deferred tax assets (Note 28)	85,059	86,737	91,042
Other non-current assets (Note 11)	28,477	2,269	5,924
Total non-current assets	1,334,674	1,334,841	1,191,381
Inventories (Note 12)	60,602	46,563	18,125
Other current investments, including derivatives (Note 10)	9,599	3,229	17,540
Trade and other receivables (Note 13)	55,621	48,631	32,326
Cash and cash equivalents (Note 14)	44,227	25,697	77,426
Other current assets (Note 15)	65,404	70,963	55,349
Assets held for sale (Note 16)	—	46,276	—
Total current assets	235,453	241,359	200,766
Total assets	<u>\$ 1,570,127</u>	<u>\$ 1,576,200</u>	<u>\$ 1,392,147</u>
Equity			
Share capital (Note 17)	\$ 615	\$ 615	\$ 615
Share premium (Note 17)	458,245	413,967	388,394
Treasury share (Note 17)	(685,577)	(588,365)	(548,549)
Foreign currency translation reserve (Note 17)	(86,326)	(118,536)	(109,982)
Hedging reserve (Note 17)	8,195	(2,250)	(2,322)
Fair value reserve (Note 17)	(83,369)	(40,717)	(52,770)
Retained earnings	408,390	387,489	483,793
Equity attributable to owners of Cimpres N.V.	20,173	52,203	159,179
Non-controlling interests (Note 18)	93,810	45,553	65,580
Total equity	113,983	97,756	224,759
Liabilities			
Long-term debt (Note 20)	767,585	847,730	656,794
Deferred tax liabilities (Note 28)	47,388	57,549	66,657
Other non-current liabilities (Note 21)	169,396	135,256	119,201
Total non-current liabilities	984,369	1,040,535	842,652
Trade and other payables	152,436	127,386	86,682
Provisions (Note 23)	1,387	4,810	—
Other current liabilities (Note 24)	317,952	296,916	238,054
Liabilities directly associated with assets held for sale (Note 16)	—	8,797	—
Total current liabilities	471,775	437,909	324,736
Total liabilities	1,456,144	1,478,444	1,167,388
Total equity and liabilities	<u>\$ 1,570,127</u>	<u>\$ 1,576,200</u>	<u>\$ 1,392,147</u>

The notes on pages 88 to 148 of this report are an integral part of these consolidated financial statements.

CIMPRESS N.V.
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(in thousands, except per share data)

	Year Ended June 30,	
	2018	2017
Revenue	\$ 2,592,541	\$ 2,135,405
Cost of revenue	1,282,607	1,039,747
Gross profit	1,309,934	1,095,658
Technology and development expense	257,589	256,778
Marketing and selling expense	752,000	643,310
General and administrative expense	191,974	234,958
(Gain) on sale of subsidiaries (Note 7)	(47,545)	—
Income (loss) from operations	155,916	(39,388)
Other (expense) income, net (Note 26)	(20,929)	10,389
Finance income	2,991	984
Finance costs	(59,450)	(43,207)
Loss on early extinguishment of debt (Note 20)	(17,359)	—
Income (loss) before income taxes	61,169	(71,222)
Income tax (Note 28)	37,213	34,267
Net income (loss)	23,956	(105,489)
(Income) loss attributable to non-controlling interest	(3,055)	489
Net income (loss) attributable to Cimpres N.V.	<u>\$ 20,901</u>	<u>\$ (105,000)</u>
Basic net income (loss) per share (Note 29)	\$ 0.68	\$ (3.36)
Diluted net income (loss) per share (Note 29)	<u>\$ 0.65</u>	<u>\$ (3.36)</u>

The notes on pages 88 to 148 of this report are an integral part of these consolidated financial statements.

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

	Year Ended June 30,	
	2018	2017
Net income (loss)	\$ 23,956	\$ (105,489)
Other comprehensive income (expense)		
Items that are or may be reclassified to profit or loss:		
Foreign currency translation gain (loss), net of hedges	35,148	(9,073)
Net unrealized gain (loss) on derivative instruments designated and qualifying as cash flow hedges	11,521	(1,297)
Amounts reclassified from shareholders' equity to net income (loss)	(960)	1,369
Unrealized loss on available-for-sale securities	—	(5,756)
Amounts reclassified from accumulated other comprehensive loss to net income (loss) for realized gains on available-for-sale securities	—	2,268
Unrealized gain on pension benefit obligation	233	768
Total recognized income (expense) for the period	69,898	(117,210)
Add: Recognized (income) expense attributable to noncontrolling interests	(5,421)	1,008
Total recognized income (expense) for the period attributable to Cimpres N.V.	<u>\$ 64,477</u>	<u>\$ (116,202)</u>

The notes on pages 88 to 148 of this report are an integral part of these consolidated financial statements.

CIMPRESS N.V.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(in thousands)

	Attributable to owners of the Company						
	Share Capital	Share premium	Treasury Share	Foreign currency translation reserve	Hedging reserve	Fair value reserve	Retained earnings
IFRS balance as of July 1, 2016	\$ 615	\$ 388,394	\$(548,549)	\$ (109,982)	\$ (2,322)	\$ (52,770)	\$ 483,793
Net loss	—	—	—	—	—	—	(105,000)
Other comprehensive expense	—	—	—	(8,554)	72	(2,720)	—
Total comprehensive expense for the period	—	—	—	(8,554)	72	(2,720)	(105,000)
Other adjustments to NCI	—	—	—	—	—	—	—
Transactions with owners of Cimpres N.V.:							
Contributions and distributions:							
Purchase of Treasury shares	—	—	(50,008)	—	—	—	—
Share-based compensation expense (Note 22)	—	31,392	—	—	—	—	—
Tax benefit of employee share transactions	—	8,212	—	—	—	—	—
RSUs awarded, net of shares withheld for taxes (Note 22)	—	(10,576)	3,243	—	—	—	—
Share options exercised (Note 22)	—	(3,455)	6,949	—	—	—	—
Total contributions and distributions	—	25,573	(39,816)	—	—	—	—
Acquisition of non-controlling interests without change in control (Note 18)	—	—	—	—	—	14,773	8,696
Total transactions with owners of Cimpres N.V.	—	25,573	(39,816)	—	—	14,773	8,696
Balance as of June 30, 2017	\$ 615	\$ 413,967	\$(588,365)	\$ (118,536)	\$ (2,250)	\$ (40,717)	\$ 387,489

The notes on pages 88 to 148 of this report are an integral part of these consolidated financial statements.

CIMPRESS N.V.
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
(in thousands)

	Attributable to owners of the Company						
	Share Capital	Share premium	Treasury Share	Foreign currency translation reserve	Hedging reserve	Fair value reserve	Retained earnings
Balance as of July 1, 2017	\$ 615	\$ 413,967	\$(588,365)	\$ (118,536)	\$ (2,250)	\$ (40,717)	\$ 387,489
Net income	—	—	—	—	—	—	20,907
Other comprehensive income	—	—	—	32,210	10,445	233	—
Total comprehensive income for the period	—	—	—	32,210	10,445	233	20,907
Transactions with owners of Cimpres N.V.:							
Contributions and distributions:							
Purchase of Treasury shares	—	—	(94,710)	—	—	—	—
Share-based compensation expense (Note 22)	—	37,958	—	—	—	—	—
Tax benefit of employee share transactions	—	16,103	—	—	—	—	—
Grant of restricted share awards (Note 22)	—	—	(168)	—	—	—	—
RSUs awarded, net of shares withheld for taxes (Note 22)	—	(4,784)	840	—	—	—	—
Share options exercised (Note 22)	—	(4,999)	(3,174)	—	—	—	—
Total contributions and distributions	—	44,278	(97,212)	—	—	—	—
Sale of non-controlling interests without change in control (Note 22)	—	—	—	—	—	(42,885)	—
Total transactions with owners of Cimpres N.V.	—	44,278	(97,212)	—	—	(42,885)	—
Balance as of June 30, 2018	<u>\$ 615</u>	<u>\$ 458,245</u>	<u>\$(685,577)</u>	<u>\$ (86,326)</u>	<u>\$ 8,195</u>	<u>\$ (83,369)</u>	<u>\$ 408,390</u>

The notes on pages 88 to 148 of this report are an integral part of these consolidated financial statements.

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

	Year Ended June 30,	
	2018	2017
Operating activities		
Net income (loss)	\$ 23,956	\$ (105,489)
Adjustments for:		
Depreciation and amortization	164,887	154,277
Impairment of goodwill and acquired intangible assets (Note 9)	—	9,556
Share-based compensation expense (Note 22)	44,335	37,138
Gain on sale of subsidiaries (Note 7)	(47,545)	—
Abandonment of long-lived assets (Note 8)	—	2,408
Loss on early extinguishment of debt (Note 20)	17,359	—
Deferred taxes	3,596	(15,606)
Change in fair value of contingent consideration (Note 25)	1,774	39,377
Change in carrying value of noncontrolling interest put and call rights (Note 18)	10,924	5,982
Gain on sale of available-for-sale securities (Note 10)	—	(2,268)
Unrealized (gain) loss on derivative instruments included in net income (loss) (Note 25)	(15,540)	15,813
Payments of contingent consideration in excess of fair value	(4,639)	—
Effect of exchange rate changes on monetary assets and liabilities denominated in non-functional currency	19,460	(5,690)
Other non-cash items	4,668	1,247
Changes in working capital, excluding the effect of acquisitions:		
Accounts receivable	(5,123)	4,701
Inventory	(7,068)	(8,699)
Prepaid expenses and other assets	(3,274)	8,194
Accounts payable	21,782	25,332
Accrued expenses and other liabilities	40,065	73,091
Income tax paid	(32,278)	(49,342)
Interest paid	(49,125)	(37,548)
Net cash provided by operating activities	<u>188,214</u>	<u>152,474</u>
Investing activities		
Purchases of property, plant and equipment	(60,930)	(74,157)
Proceeds from the sale of subsidiaries, net of transaction costs and cash divested (Note 7)	93,779	—
Business acquisition, net of cash acquired (Note 7)	(110)	(204,875)
Purchases of intangible assets	(308)	(197)
Software and website development expenditures	(40,847)	(37,307)
Proceeds from sale of available-for-sale securities (Note 10)	—	6,346
Proceeds from sale of assets	886	4,513
Other investing activities	(3,064)	3,888
Net cash used in investing activities	<u>(10,594)</u>	<u>(301,789)</u>

The notes on pages 88 to 148 of this report are an integral part of these consolidated financial statements.

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

	Year Ended June 30,	
	2018	2017
Financing activities		
Proceeds from borrowings of long-term debt (Note 20)	805,995	737,075
Proceeds from issuance of senior notes (Note 20)	400,000	—
Payments of debt (Note 20)	(974,781)	(539,913)
Payments of early redemption of senior notes (Note 20)	(275,000)	—
Payments of early redemption fees for senior notes (Note 20)	(14,438)	—
Payments of debt issuance costs (Note 20)	(10,629)	(229)
Payment of acquisition-related contingent consideration	(2,105)	(539)
Payments of withholding taxes in connection with vesting of restricted share units	(19,698)	(14,568)
Purchase of ordinary shares	(94,710)	(50,008)
Payments of financial lease obligations	(13,500)	(11,626)
Purchase of noncontrolling interest (Note 18)	(1,144)	(20,230)
Proceeds from issuance of shares	11,981	6,192
Issuance of loans	(21,000)	—
Proceeds from sale of noncontrolling interest (Note 18)	35,390	—
Capital contribution from noncontrolling interest (Note 18)	—	1,404
Other financing activities	—	1,281
Net cash (used in) provided by financing activities	(173,639)	108,839
Effect of exchange rate changes on cash	2,507	789
Change in cash held for sale (Note 7)	12,042	(12,042)
Net increase (decrease) in cash and cash equivalents	18,530	(51,729)
Cash and cash equivalents at beginning of period	25,697	77,426
Cash and cash equivalents at end of period	<u>\$ 44,227</u>	<u>\$ 25,697</u>

The notes on pages 88 to 148 of this report are an integral part of these consolidated financial statements.

CIMPRESS N.V.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS Year Ended June 30, 2018

(in thousands, except share and per share data)

1. Reporting Entity

Cimpress N.V. is a company domiciled in the Netherlands. The company's registered office is Hudsonweg 8, 5928 LW Venlo. The company is registered under number 14117527 in the Trade register. These consolidated financial statements comprise Cimpress N.V. and its subsidiaries (hereafter interchangeably referred to as "we", "us", "Cimpress"). Ordinary shares of Cimpress N.V. trade on The Nasdaq Stock Market under the "CMPR" ticker symbol.

Cimpress is a strategically focused group of more than a dozen businesses that specialize in mass customization, via which we deliver large volumes of individually small-sized customized orders for a broad spectrum of print, signage, photo merchandise, invitations and announcements, packaging, apparel and other categories. We invest in and build customer-focused, entrepreneurial mass customization businesses for the long term, which we manage in a decentralized, autonomous manner. Mass customization is a core element of the business model of each Cimpress business. We drive competitive advantage across Cimpress through a select few shared strategic capabilities that have the greatest potential to create Cimpress-wide value. We limit all other central activities to only those which absolutely must be performed centrally.

2. Basis of Preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union (EU-IFRSs) and with the Netherlands Civil Code, Part 9 of Book 2. These are our first consolidated financial statements prepared in accordance with EU-IFRSs and accordingly, IFRS 1 *First time adoption of International Financial Reporting Standards* has been applied. An explanation of how the transition to EU-IFRSs has affected our reported financial position, financial performance and cash flows is provided below. The consolidated financial statements were authorized for issue by the Supervisory Board on October 22, 2018.

Cimpress N.V. releases the obligation for our WIRmachenDRUCK GmbH subsidiary to report standalone statutory financial statements.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following items, which are measured on an alternative basis on each reporting date:

- derivative and non-derivative financial instruments are measured at fair value;
- available-for-sale financial assets are measured at fair value less any costs to sell;
- contingent consideration assumed in a business combination are measured at fair value;
- liabilities for cash-settled share-based payment arrangements are measured at fair value.

(c) Functional and presentation currency

These consolidated financial statements are presented in United States Dollars (\$), which is our functional currency. All amounts have been rounded to the nearest thousand, unless indicated otherwise.

(d) Use of judgments, estimates and assumptions

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

(i) Judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is included in the following notes:

- Note 7 - Acquisitions and Divestitures
- Note 18 - Non-Controlling Interest
- Note 23 - Provisions

(ii) Assumptions and estimation uncertainties

Information about significant assumptions and estimation uncertainties for the fiscal year ended June 30, 2018 are included in the following notes:

- Note 7 - Acquisitions and Divestitures
- Note 9 - Intangible Assets and Goodwill
- Note 18 - Non-Controlling Interest
- Note 22 - Share-Based Payment Arrangements
- Note 23 - Provisions
- Note 28 - Income Taxes

(iii) Measurement of fair values

A number of our accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. We have an established control framework with respect to the measurement of fair values.

When measuring the fair value of an asset or a liability, we use market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. We recognize transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 7 - Acquisitions and Divestitures
- Note 16 - Assets Held for Sale
- Note 22 - Share-Based Payment Arrangements
- Note 25 - Financial Instruments

(e) Changes in accounting policies

First time adoption of EU-IFRSs

As stated in Note 2(a), these are our first consolidated financial statements prepared in accordance with EU-IFRSs. The accounting policies set out in Note 3 have been applied in preparing the financial statements for the year ended June 30, 2018, the comparative information presented in these financial statements for the year ended June 30, 2017 and in the preparation of an opening IFRS statement of financial position at July 1, 2016 (our date of transition).

In preparing our opening IFRS statement of financial position, we have adjusted amounts reported previously in financial statements prepared in accordance with Dutch GAAP (previous GAAP). An explanation of

how the transition from previous GAAP to IFRSs has affected our financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Exemptions applied:

We have applied the following voluntary exemptions and mandatory exceptions related to the retrospective application of IFRSs:

Voluntary exemptions relevant to us:

IFRS 2 "Share-Based Payments"

The exemptions in IFRS 1 clarify that a first-time adopter is not required to apply IFRS 2 fully retrospectively to transactions that have already vested at the date of transition to IFRSs. We have applied this exemption and only the share-based payment plans that are not vested at July 1, 2016 are retrospectively converted by applying IFRS 2.

IFRS 3 "Business Combinations"

While a first-time adopter is allowed an exemption to retrospectively adopt IFRS 3, we have not elected to take the exemption outline in IFRS 1.

IAS 17 "Leases"

A first-time adopter is required to classify leases as operating leases or finance leases under IAS 17 based on the circumstances existing at the inception of the lease and not those existing at the date of transition to IFRSs. However, an entity classifies a lease based on the terms that are in force at its date of transition to IFRSs; the lease classification is not based on lease terms that are no longer in force. We have assessed the classification of leases based on the lease terms that are existing at the date of transition to IFRS.

Mandatory exemptions relevant to us:

Estimates

IFRS 1 requires an entity to use estimates under IFRSs that are consistent with the estimates made for the same date under its previous GAAP - after adjustments for any difference in accounting policy - unless there is objective evidence that those estimates were in error in accordance with IAS 8. We use estimates under IFRS which will be consistent with the estimates made under our previous GAAP, adjusted for differences in accounting policies where required.

Reconciliation of statement of financial position as at July 1, 2016 and June 30, 2017:

	July 1, 2016			June 30, 2017		
	Previously reported Dutch GAAP*	Effect of transition	IFRS	Previously reported Dutch GAAP*	Effect of transition	IFRS
Assets						
Property, plant and equipment	\$ 364,821	\$ 8,175	\$ 372,996	\$ 393,253	\$ 2,651	\$ 395,904
Intangible assets and goodwill	645,692	72,672	718,364	729,599	113,772	843,371
Other investments, including derivatives	3,055	—	3,055	16,764	(10,204)	6,560
Deferred tax assets	62,046	28,996	91,042	67,493	19,244	86,737
Other non-current assets	3,929	1,995	5,924	1,857	412	2,269
Total non-current assets	1,079,543	111,838	1,191,381	1,208,966	125,875	1,334,841
Inventories	17,765	360	18,125	46,373	190	46,563
Other investments, including derivatives	17,540	—	17,540	3,229	—	3,229
Current tax assets	1,214	(1,214)	—	3,247	(3,247)	—
Trade and other receivables	30,982	1,344	32,326	48,091	540	48,631
Cash and cash equivalents	73,986	3,440	77,426	36,461	(10,764)	25,697
Other current assets	54,515	834	55,349	76,191	(5,228)	70,963
Assets held for sale	—	—	—	—	46,276	46,276
Total current assets	196,002	4,764	200,766	213,592	27,767	241,359
Total assets	\$1,275,545	\$ 116,602	\$1,392,147	\$1,422,558	\$ 153,642	\$1,576,200
Equity						
Share capital	\$ 615	\$ —	\$ 615	\$ 615	\$ —	\$ 615
Share premium	447,245	(58,851)	388,394	483,263	(69,296)	413,967
Treasury shares	(548,549)	—	(548,549)	(588,365)	—	(588,365)
Foreign currency translation reserve	(89,538)	(20,444)	(109,982)	(95,532)	(23,004)	(118,536)
Hedging reserve	(2,322)	—	(2,322)	(2,250)	—	(2,250)
Fair value reserve	—	(52,770)	(52,770)	—	(40,717)	(40,717)
Retained earnings	295,554	188,239	483,793	146,064	241,425	387,489
Equity attributable to owners of the Company	103,005	56,174	159,179	(56,205)	108,408	52,203
Non-controlling interests	11,027	54,553	65,580	207	45,346	45,553
Total Equity	\$ 114,032	\$ 110,727	\$ 224,759	\$ (55,998)	\$ 153,754	\$ 97,756
Liabilities						
Long-term debt	653,970	2,824	656,794	846,002	1,728	847,730
Deferred tax liabilities	67,362	(705)	66,657	63,755	(6,206)	57,549
Other non-current liabilities	114,472	4,729	119,201	136,973	(1,717)	135,256
Total non-current liabilities	835,804	6,848	842,652	1,046,730	(6,195)	1,040,535
Current tax liabilities	4,792	(4,792)	—	564	(564)	—
Trade and other payables	85,207	1,475	86,682	128,725	(1,339)	127,386
Provisions	—	—	—	4,810	—	4,810
Other current liabilities	235,710	2,344	238,054	297,727	(811)	296,916
Liabilities directly associated with assets held for sale	—	—	—	—	8,797	8,797
Total current liabilities	325,709	(973)	324,736	431,826	6,083	437,909
Total liabilities	\$1,161,513	\$ 5,875	\$1,167,388	\$1,478,556	\$ (112)	\$1,478,444
Total equity and liabilities	\$1,275,545	\$ 116,602	\$1,392,147	\$1,422,558	\$ 153,642	\$1,576,200

(*) Previously reported Dutch GAAP balances have been adjusted to reflect changes in certain balances that are presented in a different financial statement line item in our IFRS financial statements. These adjustments have been excluded from the effect of transition, since they do not represent accounting differences between Dutch GAAP and IFRS.

Reconciliation of statement of profit or loss for the year ended June 30, 2017:

	Previously reported Dutch GAAP	Effect of transition	IFRS
Revenue	\$ 2,120,735	\$ 14,670	\$ 2,135,405
Cost of revenue	1,025,406	14,341	1,039,747
Gross profit	1,095,329	329	1,095,658
Technology and development expense	246,780	9,998	256,778
Marketing and selling expense	607,552	35,758	643,310
General and administrative expense	199,412	35,546	234,958
Amortization of acquired intangible assets	108,549	(108,549)	—
Restructuring expense	26,700	(26,700)	—
Impairment of goodwill and acquired intangible assets	8,412	(8,412)	—
Loss from operations	(102,076)	62,688	(39,388)
Other income, net	10,152	237	10,389
Finance income	1,441	(457)	984
Finance costs	(37,136)	(6,071)	(43,207)
Loss before income taxes	(127,619)	56,397	(71,222)
Income tax	22,209	12,058	34,267
Net loss	(149,828)	44,339	(105,489)
Non-controlling interest income	1,632	(1,143)	489
Net loss attributable to Cimpres N.V.	<u>\$ (148,196)</u>	<u>\$ 43,196</u>	<u>\$ (105,000)</u>
Basic net loss per share	<u>\$ (4.74)</u>	<u>\$ 1.31</u>	<u>\$ (3.36)</u>
Diluted net loss per share	<u>\$ (4.74)</u>	<u>\$ 1.31</u>	<u>\$ (3.36)</u>

Reconciliation of statement of comprehensive income for the year ended June 30, 2017:

	Previously reported Dutch GAAP	Effect of transition	IFRS
Net loss	\$ (149,828)	\$ 44,339	\$ (105,489)
Foreign currency translation loss, net of hedges	(6,629)	(2,444)	(9,073)
Net unrealized loss on derivative instruments designated and qualifying as cash flow hedges	(1,297)	—	(1,297)
Amounts reclassified from shareholders' equity to net loss	1,369	—	1,369
Unrealized loss on available-for-sale securities	(5,756)	—	(5,756)
Amounts reclassified from accumulated other comprehensive loss to net loss for realized gains on available-for-sale securities	2,268	—	2,268
Unrealized gain on pension benefit obligation	2,194	(1,426)	768
Total recognized expense for the period	(157,679)	40,469	(117,210)
Add: Recognized expense attributable to noncontrolling interests	2,920	(1,912)	1,008
Total recognized expense for the period attributable to Cimpres N.V.	<u>\$ (154,759)</u>	<u>\$ 38,557</u>	<u>\$ (116,202)</u>

Reconciliation of statement of cash flows for the year ended June 30, 2017:

	Previously reported Dutch GAAP	Effect of transition	IFRS
Operating activities			
Net loss	\$ (149,828)	\$ 44,339	\$ (105,489)
Adjustments for:			
Depreciation and amortization	215,273	(60,996)	154,277
Impairment of goodwill and acquired intangible assets	8,412	1,144	9,556
Share-based compensation expense	48,627	(11,489)	37,138
Abandonment of long-lived assets	2,408	—	2,408
Deferred taxes	(26,520)	10,914	(15,606)
Change in fair value of contingent consideration	35,347	4,030	39,377
Change in carrying value of noncontrolling interest put and call rights (Note 2)	—	5,982	5,982
Gain on sale of available-for-sale securities	(2,268)	—	(2,268)
Unrealized loss on derivative instruments included in net loss	15,813	—	15,813
Effect of exchange rate changes on monetary assets and liabilities denominated in non-functional currency	(5,690)	—	(5,690)
Other non-cash items	2,886	(1,639)	1,247
Changes in working capital, excluding the effect of acquisitions:			
Accounts receivable	4,679	22	4,701
Inventory	(8,370)	(329)	(8,699)
Prepaid expenses and other assets	(1,265)	9,459	8,194
Accounts payable	25,094	238	25,332
Accrued expenses and other liabilities	61,791	11,300	73,091
Income tax paid	(49,342)	—	(49,342)
Interest paid	(37,548)	—	(37,548)
Net cash provided by operating activities	139,499	12,975	152,474
Investing activities			
Purchases of property, plant and equipment	(69,946)	(4,211)	(74,157)
Business acquisition, net of cash acquired	(206,880)	2,005	(204,875)
Purchases of intangible assets	(197)	—	(197)
Software and website development expenditures	(36,013)	(1,294)	(37,307)
Proceeds from sale of available-for-sale securities	6,346	—	6,346
Proceeds from sale of assets	4,513	—	4,513
Other investing activities	3,888	—	3,888
Net cash used in investing activities	(298,289)	(3,500)	(301,789)
Financing activities			
Proceeds from borrowings of long-term debt	737,075	—	737,075
Payments of debt	(539,222)	(691)	(539,913)
Payments of debt issuance costs	(229)	—	(229)
Payment of acquisition-related contingent consideration	(539)	—	(539)
Payments of withholding taxes in connection with vesting of restricted share units	(14,568)	—	(14,568)
Purchase of ordinary shares	(50,008)	—	(50,008)
Payments of financial lease obligations	(11,626)	—	(11,626)
Purchase of noncontrolling interest	(9,283)	(10,947)	(20,230)
Proceeds from issuance of shares	6,192	—	6,192
Capital contribution from noncontrolling interest	1,404	—	1,404
Other financing activities	1,281	—	1,281
Net cash provided by financing activities	120,477	(11,638)	108,839

Effect of exchange rate changes on cash	789	—	789
Change in cash held for sale	—	(12,042)	(12,042)
Net decrease in cash and cash equivalents	(37,524)	(14,205)	(51,729)
Cash and cash equivalents at beginning of period	73,986	3,440	77,426
Cash and cash equivalents at end of period	<u>\$ 36,462</u>	<u>\$ (10,765)</u>	<u>\$ 25,697</u>

Reconciliation of equity as of July 1, 2016 and June 30, 2017:

	July 1, 2016	June 30, 2017
Equity under Dutch GAAP	\$ 114,032	\$ (55,998)
Business combination		
Goodwill	82,815	139,802
NCI put and call options	(2,771)	4,880
Printi consolidation	(1,152)	(10,842)
Share based compensation	(1,443)	(1,893)
Income taxes	33,278	21,537
Intangible assets - capitalized direct response advertisement costs	—	270
Equity under IFRS	<u>\$ 224,759</u>	<u>\$ 97,756</u>

Reconciliation to profit or loss and other comprehensive income or expense:

	June 30, 2017
Recognized income and expense under Dutch GAAP	\$ (154,759)
Business combination	
Goodwill	55,358
NCI with put and call options	(7,129)
Printi consolidation	(5,923)
Share based compensation	11,038
Income taxes	(12,058)
Intangible assets - capitalized direct response advertisement costs	270
Currency translation adjustments	(2,999)
Profit or loss and other comprehensive income or expense under IFRS	<u>\$ (116,202)</u>

General

In the below notes to the transition of the statement of financial position, statement of profit or loss, statement of changes in equity and statement of profit or loss and other comprehensive income reconciliation, we present the main relevant transition adjustments. The transition impact is therefore primarily explained starting from the perspective of the statement of profit or loss, statement of other comprehensive income and statement of changes in equity and statement of cash flows.

Business combinations

(a) Goodwill

Goodwill, including goodwill identified in net asset value method investments, is amortized over a supportable term for Dutch GAAP. Goodwill is not amortized for IFRS but is assessed at least annually for impairment.

