

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended December 31, 2006

OR

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from _____ to _____.

Commission File Number: 000-51539

VISTAPRINT LIMITED

(Exact Name of Registrant as Specified in its Charter)

Bermuda
(State or Other Jurisdiction of
Incorporation or Organization)

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

Canon's Court
22 Victoria Street
Hamilton, HM 12
Bermuda
(Address of Principal Executive Offices, Including Zip Code)

441-295-2244
(Registrant's Telephone Number, Including Area Code)

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

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

As of January 26, 2007, there were outstanding 42,486,185 of the registrant's common shares, par value US\$.001 per share.

FORM 10-Q

INDEX

	<u>Page</u>
<u>PART I FINANCIAL INFORMATION</u>	3
ITEM 1: Financial Statements	3
Unaudited Condensed Consolidated Balance Sheets as of December 31, 2006 and June 30, 2006	4
Unaudited Condensed Consolidated Statements of Income for the three and six months ended December 31, 2006 and 2005	5
Unaudited Condensed Consolidated Statements of Cash Flows for the six months ended December 31, 2006 and 2005	6
Notes to Unaudited Condensed Consolidated Financial Statements	7
ITEM 2: Management’s Discussion and Analysis of Financial Condition and Results of Operations	13
ITEM 3: Quantitative and Qualitative Disclosures About Market Risk	20
ITEM 4: Controls and Procedures	21
<u>PART II OTHER INFORMATION</u>	21
ITEM 1: Legal Proceedings	21
ITEM 1A: Risk Factors	22
ITEM 2: Unregistered Sales of Equity Securities and Use of Proceeds	35
ITEM 3: Defaults Upon Senior Securities	35
ITEM 4: Submission of Matters to a Vote of Security Holders	35
ITEM 5: Other Information	36
ITEM 6: Exhibits	36
Signatures	37
EXHIBIT INDEX	38

[Table of Contents](#)

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

**VISTAPRINT LIMITED
INDEX TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

Unaudited Condensed Consolidated Balance Sheets	4
Unaudited Condensed Consolidated Statements of Income	5
Unaudited Condensed Consolidated Statements of Cash Flows	6
Notes to Unaudited Condensed Consolidated Financial Statements	7

VISTAPRINT LIMITED
CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2006	June 30, 2006
	(Unaudited)	
	(In thousands, except share and per share data)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 57,065	\$ 64,653
Marketable securities	47,091	43,474
Accounts receivable, net of allowances of \$42 and \$50 at December 31, 2006 and June 30, 2006, respectively	2,048	1,465
Inventory	1,401	1,407
Prepaid expenses and other current assets	4,670	3,564
Total current assets	112,275	114,563
Property, plant and equipment, net	77,054	50,311
Software and web site development costs, net	2,939	2,417
Patents	1,347	1,417
Deferred tax asset	346	435
Deposits, image licenses and other non current assets	4,092	2,249
Total assets	<u>\$ 198,053</u>	<u>\$ 171,392</u>
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	4,739	6,240
Accrued expenses	20,083	13,716
Deferred revenue	1,330	1,924
Current portion of long-term debt	3,182	2,482
Total current liabilities	29,334	24,362
Long-term debt	23,159	23,046
Shareholders' equity :		
Common shares, par value \$0.001 per share, 500,000,000 shares authorized at December 31, 2006 and June 30, 2006; 42,252,264 and 41,500,750 shares issued and outstanding at December 31, 2006 and June 30, 2006, respectively	42	42
Additional paid-in capital	152,957	146,354
Accumulated deficit	(8,717)	(23,077)
Accumulated other comprehensive income	1,278	665
Total shareholders' equity	145,560	123,984
Total liabilities and shareholders' equity	<u>\$ 198,053</u>	<u>\$ 171,392</u>

See accompanying notes.

VISTAPRINT LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended December 31,		Six Months Ended December 31,	
	2006	2005	2006	2005
	(Unaudited)			
	(in thousands, except share and per share data)			
Revenue	\$ 64,034	\$ 36,366	\$ 114,037	\$ 65,264
Cost of revenue (1)	23,072	11,677	40,058	22,977
Technology and development expense (1)	6,430	3,570	11,948	6,546
Marketing and selling expense (1)	21,338	12,836	37,845	22,402
General and administrative expense (1)	4,670	2,629	9,448	4,290
Income from operations	8,524	5,654	14,738	9,049
Interest income	1,163	749	2,324	884
Other income (expenses), net	58	(119)	(99)	(201)
Interest expense	482	259	944	485
Income from operations before income taxes	9,263	6,025	16,019	9,247
Income tax provision	951	559	1,659	880
Net income	<u>\$ 8,312</u>	<u>\$ 5,466</u>	<u>\$ 14,360</u>	<u>\$ 8,367</u>
Net income attributable to common shareholders:				
Basic	\$ 8,312	\$ 5,466	\$ 14,360	\$ 6,022
Diluted	\$ 8,312	\$ 5,466	\$ 14,360	\$ 6,096
Basic net income per share	<u>\$ 0.20</u>	<u>\$ 0.14</u>	<u>\$ 0.34</u>	<u>\$ 0.23</u>
Diluted net income per share	<u>\$ 0.18</u>	<u>\$ 0.13</u>	<u>\$ 0.32</u>	<u>\$ 0.21</u>
Weighted average common shares outstanding - basic	42,071,559	39,956,666	41,876,859	25,858,807
Weighted average common shares outstanding - diluted	<u>45,202,495</u>	<u>43,651,712</u>	<u>44,925,124</u>	<u>28,984,394</u>

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

	Three Months Ended December 31,		Six Months Ended December 31,	
	2006	2005	2006	2005
	(Unaudited)			
	(in thousands)			
Cost of revenue	\$ 115	\$ 31	\$ 182	\$ 32
Technology and development expense	620	148	1,033	152
Marketing and selling expense	445	35	718	38
General and administrative expense	621	112	1,135	117
	<u>\$ 1,801</u>	<u>\$ 326</u>	<u>\$ 3,068</u>	<u>\$ 339</u>

See accompanying notes.

VISTAPRINT LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	December 31,	
	2006	2005
	(Unaudited)	
	(in thousands)	
Operating activities		
Net income	\$ 14,360	\$ 8,367
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,150	3,622
Loss on disposal of equipment	286	—
Share-based compensation expense	3,068	339
Deferred taxes	89	315
Changes in operating assets and liabilities:		
Accounts receivable	(557)	119
Inventory	25	(225)
Prepaid expenses and other assets	(2,697)	(1,471)
Accounts payable	(2,195)	(1,002)
Accrued expenses and other current liabilities	5,932	4,265
Net cash provided by operating activities	24,461	14,329
Investing activities		
Purchases of property, plant and equipment	(30,533)	(8,932)
Proceeds from sale of equipment	196	—
Purchases of marketable securities	(31,365)	(30,475)
Sales of marketable securities	27,480	275
Capitalization of software and website development costs	(1,778)	(867)
Net cash used in investing activities	(36,000)	(39,999)
Financing activities		
Proceeds from long-term debt	1,630	5,405
Repayment of long-term debt	(1,026)	(482)
Payment of offering costs	—	(1,376)
Net proceeds from public offering	—	61,380
Proceeds from issuance of common shares	3,256	516
Net cash provided by financing activities	3,860	65,443
Effect of exchange rate changes on cash	91	(67)
Net increase (decrease) in cash and cash equivalents	(7,588)	39,706
Cash and cash equivalents at beginning of period	64,653	26,402
Cash and cash equivalents at end of period	<u>\$ 57,065</u>	<u>\$ 66,108</u>
Supplemental Noncash Financing Activities		
Accretion of preferred shares	—	\$ 1,295

See accompanying notes.

VISTAPRINT LIMITED
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share data)

1. Description of the Business

VistaPrint Limited, a Bermuda company (the “Company”), is a leading online supplier of high-quality graphic design services and customized printed products to small businesses and consumers worldwide. Through the use of proprietary Internet-based graphic design software, localized websites, proprietary order receiving and processing technologies and advanced computer integrated printing facilities, the Company offers a broad spectrum of products ranging from business cards and brochures to invitations and holiday cards. The Company focuses on serving the graphic design and printing needs of the small business market, generally businesses or organizations with fewer than 10 employees. The Company also provides graphic design services and printed products to the consumer market.

Prior to May 2005, the Company purchased all of its printed materials for the fulfillment of North American customer orders from a related party, Mod-Pac Corporation (“Mod-Pac”), pursuant to a long-term supply agreement (see Note 5). Since May 2005, the Company has been producing printed materials for the fulfillment of North American customer orders at its manufacturing facility in Windsor, Ontario, Canada. Printed materials for the fulfillment of customer orders outside of North America are produced by the Company’s manufacturing facility in Venlo, the Netherlands. Since September 2005, the Company has produced 100% of its customer print orders at its internal manufacturing facilities.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and, accordingly, do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. The accompanying unaudited condensed consolidated financial statements include the accounts of VistaPrint Limited and its wholly owned subsidiaries. In the opinion of management, all adjustments, consisting primarily of normal recurring accruals, considered necessary for a fair presentation of the results of operations for the interim periods reported and of the Company’s financial condition as of the date of the interim balance sheet have been included. Operating results for the three and six months ended December 31, 2006 are not necessarily indicative of the results that may be expected for the year ending June 30, 2007 or for any other period.

The condensed consolidated balance sheet at June 30, 2006 has been derived from the Company’s audited consolidated financial statements at that date but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company’s Annual Report on Form 10-K filed with the Securities and Exchange Commission on September 13, 2006.

Net Income Per Share

The Company calculates net income per share in accordance with Statement of Financial Accounting Standards (“SFAS”) No. 128, Earnings Per Share, as clarified by Emerging Issues Task Force (“EITF”) Issue No. 03-6, Participating Securities and the Two Class Method under FASB Statement No. 128, Earnings per Share (“EITF 03-6”). EITF 03-6 clarified the use of the “two-class” method of calculating earnings per share as originally prescribed in SFAS 128. EITF 03-6 provides guidance on how to determine whether a security should be considered a “participating security” for purposes of computing earnings or loss per share and how earnings should be allocated to a participating security when using the two-class method for computing basic earnings per share. The Company determined that its redeemable convertible preferred shares represented a participating security. As of September 29, 2005, all of the outstanding redeemable convertible preferred shares were deemed to have converted into common shares in connection with the Company’s initial public offering. Accordingly, the Company calculated net income per share for the three and six month periods ended December 31, 2006 using the if-converted method. For the three months ended December 31, 2005, the Company calculated net income per share using the if-converted method. For the six months ended December 31, 2005, the Company calculated net income per share using the two-class method for the first 91 days of the period and the if-converted method for the remainder of the period.

Basic net income per share is computed by dividing the net income attributable to common shareholders by the weighted-average number of common shares outstanding for the fiscal period.

Diluted net income per share is computed using the more dilutive of (a) the two-class method or (b) the if-converted method. Under the two-class method, the Company allocated net income first to preferred shareholders based on dividend rights under the Company’s

[Table of Contents](#)

by-laws and then to preferred and common shareholders, pro rata, based on ownership interests. Net losses are not allocated to preferred shareholders. Diluted net income per share gives effect to all potentially dilutive securities, including share options and restricted share units using the treasury stock method.

The following table sets forth the computation of basic and diluted net income per share (in thousands, except share and per share amounts):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2006	2005	2006	2005
Numerator:				
Net income	\$ 8,312	\$ 5,466	\$ 14,360	\$ 8,367
Allocation of net income :				
Basic:				
Accretion of preferred share dividends	—	—	—	1,281
Undistributed net income allocated to preferred shareholders	—	—	—	1,064
Net income attributable to preferred shareholders	—	—	—	2,345
Net income attributable to common shareholders	8,312	5,466	14,360	6,022
Net income	\$ 8,312	\$ 5,466	\$ 14,360	\$ 8,367
Diluted:				
Accretion of preferred share dividends	—	—	—	1,281
Undistributed net income allocated to preferred shareholders	—	—	—	990
Net income attributable to preferred shareholders	—	—	—	2,271
Net income attributable to common shareholders	8,312	5,466	14,360	6,096
Net income	\$ 8,312	\$ 5,466	\$ 14,360	\$ 8,367
Denominator:				
Weighted-average common shares outstanding	42,071,559	39,956,666	41,876,859	25,858,807
Weighted-average common shares issuable upon exercise of outstanding share options	3,130,936	3,695,046	3,048,265	3,125,587
Shares used in computing diluted net income per common share	45,202,495	43,651,712	44,925,124	28,984,394
Calculation of net income per share:				
Basic:				
Net income attributable to common shareholders	\$ 8,312	\$ 5,466	\$ 14,360	\$ 6,022
Weighted average common shares outstanding	42,071,559	39,956,666	41,876,859	25,858,807
Net income per common share	\$ 0.20	\$ 0.14	\$ 0.34	\$ 0.23
Diluted:				
Net income attributable to common shareholders	\$ 8,312	\$ 5,466	\$ 14,360	\$ 6,096
Shares used in computing diluted net income per common share	45,202,495	43,651,712	44,925,124	28,984,394
Net income per common share	\$ 0.18	\$ 0.13	\$ 0.32	\$ 0.21

Share-Based Compensation

At December 31, 2006, the Company had three share-based compensation plans (see Note 3). The Company grants share options for a fixed number of shares to employees and certain other individuals with exercise prices equal to the closing price of the Company's common shares at the dates of grant. In addition, the Company grants restricted share units for a fixed number of shares to employees and certain other individuals. Prior to July 1, 2005, the Company had accounted for grants under its share-based compensation plans using the recognition and measurement provisions of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations, as permitted by SFAS No. 123, Accounting for Stock-Based Compensation ("Statement 123"), and, as such, compensation cost had not been recognized on those grants. Effective July 1, 2005, the Company adopted the fair value recognition provisions of SFAS No. 123(R), Share-Based Payment ("Statement 123(R)"), using the modified-prospective-transition method. Under this transition method, share-based compensation cost recognized by the Company beginning July 1, 2005 includes: (a) compensation cost for all share-based payments

[Table of Contents](#)

granted between June 3, 2005, the date the Company filed its Registration Statement on Form S-1 with the Securities and Exchange Commission, and July 1, 2005, but not yet vested as of July 1, 2005, based on the grant date fair value estimated in accordance with the original provisions of Statement 123, and (b) compensation cost for all share-based payments granted subsequent to July 1, 2005, based on the grant-date fair value estimated in accordance with the provisions of Statement 123(R). As permitted under the modified-prospective-transition method guidelines of Statement 123(R), results for periods prior to the adoption of Statement 123(R) have not been restated.

As a result of adopting Statement 123(R) on July 1, 2005, the Company recorded compensation cost that has been charged against income of \$326 and \$339, for the three and six months ended December 31, 2005, respectively. The Company recorded compensation cost that has been charged against income of \$1,226 and \$2,163, for the three and six months ended December 31, 2006, respectively. No income tax benefit was recognized in the unaudited condensed consolidated statements of income for share-based compensation arrangements in any of the three or six months ended December 31, 2006 and 2005. As a result of the recognition of share-based compensation costs, net income for the three and six months ended December 31, 2006 was \$1,226 and \$2,163 lower, respectively, than if the Company had continued to account for share-based compensation under APB Opinion No. 25. As a result of the recognition of share-based compensation costs, net income for the three and six months ended December 31, 2005 was \$326 and \$339 lower, respectively, than if the Company had continued to account for share-based compensation under APB Opinion No. 25. Basic and diluted earnings per share were \$0.03 and \$0.03 lower, respectively, for the three months ended December 31, 2006 and were \$0.01 and \$0.00 lower, respectively, for the three months ended December 31, 2005 than if the Company had continued to account for share-based compensation under APB Opinion No. 25. Basic and diluted earnings per share were \$0.05 and \$0.05 lower, respectively, for the six months ended December 31, 2006 and were \$0.01 and \$0.01 lower, respectively, for the six months ended December 31, 2005, than if the Company had continued to account for share-based compensation under APB Opinion No. 25.

Share-based compensation costs capitalized as part of software and website development costs were \$162 and \$224 for the three and six months ended December 31, 2006, respectively, and were \$22 for each of the three and six month periods ended December 31, 2005.

At December 31, 2006, there was \$27,997 of total unrecognized compensation cost related to nonvested, share-based compensation arrangements. This cost is expected to be recognized over a weighted average period of 3.5 years.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option pricing model. Expected volatilities are based on historical volatilities from guideline companies since the Company does not have sufficient history as a publicly traded company. Implied volatilities were considered, but the guideline companies selected do not have an active market for their options. The Company also uses the expected lives used by guideline companies to estimate the expected life of options granted, which represents the period of time that options granted are expected to be outstanding. The Company uses historical data to estimate employee terminations and resulting forfeiture rates within the option pricing model. The risk-free interest rate is based on the U.S. Treasury yield curve for the expected life of the option in effect at the time of the grant. The fair value of option grants is recognized using the straight-line recognition method. Weighted-average assumptions used for option grants for the three and six month periods ended December 31, 2006 and 2005, respectively, are as follows:

	Three Months Ended December 31,		Six Months Ended December 31,	
	2006	2005	2006	2005
Risk-free interest rate	4.50%	4.37%	4.67%	4.22%
Expected dividend yield	0%	0%	0%	0%
Expected life (years)	4.25	4.25	4.25	4.25
Expected volatility	60%	60%	60%	60%
Weighted average fair value of options granted	\$ 16.25	\$ 10.10	\$ 12.53	\$ 6.61

The fair value of each restricted share award is based on the closing market price of the Company's common shares on the date of award. The fair value of restricted share awards is recognized using the straight-line recognition method. The weighted average fair value of restricted share awards granted for the three and six months ended December 31, 2006 were \$31.05 and \$26.77, respectively. No restricted share awards were granted in the three and six months ended December 31, 2005.

New Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes ("FIN 48"), which clarifies when tax benefits should be recorded in financial statements, requires certain disclosures of uncertain tax matters and provides guidance on how any tax reserves should be classified in a balance sheet. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company is currently evaluating the impact that the adoption of FIN 48 will have on its consolidated financial statements.

[Table of Contents](#)

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements", which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS No. 157 applies under other accounting pronouncements that require or permit fair value measurements. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The Company is currently evaluating the impact, if any, the adoption of SFAS No. 157 will have on its consolidated financial statements.

3. Shareholders' Equity

Share Options

The Company's 2000-2002 Share Incentive Plan (the "2000-2002 Plan") provided for employees, officers, non-employee directors, consultants and advisors to receive restricted share awards or be granted options to purchase the Company's common shares. Under the 2000-2002 Plan, the Company reserved an aggregate 9,000,000 common shares for such awards. The Company's Board of Directors determined that no further grants of awards under the 2000-2002 Plan would be made after the Company's IPO. As of December 31, 2006, there were options to purchase 3,725,993 common shares outstanding under the 2000-2002 Plan. Upon the IPO, all shares reserved for issuance but not yet granted under the 2000-2002 Plan were transferred into the Company's 2005 Equity Incentive Plan (the "2005 Plan") and 2005 Non-Employee Directors' Share Option Plan (the "Directors' Plan"). Options previously granted to U.S. tax residents under the 2000-2002 Plan were either "Incentive Stock Options" or "Nonstatutory Options" under the applicable provisions of the U.S. Internal Revenue Code.

The 2005 Plan, adopted by the Company's Board of Directors in July 2005, provides for employees, officers, non-employee directors, consultants and advisors to receive restricted share awards or other share-based awards or be granted options to purchase the Company's common shares. Under the 2005 Plan, as of December 31, 2006, the Company had reserved an aggregate of 2,681,364 shares for such awards. The number of shares available for award may be increased by up to 500,000 shares on April 1st of each year, from 2007 until 2015, subject to an overall maximum of 2,000,000 additional shares. In addition, in the event that an outstanding award under the 2000-2002 Plan terminates without being exercised in full, the remaining unexercised shares subject to such award will be added to the shares available for award under the 2005 Plan. As of December 31, 2006, there were options outstanding to purchase an aggregate of 1,928,646 common shares under the 2005 Plan. As of December 31, 2006, there were restricted share units outstanding in the amount of 432,507 common shares under the 2005 Plan.

While the Company may grant awards to employees, officers, non-employee directors, consultants and advisors which become exercisable at different times or within different periods, the Company has generally granted awards to employees and officers that are exercisable on a cumulative basis, with 25% exercisable on the first anniversary of the date of grant, and 6.25% quarterly thereafter. In addition, the Company has generally granted awards to non-employee directors that are exercisable on a cumulative basis, with 8.33% exercisable each quarter. The requisite service period is normally four years for employees and officers and three years for non-employee directors. The contractual life of the options is ten years.

The Directors' Plan provides for non-employee directors of the Company to receive option grants upon initial appointment as a director and annually thereafter in connection with the Company's annual general meeting of shareholders. Under the Directors' Plan, the Company initially reserved 250,000 shares for such awards. The number of shares available under the Directors' Plan may be increased annually on July 1st of each year, from 2007 until 2015, by an amount equal to the number of shares granted during the prior calendar year under the Directors' Plan. As of December 31, 2006, there were options outstanding to purchase an aggregate of 26,643 common shares under the Directors' Plan.

[Table of Contents](#)

A summary of the Company's share option activity and related information for the six months ended December 31, 2006 is as follows:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at the beginning of the period	5,796,120	\$ 10.25		
Granted	1,014,213	24.31		
Exercised	(751,514)	4.33		
Forfeited/cancelled	(377,537)	13.90		
Outstanding at the end of the period	<u>5,681,282</u>	<u>\$ 13.29</u>	<u>8.4</u>	<u>\$112,683</u>
Vested or expected to vest	5,520,463	\$ 13.19	8.3	\$110,063
Exercisable at the end of the period	<u>1,587,169</u>	<u>\$ 8.56</u>	<u>7.5</u>	<u>\$ 38,967</u>

The following table represents weighted average price and life information about significant option groups outstanding at December 31, 2006:

Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life (Yrs.)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$1.11 – 1.90	344,530	4.80	\$ 1.34	322,585	\$ 1.30
\$4.11	720,308	7.41	4.11	273,341	4.11
\$7.00	258,843	8.25	7.00	49,357	7.00
\$12.00 – 12.33	3,051,373	8.48	12.26	924,506	12.27
\$16.93 – 29.99	1,063,103	9.54	23.58	17,380	19.96
\$30.00 – 36.16	243,125	9.49	32.16	—	—
\$1.11 – 36.16	<u>5,681,282</u>	<u>8.35</u>	<u>\$ 13.29</u>	<u>1,587,169</u>	<u>\$ 8.56</u>

A summary of the Company's unvested restricted share unit activity and related information for the six months ended December 31, 2006 is as follows:

	Restricted Shares	Weighted-Average Grant Date Fair Value
Unvested at the beginning of the period	—	\$ —
Granted	436,618	26.77
Vested and distributed	—	—
Forfeited/cancelled	(4,111)	23.85
Unvested at the end of the period	<u>432,507</u>	<u>\$ 26.80</u>

The Company had an aggregate of 543,568 common shares available for future award under its share-based compensation plans as of December 31, 2006.

The total intrinsic value of options exercised during the three and six months ended December 31, 2006 was \$10,212 and \$17,473, respectively. The total intrinsic value of options exercised during the three and six months ended December 31, 2005, was \$1,655 and \$4,289, respectively.

[Table of Contents](#)

4. Comprehensive Income

Comprehensive income is composed of net income, unrealized gains and losses on marketable securities and cumulative foreign currency translation adjustments. The following table displays the computation for comprehensive income (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2006	2005	2006	2005
Net income	\$ 8,312	\$ 5,466	\$14,360	\$8,367
Unrealized gain (loss) on marketable securities	2	(43)	30	(43)
Change in cumulative foreign currency translation adjustments	634	(120)	583	(152)
Comprehensive income	<u>\$ 8,948</u>	<u>\$ 5,303</u>	<u>\$14,973</u>	<u>\$8,172</u>

The components of accumulated other comprehensive income were as follows (in thousands):

	December 31, 2006	June 30, 2006
Unrealized gain (loss) on marketable securities	\$ (22)	\$ (52)
Cumulative foreign currency translation adjustments	1,300	717
Accumulated other comprehensive income	<u>\$ 1,278</u>	<u>\$ 665</u>

5. Related-Party Transactions

Since September 2005, the Company has produced 100% of its customer print orders at its internal manufacturing facilities.

Prior to May 2005, the Company purchased all of its printed materials for the fulfillment of North American customers' orders from Mod-Pac. The brother of the President and CEO of the Company is the President and CEO of Mod-Pac, and the father of the President and CEO of the Company is the Chairman of the Board of Mod-Pac. In the three and six months ended December 31, 2006 and 2005, the Company purchased goods and services from Mod-Pac of \$0 and \$3,257, respectively. As of each of December 31, 2006 and 2005, and June 30, 2006, the Company owed Mod-Pac \$0.

6. Segment Information

SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information of those segments to be presented in interim financial reports issued to shareholders. Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision-maker, or decision-making group, in making decisions on how to allocate resources and assess performance. The Company's chief operating decision maker is considered to be the team comprised of the chief executive officer and the executive management team. The Company views its operations and manages its business as one operating segment.

[Table of Contents](#)

Geographic Data

Revenues by geography are based on the country-specific website through which the customer's order was transacted. The following table sets forth revenues and long-lived assets by geographic area (in thousands):

	Three Months Ended December 31,		Six Months Ended December 31,	
	2006	2005	2006	2005
Revenues:				
United States	\$42,494	\$25,892	\$ 77,377	\$ 47,013
Non-United States	21,540	10,474	36,660	18,251
Total revenues	<u>\$64,034</u>	<u>\$36,366</u>	<u>\$114,037</u>	<u>\$ 65,264</u>
		December 31,	June 30,	
		2006	2006	
Long-lived assets:				
Canada		\$ 46,258	\$29,168	
Netherlands		26,955	18,086	
Bermuda		6,229	5,006	
United States		4,295	2,652	
Jamaica		1,392	1,482	
Spain		303	—	
		<u>\$ 85,432</u>	<u>\$56,394</u>	

7. Commitments and Contingencies

Purchase Commitments

At December 31, 2006, the Company had unrecorded commitments under contracts to purchase print production equipment of approximately \$12,194 and to complete construction at the Windsor and Venlo printing facilities of approximately \$1,921.

Legal Proceedings

One of the Company's subsidiaries and its predecessor corporation were named as defendants in a purported class action lawsuit filed in Los Angeles County (California) Superior Court on September 14, 2004. The complaint alleged that the shipping and handling fees the Company charges for free products are excessive and in violation of sections of the California Business and Professions Code. The Los Angeles County Superior Court granted preliminary approval of a proposed settlement on April 29, 2005 and, on June 17, 2005, gave final approval to the settlement. Under the terms of the settlement, the Company agreed to change the term 'shipping and handling' to 'shipping and processing' on its websites, to provide all class members who purchase business cards from the Company for a two year period in the future the opportunity to receive additional cards at reduced rates, and to pay reasonable attorneys fees to plaintiffs' counsel. In August 2005, an objector to the settlement filed an appeal of the Court's final approval of the settlement and the Company is unable to express an opinion as to the likely outcome of this appeal.

The Company is involved, from time to time, in various legal proceedings arising from the normal course of business activities. Although the results of litigation and claims cannot be predicted with certainty, the Company does not expect resolution of these matters to have a material adverse impact on its consolidated results of operations, cash flows or financial position. However, an unfavorable resolution of such a proceeding could, depending on its amount and timing, materially affect the Company's results of operations, cash flows or financial position in a future period. Regardless of the outcome, litigation can have an adverse impact on the Company because of defense costs, diversion of management resources and other factors.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties. The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Without limiting the foregoing, the words "may," "will," "should," "could," "expects," "plans," "intends," "anticipates," "believes," "estimates," "predicts," "potential," "continue," "target" and similar expressions are intended to identify forward-looking statements. All forward-looking statements included in this Quarterly Report on Form 10-Q are based on information available to us up to, and including the date of this

[Table of Contents](#)

document, and we disclaim any obligation to update any such forward-looking statements. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain important factors, including those set forth in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. You should carefully review those factors and also carefully review the risks outlined in other documents that we file from time to time with the United States Securities and Exchange Commission.

Overview

We are a leading online supplier of high-quality graphic design services and customized printed products to small businesses and consumers worldwide with over 8,000,000 customers served in more than 120 countries. We offer a broad spectrum of products ranging from business cards and brochures to invitations and holiday cards. We seek to offer compelling value to our customers through an innovative use of technology, a broad selection of customized printed products, low pricing and personalized customer service. Through our use of proprietary Internet-based graphic design software, localized websites, proprietary order receiving and processing technologies and advanced computer integrated printing facilities, we offer a meaningful economic advantage relative to traditional graphic design and printing methods. We believe that our value proposition has allowed us to successfully penetrate the large, fragmented and geographically dispersed small business and consumer markets.

We maintain a registered office in Hamilton, Bermuda and our websites are hosted in secure co-location facilities in Devonshire, Bermuda. We own and operate printing facilities in Windsor, Ontario, Canada and in Venlo, the Netherlands, we operate a customer design, sales and service center in Montego Bay, Jamaica and, in November 2006, we opened a European marketing office in Barcelona, Spain. Our technology development, marketing, finance and administrative offices are located in Lexington, Massachusetts, United States.