(b) Transaction costs

Transaction costs are included in the cost of a business combination for Dutch GAAP and are expensed for IFRS.

(c) *Contingent consideration*

Contingent consideration in a business combination is recorded to goodwill if it is probable of payment for Dutch GAAP with any post-acquisition fair value adjustments recorded to goodwill. For IFRS, contingent consideration is recorded at fair value on the date of acquisition with any changes in fair value through the payment date recorded in the statement of profit and loss.

(d) *Put and call options regarding non-controlling interest ('NCI')*

We have certain put and call instruments associated with non-controlling interest arrangements. Under Dutch GAAP, this liability is adjusted to the redemption value through earnings. On transition to IFRS, we will apply the present access method to NCI with written put options recognized as a liability. In addition, call options on NCI are recognized as a derivative.

Intangible Asset- Direct response advertisement

Direct response advertisement costs were capitalized and amortized under Dutch GAAP. Such direct advertisement costs do not qualify for recognition as an intangible asset under IFRS and are expensed as incurred.

Consolidation

On transition to IFRS, Printi LLC will be consolidated as we have control through de-facto agent. Under Dutch GAAP, Printi LLC was recognized as a net asset value method investment due to our ability to only exert significant influence through our voting interest.

Asset and liabilities held for sale

There is no classification as asset and liabilities held for sale under Dutch GAAP. As a result of its pending sale as of June 30, 2017, our Albumprinter business unit will be separately classified as held-for-sale under IFRS in our consolidated statement of financial position as of June 30, 2017.

Share based payment

On transition to IFRS, the share based compensation costs will be adjusted to reflect the following aspects:

- Under IFRS, compensation cost for awards with a graded vesting schedule are recognized over the requisite service period for each separately vesting portion of the award as if the award was, in substance, multiple awards.
- IFRS requires factoring estimated forfeiture rates up-front in accruing share-based compensation cost.
- Under IFRS, the measurement of compensation cost for a modified award which goes from being improbable of ultimately vesting at the date of the modification to being probable, is based on the value of the original award plus any incremental increase in value measured as of the date of the modification.

Income taxes

On transition to IFRS, deferred tax liabilities and assets will be classified as non-current. Additionally, deferred tax assets that relate to an excess tax benefit of share-based payments are recognized in equity and deferred tax liabilities related to investments in subsidiaries and joint ventures are recognized only to the extent that they will reverse in the foreseeable future.

Impairment loss

Under Italian tax regulations, Cimpress Italy S.r.l., an Italian resident company, gets a tax benefit for investments through the Notional Interest Deduction (NID). On transition to IFRS, a portion of the tax benefit relating to a notional interest deduction of Cimpress Italy for fiscal year 2016, will be allocated to Exagroup's cash-

generating unit ("CGU") in the post-tax cash flow calculation. This inclusion results in a lower historical impairment charge under IFRS than that recognized under Dutch GAAP.

IAS 19 Employee Benefits

Under Dutch GAAP, the post-employment benefit plan in Switzerland applied an option to account in accordance with US GAAP. On transition to IFRS, we will apply IAS 19 for the post-employment benefit plans in Switzerland.

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing the opening IFRS statement of financial position at July 1, 2016 for the purposes of the transition to IFRSs, unless otherwise indicated. The accounting policies have been applied for all periods presented.

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by us (including through de-facto agent relationship). We control an entity when we are exposed to, or have rights to, variable returns from our involvement with the entity and we have the ability to affect those returns through our power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Business combination

We account for business combinations using the acquisition method when control is transferred to us (see Note 7). The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment (see Note 9). Any gain on a bargain purchase is recognized in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities (see Note 7).

Any contingent consideration payable is measured at fair value at the acquisition date. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognized in the consolidated statement profit or loss.

Non-controlling Interests

Non-controlling interests are measured at fair value at the acquisition date. Changes in our interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Put options granted to non-controlling interests, that do not provide us present access to the benefits associated with the ownership interest, give rise to a financial liability which is measured at the present value of the redemption amount. On the initial recognition of the financial liability, a corresponding reduction is recognized in another component of equity attributable to the parent. Subsequently, the put option is measured in accordance with IAS 39. As per IAS 39, changes in the carrying amount of the financial liability are recognized in financing income or cost. The non-controlling interest continues to be recognized within equity until the put is exercised. The carrying amount of non-controlling interest changes due to allocations of profit or loss and dividends declared for the reporting period (if applicable).

A call option on NCI is a financial asset as the terms of the option are not for a fixed amount or even if exercise price is fixed then it is payable in foreign currency and hence it fails fixed to fixed notion/equity classification. The call option is initially recognized at its fair value, with any subsequent changes in its fair value recognized in financing income or cost. If the call option is exercised, the fair value of the option at that date is included as part of the cost of the acquisition of the non-controlling interest.

Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of our subsidiaries entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognized in profit or loss.

Foreign currency differences arising from the translation of the following items are recognized in OCI:

- available-for-sale equity investments (except on impairment in which case foreign currency differences that have been recognized in OCI are reclassified to profit or loss)
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedges are effective.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into USD at exchange rates at the reporting date. The income and expenses of foreign operations are translated into USD at the exchange rates at the dates of the transactions. Foreign currency differences are recognized in other comprehensive income and accumulated in the foreign currency translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. If we dispose of part of our interest in a subsidiary but retain control, then the relevant proportion of the cumulative amount is re-attributed to non-controlling interests.

Hedge of a net investment in foreign operation

We apply hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and our functional currency (USD). To the extent that the hedge is effective, foreign currency differences arising on the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognized in OCI and accumulated in the translation reserve. Any remaining differences are recognized in profit or loss. When the hedged net investment is disposed of, the relevant amount in the translation reserve is transferred to profit or loss as part of the gain or loss on disposal.

Financial instruments

Non-derivative financial assets and financial liabilities

We classify non-derivative financial assets into the following categories: loans, receivables and available-for-sale financial assets. We initially recognize loans, receivables and debt securities issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

Loans and receivables are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest method.

Available-for-sale financial assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognized in OCI and accumulated in the fair value reserve. When these assets are de-recognized, the gain or loss accumulated in equity is reclassified to profit or loss.

We de-recognize a financial asset when the contractual rights to the cash flows from the asset expires, or we transfer the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or we neither transfer nor retain substantially all of the risks and rewards of ownership and we do not retain control over the transferred asset. Any interest in such de-recognized financial assets that is created or retained by us is recognized as a separate asset or liability. We de-recognize a financial liability when its contractual obligations are discharged or canceled, or expired.

Financial assets and financial liabilities are offset and the net amount is presented in the statement of financial position when, and only when, we have a legal right to offset the amounts and we intend either to settle them on a net basis or to realize the asset and settle the liability simultaneously.

We classify non-derivative financial liabilities into the following categories: financial liabilities at fair value through profit and loss ("FVTPL") and financial liabilities measured at amortized cost. A financial liability is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition. Directly attributable transaction costs are recognized in profit or loss as incurred. Financial liabilities at FVTPL are measured at fair value and changes therein, including any interest expense, are recognized in profit or loss. Other non-derivative financial liabilities are initially recognized at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortized cost using the effective interest method.

Derivative Instruments

We enter into derivative contracts that are intended to economically hedge certain risks. We may not elect to apply hedge accounting or the instrument may not qualify for hedge accounting. When hedge accounting is not applied, the changes in the fair value of the derivatives are recorded directly in profit or loss as a component of other income, net.

In accordance with the fair value measurement guidance, our accounting policy is to measure the credit risk of derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio. We execute derivative instruments with financial institutions that are assumed to be credit-worthy as defined as institutions that hold an investment grade credit rating.

Hedging Instruments

We hold derivative financial instruments to hedge foreign currency and interest rate risk exposures. Embedded derivatives are not required to be separated from the host contract and accounted for separately as the economic characteristics and risks of the host contract and the embedded derivative are closely related.

We apply hedge accounting to arrangements that qualify and are designated for hedge accounting treatment, which includes cash flow and net investment hedges. Hedge accounting is discontinued prospectively if the hedging relationship ceases to be effective or the hedging or hedged items cease to exist as a result of maturity, sale, termination or cancellation.

On initial designation of the hedge, we formally document the relationship between the hedging instrument (s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. We make an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, to determine whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Cash flow 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 which could include interest rate swap contracts and forward currency contracts. In a cash flow hedging relationship, the effective portion of the change in the fair value of the hedging derivative is initially recorded in OCI, while any ineffective portion is recognized directly in profit or loss as a component of other income, net. The portion of gain or loss on the derivative instrument previously accumulated in equity is reclassified in profit or loss, if the forecasted transaction is no longer expected to occur.

Net investment hedges

Derivatives designated and qualifying as hedges of currency exposure of a net investment in a foreign operation are considered net investment hedges which could include cross-currency swap contracts. In hedging the currency exposure of a net investment in a foreign operation, the effective portion of gains and losses on the hedging instruments is recognized in OCI as part of currency translation adjustment, while any ineffective portion is recognized directly in profit or loss as a component of other income, net. The portion of gain or loss on the derivative instrument previously accumulated in equity is reclassified to profit or loss if there is a reduction of investment in the hedged foreign operation through a sale or substantial liquidation.

Share capital

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

When shares recognized as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognized as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognized as an increase in equity, and the resulting surplus or deficit on the transaction is presented within share premium.

Impairment

Non-derivative financial assets

Financial assets measured at amortized cost

We consider evidence of impairment for these assets at the end of each fiscal year. In assessing impairment, we use historical information on the timing of recoveries and the amount of loss incurred, and make an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends. An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account. When we find there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The amount reclassified is the difference between the acquisition cost (net of any principal repayment and amortization) and the current fair value, less any impairment loss previously recognized in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognized, then the impairment loss is reversed through profit or loss; otherwise, it is reversed through OCI.

Non-financial assets

At each reporting date, we review the carrying amounts of our non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment at the CGU level to which it has been allocated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Determination of CGUs is based upon the manner in which our operations are managed and the availability of separate financial information reported internally to the Chief Executive Officer for purposes of making decisions about how to allocate resources and assess performance.

Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using an after-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Property, Plant and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Assets that qualify for the capitalization of interest cost during their construction period are evaluated on a project basis and, if material, the costs are capitalized. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss. A subsequent expenditure is capitalized only when it is probable the future economic benefits associated with the expenditure will flow to us.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term or their useful lives unless it is reasonably certain that we will obtain ownership by the end of the lease term. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Construction in progress represents the direct costs relating to the acquisition or construction of a project, and costs are capitalized like property, plant and equipment. Subsequently, construction in progress will be carried at cost until such construction in progress is available for use. On construction in progress being available for use, the asset will be reclassified to a relevant category of property, plant and equipment and will thereafter be subject to normal depreciation and impairment provision.

Intangible Assets and Goodwill

Goodwill arising from the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Other intangible assets includes customer relationships, trademarks, developed technology, customer and referral network, internally developed software cost, etc. Intangible assets are primarily acquired, have finite useful lives and are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognized in profit or loss. Goodwill is not amortized. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Expenditures on research activities are recognized in profit or loss as incurred. We capitalize directly attributable costs to create, produce, and prepare internally developed websites and internal-use computer software in accordance with IAS 38. Directly attributable costs include eligible salaries and payroll-related costs of employees who devote time to asset development. Any administrative costs or overhead related to development projects are expensed as incurred. Capitalization of development costs begins when the preliminary project stage is complete, management with the relevant authority authorizes and commits to the funding of the software project, and it is probable that the project will be completed and the software will be used to perform the function intended. These costs are amortized on a straight-line basis over the estimated useful life of the software. Costs associated with preliminary stage software development, repair, maintenance or the development of website content are expensed as incurred.

A subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Inventories

Inventories consist primarily of raw materials and are measured at the lower of cost and net realizable value. The cost of inventories is based on the first-in first-out principle. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Costs to produce free products are included in cost of sales as incurred.

Assets held for sale

Non-current assets, comprising assets and liabilities, are classified as held-for-sale if it is highly probable they will be recovered principally through sale rather than through continuing use. These held-for-sale assets and liabilities are available for immediate sale in their present condition, subject to terms that are customary during such sales. Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets or employee benefit assets, which continue to be measured in accordance with our other accounting policies. Impairment losses upon initial classification as held-for-sale and subsequent gains and losses on remeasurement are recognized in profit or loss. Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortized or depreciated.

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if we have a present legal or constructive obligation to pay as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payment transactions

We apply IFRS 2 *Classification and Measurement of Share-based Payment Transactions* for purposes of classifying and measuring our share-based compensation arrangements. We measure share-based compensation costs at fair value, and recognize the expense over the period that the recipient is required to provide service in exchange for the award, which generally is the vesting period. We recognize share based compensation cost during the vesting period based on the best available estimate of the number of equity instruments expected to vest (factoring estimated forfeiture rates up-front in accruing share-based compensation cost) and revise that estimate, if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates.

The fair value of share options is determined using the Black-Scholes valuation model, or lattice model for share options with a market condition or subsidiary share options. The fair value of RSUs and restricted share awards ("RSAs") is determined based on the quoted price of our ordinary shares on the date of the grant.

For the awards with a graded vesting schedule, we recognize compensation cost on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards regardless of the award subject to service condition or market condition. We treat each tranche as a separate grant, as each has a different vesting period.

We treat awards that are ultimately settle-able in cash as liability awards and mark the award to market each reporting period, recognizing any gain or loss in our statements of operations. For awards with a performance condition vesting feature, compensation cost is recorded if it is probable that the performance condition will be achieved.

During the first quarter of fiscal 2017, we began granting performance share units, or PSUs, associated with our new long-term incentive program. Compensation expense for our PSUs is estimated at fair value on the date of grant, which is fixed throughout the vesting period. The fair value is determined using a Monte Carlo simulation valuation model. As the PSUs include both a service and market condition, the related expense is recognized using the accelerated expense attribution method over the requisite service period for each separately vesting portion of the award. For PSUs that meet the service vesting condition, the expense recognized over the requisite service period will not be reversed if the market condition is not achieved.

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

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. We currently have only one immaterial defined benefit plan that covers substantially all of our employees in Switzerland. Our net obligation in respect of the plan is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for us, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI. We determine the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

Other long-term employee benefits

Our net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognized in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when we can no longer withdraw the offer of those benefits and when we recognize costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, they are discounted.

Sabbatical leave

Compensation expense associated with a sabbatical leave, or other similar benefit arrangements, is accrued over the requisite service period during which an employee earns the benefit, net of estimated forfeitures, and is included in other liabilities on consolidated balance sheets.

Provisions other than restructuring

A provision is formed for liabilities if it is probable that they will have to be settled and the amount of the liability can be reliably estimated. The amount of the provision is determined based on a best estimate of the amounts required to settle the liabilities and losses concerned at the reporting date. If obligations are expected to be reimbursed by a third party, such reimbursement is included as an asset in the statement of financial position, if it is probable that such reimbursement will be received when the obligation is settled.

Restructuring

A provision for restructuring is recognized when we have a constructive obligation, which occurs when there is an approved, detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

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 ability to generate sublease income to enable us 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 a facility 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.

Revenue Recognition

We generate revenue primarily from the sale and shipping of customized manufactured products, as well as providing digital services, website design and hosting, email marketing services, order referral fees and other third party offerings. We recognize revenue arising from sales of products and services as significant risks and rewards are transferred to the customer. Significant risks and rewards are considered transferred to the customer when there is persuasive evidence of an arrangement, the product has been shipped or service rendered with no significant post-delivery obligations on its part, the net sales price is fixed or determinable and collectability is reasonably assured. For subscription services, we recognize revenue for the fees charged to customers rateably over the term of the service arrangement.

Revenue is recognized net of discounts. Discounts are offered to customers as part of advertising campaigns. Revenue from sales of prepaid orders on websites is deferred until shipment of fulfilled orders or until the prepaid service has been rendered.

For arrangements with multiple deliverables, we allocate revenue to each deliverable if the delivered item(s) has value to the customer on a standalone basis and, if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item(s) is considered probable and substantially within our control. The stand-alone selling price for a deliverable is determined using a hierarchy of (1) Company-specific objective and reliable evidence, then (2) third-party evidence, then (3) our best estimate of the selling price. We allocate total arrangement fee to each of the deliverables based on their relative stand-alone selling prices.

Shipping, handling and processing costs billed to customers are included in revenue and the related costs are included in cost of sales at the time of shipment or rendering of service. Sales and purchases in jurisdictions which are subject to indirect taxes, such as value added tax ("VAT"), are recorded net of tax collected and paid as we act as an agent for the government.

Cost of sales

Cost of sales represents the direct and indirect expenses attributable to revenue, purchase expenses related to the goods sold, employee cost, depreciation charges for buildings and equipment, and other operating expenses that are attributable to cost of sales.

Operating profits

Operating profit is the result generated from the continuing principal revenue-producing activities as well as other income and expenses related to operating activities. Operating profit excludes net finance costs and income taxes.

Finance income and finance costs

Our finance income and finance costs include:

- interest income
- interest expense
- Gains or losses for the re-measurement to fair value or redemption value of NCI call option assets and put liabilities, respectively
- the gain on the re-measurement to fair value of any pre-existing interest in an acquiree in a business combination
- the net gain or loss on interest rate swaps as hedging instruments are recognized in profit or loss
- the reclassification of net gains or loss previously recognized in OCI in relation to interest rate swaps

Interest income or expense is recognized using the effective interest method.

Income tax

As part of the process of preparing our consolidated financial statements, we calculate our income taxes in each of the jurisdictions in which we operate. Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI. Uncertain income tax positions are accounted for under IAS 12 with early application of IFRIC 23. Interest and penalties related to a particular income tax treatment, that in their nature form part of the tax treatment, are accounted for under IAS 12. Non-income tax related uncertain tax positions, interest and penalties are accounted for under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, unless they are dealt with specifically in another standard.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends. Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that we are able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for our individual subsidiaries. We assess the ability to realize our deferred tax assets based upon the weight of available evidence both positive and negative. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which we expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and we have not rebutted this presumption. Deferred tax assets and liabilities are offset only if certain criteria are met.

Leases

At inception of an arrangement, we determine whether such an arrangement is or contains a lease. If a lease exists, we separate payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If we conclude for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using our incremental borrowing rate.

Leased assets

Assets held by us under leases that transfer to us substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in our statement of financial position.

Lease payments

Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which we have access at that date. The fair value of a liability reflects its non-performance risk.

A number of our accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When available, we measure the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If no quoted price is available, we then use a valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction. If an asset or a liability measured at fair value has a bid price and an ask price, then we measure assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price - i.e. the fair value of the consideration given or received. If we determine that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Cash flow presentation

We apply *IAS 7 Disclosure Initiative*, which requires disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. We have separately disclosed as supplementary disclosure to our consolidated statement of cash flow any non-cash changes that relate to financing activities.

4. Recently Issued or Adopted Accounting Pronouncements

Issued Accounting Standards to be Adopted

A number of new standards are effective for annual periods beginning after January 1, 2017 and earlier application is permitted; however, we have not early adopted all the new or amended standards in preparing these consolidated financial statements. Those which may be relevant to us in the near future are set out below:

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018 and we adopted this standard effective July 1, 2018. We have evaluated the impact of IFRS 9 as it relates to the accounting for our investment in subsidiaries within our company only financial statements as these assets are currently classified as available for sale securities and accounted for at fair value. Any changes in fair value are recognized in other comprehensive income. Upon adoption of IFRS 9 we have elected the optional FVOCI designation for qualifying investments in equity instruments, which is similar to our current accounting model in that changes in fair value will be recognized in other comprehensive income. This election dictates that only qualifying

dividends are recognized in profit and loss, with any changes in fair value recognized in OCI. Our IFRS 9 accounting model will differ from our current model in that amounts recognized in OCI will never be reclassified to profit and loss, even if an asset is impaired, sold or otherwise derecognized. This election requires retrospective application, as such we will revise our June 30, 2019 company only financial statements to recognize the fiscal 2018 gain on the sale of subsidiary in OCI rather than profit or loss but this will have no impact on the total equity of the company. We continue to assess the potential impact on our consolidated financial statements resulting from the application of IFRS 9.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Program's. IFRS 15 is effective for annual reporting periods beginning on or after January 1, 2018 with early adoption permitted. The standard permits the use of either the retrospective or modified retrospective method. We will adopt the new standard in fiscal 2019, and we will apply the modified retrospective approach.

We have substantially completed our impact assessment of the new standard, which was performed on a business unit by business unit basis through a review of contract terms and material revenue streams. We have identified an impact related to customer loyalty programs that are offered by several of our businesses. Under the new revenue standard, the rewards associated with these programs will be recognized as an additional performance obligation, resulting in an allocation of the transaction price and deferral of revenue until the subsequent reward redemption. In addition, for some of our revenue streams, we will recognize shipping and handling activities as a separate performance obligation, which will change the timing for a portion of our revenue. We do not expect this change to have a material impact on our consolidated financial statements.

The new standard will not have a material impact on our consolidated results. We are continuing to make changes to certain processes and internal controls, in order to address the impacts of the new standard, which we expect to finalize during the first quarter of fiscal 2019. Lastly, we are continuing to evaluate the disclosure requirements of the new standard.

IFRS 16 Leases

IFRS 16 replaces the existing guidance in IAS 17 Leases and requires most leases to be recognized on-balance (under a single model) for lessees. This eliminates the distinction between operating and finance leases. Lessor accounting remains largely unchanged. For the lessors the distinction between operating and finance lease is retained. IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted if aforementioned IFRS 15 has also been applied. The new standard is effective for us on July 1, 2019 and we expect to adopt the new standard using the modified retrospective approach. We also plan to use the transition relief package, in which we will not reassess the classification of our existing leases, whether any expired or existing contracts contain leases and if our existing leases have any initial direct costs. Although we are currently evaluating the requirements of the standard and we have not yet determined the impact of adoption on our consolidated financial statements, we expect increases to both lease liabilities and right-of-use assets on the statement of financial position. We are also evaluating additional disclosure requirements of the standard.

Other standards

The following amended standards and interpretations are not effective or is not expected to have a significant impact on our consolidated financial statements.

- Annual Improvements to IFRSs 2014-2016 Cycle - Amendments to IFRS 1 and IAS 28
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration

5. Segment Information

Our operating segments are based upon the manner in which our operations are managed and the availability of separate financial information reported internally to the Chief Executive Officer, who is our Chief Operating Decision Maker ("CODM") for purposes of making decisions about how to allocate resources and assess performance. As of June 30, 2018 we have numerous operating segments under our management reporting structure which are reported in the following four reportable segments:

- *Vistaprint* - Includes the operations of our Vistaprint-branded websites focused on the North America, Europe, Australia and New Zealand markets, and our Webs-branded business, which is managed with the Vistaprint-branded digital business in the previously listed geographies.
- *Upload and Print* - Includes the results of our druck.at, Easyflyer, Exagroup, Pixartprinting, Printdeal, Tradeprint, and WIRmachenDRUCK branded businesses.
- *National Pen* - Includes the global operations of our National Pen branded businesses, which manufacture and market custom writing instruments and promotional products, apparel and gifts.
- *All Other Businesses* - Includes the operations of our Most of World and Corporate Solutions businesses. Most of World consists of our businesses in Brazil, China, India and Japan. In Japan and India, we primarily operate under close derivatives of the Vistaprint business model and technology, albeit with decentralized, locally managed cross-functional operations in each country, and with product, content and service offerings which we tailor to the Japanese and Indian markets. Our Vistaprint Corporate Solutions business serves medium-sized businesses and larger corporations, as well as our legacy business with retail partners and franchise businesses, primarily through the "Vistaprint Corporate" brand. Our All Other Businesses segment also includes Albumprinter results through the divestiture date of August 31, 2017.

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

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

As part of these changes, we also recast historical segment results to ensure the consistent application of our current inter-segment revenue presentation. For the years ended June 30, 2017 and 2016, we increased revenue for our Vistaprint business by \$5,690 and \$3,589, respectively, with a corresponding increase to inter-segment eliminations. We also recast historical segment profitability for the allocation of certain IT costs, which previously burdened our Vistaprint business, but have now been allocated to each of our businesses in fiscal 2018. For the year ended June 30, 2017, the cost allocation change resulted in an increase to Vistaprint segment profit by \$2,494, with a corresponding decrease to segment profit for Upload and Print of \$644, and All Other Businesses of \$560, and an increase to our Central and corporate cost center \$1,290. For the year ended June 30, 2016, the cost allocation change increased Vistaprint segment profit by \$1,919, decreased Upload and Print segment profit by \$436, and decreased All Other Businesses segment profit by \$402. The Central and corporate cost center absorbed an additional \$1,080 of costs for the year ended June 30, 2016 as a result of the cost allocation change.

For awards granted under our 2016 Performance Equity Plan, the PSU expense value is based on a Monte Carlo fair value analysis and is required to be expensed on an accelerated basis. In order to ensure comparability in measuring our businesses results, we allocate the straight-line portion of the fixed grant value to our businesses.

Any expense in excess of the amount as a result of the fair value measurement of the PSUs and the accelerated expense profile of the awards is recognized within Central and corporate costs.

Segment profit (loss) is the primary profitability metric by which our CODM measures segment financial performance and allocates resources. Certain items are excluded from segment profit (loss), such as acquisition-related amortization and depreciation, expense recognized for contingent earn-out related charges, including the changes in fair value of contingent consideration and compensation expense related to cash-based earn-out mechanisms dependent upon continued employment, share-based compensation related to investment consideration, certain impairment expense, and restructuring charges. We do not allocate non-operating income to our segment results.

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

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

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

	Year Ended June 30,	
	2018	2017
Revenue:		
Vistaprint (1)	\$ 1,462,686	\$ 1,310,975
Upload and Print (2)	730,010	588,613
National Pen (3)	333,266	112,712
All Other Businesses (4)	87,583	128,795
Total segment revenue	2,613,545	2,141,095
Inter-segment eliminations	(21,004)	(5,690)
Total consolidated revenue	<u>\$ 2,592,541</u>	<u>\$ 2,135,405</u>

(1) Vistaprint segment revenues include inter-segment revenue of \$10,542 and \$5,690 for the years ended June 30, 2018 and 2017.

(2) Upload and Print segment revenues include inter-segment revenue of \$1,521 for the year ended June 30, 2018. No inter-segment revenue was recognized in the prior comparable period.

(3) National Pen segment revenues include inter-segment revenue of \$2,956 for the year ended June 30, 2018. No inter-segment revenue was recognized in the prior comparable period.

(4) All Other Businesses segment revenues include inter-segment revenue of \$5,985 for the year ended June 30, 2018. No inter-segment revenue was recognized in the prior comparable period.

	Year Ended June 30,	
	2018	2017
Segment profit (loss):		
Vistaprint	\$ 246,670	\$ 173,123
Upload and Print	79,310	63,189
National Pen	21,363	(1,955)
All Other Businesses	(33,976)	(30,709)
Total segment profit	313,367	203,648
Corporate and global functions	(130,989)	(111,473)
Acquisition-related amortization and depreciation	(50,149)	(46,402)
Earn-out related charges (1)	(2,391)	(40,384)
Share-based compensation related to investment consideration	(6,792)	(9,638)
Certain impairments (2)	—	(9,556)
Restructuring charges	(15,075)	(25,583)
Gain on the purchase or sale of subsidiaries (3)	47,945	—
Total income (loss) from operations	\$ 155,916	\$ (39,388)

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

(2) Includes the impact of impairments or abandonments of goodwill and other long-lived assets.

(3) Includes the impact of the gain on the sale of Albumprinter, as well as a bargain purchase gain for an acquisition in which the identifiable assets acquired and liabilities assumed are greater than the consideration transferred, that was recognized in general and administrative expense in our consolidated statement of operations during the year ended June 30, 2018.

	Year Ended June 30,	
	2018	2017
Depreciation and amortization:		
Vistaprint	\$ 63,853	\$ 61,313
Upload and Print	59,599	56,073
National Pen	21,546	10,269
All Other Businesses	9,255	15,056
Corporate and global functions	10,634	11,566
Total depreciation and amortization	\$ 164,887	\$ 154,277

Enterprise Wide Disclosures:

	Year Ended June 30,	
	2018	2017
Revenue:		
United States	\$ 1,078,544	\$ 901,061
Germany (1)	340,881	256,069
Other (2)	1,173,116	978,275
Total revenue	\$ 2,592,541	\$ 2,135,405

(1) During the fiscal year ended June 30, 2017, our revenues within the German market exceeded 10% of our total consolidated revenue. Therefore we have presented Germany as a significant geographic area and recast all prior periods.