Revenue. We generate revenue primarily from the printing and shipment of customized printed products. Revenue is recorded net of a reserve for estimated refunds. Customers place orders via our websites and pay primarily using credit cards. In addition, we receive payment for some orders through direct bank debit, wire transfers and other payment methods. We also generate revenue from order referral fees paid to us by merchants for customer click-throughs and orders that are placed on the merchants’ websites. For the quarter ended December 31, 2006, we generated less than 10% of our revenues from these order referral fees. A portion of our revenue is derived from repeat purchases from our existing customers. This recurring component of our revenue has grown to 64% of revenue for the quarter ended December 31, 2006 as compared to 61% of revenue for the quarter ended December 31, 2005. To understand our revenue trends, we monitor several key metrics, including:

- *Website sessions.* A session is measured each time a computer user visits a VistaPrint website from their Internet browser. We measure this data to understand the volume and source of traffic to our websites. Typically, we use various advertising campaigns to increase the number and quality of shoppers entering our websites. The number of website sessions varies from month to month depending on variables such as product campaigns and advertising channels used.
- *Conversion rates.* The conversion rate is the number of customer orders divided by the total number of sessions during a specific period of time. We strive to increase conversion rates of customers entering our websites in order to increase the number of customer orders generated. Conversion rates have fluctuated in the past and we anticipate that they will fluctuate in the future due to, among other factors, the type of advertising campaigns and marketing channels used.
- *Average order value.* Average order value is total bookings for a given period of time divided by the total number of customer orders recorded during that same period of time. We seek to increase average order value as a means of increasing total revenue. Average order values have fluctuated in the past and we anticipate that they will fluctuate in the future depending upon, among other things, the type of products promoted during a period and promotional discounts offered. For example, seasonal product offerings, such as holiday cards, can cause changes in average order values.

We believe the analysis of these metrics provides us with important information on customer buying behavior, advertising campaign effectiveness and the resulting impact on overall revenue trends and profitability. While we continually seek and test ways to increase revenue, we also attempt to increase the number of customer acquisitions and to grow profits. As a result, fluctuations in these metrics are not unusual. Because changes in any one of these metrics may be offset by changes in another metric, no single factor is determinative of our revenue and profitability trends and we assess them together to understand their overall impact on revenue and profitability.

Cost of Revenue. Cost of revenue consists of materials used to generate printed products, payroll and related expenses for printing personnel, supplies, depreciation of equipment used in the printing process, shipping charges and other miscellaneous related costs of products sold by us.

We believe that the vertical integration of our manufacturing operations is a strategic differentiator for our business model. In January 2004, we opened our European production facility in Venlo, the Netherlands and in April 2005, we opened a second production facility in Windsor, Ontario, Canada. Prior to February 2004, we purchased all of our printed products from our third party print provider,

[Table of Contents](#)

Mod-Pac Corporation, or Mod-Pac, under a ten year exclusive supply agreement. This supply agreement provided that Mod-Pac would serve as our exclusive print supplier for all orders shipped to North America with pricing based on Mod-Pac's costs plus a fixed percentage markup. The chairman of the board of Mod-Pac is Kevin Keane and the chief executive officer of Mod-Pac is Daniel Keane, the father and brother, respectively, of Robert S. Keane, our chief executive officer.

On July 2, 2004, we entered into a termination agreement with Mod-Pac that effectively terminated all then existing supply agreements with Mod-Pac as of August 30, 2004. Pursuant to the termination agreement, we paid Mod-Pac a one-time \$22.0 million termination fee. On the same date, we entered into a new supply agreement with Mod-Pac, which became effective August 30, 2004. Under the new supply agreement, Mod-Pac retained the exclusive supply rights for products shipped to customers in North America through August 30, 2005. We further amended the new supply agreement in April 2005 to permit us to manufacture products shipped to North American customers in exchange for the payment of a fee to Mod-Pac for each unit shipped from our Canadian facility. The new supply agreement expired on August 30, 2005 and we have not placed any orders with Mod-Pac since that date.

In September 2004, we began construction of our new printing facility in Windsor, Ontario, Canada. In May 2005, this printing facility began printing and shipping products to North American customers. We increased the volume of orders being produced at our Canadian facility in each subsequent month while the volume of orders produced at Mod-Pac decreased. Since September 2005, we have been producing 100% of our North American orders internally. During the transition to our Canadian facility, we incurred duplicate costs of labor and overhead, resulting in increased cost of revenue as a percentage of revenue.

Technology and development expense. Technology and development expense consists primarily of payroll and related expenses for software development, amortization of capitalized software and website development costs, information technology and website operations, equipment depreciation, patent amortization and miscellaneous technology infrastructure-related costs. These expenses also include amortization of purchase costs related to content images used in our graphic design software. If these content images have useful lives greater than one year, such as digital images and artwork, the costs are capitalized and amortized over their useful lives, which approximate two years. Costs associated with the development of software for internal-use are capitalized if the software is expected to have a useful life beyond one year and are amortized over the software's useful life, which is estimated to be two years. Costs associated with preliminary stage software development, repair, maintenance or the development of website content are expensed as incurred.

Marketing and selling expense. Marketing and selling expense consists of advertising and promotional costs as well as wages and related payroll benefits for our employees engaged in sales, marketing and public relations activities. Advertising costs consist of various online and print media, such as the purchase of key word search terms, e-mail and direct mail promotions and various strategic alliances. Our advertising efforts target the acquisition of new customers and repeat orders from existing customers. Advertising costs are generally expensed as incurred. Marketing and selling expense also includes the salaries and related payroll benefits, overhead, and outside services related to our customer design sales and services support center operations. This customer support center provides phone support to customers on various topics such as order status, the use of our website graphic design studio, and free real-time design assistance. Marketing and selling expense also includes third party payment processor and credit card fees.

General and administrative expense. General and administrative expense consists of general corporate costs, including salary and related payroll benefit expenses of employees involved in finance, accounting, human resources and general executive management. We have incurred and will continue to incur additional legal and accounting costs in order to comply with regulatory reporting requirements, as well as additional costs associated with being a publicly traded company, such as investor relations and higher insurance premiums.

Interest income. Interest income consists of interest income earned on cash and cash equivalents and marketable securities.

Other income (expenses), net. Other income (expenses), net primarily consists of gains and losses from foreign currency transactions.

Interest expense. Interest expense consists of interest paid to financial institutions on outstanding balances on our credit facilities.

Income taxes. VistaPrint Limited is a Bermuda based company. Bermuda does not currently impose any tax computed on profits or income, which results in a zero tax liability for our profits recorded in Bermuda. VistaPrint Limited has operating subsidiaries in the Netherlands, Canada, Jamaica, Spain and the United States. VistaPrint Limited has entered into service and related agreements, which we also refer to as transfer pricing agreements, with each of these operating subsidiaries. These agreements effectively result in VistaPrint Limited paying each of these subsidiaries for its costs plus a fixed mark-up on these costs. The Jamaican subsidiary is located in a tax free zone, so its tax rate is zero. Our Dutch, Canadian, Spanish and United States subsidiaries are each located in jurisdictions that tax profits and, accordingly, regardless of our consolidated results of operations, each of these subsidiaries have paid and will continue to pay taxes in their respective jurisdictions.

Initial Public Offering. On September 29, 2005, we effected our initial public offering, or IPO, in which we sold 5,500,000 common shares at a price to the public of \$12.00 per share. The net proceeds of the IPO to us, which we received on October 5, 2005, were approximately \$61.4 million after deducting underwriting discounts. Upon the closing of the IPO, all of our outstanding convertible preferred shares converted into an aggregate of 22,720,543 common shares.

[Table of Contents](#)

Results of Operations

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

	Three months ended December 31,		Six months ended December 31,	
	2006	2005	2006	2005
Consolidated Statement of Operations Data:				
As a percentage of revenue:				
Revenue	100.0%	100.0%	100.0%	100.0%
Cost of revenue	36.0%	32.1%	35.1%	35.2%
Technology and development expense	10.0%	9.8%	10.5%	10.0%
Marketing and selling expense	33.3%	35.3%	33.2%	34.3%
General and administrative expense	7.3%	7.2%	8.3%	6.6%
Income from operations	13.4%	15.6%	12.9%	13.9%
Interest income	1.8%	2.1%	2.0%	1.4%
Other income (expenses), net	0.1%	(0.3)%	(0.1)%	(0.3)%
Interest expense	0.8%	0.9%	0.7%	0.9%
Income from operations before income taxes	14.5%	16.5%	14.1%	14.1%
Income tax provision	1.5%	1.5%	1.5%	1.3%
Net income	13.0%	15.0%	12.6%	12.8%

Comparison of the Three and Six Month Periods Ended December 31, 2006 and 2005

<i>In thousands</i>	Three months ended December 31,			Six months ended December 31,		
	2006	2005	2006-2005 % Change	2006	2005	2006-2005 % Change
Revenue	\$64,034	\$36,366	76%	\$114,037	\$65,264	75%
Cost of revenue	\$23,072	\$11,677	98%	\$40,058	\$22,977	74%
<i>% of revenue</i>	36.0%	32.1%		35.1%	35.2%	

The increase in revenue from the three and six months ended December 31, 2005 as compared to the three and six months ended December 31, 2006 was primarily attributable to increases in website sales of our printed products. These increases include a favorable seasonal impact from increased consumer product sales driven primarily by our holiday and calendar products. The overall revenue growth during these periods was driven by increases in website sessions, conversion rates and the average order value of shipments. For the three and six months ended December 31, 2006, our website sessions grew by 23% and 28% to 34.3 million and 61.4 million, respectively, our conversion rates grew by 24% and 25% to 4.9% and 5.2%, respectively, and our average order value grew by 14% and 8% to \$36 and \$34, respectively, compared to the same periods in 2005. Revenue from repeat customers increased from 61% and 60% of revenue in the three and six months ended December 31, 2005 to 64% for the same periods in 2006. Revenue from our non-United States websites accounted for 34% and 32% of total revenue for the three and six months ended December 31, 2006 compared to 29% and 27% for the same periods in 2005.

The increase in cost of revenue from the three and six months ended December 31, 2005 as compared to the three and six months ended December 31, 2006 was primarily attributable to the increased volume of shipments of printed products during this period. The increase in the cost of revenue as a percentage of total revenue for the three months ended December 31, 2006 as compared to the same period in the prior year was primarily driven by higher labor costs resulting from an increase in temporary labor used to meet the increased seasonal demand. Additionally, we incurred higher depreciation costs which are the result of our continuing efforts to expand the printing capacity at our Windsor facility in order to meet the continuing growing demand for our products.

[Table of Contents](#)

<i>In thousands</i>	Three months ended December 31,			Six months ended December 31,		
	2006	2005	2006-2005 % Change	2006	2005	2006-2005 % Change
Technology and development expense	\$ 6,430	\$ 3,570	80%	\$ 11,948	\$ 6,546	83%
<i>% of revenue</i>	10.0%	9.8%		10.5%	10.0%	
Marketing and selling expense	\$ 21,338	\$ 12,836	66%	\$ 37,845	\$ 22,402	69%
<i>% of revenue</i>	33.3%	35.3%		33.2%	34.3%	
General and administrative expense	\$ 4,670	\$ 2,629	78%	\$ 9,448	\$ 4,290	120%
<i>% of revenue</i>	7.3%	7.2%		8.3%	6.6%	

The increase in our technology and development expenses of \$2.9 million and \$5.4 million for the three and six months ended December 31, 2006, respectively, as compared to the same periods in 2005 was primarily due to increased payroll and benefit costs of \$2.0 million and \$3.9 million, respectively, and increased share-based compensation costs of \$0.5 million and \$0.9 million, respectively, associated with employee hiring in our technology development and information technology support organizations. At December 31, 2006, we employed 132 employees in these organizations compared to 80 employees at December 31, 2005. In addition, to support our continued revenue growth during this period, we continued to invest in our website infrastructure, which resulted in increased depreciation and hosting service expenses of \$0.4 million and \$0.6 million for the three and six months ended December 31, 2006, respectively, as compared to the same periods in 2005.

The increase in our marketing and selling expenses of \$8.5 million and \$15.4 million for the three and six months ended December 31, 2006, respectively, as compared to the same periods in 2005 was driven primarily by increases of \$5.6 million and \$10.3 million in advertising costs related to new customer acquisition and costs of promotions targeted at our existing customer base, increases in payroll and benefits related costs of \$1.1 million and \$2.0 million, and increased share-based compensation costs of \$0.4 million and \$0.7 million. During this period, we continued to expand our marketing organization and our design, sales and services center. At December 31, 2006, we employed 337 employees in these organizations compared to 296 employees at December 31, 2005. In addition, payment processing fees paid to third-parties increased by \$0.6 million and \$1.0 million during the three and six months ended December 31, 2006, respectively, as compared to the same periods in 2005 due to increased order volumes.

The increase in our general and administrative expenses of \$2.0 million and \$5.2 million for the three and six months ended December 31, 2006, respectively, as compared to the same periods in 2005 was primarily due to increased payroll and benefit costs of \$0.9 million and \$1.7 million and increased share-based compensation costs of \$0.5 million and \$1.0 million resulting from the continued growth of our finance and human resource organizations, as well as increases in third party professional fees of \$0.4 million and \$2.1 million. At December 31, 2006, we employed 67 employees in these organizations compared to 43 employees at December 31, 2005. The third party professional fees include accounting, legal, recruiting, insurance and organizational consulting service fees.

Interest income

Interest income increased by \$0.4 million and \$1.4 million for the three and six months ended December 31, 2006, respectively, to \$1.2 million and \$2.3 million as compared to \$0.7 million and \$0.9 million for the same periods in 2005. The increase was primarily due to increases in interest income resulting from the investment of the net proceeds received from our IPO in cash and cash equivalents and marketable securities.

Other income (expense), net

Other income (expense), net changed by \$177,000 to \$58,000 of income for the three months ended December 31, 2006 as compared to \$119,000 of expense for the same period in 2005. Other income (expense), net changed by \$102,000 to \$99,000 of expense for the six months ended December 31, 2006 as compared to expense of \$201,000 for the same period in 2005.

Interest expense

Interest expense increased by \$0.2 million and \$0.4 million for the three and six months ended December 31, 2006, respectively, to \$0.5 million and \$0.9 million as compared to \$0.3 million and \$0.5 million for the same periods in 2005 due to an increase in the outstanding principal on our bank loan obligations that were used to finance, in part, the purchase of print production equipment for our Canadian production facility.

[Table of Contents](#)

Income tax provision

<i>In thousands</i>	Three months ended December 31,		Six months ended December 31,	
	2006	2005	2006	2005
Income taxes:				
Income tax provision	\$ 951	\$ 559	\$1,659	\$880
<i>Effective tax rate</i>	10.3%	9.3%	10.4%	9.5%

For the three and six months ended December 31, 2006 and 2005, our tax expense primarily consisted of tax provisions for our subsidiaries in the United States, the Netherlands and Canada. The taxable income for our United States, Dutch and Canadian subsidiaries is a function of their level of costs incurred and charged to VistaPrint Limited under service agreements. The resulting tax liability in each jurisdiction is incurred regardless of whether the consolidated group is profitable.

Net income

Our net income for the three months ended December 31, 2006 was \$8.3 million or 13.0% of revenue compared to \$5.5 million or 15.0% of revenue for the three months ended December 31, 2005. Our net income for the six months ended December 31, 2006 was \$14.4 million or 12.6% of revenue compared to \$8.4 million or 12.8% of revenue for the six months ended December 31, 2005.

Liquidity and Capital Resources

Consolidated Statements of Cash Flows Data:

	Six months ended December 31,	
	2006	2005
	<i>(in thousands)</i>	
Capital expenditures	\$(30,533)	\$ (8,932)
Development of software and website	(1,778)	(867)
Depreciation and amortization	6,150	3,622
Cash flows from operating activities	24,461	14,329
Cash flows used in investing activities	(36,000)	(39,999)
Cash flows from financing activities	3,860	65,443

As a result of our IPO in September 2005, we raised approximately \$61.4 million of proceeds, net of underwriters' discount, which we received on October 5, 2005. At December 31, 2006, we had \$104.0 million of cash, cash equivalents and marketable securities. Cash equivalents and marketable securities are comprised of money market funds, investment-grade corporate bonds, U.S. government agency issues and municipal auction rate securities. Historically, we have financed our operations through internally generated cash flows from operations, private sales of common and preferred shares and bank loans. We believe that our available cash and cash flows generated from operations will be sufficient to satisfy our working capital and capital expenditure requirements for the foreseeable future.

Operating Activities. Cash provided by operating activities primarily consists of net income adjusted for certain non-cash items including depreciation and amortization, share-based compensation expense, deferred taxes, and the effect of changes in working capital and other activities. Cash provided by operating activities in the six months ended December 31, 2006 was \$24.5 million and consisted of net income of \$14.4 million, positive adjustments for non-cash items of \$9.6 million and \$0.5 million provided by working capital and other activities. Adjustments for non-cash items included \$6.2 million of depreciation and amortization expense on property and equipment and software and website development costs and \$3.1 million of share-based compensation expense. The change in working capital and other activities primarily consisted of an increase of \$5.9 million in accrued expenses and other current liabilities, and an increase of \$2.7 million in prepaid expenses and other assets. This was partially offset by a decrease of \$2.2 million in accounts payable, and an increase in accounts receivable of \$0.6 million.

Cash provided by operating activities in the six months ended December 31, 2005 was \$14.3 million and consisted of net income of \$8.4 million, positive adjustments for non-cash items of \$4.2 million and \$1.7 million provided by working capital and other activities. Adjustments for non-cash items primarily included \$3.6 million of depreciation and amortization expense on property and equipment and software and website development costs, \$0.3 million of share compensation expenses and \$0.3 million of deferred taxes. Working capital and other activities primarily consisted of an increase of \$4.3 million in accrued expenses and other liabilities partially offset by a decrease of \$1.0 million in accounts payable and an increase of \$1.5 million in prepaid expenses and other assets.

Investing Activities. Cash used in investing activities in the six months ended December 31, 2006 of \$36.0 million was attributable primarily to net purchases of marketable securities of \$3.9 million resulting from the investment of a portion of the net proceeds received from our IPO, capital expenditures of \$30.5 million, and capitalized software and website development costs of \$1.8 million. Capital expenditures of \$21.0 million were related to the purchase of print production equipment for our Canadian and Dutch printing facilities, \$5.9 million related to construction costs at our printing facilities and \$3.6 million were related to purchases of information technology and facility related assets.

[Table of Contents](#)

Cash used in investing activities in the six months ended December 31, 2005 of \$40.0 million was attributable to net purchases of marketable securities of \$30.2 million resulting from the investment of a portion of the net proceeds received from our IPO, capital expenditures of \$8.9 million, and capitalized software and website development costs of \$0.9 million. Capital expenditures of \$7.0 million were related to the purchase of print production equipment for our Canadian printing facility located in Windsor, Ontario, Canada and \$1.0 million were related to purchases of information technology assets.

Financing Activities. Cash provided by financing activities in the six months ended December 31, 2006 of \$3.9 million was primarily attributable to the issuance of common shares pursuant to share option exercises of \$3.3 million and net borrowings from equipment loan facilities of \$0.6 million associated with the purchase of production equipment for our Canadian printing facility.

Cash provided by financing activities in the six months ended December 31, 2005 of \$65.4 million was primarily attributable to the net proceeds received from our IPO of \$61.4 million, partially offset by the payment of offering costs of \$1.4 million, and net borrowings from equipment loan facilities of \$4.9 million associated with the purchase of production equipment for our Canadian and Dutch printing facilities.

Contractual Obligations

Contractual obligations at December 31, 2006 were as follows:

	Payments Due by Period				
	Total	Less than 1 year	1-3 years (In thousands)	3-5 years	More than 5 years
Long-term Debt Obligations	\$26,341	\$3,182	\$12,115	\$ 6,871	\$ 4,173
Operating Lease Obligations	47,253	3,407	8,916	9,405	25,526
Total	<u>\$73,594</u>	<u>\$6,589</u>	<u>\$21,031</u>	<u>\$16,276</u>	<u>\$29,699</u>

Long-Term Debt. In November 2003, VistaPrint B.V., our Dutch subsidiary, entered into a 5.0 million euro revolving credit agreement with ABN AMRO Bank N.V., a Netherlands based bank. The borrowings were used to finance the construction of our printing facility located in Venlo, the Netherlands. The loan is secured by a mortgage on the land and building and is payable in quarterly installments of 62,500 euros (\$82,000 at December 31, 2006), beginning October 1, 2004 and continuing through 2024. Prior to April 1, 2006, interest on the loan accrued at a rate equal to a EURIBOR rate plus 1.15%. On April 1, 2006, we elected a fixed rate option and the interest rate was fixed at 5.20% through April 1, 2016 at which time the rate will be reset. At December 31, 2006, there was \$5.8 million outstanding under this credit agreement.

In November 2004, VistaPrint B.V. amended the existing credit agreement with ABN AMRO to include an additional 1.2 million euro loan. The borrowings were used to finance a new printing press for the Venlo printing facility. The loan is secured by the printing press and is payable in quarterly installments of 50,000 euros (\$65,000 at December 31, 2006), on April 1 of each year continuing through 2011. Prior to April 1, 2006, interest on the loan accrued at a EURIBOR rate plus 1.40%. On April 1, 2006, we elected a fixed rate option and the interest rate was fixed at 5.10% over the remaining term of the loan. At December 31, 2006, there was \$1.1 million outstanding under this amendment to the credit agreement.

The credit agreement with ABN AMRO requires us to cause VistaPrint B.V. to maintain tangible net worth at a minimum of 30% of VistaPrint B.V.'s "adjusted balance sheet" and restricts VistaPrint B.V.'s ability to incur additional indebtedness. VistaPrint B.V. was in compliance with all loan covenants at December 31, 2006. There are no restrictions in the credit agreement on VistaPrint B.V.'s ability to pay dividends.

In November 2004, VistaPrint North American Services Corp., our Canadian production subsidiary, established an \$11.0 million credit facility with Comerica Bank—Canada. The borrowings were used to finance new printing equipment purchases and the construction of our printing facility located in Windsor, Ontario, Canada. The loan is secured by guarantees from VistaPrint Limited and two of our subsidiaries and is payable in monthly installments, plus interest, on November 1 of each year continuing through 2009. Interest on the equipment term loan component of the credit facility was based, at our election at the beginning of the applicable period, on a LIBOR rate plus 2.75% or Comerica's prime rate. Interest on the construction loan component of the credit facility was based, at our election at the beginning of the applicable period, on a LIBOR rate plus 1.75% or Comerica's prime rate less 1.00%. On December 1, 2005, the interest rates for the equipment term loan and the construction loan were fixed at 6.47% and 6.37%, respectively, over the remaining terms of the loans. At December 31, 2006, there was \$9.5 million outstanding under this credit facility.

[Table of Contents](#)

In December 2005, VistaPrint North American Services Corp. amended its existing credit agreement with Comerica Bank to include an additional \$10.0 million equipment term loan. The borrowings have been used to finance new printing equipment purchases for the Windsor printing facility. The loan is secured by guarantees from VistaPrint Limited and two of our subsidiaries and is payable in monthly installments, plus interest, beginning on December 1 of each year and continuing through 2010. Interest on the loan is based, at our election at the beginning of the applicable period, on a LIBOR rate plus 3.00%, or Comerica's prime rate plus 0.5%, or a fixed rate option. As of December 31, 2006, the interest rates on the various borrowings under this term loan had been fixed over the remaining term of the loan at rates ranging from 7.82% to 8.50%. At December 31, 2006, there was \$9.9 million outstanding under this term loan.

The credit agreement with Comerica Bank includes covenants that require us to, under certain circumstances, maintain a consolidated ratio of funded debt to cash flow at a maximum of 2.50 to 1.00 and VistaPrint North American Services Corp. to maintain a minimum debt service coverage ratio of 1.40 to 1.00 unless we maintain at least \$30.0 million in unrestricted cash and cash equivalents. Debt service coverage ratio is defined as the ratio of cash flow to the sum of required principal payments plus cash interest paid. As of December 31, 2006, the minimum debt service coverage covenant did not apply because we maintained at least \$30.0 million in unrestricted cash and cash equivalents. We and VistaPrint North American Services Corp. were in compliance with all loan covenants at December 31, 2006.

Operating Leases. We rent office space under operating leases expiring on various dates through 2017. We recognize rent expense on our operating leases that include free rent periods and scheduled rent payments on a straight-line basis from the commencement of the lease.

In October 2006, our U.S. subsidiary, VistaPrint USA, Incorporated, entered into an operating lease for approximately 163,000 square feet of office space in Lexington, Massachusetts. The lease term for this space is scheduled to commence on March 22, 2007 and to expire March 21, 2017 and this space will replace the office space currently leased in Lexington, Massachusetts. Future rental payments required under the lease are an aggregate of approximately \$44 million. The lease requires a security deposit in the form of a letter of credit in the amount of \$1.1 million.

In December 2006, our Spanish subsidiary, VistaPrint España S.L., entered into an operating lease for approximately 19,000 square feet of office space in Barcelona, Spain. The lease term for this space commenced on January 1, 2007 and expires on December 31, 2011. Future rental minimum payments required under the lease are an aggregate of approximately 1.8 million euros (\$2.4 million at December 31, 2006). The lease requires a security deposit in the form of a bank guarantee in the amount of 126,225 euros (\$164,000 at December 31, 2006).

Purchase Commitments. At December 31, 2006, we had unrecorded commitments under contracts to purchase print production equipment for our printing facilities and to complete construction related to the expansion our Canadian and Dutch printing facilities of approximately \$13.8 million compared to approximately \$15.1 million at June 30, 2006.

Critical Accounting Policies and Estimates

Our financial statements are prepared in accordance with accounting principles generally accepted in the United States. To apply these principles, we must make estimates that affect our reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. In many instances, we reasonably could have used different accounting estimates and, in other instances, changes in the accounting estimates are reasonably likely to occur from period to period. Accordingly, actual results could differ significantly from our estimates. To the extent that there are material differences between these estimates and actual results, our financial condition or results of operations will be affected. We base our estimates on historical experience and other assumptions that we believe to be reasonable at the time and under the circumstances, and we evaluate these estimates on an ongoing basis. We refer to accounting estimates of this type as critical accounting policies and estimates. Management believes there have been no material changes during the three months ended December 31, 2006 to the critical accounting policies reported in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of our Annual Report on Form 10-K filed with the Securities and Exchange Commission on September 13, 2006.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk. Our exposure to interest rate risk relates primarily to our cash and cash equivalents and short term investments. At December 31, 2006, we had unrestricted cash and cash equivalents totaling \$57.1 million and short-term investments totaling \$47.1 million. These amounts were invested primarily in money market funds, investment-grade corporate bonds, U.S. government agency issues and municipal auction rate securities, and are held for working capital purposes. We do not enter into investments for trading or speculative purposes. We considered the historical volatility of short term interest rates and determined that it was reasonably possible that an adverse change of 100 basis points could be experienced in the near term. A hypothetical 1% (100 basis-point) increase in interest rates would have resulted in an immaterial decrease in the fair values of our marketable securities at December 31, 2006.

[Table of Contents](#)

Foreign Currency Risk. As we conduct business in multiple international currencies through our worldwide operations, we are affected by changes in foreign exchange rates of such currencies. Changes in exchange rates can positively or negatively affect our revenue, gross margins and retained earnings. The majority of our products sold outside North America are manufactured by our Dutch subsidiary, which has the euro as its functional currency. Our Spanish subsidiary, which operates a newly established marketing office in Barcelona, Spain, also has the euro as its functional currency. Our Dutch and Spanish subsidiaries translate their assets and liabilities 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 income. All other international subsidiaries have the United States dollar as the functional currency and transaction gains and losses and remeasurement of foreign currency denominated assets and liabilities are included in other income (expense), net. Foreign currency transaction gains or losses included in other income (expense), net were not material for the three months ended December 31, 2006. We are not currently party to any derivative financial instruments as hedges against foreign currency fluctuations.

We considered the historical trends in currency exchange rates and determined that it was reasonably possible that an increase or decrease in exchange rates of 10% for all currencies could be experienced in the near term. These reasonably possible changes in exchange rates of 10% were applied to total net monetary assets denominated in currencies other than the local currencies at the balance sheet dates to compute the impact these changes would have had on our income before taxes in the near term. A hypothetical decrease in exchange rates of 10%, or strengthening of the United States dollar, would result in a decrease of \$0.8 million on our income before taxes for the three months ended December 31, 2006. A similar decrease in exchange rates would have had an immaterial impact on our income before taxes for the three months ended December 31, 2005.

Our Dutch subsidiary maintains a credit facility with ABN AMRO Bank N.V. pursuant to which it has borrowed 6.2 million euro. At December 31, 2006, we had short-term borrowings related to current portion of long-term debt denominated in euros. The carrying value of these short-term borrowings approximates fair value due to their short period to maturity. Assuming a hypothetical 10% increase or decrease in the euro to United States dollar period end exchange rate, the impact to the fair value of these short-term borrowings would be immaterial. The potential increase or decrease in fair value was estimated by calculating the fair value of the short-term borrowings at December 31, 2006 and comparing that with the fair value using the hypothetical period end exchange rate.

ITEM 4. CONTROLS AND PROCEDURES

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2006. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of December 31, 2006, our chief executive officer and chief financial officer concluded that, as of such date, the Company’s disclosure controls and procedures were effective at the reasonable assurance level.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended December 31, 2006 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

One of our subsidiaries and our predecessor corporation were named as defendants in a purported class action law suit filed in Los Angeles County (California) Superior Court on September 14, 2004. The complaint alleged that the shipping and handling fees we charge for free products are excessive and in violation of sections of the California Business and Professions Code. The Los Angeles County Superior Court granted preliminary approval of a proposed settlement on April 29, 2005 and, on June 17, 2005, gave final approval to the settlement. Under the terms of the settlement, we have agreed to change the term ‘shipping and handling’ to ‘shipping and processing’ on our websites, to provide all class members who purchase business cards from us for a two year period the opportunity to receive additional cards at reduced rates, and to pay reasonable attorneys fees to plaintiffs’ counsel. In August 2005, an objector to the settlement filed an appeal of the court’s final approval of the settlement and we are unable to express an opinion as to the likely outcome of this appeal.

[Table of Contents](#)

We are involved, from time to time, in various legal proceedings arising from the normal course of business activities. Although the results of litigation and claims cannot be predicted with certainty, we do not expect resolution of these matters to have a material adverse impact on our consolidated results of operations, cash flows or financial position. However, an unfavorable resolution of such a proceeding could, depending on its amount and timing, materially affect our results of operations, cash flows or financial position in a future period. Regardless of the outcome, litigation can have an adverse impact on us because of defense costs, diversion of management resources and other factors.