(2) Our all other revenue includes the Netherlands, our country of domicile. Revenue earned in any individual country was not greater than 10% of consolidated revenue for the years presented.

	Year Ended June 30,	
	2018	2017
Revenue:		
Physical printed products and other (3)	\$ 2,537,201	\$ 2,076,564
Digital products/services	55,340	58,841
Total revenue	<u>\$ 2,592,541</u>	<u>\$ 2,135,405</u>

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

	June 30,	
	2018	2017
Long-lived assets (4):		
Netherlands	\$ 109,556	\$ 83,223
Canada	81,334	85,926
Italy	42,514	49,014
United States	45,709	64,034
Switzerland	27,900	19,800
Australia	22,418	22,961
France	20,131	21,492
Jamaica	21,720	22,794
Japan	19,117	20,686
Other	80,640	64,377
Total	<u>\$ 471,039</u>	<u>\$ 454,307</u>

(4) Excludes intangible assets and goodwill of \$810,974 and \$843,371, and deferred tax assets of \$85,059 and \$86,737 as of June 30, 2018 and 2017, respectively.

6. List of Subsidiaries

Below is a list of our material subsidiaries as of June 30, 2018:

Subsidiary	Jurisdiction of Incorporation
Subsidiary	Jurisdiction of Incorporation
Araprint B.V.	The Netherlands
Cimpress Australia Pty Limited	Australia
Cimpress Detroit Incorporated	Delaware, USA
Cimpress France SARL	France
Cimpress India Private Limited	India
Cimpress Investments B.V.	The Netherlands
Cimpress Jamaica Limited	Jamaica
Cimpress Schweiz GmbH	Switzerland
Cimpress UK Limited	England and Wales
Cimpress USA Incorporated	Delaware, USA
Cimpress Windsor Corporation	Nova Scotia, Canada
Del Camino SCI	France
Druck.at Druck- und Handelsgesellschaft GmbH	Austria
Drukwerkdeal.nl B.V.	The Netherlands
Drukwerkdeal.nl Productie B.V.	The Netherlands
E-Factory SAS	France
Exagroup SAS	France
FL Print SAS	France
FM Impressos Personalizados Ltda	Brazil
Grafica Editora Aquarela S.A.	Brazil
La Mougère SCI	France
Litotipografia Alcione S.r.l.	Italy
Pixartprinting S.p.A.	Italy
Printdeal B.V.	The Netherlands
Printi LLC	Delaware, USA
Pure Services SARL	France
Shanghai Cimpress Technology Company Limited	China
Vistaprint B.V.	The Netherlands
Vistaprint España, S.L.	Spain
Vistaprint Italy S.R.L.	Italy
Vistaprint Japan Co., Ltd	Japan
Vistaprint Limited	Bermuda
Vistaprint Netherlands B.V.	The Netherlands
Vistaprint Technologies Private Limited	India
Vistaprint Tunisie SARL	Tunisia
Webs, Inc.	Delaware, USA

7. Acquisitions and Divestitures

Fiscal 2018 divestiture

Divestiture of Albumprinter

On August 31, 2017, we sold our Albumprinter business, including FotoKnudsen AS, for a total of €78,382 (\$93,071 based on the exchange rate as of the date of sale) in cash, net of transaction costs and cash divested (after \$11,874 in pre-closing dividends). As a result of the sale, we recognized a gain of \$47,545, net of transaction costs, within our consolidated statement of operations for the year ended June 30, 2018. In connection with the divestiture, we entered into an agreement with Albumprinter under which Albumprinter will continue to fulfill photo book orders for our Vistaprint business. Additionally, we agreed to provide Albumprinter with certain transitional support services for a period of up to one year from the date of the sale.

The transaction did not qualify for discontinued operations presentation as it was not a major line of business, and as of June 30, 2017, the Albumprinter business assets and liabilities were presented as held-for-sale in our consolidated balance sheet.

Fiscal 2017

Acquisition of National Pen Co. LLC

On December 30, 2016, we acquired 100% of the equity interests of National Pen Co. LLC, a manufacturer and marketer of custom writing instruments for small- and medium-sized businesses. At closing, we paid \$214,573 in cash, subject to post closing adjustments based on acquired cash, debt and working capital balances. During the third quarter of fiscal 2017, we finalized and received payment for the post closing adjustment, which reduced the purchase price by \$1,941. The acquisition supports our strategy to build competitively differentiated supply chain capabilities that we can make available via our mass customization platform, which we bring to market through a portfolio of focused brands. We expect National Pen will also complement our organic investments in technology and supply chain capabilities for promotional products, apparel and gift offerings.

The table below details the consideration transferred to acquire National Pen:

Cash consideration	\$	214,573
Final post closing adjustment		(1,941)
Total purchase price	\$	<u>212,632</u>

The excess purchase price over the fair value of National Pen's net assets was recorded as goodwill, which is primarily attributable to the value of its workforce, its manufacturing and marketing process and know-how, as well as synergies which include leveraging National Pen's scale-based sourcing channels, integrating into our mass customization platform, and supporting the development of its e-commerce platform. We attributed \$38,601 of goodwill to the National Pen reportable segment, and allocated \$24,519 of goodwill to the Vistaprint segment for certain synergies that are expected to be realized by the Vistaprint segment as a result of the acquisition. The amount of goodwill that is deductible for tax purposes is approximately \$19,000.

The fair value of the assets acquired and liabilities assumed was:

	Amount	Weighted Average Useful Life in Years
Assets acquired and liabilities assumed (1):		
Cash and cash equivalents	\$ 8,337	n/a
Accounts receivable, net	20,921	n/a
Inventory	19,854	n/a
Other current assets	5,881	n/a
Property, plant and equipment, net	29,472	n/a
Other non-current assets	1,270	n/a
Accounts payable	(12,590)	n/a
Accrued expenses	(17,805)	n/a
Other current liabilities	(908)	n/a
Deferred tax liabilities	(3,255)	n/a
Long-term liabilities	(9,665)	n/a
Identifiable intangible assets:		
Developed Technology	19,000	6
Trade Name	33,000	11
Customer Relationships	56,000	7
Goodwill	63,120	n/a
Total purchase price	<u>\$ 212,632</u>	

(1) National Pen has materially impacted our working capital balances post-acquisition, resulting in increased accounts receivable, inventory, accounts payable and accrued expenses balances in our consolidated balance sheet.

Identifiable Intangible Assets

We used the income approach to value the trade names, customer relationships and customer network and a replacement cost approach to value developed technology. The income approach calculates fair value by discounting the forecasted after-tax cash flows back to a present value using an appropriate discount rate. The baseline data for this analysis was the cash flow estimates used to price the transaction. In estimating the useful life of the acquired assets, we reviewed the expected use of the assets acquired, factors that may limit the useful life of an acquired asset or may enable the extension of the useful life of an acquired asset without substantial cost, the effects of obsolescence, demand, competition and other economic factors, and the level of maintenance expenditures required to obtain the expected future cash flows from the asset. We amortize acquired intangible assets over their economic useful lives using either a method that is based on estimated future cash flows or a straight-line basis over the periods benefited.

We utilized proceeds from our credit facility in order to finance the acquisition. In connection with the acquisition, we incurred \$2,005 in transaction costs during the year ended June 30, 2017, primarily related to legal, financial and other professional services.

8. Property, Plant and Equipment

Property, plant and equipment consist of the following:

Purchase Price	Estimated useful lives	June 30,		July 1, *
		2018	2017	2016
Land improvements	10 years	\$ 3,440	\$ 2,235	\$ 2,137
Building and building improvements	10 - 30 years	190,779	199,654	176,979
Machinery and production equipment	4 - 10 years	299,760	274,814	271,263
Machinery and production equipment under financial lease (1)	4 - 10 years	67,702	54,674	46,498
Computer software and equipment	3 - 5 years	166,523	165,812	148,854
Furniture, fixtures and office equipment	5 - 7 years	43,010	41,612	25,574
Leasehold improvements	Shorter of lease term or expected life of the asset	53,753	51,582	40,203
Construction in progress		11,734	12,240	5,906
		<u>836,701</u>	<u>802,623</u>	<u>717,414</u>
Less accumulated depreciation:				
Land improvements		(1,789)	(1,523)	(1,305)
Building and building improvements		(64,606)	(59,428)	(43,744)
Machinery and production equipment		(199,530)	(175,051)	(174,679)
Machinery and production equipment under financial lease (1)		(36,670)	(22,807)	(17,055)
Computer software and equipment		(141,916)	(134,673)	(109,013)
Furniture, fixtures and office equipment		(30,633)	(26,948)	(16,842)
Leasehold improvements		(22,417)	(18,720)	(13,455)
Total accumulated depreciation		<u>(497,561)</u>	<u>(439,150)</u>	<u>(376,093)</u>
		339,140	363,473	341,321
Land		32,598	32,431	31,675
Tangible fixed assets (2)		<u>\$ 371,738</u>	<u>\$ 395,904</u>	<u>\$ 372,996</u>

(1) Machinery and production equipment under financial lease represents the carrying amounts of assets under financial leasing, which are held without title.

(2) We have pledged the assets of several of our subsidiaries as collateral for our outstanding debt, as described in Note 20.

(*) See Note 2 for additional details.

Movements in property, plant and equipment were as follows:

	<u>Land and buildings (1)</u>	<u>Machinery and production equipment</u>	<u>Computer software and equipment</u>	<u>Furniture, fixtures and office equipment</u>	<u>Construction in progress</u>	<u>Total</u>
Balance at July 1, 2016	\$ 192,487	\$ 126,013	\$ 31,541	\$ 17,048	\$ 5,907	\$ 372,996
Additions	3,000	22,174	11,476	1,083	49,832	87,565
Acquisitions	7,881	15,602	4,522	215	1,252	29,472
Disposals/retired assets	(264)	(2,628)	(47)	(514)	(814)	(4,267)
Transfers to (from) CIP	9,174	28,346	4,124	2,040	(43,684)	—
Depreciation	(16,252)	(46,305)	(20,593)	(5,527)	—	(88,677)
Exchange differences	12,381	(4,711)	654	478	(252)	8,550
Classified as held for sale . .	(2,176)	(6,863)	(538)	(158)	—	(9,735)
Balance at June 30, 2017 . .	<u>206,231</u>	<u>131,628</u>	<u>31,139</u>	<u>14,665</u>	<u>12,241</u>	<u>395,904</u>
Additions	1,781	6,485	9,002	1,750	43,523	62,541
Disposals/retired assets	(265)	(1,290)	(106)	(50)	(392)	(2,103)
Transfers to (from) CIP	9,038	27,111	6,292	1,188	(43,629)	—
Depreciation	(17,692)	(42,002)	(20,783)	(4,965)	—	(85,442)
Exchange differences	(7,335)	9,328	(937)	(210)	(8)	838
Balance at June 30, 2018 . .	<u>\$ 191,758</u>	<u>\$ 131,260</u>	<u>\$ 24,607</u>	<u>\$ 12,378</u>	<u>\$ 11,735</u>	<u>\$ 371,738</u>

(1) Includes land and land improvements, building and building improvements and leasehold improvements.

Depreciation expense totaled \$85,442 and \$89,091 for the years ended June 30, 2018 and 2017, respectively. No interest costs associated with our construction projects were capitalized in fiscal 2018 or 2017 as the amounts were not material.

During the year ended June 30, 2017 we committed to plans to abandon certain manufacturing equipment and recognized a loss of \$2,408. The related loss during the year ended June 30, 2017 was recognized in cost of revenue, technology and development expense, and restructuring expense for \$1,119, \$678, and \$611, respectively. We did not recognize any abandonment charges during the year ended June 30, 2018.

9. Intangible Assets and Goodwill

Our intangible fixed assets are summarized as follows:

Purchase Price	Estimated useful lives	June 30,		July 1,
		2018	2017	2016
Goodwill	n/a	\$ 523,752	\$ 517,872	\$ 464,784
Trade name	2 - 15 years	99,102	97,728	72,806
Developed technology	3 - 4 years	55,460	55,423	44,694
Customer relationships	7 years	182,545	179,715	146,506
Customer & referral network	7 years	16,289	16,292	15,974
Print network	9 years	25,716	25,171	24,423
Internally-developed software development costs	3 years	141,166	109,757	74,894
Other intangible assets	4 years	5,820	5,887	6,176
Total Intangible Assets		<u>1,049,850</u>	<u>1,007,845</u>	<u>850,257</u>
Less accumulated amortization:				
Trade name		(23,821)	(14,839)	(13,391)
Developed technology		(39,219)	(28,943)	(25,490)
Customer relationships		(70,654)	(44,476)	(43,525)
Customer & referral network		(8,312)	(6,185)	(3,896)
Print network		(6,905)	(3,962)	(1,131)
Internally-developed software development costs		(84,967)	(61,287)	(39,682)
Other intangible assets		(4,998)	(4,782)	(4,778)
Total accumulated amortization		<u>(238,876)</u>	<u>(164,474)</u>	<u>(131,893)</u>
Intangible fixed assets		<u>\$ 810,974</u>	<u>\$ 843,371</u>	<u>\$ 718,364</u>

	<u>Goodwill</u> <u>(1)</u>	<u>Trade</u> <u>name</u>	<u>Developed</u> <u>technology</u> <u>(1)</u>	<u>Customer</u> <u>relationships</u> <u>(1)</u>	<u>Customer</u> <u>& referral</u> <u>networks</u>	<u>Print</u> <u>network</u>	<u>Internally-</u> <u>developed</u> <u>software</u> <u>development</u> <u>costs</u>	<u>Other</u> <u>intangible</u> <u>assets</u>	<u>Total</u>
Balance at July 1, 2016*	\$ 464,784	\$ 59,415	\$ 19,204	\$ 102,981	\$ 12,078	\$ 23,292	\$ 35,212	\$ 1,398	\$ 718,364
Additions	61,850	33,000	19,000	56,000	—	—	38,854	147	208,851
Adjustments	(228)	—	—	—	—	—	815	—	587
Classified as held for sale	(13,540)	(2,576)	—	(2,056)	—	—	(2,702)	—	(20,874)
Amortization and impairments	(6,345)	(8,582)	(12,173)	(24,105)	(1,697)	(2,797)	(24,983)	(488)	(81,170)
Exchange differences	11,351	1,632	449	2,419	(274)	714	1,274	48	17,613
Balance at June 30, 2017	517,872	82,889	26,480	135,239	10,107	21,209	48,470	1,105	843,371
Additions	—	—	—	—	—	—	42,639	100	42,739
Amortization and impairments	—	(8,982)	(10,275)	(26,178)	(2,127)	(2,943)	(33,039)	(363)	(83,907)
Adjustments (2)	(144)	—	—	—	—	—	124	—	(20)
Exchange differences	6,024	1,374	36	2,830	(3)	545	(1,995)	(20)	8,791
Balance at June 30, 2018	\$ 523,752	\$ 75,281	\$ 16,241	\$ 111,891	\$ 7,977	\$ 18,811	\$ 56,199	\$ 822	\$ 810,974

(1) Amortization and impairments for goodwill and acquired intangible assets includes an impairment charge related to our Tradeprint reporting in the amount of \$9,556 recognized during the year ended June 30, 2017. Refer below for additional discussion of the impairment charge.

(2) Adjustments for goodwill includes the capitalization of changes in the fair value of our contingent earn-out arrangement related to our Fiscal 2016 acquisition of WIRmachenDRUCK.

(*) See Note 2 for additional details.

Amortization expense totaled \$83,907 and \$71,614 for the years ended June 30, 2018 and 2017, respectively.

During fiscal 2017, we acquired National Pen Co. LLC. Refer to Note 7 for details of the goodwill and acquired intangible assets recorded for this transaction. The intangible fixed assets will be amortized on a straight-line basis over their estimated useful economic lives, which range from 6-11 years.

Software development costs consists of eligible salaries and payroll-related costs of employees who devote time to the development of internal-use computer software. These costs are amortized on a straight-line basis over the estimated useful life of the software, which is generally three years.

Research and development expense included in the profit and loss account for the years ended June 30, 2018 and 2017 was \$41,451 and \$51,811, respectively, which consisted of costs related to enhancing our manufacturing engineering and technology capabilities.

CGU containing Goodwill

For purposes of impairment testing, goodwill has been allocated to CGUs as follows:

	June 30,		July 1,
	2018	2017	2016
Vistaprint	\$ 142,015	\$ 143,015	\$ 117,560
Upload and Print			
druck.at	11,809	11,559	11,216
Easyflyer	4,313	4,231	4,118
Exagroup	68,903	67,523	65,867
Pixartprinting	130,956	128,154	124,308
Printdeal	17,162	16,799	16,300
Tradeprint	—	—	6,894
Wirmachendruck	98,599	96,510	93,645
National Pen	38,564	38,650	—
All Other Business Unit			
Printi	7,513	7,513	7,513
Vistaprint Corporate Solutions	3,918	3,918	3,918
Albumprinter (1)	—	—	13,445
Total goodwill	<u>\$ 523,752</u>	<u>\$ 517,872</u>	<u>\$ 464,784</u>

(1) The Albumprinter CGU was classified as held for sale at June 30, 2017 and subsequently sold on August 31, 2018.

For purposes of impairment testing, acquired intangible assets have been allocated to CGUs as follows:

	June 30,		July 1,
	2018	2017	2016
Vistaprint	\$ 323	\$ 980	\$ 1,638
Upload and Print			
druck.at	7,189	8,912	10,565
Easyflyer	871	1,111	1,498
Exagroup	35,100	42,268	49,399
Pixartprinting	19,695	26,237	34,013
Printdeal	8,015	9,937	12,457
Tradeprint	3,275	4,845	10,305
Wirmachendruck	68,809	79,984	90,154
National Pen	86,917	101,552	—
All Other Business Unit			
Printi	7	98	231
Albumprinter (1)	—	—	6,710
Total acquired intangible assets	<u>\$ 230,201</u>	<u>\$ 275,924</u>	<u>\$ 216,970</u>

(1) The Albumprinter CGU was classified as held for sale at June 30, 2017 and subsequently sold on August 31, 2018.

Fiscal 2018

For our annual goodwill impairment test as of May 31, 2018, we evaluated each of our ten cash generating units with goodwill individually. We considered the timing of our most recent value-in-use assessment and associated headroom, the actual operating results as compared to the cash flow forecasts used in those value-in-use assessments, the current long-term forecasts for each cash generating unit, and the general market and economic environment of each cash generating unit. After performing this qualitative assessment for seven of our cash generating units, we determined that there was no indication the carrying values of those cash generating units exceeded their respective value-in-use.

Some of our cash generating units are early-stage businesses that are subject to high degrees of risk and their business models continually evolve as they seek to establish foundations in large markets, resulting in greater volatility in their actual results and forecasted future results. We have a number of investments that fit this profile and we expect this type of volatility to prompt a quantitative analysis in our goodwill impairment testing from time to time. We performed a quantitative analysis for three such cash generating units during this testing cycle in order to gain additional assurance there were no impairments. We estimated the value-in-use of each cash generating unit, using the income approach, which was determined based on the present value of estimated future cash flows using a discount rate ranging from 24.5% to 26.5%. The cash flow projections are based on our estimates of revenue growth rates and operating margins, taking into consideration recent business and market trends. The discount rates used were based on the after-tax weighted-average cost of capital adjusted for the related business-specific risks. For each of these cash generating units, we compared the estimated value-in-use to the carrying value, and considered the estimated level of headroom. Based on the substantial level of headroom associated with each of these cash generating units, we concluded there was no impairment. As a result of these qualitative and quantitative tests, there have been no identified impairments for the year ended June 30, 2018.

Fiscal 2017

Our annual goodwill impairment test is performed as of May 31; however, during the third quarter fiscal 2017, we had a change in the composition of our Tradeprint cash generating unit (a part of our Upload and Print reportable segment). This change, when combined with an updated profit outlook that was lower than originally forecasted as of the acquisition date, indicated that it was more likely than not that the value-in-use of the cash generating unit is below the carrying amount.

As required, prior to performing the quantitative goodwill impairment test, we first evaluated the recoverability of the Tradeprint long-lived assets as the change in expected long-term cash flows is indicative of a potential impairment. We performed the recoverability test using undiscounted cash flows for our Tradeprint asset group and concluded that an impairment of long-lived assets existed. We proceeded to estimate the value-in-use of the assets, using an income and cost approach based on market participant assumptions and recognized a partial impairment charge for our acquired intangible assets of \$3,211 within general and administrative expense in the consolidated statement of profit or loss.

Subsequent to performing the long-lived asset impairment test, we performed our goodwill impairment test which resulted in an additional impairment charge of the total goodwill of the Tradeprint cash generating unit of \$6,345 recognized within general and administrative expense in the consolidated statement of profit or loss. In order to execute the quantitative goodwill impairment test, we compared the value-in-use of the Tradeprint cash generating unit to its carrying value. We used the income approach, specifically the discounted cash flow method, to derive the value-in-use. This approach calculates the value-in-use by estimating the after-tax cash flows attributable to a cash generating unit and then discounting the after-tax cash flows to a present value using a risk-adjusted discount rate. We selected this method as being the most meaningful in preparing our goodwill assessment as we believe the income approach most appropriately measures our income producing assets. We considered using the market approach but concluded it was not appropriate in valuing this particular cash generating unit given the lack of relevant market comparisons available for application of the market approach. The cash flow projections in the Tradeprint value-in-use analysis are based on management's estimates of revenue growth rates and operating margins, taking into consideration historical results, as well as industry and market conditions. The discount rate is based on an after-tax weighted average cost of capital ("WACC"), which represents the average rate a business must pay its providers of debt and equity, plus a risk premium. The WACC of 11.5% used to test the Tradeprint goodwill was derived from a group of comparable companies.

Our goodwill analysis requires significant judgment, including the identification of cash generating units and the amount and timing of expected future cash flows. While we believe our assumptions are reasonable, actual results could differ from our projections. There have been no indications of impairment that would require analysis for any of our other cash generating units as of June 30, 2018 and 2017 or July 1, 2016.

10. Other Investments, Including Derivatives

Non-current investments summarized as follows:

	June 30,		July 1,
	2018	2017	2016
Deposits	\$ 2,818	\$ 4,488	\$ 3,055
Interest rate swaps designated as cash flow hedging instruments	13,374	2,072	—
Loan receivable from Printi equity holders (1)	22,234	—	—
Total non-current investments, including derivatives	<u>\$ 38,426</u>	<u>\$ 6,560</u>	<u>\$ 3,055</u>

(1) Includes loans to two Printi employees, which are payable on the date that the put or call option is exercised for their Printi shares held as part of our non-controlling interest. The loans carry 8.5% annual interest and the loans are not contingent upon continued employment. We expect that the loan proceeds will be used to offset our purchase of the remaining noncontrolling interest in the future.

Current investments are summarized as follows:

	June 30,		July 1,
	2018	2017	2016
Currency forward contracts not designated as hedging instruments	\$ 9,599	\$ 3,229	\$ 9,647
Investment in common shares of Plaza Create Co. Ltd (2)	—	—	7,893
Total current investments, including derivatives	<u>\$ 9,599</u>	<u>\$ 3,229</u>	<u>\$ 17,540</u>

(2) On December 22, 2016, we sold all of our Plaza Create Co. Ltd. common shares, which were classified as held for sale. We recognized a net gain of \$2,268 as part of other income, net on our statement of operations for the year ended June 30, 2017.

Information about the our exposure to credit, market and liquidity risk and fair value measurement, is included in Note 25.

11. Other Non-Current Assets

Other non-current assets are summarized as follows:

	June 30,		July 1,
	2018	2017	2016
Call rights associated with non-controlling interests	\$ 12,798	\$ —	\$ 1,398
Non-current prepaid expenses	885	873	1,274
Other non-current assets	14,794	1,396	3,252
Total other non-current assets	<u>\$ 28,477</u>	<u>\$ 2,269</u>	<u>\$ 5,924</u>

Refer to Note 25 for additional information related to our non-controlling interest arrangements. The following table summarizes the NCI call rights activity:

	NCI Call Asset
Balance at July 1, 2016	\$ 1,398
Decrease to call options due to purchase of noncontrolling interest	(1,398)
Balance at June 30, 2017	—
Fair value adjustment	5,429
Foreign currency impact	(77)
Increase due to sale of noncontrolling interest	7,446
Balance at June 30, 2018	<u>\$ 12,798</u>

12. Inventories

Inventories consist primarily of raw materials and are recorded at the lower of cost or net realizable value using the first-in, first-out method. Costs to produce free products are included in cost of revenues as incurred. The write-down of inventory to net realizable value are included in cost of sales within the consolidated statement of profit or loss.

In the fiscal years ended June 30, 2018 and 2017, inventories of \$271,493 and \$188,335 respectively, were recognized as an expense during the period and included in 'cost of revenue'.

13. Trade and Other Receivables

	June 30,		July 1,
	2018	2017	2016
Trade receivables			
Current receivable	\$ 49,926	\$ 46,117	\$ 31,524
30 days overdue	3,146	2,536	529
60 days overdue	1,683	718	166
90 days overdue	2,673	774	128
120 days overdue	5,091	2,076	469
Allowance for doubtful accounts	(6,898)	(3,590)	(490)
Total trade and other receivables, net	<u>\$ 55,621</u>	<u>\$ 48,631</u>	<u>\$ 32,326</u>

We offset gross trade receivables with an allowance for doubtful accounts. The allowance for doubtful accounts is our best estimate of the amount of probable credit losses in our existing accounts receivable. We review our allowance for doubtful accounts on a monthly basis and all past due balances are reviewed individually or collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is no longer reasonably assured. The balance of our allowance for doubtful accounts for the years ended June 30, 2018 and 2017 was \$6,898 and \$3,590, respectively.

The table below details the movement in allowance for doubtful accounts for the fiscal years ended June 30, 2018 and 2017.

	Allowance for Doubtful Account
Allowance for doubtful accounts at July 1, 2016	\$ 490
Additions	3,728
Write offs	(628)
Allowance for doubtful accounts at June 30, 2017	<u>3,590</u>
Additions	6,388
Write offs	(3,080)
Allowance for doubtful accounts at June 30, 2018	<u>\$ 6,898</u>

14. Cash and Cash Equivalents

We consider all highly liquid investments purchased with an original maturity of three months or less to be the equivalent of cash for the purpose of balance sheet and statement of cash flows presentation. Cash equivalents consist of depository accounts and money market funds. Cash and cash equivalents restricted for use were \$90 and \$520 as of June 30, 2018 and 2017, respectively, and are included in other current assets in the accompanying consolidated statement of financial position.

15. Other Current Assets

Other current assets are summarized as follows:

	June 30,		July 1,
	2018	2017	2016
Prepaid expenses	\$ 30,877	\$ 30,783	\$ 21,526
VAT and other indirect taxes	18,795	21,419	13,997
Other current assets	15,732	18,761	19,826
Total other current assets	<u>\$ 65,404</u>	<u>\$ 70,963</u>	<u>\$ 55,349</u>

16. Assets Held for Sale

We classify assets and liabilities (disposal groups) to be sold as held for sale in the period in which all of the following criteria are met: management, having the authority to approve the action, commits to a plan to sell the disposal group; the disposal group is being actively marketed for sale at a price that is reasonable in relation to the current fair value; the disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such disposal groups; an active program to locate a buyer and other actions required to complete the plan to sell the disposal group have been initiated; the sale of the disposal group is probable, and the sale is expected to be complete within one year. We measure a disposal group that is classified as held for sale at the lower of its carrying value or fair value less any costs to sell. Any loss resulting from this measurement is recognized in the period in which the held for sale criteria are met.