ITEM 1A. RISK FACTORS

We caution you that the following important factors, among others, could cause our actual results to differ materially from those expressed in forward-looking statements made by us or on our behalf in filings with the SEC, press releases, communications with investors and oral statements. Any or all of our forward-looking statements in this Quarterly Report on Form 10-Q and in any other public statements we make may turn out to be wrong. These statements can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties or risks we currently deem immaterial. Many factors mentioned in the discussion below will be important in determining future results. Consequently, no forward-looking statement can be guaranteed. Actual future results may vary materially from those contained in forward looking statements. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

Risks Related to Our Business

If we are unable to attract customers in a cost-effective manner, our business and results of operations could be harmed.

Our success depends on our ability to attract customers in a cost-effective manner. We rely on a variety of methods to draw visitors to our websites and promote our products, including purchased search results from online search engines, e-mail and direct mail. We pay providers of online services, search engines, directories and other websites and e-commerce businesses to provide content, advertising banners and other links that direct customers to our websites. We promote our products and special offers through e-mail and direct mail, targeted to repeat and potential customers. In addition, we rely heavily upon word of mouth customer referrals. If we are unable to develop or maintain an effective means of reaching small businesses and consumers, the costs of attracting customers using these methods significantly increase, or we are unable to develop new cost-effective means to obtain customers, our ability to attract new customers would be harmed, traffic to our websites would be reduced and our business and results of operations would be harmed.

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

The online market for graphic design services and printed products is less developed than the online market for other business and consumer products. If this market does not gain widespread acceptance, our business may suffer. Our success will depend in part on our ability to attract customers who have historically purchased printed products and graphic design services through traditional printing operations and graphic design businesses or who have produced graphic design and printed products using self-service alternatives. Furthermore, we may have to incur significantly higher and more sustained advertising and promotional expenditures or price our services and products more competitively than we currently anticipate in order to attract additional online consumers to our websites and convert them into purchasing customers. Specific factors that could prevent prospective customers from purchasing from us include:

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

We may not succeed in promoting, strengthening and continuing to establish the VistaPrint brand, which would prevent us from acquiring new customers and increasing revenues.

Since our products are sold exclusively through our websites, the success of our business depends upon our ability to attract new and repeat customers to our websites in order to increase business and grow our revenues. For this reason, a primary component of our business strategy is the continued promotion and strengthening of the VistaPrint brand. In addition to the challenges posed by establishing and promoting our brand among the many businesses that promote products on the Internet, we face significant competition in the graphic design and printing markets from printing suppliers who also seek to establish strong brands. If we are unable to successfully promote the VistaPrint brand, we may fail to substantially increase our revenues. Customer awareness of, and the perceived value of, our brand will depend largely on the success of our marketing efforts and our ability to provide a consistent, high-quality customer experience. To promote our brand, we have incurred and will continue to incur substantial expense related to advertising and other marketing efforts.

A component of our brand promotion strategy is establishing a relationship of trust with our customers, which we believe can be achieved by providing a high-quality customer experience. In order to provide a high-quality customer experience, we have invested and will continue to invest substantial amounts of resources in our website development and technology, graphic design operations, production operations, and customer service operations. We also redesign our websites from time to time to seek to attract customers to our websites. Our ability to provide a high-quality customer experience is also dependent, in large part, on external factors over which we may have little or no control, including the reliability and performance of our suppliers, third-party carriers and communication infrastructure providers. If we are unable to provide customers with high-quality customer experiences for any reason, our reputation would be harmed and our efforts to develop VistaPrint as a trusted brand would be adversely impacted. The failure of our brand promotion activities could adversely affect our ability to attract new customers and maintain customer relationships, and, as a result, substantially harm our business and results of operations.

We are dependent upon our own printing facilities for the production of printed products sold to our customers and any significant interruption in the operations of these facilities or any inability to increase capacity at these facilities would have an adverse impact on our business.

While we historically had relied on an exclusive supply relationship with Mod-Pac Corporation to produce our printed products for the North American market, this exclusive supply arrangement terminated on August 30, 2005. In May 2005, we began shipping products from our own printing facility in Windsor, Ontario, Canada and have been manufacturing 100% of our North American production internally since September 2005. The length of time we have been operating this Canadian facility is limited. In addition, we produce a majority of printed products destined for customers outside of North America at our printing facility in Venlo, the Netherlands. We are continuing to work to ensure that we can satisfy all of our production demand from our facilities, including at periods of peak demand, while maintaining the level of product quality and timeliness of delivery that customers require. If we are unable to meet demand from our own facilities or to successfully expand those facilities on a timely basis to meet customer demand, we would likely turn to an alternative supplier to supplement our production capacity. However, an alternative supplier may not be able to meet our requirements on a timely basis or on commercially acceptable terms. If we are unable to fulfill orders in a timely fashion at a high level of product quality through our facilities and are unable to find a satisfactory supply replacement, our business and results of operations would be substantially harmed.

We have incurred operating losses in the past and may not be able to sustain profitability in the future.

We experienced significant operating losses in each quarter from our inception in 1995 through March 1998 and in each quarter from June 1999 through June 2001. As the result of a charge of \$21.0 million related to the termination of our exclusive supply agreement with Mod-Pac, we experienced a significant loss in the quarter ended September 30, 2004, which caused a significant loss for the year ended June 30, 2005. If we are unable to produce our products and provide our services at commercially reasonable costs, if revenues decline or if our expenses otherwise exceed our expectations, we may not be able to sustain or increase profitability on a quarterly or annual basis.

Changes in stock based compensation accounting rules have had and are expected to continue to have an adverse effect on our operating results.

We use options to acquire our common shares and other equity based awards to attract, incentivize and retain our employees in a competitive marketplace. Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, allowed companies the choice of either using a fair value method of accounting for stock awards that would result in expense recognition for all such awards granted, or using an intrinsic value method, as prescribed by Accounting Principles Board Opinion, or APB, No. 25, Accounting for Stock Issued to Employees, with a pro forma disclosure of the impact on net income (loss) of using the fair value method of accounting for stock based awards. Prior to our adoption of FASB Statement No. 123(R), "Share Based Payment," or Statement 123(R), on July 1, 2005, we had elected to apply APB 25 and accordingly we generally did not recognize any expense with respect to

[Table of Contents](#)

employee options to acquire our common shares in periods ended on or prior to June 30, 2005 as long as such options were granted at exercise prices equal to the fair value of our common shares on the date of grant.

Statement 123(R) requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. This cost is measured based on the fair value of the equity instruments issued. We adopted Statement 123(R) on July 1, 2005, which was the first day of our 2006 fiscal year. The adoption of Statement 123(R) had an adverse affect on our operating results for each of the three and six months ended December 31, 2006. We expect that we will continue to use share based compensation awards to attract, incentivize and retain our employees. Therefore, we expect the resulting share-based compensation expense will continue to increase, which will continue to adversely affect our operating results in future periods as compared to periods ended on or prior to June 30, 2005.

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

Our future revenues and operating results may vary significantly from quarter-to-quarter due to a number of factors, many of which are outside of our control. Factors that could cause our quarterly operating results to fluctuate include:

- demand for our services and products;
- our ability to attract visitors to our websites and convert those visitors into customers;
- our ability to retain customers and encourage repeat purchases;
- business and consumer preferences for printed products and graphic design services;
- our ability to manage our production and fulfillment operations;
- currency fluctuations, which affect not only our revenues but also our costs;
- the costs to produce our products and to provide our services;
- our pricing and marketing strategies and those of our competitors;
- improvements to the quality, cost and convenience of desktop printing;
- costs of expanding or enhancing our technology or websites;
- compensation expense and charges related to our share-based compensation practices; and
- a significant increase in credits, beyond our estimated allowances, for customers who are not satisfied with our products.

We base our operating expense budgets on expected revenue trends. A portion of our expenses, such as office leases and various personnel costs, are relatively fixed. We may be unable to adjust spending quickly enough to offset any unexpected revenue shortfall. Accordingly, any shortfall in revenue may cause significant variation in operating results in any quarter.

Based on the factors cited above, we believe that quarter-to-quarter comparisons of our operating results are not a good indication of our future performance. It is possible that in one or more future quarters, our operating results may be below the expectations of public market analysts and investors. In that event, the trading price of our common shares may fall.

The graphic design and printing markets are intensely competitive and we may be unsuccessful in competing against current and future competitors, which could result in price reductions and/or decreased demand for our products.

The printing and graphic design industries are intensely competitive, with many existing and potential competitors, and we expect competition for online graphic design services and printed products to increase in the future. Competition may result in price pressure, reduced profit margins and loss of market share, any of which could substantially harm our business and results of operations. The graphic design and printed product markets traditionally are highly fragmented and geographically dispersed. The increased use of the Internet for online commerce and other technical advances have allowed traditional providers of graphic design services and printed products to improve the quality of their products and services, produce those products and deliver those services more efficiently and reach a broader purchasing public. Current and potential competitors include:

- self-service desktop design and publishing using a combination of (1) software such as Microsoft Publisher, Microsoft Word and Broderbund PrintShop; (2) desktop printers or copiers and (3) specialty paper supplies;
- traditional printing and graphic design companies;
- providers of emerging technologies, such as websites, e-mail and electronic files, which may act as a substitute for printed materials;
- office supplies and photocopy companies such as Office Depot, FedEx Kinko's, OfficeMax and Staples;
- wholesale printers such as Taylor Corporation and Business Cards Tomorrow International; and
- other online printing and graphic design companies.

[Table of Contents](#)

Many of our current and potential competitors have advantages over us, including longer operating histories, greater brand recognition, existing customer and supplier relationships, and significantly greater financial, marketing and other resources. Many of our competitors work together. For example, Taylor Corporation and Business Cards Tomorrow International sell printed products through office superstores such as OfficeMax, Staples and Office Depot.

Some of our competitors who either already have an online presence or are seeking to establish an online presence may be able to devote substantially more resources to website and systems development than we can. In addition, larger, more established and better capitalized entities may acquire, invest or partner with traditional and online competitors as use of the Internet and other online services increases. Competitors may also seek to develop new products, technologies or capabilities that could render many of the products, services and content we offer obsolete or less competitive, which could harm our business and results of operations.

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

Demand for our products and services has been sensitive to price. Changes in our pricing strategies have had, and may continue to have, a significant impact on our revenues and net income. We offer free products and services as a means of attracting customers and we offer substantial pricing discounts as a means of encouraging repeat purchases. Such free offers and discounts may not result in an increase in revenues or the optimization of profits. In addition, many external factors, including our production and personnel costs and our competitors' pricing and marketing strategies, can significantly impact our pricing strategies. If we fail to meet our customers' price expectations in any given period, our business and results of operations would suffer.

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

Many customers access our websites by clicking through on search results displayed by search engines such as Google and Yahoo!. Search engines typically provide two types of search results, algorithmic and purchased listings. Algorithmic listings cannot be purchased, and instead are determined and displayed solely by a set of formulas designed by the search engine. Purchased listings can be purchased by advertisers in order to attract users to their websites. We rely on both algorithmic and purchased listings to attract and direct a substantial portion of the customers we serve. Search engines revise their algorithms from time to time in an attempt to optimize their search result listings. If search engines on which we rely for algorithmic listings modify their algorithms, this could result in fewer customers clicking through to our websites, requiring us to resort to other costly resources to replace this traffic, which, in turn, could reduce our operating and net income or our revenues, prevent us from maintaining profitability and harm our business. If one or more search engines on which we rely for purchased listings modifies or terminates its relationship with us, our expenses could rise, our revenues could decline and our business may suffer. The cost of purchased search listing advertising is rapidly increasing as demand for these channels continues to grow quickly, and further increases could have negative effects on our profitability.

Various private 'spam' blacklisting or similar entities have in the past, and may in the future, interfere with our e-mail solicitation and the operation of our websites and our ability to conduct business.

We depend on e-mail to market to and communicate with our customers. Various private entities attempt to regulate the use of e-mail for commercial solicitation. These entities often advocate standards of conduct or practice that significantly exceed current legal requirements and classify certain e-mail solicitations that comply with current legal requirements as unsolicited bulk e-mails, or 'spam'. Some of these entities maintain 'blacklists' of companies and individuals, and the websites, Internet service providers and Internet protocol addresses associated with those entities or individuals, that do not adhere to what the blacklisting entity believes are appropriate standards of conduct or practices for commercial e-mail solicitations. If a company's Internet protocol addresses are listed by a blacklisting entity, e-mails sent from those addresses may be blocked if they are sent to any Internet domain or Internet address that subscribes to the blacklisting entity's service or purchases its blacklist.

Some of our Internet protocol addresses currently are listed with one or more blacklisting entities despite our belief that our commercial e-mail solicitations comply with all applicable laws. In the future, our other Internet protocol addresses may also be listed with one or more blacklisting entities. We may not be successful in convincing the blacklisting entities to remove us from their lists. Although the blacklisting we have experienced in the past has not had a significant impact on our ability to operate our websites or to send commercial e-mail solicitations, it has, from time to time, interfered with our ability to send operational e-mails—such as password reminders, invoices and electronically delivered products—to customers and others. In addition, as a result of being blacklisted, we have had disputes with, or concerns raised by, various service providers who perform services for us, including co-location and hosting services, Internet service providers and electronic mail distribution services. There can be no guarantee that we will not continue to be blacklisted or that we will be able to successfully remove ourselves from those lists. Blacklisting of this type could interfere with our ability to market our products and services, communicate with our customers and otherwise operate our websites, all of which could have a material negative impact on our business and results of operations.

Interruptions to our websites, information technology systems, production processes or customer service operations as a result of natural disasters, errors in our technology, capacity constraints, security breaches or other causes could damage our reputation and brand and substantially harm our business and results of operations.

The satisfactory performance, reliability and availability of our websites, transaction processing systems, network infrastructure, printing production facilities and customer service operations are critical to our reputation, and our ability to attract and retain customers and to maintain adequate customer service levels. Any future interruptions that result in the unavailability of our websites, reduced order fulfillment performance or customer service operations could result in negative publicity, damage our reputation and brand and cause our business and results of operations to suffer. We may also experience temporary interruptions in our business operations for a variety of other reasons in the future, including human error, software errors, power loss, telecommunication failures, fire, flood, extreme weather, political instability, acts of terrorism, war, break-ins and other events beyond our control. In particular, both Bermuda, where substantially all of the computer hardware necessary to operate our websites is located in a single facility, and Jamaica, the location of most of our customer service and design service operations, are subject to a high degree of hurricane risk and extreme weather conditions that could have a devastating impact on our facilities and operations.

Our technology, infrastructure and processes may contain undetected errors or design faults. These errors or design faults may cause our websites to fail and result in loss of, or delay in, market acceptance of our products and services. In the past, we have experienced delays in website releases and customer dissatisfaction during the period required to correct errors and design faults in our websites that caused us to lose revenue. In the future, we may encounter additional issues, such as scalability limitations, in current or future technology releases. A delay in the commercial release of any future version of our technology, infrastructure and processes could seriously harm our business. In addition, our systems could suffer computer viruses and similar disruptions, which could lead to loss of critical data or the unauthorized disclosure of confidential customer data.

Our business requires that we have adequate capacity in our computer systems to cope with the high volume of visits to our websites, particularly during promotional campaign periods. As our operations grow in size and scope, we will need to improve and upgrade our computer systems and network infrastructure to offer customers enhanced and new products, services, capacity, features and functionality. The expansion of our systems and infrastructure may require us to commit substantial financial, operational and technical resources before the volume of our business increases, with no assurance that our revenues will increase.

Any failure of our printing production equipment may prevent the production of orders and interfere with our ability to fulfill orders. Substantially all of our production operations are performed in two facilities: our Dutch printing facility serving European and Asia-Pacific markets and our Windsor, Ontario facility serving North American markets.

We do not presently have redundant systems in multiple locations or a formal disaster recovery plan. In addition, we are dependent in part on third parties for the implementation and maintenance of certain aspects of our communications and printing systems, and because many of the causes of system interruptions or interruptions of the production process may be outside of our control, we may not be able to remedy such interruptions in a timely manner, or at all. We do carry business interruption insurance to compensate us for losses that may occur in the event operations at facilities are interrupted, but these policies do not address all potential causes of business interruptions we may experience and any proceeds we may receive may not fully compensate us for all of the revenue we may lose.

The occurrence of any of the foregoing could substantially harm our business and results of operations.

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

Many of the images, illustrations, and fonts incorporated in the designs and products we offer are the copyrighted property of other parties used by us under license agreements. If one or more of these licenses were to be terminated, the amount and variety of content available on our websites would be significantly reduced. In such event, we could experience delays in obtaining and introducing substitute materials and substitute materials might be available only under less favorable terms or at a higher cost, or may not be available at all.

If we are unable to develop, market and sell products and services beyond our existing target markets and develop new technology that attracts a new customer base, our results of operations may suffer.

We have developed technologies and services and implemented marketing strategies designed to attract small business owners and consumers to our websites and encourage them to purchase our products. While small business owners have been the source of our revenue growth and the basis for the expansion of our business to date, we believe we will need to address additional markets to further grow our business. To access new markets, including consumers outside the United States, we expect that we will need to develop, market and sell new products and additional services that address their graphic design and printing needs. We may not be able to expand our graphic design services or create new products and services, address any new markets or develop a broader customer base. Any failure to address additional market opportunities could harm our business, financial condition and results of operations.

The development of our business since the launch of the VistaPrint.com website in April 2000 has been attributable to organic growth, but in the future we may choose to undertake acquisitions to further expand our business, which may pose risks to our business and dilute the ownership of our existing shareholders.

Our business and our customer base have been built through organic growth. A key component of our business strategy includes strengthening our competitive position and refining the customer experience on our websites. To execute our expansion strategy, we expect that we will selectively pursue acquisitions of businesses, technologies or services in order to expand our capabilities, enter new markets, or increase our market share. We do not have any experience making acquisitions. Integrating any newly acquired businesses, technologies or services is likely to be expensive and time consuming. To finance any acquisitions, it may be necessary for us to raise additional funds through public or private financings. Additional funds may not be available on terms that are favorable to us, and, in the case of equity financings, would result in dilution to our shareholders and, in the case of debt financings, may subject us to covenants restricting the activities we undertake in the future. If we do complete any acquisitions, we may be unable to operate the acquired businesses profitably or otherwise implement our strategy successfully. If we are unable to integrate any newly acquired businesses, technologies or services effectively, our business and results of operations could suffer. The time and expense associated with finding suitable and compatible businesses, technologies or services could also disrupt our ongoing business and divert our management's attention. Future acquisitions by us could also result in large and immediate write-offs or assumptions of debt and contingent liabilities, any of which could substantially harm our business and results of operations.

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

We are highly dependent upon the continued service and performance of our senior management team and key technical, marketing and production personnel including, in particular, Robert S. Keane, our President and Chief Executive Officer, and Janet Holian, our Chief Marketing Officer. Neither of Mr. Keane nor Ms. Holian is a party to an employment agreement with VistaPrint, and therefore may cease their employment with us at any time with no advance notice. The loss of one or more of these key employees may significantly delay or prevent the achievement of our business objectives. Although we have generally been successful in our recruiting efforts to date, we face intense competition for qualified individuals from numerous technology, marketing, financial services, manufacturing and e-commerce companies. We may be unable to attract and retain suitably qualified individuals, and our failure to do so could have an adverse effect on our ability to implement our business plan.

If we are unable to manage our growth and expand our operations successfully, our reputation would be damaged and our business and results of operations would be harmed.

We have rapidly grown to approximately 770 permanent employees as of December 31, 2006, with over 200 additional temporary employees. We have website operations, offices, production facilities and customer support centers in Bermuda, the United States, the Netherlands, Spain, Jamaica and Canada. Our growth, combined with the geographical separation of our operations, has placed, and will continue to place, a strain on our administrative and operational infrastructure. Our ability to manage our operations and growth will require us to continue to refine our operational, financial and management controls, human resource policies, reporting systems and procedures in at least five countries.

[Table of Contents](#)

We may not be able to implement improvements to our management information and control systems in an efficient or timely manner and may discover deficiencies in existing systems and controls. If we are unable to manage future expansion, our ability to provide a high-quality customer experience could be harmed, which would damage our reputation and brand and substantially harm our business and results of operations.

The United States government may substantially increase border controls and impose restrictions on cross-border commerce that may substantially harm our business.

For the three months ended December 31, 2006, we derived 66% of our revenue from sales to customers made through our United States website. We produce printed products for our United States customers at our Windsor, Ontario facility. Restrictions on shipping goods into the United States from Canada pose a substantial risk to our business. Particularly since the terrorist attacks on September 11, 2001, the United States government has substantially increased border surveillance and controls. We have from time to time experienced significant delays in bringing our manufactured products into the United States as a result of these controls, which has, in some instances, resulted in delayed delivery of orders. If the United States were to impose further border controls and restrictions, impose quotas, tariffs or import duties, increase the documentation requirements applicable to cross border shipments or take other actions that have the effect of restricting the flow of goods from Canada to the United States, we may have greater difficulty shipping products into the United States or be foreclosed from doing so, experience shipping delays, or incur increased costs and expenses, all of which would substantially impair our ability to serve the United States market and harm our business and results of operations.

We have limited experience in managing operations in multiple countries and if we are unable to manage the challenges associated with our international operations, the growth of our business could be limited.

We have a limited history of managing operations in multiple countries. From March 2001 to January 2004, all of our business was conducted from one facility located in the United States and from our website operations in Bermuda. Over the past three years, we expanded our business to include operations in six different countries. For example, we operate printing facilities in Venlo, the Netherlands and Windsor, Ontario, Canada, a customer support, sales and service, and graphic design center in Montego Bay, Jamaica, website operations in Devonshire, Bermuda, a marketing office in Barcelona, Spain, and technology development, marketing, finance and administrative offices in Lexington, Massachusetts, United States. We have localized websites to serve many additional international markets. For the three months ended December 31, 2006, we derived 34% of our revenue from our non-United States websites. We are subject to a number of risks and challenges that specifically relate to our international operations. Our international operations may not be successful if we are unable to meet and overcome these challenges, which could limit the growth of our business and may have an adverse effect on our business and operating results. We also have limited experience in confronting and addressing the risks and challenges we face in operating in several countries. These risks and challenges include:

- fluctuations in foreign currency exchange rates that may increase the United States dollar cost, or reduce United States dollar revenue, of our international operations;
- difficulty managing operations in, and communications among, multiple locations and time zones;
- local regulations that may restrict or impair our ability to conduct our business as planned;
- protectionist laws and business practices that favor local producers and service providers;
- failure to properly understand and develop graphic design content and product formats appropriate for local tastes;
- restrictions imposed by local labor practices and laws on our business and operations; and
- failure of local laws to provide a sufficient degree of protection against infringement of our intellectual property.

We may not be able to protect our intellectual property rights, which may impede our ability to build brand identity, cause confusion among our customers, damage our reputation and permit others to practice our patented technology, which could substantially harm our business and results of operations.

We rely on a combination of patent, trademark, trade secret and copyright law and contractual restrictions to protect our intellectual property. These protective measures afford only limited protection. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our websites features and functionalities or to obtain and use information that we consider proprietary, such as the technology used to operate our websites and our production operations and our trademarks.

As of December 31, 2006, we held 12 issued United States patents, two issued European patents and one issued French patent and we had more than 30 patent applications pending in the United States. We intend to continue to pursue patent coverage in the United States and other countries to the extent we believe such coverage is justified, appropriate, and cost efficient. There can be no guarantee that any of our pending applications or continuation patent applications will be granted. In addition, there could be infringement, invalidity, co-inventorship or similar claims brought by third parties with respect to any of our currently issued patents or any patents that may be issued to us in the future. For example, administrative opposition proceedings asking the European Patent Office to reconsider the

[Table of Contents](#)

allowance of our European patent relating to certain downloadable document design programs and methods were filed in 2005 and remain pending. Any such claims, whether or not successful, could be extremely costly, could damage our reputation and brand and substantially harm our business and results of operations.

Our primary brand is “VistaPrint.” We hold trademark registrations for the VistaPrint trademark in the United States, the European Union, Canada, Japan and various other jurisdictions. Our competitors or other entities may adopt names similar to ours, thereby impeding our ability to build brand identity and possibly leading to customer confusion. There are several companies that currently incorporate or may incorporate in the future “Vista” into their company, product or service names, such as Microsoft Corporation’s decision to name its next generation operating system “Microsoft Vista.” There could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of the term VistaPrint or our other trademarks. Any claims or customer confusion related to our trademarks could damage our reputation and brand and substantially harm our business and results of operations.

If we become involved in intellectual property litigation or other proceedings related to a determination of rights, we could incur substantial costs, expenses or liability, lose our exclusive rights or be required to stop certain of our business activities.

A third party may sue us for infringing its intellectual property rights. In addition, a third party may claim that we have improperly obtained or used its confidential or proprietary information. Likewise, we may need to resort to litigation to enforce a patent issued to us or to determine the scope and validity of third-party proprietary rights. For example, in November 2004 we received a letter from attorneys representing Daniel Keane, the chief executive officer of Mod-Pac, our former North American printing supplier, and the brother of Robert S. Keane, our chief executive officer, claiming an inventorship interest in our issued United States patent relating to printing aggregation. If Daniel Keane were to commence an action to assert this claim and were successful in establishing co-inventorship, he would be able to use, and license to others the right to use, this patent without paying any compensation to us. We have informed Daniel Keane that we believe he does not qualify as a co-inventor, but there can be no guarantee that he will not commence a formal action or that, if commenced, we will be successful in defending against such action. Similarly, Daniel Keane may claim inventorship in our other patents or pending applications relating to printing aggregation and may accordingly obtain an interest in these other patents and pending applications.

The cost to us of any litigation or other proceeding relating to intellectual property rights, even if resolved in our favor, could be substantial, and the litigation would divert our management’s efforts from growing our business. Potential adversaries may be able to sustain the costs of complex intellectual property litigation more effectively than we can because they have substantially greater resources. Uncertainties resulting from the initiation and continuation of any litigation could limit our ability to continue our operations or may prevent or delay our acquisition by a third party.

We have, in the past, received letters from third parties that state that these third parties have patent rights that cover aspects of the technology that we use in our business and that the third parties believe we are obligated to license in order to continue to use such technology. If any parties successfully claim that our sale, use, manufacturing or importation of technologies infringes upon their intellectual property rights, we might be forced to pay damages and attorney’s fees. Additionally, if we are found to have willfully infringed a third parties’ patent, we may be liable for treble damages and a court could enjoin us from performing the infringing activity. Thus, the situation could arise in which our ability to use certain technologies important to the operation of our business would be restricted by a court order.

Alternatively, we may be required to, or decide to, enter into a license with a third party. Any license required under any patent may not be made available on commercially acceptable terms, if at all. In addition, such licenses are likely to be non-exclusive and, therefore, our competitors may have access to the same technology licensed to us. If we fail to obtain a required license and are unable to design around a third party patent, we may be unable to effectively conduct certain of our business activities, which could limit our ability to generate revenues or maintain profitability and possibly prevent us from generating revenue sufficient to sustain our operations.

We sell our products and services exclusively through our websites and our inability to acquire or maintain domain names for our websites could result in the loss of customers which would substantially harm our business and results of operations.

We sell our products and services exclusively through our websites. We currently own or control a number of Internet domain names used in connection with our various websites, including VistaPrint.com and similar names with alternate URL names, such as .net, .de and .co.uk. Domain names generally are regulated by Internet regulatory bodies. If we lose the ability to use a domain name in a particular country, we would be forced to either incur significant additional expenses to market our products within that country, including the development of a new brand and the creation of new promotional materials and packaging, or elect not to sell products in that country. Either result could substantially harm our business and results of operations. Furthermore, the relationship between regulations governing domain names and laws protecting trademarks and similar proprietary rights is unclear and subject to change. We might not be able to prevent third parties from acquiring domain names that infringe or otherwise decrease the value of our trademarks and other proprietary rights. Regulatory bodies could establish additional top-level domains, appoint additional domain name registrars or

[Table of Contents](#)

modify the requirements for holding domain names. As a result, we may not be able to acquire or maintain the domain names that utilize the name VistaPrint in all of the countries in which we currently or intend to conduct business.

Our revenues may be negatively affected if we are required to charge sales or other taxes on purchases.

We do not collect or have imposed upon us sales or other taxes related to the products and services we sell, except for certain corporate level taxes and value added and similar taxes in certain jurisdictions. However, one or more jurisdictions or countries may seek to impose sales or other tax collection obligations on us in the future. A successful assertion by one or more governments, including any country in which we do business or sub-federal authorities such as states in the United States, that we should be collecting sales or other taxes on the sale of our products could result in substantial tax liabilities for past sales, discourage customers from purchasing products from us, decrease our ability to compete with traditional retailers or otherwise substantially harm our business and results of operations.

Currently, decisions of the United States Supreme Court restrict the imposition of obligations to collect state and local sales and use taxes with respect to sales made over the Internet in the United States. However, implementation of the restrictions imposed by these Supreme Court decisions is subject to interpretation by state and local taxing authorities. While we believe that these Supreme Court decisions currently restrict state and local taxing authorities in the United States from requiring us to collect sales and use taxes from purchasers located within their jurisdictions, taxing authorities could disagree with our interpretation of these decisions. Moreover, a number of states in the United States, as well as the United States Congress, have been considering various initiatives that could limit or supersede the Supreme Court's position regarding sales and use taxes on Internet sales. If any state or local taxing jurisdiction were to disagree with our interpretation of the Supreme Court's current position regarding state and local taxation of Internet sales, or if any of these initiatives were to address the Supreme Court's constitutional concerns and result in a reversal of its current position, we could be required to collect sales and use taxes from purchasers. The imposition by state and local governments of various taxes upon Internet commerce could create administrative burdens for us and could decrease our future net sales. A substantial amount of our business is derived from customers in the European Union, whose tax environment is also complex and subject to changes that would be adverse to our business.