During the fourth quarter of fiscal 2017, we met the held-for-sale criteria for our planned sale of our Albumprinter business, which is part of our All Other Businesses reportable segment. As of June 30, 2017, we have presented the Albumprinter disposal group as held for sale, resulting in the classification of all related assets and liabilities as held for sale in our consolidated balance sheet as follows:

	June 30, 2017
Cash and cash equivalents	\$ 12,042
Accounts receivable, net	783
Inventory	498
Prepaid and other current assets	1,759
Software and web site development costs, net	2,702
Property, plant and equipment, net	9,735
Goodwill	13,540
Intangible assets, net	4,632
Other non-current assets	585
Total assets held for sale	<u>\$ 46,276</u>
Accounts payable	\$ 3,052
Accrued expenses	4,480
Deferred revenue	562
Deferred tax liabilities	703
Total liabilities held for sale	<u>\$ 8,797</u>

See Note 7 for additional details of this divestiture in fiscal 2018.

17. Capital and Reserves

Share capital and share premium

There were 100,000,000 ordinary shares authorized and 44,080,627 issued and fully paid at June 30, 2018, 2017, and July 1, 2016. All ordinary shares rank equally with regard to the Company's residual assets. Additionally, 100,000,000 preferred shares with a par value of €0.01 per share are authorized, of which no preferred shares are issued or outstanding.

Ordinary shares

Holders of these shares are entitled to dividends as declared from time to time, and are entitled to one vote per share at general meetings of Cimpres. At June 30, 2018 and 2017, we have authorized 100,000,000 ordinary shares of which 44,080,627 are issued and 30,876,193 and 31,415,503 shares are outstanding, respectively, with a par value of €0.01 per share.

Issue of ordinary shares

During the years ended June 30, 2018 and 2017, 356,067 and 472,534, respectively, ordinary shares were issued as a result of the exercise of vested options and vesting of restricted share units granted to key management (see Note 22).

Nature and purpose of reserves

Treasury share reserve

The reserve for Cimpres' treasury shares comprises the cost of Cimpres' shares held by us. At June 30, 2018 and 2017, we held 13,204,434 and 12,665,124 of Cimpres' shares, respectively.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation (see Note 25).

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss (see Note 25).

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are derecognized or impaired (see Note 10), as well any changes to the fair value of NCI put and call options (see Note 25).

Appropriation

Profit is appropriated in accordance with Article 21 of the Articles of Association, which states that the Management Board shall determine, subject to the prior approval of the Supervisory Board, the portion of the profit to be added to reserves. The part of the profits not reserved shall be at the disposal of the general meeting of shareholders.

18. Non-Controlling Interests

In certain of our strategic investments we have purchased a controlling equity stake, but there remains a minority portion of the equity that is owned by a third party. The balance sheet and operating activity of these entities are included in our consolidated financial statements and we adjust the net income (loss) in our consolidated statement of operations to exclude the non-controlling interests' proportionate share of results.

On April 15, 2015, we acquired 70% of the outstanding shares of Exagroup SAS. The remaining 30% is considered a non-controlling equity interest, and is redeemable in the future and not solely within our control. The Exagroup non-controlling interest, redeemable at a fixed amount of €39,000, was recorded at its fair value as of the acquisition date.

On April 3, 2014, we acquired 97% of the outstanding corporate capital of Pixartprinting S.p.A. The remaining 3% was considered a non-controlling equity interest, and it was redeemable for cash based on financial results and was not solely within our control.

We previously owned a 51% controlling interest in a joint business arrangement with Plaza Create Co. Ltd., a leading Japanese retailer of photo products, to expand our market presence in Japan. During the second quarter of fiscal 2017, we purchased the remaining 49% noncontrolling interest for \$9,352.

On August 7, 2014, we made an initial capital investment in Printi LLC. During fiscal 2018, we acquired an additional 3.7% interest in Printi LLC, increasing our ownership from 49.99% to 53.69%. The carrying amount of Printi LLC's net assets in our consolidated financial statements on the date of the acquisition was \$7,652, excluding intercompany balances. As of June 30, 2018, the remaining non-controlling interest includes a third-party investment in one of our acquired subsidiaries.

Carrying amount of NCI acquired

Consideration paid to NCI (i)	\$	1,144
Carrying value of put liability on NCI (ii)		(1,144)
An increase/decrease in Put liability of NCI charged to P/L (i)-(ii)	\$	—

On August 23, 2017, we sold approximately 12% of the outstanding shares of our WIRmachenDRUCK subsidiary for a total of €30,000 (\$35,390 based on the exchange rate on the date we received the proceeds). The noncontrolling interest was recorded at its fair value excluding the fair value of the related call option.

The following table presents the reconciliation of changes in our non-controlling interests:

	Non-controlling interests
Balance as of July 1, 2016	\$ 65,580
Capital contribution from non-controlling interest	1,404
Net loss attributable to non-controlling interests	(489)
Purchase of non-controlling interests (1)	(20,299)
Sale of non-controlling interest	(90)
Foreign currency translation	(553)
Balance as of June 30, 2017	\$ 45,553
Net income attributable to non-controlling interests	3,055
Proceeds from sale of part of subsidiary creating a non-controlling interest, excluding fair value of call option (2)	42,837
Foreign currency translation	2,365
Balance as of June 30, 2018	\$ 93,810

(1) During fiscal 2017, we purchased the Pixartprinting and Japanese joint venture noncontrolling interests for \$10,947 and \$9,352, respectively.

(2) Represents cash received for non-controlling interest excluding the fair value of the call option of \$7,447 recognized as a non-current asset.

Refer to Note 11 for additional details.

19. Capital Management

Our policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Consistent with the debt covenants agreed with the banks, we monitor capital on the basis of the total leverage ratio which is indebtedness to trailing twelve month (TTM) EBITDA senior secured leverage ratio, which is the ratio of our consolidated senior secured indebtedness to our TTM consolidated EBITDA interest coverage ratio, which is the ratio of our consolidated EBITDA to our consolidated interest expense.

Purchases of our ordinary shares, payments of dividends, and corporate acquisitions and dispositions are subject to more restrictive consolidated leverage ratio and or senior secured leverage ratio. In addition, the credit agreement also places limitations on additional indebtedness and liens (including on intercompany activities). We are not subject to external capital requirements, other than debt covenants as disclosed in the notes to these financial statements.

For fiscal 2019 we expect to continue to allocate capital to the following broad categories and consider our capital to be fungible across all of these categories:

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

20. Debt

	June 30,		July 1,
	2018	2017	2016
Senior secured credit facility	\$ 432,414	\$ 600,037	\$ 400,809
7.0% Senior unsecured notes due 2026	400,000	—	—
7.0% Senior unsecured notes due 2022	—	275,000	275,000
Other (1)	7,015	7,541	10,088
Debt issuance costs and debt discounts	(12,585)	(5,922)	(7,386)
Total debt outstanding	826,844	876,656	678,511
Less: short-term debt (2)	59,259	28,926	21,717
Long-term debt	<u>\$ 767,585</u>	<u>\$ 847,730</u>	<u>\$ 656,794</u>

(1) Balance as of June 30, 2017 and 2016 represents various term loans primarily related to our fiscal 2015 acquisitions.

(2) Amount included in current liabilities, refer to Note 24 to the consolidated financial statements for additional details.

As of June 30, 2018 and June 30, 2017 the carrying value of our debt, excluding debt issuance costs and debt discounts, was \$839,429 and \$882,578, respectively, and the fair value was \$847,520 and \$906,744, respectively. Our debt at June 30, 2018 includes variable rate debt instruments indexed to LIBOR that resets periodically and fixed rate debt instruments. The estimated fair value of our debt was determined using available market information based on recent trades or activity of debt instruments with substantially similar risks, terms and maturities, which fall within Level 2 under the fair value hierarchy. The estimated fair value of assets and liabilities disclosed above may not be representative of actual values that could have been or will be realized in the future.

During the years ended June 30, 2018 and 2017, we capitalized debt issuance costs related to our revolving credit facility arrangements of \$11,666 and \$229, respectively. Amortization of these costs is included as a component of finance costs in the consolidated statements of income and amounted to \$1,821 and \$1,578 for the years ended June 30, 2018 and 2017. During fiscal 2018, we also expensed \$2,921 of unamortized costs related to the extinguishment of our senior unsecured notes, which has been presented separately in the consolidated statement of operations as a portion of the loss on early extinguishment of debt.

Debt issuance costs recognized in the consolidated statement of financial position was \$12,585 and \$5,661 as of June 30, 2018 and 2017, respectively, and are presented as a reduction of our long-term debt obligation.

Our various debt arrangements described below contain customary representations, warranties and events of default. As of June 30, 2018, we were in compliance with all financial and other covenants related to our debt.

Indenture and Senior Unsecured Notes

On June 15, 2018, we completed a private placement of \$400,000 in aggregate principal amount of 7.0% senior unsecured notes due 2026 (the "2026 Notes"). We issued the 2026 Notes pursuant to a senior notes indenture dated as of June 15, 2018, among Cimpress N.V., our subsidiary guarantors, and MUFG Union Bank, N.A., as trustee (the "Indenture"). We used the proceeds from the 2026 Notes to redeem all of the outstanding 7.0% senior unsecured notes due 2022 (the "2022 Notes") at a redemption price equal to 105.25% of the principal amount and all accrued unpaid interest. As a result of the redemption, we incurred a loss on the extinguishment of debt of \$17,359, which included an early redemption premium of \$14,438 and the write-off of unamortized debt issuance costs of \$2,921. The remaining proceeds were used to repay a portion of the indebtedness outstanding under our revolving credit facility and pay all related fees and expenses.

The 2026 Notes bear interest at a rate of 7.0% per annum and mature on June 15, 2026. Interest on the Notes is payable semi-annually on June 15 and December 15 of each year, commencing on December 15, 2018, to the holders of record of the 2026 Notes at the close of business on June 1 and December 1, respectively, preceding such interest payment date.

The 2026 Notes are senior unsecured obligations and rank equally in right of payment to all our existing and future senior unsecured debt and senior in right of payment to all of our existing and future subordinated debt. The 2026 Notes are effectively subordinated to any of our existing and future secured debt to the extent of the value of the assets securing such debt. Subject to certain exceptions, each of our existing and future subsidiaries that is a borrower under or guarantees our senior secured credit facilities will guarantee the 2026 Notes.

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

We have the right to redeem, at any time prior to June 15, 2021, some or all of the 2026 Notes at a redemption price equal to 100% of the principal amount redeemed, plus a make-whole amount as set forth in the Indenture, plus, in each case, accrued and unpaid interest to, but not including, the redemption date. In addition, at any time prior to June 15, 2021, we may redeem up to 40% of the aggregate outstanding principal amount of the 2026 Notes at a redemption price equal to 107% of the principal amount thereof, plus accrued and unpaid interest to, but not including, the redemption date, with the net proceeds of certain equity offerings by Cimpress. At any time on or after June 15, 2021, we may redeem some or all of the Notes at the redemption prices specified in the Indenture, plus accrued and unpaid interest to, but not including, the redemption date.

Senior Secured Credit Facility

On June 14, 2018, we entered into an amendment to our senior secured credit facility resulting in an increase to aggregate loan commitments under the credit agreement to a total of \$1,128,172. The amendment also extended the tenor of our borrowings to a maturity date of June 14, 2023 and changed some additional terms.

As of June 30, 2018, we had a senior secured credit facility of \$1,124,422 as follows:

- Revolving loans of \$839,422 with a maturity date of June 14, 2023
- Term loan of \$285,000 amortizing over the loan period, with a final maturity date of June 14, 2023

Under the terms of our credit agreement, borrowings bear interest at a variable rate of interest based on LIBOR plus 1.375% to 2.0% depending on our leverage ratio, which is the ratio of our consolidated total

indebtedness to our consolidated EBITDA, as defined by the credit agreement. As of June 30, 2018, the weighted-average interest rate on outstanding borrowings was 3.77%, inclusive of interest rate swap rates. We are also required to pay a commitment fee on unused balances of 0.225% to 0.35% 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 June 30, 2018.

Our total short-term and long-term debt is summarized as follows:

Balance at June 30, 2016	\$ 678,511
Proceeds from borrowings of debt	737,075
Payments of debt	(539,913)
Deferred financing fees	1,464
Exchange differences	(481)
Balance at June 30, 2017	<u>876,656</u>
Proceeds from borrowings of debt	805,995
Payments of early redemption of senior notes	(275,000)
Proceeds from issuance of senior notes	400,000
Payments of debt	(974,781)
Deferred financing fees	(6,663)
Exchange differences	637
Balance at June 30, 2018	<u><u>\$ 826,844</u></u>

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, 2023. 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 4.75, but may, on no more than three occasions during the term of the Credit Agreement, be increased to 5.00 for four consecutive quarters for certain permitted acquisitions;
- our senior secured leverage ratio, which is the ratio of our consolidated senior secured indebtedness (*) to our TTM consolidated EBITDA (*), will not exceed 3.25 to 1.00, but may, on no more than three occasions during the term of the Credit Agreement, be increased to 3.50 for four consecutive quarters for certain permitted acquisitions.
- our interest coverage ratio, which is the ratio of our consolidated EBITDA (*) to our consolidated interest expense, will be at least 3.00.

(*) The definitions of EBITDA and consolidated indebtedness are maintained in our credit agreement included as an exhibit to our Form 8-K filed on June 18, 2018.

21. Other Non-Current Liabilities

Our other non-current liabilities are summarized as follows:

	June 30,		July 1,
	2018	2017	2016
Put liability for NCI	\$ 102,741	\$ 41,850	\$ 57,157
Accrued rent liabilities (1)	22,077	16,595	10,552
Derivative liability	10,080	31,936	10,949
Accrued sabbatical leave	6,210	6,912	5,727
Pension benefit obligation	990	1,491	3,670
Deferred payment for business combinations	—	—	510
Financial lease liability	416	510	609
Deferred revenue	19,669	30,182	25,635
Tax liabilities	5,153	5,777	4,391
Other long-term liabilities	2,060	3	1
Total long-term liabilities	<u>\$ 169,396</u>	<u>\$ 135,256</u>	<u>\$ 119,201</u>

(1) Accrued rent liabilities consist of the long-term portion of deferred rent in connection with our facility operating leases. Of the remaining balance of long-term liabilities at June 30, 2018, the amounts that are expected to come due after five years are not significant.

Refer to Note 18 for additional information on our non-controlling interest arrangements. The following table summarizes the NCI put liability activity:

	NCI Put Liability
Balance at July 1, 2016	\$ 57,157
Measurement adjustment (2)	3,984
Exchange differences	1,008
Decrease to put options due to purchase of noncontrolling interest	(20,299)
Balance at June 30, 2017	\$ 41,850
Measurement adjustment (2)	18,507
Exchange differences	643
Increase to put options due to sale of noncontrolling interest	42,885
Decrease to put options due to purchase of noncontrolling interest	(1,144)
Balance at June 30, 2018	<u>\$ 102,741</u>

(2) Financing cost recognized to reflect updated estimate of the present value of the put redemption liability.

22. Share-based payment arrangements

Share-based awards

The 2016 Performance Equity Plan (the "2016 Plan") became effective upon shareholder approval on May 27, 2016 and allows us to grant PSUs, entitling the recipient to receive Cimpress ordinary shares based upon continued service to Cimpress and the achievement of objective, predetermined appreciation of Cimpress' three-year moving average share price. We may grant PSUs under the 2016 Plan to our employees, officers, directors (including members of the Management Board and Supervisory Board), consultants, and advisors. Subject to adjustment in the event of stock splits, stock dividends and other similar events, we may make awards under the 2016 Plan for up to 8,000,000 of our ordinary shares.

The 2011 Equity Incentive Plan (the "2011 Plan") became effective upon shareholder approval on June 30, 2011 and allows us to grant share options, share appreciation rights, restricted shares, restricted share units and other awards based on our ordinary shares to our employees, officers, non-employee directors, consultants and advisors. Among other terms, the 2011 Plan requires that the exercise price of any share option or share

appreciation right granted under the 2011 Plan be at least 100% of the fair market value of the ordinary shares on the date of grant; limits the term of any share option or share appreciation right to a maximum period of 10 years; provides that shares underlying outstanding awards under the Amended and Restated 2005 Equity Incentive Plan that are canceled, forfeited, expired or otherwise terminated without having been issued in full will become available for the grant of new awards under the 2011 Plan; and prohibits the repricing of any share options or share appreciation rights without shareholder approval. In addition, the 2011 Plan provides that the number of ordinary shares available for issuance under the plan will be reduced by (i) 1.56 ordinary shares for each share subject to a restricted share or other share-based award with a per share or per unit purchase price lower than 100% of the fair market value of the ordinary shares on the date of grant and (ii) one ordinary share for each share subject to any other award under the 2011 Plan.

Our 2005 Non-Employee Directors' Share Option Plan allows us to grant share options to our non-employee directors upon initial appointment as a director and annually thereafter in connection with our annual general meeting of shareholders if they are continuing to serve as a director at such time. We also have two additional plans with outstanding awards from which we will not grant any additional awards.

An aggregate of 8,771,434 ordinary shares were available for future awards under all of our share-based award plans as of June 30, 2018. For PSUs under our 2016 Plan, we assumed that we would issue ordinary shares equal to 250% of the outstanding PSUs, which is the maximum potential share issuance. A combination of new shares and treasury shares has historically been used in fulfillment of our share based awards.

Share options

We have granted options to purchase ordinary shares at prices that are at least equal to the fair market value of the shares on the date the option is granted and have a contractual term of approximately eight to ten years. Options generally vest over 3 years for non-employee supervisory directors and over 4 years for employees.

The fair value of each option award subject only to service period vesting is estimated on the date of grant using the Black-Scholes option pricing model and is recognized as expense on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards regardless of the award subject to service condition or market condition. We treat each tranche as a separate grant, as each has a different vesting period. Use of a valuation model requires management to make certain assumptions with respect to inputs. The expected volatility assumption is based upon historical volatility of our share price. The expected term assumption is based on the contractual and vesting term of the option and historical experience. The risk-free interest rate is based on the U.S. Treasury yield curve with a maturity equal to the expected life assumed at the grant date. We value share options with a market condition using a lattice model with compensation expense recorded over the requisite service period as though each tranche were a unique award.

We did not grant any share options in fiscal 2018 or 2017. A summary of our share option activity and related information for the year ended June 30, 2018 is as follows:

	Shares Pursuant to Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at the beginning of the period	2,138,426	\$ 46.68	2.6	
Granted	—	—		
Exercised	(485,323)	39.63		
Forfeited/expired	(1,795)	57.67		
Outstanding at the end of the period	<u>1,651,308</u>	\$ 48.74	1.9	\$ 158,887
Exercisable at the end of the period	<u>1,563,489</u>	\$ 48.64	1.9	\$ 150,589

The intrinsic value in the table above represents the total pre-tax amount, net of exercise price, which would have been received if all option holders exercised in-the-money options on June 30, 2018. The total intrinsic value of options exercised during the fiscal years ended June 30, 2018 and 2017 was \$46,853 and \$25,566 respectively.

Performance share units - 2016 Performance Equity Plan

We began granting PSUs under our 2016 Plan during the first quarter of fiscal 2017. The PSU grants entitle the recipient to receive Cimpress ordinary shares between 0% and 250% of the granted amount, based upon continued service to Cimpress and the achievement of a compounded annual growth rate target based on Cimpress' three-year moving average share price that will be assessed annually in years 6 - 10 following the grant date. The fair value of the PSUs is based on a Monte Carlo simulation, and the resulting expense is recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards regardless of the award subject to service condition or market condition.

During the first quarter of fiscal 2018, we issued supplemental performance share unit awards to certain members of management. In addition to a service vesting and market condition (based on the three year moving average of the Cimpress share price) contained in our standard performance share units, these supplemental awards also contain a multi-year financial performance condition. The evaluation of achievement of the performance condition is at the discretion of the Compensation Committee and, therefore, the awards are subject to mark-to-market accounting throughout the three year performance vesting period. The compensation expense for these awards is estimated at fair value using a Monte Carlo simulation valuation model and compensation costs are recorded only if it is probable that the performance condition will be achieved. As of June 30, 2018, we concluded that the achievement of the performance condition is probable. We will continue to reassess the probability each reporting period and if we determine the awards are not probable at some point during the performance vesting period we would reverse any expense recognized to date.

A summary of our PSU activity and related information for the fiscal year ended June 30, 2018 is as follows:

	PSUs	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value
Outstanding at July 1, 2016	—	\$ —	
Granted	441,985	123.51	
Vested and distributed	—	—	
Forfeited	(66,947)	126.03	\$ 35,452
Outstanding at June 30, 2017	375,038	\$ 123.06	
Granted	361,582	115.02	
Vested and distributed	—	—	
Forfeited	(55,857)	120.04	
Outstanding at June 30, 2018	680,763	\$ 119.04	\$ 98,683

The weighted average fair value of PSUs granted during the fiscal year ended June 30, 2018 was \$115.02 and the total intrinsic value of PSUs outstanding at the fiscal year ended June 30, 2018 was \$98,683. As of June 30, 2018, the number of shares subject to PSUs included in the table above assumes the issuance of one share for each PSU, but based on actual performance that amount delivered can range from zero shares to a maximum of 1,701,908 shares.

Restricted share units

The fair value of an RSU award is equal to the fair market value of our ordinary shares on the date of grant and the expense is recognized on a straight-line basis over the requisite service period for each separately vesting portion of the award as if the award was, in-substance, multiple awards. RSUs generally vest over 2 years for non-employee directors and over 4 years for employees. For awards with a performance condition, we recognize compensation cost over the requisite service period when achievement of the performance condition is deemed probable. As of June 30, 2018, we had 156,000 RSUs outstanding that were subject to various performance conditions. In July 2018, 140,000 of these RSUs were forfeited and the remaining shares vested during that period.

A summary of our RSU activity and related information for the fiscal year ended June 30, 2018 is as follows:

	RSUs	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value
Unvested at July 1, 2016	600,075	\$ 67.77	
Granted	25,620	97.25	
Vested and distributed	(234,804)	61.00	
Forfeited	(56,521)	69.07	
Unvested at June 30, 2017	334,370	74.57	\$ 31,608
Granted	—	—	
Vested and distributed	(98,039)	69.03	
Forfeited	(26,463)	78.39	
Unvested at June 30, 2018	209,868	\$ 76.67	\$ 30,422

The weighted average fair value of RSUs granted during the fiscal year ended June 30, 2017 was \$97.25 and we did not grant any RSUs during the fiscal year ended June 30, 2018. The total intrinsic value of RSUs vested during the fiscal years ended June 30, 2018 and 2017 was \$11,581 and \$21,130, respectively.

Restricted share awards

As part of our acquisition of Tradeprint during the first quarter of fiscal 2016, we issued 65,050 restricted ordinary shares. The fair value of the RSAs was determined based on our share price on the date of grant and is recognized as share-based compensation expense over the applicable service period. These awards generally vest over a 2 to 4 year period.

A summary of our RSA activity and related information for the fiscal year ended June 30, 2018 is as follows:

	RSAs	Weighted-Average Grant Date Fair Value	Aggregate Intrinsic Value
Unvested at July 1, 2016	81,633	\$ 68.41	
Granted	—	—	
Vested and distributed	(69,196)	87.33	
Forfeited	—	—	
Unvested at June 30, 2017	12,437	\$ 64.53	\$ 1,176
Granted	—	—	
Vested and distributed	(4,146)	64.53	
Forfeited	—	—	
Unvested at June 30, 2018	8,291	\$ 64.53	\$ 1,202

Share-based compensation

Total share-based compensation costs were \$44,335 and \$37,138 for the years ended June 30, 2018 and 2017, respectively. During the year ended June 30, 2018, we recognized \$13,003 of share-based compensation expense related to the supplemental performance units issued during fiscal 2018.

Share-based compensation costs capitalized as part of software and website development costs were \$1,607 and \$1,546 for the years ended June 30, 2018 and 2017, respectively.

23. Provisions

Restructuring costs include one-time employee termination benefits, acceleration of share-based compensation, and other related costs including third-party professional and outplacement services. For the years

ended June 30, 2018 and 2017, we recognized restructuring charges \$15,075 and \$25,583, respectively, as part of general and administrative expense in our consolidated statement of profit or loss

During the year ended June 30, 2018, we recognized restructuring charges of \$15,075,000, which included \$11,951 related to our Vistaprint reorganization for reductions in headcount and other operating costs. These changes simplified operations and more closely aligned functions to increase the speed of execution. We also recognized \$2,249 of restructuring charges within the central and corporate group, as well as \$819 of expense for an initiative within our All Other Businesses reportable segment. During the year ended June 30, 2018, we recognized changes in estimates of \$56 from our January 2017 restructuring initiative. We do not expect any material charges to be incurred in future periods related to each of these initiatives.

During the year ended June 30, 2017, the Supervisory Board of Cimpres N.V. approved a plan to restructure the company and implement organizational changes that decentralized the company's operations in order to improve accountability for customer satisfaction and capital returns, simplify decision-making, and improve the speed of execution. This restructuring event resulted in additional costs, within our corporate and global functions cost center of \$24,467 for the year ended June 30, 2017. In addition, for the year ended June 30, 2017 we recognized \$1,116 of restructuring costs within our National Pen business related to a separate initiative. These restructuring initiatives were completed during fiscal 2017.

The following table summarizes the restructuring activity during the year ended June 30, 2018 and 2017:

	Severance and Related Benefits	Other Restructuring Costs (1)	Total
Accrued restructuring liability as of July 1, 2016	\$ —	\$ —	\$ —
Restructuring charges	22,903	2,680	25,583
Cash payments	(13,161)	(1,861)	(15,022)
Non-cash charges (2)	(5,140)	(611)	(5,751)
Accrued restructuring liability as of June 30, 2017	4,602	208	4,810
Restructuring charges	15,075	—	15,075
Cash payments	(17,136)	(206)	(17,342)
Non-cash charges (2)	(1,156)	—	(1,156)
Accrued restructuring liability as of June 30, 2018	\$ 1,385	\$ 2	\$ 1,387

(1) Fiscal 2017 costs include restructuring charges for third party professional fees of \$2,049, as well as \$611 for the abandonment of production equipment which was not yet placed into service and under our decentralized operating model had no future use.

(2) Non-cash charges include acceleration of share-based compensation expenses, as well as abandonment charges for production equipment.

24. Other Current Liabilities

Our current liabilities are summarized as follows:

	June 30,		July 1,
	2018	2017	2016
Accrued expenses	\$ 190,882	\$ 177,461	\$ 180,431
Deferred revenue	27,697	30,372	25,842
Current portion of debt, net of debt issuance costs	59,259	28,926	21,717
Contingent earn-out liability (1)	—	44,049	—
Current derivative liability	31,054	7,243	1,681
Other current liabilities	9,060	8,865	8,383
Total other current liabilities	\$ 317,952	\$ 296,916	\$ 238,054

(1) Contingent earn-out liability is related to our WIRmachenDRUCK acquisition. Refer to Note 25 for additional details regarding this liability.

Accrued expenses included the following:

	June 30,		July 1
	2018	2017	2016
Compensation costs	\$ 57,024	\$ 54,487	\$ 59,207
Indirect taxes	27,359	29,612	23,130
Advertising costs	28,140	26,641	26,372
Production costs	8,903	7,472	3,251
Income taxes	6,198	4,857	16,672
Shipping costs	5,241	6,651	6,843
Interest payable	1,653	5,263	5,172
Sales returns	5,076	4,474	2,882
Purchases of property, plant and equipment	4,489	3,786	4,614
Professional costs	3,802	3,021	1,543
Other	42,997	31,197	30,745
Total accrued expenses (1)	<u>\$ 190,882</u>	<u>\$ 177,461</u>	<u>\$ 180,431</u>

(1) Accrued expenses was impacted by our acquisition of National Pen, resulting in an additional \$15,040 of accruals as of June 30, 2017, which are included in each of the respective categories within the table.

25. Financial Instruments

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following tables summarize our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy:

	June 30, 2018			
	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	\$ 13,370	\$ —	\$ 13,370	\$ —
Currency forward contracts	9,202	—	9,202	—
Currency option contracts	1,782	—	1,782	—
NCI call option	12,798	—	—	12,798
Total assets recorded at fair value	<u>\$ 37,152</u>	<u>\$ —</u>	<u>\$ 24,354</u>	<u>\$ 12,798</u>
Liabilities				
Cross-currency swap contracts	\$ (25,348)	\$ —	\$ (25,348)	\$ —
Currency forward contracts	(14,201)	—	(14,201)	—
Currency option contracts	(85)	—	(85)	—
NCI put option	(102,741)	—	—	(102,741)
Total liabilities recorded at fair value	<u>\$ (142,375)</u>	<u>\$ —</u>	<u>\$ (39,634)</u>	<u>\$ (102,741)</u>

June 30, 2017				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Interest rate swap contracts	\$ 1,717	\$ —	\$ 1,717	\$ —
Total assets recorded at fair value	<u>\$ 1,717</u>	<u>\$ —</u>	<u>\$ 1,717</u>	<u>\$ —</u>
Liabilities				
Interest rate swap contracts	\$ (483)	\$ —	\$ (483)	\$ —
Cross-currency swap contracts	(19,760)	—	(19,760)	—
Currency forward contracts	(14,700)	—	(14,700)	—
Currency option contracts	(651)	—	(651)	—
NCI put option	(41,850)	—	—	(41,850)
Contingent consideration	(5,453)	—	—	(5,453)
Total liabilities recorded at fair value	<u>\$ (82,897)</u>	<u>\$ —</u>	<u>\$ (35,594)</u>	<u>\$ (47,303)</u>
July 1, 2016				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Available-for-sale securities	\$ 7,893	\$ 7,893	\$ —	\$ —
Currency forward contracts	9,821	—	9,821	—
NCI call option	1,398	—	—	1,398
Total assets recorded at fair value	<u>\$ 19,112</u>	<u>\$ 7,893</u>	<u>\$ 9,821</u>	<u>\$ 1,398</u>
Liabilities				
Interest rate swap contracts	\$ (2,180)	\$ —	\$ (2,180)	\$ —
Cross-currency swap contracts	(8,850)	—	(8,850)	—
Currency forward contracts	(315)	—	(315)	—
NCI put option	(57,157)	—	—	(57,157)
Contingent consideration	(1,212)	—	—	(1,212)
Total liabilities recorded at fair value	<u>\$ (69,714)</u>	<u>\$ —</u>	<u>\$ (11,345)</u>	<u>\$ (58,369)</u>

During the years ended June 30, 2018 and 2017, there were no significant transfers in or out of Level 1, Level 2 and Level 3 classifications.

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

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to appropriately reflect both our own nonperformance risk and the respective counterparties' nonperformance risk in the fair value measurement. However, as of June 30, 2018, 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.

Level 3 fair values

Reconciliation of Level 3 fair values

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

Our acquisition of WIRmachenDRUCK on February 1, 2016 included a variable contingent payment up to €40,000 based on the achievement of a cumulative gross profit target for calendar years 2016 and 2017. During the fourth quarter of fiscal 2017, we determined it was reasonably certain, based on recent performance, that the maximum earn-out would be achieved. On January 2, 2018, we paid the maximum amount of €40,000 (\$48,069 based on the exchange rate on the day of payment) and \$5,951 of the amount paid is considered contingent consideration and included in the table below.

The following table shows a reconciliation of contingent consideration from the opening balances to the closing balances for Level 3 fair values.

Balance at July 1, 2016 (1)	\$	1,212
Fair value adjustment		4,030
Foreign currency impact		211
Balance at June 30, 2017 (1)		5,453
Fair value adjustment		220
Foreign currency impact		278
Cash payments		(5,951)
Balance at June 30, 2018 (1)	\$	—

(1) The contingent consideration relates to the WIRmachenDRUCK earn-out arrangement, which was paid on January 2, 2018. As of June 30, 2017, contingent consideration was classified as a current liability on the consolidated balance sheet. As of July 1, 2016 the liability was classified as a long-term liability on the consolidated balance sheet.

Non-controlling interest put and call options are measured at fair value and are based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The valuation of NCI put and call options use assumptions and estimates to forecast a range of outcomes and probabilities in order to calculate the estimated redemption amount. Certain of the financial instruments are valued using a Monte Carlo simulation model. We assess these assumptions and estimates at each reporting date as additional data impacting the assumptions is obtained. Any changes in the fair value of NCI put and call options is be recognized within financing costs in the consolidated statements of profit or loss during the period in which the change occurs. Refer to Notes 11 and 21 for summarization of the NCI call asset and put liability activity, respectively.

Financial risk management

We have exposure to the following risks arising from financial instruments:

- Credit risk
- Liquidity risk
- Market risk

- Interest rate risk
- Currency risk

Credit risk

Concentration of credits risks and the risk of accounting loss with respect to trade receivables is generally limited due to the large number of customers and timing of settlement.

Liquidity Risk

We believe that our available cash, cash flows generated from operations, and cash available under its committed debt financing (including credit facility) will be sufficient to satisfy its liabilities and planned investments to support its long-term growth strategy for at least the next twelve months.

Contractual maturities of financial liabilities as of June 30, 2018 are as follows:

<i>In thousands</i>	Payments Due by Period						Carrying amount (assets)/ liabilities
	Less than 1 year	1-3 years	3-5 years	More than 5 years	Total		
Contractual maturities of financial liabilities at June 30, 2018							
Non-derivatives							
Trade payables	\$ 152,436	\$ —	\$ —	\$ —	\$ 152,436	\$ 152,436	
Senior unsecured notes and interest payments	29,167	56,000	56,000	482,833	624,000	400,000	
Other debt and interest payments	78,505	101,398	368,197	410	548,510	439,429	
Capital leases	10,850	11,563	2,895	2,288	27,596	27,596	
Total	<u>\$ 270,958</u>	<u>\$ 168,961</u>	<u>\$ 427,092</u>	<u>\$ 485,531</u>	<u>\$ 1,352,542</u>	<u>\$ 1,019,461</u>	
Derivatives							
Derivatives held as trading	\$ (7,355)	\$ (2,730)	\$ —	\$ —	\$ (10,085)	\$ (10,085)	
Interest rate swaps designated as cash flow hedges	(33)	6	6	673	652	(13,370)	
Cross-currency swaps designated as cash flow hedges	10,659	—	—	—	10,659	10,659	
Cross-currency swaps designated as net investment hedges	14,689	—	—	—	14,689	14,689	
Forward contracts designated as net investment hedges	3,475	4,791	5,121	—	13,387	13,387	
Total	<u>\$ 21,435</u>	<u>\$ 2,067</u>	<u>\$ 5,127</u>	<u>\$ 673</u>	<u>\$ 29,302</u>	<u>\$ 15,280</u>	

Market Risk

Market risk is the risk that changes in market prices - such as foreign exchange rates, interest rates will affect our income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. We use derivatives to manage market risks. All such transactions are carried out within the guidelines set by the Risk Management Committee. Generally, we seek to apply hedge accounting to manage volatility in profit or loss.

Interest Rate Risk

Our exposure to interest rate risk relates primarily to its cash, cash equivalents and debt.

As of June 30, 2018, our cash and cash equivalents consisted of standard depository accounts which are held for working capital purposes. We do not believe that we have a material exposure to interest rate fluctuations related to our cash and cash equivalents.

As of June 30, 2018, we had \$432,414 of variable rate debt and \$2,103 of variable rate installment obligation related to the fiscal 2012 intra-entity transfer of Webs' intellectual property. As a result, we have exposure to market risk for changes in interest rates related to these obligations. In order to mitigate its exposure to interest

rate changes related to variable rate debt, we executed interest rate swap contracts to fix the interest rate on a portion of our outstanding long-term debt with varying maturities. As of June 30, 2018, a hypothetical 100 basis point increase in rates, inclusive of our outstanding interest rate swaps, would result in an increase of finance cost of approximately \$2,403 over the next 12 months.

Currency Exchange Rate Risk

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

Translation of its 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 (loss) income when, upon consolidation, those transactions are translated to U.S. dollars. When the value or timing of revenue and expenses in a given currency are materially different, we may be exposed to significant impacts on its net (loss) income and non-GAAP financial metrics, such as EBITDA.

- Our currency hedging objectives are targeted at reducing volatility in our forecasted U.S. dollar-equivalent EBITDA in order to protect debt covenants. Since EBITDA excludes non-cash items such as depreciation and amortization that are included in net (loss) income, we may experience increased, not decreased, volatility in its GAAP results due to its hedging approach. The most significant net currency exposures by volume are in the Euro and British Pound.
- In addition, we elect to execute currency derivatives contracts that do not qualify for hedge accounting. As a result, we may experience volatility in its consolidated statements of operations due to (i) the impact of unrealized gains and losses reported in other income, net on the mark-to-market of outstanding contracts and (ii) realized gains and losses recognized in other income, net, whereas the offsetting economic gains and losses are reported in the line item of the underlying cash flow, for example, revenue.
- Translation of our non-U.S. dollar assets and liabilities: Each of our subsidiaries translate 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 shareholders' equity on the consolidated balance sheet. Fluctuations in exchange rates can materially impact the carrying value of our assets and liabilities.
- We have currency exposure arising from net investments in foreign operations. We enter into cross- currency swap contracts to mitigate the impact of currency rate changes on certain net investments.
- Remeasurement of monetary assets and liabilities: Transaction gains and losses generated from remeasurement of monetary assets and liabilities denominated in currencies other than the functional currency of a subsidiary are included in other income, net on the consolidated statements of operations. Certain of subsidiaries hold intercompany loans denominated in a currency other than their functional currency. Due to the significance of these balances, the revaluation of intercompany loans can have a material impact on other income, net. We expect these impacts may be volatile in the future, although its largest intercompany loans do not have a U.S. dollar cash impact for the consolidated group because they are either 1) U.S. dollar loans or 2) we elect to hedge certain non-U.S. dollar loans with cross currency swaps. A hypothetical 10% change in currency exchange rates was applied to total net monetary assets denominated in currencies other than the functional currencies at the balance sheet dates to compute the impact these changes would have had on our income before taxes in the near term. The balances are inclusive of the notional value of any cross currency swaps designated as cash flow hedges. A hypothetical decrease in exchange rates of 10% against the functional currency of our subsidiaries would have resulted in an increase of \$51,120 and \$61,300 on its income before taxes for the years ended June 30, 2018 and 2017, respectively.

Derivative Held as Trading

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

We have elected to not apply hedge accounting for most of our currency forward and option contracts. During the years ended June 30, 2018 and 2017, we have experienced volatility within other (expense) income, net in our consolidated statements of profit or loss from unrealized gains and losses on the mark-to-market of outstanding currency forward and option contracts. We expect this volatility to continue in future periods for contracts for which we do not apply hedge accounting. Additionally, since our hedging objectives may be targeted at non-IFRS financial metrics that exclude non-cash items such as depreciation and amortization, we may experience increased, not decreased, volatility in our IFRS results as a result of our currency hedging program.

As of June 30, 2018, we had the following outstanding currency derivative contracts that were not designated for hedge accounting and were used to hedge fluctuations in the U.S. Dollar value of forecasted transactions denominated in Australian Dollar, British Pound, Canadian Dollar, Danish Krone, Euro, Indian Rupee, Mexican Peso, New Zealand Dollar, Norwegian Krone, Philippine Peso and Swedish Krona:

Notional Amount	Effective Date	Maturity Date	Number of Instruments	Index
\$606,461	March 2017 through June 2018	Various dates through June 2020	518	Various

Derivative Financial Instruments for Hedging

We use derivative financial instruments, such as interest rate swap contracts, cross-currency swap contracts, and currency forward and option contracts, to manage interest rate and foreign currency exposures. Derivatives are recorded in the consolidated balance sheets at fair value. If the derivative is designated as a cash flow hedge or net investment hedge, then the effective portion of changes in the fair value of the derivative is recorded in shareholders' equity and is subsequently reclassified into profit or loss in the period the hedged forecasted transaction affects earnings. If a derivative is deemed to be ineffective, then the ineffective portion of the change in fair value of the derivative is recognized directly in profit or loss. The change in the fair value of derivatives not designated as hedges is recognized directly in profit or loss, as a component of other (expense) income, net.

Hedges of Interest Rate Risk

We enter into interest rate swap contracts to manage variability in the amount of its known or expected cash payments related to a portion of its debt. Our objective in using interest rate swaps is to add stability to interest expense and to manage its exposure to interest rate movements. We designate our interest rate swaps as cash flow hedges. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for us making fixed-rate payments over the life of the contract agreements without exchange of the underlying notional amount. Realized gains or losses from interest rate swaps are recorded in profit or loss, as a component of interest expense, net. A portion of two of interest rate swap contracts was deemed to be ineffective during the year ended June 30, 2017 and one of contracts was deemed to be ineffective during the prior comparative period.

Amounts reported in shareholders' equity related to interest rate swap contracts will be reclassified to interest expense as interest payments are accrued or made on our variable-rate debt. As of June 30, 2018, we estimate that \$730 will be reclassified from shareholders' equity to interest expense during the twelve months ending June 30, 2019. As of June 30, 2018, we had five outstanding interest rate swap contracts indexed to one-month LIBOR. These instruments were designated as cash flow hedges of interest rate risk and have varying start dates and maturity dates through June 2024.

Interest rate swap contracts outstanding:	June 30, 2018	June 30, 2017	July 1, 2016
Contracts accruing interest	\$ 115,000	\$ 60,000	\$ 115,000
Contracts with a future start date	300,000	140,000	65,000
Total	<u>\$ 415,000</u>	<u>\$ 200,000</u>	<u>\$ 180,000</u>

Hedges of Currency Risk

Cross-Currency Swap Contracts

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

Cross-currency swap contracts designated as cash flow hedges are executed to mitigate currency exposure to the interest receipts as well as the principal remeasurement and repayment associated with certain intercompany loans denominated in a currency other than our reporting currency, the U.S. Dollar. As of June 30, 2018 and 2017, we had two outstanding cross-currency swap contracts designated as cash flow hedges with a total notional amount of \$120,011, both maturing during June 2019. We entered into the two cross-currency swap contracts to hedge the risk of changes in one Euro denominated intercompany loan entered into with one of company subsidiaries that has the Euro as its functional currency.

Amounts reported in shareholders' equity will be reclassified to other income net as interest payments are accrued or paid and upon remeasuring the intercompany loan. As of June 30, 2018, we estimate that \$1,387 will be reclassified from shareholders' equity to other income, net during the twelve months ending June 30, 2019.

We did not hold any ineffective cross-currency swaps during the year ended June 30, 2018 and 2017.

Forward Contracts

As of June 30, 2018, we had six currency forward contracts designated as net investment hedges with a total notional amount of \$175,262, maturing during various dates through October 2022. We entered into these contracts to hedge the risk of changes in the U.S. Dollar equivalent value of a portion of our net investment in two consolidated subsidiaries that have Euro as their functional currency. Amounts reported in accumulated other comprehensive loss are recognized as a component of our cumulative translation adjustment.

Financial Instrument Presentation

The table below presents the fair value of our derivative financial instruments as well as their classification in the statement of financial position as of June 30, 2018, 2017 and July 1, 2016.

June 30, 2018				
	Asset Derivatives		Liability Derivatives	
	Financial position line item	Net amount	Financial position line item	Net amount
Derivatives in cash flow hedging relationships				
Interest rate swaps	Other current assets / other assets	\$ 13,370	Other current liabilities / other liabilities	\$ —
Cross-currency swaps	Other current assets	—	Other current liabilities	(10,659)
Derivatives in net investment hedging relationships				
Cross-currency swaps	Other current assets	—	Other current liabilities	(14,689)
Currency forward contracts	Other non-current assets	—	Other current liabilities / other liabilities	(13,387)
Total derivatives designated as hedging instruments		<u>\$ 13,370</u>		<u>\$ (38,735)</u>
Derivatives held as trading				
Currency forward contracts	Other current assets / other assets	\$ 9,202	Other current liabilities / other liabilities	\$ (814)
Currency option contracts	Other current assets / other assets	1,782	Other current liabilities / other liabilities	(85)
Total derivatives held as trading		<u>\$ 10,984</u>		<u>\$ (899)</u>

June 30, 2017				
	Asset Derivatives		Liability Derivatives	
	Financial position line item	Net amount	Financial position line item	Net amount
Derivatives in cash flow hedging relationships				
Interest rate swaps	Other non-current assets	\$ 1,717	Other current liabilities / other liabilities	\$ (483)
Cross-currency swaps	Other non-current assets	—	Other non-current liabilities	(7,640)
Derivatives in net investment hedging relationships				
Cross-currency swaps	Other non-current assets	—	Other non-current liabilities	(12,120)
Currency forward contracts	Other non-current assets	—	Other non-current liabilities	(9,896)
Total derivatives designated as hedging instruments		<u>\$ 1,717</u>		<u>\$ (30,139)</u>
Derivatives held as trading				
Currency forward contracts	Other current assets / other assets	\$ —	Other current liabilities / other liabilities	\$ (4,804)
Currency option contracts	Other current assets / other assets	—	Other current liabilities / other liabilities	(651)
Total derivatives held as trading		<u>\$ —</u>		<u>\$ (5,455)</u>

July 1, 2016

	Asset Derivatives		Liability Derivatives	
	Financial position line item	Net amount	Financial position line item	Net amount
Derivatives in cash flow hedging relationships				
Interest rate swaps	Other non-current assets	\$ —	Other current liabilities / other liabilities	\$ (2,180)
Cross-currency swaps	Other non-current assets	—	Other non-current liabilities	(2,080)
Derivatives in net investment hedging relationships				
Cross-currency swaps	Other non-current assets	—	Other non-current liabilities	(6,770)
Currency forward contracts	Other non-current assets	—	Other non-current liabilities	(165)
Total derivatives designated as hedging instruments		<u>\$ —</u>		<u>\$ (11,195)</u>
Derivatives held as trading				
Currency forward contracts	Other current assets	\$ 9,821	Other current liabilities	\$ (150)
Total derivatives held as trading		<u>\$ 9,821</u>		<u>\$ (150)</u>

26. Other (expense) income, net

Other (expense) income, net for the years ended June 30, 2018 and 2017 is detailed in the table below.

	Year Ended June 30,	
	2018	2017
(Losses) gains on derivatives not designated as hedging instruments (1)	\$ (2,687)	\$ 936
Currency related (losses) gains (2)	(19,500)	5,577
Other gains (3)	1,258	3,876
Total other (expense) income	<u>\$ (20,929)</u>	<u>\$ 10,389</u>

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

(2) We have significant non-functional currency intercompany financing relationships subject to currency exchange rate volatility and the net currency-related gains for the years ended June 30, 2018 and 2017 are primarily driven by this intercompany activity. In addition, we have certain cross-currency swaps designated as cash flow hedges, which hedge against the remeasurement of certain intercompany loans, both presented in the same component above. Includes unrealized losses of \$2,722 and \$3,737 for the years ended June 30, 2018 and 2017, respectively, related to cross currency swaps designated as cash-flow hedges.

(3) The gain recognized during the year ended June 30, 2018, primarily relates to the gain on the sale of investment in Albumprinter's shares reclassified from other comprehensive income. The gain during fiscal year 2017 includes the sale of Plaza Create Co. Ltd. shares.

27. Employee Benefit Expenses

	Year Ended June 30,	
	2018	2017
Wages and salaries	\$ 502,631	\$ 453,133
Social security costs	33,782	25,875
Other benefits	72,554	73,062
	<u>\$ 608,967</u>	<u>\$ 552,070</u>

Defined contribution plans

We maintain certain government mandated and defined contribution plans throughout the world. The most significant is our defined contribution retirement plan in the U.S. (the "Plan") that complies with Section 401(k) of the Internal Revenue Code. Substantially all employees in the U.S. are eligible to participate in the Plan. Under the provisions of the Plan, employees may voluntarily contribute up to 80% of eligible compensation, subject to IRS limitations. We match 50% of each participant's voluntary contributions, subject to a maximum company contribution of 3% of the participant's eligible compensation. Employee contributions are fully vested when contributed. Company matching contributions vest over 4 years.

We expensed \$11,723 and \$11,691 for our government mandated and defined contribution plans in the years ended June 30, 2018 and 2017, respectively.

Defined benefit plan

We currently have a defined benefit plan that covers substantially all of our employees in Switzerland. Our Swiss plan is a government-mandated retirement fund with benefits generally earned based on years of service and compensation during active employment; however, the level of benefits varies within the plan. Eligibility is determined in accordance with local statutory requirements. Under this plan, both we and certain of our employees with annual earnings in excess of government determined amounts are required to make contributions into a fund managed by an independent investment fiduciary. Employer contributions must be in an amount at least equal to the employee's contribution. Minimum employee contributions are based on the respective employee's age, salary, and gender. As of June 30, 2018 and 2017, the plan had an unfunded net pension obligation of approximately \$1,268 and \$1,658, respectively, and plan assets which totaled approximately \$3,050 and \$3,920, respectively. For the years ended June 30, 2018 and 2017, we recognized a gain of \$31 and expense of \$1,181, respectively, related to our Swiss plan.

The average number of personnel employed (excluding temporary) was:

	Year Ended June 30,	
	2018	2017
Production	4,065	2,562
Technology and development	1,241	1,324
Marketing and selling	4,342	3,865
General and administrative	511	618
	<u>10,159</u>	<u>8,369</u>

As of June 30, 2018, we had 602 employees (excluding temporary) in the Netherlands (2017: 1,010).

28. Income Taxes

The components of income tax expense are as follows:

	Year Ended June 30,	
	2018	2017
Current	\$ 41,359	\$ 34,153
Deferred	(3,306)	1,299
Prior year	(841)	(1,187)
Total	<u>\$ 37,212</u>	<u>\$ 34,265</u>

The following is a reconciliation of the standard Dutch statutory tax rate and our effective tax rate:

	Year Ended June 30,	
	2018	2017
Dutch statutory income tax rate	25.0 %	25.0 %
Foreign tax rate differential	(1.9)%	(8.3)%
Goodwill impairment	— %	(1.8)%
Gain on sale of subsidiary	4.3 %	0.5 %
Compensation related items	18.1 %	(20.3)%
Increase in unrecognized deferred tax assets	7.1 %	(24.3)%
Nondeductible acquisition related payments	9.4 %	(22.6)%
U.S. tax reform	4.6 %	— %
Notional interest deduction (Italy)	(2.1)%	5.6 %
Net tax benefit on intellectual property transfer	— %	(7.4)%
Bonus depreciation	(2.1)%	0.6 %
Tax on unremitted earnings	(0.4)%	(1.2)%
Nondeductible interest expense	3.1 %	(1.5)%
Tax credits and incentives	(5.2)%	7.9 %
Other	1.1 %	(0.3)%
Effective income tax rate	<u>61.0 %</u>	<u>(48.1)%</u>

For the year ended June 30, 2018, our effective tax rate is 61.0% as compared to the prior year effective tax rate of (48.1)%. The increase in our effective tax rate as compared to the prior year is primarily due to a less favorable geographic mix on increased profits and the unfavorable impact to our deferred tax assets as a result of U.S. tax reform. In addition, we recognized a reduction to our deferred tax assets of \$4,908 related to expected future changes to our U.S. state apportionment. The tax rate for fiscal year 2017 was based on net tax expense on a consolidated loss as compared to a profit in fiscal year 2018. The net tax expense in fiscal year 2017 was due to the geographical mix of earnings, excluding nondeductible goodwill amortization and nondeductible acquisition-related charges.

On December 22, 2017, H.R.1, originally known as the Tax Cuts and Jobs Act, ("The Act"), was signed into law, resulting in significant changes to U.S. federal tax law for corporations. Among these changes was the immediate reduction in the federal statutory tax rate from 35% to 21%. The impact of The Act to our fiscal 2018 tax provision was \$5,752 of additional tax expense, primarily due to a one-time reduction to our existing U.S. deferred tax assets. In addition, we expect some impact on our future taxes as it relates to certain other aspects of The Act, including limitations on the deductibility of executive share-based compensation awards, U.S. interest expense and meals and entertainment expenses as well as immediate expensing of certain fixed assets. Due to our current operating structure, we expect many of the international aspects of The Act will have little to no effect on our tax balances in the future including, but not limited to, the mandatory one-time deemed repatriation tax on accumulated non-U.S. earnings ("Transition Tax") and the base-erosion anti-avoidance tax on excessive payments to non-U.S. related parties ("BEAT").

Significant components of our deferred income tax assets and liabilities consist of the following at June 30, 2018 and 2017:

	Year Ended June 30,	
	2018	2017
Deferred tax assets:		
Net operating loss carryforwards	\$ 47,550	\$ 34,527
Depreciation and amortization	3,211	20,154
Accrued expenses	6,856	7,103
Share-based compensation	34,177	40,118
Credit and other carryforwards	4,338	2,688
Derivative financial instruments	—	45
Other	2,483	2,687
Total deferred tax assets	98,615	107,322
Deferred tax liabilities:		
Depreciation and amortization	(54,102)	(68,616)
Intellectual property installment sale obligation	(2,103)	(6,460)
Tax on unremitted earnings	(738)	(1,180)
Financial leases	(1,477)	—
Derivative financial instruments	(1,034)	—
Other	(1,490)	(1,880)
Total deferred tax liabilities	(60,944)	(78,136)
Net deferred tax assets (liabilities)	\$ 37,671	\$ 29,186

In assessing the realizability of deferred tax assets, we consider whether it is probable that some portion or all of the deferred tax assets will not be realized. We have unrecognized tax benefits of \$47,375 related to losses incurred in certain jurisdictions (mainly Brazil, China, India, Japan and the Netherlands) for which management has determined, based on current profitability projections, that it is probable that these losses will not be utilized within the applicable carryforward periods available under local law. In addition, we recognized a decrease in our unrecognized tax benefit on losses related to the utilization of Dutch net operating losses against the taxable gain from the sale of our Albumprinter business.

We have recorded tax benefits related to \$44,092 of deferred tax asset associated with current and prior year tax losses generated in Switzerland. Management believes there is sufficient positive evidence in the form of historical and future projected profitability to conclude that it is probable that all of the losses in Switzerland will be utilized against future taxable profits within the available carryforward period. Our assessment is reliant on the attainment of our future operating profit goals. Failure to achieve these operating profit goals may change our assessment of this deferred tax asset, and such change would result in de-recognition and an increase in income tax expense to be recorded in the period of the change in assessment. We will continue to review our forecasts and profitability trends on a quarterly basis.

Additionally, we have unrecognized tax benefits of \$7,552 related to an interest rate derivative instrument for which management has determined, based on current profitability projections, that it is probable that it will not be recognized in the foreseeable future. The impact of the unrecognized tax benefit has been recorded in shareholders' equity on the balance sheet. Additionally, we have unrecognized tax benefits of 2,311 against a deferred tax asset related to U.S. state research and development credits for which management has determined it is probable that these credits will not be utilized within the applicable carryforward periods available under local law.

We have recognized \$34,177 of deferred tax asset associated with share-based compensation at June 30, 2018. However, in the future, if the underlying awards expire, are released or are exercised with an intrinsic value less than the fair value of the awards on the date of grant, some or all of the benefit may not be realizable.

Based on the weight of available evidence at June 30, 2018, management believes it is probable that all other net deferred tax assets will be realized in the foreseeable future. We will continue to assess the realization of the deferred tax assets based on operating results on a quarterly basis.

The increase in deferred tax assets during fiscal 2018 is primarily attributable to increased net operating losses in Switzerland.

As of June 30, 2018, we had gross net operating loss and other carryforwards of \$623,645, a significant amount of which expire in fiscal 2021, with the remaining amounts expiring on various dates from fiscal 2019 through fiscal 2038 or with unlimited carryforward. In addition, we have \$6,649 of tax credit carryforwards primarily related to U.S. federal and state research and development credits expiring on various dates beginning in fiscal 2030. The benefits of these carryforwards are dependent upon the generation of taxable income in the jurisdictions where they arose.

A cumulative deferred tax liability of \$738 has been recorded attributable to undistributed earnings that we have determined may be repatriated in the foreseeable future. The remaining undistributed earnings of our subsidiaries are not expected to be repatriated in the foreseeable future or can be repatriated at no tax cost. Accordingly, there has been no provision for income or withholding taxes on these earnings.