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

Due to our dependence on the Internet for all of our sales, regulations and laws specifically governing the Internet and e-commerce may have a greater impact on our operations than other more traditional businesses. Existing and future laws and regulations, including the taxation of sales through the Internet, may impede the growth of e-commerce and our ability to compete with traditional graphic designers and printers, as well as desktop printing products. These regulations and laws may cover taxation, as well as restrictions on imports and exports, customs, tariffs, user privacy, data protection, pricing, content, copyrights, distribution, electronic contracts and other communications, consumer protection, the provision of online payment services, broadband residential Internet access and the characteristics and quality of products and services. It is not clear how existing laws governing issues such as property ownership, sales and other taxes, libel and personal privacy apply to the Internet and e-commerce as the vast majority of these laws were adopted prior to the advent of the Internet and do not contemplate or address the unique issues raised by the Internet or e-commerce. Those laws that do reference the Internet, such as the Bermuda Electronic Transactions Act 1999, the U.S. Digital Millennium Copyright Act and the U.S. CAN-SPAM Act of 2003, are only beginning to be interpreted by the courts and their applicability and reach are therefore uncertain. Those current and future laws and regulations or unfavorable resolution of these issues may substantially harm our business and results of operations.

If we were required to review the content that a customer incorporates into a product 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, our operations do not involve, for the vast majority of our sales, any human-based review of content. Although our websites' terms of use specifically require customers to represent that they have the right and authority to reproduce a given content and that the content is in full compliance with all relevant laws and regulations, we do not have the ability to determine the accuracy of these representations on a case-by-case basis. There is a risk that a customer may supply an image or other content 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, racist, scandalous, obscene, or otherwise offensive, objectionable or illegal under the laws or court decisions of the jurisdiction where that customer lives. There is, therefore, a risk that customers may intentionally or inadvertently order and receive products from us that are in violation of the rights of another party or a law or regulation of a particular jurisdiction. If we should become legally obligated in the future to perform manual screening and review for all orders destined for a jurisdiction, we will encounter increased production costs or may cease accepting orders for shipment to that jurisdiction which could substantially harm our business and results of operations.

We derive a portion of our revenues from offers made to customers by third parties who have had their business practices challenged in the past, and if the business practices of these third parties are challenged in the future, we would lose revenue and our reputation would be adversely affected.

For the three months ended December 31, 2006, we derived less than 10% of our revenues from order referral fees paid to us by merchants for customer click-throughs and orders. In general, these third parties offer memberships in discount programs or similar promotions to customers who have purchased products from us and we receive a payment from the third party for every customer that accepts the promotion. Certain of these third parties have been the subject of consumer complaints and litigation alleging that their enrollment and billing practices violate various consumer protection laws or are otherwise deceptive. For example, various state attorney generals have brought consumer fraud lawsuits against certain of these parties asserting that the parties have not adequately disclosed the terms of their offers and have not obtained proper approval from consumers before billing the consumers' bank account or credit card. Some consumers have brought individual or class action complaints alleging similar misconduct. We have from time to time received complaints from customers regarding these programs. Claims or actions that may be brought against us in the future related to these relationships could result in our being obligated to pay substantial damages or incurring substantial legal fees in defending claims. These damages and fees could be disproportionate to the revenues we generate through these relationships, which would have an adverse affect on our results of operations. In addition, through these relationships, we now offer promotions and memberships that are branded as VistaPrint promotions and memberships which could result in an increased likelihood of our becoming involved in litigation or claims brought against these third parties. Even if we were successful in defending against these claims, such a defense may result in distraction of management. In addition, customer dissatisfaction or a termination of these relationships could have a negative impact on our brand, revenues and profitability.

Our practice of offering free products and services could be subject to additional judicial or regulatory challenge which, if successful, would hinder our ability to attract customers and generate revenue.

We regularly offer free products as an inducement for customers to try our products. Although we believe that we conspicuously and clearly communicate all details and conditions of these offers—for example, that customers are required to pay shipping and processing charges to take advantage of the free product offer—we have in the past, and may in the future, be subject to claims from individuals or governmental regulators that our free offers are misleading or do not comply with applicable legislation. For example, one of our subsidiaries and our predecessor corporation were named as defendants in a class action lawsuit alleging that the shipping and handling fees we charged in connection with our free business card offer violates sections of the California Business and Professions Code that limit the amount that may be charged for shipping and handling in connection with a prize or gift. In addition, customers have filed complaints with governmental and standards bodies claiming that they were misled by the terms of our free offers. Our free product offers could be subject to challenge in other jurisdictions in the future. If we are subject to further actions in the future, or if we are compelled or determine to curtail or eliminate our use of free offers as the result of any such actions, our business prospects and results of operations could be materially harmed.

Our failure to protect confidential information of our customers and our network against security breaches and to address risks associated with credit card fraud could damage our reputation and brand and substantially harm our business and results of operations.

A significant prerequisite to online commerce and communications is the secure transmission of confidential information over public networks. Our failure to prevent security breaches could damage our reputation and brand and substantially harm our business and results of operations. Currently, a majority of our sales are billed to our customers' credit card accounts directly. We retain our customers' credit card information for a limited time following a purchase of products for the purpose of issuing refunds. We rely on encryption and authentication technology licensed from third parties to effect secure transmission of confidential information, including credit card numbers. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in a compromise or breach of the technology used by us to protect customer transaction data. Any such compromise of our security could damage our reputation and brand and expose us to a risk of loss or litigation and possible liability which would substantially harm our business and results of operations. In addition, anyone who is able to circumvent our security measures could misappropriate proprietary information or cause interruptions in our operations. We may need to expend significant resources to protect against security breaches or to address problems caused by breaches.

In addition, under current credit card practices, we are liable for fraudulent credit card transactions because we do not obtain a cardholder's signature. We do not currently carry insurance against this risk. To date, we have experienced minimal losses from credit card fraud, but we continue to face the risk of significant losses from this type of fraud. Our failure to adequately control fraudulent credit card transactions could damage our reputation and brand and substantially harm our business and results of operations.

Risks Related to Our Corporate Structure

Non-Bermuda tax authorities may tax some or all of VistaPrint Limited's income, which would increase our effective tax rate and adversely affect our earnings.

VistaPrint Limited is organized in Bermuda and conducts business through operations within Bermuda. Bermuda does not currently impose income taxes on our operations. Management services are provided to VistaPrint Limited by employees of our United States subsidiary, who are all based in the United States. We have endeavored to structure our business so that all of our non-Bermuda operations are carried out by our local subsidiaries and VistaPrint Limited's business income is, in general, not subject to tax in these non-Bermuda jurisdictions, such as the United States, Canada, or the Netherlands. VistaPrint Limited has filed tax returns on the basis that it is not engaged in business in these non-Bermuda jurisdictions. Many countries' tax laws, including but not limited to United States tax law, do not clearly define activities that constitute being engaged in a business in that country. The tax authorities in these countries could contend that some or all of VistaPrint Limited's income should be subject to income or other tax or subject to withholding tax. If VistaPrint Limited's income is taxed in jurisdictions other than Bermuda, such taxes will increase our effective tax rate and adversely affect our results of operations.

United States corporations are subject to United States federal income tax on the basis of their worldwide income. Foreign corporations generally are subject to United States federal income tax only on income that has a sufficient nexus to the United States. On October 22, 2004, the United States enacted the American Jobs Creation Act of 2004, or the AJCA. Under the AJCA, foreign corporations that after March 4, 2003 complete the acquisition of substantially all of the properties of a United States corporation and that meet certain ownership, operational and other tests are treated as United States corporations for United States federal income tax purposes and, therefore, are subject to United States federal income tax on their worldwide income. The AJCA grants broad regulatory authority to the Secretary of the Treasury to provide regulations as may be appropriate to determine whether a foreign corporation is treated as a United States corporation. We do not believe that the relevant provisions of the AJCA as currently enacted apply to VistaPrint Limited, but there can be no assurance that the Internal Revenue Service will not challenge this position or that a court will not sustain any such challenge. Furthermore, there are currently legislative proposals in the U.S. Congress which, if enacted into law, would change the March 4, 2003 AJCA date to March 20, 2002. A successful challenge by the Internal Revenue Service, or a change of the March 4, 2003 date in the AJCA to an earlier date, could result in VistaPrint Limited being subject to tax in the United States on its worldwide income, which would increase our effective rate of tax and adversely affect our earnings.

Regardless of the application of AJCA to VistaPrint Limited, the Internal Revenue Service could assert that an insufficient amount of tax was paid to the United States federal government in connection with the formation of VistaPrint Limited, such that additional federal income tax is due currently, and potentially on an ongoing basis for years subsequent to the formation. A successful assertion of this position by the Internal Revenue Service could result in an overall tax rate substantially higher than the rate reflected in our financial statements.

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

We operate pursuant to written service and related agreements, which we also refer to as transfer pricing agreements, among VistaPrint Limited and its subsidiaries. These agreements establish transfer prices for printing, marketing, management, technology development and other services performed for VistaPrint Limited. Transfer prices are prices that one company in a group of related companies charges to another member of the group for goods, services or the use of property. If two or more affiliated companies are located in different countries, the tax laws or regulations of each country generally will require that transfer prices be the same as those between unrelated companies dealing at arms' length. With the exception of our Dutch operations, our transfer pricing procedures 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 of these countries were to successfully challenge our transfer prices as not reflecting arms' 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 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. Changes in laws and regulations may require us to change our transfer pricings or operating procedures. If tax authorities were to allocate income to a higher tax jurisdiction, subject our income to double taxation or assess penalties, it would result in a higher tax liability to us, which would adversely affect our earnings.

We will pay taxes even if we are not profitable on a consolidated basis which would cause increased losses and further harm to our results of operations.

The intercompany service and related agreements among VistaPrint Limited and our direct and indirect subsidiaries in general guarantee that the subsidiaries realize profits. As a result, even if the VistaPrint group is not profitable on a consolidated basis, the majority of our subsidiaries will be profitable and incur income taxes in their respective jurisdictions. If we are unprofitable on a consolidated basis, as has been the case in some prior periods, this structure will increase our consolidated losses and further harm our results of operations.

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 common 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 common shares. Under the PFIC rules, unless U.S. holders make an election available under the Internal Revenue Code of 1986, as amended, such shareholders would be liable to pay United States federal income tax at the then prevailing income tax rates on ordinary income plus interest upon excess distributions and upon any gain from the disposition of our common shares, as if the excess distribution or gain had been recognized ratably over the shareholder's holding period of our common shares.

We believe that we were not a PFIC for the tax year ended June 30, 2006 and we expect that we will not become a PFIC in the foreseeable future. However, whether we are treated as a PFIC depends on questions of fact as to our assets and revenues that can only be determined at the end of each tax year. Accordingly, we cannot be certain that we will not be treated as a PFIC for our current tax year or for any subsequent year.

If a United States shareholder acquires 10% or more of our common shares, it may be subject to increased United States taxation under the "controlled foreign corporation" rules.

Each "10% U.S. Shareholder" of a foreign corporation that is a "controlled foreign corporation," or CFC, for an uninterrupted period of 30 days or more during a taxable year, and that owns shares in the CFC directly or indirectly through foreign entities on the last day of the CFC's taxable year, must include in its gross income for United States federal income tax purposes its pro rata share of the CFC's "subpart F income," even if the subpart F income is not distributed. A foreign corporation is considered a CFC if one or more 10% U.S. Shareholders together own more than 50% of the total combined voting power of all classes of voting stock of the foreign corporation or more than 50% of the total value of all stock of the corporation on any day during the taxable year of the corporation. A 10% U.S. Shareholder is a U.S. person, as defined in the Internal Revenue Code, that owns at least 10% of the total combined voting power of all classes of stock entitled to vote of the foreign corporation. For purposes of determining whether a corporation is a CFC, and therefore whether the more-than-50% and 10% ownership tests have been satisfied, shares owned include shares owned directly or indirectly through foreign entities and shares considered owned under constructive ownership rules. The attribution rules are complicated and depend on the particular facts relating to each investor. For taxable years in which we are a CFC for an uninterrupted period of 30 days or more, each of our 10% U.S. Shareholders will be required to include in its gross income for United States federal income tax purposes its pro rata share of our subpart F income, even if the subpart F income is not distributed to enable such taxpayer to satisfy this tax liability. Based upon our existing share ownership, we do not believe we are a CFC.

We are incorporated under the laws of Bermuda, and the majority of our assets are located outside the United States, which may make it difficult for shareholders to enforce civil liability provisions of the federal or state securities laws of the United States.

We are incorporated under the laws of Bermuda, and over 80% of our assets are located outside of the United States. It may not be possible to enforce court judgments obtained in the United States against us in Bermuda or in countries, other than the United States, where we have assets based on the civil liability provisions of the federal or state securities laws of the United States. In addition, there is significant doubt as to whether the courts of Bermuda and other countries would recognize or enforce judgments of United States courts obtained against us or our directors or officers based on the civil liabilities provisions of the federal or state securities laws of the United States or would hear actions against us or those persons based on those laws. The United States and Bermuda do not currently have a treaty providing for the reciprocal recognition and enforcement of judgments in civil and commercial matters. Therefore, a final judgment for the payment of money rendered by any federal or state court in the United States based on civil liability, whether or not based solely on United States federal or state securities laws, would not automatically be enforceable in Bermuda. Similarly, those judgments may not be enforceable in countries other than the United States where we have assets.

Bermuda law differs from the laws in effect in the United States and may afford less protection to shareholders.

Our shareholders may have more difficulty protecting their interests than would shareholders of a corporation incorporated in a jurisdiction of the United States. As a Bermuda company, we are governed by the Companies Act 1981 of Bermuda. The Companies Act differs in some material respects from laws generally applicable to United States corporations and shareholders, including provisions relating to interested directors, mergers, amalgamations and acquisitions, takeovers, shareholder lawsuits and indemnification of directors. In addition, our bye-laws provide that in the event any governmental authority imposes any liability upon us in respect of any shares registered in our share register, dividends, bonuses or other monies paid to a shareholder or in other circumstances, including liabilities resulting from the death of the shareholder, failure by the shareholder to pay any taxes or failure to pay estate duties, the shareholder will fully indemnify us from all liability arising in connection therewith.

Under Bermuda law, the duties of directors and officers of a company are generally owed to the company only. Shareholders of Bermuda companies do not generally have rights to take action against directors or officers of the company, and may only do so in limited circumstances. Directors and officers may owe duties to a company's creditors in cases of impending insolvency. Directors and officers of a Bermuda company must, in exercising their powers and performing their duties, act honestly and in good faith with a view to the best interests of the company and must exercise the care and skill that a reasonably prudent person would exercise in comparable circumstances. Directors have a duty not to put themselves in a position in which their duties to the company and their personal interests may conflict and also are under a duty to disclose any personal interest in any material contract or proposed material contract with the company or any of its subsidiaries. If a director or officer of a Bermuda company is found to have breached his duties to that company, he may be held personally liable to the company in respect of that breach of duty. A director or officer may be liable jointly and severally with other directors or officers if it is shown that the director or officer knowingly engaged in fraud or dishonesty. In cases not involving fraud or dishonesty, the liability of the director or officer will be determined by the Bermuda courts on the basis of their estimation of the percentage of responsibility of the director or officer for the matter in question, in light of the nature of the conduct of the director or officer and the extent of the causal relationship between his conduct and the loss suffered.