A reconciliation of the gross beginning and ending amount of unrecognized tax benefits is as follows:

Balance at July 1, 2016	\$	4,249
Additions based on tax positions related to the current tax year		632
Additions based on tax positions related to prior tax years		1,580
Reductions based on tax position related to prior tax years		(30)
Reductions due to audit settlements		(1,048)
Balance at June 30, 2017		5,383
Additions based on tax positions related to the current tax year		612
Additions based on tax positions related to prior tax years		93
Reductions based on tax position related to prior tax years		(261)
Reductions due to audit settlements		(31)
Reductions due to lapse of statute of limitations		(1,105)
Cumulative translation adjustment		14
Balance at June 30, 2018	\$	<u>4,705</u>

We recognize interest and, if applicable, penalties related to unrecognized tax benefits in income tax expense. The accrued interest and penalties recognized as of June 30, 2018 and 2017 were \$448 and \$384, respectively. It is reasonably possible that a further change in unrecognized tax benefits in the range of \$700 to \$900 may occur within the next twelve months related to the settlement of one or more audits or the lapse of applicable statutes of limitations. We believe we have appropriately provided for all tax uncertainties.

We conduct business in a number of tax jurisdictions and, as such, are required to file income tax returns in multiple jurisdictions globally. The years 2012 through 2017 remain open for examination in the various tax jurisdictions in which we file tax returns.

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

29. Earnings Per Share

Basic net income (loss) per share is computed by dividing net income (loss) by the weighted-average number of ordinary shares outstanding for the fiscal period. Diluted net income (loss) per share gives effect to all potentially dilutive securities, including share options, RSUs and RSAs, 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.

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

	Year Ended June 30,	
	2018 (1)	2017 (1)
Weighted average shares outstanding, basic	30,948,081	31,291,581
Weighted average shares issuable upon exercise/vesting of outstanding share options/RSUs/RSAs	1,272,320	—
Shares used in computing diluted net income per share	<u>32,220,401</u>	<u>31,291,581</u>
Weighted average anti-dilutive shares excluded from diluted net income per share	2,291	1,334,682

(1) Due to the net loss for the year ended June 30, 2017, the effect of share options, RSUs, and RSAs is anti-dilutive.

30. Commitments and Contingencies

Operating Lease Commitments

We have commitments under operating leases for our facilities that expire on various dates through 2026. Total lease expense, net of sublease income for the years ended June 30, 2018 and 2017 was \$14,231 and \$13,959, respectively.

We lease certain machinery and plant equipment, as well as buildings, under both capital and operating lease agreements that expire at various dates through 2027. The aggregate carrying value of the leased buildings and equipment under capital leases included in property, plant and equipment, net in our consolidated balance sheet at June 30, 2018, is \$31,032, net of accumulated depreciation of \$36,670; the present value of lease installments not yet due included in other current liabilities and other liabilities in our consolidated balance sheet at June 30, 2018 amounts to \$27,630.

Future minimum payments required for our operating lease obligations for the next five fiscal years and thereafter are as follows at June 30, 2018:

	Operating lease obligations
2019	\$ 35,192
2020	31,131
2021	25,712
2022	20,851
2023	17,314
Thereafter	<u>43,318</u>
Total	<u>\$ 173,518</u>

Other Obligations

We have also entered into arrangements with financial institutions and vendors to provide guarantees for the obligations of our subsidiaries under banking arrangements and purchase contracts. The guarantees vary in length of time but, in general, guarantee the financial obligations of the subsidiaries under such arrangements. The financial obligations of our subsidiaries under such arrangements are reflected in our consolidated financial statements and these notes.

We enter into agreements in the ordinary course of business with, among others, vendors, lessors, financial institutions, service providers, distributors and certain marketing customers, pursuant to which it has agreed to indemnify the other party for certain matters, such as property damage, personal injury, acts or omissions by us, our employees, agents or representatives, or third party claims alleging that our intellectual property infringes a patent, trademark or copyright.

In accordance with our articles of association and with various indemnification agreements with specific employees, we have agreed to indemnify our directors, executive officers and employees, to the extent legally permissible, against all liabilities reasonably incurred in connection with any action in which the individual may be involved by reason of such individual being or having been a director, officer or employee of any company within the Cimpress group of companies.

Based upon our historical experience and information known to us as of June 30, 2018, we believe our liability with respect to the above guarantees and indemnities at June 30, 2018 is immaterial.

We have an outstanding installment obligation of \$6,460 related to the fiscal 2012 intra-entity transfer of the intellectual property of our subsidiary Webs, Inc., which results in tax being paid over a 7.5 year term and has been classified as a deferred tax liability in our consolidated balance sheet as of June 30, 2017. Other obligations also include a contingent earn-out liability for our fiscal 2016 WIRmachenDRUCK acquisition, based on the achievement of certain financial targets, payable at our option in cash or ordinary shares in fiscal 2018 of \$44,049. Refer to Note 25 for additional information regarding the contingent earn-out.

On May 22, 2017, we modified the terms of certain put and call rights related to our net asset method investment in Printi LLC. We agreed to purchase an additional 3.7% non-voting economic interest during the fourth quarter of fiscal 2018. In addition, we will acquire the remaining equity interest in Printi through a reciprocal put and call structure, exercisable from March 31, 2021 through a mandatory redemption date of July 31, 2023. As part of the amended agreement, we agreed to a loan arrangement with two Printi employees, which includes an initial draw on the loans in the amount of \$12,000 during the first quarter of fiscal 2018.

In addition, we have deferred payments related to our fiscal 2015 and 2016 acquisitions of \$2,075 in aggregate.

Purchase Obligations

At June 30, 2018, we had unrecorded commitments under contract of \$57,291 including commitments for third-party web services of \$21,000. In addition, we had purchase commitments for production and computer equipment purchases of approximately \$8,231, inventory and third-party fulfillment purchase commitments of \$8,361, commitments for advertising campaigns of \$2,153, professional and consulting fees of \$3,559, and other unrecorded purchase commitments of \$13,987.

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.

31. Subsequent Events

On October 1, 2018, we completed the acquisition of Build A Sign LLC, a Delaware limited liability company ("BuildASign"). We acquired approximately 99% of the outstanding equity interests of BuildASign for a purchase price of \$274,189 in cash, subject to post-closing adjustment based on acquired cash, debt, and working capital as of the closing date, as well as transaction expenses. Build A Sign Management Pool, LLC (the "Management Pool"), one of the sellers, retained approximately 1% of the outstanding equity interests of BuildASign, and Cimpress and the holders of these shares entered into a put and call option agreement with respect to the retained BuildASign equity interests. As of the date of this report, we do not have additional financial information, relating to the post-closing adjustment or the opening balance sheet for purposes of disclosing the purchase price allocation.

On July 2, 2018, we invested \$29,000 in exchange for approximately 74% of the outstanding equity interest of VIDA Group Co., a rapidly growing startup that brings manufacturing access and an e-commerce marketplace to artists, thereby enabling artists to convert ideas into beautiful, original products for customers, ranging from custom fashion, jewelry and accessories to home accent pieces.

Cimpress N.V.
2018 COMPANY ONLY
FINANCIAL STATEMENTS

CIMPRESS N.V.

COMPANY STATEMENT OF FINANCIAL POSITION

(in thousands)

	<u>June 30, 2018</u>	<u>June 30, 2017*</u>	<u>July 1, 2016*</u>
Assets			
Property, plant and equipment (Note 4)	\$ 126	\$ 176	\$ 268
Investment in subsidiaries	5,179,897	3,747,359	3,481,837
Long-term receivables from group companies (Note 6)	608,250	665,336	178,759
Other investment, including derivatives (Note 5)	30,764	2,072	—
Other non-current assets	130	69	187
Total non-current assets	<u>5,819,167</u>	<u>4,415,012</u>	<u>3,661,051</u>
Receivables from group companies	111,850	110,660	125,407
Cash and cash equivalents (Note 8)	—	—	540
Other current assets (Note 7)	3,646	6,904	1,976
Total current assets	<u>115,496</u>	<u>117,564</u>	<u>127,923</u>
Total assets	<u>\$ 5,934,663</u>	<u>\$ 4,532,576</u>	<u>\$ 3,788,974</u>
Equity			
Share capital (Note 9)	\$ 615	\$ 615	\$ 615
Share premium (Note 9)	1,368,302	483,864	465,879
Treasury shares (Note 9)	(685,577)	(588,365)	(548,549)
R&D legal reserve (Note 9)	56,199	48,470	35,212
Revaluation legal reserve (Note 9)	4,188,953	3,571,888	2,556,452
Foreign currency translation legal reserve (Note 9)	(84,573)	(84,573)	(84,573)
Hedging reserve (Note 9)	(16,318)	(18,189)	(6,292)
Retained earnings	297,259	268,863	258,086
Total equity	<u>5,124,860</u>	<u>3,682,573</u>	<u>2,676,830</u>
Liabilities			
Long-term debt (Note 10)	564,004	626,808	648,617
Other non-current liabilities (Note 11)	104,598	131,527	435,452
Total non-current liabilities	<u>668,602</u>	<u>758,335</u>	<u>1,084,069</u>
Trade payables	2,874	1,808	1,510
Other current liabilities (Note 13)	138,327	89,860	26,565
Total current liabilities	<u>141,201</u>	<u>91,668</u>	<u>28,075</u>
Total liabilities	<u>809,803</u>	<u>850,003</u>	<u>1,112,144</u>
Total equity and liabilities	<u>\$ 5,934,663</u>	<u>\$ 4,532,576</u>	<u>\$ 3,788,974</u>

*See Note 2.

The notes on pages 155 to 174 are an integral part of these company financial statements.

CIMPRESS N.V.
COMPANY STATEMENT OF PROFIT OR LOSS
(in thousands)

	Year Ended June 30,	
	2018	2017*
Dividend income	\$ 24,495	\$ 71,877
Other income, net (Note 16)	3,818	1,489
General and administrative expenses	(16,480)	(19,475)
Gain on sale of subsidiaries (Consolidated Note 7)	47,545	—
Operating profit	59,378	53,891
Finance income (Note 18)	35,613	13,574
Finance costs (Note 18)	(41,507)	(43,430)
Loss on early extinguishment of debt (Consolidated Note 20)	(17,359)	—
Net finance costs	(23,253)	(29,856)
Profit before tax	36,125	24,035
Income tax expense (Note 19)	—	—
Profit for the period	<u>\$ 36,125</u>	<u>\$ 24,035</u>

*See note 2.

The notes on pages 155 to 174 are an integral part of these company financial statements.

CIMPRESS N.V.
COMPANY STATEMENT OF COMPREHENSIVE INCOME
(in thousands)

	Year Ended June 30,	
	2018	2017*
Net profit (loss)	\$ 36,125	\$ 24,035
Other comprehensive income (loss)		
Items that are or may be reclassified to profit or loss:		
Changes in fair value of investments in subsidiaries	1,473,298	1,015,436
Cash flow hedges - effective portion of changes in fair value	3,494	(10,070)
Cash flow hedges - reclassified to profit or loss.	(1,623)	(1,827)
Other comprehensive income (loss), net of tax	1,475,169	1,003,539
Total comprehensive income (loss) for the period	\$ 1,511,294	\$ 1,027,574

*See note 2.

The notes on pages 155 to 174 are an integral part of these company financial statements.

CIMPRESS N.V.
COMPANY STATEMENT OF CHANGES IN EQUITY
(in thousands)

	Share capital	Share premium	Treasury share	R&D legal reserve	Foreign currency translation legal reserve	Hedging reserve	Reval le res
IFRS balance as of July 1, 2016*	\$ 615	\$ 465,879	\$ (548,549)	\$ 35,212	\$ (84,573)	\$ (6,292)	\$ 2,55
Profit for the period	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	(11,897)	1,0
Total comprehensive income for the period	—	—	—	—	—	(11,897)	1,0
Transfer to legal reserve	—	—	—	13,258	—	—	—
Transactions with owners of the Company							
Share-based compensation expense	—	32,016	—	—	—	—	—
Purchase of Treasury shares	—	—	(50,008)	—	—	—	—
RSUs awarded, net of shares withheld for taxes	—	(10,576)	3,243	—	—	—	—
Share options exercised	—	(3,455)	6,949	—	—	—	—
Total contributions by and distributions	—	17,985	(39,816)	—	—	—	—
Balance as of June 30, 2017*	\$ 615	\$ 483,864	\$ (588,365)	\$ 48,470	\$ (84,573)	\$ (18,189)	\$ 3,5
Profit for the period	—	—	—	—	—	—	—
Other comprehensive income	—	—	—	—	—	1,871	1,4
Total comprehensive income for the period	—	—	—	—	—	1,871	1,4
Transfer to legal reserve	—	—	—	7,729	—	—	—
Transfer of distributable reserves (Note 9)	—	856,233	—	—	—	—	(8
Transactions with owners of the Company							
Share-based compensation expense	—	37,988	—	—	—	—	—
Purchase of Treasury shares	—	—	(94,710)	—	—	—	—
Grant of restricted share awards	—	—	(168)	—	—	—	—
RSUs awarded, net of shares withheld for taxes	—	(4,784)	840	—	—	—	—
Share options exercised	—	(4,999)	(3,174)	—	—	—	—
Total contributions by and distributions	—	28,205	(97,212)	—	—	—	—
Balance as of June 30, 2018	<u>\$ 615</u>	<u>\$ 1,368,302</u>	<u>\$ (685,577)</u>	<u>\$ 56,199</u>	<u>\$ (84,573)</u>	<u>\$ (16,318)</u>	<u>\$ 4,1</u>

*See note 2.

The notes on pages 155 to 174 are an integral part of these company financial statements.

CIMPRESS N.V.
COMPANY STATEMENT OF CASH FLOWS
(in thousands)

	Year Ended June 30,	
	2018	2017
Cash flows from operating activities		
Profit for the period	\$ 36,125	\$ 24,035
Adjustments for:		
Depreciation and amortization (Note 4)	142	174
Share-based compensation expense (Note 12)	3,000	2,669
Gain on sale of subsidiaries (Consolidated Note 7)	(47,545)	—
Loss on early extinguishment of debt	17,359	—
Effect of exchange rate changes on monetary assets and liabilities denominated in non-functional currency	(856)	(294)
Other non-cash items	2,119	1,692
Changes in working capital:		
Receivables from group companies	33,769	45,355
Other current assets	3,258	(4,928)
Other noncurrent assets	(1,305)	169
Trade payables	1,067	298
Other current liabilities	33,637	29,402
Cash generated from operating activities	80,770	98,572
Interest paid (Note 10)	(38,453)	(32,544)
Net cash from operating activities	42,317	66,028
Cash flows from investing activities		
Purchases of property, plant and equipment (Note 4)	(81)	(79)
Proceeds from sale of subsidiaries, net of transaction costs and cash divested	96,273	—
Other investing activities	2,497	3,866
Net cash used in investing activities	98,689	3,787
Cash flows from financing activities		
Proceeds from borrowings of debt (Note 10)	436,250	539,000
Proceeds from issuance of senior notes (Note 10)	400,000	—
Payments of long-term debt (Note 10)	(604,250)	(554,500)
Payment for early redemption of senior notes	(275,000)	—
Payments of early redemption fees for senior notes	(14,438)	—
Payment for debt issuance costs	(10,629)	(229)
Proceeds from bank overdraft	9,232	56,277
Borrowing (repayment) of intercompany loan transactions	53,761	(43,949)
Proceeds from the issuance of ordinary shares	(8,181)	3,495
Payment of withholding taxes in connection with vesting of restricted share units	(3,906)	(7,157)
Repurchase of treasury shares	(94,711)	(50,008)
Issuance of loans	(21,000)	—
Capital contribution to subsidiaries	(7,966)	(13,107)
Other financing activities	(168)	(177)
Net cash used in financing activities	(141,006)	(70,355)
Net decrease in cash and cash equivalents	—	(540)
Cash and cash equivalents at beginning of period (Note 8)	—	540
Cash and cash equivalents at end of period (Note 8)	\$ —	\$ —

The notes on pages 155 to 174 are an integral part of these company financial statements.

CIMPRESS N.V.
NOTES TO COMPANY FINANCIAL STATEMENTS
For the Year Ended June 30, 2018
(in thousands, except share and per share data)

1. Reporting entity

The company financial statements are part of the 2017/18 financial statements of Cimpres N.V. (the 'Company').

Cimpres N.V. is a company domiciled in the Netherlands. The company's registered office is Hudsonweg 8, 5928 LW Venlo. The company is registered under number 14117527 in the Trade register.

Cimpres N.V. was formed as a limited liability company (*naamloze vennootschap*) under the laws of the Netherlands and pursuant to a scheme of arrangement under Bermuda law approved by the common shareholders of Vistaprint Limited, among other things, each common share of Vistaprint Limited was exchanged for one ordinary share of Cimpres N.V. on August 31, 2009.

On November 14, 2014, pursuant to our shareholders' approval, we amended our articles of association to change our name to Cimpres N.V. and began trading on The Nasdaq Stock Market under the "CMPR" ticker symbol shortly afterward.

2. Basis of preparation

These Company financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and with the Netherlands Civil Code, Part 9 of Book 2.

These are our first company financial statements prepared in accordance with EU-IFRSs and accordingly, IFRS 1 First time adoption of International Financial Reporting Standards has been applied.

An explanation of how the transition to EU-IFRSs has affected our reported financial position, financial performance and cash flows is provided below.

First time adoption of EU-IFRSs

The accounting policies set out in Note 3 of the consolidated financial statements have been applied in preparing the company financial statements for the year ended June 30, 2018, the comparative information presented in these financial statements for the year ended June 30, 2017 and in the preparation of an opening IFRS statement of financial position at July 1, 2016 (our date of transition).

We applied the same voluntary and mandatory options as in consolidated financial statement as referred in Note 2. In addition, under application of IFRS 1 for separate financial statement, we opted to use optional exemption to measure investment in subsidiaries at fair value.

In preparing our opening IFRS statement of financial position, we have adjusted amounts reported previously in financial statements prepared in accordance with Dutch GAAP (previous GAAP). An explanation of how the transition from previous GAAP to IFRSs has affected our financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

Use of judgments, estimates and assumptions

In preparing these consolidated financial statements, management has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

For purposes of determining the fair value of our investment in subsidiaries, we used significant judgment, estimates and assumptions. Refer to Note 5 for additional information relating to significant judgments.

Reconciliation of statement of financial position as at July 1, 2016 and June 30, 2017:

	July 1, 2016			June 30, 2017		
	Previously reported Dutch GAAP	Effect of transition	IFRS	Previously reported Dutch GAAP	Effect of transition	IFRS
Assets						
Property, plant and equipment	\$ 268	\$ —	\$ 268	\$ 176	\$ —	\$ 176
Other investments, including derivatives	925,385	2,556,452	3,481,837	104,262	3,645,169	3,749,431
Long-term receivables from group companies	178,759	—	178,759	665,336	—	665,336
Other non-current assets	2,521	(2,334)	187	2,452	(2,383)	69
Total non-current assets	1,106,933	2,554,118	3,661,051	772,226	3,642,786	4,415,012
Receivables from group companies	108,034	17,373	125,407	113,335	(2,675)	110,660
Cash and cash equivalents	540	—	540	—	—	—
Other current assets	2,863	(887)	1,976	7,791	(887)	6,904
Total current assets	111,437	16,486	127,923	121,126	(3,562)	117,564
Total assets	\$ 1,218,370	\$ 2,570,604	\$ 3,788,974	\$ 893,352	\$ 3,639,224	\$ 4,532,576
Equity						
Share capital	\$ 615	\$ —	\$ 615	\$ 615	\$ —	\$ 615
Share premium	447,245	18,634	465,879	483,263	601	483,864
Treasury shares	(548,549)	—	(548,549)	(588,365)	—	(588,365)
R&D legal reserve	35,212	—	35,212	50,183	(1,713)	48,470
Revaluation legal reserve	—	2,556,452	2,556,452	—	3,571,888	3,571,888
Foreign currency translation legal reserve	(89,538)	4,965	(84,573)	(95,537)	10,964	(84,573)
Hedging reserve	(2,322)	(3,970)	(6,292)	(2,250)	(15,939)	(18,189)
Retained earnings	260,342	(2,256)	258,086	95,881	172,982	268,863
Total equity	103,005	2,573,825	2,676,830	(56,210)	3,738,783	3,682,573
Liabilities						
Long-term debt	648,617	—	648,617	626,808	—	626,808
Other non-current liabilities	437,787	(2,335)	435,452	133,811	(2,284)	131,527
Total non-current liabilities	1,086,404	(2,335)	1,084,069	760,619	(2,284)	758,335
Trade payables	1,510	—	1,510	1,808	—	1,808
Other current liabilities	27,451	(886)	26,565	187,135	(97,275)	89,860
Total current liabilities	28,961	(886)	28,075	188,943	(97,275)	91,668
Total liabilities	1,115,365	(3,221)	1,112,144	949,562	(99,559)	850,003
Total equity and liabilities	\$ 1,218,370	\$ 2,570,604	\$ 3,788,974	\$ 893,352	\$ 3,639,224	\$ 4,532,576

Reconciliation of statement of profit or loss and comprehensive income for the year ended June 30, 2017:

	Previously reported Dutch GAAP	Effect of transition	IFRS
Dividend income	\$ —	\$ 71,877	\$ 71,877
Other income	4,161	(2,672)	1,489
Net loss from subsidiaries	(95,807)	95,807	—
Administrative expenses	(26,693)	7,218	(19,475)
Operating (loss) profit	(118,339)	172,230	53,891
Finance income	13,574	—	13,574
Finance costs	(43,430)	—	(43,430)
Net finance costs	(29,856)	—	(29,856)
(Loss) profit before tax	(148,195)	172,230	24,035
Income tax expense	—	—	—
(Loss) profit for the period	\$ (148,195)	\$ 172,230	\$ 24,035

	June 30, 2017
Profit (loss) under Dutch GAAP	\$ (148,195)
Dividend income from subsidiaries	71,877
Net loss from subsidiaries	95,807
Business combinations	6,549
Share based compensation	658
Other intercompany adjustments	(2,661)
Profit (loss) under IFRS	\$ 24,035

Notes to the reconciliation of equity as of July 1, 2016 and June 30, 2017:

	July 1, 2016	June 30, 2017
Equity under Dutch GAAP	\$ 103,005	\$ (56,210)
Adjustments to recognize our investment in subsidiaries at fair value	2,619,541	3,790,431
Goodwill	(63,089)	(72,751)
Share based compensation	17,373	27,648
Income taxes	—	(6,545)
Equity under IFRS	\$ 2,676,830	\$ 3,682,573

3. Accounting policies

The accounting policies are the same as those described in Note 3 of the consolidated financial statements with the exception of valuation of investments in subsidiaries as below:

Investment in subsidiaries

Investment in subsidiaries are classified as available for sale securities in the company financial statements and are accounted for at fair value. Changes in the fair value of investment in subsidiaries are recognized in other comprehensive income ('OCI') and accumulated in the legal revaluation reserve. When the investment in subsidiaries are derecognized, the gain or loss accumulated in equity is reclassified to profit or loss. Dividends received from subsidiaries are recognized in the profit and loss and impairments of our investment in subsidiaries is recognized in the profit and loss.. Amounts recognized in OCI can be reclassified to profit and loss in case of impairment (significant or prolonged decline in value) and are reported under finance costs.

Changes in accounting policies

Investment in Subsidiaries

Investments in subsidiaries were accounted for using the net asset value method (with related currency translation reserve) under the application of Dutch GAAP. Under IFRS, management opted to use fair value as accounting policy. As a result an upward revaluation of the subsidiaries to fair value, with the corresponding increase in the revaluation reserve, for the difference between the equity value and the fair value, is recorded per transition date. Subsequent changes in the fair value are recognized in other comprehensive income. Any downward revaluation of the fair value is recognized as an impairment in the profit and loss.

Any changes in the currency translation reserve is recognized as part of our profit or loss. No future movement in the currency translation reserve is expected as investment in subsidiaries are valued at fair value.

Issued Accounting Standards to be Adopted

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018 and we adopted this standard effective July 1, 2018. We have evaluated the impact of IFRS 9 as it relates to the accounting for our investment in subsidiaries within our company only financial statements as these assets are currently classified as available for sale securities and accounted for at fair value. Any changes in fair value are recognized in other comprehensive income. Upon adoption of IFRS 9 we have elected the optional FVOCI designation for qualifying investments in equity instruments, which is similar to our current accounting model in that changes in fair value will be recognized in other comprehensive income. This election dictates that only qualifying dividends are recognized in profit and loss, with any changes in fair value recognized in OCI. Our IFRS 9 accounting model will differ from our current model in that amounts recognized in OCI will never be reclassified to profit and loss, even if an asset is impaired, sold or otherwise derecognized. This election requires retrospective application, as such we will revise our June 30, 2019 company only financial statements to recognize the fiscal 2018 gain on the sale of subsidiary in OCI rather than profit or loss but this will have no impact on the total equity of the company. We continue to assess the potential impact on our consolidated financial statements resulting from the application of IFRS 9.

4. Property, plant and equipment

Property, plant and equipment consist of the following:

	Estimated useful lives	June 30,		July 1,
		2018	2017	2016
Computer software and equipment	3 - 5 years	\$ 734	\$ 652	\$ 553
Less accumulated depreciation		(608)	(476)	(285)
Tangible fixed assets		<u>\$ 126</u>	<u>\$ 176</u>	<u>\$ 268</u>

Movements in net property, plant and equipment were as follows:

	Computer software and equipment
Balance at July 1, 2016	\$ 268
Additions	79
Depreciation	(171)
Balance at June 30, 2017	176
Additions	81
Depreciation	(131)
Balance at June 30, 2018	<u>\$ 126</u>

5. Other investments

Investment in subsidiaries

Investment in subsidiaries are classified as available for sale securities in the company financial statements and are accounted for at fair value. For the years ended June 30, 2018 and 2017 and as of July 1, 2016, the fair value of our subsidiaries was \$5,179,897, \$3,747,359 and \$3,481,837, respectively. The following table summarizes the changes in our investment in subsidiaries:

	Total
Balance at July 1, 2016	\$ 3,481,837
Capital contributions	13,105
Unrealized changes in fair value	1,015,436
Contribution of loans (1)	(763,019)
Balance at June 30, 2017	3,747,359
Capital contributions	7,968
Divestiture of our investment in Albumprinter	(48,728)
Unrealized changes in fair value	1,473,298
Balance at June 30, 2018	<u>\$ 5,179,897</u>

(1) During fiscal 2017, one of the subsidiaries of Cimpress N.V. distributed and assigned an intercompany loan to Cimpress N.V., in an amount of \$698,248, resulting in a reduction to Cimpress N.V.'s investment in subsidiaries.

Unrealized changes in fair value

Unrealized changes in fair value, net of dividends received during the year, amounted to \$1,473,298 and \$1,015,436 in the years ended June 30, 2018 and 2017, respectively. These changes reflect the periodic measurement exercise on the overall portfolio of subsidiaries and are primarily due to updates in our long-term financial forecasts of our businesses based on the current strategic opportunity and operational performance. The unrealized changes in fair value are recorded to other comprehensive income. For the years ended June 30, 2018 and 2017, the cumulative balance of \$4,188,953 and \$3,571,888, respectively, is recognized as a revaluation reserve within equity.

Fair Value

In accordance with IFRS 13, fair value is determined as the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction. In the absence of an active market for a financial instrument, the asset is considered a Level 3 financial instrument and requires the use of valuation models. As we concluded that there is no specific observable or active market for our various subsidiaries, we engaged a third party valuation specialist to assist in the calculation of the fair value. We used both an income approach, specifically the discounted cash flow (DCF) method, as well as the market approach, using the guideline public company method. For most of our subsidiaries we used a weighted-average combination of the two, weighting the income approach at 75%. For subsidiaries that are in the early-stage of their operations and strategic initiatives we applied a 100% weighting to the income approach. See below for a summary of the inputs and assumptions utilized for each method:

- DCF methodology - this method determines the value of the subsidiary by calculating the present value of the expected future cash flows, including the application of a terminal value, to derive the fair value of the subsidiaries. The cash flow projections utilized are based on management's estimates of revenue growth rates and operating margins, taking into consideration industry and market conditions. The discount rate is based on a weighted average cost of capital ("WACC") specific to each subsidiary, which represents the average rate a business must pay its providers of debt and equity, plus a risk premium. The WACC used is derived from a group of comparable companies.
- Guideline public company method - this method relies on pricing multiples derived from the market prices of stocks of companies that are engaged in the same or similar line of business and that are actively traded on a free and open market. We apply the identified multiples to the corresponding measure of our subsidiaries financial performance, for example revenue or EBITDA.

To determine the fair value of our subsidiaries, we first determined the fair values of our various businesses (or cash generating units), which aligns with the level in which we internally forecast and management our businesses. As most of our businesses represent a collection of specific subsidiaries, we used the business specific fair value and allocated the fair value to each individual subsidiaries, using subsidiary level earnings before interest and income taxes, taking into account intercompany transfer pricing and financing arrangements.

The significant unobservable inputs (level 3) have been disclosed in the table below:

Type	Accounting method	Fair value hierarchy	Valuation technique and key input	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment in subsidiaries (classified as available for sale ('AFS') securities)	Fair value through OCI	Level 3	Discounted cash flow methodology (income approach): this is a forward-looking approach to estimating fair value and relies primarily on internal forecasts. Some of the more significant estimates and assumptions inherent in this approach include: the amount and timing of the projected net cash flows, as well as the selection of a long-term growth rate; the discount rate (WACC), which is intended to reflect the various risks associated with the projected cash flows.	Revenue growth rates based on management's experience and knowledge of the industry and markets in which our businesses operate. Revenue growth rates ranged from 8% to 47%, and terminal revenue growth rates ranged from 2% - 7%. Weighted average cost of capital (WACC), determined using a Capital Asset Pricing Model and is dependent on country risk premiums which ranged from 0% to 4%, as well as company specific risk premiums which ranged from 3% to 20%. The selected market multiple of EBITDA, based on comparable companies ranged from 6.5x to 11.0x forecasted EBITDA.	An increase or decrease of 10% in the terminal growth rate while all other variables were held constant, would change the estimated fair value by approximately \$186 - 223 million. An increase or decrease of 10% in the WACC while all other variables were held constant, would change the estimated fair value by approximately \$587 - 765 million. An increase or decrease of 10% in the selected multiple while all other variables were held constant, would change the estimated fair value by approximately \$138 million.
			Guideline public company method (market approach): this approach relies primarily on external market pricing inputs. Some of the more significant estimates and assumptions inherent in this approach include: the selection of appropriate guideline companies and forecasted EBITDA.		

Other investments, including derivatives

Other investments, including derivatives are summarized as follows:

	June 30,		July 1,	
	2018	2017	2016	
Loan receivable from Printi equity holders (1)	\$ 22,234	\$ —	\$ —	
Interest rate swaps designated as cash flow hedging instruments	8,530	2,072	—	
Total financial fixed assets	<u>\$ 30,764</u>	<u>\$ 2,072</u>	<u>\$ —</u>	

(1) Includes loans to two Printi employees, which are payable on the date that the put or call option is exercised for their Printi shares held as part of our non-controlling interest. The loans carry 8.5% annual interest and the loans are not contingent upon continued employment. We expect that the loan proceeds will be used to offset our purchase of the remaining noncontrolling interest in the future.

6. Long-term receivables from group companies

As disclosed separately on our company-only balance sheet, long-term loan receivables from group companies of \$608,250 and \$665,336 as of June 30, 2018 and 2017, respectively, are due from Cimpress Schweiz GmbH, Cimpress Deutschland GmbH, Cimpress USA Incorporated and Cimpress India Marketing Private Limited, indirectly wholly owned subsidiaries of Cimpress N.V., and Cimpress UK Limited, a wholly owned subsidiary of Cimpress N.V. The Cimpress Schweiz GmbH loan bears a variable interest rate based on LIBOR and is payable over a period of 7 years. The Cimpress Deutschland GmbH loan bears interest of 7.00% and is payable over a period of 6.5 years. The Cimpress USA Incorporated loan bears interest of 6.69% and is payable over a period of 9.5 years. The Cimpress India Marketing Private Limited balance represents one loan which is payable on demand

and bears a variable interest rate based on LIBOR. The Cimpress UK Limited loan bears interest of 5.88% and is payable over a period of 6 years.

Movement in the long-term loan receivables from group companies balance is summarized below:

Balance at July 1, 2016	\$ 178,759
Borrowings	522,862
Repayments	(39,270)
Effect of foreign currency translation	2,985
Balance at June 30, 2017	665,336
Borrowings	277,282
Repayments	(337,489)
Effect of foreign currency translation	3,121
Balance at June 30, 2018	<u>\$ 608,250</u>

7. Other current assets

This balance includes items maturing within one year and consists of:

	June 30,		July 1,
	2018	2017	2016
Prepaid expenses	\$ 1,869	\$ 1,719	\$ 1,483
Equity receivable (1)	—	4,537	—
Other current assets	1,777	648	493
Total other current assets	<u>\$ 3,646</u>	<u>\$ 6,904</u>	<u>\$ 1,976</u>

(1) As of June 30, 2017, we recognized a receivable for payments owed from employees related to the exercise of share options.

8. Cash and cash equivalents

We consider all highly liquid investments purchased with an original maturity of three months or less to be the equivalent of cash for the purpose of balance sheet and statement of cash flows presentation. Cash equivalents consist of depository accounts and money market funds.

As of June 30, 2018 and 2017, our company only cash and cash equivalents balance was a negative \$65,509 and \$56,277, respectively, due to a cash pooling program for certain of our European bank accounts. We have reclassified the negative cash balance to current liabilities. Refer to Note 13 for additional details.

9. Capital and reserves

Share capital

During the year ended June 30, 2018, the articles of incorporation were amended to (i) increase the nominal value of the ordinary and preferred shares from €0.01 to €15.89 whereby part of the legal revaluation reserve (*herwaarderingsreserve*) was applied to pay-up the increase in the nominal value of the outstanding ordinary shares (the "Capital Increase Amendment"), and (ii) to decrease the nominal value of the ordinary and preferred shares to €0.01 (the "Capital Decrease Amendment"), whereby the aggregate amount of the decrease in the nominal value as a result of the Capital Decrease Amendment in the amount of €700,000 (\$856,233 based on the exchange rate on the transfer date) has been contributed to the share premium reserve of Cimpress. As a result, a legal reserve (*wettelijke reserve*) which limits the ability to make distributions or repurchase shares under Dutch law was converted to a share premium reserve which qualifies as a freely distributable reserve and which allows us to make distributions or repurchase shares. As a result, an initial adjustment was recognized to increase share capital in an amount of \$856,233, which was then followed by a subsequent adjustment to adjust share capital by the same amount and transfer \$856,233 to share premium.

At June 30, 2018 and 2017, we have authorized 100,000,000 ordinary shares of which 44,080,627 are issued and 30,876,193 and 31,415,503, respectively, are outstanding with a par value of €0.01 per share.

Additionally, 100,000,000 preferred shares with a par value of €0.01 per share are authorized, of which no preferred shares are issued or outstanding.

Treasury shares

Treasury shares are accounted for using the cost method and are included as a component of shareholders' equity. We reissue treasury shares as part of our share-based compensation programs and upon issuance we determine the cost using the average cost method. We held 13,204,434 and 12,665,124 of the Company's shares at June 30, 2018 and 2017, respectively.

Nature and purpose of reserves

R&D legal reserve

As of June 30, 2018 and 2017, the legal reserves of \$56,199 and \$48,470, respectively, are required for capitalized software development costs.

Foreign currency translation legal reserve

The foreign currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operation.

Revaluation legal reserve

The revaluation reserve consists of the unrealized aggregate increase in fair value of the investment in subsidiaries. Please refer to Note 5 for more details regarding the fair value adjustments.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss. Refer to Note 15.

Differences between consolidated equity attributable to equity holders of the Company and Company statement of changes in equity

The difference between consolidated equity attributed to equity holder of the Company and Company statement of changes in equity as of June 30, 2018, 2017, and July 1, 2016 is shown below.

	Shareholder's equity	Net income (loss) for the period
July 1, 2016		
Consolidated	\$ 159,179	N/A
Company only	2,676,830	N/A
Difference	\$ (2,517,651)	N/A
June 30, 2017		
Consolidated	\$ 52,203	\$ (105,000)
Company only	3,682,573	24,035
Difference	\$ (3,630,370)	\$ (129,035)
June 30, 2018		
Consolidated	\$ 20,173	\$ 20,901
Company only	5,124,860	36,125
Difference	\$ (5,104,687)	\$ (15,224)

As of June 30, 2018, the total equity attributable to equity holders of the Company in accordance with the consolidated statement of financial position is \$20,173, while the total equity in the company statement of equity is \$5,124,860, being a difference of \$5,104,687.

Following the transition to IFRS, Cimpress N.V. values its investments in subsidiaries at fair value and accordingly no subsequent foreign currency translation reserve movement arises on such subsidiaries. A revaluation reserve is recorded for the unrealized changes in fair value, causing a difference with the consolidated equity of \$5,045,186 as of June 30, 2018.

The result of the subsidiaries are no longer accounted for in the Company statement of profit or loss and other comprehensive income, resulting in a higher net income and retained earnings for the year ended June 30, 2018 of \$15,224 in the Company statement of financial position.

10. Debt

	June 30,		July 1,
	2018	2017	2016
Senior secured credit facility	\$ 216,914	\$ 384,537	\$ 400,809
7.0% Senior unsecured notes due 2026	400,000	—	—
7.0% Senior unsecured notes due 2022	—	275,000	275,000
Debt issuance costs and debt discounts	(12,584)	(5,922)	(7,386)
Total debt outstanding	604,330	653,615	668,423
Less: short-term debt	(40,326)	(26,807)	(19,806)
Long-term debt	<u>\$ 564,004</u>	<u>\$ 626,808</u>	<u>\$ 648,617</u>

For additional details regarding our outstanding debt, refer to Note 20 of our consolidated financial statements. A portion of the debt under our senior secured credit facility is outstanding with one of our wholly owned subsidiaries.

11. Other non-current liabilities

Our non-current liabilities are summarized as follows:

	June 30,		July 1,
	2018	2017	2016
Long-term loan from group companies	\$ 94,687	\$ 101,133	\$ 424,510
Accrued sabbatical	—	32	12
Interest rate swaps designated as cash flow hedging instruments	—	706	1,915
Cross-currency swaps designated as cash flow hedging instruments	—	19,760	8,850
Currency forward contracts not designated as hedging instruments	9,911	9,896	165
Total other non-current liabilities	<u>\$ 104,598</u>	<u>\$ 131,527</u>	<u>\$ 435,452</u>

The long-term related party loan payable is primarily due to Cimpress Limited and Cimpress Investments B.V., wholly owned subsidiaries of Cimpress N.V. and Cimpress Schweiz GmbH, an indirectly wholly owned subsidiary of Cimpress N.V. The Vistaprint Limited loan bears interest of 6.34% and is payable over a period of 9.25 years. The Cimpress Investments B.V. and Cimpress Schweiz GmbH loans are payable on demand and bear a variable interest rate based on LIBOR.

12. Share-based payment arrangements

Total share-based compensation costs for Cimpress N.V. were \$3,000 and \$2,669 for the years ended June 30, 2018 and 2017, respectively, and we elected to recognize the share-based compensation cost during the vesting period based on the best available estimate of the number of equity instruments expected to vest (factoring estimated forfeiture rates up-front in accruing share-based compensation cost).

For more details of the nature, amount and significant conditions regarding share awards, please refer to Note 22 to the Consolidated financial statements.

13. Other current liabilities

Our current liabilities are summarized as follows:

	June 30,		July 1,
	2018	2017	2016
Current portion of debt, net of debt issuance costs	\$ 40,326	\$ 26,807	\$ 19,806
Cash overdraft (1)	65,509	56,277	—
Accrued expenses	3,664	6,764	6,494
Accounts payable	2,875	1,808	1,510
Interest rate swaps designated as cash flow hedging instruments	3,475	12	265
Cross-currency swaps designated as cash flow hedging instruments	25,348	—	—
Currency forward contracts not designated as hedging instruments	4	—	—
Total other current liabilities	\$ 141,201	\$ 91,668	\$ 28,075

(1) As of June 30, 2018 and 2017, our company only cash and cash equivalents balance was a negative \$65,509 and \$56,277, respectively, due to a cash pooling program for certain of our European bank accounts.

14. Financial instruments

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. During the reporting period no transfers between levels of fair value hierarchy have occurred. During the reporting period no transfer between different level of fair value hierarchy. 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:

	June 30, 2018			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investment in subsidiaries	\$ 5,179,897	\$ —	\$ —	\$ 5,179,897
Interest rate swap contracts	8,530	—	8,530	—
Total assets recorded at fair value	<u>\$ 5,188,427</u>	<u>\$ —</u>	<u>\$ 8,530</u>	<u>\$ 5,179,897</u>
Liabilities				
Interest rate swap contracts	\$ (4)	\$ —	\$ (4)	\$ —
Cross-currency swap contracts	(25,348)	—	(25,348)	—
Currency forward contracts	(13,387)	—	(13,387)	—
Total liabilities recorded at fair value	<u>\$ (38,739)</u>	<u>\$ —</u>	<u>\$ (38,739)</u>	<u>\$ —</u>

June 30, 2017				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investment in subsidiaries	\$ 3,747,359	\$ —	\$ —	\$ 3,747,359
Interest rate swap contracts	2,072	—	2,072	—
Total assets recorded at fair value	<u>\$ 3,749,431</u>	<u>\$ —</u>	<u>\$ 2,072</u>	<u>\$ 3,747,359</u>
Liabilities				
Interest rate swap contracts	\$ (718)	\$ —	\$ (718)	\$ —
Cross-currency swap contracts	(19,760)	—	(19,760)	—
Currency forward contracts	(9,896)	—	(9,896)	—
Total liabilities recorded at fair value	<u>\$ (30,374)</u>	<u>\$ —</u>	<u>\$ (30,374)</u>	<u>\$ —</u>
July 1, 2016				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Investment in subsidiaries	\$ 3,481,837	\$ —	\$ —	\$ 3,481,837
Total assets recorded at fair value	<u>\$ 3,481,837</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 3,481,837</u>
Liabilities				
Interest rate swap contracts	\$ (2,180)	\$ —	\$ (2,180)	\$ —
Cross-currency swap contracts	(8,850)	—	(8,850)	—
Currency forward contracts	(165)	—	(165)	—
Total liabilities recorded at fair value	<u>\$ (11,195)</u>	<u>\$ —</u>	<u>\$ (11,195)</u>	<u>\$ —</u>

Refer to Note 5 in the company only financial statements for further information related to the inputs, assumptions and methodologies used in quantifying the fair value of the investment in subsidiaries. For all of the other financial instruments above, the financial risk and sensitivity analysis are disclosed in Note 25 of the consolidated financial statements.

15. Derivatives

We use derivative financial instruments, such as interest rate swap contracts, cross-currency swap contracts, and currency forward and option contracts, to manage interest rate and foreign currency exposures. Derivatives are recorded in the consolidated balance sheets at fair value. If the derivative is designated as a cash flow hedge or net investment hedge, then the effective portion of changes in the fair value of the derivative is recorded in shareholders' equity and is subsequently reclassified into earnings in the period the hedged forecasted transaction affects earnings. If a derivative is deemed to be ineffective, then the ineffective portion of the change in fair value of the derivative is recognized directly in earnings. The change in the fair value of derivatives not designated as hedges is recognized directly in earnings, as a component of other income net.

Hedges of Interest Rate Risk

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

earnings, as a component of interest expense, net. A portion of two of our interest rate swap contracts was deemed to be ineffective during the year ended June 30, 2017 and one of our contracts was deemed to be ineffective during the prior comparative period.

Amounts reported in shareholders' equity related to interest rate swap contracts will be reclassified to interest expense as interest payments are accrued or made on our variable-rate debt. As of June 30, 2018, we estimate that \$730 will be reclassified from shareholders' equity to interest expense during the twelve months ending June 30, 2019. As of June 30, 2018, we had nine outstanding interest rate swap contracts indexed to one-month USD LIBOR that were held by Cimpress N.V. These instruments were designated as cash flow hedges of interest rate risk and have varying start dates and maturity dates through December 2023.

Interest rate swap contracts outstanding:	June 30, 2018	June 30, 2017	July 1, 2016
Contracts accruing interest	\$ 65,000	\$ 60,000	\$ 115,000
Contracts with a future start date	220,000	110,000	65,000
Total	<u>\$ 285,000</u>	<u>\$ 170,000</u>	<u>\$ 180,000</u>

Hedges of Currency Risk

Cross-Currency Swap Contracts

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

Cross-currency swap contracts designated as cash flow hedges are executed to mitigate our currency exposure to the interest receipts as well as the principal remeasurement and repayment associated with certain intercompany loans denominated in a currency other than our reporting currency, the U.S. Dollar. As of June 30, 2018 and 2017, we had two outstanding cross-currency swap contracts designated as cash flow hedges with a total notional amount of \$120,011, both maturing during June 2019. We entered into the two cross-currency swap contracts to hedge the risk of changes in one Euro denominated intercompany loan entered into with one of our consolidated subsidiaries that has the Euro as its functional currency.

Amounts reported in shareholders' equity will be reclassified to other income net as interest payments are accrued or paid and upon remeasuring the intercompany loan. As of June 30, 2018, we estimate that \$1,387 will be reclassified from shareholders' equity to other income, net during the twelve months ending June 30, 2019.

Cross-currency swap contracts designated as net investment hedges are executed to mitigate our currency exposure of net investments in subsidiaries that have reporting currencies other than the U.S. Dollar. As of June 30, 2018, we had two outstanding cross-currency swap contracts designated as net investment hedges with a total notional amount of \$122,969, both maturing during April 2019. We entered into the two cross-currency swap contracts to hedge the risk of changes in the U.S. Dollar equivalent value of a portion of our net investment in a consolidated subsidiary that has the Euro as its functional currency. Amounts reported in shareholders' equity are recognized as a component of our cumulative translation adjustment.

We did not hold any ineffective cross-currency swaps during the years ended June 30, 2018 and 2017.

Financial Instrument Presentation

The tables below present the fair value of our derivative financial instruments as well as their classification in the statement of financial position as of June 30, 2018, 2017, and July 1, 2016.

June 30, 2018				
Asset Derivatives		Liability Derivatives		
Financial position line item	Net amount	Financial position line item	Net amount	
Derivatives in cash flow hedging relationships				
Interest rate swaps	Other current assets / other assets	\$ 8,530	Other current liabilities / other liabilities	\$ —
Cross-currency swaps	Other current assets / other assets	—	Other current liabilities	(25,348)
Total derivatives designated as hedging instruments		\$ 8,530		\$ (25,348)
Derivatives held as trading				
Currency forward contracts	Other current assets / other assets	\$ —	Other current liabilities / other liabilities	\$ (13,387)
Total derivatives held as trading		\$ —		\$ (13,387)
June 30, 2017				
Asset Derivatives		Liability Derivatives		
Financial position line item	Net amount	Financial position line item	Net amount	
Derivatives in cash flow hedging relationships				
Interest rate swaps	Other assets	\$ 2,072	Other current liabilities / other liabilities	\$ (718)
Cross-currency swaps	Other current assets / other assets	—	Other liabilities	(19,760)
Total derivatives designated as hedging instruments		\$ 2,072		\$ (20,478)
Derivatives held as trading				
Currency forward contracts	Other current assets / other assets	\$ —	Other liabilities	\$ (9,896)
Total derivatives held as trading		\$ —		\$ (9,896)
July 1, 2016				
Asset Derivatives		Liability Derivatives		
Financial position line item	Net amount	Financial position line item	Net amount	
Derivatives in cash flow hedging relationships				
Interest rate swaps	Other current assets / other assets	\$ —	Other current liabilities / other liabilities	\$ (2,180)
Cross-currency swaps	Other current assets / other assets	—	Other liabilities	(8,850)
Total derivatives designated as hedging instruments		\$ —		\$ (11,030)
Derivatives held as trading				
Currency forward contracts	Other current assets / other assets	\$ —	Other liabilities	\$ (165)
Total derivatives held as trading		\$ —		\$ (165)

16. Other income, net

Other income, net

Other income for the years ended June 30, 2018 and 2017 is detailed in the table below.

	Year Ended June 30,	
	2018	2017
Currency-related gains	\$ 6,460	\$ 4,952
Losses on derivatives (1)	(2,642)	(3,463)
Total other income	\$ 3,818	\$ 1,489

(1) Primarily relates to both realized and unrealized losses on derivative cross currency swaps and net investment hedges.

17. Employee benefit expenses

	Year Ended June 30,	
	2018	2017
Wages and salaries excluding share-based compensation	\$ 1,935	\$ 364
Social security contributions	127	168
Other benefits (1)	330	543
Total employee benefit expenses	\$ 2,392	\$ 1,075

(1) Other benefits includes \$80 and \$96 expensed for our government mandated and defined contribution plans in the years ended June 30, 2018 and 2017, respectively.

The average number of personnel employed during the year was 14 (2017:15) consisting of general and administrative employees.

18. Net finance costs

Net finance costs for the years ended June 30, 2018 and 2017 are detailed in the table below.

	Year Ended June 30,	
	2018	2017
Interest income	\$ 1,232	\$ —
Intercompany interest income	34,311	13,369
Interest rate swap, net (1)	70	205
Finance income	\$ 35,613	\$ 13,574
Interest expense	\$ (36,653)	\$ (32,687)
Intercompany interest expense	(4,854)	(10,743)
Finance costs	(41,507)	(43,430)
(Loss) on early extinguishment of debt (2)	(17,359)	—
Net finance costs	\$ (23,253)	\$ (29,856)

(1) Primarily relates to both realized and unrealized gains and losses on interest rate swaps designated as hedging instruments.

(2) During the year ended June 30, 2018, we redeemed all of the outstanding 7.0% senior unsecured notes due 2022 (the "2022 Notes") at a redemption price equal to 105.25% of the principal amount and all accrued unpaid interest. As a result of the redemption, we incurred a loss on the extinguishment of debt of \$17,359. Refer to Note 20 of the consolidated financial statements for additional information.

19. Income tax expense

As of June 30, 2018, Cimpress N.V. was head of the fiscal unity with Cimpress Investments B.V., Printdeal B.V, Drukwerkdeal.nl B.V., Araprint B.V. and Drukwerkdeal Productie B.V. As a result, Cimpress N.V. is jointly and severally liable for any tax debts of the companies forming part of the fiscal unity. Regarding income taxes, we refer to the principles included in Note 28 of our consolidated financial statements.

20. Related party

General

The related parties of Cimpress N.V. comprise certain shareholders, its subsidiaries and the Management and Supervisory Boards. All related party transactions are in the ordinary course of business whereby the Company buys and sells variety of products and services generally on arm's length terms.

Transaction with certain shareholders

There are no material transaction with shareholders.

Transactions with subsidiaries

Refer to Note 6 of the consolidated financial statements for a list of our material subsidiaries as of June 30, 2018.

The transactions between the Company and its subsidiaries comprise financing transactions and other transactions in the ordinary course of business activities. During the year, consulting and advisory fees that were incurred by the Company on behalf of the group were recharged to the subsidiaries.

Please refer to Note 6 of the company financial statements for information on subsidiaries to which we have provided the long term loans.

Transactions with key management personnel

The members of the Management and Supervisory Boards are considered key management personnel as defined in IAS 24 'Related Party Disclosures'.

There are no related party transaction with key management personnel except in relation to compensation as disclosed in Note 21.

21. Remuneration

We have included remuneration information as required by the Dutch Civil Code (art 383 BW2 Title 9).

Supervisory Board Compensation

The following contains information with respect to the compensation earned by our supervisory directors in the fiscal year ended June 30, 2018:

<u>Name</u>	<u>Fees Earned or Paid in Cash (\$)</u>	<u>Share Awards \$(1)</u>	<u>Total (\$)</u>
Paolo De Cesare	123	195	317
Sophie A. Gasperment	118	195	312
John J. Gavin, Jr.	150	195	345
Richard T. Riley	160	195	355
Nadia Shouraboura	123	195	317
Zachary S. Sternberg	71	260	330
Mark T. Thomas	160	195	355
Scott Vassalluzzo	138	195	332
Eric C. Olsen(2)	61	195	256

(1) The amounts reported in this column represent a dollar amount equal to the grant date fair value of the PSUs granted to the directors as computed in accordance with FASB ASC Topic 718. You can find the assumptions we used in the calculations for these amounts in Note 11 to our audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2018.

(2) Mr. Olsen resigned from the Supervisory Board in December 2017.

In addition, at June 30, 2018, our Supervisory Board members held the following equity compensation awards:

- Mr. De Cesare had 11,540 shares subject to outstanding, unexercised share options and 2,832 PSUs.
- Ms. Gasperment held 3,346 PSUs.
- Mr. Gavin had 24,311 shares subject to outstanding, unexercised share options and 2,832 PSUs.
- Mr. Riley had 14,763 shares subject to outstanding, unexercised share options and 2,832 PSUs.
- Each of Dr. Shouraboura and Mr. Vassalluzzo had 5,298 shares subject to outstanding, unexercised share options and 2,832 PSUs.
- Mr. Sternberg held 1,721 PSUs.
- Mr. Thomas had 4,536 shares subject to outstanding, unexercised share options and 2,832 PSUs.

Management Board Compensation

The following table summarizes the compensation earned during the years ended June 30, 2018 and 2017 or each fiscal year when each individual was serving as a member of our management board:

Name and Principal Position	Year	Salary \$(1)	Bonus \$(2)	Share Awards \$(3)	Non-Equity Incentive Plan Compensation \$(4)	All Other Compensation (\$)	Total (\$)
Robert S. Keane	2018	1,677	—	6,784	—	3(5)	8,464
Founder, President, and Chief Executive Officer	2017	1,620	—	9,249	—	3	10,872
Katryn S. Blake	2018	853	200	3,214	—	1,404(6)	5,671
Executive Vice President and Chief Executive Officer, Vistaprint	2017	803	—	3,648	—	412(6)	4,863
Sean E. Quinn	2018	773	225	3,616	55	7(7)	4,676
Executive Vice President and Chief Financial Officer							

- (1) In fiscal year 2017 and for all fiscal years thereafter, we incorporated into the base salary of each member of our management board.
- (2) The amounts reported in this column represent the payment of cash retention bonuses for executive officers who allocated a portion of the LTI awards they received during 2018 or a previous fiscal year to cash retention bonuses.
- (3) The amounts reported in this column represent a dollar amount equal to the grant date fair value of the share awards as computed in accordance with FASB ASC Topic 718. You can find the assumptions we used in the calculations for these amounts in Note 11 to our audited financial statements included in our Annual Report on Form 10-K for the fiscal year ended June 30, 2018.
- (4) The amounts reported in this column represent the aggregate amounts earned for each such fiscal year under each named executive officer's annual cash incentive award for that fiscal year and the component of each officer's long-term cash incentive award that is attributable to that fiscal year.
- (5) \$1,640 of this amount represents payments of tax preparation fees and associated gross-up payments, and \$321 of this amount represents the reimbursement of business travel expenses for Mr. Keane's attendance at meetings of Cimpress' Management Board and associated tax gross-up payments. Although the reimbursement of business travel expenses would not be taxable to Mr. Keane in the United States and although Mr. Keane is not a resident of the Netherlands, under his ruling with the Dutch tax authorities, this reimbursement is considered taxable income to Mr. Keane. Because Mr. Keane should not be financially penalized as a result of taxation by the country in which Cimpress is incorporated, we gross up the reimbursement payments to offset the increased tax liability to him.
- (6) For fiscal year 2018, \$1,391 of this amount represents tax payments, tax preparation fees, and associated tax gross-up amounts relating to Ms. Blake's expatriate payments for her assignment in Paris that ended in 2016, \$5 of this amount represents French taxes paid and associated tax-gross up amounts relating to the vesting of RSUs and exercise of share options attributable to Ms. Blake's assignment in Paris, and \$8 of this amount represents our matching contributions under Cimpress USA's 401(k) deferred savings plan. For fiscal year 2017, \$357 of this amount represents tax payments for 2015 and 2016, tax preparation fees, and associated tax gross-up amounts relating to Ms. Blake's expatriate payments for her assignment in Paris, \$48 of this amount represents French taxes paid and associated tax-gross up amounts relating to the vesting of RSUs and exercise of share options attributable to Ms. Blake's assignment in Paris, and \$8 of this amount represents our matching contributions under Cimpress USA's 401(k) deferred savings plan. For fiscal year 2016, \$621 of this amount represents tax payments for 2014 and 2015 and associated tax gross-up amounts relating to Ms. Blake's expatriate payments for her assignment in Paris, \$345 of this amount represents French taxes paid and associated tax-gross up amounts relating to the vesting of RSUs and exercise of share options attributable to Ms. Blake's assignment in Paris, and \$8 of this amount represents our matching contributions under Cimpress USA's 401(k) deferred savings plan.
- (7) This amount represents our matching contributions under Cimpress USA's 401(k) deferred savings retirement plan.

The following table contains information about unexercised share options, unvested RSUs, and unearned PSUs as of June 30, 2018 for each member of our management board.

Name	Option Awards				Share Awards			
	Number of Securities Underlying Unexercised Options		Option Exercise Price	Option Expiration	Number of Share Units That Have Not Vested	Market Value of Share Units That Have Not Vested	Equity Incentive Plan Awards: Number of Unearned Shares	Equity Incentive Plan Awards: Market Value of Unearned Shares
	(#) Exercisable	(#) Unexercisable	\$(1)	Date	(#)(2)	\$(3)	(#)(4)	\$(5)
Robert S. Keane(6).....	146,028	—	34.25	5/7/2019				
	96,800	—	47.91	5/6/2020				
	105,240	—	54.02	5/5/2021				
	1,147,934	76,528(7)	50.00(7)	5/4/2020(7)				
					N/A	N/A	93,750(8)	13,590
							78,970(9)	11,447
Katryn S. Blake	—	9,297(7)	50.00(7)	5/4/2020(7)				
					3,583	519	36,001(8)	5,219
							18,050(9)	2,617
							18,050(10)	2,617
Sean E. Quinn	—	—	N/A	N/A	4,894	709	24,301(8)	3,523
							20,306(9)	2,944
							20,306(10)	2,944

- (1) Except as set forth in footnote 7 below, each share option has an exercise price equal to the fair market value of our ordinary shares on the date of grant and is fully exercisable as of June 30, 2018. Except as set forth in footnote 7, each share option expires 10 years after the date on which it was granted.
- (2) This column represents RSUs. So long as the named executive officer continues to be employed with us, each RSU award vests, and the vested shares are issued to the named executive officer, over a period of four years: 25% of the shares subject to the award after one year and 6.25% per quarter thereafter.
- (3) The market value of the unvested RSUs is determined by multiplying the number of RSUs by \$144.96 per share, which was the closing price of our ordinary shares on Nasdaq on June 29, 2018, the last trading day of our 2018 fiscal year.
- (4) This column represents the number of Cimpres ordinary shares that would be issuable under outstanding PSUs if the following conditions are achieved: (A) The service-based vesting condition described in footnote 8 or 9, as applicable, is fully satisfied, (B) the 3YMA CAGR is 11% to 11.99% on a measurement date six to ten years after grant, and (C) for the supplemental PSU awards described in footnote 10 only, Cimpres achieves the UFCF Goal.
- (5) The market value of the unearned PSUs is determined by multiplying the number of shares that would be issuable if the conditions described in footnote 4 were achieved by \$144.96 per share, which was the closing price of our ordinary shares on Nasdaq on June 29, 2018, the last trading day of our 2018 fiscal year.
- (6) Mr. Keane's share option awards are held by the Trusts.
- (7) These awards are premium-priced share options with an exercise price that is significantly higher than the closing price of Cimpres' ordinary shares on Nasdaq on the grant dates. The Compensation Committee chose this exercise price in part because it is higher than the highest of the three-, six-, and twelve-month trailing averages of Cimpres' share price on Nasdaq as of the July 28, 2011 public announcement of our growth strategy. The premium-priced share options vest over seven years and have an eight-year term. Mr. Keane may not exercise his premium-priced options unless our share price on Nasdaq is at least \$75.00 on the exercise date.
- (8) The service-based vesting condition for these PSUs is that 25% of the original number of PSUs vest on June 30 of each of 2017 through 2020 so long as the executive officer continues to be an eligible participant under Cimpres' 2016 Plan on such vesting date. However, the PSUs are not earned, and no shares are issuable pursuant to the PSUs, until August 15, 2023 at the earliest (unless there is an earlier change in control) and only if the performance conditions relating to the CAGR of the 3YMA of Cimpres' ordinary shares are satisfied.
- (9) The service-based vesting condition for these PSUs is that 25% of the original number of PSUs vest on June 30 of each of 2018 through 2021 so long as the executive officer continues to be an eligible participant under Cimpres' 2016 Plan on such vesting date. However, the PSUs are not earned, and no shares are issuable pursuant to the PSUs, until August 15, 2024 at the earliest (unless there is an earlier change in control) and only if the performance conditions relating to the CAGR of the 3YMA of Cimpres' ordinary shares are satisfied.
- (10) The service-based vesting condition of these supplemental PSUs granted to Ms. Blake and Quinn is that 1/3 of the original number of PSUs vest on June 30 of each of 2018 through 2020 so long as the executive officer continues to be an eligible participant under Cimpres' 2016 Plan on such vesting date. However, the supplemental PSUs are not earned, and no shares are issuable pursuant to the supplemental PSUs, until August 15, 2024 at the earliest (unless there is an earlier change in control) and only if (1) Cimpres' cumulative consolidated unlevered free cash flow over the period from July 1, 2017 through June 30, 2020 equals or exceeds the UFCF Goal and (2) the performance conditions relating to the CAGR of the 3YMA of Cimpres' ordinary shares are satisfied.

Refer to the Supervisory Board report for further details of the remuneration. No loans, advances and guarantees have been provided to key management personnel.

22. Audit and related fees

The aggregate fees and expenses billed for services rendered by Cimpres N.V.'s independent auditor PricewaterhouseCoopers Accountants N.V. ("PwC") and its member firms and affiliates for the fiscal years ended June 30, 2018 and 2017 to the Company and its subsidiaries were approved by the Audit Committee of the Supervisory Board and are as follows:

	Fiscal 2018	Fiscal 2017
Audit Fees(1)	\$ 3,455	\$ 2,263
Audit-Related Fees(2)	—	—
Tax Fees(2)	546	668
All Other Fees (3)	144	4
Total Fees	<u>\$ 4,145</u>	<u>\$ 2,935</u>

- (1) Audit fees and expenses consisted of fees and expenses billed for the audit of our consolidated financial statements, statutory audits of Cimpres N.V. and certain of our subsidiaries, quarterly reviews of our financial statements, and the audit of the effectiveness of internal control over financial reporting as promulgated by Section 404 of the U.S. Sarbanes-Oxley Act.
- (2) Tax fees and expenses consisted of fees and expenses for tax compliance (including tax return preparation), tax advice, tax planning and consultation services. Tax compliance services (assistance with tax returns, tax audits and appeals) accounted for \$175 of the total tax fees billed in fiscal 2018 and \$116 of the total tax fees billed in fiscal 2017.
- (3) \$4 of this amount for fiscal year 2018 and all of this amount for fiscal year 2017 represent subscription fees for PwC's accounting research tool. The remaining \$140 for fiscal year 2018 represents fees for global mobility immigration services.

Other Information

Subsidiaries listing

For a listing of our subsidiaries by location, refer to Note 6 in the accompanying notes to the consolidated financial statements.

Appropriation of profit

Profit is appropriated in accordance with Article 21 of the Articles of Association, which states that the Management Board shall determine, subject to the prior the approval of the Supervisory Board, the portion of the profit to be added to reserves. The part of the profits not reserved shall be at the disposal of the general meeting of shareholders.

SIGNATURES

Cimpress N.V. has duly caused this report to be signed on its behalf by the undersigned on October 22, 2018.

Management Board

/s/ Robert S. Keane

Robert S. Keane

/s/ Katryn Blake

Katryn Blake

/s/ Sean E. Quinn

Sean E. Quinn

Supervisory Board

/s/ Paolo De Cesare

Paolo De Cesare

/s/ Sophie A. Gasperment

Sophie A. Gasperment

/s/ John J. Gavin Jr.

John J. Gavin Jr.

/s/ Richard T. Riley

Richard T. Riley

/s/ Nadia Shouraboura

Nadia Shouraboura

/s/ Zachary Sternberg

Zachary Sternberg

/s/ Mark T. Thomas

Mark T. Thomas

/s/ Scott Vassalluzzo

Scott Vassalluzzo



Independent auditor's report

To: the general meeting and supervisory board of Cimpres N.V.

Report on the financial statements 2017/2018

Our opinion

In our opinion, Cimpres N.V.'s financial statements 2017/2018 give a true and fair view of the financial position of the Company and the Group as at June 30, 2018, and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2017/2018 of Cimpres N.V., Venlo ('the Company'). The financial statements include the consolidated financial statements of Cimpres N.V. together with its subsidiaries ('the Group') and the company financial statements.

The financial statements comprise:

- the consolidated and company statement of financial position as at June 30, 2018;
- the following statements for 2017/2018: the consolidated and company statement of profit or loss, the consolidated and company statements of comprehensive income, changes in equity and cash flows; and
- the notes, comprising the significant accounting policies and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3JYSAXK7DM47-1603006586-21

PricewaterhouseCoopers Accountants N.V., Flight Forum 840, 5657 DV Eindhoven, P.O. Box 6365,
5600 HJ Eindhoven, the Netherlands
T: +31 (0) 88 792 00 40, F: +31 (0) 88 792 94 13, www.pwc.nl

'PwC' is the brand under which PricewaterhouseCoopers Accountants N.V. (Chamber of Commerce 34180285), PricewaterhouseCoopers Belastingadviseurs N.V. (Chamber of Commerce 34180284), PricewaterhouseCoopers Advisory N.V. (Chamber of Commerce 34180287), PricewaterhouseCoopers Compliance Services B.V. (Chamber of Commerce 51414406), PricewaterhouseCoopers Pensions, Actuarial & Insurance Services B.V. (Chamber of Commerce 54226368), PricewaterhouseCoopers B.V. (Chamber of Commerce 34180289) and other companies operate and provide services. These services are governed by General Terms and Conditions ('algemene voorwaarden'), which include provisions regarding our liability. Purchases by these companies are governed by General Terms and Conditions of Purchase ('algemene inkoopvoorwaarden'). At www.pwc.nl more detailed information on these companies is available, including these General Terms and Conditions and the General Terms and Conditions of Purchase, which have also been filed at the Amsterdam Chamber of Commerce.



Independence

We are independent of Cimpres N.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO – Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence requirements in the Netherlands.

Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA – Code of Ethics for Professional Accountants, a regulation with respect to rules of professional conduct).

Our audit approach

Overview and context

Cimpres N.V. is a technology driven company that aggregates, largely via the internet, large volumes of small, individually customized orders for a broad spectrum of print, signage, apparel and similar products. As both the operational as well as the financial processes of the Group are highly automated, the reliability and continuity of electronic data processing were of high importance in our audit. As part of our procedures performed, we tested the operating effectiveness of internal control procedures related to the applications and systems that we considered relevant for the purpose of our audit.

The Group is comprised of a large number of individual entities and therefore the determination of the scope of our group audit involved significant professional judgement. Further details on our group audit scope and approach are set out in the section 'The scope of our group audit'.

We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

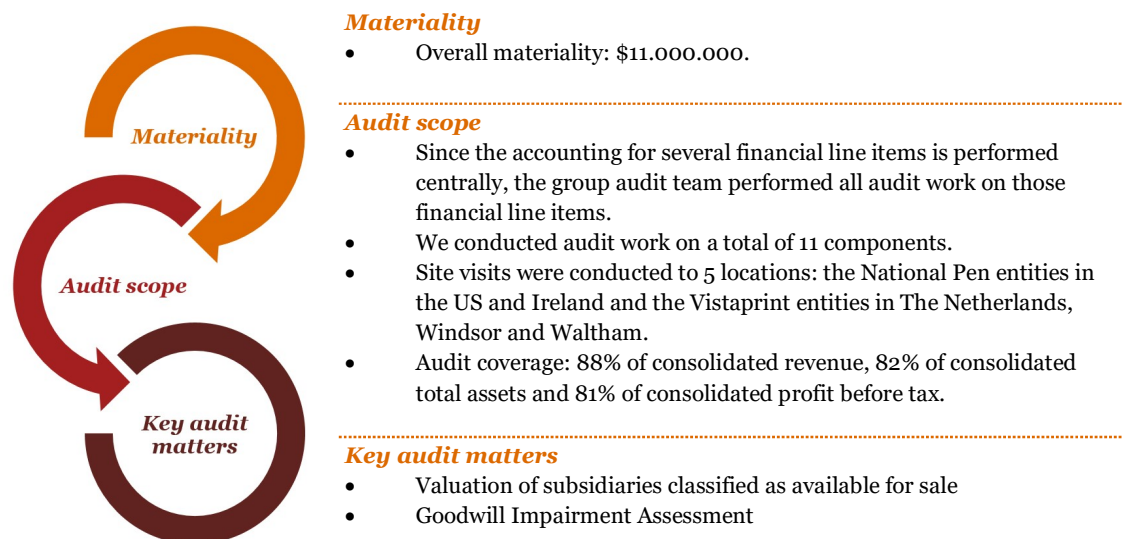
The decision by the Company to change the accounting framework in the financial statements from Dutch Accounting Standards ('Dutch GAAP') to EU-IFRS, resulting in measuring Cimpres N.V.' share in subsidiaries at fair value, leading to a step-up of \$2.620 million, as per 1 July 2016, characterised the financial year 2017/2018. This affected our audit procedures as described in the section 'Key audit matters'.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the management board made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In note 2 to the consolidated financial statements, the Company describes the areas of judgment in applying accounting policies and the key sources of estimation uncertainty. Given the significant estimation uncertainty and the related higher inherent risks of material misstatement in the determination of the fair value of Cimpres N.V.' share in subsidiaries and associates, we considered this matter as key audit matter as set out in the section 'Key audit matters' of this report. Furthermore, we identified the goodwill impairment assessment as a key audit matter because of the significant estimates and levels of management judgement involved in the assessment.

Other areas of focus, that were not considered as key audit matters were the valuation of deferred taxes and the restructuring charges during the year. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the management board that may represent a risk of material misstatement due to fraud.

We ensured that the audit teams both at group and at component levels included the appropriate skills and competences, which are needed for the audit of a technology driven Group. We therefore included IT specialists, valuation experts, employee benefit specialists and tax specialists in our team.

The outline of our audit approach was as follows:



Materiality

The scope of our audit is influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgment, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	\$11.000.000 (2016/2017: \$10.700.000.).
Basis for determining materiality	We used our professional judgment to determine overall materiality. As a basis for our judgment we used a midpoint of a range of relevant benchmarks (0.5% of revenues, 2,5% of EBITDA, 5% of free cash flow and 1% of total assets).
Rationale for benchmark applied	We consider revenues as the primary benchmark as we consider this the most relevant metric of future profitability for investors, a generally accepted auditing practice, based on our analysis of the common information needs of users of the financial statements. We also considered materiality under other relevant benchmarks, being EBITDA, free cash flow and total assets.

	<p>Given the long-term growth strategy of the Company the profit before tax is volatile from year to year as a result of the Company's significant investments. On this basis, we believe that revenues, EBITDA and free cash flow are currently the most representative metrics for the financial performance of the company.</p> <p>We triangulated the meaningful and appropriate metrics as mentioned and determined an overall materiality level falling below the midpoint of the range. We determined \$11.000.000 to be a reasonable overall materiality for our audit.</p>
Component materiality	<p>To each component in our audit scope, we, based on our judgement, allocate materiality that is less than our overall group materiality. The range of materiality allocated across components was between \$1.800.000 and \$9.700.000.</p>

We also take misstatements and/or possible misstatements into account that, in our judgement, are material for qualitative reasons.

We agreed with the supervisory board that we would report to them misstatements identified during our audit above \$800.000 (2016/2017: \$750.000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Cimpress N.V. is the parent company of a large group of entities. The financial information of this group is included in the consolidated financial statements of Cimpress N.V.

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate. In establishing the overall group audit strategy and plan, we determined the type of work required to be performed at the component level by the group engagement team and by each component auditor.

As group auditor, we performed audit procedures for the financial statement line items for which the accounting is performed at the group level, including the audit work on the group consolidation, financial statement disclosures and a number of complex items at the head office. This mainly included audit work on: revenue transactions, (manual) journal entries, audit cash positions, certain accruals, goodwill, intangible assets including those related to acquisition(s), subsidiaries classified as available for sale in the company financial statements, the derivative financial instruments, hedge accounting, share based payments, tax and external debt.

Furthermore, the work performed by the group auditor primarily focussed on the significant component indicated as the Cimpress Corporate Component (consisting of 6 legal entities). This component was subjected to an audit of its complete financial information, as this component is individually financially significant to the group. Six components were subjected to specific audit procedures performed by the group auditor as they include significant balances (mainly related to the primary manufacturing facilities for the Vistaprint business).

After determining the work performed centrally by the group engagement team, we determined the remaining work to be performed at the component level by the respective component auditors. Additionally, four components (Germany, France, Ireland and Italy) were selected for specified audit procedures to achieve appropriate coverage on financial line items in the consolidated financial statements or to build an element of unpredictability in our audit. For these components we used component auditors who are familiar with the local laws and regulations to perform the audit work.



In total, in performing these procedures, we achieved the following coverage on the financial line items:

Revenue	88%
Total assets	82%
Profit before tax	81%

Additionally, the group audit team performed a review of the financial information for selected entities. None of the remaining components represented more than 3% of total group revenue or total group assets. For those remaining components we performed, among other things, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components.

During the audit, the group engagement team made use of the work of internal audit for the testing of internal controls with a low or moderate risk. We have understood and evaluated the nature, timing, extent and results of the testing performed by the internal auditors and evaluated the adequacy of their work performed. Furthermore, we assessed the competence and objectivity of the internal control members and verified whether the internal control function applies a systematic and disciplined approach, including quality control.

Where component auditors performed the work, we determined the level of involvement we needed to have in their audit work to be able to conclude whether we had obtained sufficient appropriate audit evidence as a basis for our opinion on the consolidated financial statements as a whole.

We issued instructions to the component audit teams in our audit scope. These instructions included amongst others our risk analysis, materiality and scope of the work. We explained to the component audit teams the structure of the group, the main developments that are relevant for the component auditors, the risks identified, the materiality levels to be applied and our group audit approach. We had individual calls with each of the in-scope component audit teams during the year including upon the conclusion of their work. During these calls, we discussed the significant accounting and audit issues identified by the component auditors, the reports of the component auditors, the findings of their procedures and other matters, which could be of relevance for the consolidated financial statements. The group engagement team visits the component teams and local management on a rotational basis. In the current year, the group audit team visited the component team and local management of the National Pen entities in the US and Ireland, as well as the Vistaprint entities in the Netherlands, Windsor and Waltham. The group engagement team stayed in contact during the procedures performed via conference calls with all component auditors. The engagement leader and the senior members of the group engagement team reviewed all reports regarding the audit approach and findings of the component auditors.

By performing the procedures above at components, combined with additional procedures at the group level, we have been able to obtain sufficient and appropriate audit evidence on the Group's financial information, as a whole, to provide a basis for our opinion on the financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.



We addressed the key audit matters in the context of our audit of the financial statements as a whole, and in forming our opinion thereon. We do not provide separate opinions on these matters or on specific elements of the financial statements. Any comments or observations we made on the results of our procedures should be read in this context.

In prior year's auditor's report, we noted the following key audit matters: the accounting of the National Pen Acquisition and the accuracy and existence/occurrence of the restructuring charges. As the National Pen Acquisition was a transaction specifically affecting prior year's financial statements and the restructuring charges in the current year are of a smaller size, these have less impact on the results from operations and consequently both items are no longer included as key audit matters. Refer to the overview and context paragraph and in more detail below for the items identified as key audit matters in the current year.

Key audit matter	How our audit addressed the matter
<p>Valuation of subsidiaries classified as available for sale</p> <p><i>Refer to note 5 and 9 to the company only financial statements</i></p> <p>The Company has decided to convert its statutory financial statements from Dutch GAAP to EU-IFRS and has made an election, whereby Cimpress' share in subsidiaries in the company financial statements is measured at fair value. As a result, a legal revaluation reserve was established upon adoption of USD 4,189 million at 30 June 2018. Subsequently USD 856 million of this newly created revaluation reserve was converted to freely distributable reserves, with the objectives to give flexibility to allocate capital, to continue repurchase of shares, and for other corporate purposes. If all or a portion of the remaining legal revaluation reserve will subsequently be converted into freely distributable reserves as well, such amounts would also be available to distribute in form of share repurchases and/or dividends.</p> <p>As described in Notes 5 and 9 to the company only financial statements, the Company's investment in subsidiaries balance was \$5,180 million, \$3,747 million and \$3,482 million as of June 30, 2018, June 30, 2017 and July 1, 2016, respectively. Under EU-IFRS, the Company is permitted to classify its investment in subsidiaries as available for sale securities in the Company's financial statements, and account for these subsidiaries at fair value. The fair value of the subsidiaries for each period presented was determined based on use of both the income approach using a discounted cash flow valuation model and a market approach using the guideline public company method. The determination of fair value using the discounted</p>	<p>Our approach to addressing the matter involved obtaining sufficient and appropriate audit evidence over the valuation of the subsidiaries classified as available for sale as included in the company financial statements. Our procedures included, among others:</p> <ul style="list-style-type: none">• We first obtained and analyzed external legal advice, which supports the conversion of the legal revaluation reserve into share capital, and the subsequent steps to convert share capital into share premium under Dutch law and positively confirms these steps under Dutch law. Subsequently we verified the conversion itself, reconciled the fair value adjustment based on amongst others a third party report, and tested the resulting overall conversion entries. Additionally we verified that share repurchases executed during the year fulfill all legal requirements. We also challenged management whether the interests of creditors and other stakeholders have been taken into account appropriately in making its decision to take the abovementioned steps, including assessing management's assessment of the company's ability to continue paying its obligations thereafter.• We assessed the reasonableness of management's identification of the Company's businesses, or cash generating units, used as starting point to calculate the fair value, after subsequently allocating the fair value to each individual subsidiary.• We reconciled input data used in the fair value model to supporting evidence, such as approved forecasts and observable peer company data.

Key audit matter

cash flow method requires the use of estimates and assumptions related to revenue growth rates, projected operating margins, and a discount rate based on a weighted-average cost of capital. The guideline public company approach requires the use of estimates and assumptions related to the selection of guideline companies and forecasted EBITDA.

We determined the valuation of the Company's investment in subsidiaries classified as available for sale as a key audit matter because of the significant judgment required by management and the high level of estimation uncertainty in assessing the market participant's assumptions when developing the fair value measurement of each subsidiary.

The assessments performed by management, required judgment in the determination of key assumptions and future market conditions, particularly in relation to: revenue growth rates, projected operating margins, discount rate, as well as the pricing multiples derived from market prices of comparable companies and forecasted EBITDA. Any change in the important assumptions, based on their sensitivity, could have a significant effect on the financial statements.

Furthermore, the steps to be able to continue repurchasing shares required investigation to determine whether these steps are acceptable in light of the creditor protection rules in Dutch law.

How our audit addressed the matter

We evaluated and challenged management's forecasts of expected future cash flows. In order to test the robustness of management's projections and estimates we compared current year actual results included in prior year forecasts to consider whether any forecasts included assumptions that, with hindsight, had been too optimistic. We had no important findings with respect to these forecasts.

- We tested the mathematical accuracy of calculations derived from the discounted cash flow model.
- Management involved an expert and we utilized an internal valuation specialist to assist in evaluating the Company's discounted cash flow model and certain significant assumptions, including discount rate. We performed procedures to assess the reputation, objectivity and competence of management's expert. We found that we could use the work of the expert for the purposes of our audit. We also assessed the reasonableness of the sum of the CGUs in comparison to the Company's market capitalization at each reporting date, and the resulting implied premium.
- We evaluated the significant assumptions and methods used by management in developing the fair value measurement including revenue growth rates, projected operating margin and discount rate, as well as the selection of guideline companies and forecasted EBITDA. We also evaluated management's weighted-average combination of the income and guideline public company approaches. We challenged management's assumptions for revenue growth rates, projected operating margins and forecasted EBITDA by considering the past performance of the subsidiary and industry and peer data. We assessed the cost of capital for the company and comparable organizations. We verified that the assumptions used were consistent with evidence obtained in other areas of the audit.
- We concluded that the assumptions used were reasonable and in line with our expectations.

Key audit matter

How our audit addressed the matter

Goodwill Impairment Assessment

Refer to note 9 of the consolidated financial statements

As described in Note 9 to the consolidated financial statements, the Company's consolidated goodwill balance was \$523.8 million as of June 30, 2018. The Company evaluated each of its ten cash generating units individually. The Company conducts an impairment test as of May 31 of each year, or more frequently if events or circumstances indicate that the carrying value of goodwill may be impaired. Potential impairment is identified by comparing the value-in-use of a cash-generating unit to its carrying value, including goodwill. Value-in-use of the cash-generating unit is estimated based on the present value of the future cash flows model. The determination of fair value using this technique requires the use of estimates and assumptions related to revenue growth rates, projected operating income, and a discount rate based on a weighted-average cost of capital.

We determined that the goodwill impairment assessment of the Company's cash-generating units is a key audit matter as there was significant judgment required by management and a high level of estimation uncertainty when developing the value-in-use of the cash generating units. The assessments performed by management, required judgment in the determination of key assumptions, particularly in relation to: revenue growth rates, projected operating income and a discount rate. Any change in the important assumptions, could have a significant effect on the financial statements.

- Finally, we evaluated the sufficiency of the related disclosures and found them to be appropriate, containing the required information on assumptions used and their sensitivities and in line with the requirements of the accounting framework.

Our approach to addressing the matter involved obtaining sufficient and appropriate audit evidence over the goodwill impairment assessment.

Our procedures also included, among others:

- We tested controls over the goodwill impairment assessment, including review of the estimates and all significant assumptions used in the forecasted financial information. We found that we could rely on these controls for the purposes of our audit.
- We evaluated management's assessment of impairment indicators, including the conclusions reached.
- We assessed the reasonableness of management's identification of the smallest group of assets that generates cash inflows independently (i.e. cash-generating unit).
- We reconciled input data used in the discounted cash flow model to supporting evidence, such as approved forecasts. We evaluated and challenged management's forecasts. This included agreeing the forecasted information to management-approved budget and business plans. In order to test the robustness of management's projections and estimates we compared current year actual results included in prior year forecast to consider whether any forecasts included assumptions that, with hindsight, had been too optimistic. We had no important findings with respect to these forecasts.
- We tested the mathematical accuracy of the calculations derived from the discounted cash flow model, as well as considered the appropriateness of the type of cash flows included.
- We assessed the recoverable amount of each cash-generating unit based on its value-in-use as determined by the discounted cash flow model, reviewed documentation supporting key judgments and assumptions in the cash flow, considered external evidence and



Key audit matter

How our audit addressed the matter

historical accuracy of management's assumptions and forecasts, including the revenue growth rate, projected operating income and discount rate. We challenged management's assumptions for revenue growth rate and projected operating income by considering the past performance of the cash generating units and industry and peer data. We assessed the cost of capital for the company and comparable organisations. We verified that assumptions used were consistent with evidence obtained in other areas of the audit. We concluded that the assumptions used were reasonable and in line with our expectations.

- We utilized a valuation specialist to assist in evaluating the Company's discounted cash flow model and certain significant assumptions, including discount rate.
 - Finally, we evaluated the sufficiency of the related disclosure and found this to be appropriate and in line with the requirements of the accounting framework.
-

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the management board report;
- the Corporate Governance report;
- the profile of the management board and supervisory board;
- the supervisory board report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the directors' report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Cimpress N.V. on 12 November 2014 by the supervisory board following the passing of a resolution by the shareholders at the annual meeting held on 12 November 2014. Our appointment has been renewed annually by shareholders representing a total period of uninterrupted engagement appointment of 4 years.

Responsibilities for the financial statements and the audit

Responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.



As part of the preparation of the financial statements, the management board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the management board should prepare the financial statements using the going-concern basis of accounting unless the management board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Eindhoven, October 22, 2018
PricewaterhouseCoopers Accountants N.V.

Original has been signed by R.M.N. Admiraal RA

Appendix to our auditor's report on the financial statements 2017/2018 of Cimpress N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.



We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.