Our bye-laws provide that we will indemnify our directors and officers in their capacity as such in respect of any loss arising or liability attaching to them by virtue of any rule of law in respect of any negligence, default, breach of duty or breach of trust of which a director or officer may be guilty in relation to us other than in respect of his own fraud or dishonesty, which is the maximum extent of indemnification permitted under the Companies Act. Under our bye-laws, each of our shareholders agrees to waive any claim or right of action, other than those involving fraud, against us or any of our officers or directors.

Anti-takeover provisions in our charter documents and under Bermuda law could make an acquisition of us, which may be beneficial to our shareholders, more difficult and may prevent attempts by our shareholders to replace or remove our current management.

Provisions in our bye-laws may delay or prevent an acquisition of us or a change in our management. In addition, by making it more difficult for shareholders to replace members of our board of directors, these provisions also may frustrate or prevent any attempts by our shareholders to replace or remove our current management because our board of directors is responsible for appointing the members of our management team. These provisions include:

- a classified board of directors;
- the ability of our board of directors to issue undesignated shares without shareholder approval, which could be used to institute a “poison pill” that would work to dilute the share ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our board of directors;
- limitations on the removal of directors; and
- advance notice requirements for election to our board of directors and for proposing matters that can be acted upon at shareholder meetings.

In addition, the foregoing factors may prevent or delay our acquisition by a third party, even though such transaction may be in the best interests of our shareholders.

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

(a) Not applicable.

(b) On September 29, 2005, our registration statement on Form S-1 (Registration No. 333-125470) was declared effective for our initial public offering, pursuant to which we offered and sold 11,518,320 common shares, of which 5,500,000 were sold by us and 6,018,320, were sold by certain of our shareholders, at an initial public offering price of \$12.00 per share. We received net proceeds of approximately \$61.4 million (after underwriters’ discounts of \$4.6 million). We incurred, or expect to incur, additional, estimated related expenses of approximately \$1.6 million, resulting in proceeds, after expenses, to us of approximately \$59.8 million.

As of December 31, 2006, we had not utilized any of the net proceeds from the offering. We intend to use the net proceeds to fund construction and expansion of our printing facilities and other operations, possible acquisitions and investments, and working capital, capital expenditures and other general corporate purposes. Pending these uses, we have invested the funds in short-term investment grade and government securities.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The Company held its 2006 Annual General Meeting of Shareholders on November 14, 2006. The Company’s shareholders approved each of the following proposals by the votes specified below.

Proposal 1 – The election of two members to the Board of Directors to serve as Class I Directors for a term of three years.

<u>Nominee</u>	<u>Votes For</u>	<u>Votes Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
John J. Gavin	34,294,571	87,203	6,155	—
George Overholser	34,294,571	87,203	6,155	—

The terms of office of the following directors who were not up for re-election at our 2006 Annual General Meeting of Shareholders, continued after our 2006 Annual General Meeting of Shareholders: Louis Page, Richard Riley, Robert Keane and Daniel Ciporin.

[Table of Contents](#)

Proposal 2 – The ratification and approval of the appointment of Ernst & Young LLP as the Company’s independent registered public accounting firm for the fiscal year ending June 30, 2007.

<u>Votes For</u>	<u>Votes Against</u>	<u>Abstain</u>	<u>Broker Non-Votes</u>
32,899,698	1,483,331	4,900	—

ITEM 5. OTHER INFORMATION

Not applicable.

ITEM 6. EXHIBITS

- 10.1 Executive Retention Agreement among VistaPrint USA, Incorporated, the Registrant and Harpreet Grewal dated October 2, 2006.
- 10.2 Executive Retention Agreement among VistaPrint USA, Incorporated, the Registrant and Wendy Cebula dated January 3, 2007.
- 31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Rule 13a-14(a)/15d-14(a), by Chief Executive Officer.
- 31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Rule 13a-14(a)/15d-14(a), by Chief Financial Officer.
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Chief Executive Officer and Chief Financial Officer.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VISTAPRINT LIMITED

Date: January 31, 2007

By: _____ /s/ HARPREET GREWAL
Harpreet Grewal
Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

- 10.1 Executive Retention Agreement among VistaPrint USA, Incorporated, the Registrant and Harpreet Grewal dated October 2, 2006.
- 10.2 Executive Retention Agreement among VistaPrint USA, Incorporated, the Registrant and Wendy Cebula dated January 3, 2007.
- 31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Rule 13a-14(a)/15d-14(a), by Chief Executive Officer.
- 31.2 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Rule 13a-14(a)/15d-14(a), by Chief Financial Officer.
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Chief Executive Officer and Chief Financial Officer.

Executive Retention Agreement

THIS EXECUTIVE RETENTION AGREEMENT by and among VistaPrint USA, Incorporated, a Delaware corporation (the "Company"), VistaPrint Limited, a Bermuda corporation and sole shareholder of the Company ("VistaPrint Limited"), and Harpreet Grewal (the "Executive") is made as of October 2, 2006 (the "Effective Date").

WHEREAS, the Company and VistaPrint Limited desire to engage and retain the services of the Executive and, in order to do so, are entering into this Agreement in order to provide compensation to the Executive in the event his employment with the Company is terminated under certain circumstances;

WHEREAS, the Company also recognizes that the possibility of a change in control of VistaPrint Limited exists and that such possibility, and the uncertainty and questions which it may raise among key personnel, may deter key potential personnel from joining the Company and may result in the departure or distraction of key personnel to the detriment of the Company and its stockholders, and

WHEREAS, the Board of Directors of VistaPrint Limited (the "Board") has determined that appropriate steps should be taken to induce the Executive to join the Company, to retain the Executive and to reinforce and encourage the continued employment and dedication of the Company's key personnel without distraction from the possibility of a change in control of the Company and related events and circumstances.

NOW, THEREFORE, as an inducement for and in consideration of the Executive accepting employment with the Company and remaining in the Company's employ, the Company and VistaPrint Limited agree that the Executive shall receive the benefits set forth herein in the event of a Change in Control and the severance and other benefits set forth in this Agreement in the event the Executive's employment with the Company is terminated under the circumstances described below.

1. Key Definitions.

See Annex A for a list of certain defined terms used herein.

2. Term of Agreement. This Agreement, and all rights and obligations of the parties hereunder, shall take effect upon the Effective Date and shall terminate upon the fulfillment by the Company and VistaPrint Limited of all of their respective obligations under this Agreement following a termination of the Executive's employment (the "Term").

3. Employment Status; Termination of Employment.

3.1 Not an Employment Contract. The Executive acknowledges that this Agreement does not constitute a contract of employment or impose on the Company or VistaPrint Limited any obligation to retain the Executive as an employee and that this Agreement does not prevent the Executive from terminating employment at any time.

3.2 Termination of Employment.

(a) Any termination of the Executive's employment by the Company or by the Executive (other than due to the death of the Executive) shall be communicated by a written notice to the other party hereto (the "Notice of Termination"), given in accordance with Section 7. Any Notice of Termination shall: (i) indicate the specific termination provision (if any) of this Agreement relied upon by the party giving such notice, (ii) to the extent applicable, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) specify the Date of Termination (as defined below). The effective date of

an employment termination (the "Date of Termination") shall be the close of business on the date specified in the Notice of Termination (which date may not be less than 15 days or more than 120 days after the date of delivery of such Notice of Termination), in the case of a termination other than one due to the Executive's death, or the date of the Executive's death, as the case may be; provided, however that if the Executive is resigning the Executive's employment for other than Good Reason, the Company may elect to accept such resignation prior to the date specified in the Executive's notice and the Date of Termination shall be the date the Company notifies the Executive of such acceptance. In the event the Company fails to satisfy the requirements of Section 3.2(a) regarding a Notice of Termination, the purported termination of the Executive's employment pursuant to such Notice of Termination shall not be effective for purposes of this Agreement.

(b) The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting any such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(c) Any Notice of Termination for Cause given by the Company must be given within 30 days of the occurrence of the event(s) or circumstance(s), which constitute(s) Cause. Prior to any Notice of Termination for Cause being given (and prior to any termination for Cause being effective), the Executive shall be entitled to a hearing before the Board at which he may, at his election, be represented by counsel and at which he shall have a reasonable opportunity to be heard. Such hearing shall be held on not less than 30 days prior written notice to the Executive stating the Board's intention to terminate the Executive for Cause and stating in detail the particular event(s) or circumstance(s) which the Board believes constitutes Cause for termination. Any such Notice of Termination for Cause must be approved by an affirmative vote of two-thirds of the members of the Board.

(d) Any Notice of Termination for Good Reason given by the Executive must be given within 90 days of the occurrence of the event(s) or circumstance(s), which constitute(s) Good Reason.

4. Benefits to Executive.

4.1 Stock Acceleration.

(a) If the Change in Control Date occurs at any time during the Term, then, effective upon the Change in Control Date, (a) each outstanding option to purchase shares of VistaPrint Limited (or any successor) held by the Executive (to the extent not then currently exercisable) shall become immediately exercisable in full and shares of VistaPrint Limited received upon exercise of any options will no longer be subject to a right of repurchase or first refusal by VistaPrint Limited, (b) each outstanding restricted stock award held by the Executive shall be deemed to be fully vested and such vested shares will no longer be subject to a right of repurchase or first refusal by VistaPrint Limited and (c) notwithstanding any provision in any applicable option agreement to the contrary, each such option shall continue to be exercisable by the Executive for a period of twelve months following the Date of Termination if the Executive is terminated without Cause or terminates employment for Good Reason following the Change in Control Date.

4.2 Compensation. If the Executive's employment with the Company terminates during the Term, the Executive shall be entitled to the following benefits:

(a) Termination Without Cause or for Good Reason Prior to the Change in Control Date. If the Executive's employment with the Company is terminated by the Company (other

than for Cause, Disability or Death) or by the Executive for Good Reason prior to the Change in Control Date, then the Executive shall be entitled to the following benefits:

(i) the Company shall pay to the Executive the following amounts:

(1) in a lump sum in cash in the next regularly scheduled pay cycle following the Date of Termination the aggregate of the lump sum of (A) the Executive's unpaid base salary through the Date of Termination, (B) the product of (w) the greater of any annual bonus paid or payable (including any bonus or portion thereof which has been earned but deferred or which the Executive forewent) for the most recently completed fiscal year or any annual bonus payable for the then current fiscal year and (x) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365, (C) the product of (y) the greater of any quarterly bonus paid or payable (including any bonus or portion thereof which has been earned but deferred or which the Executive forewent) for the most recently completed fiscal quarter or any quarterly bonus payable for the then current fiscal quarter and (z) a fraction, the numerator of which is the number of days in the current fiscal quarter through the Date of Termination, and the denominator of which is 90 and (D) the amount of any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not previously paid (the sum of the amounts described in clauses (A), (B), (C), and (D) shall be hereinafter referred to as the "Accrued Obligations");

(2) in a lump sum in cash in the next regularly scheduled pay cycle following the Date of Termination an amount equal to the sum of (i) 50% of the greater of (a) the Executive's highest aggregate bonus (including both annual and quarterly bonuses, if applicable) paid in any fiscal year during the five fiscal year period prior to the Date of Termination and (b) the sum of the maximum bonus (including both annual and quarterly bonuses, if applicable) payable to the Executive during the then current fiscal year; and (ii) the greater of (x) 50% of the Executive's highest annual base salary during the five fiscal year period prior to the Date of Termination and (y) 50% of the Executive's then current annual base salary.

(ii) for 6 months after the Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue to provide benefits to the Executive and the Executive's family at least equal to those which would have been provided to them if the Executive's employment had not been terminated, in accordance with the applicable Benefit Plans in effect on the Effective Date or, if more favorable to the Executive and his family, in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies; provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive a particular type of benefits (e.g., health insurance benefits) from such employer on terms at least as favorable to the Executive and his family as those being provided by the Company, then the Company shall no longer be required to provide those particular benefits to the Executive and his family;

(iii) to the extent not previously paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive following the Executive's termination of employment under any plan, program, policy, practice, contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits"); and

(iv) for purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits to which the Executive is entitled, the Executive shall be considered to have remained employed by the Company until 6 months after the Date of Termination.

(b) Termination Without Cause or for Good Reason at any Time on or after the Change in Control Date. If the Executive's employment with the Company is terminated by the Company (other than for Cause, Disability or Death) or by the Executive for Good Reason at any time on or after the Change in Control Date, then the Executive shall be entitled to the following benefits:

(i) the Company shall pay to the Executive the following amounts:

(1) in a lump sum in cash in the next regularly scheduled pay cycle following the Date of Termination the Accrued Obligations;

(2) in a lump sum in cash in the next regularly scheduled pay cycle following the Date of Termination an amount equal to the sum of (i) 100% of the greater of (a) the Executive's highest aggregate bonus (including both annual and quarterly bonuses, if applicable) paid in any fiscal year during the five fiscal year period prior to the Date of Termination and (b) the sum of the maximum bonus (including both annual and quarterly bonuses, if applicable) payable to the Executive during the then current fiscal year; and (ii) the greater of (x) 100% of the Executive's highest annual base salary during the five fiscal year period prior to the Date of Termination and (y) 100% of the Executive's then current annual base salary.

(ii) for 12 months after the Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue to provide benefits to the Executive and the Executive's family at least equal to those which would have been provided to them if the Executive's employment had not been terminated, in accordance with the applicable Benefit Plans in effect on the Effective Date or, if more favorable to the Executive and his family, in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies; provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive a particular type of benefits (e.g., health insurance benefits) from such employer on terms at least as favorable to the Executive and his family as those being provided by the Company, then the Company shall no longer be required to provide those particular benefits to the Executive and his family;

(iii) the Other Benefits; and

(iv) for purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits to which the Executive is entitled, the Executive shall be considered to have remained employed by the Company until 12 months after the Date of Termination.

(c) Neither the Company, VistaPrint Limited, nor the Executive may elect to defer delivery of any of the payments to be made under Section 4.2(a) or 4.2(b). If any of the benefits payable under Section 4.2(a) or 4.2(b) (each a "Severance Benefit") is considered "nonqualified deferred compensation" within the meaning of Internal Revenue Code Section 409A ("Section 409A"), and the Executive is considered a "specified employee" within the meaning of Section 409A, then notwithstanding the provisions of Sections 4.2(a) and (b), no such Severance Benefit shall be paid to the Executive during the 6-month period following his termination of employment, provided, however that that such Severance Benefits may be paid immediately following the death of the Executive and such Severance Benefits shall be paid in a lump sum immediately upon the expiration of such 6-month period.; and, provided, further, if not prohibited by Section 409A, such Severance Benefits shall, upon the Date of Termination, be paid into an escrow account with a third party acceptable to the Executive, such escrow account to be subject to the claims of creditors of the Company and such Severance Benefits to be paid to the Executive immediately upon the expiration of such 6-month period.

(d) Termination for Cause; Resignation without Good Reason; Termination for Death or Disability. If the Company terminates the Executive's employment with the Company for Cause at any time, the Executive voluntarily terminates his employment at any time for other than Good Reason, or if the Executive's employment with the Company is terminated by reason of the Executive's death or Disability, then the Company shall (i) pay the Executive (or his estate, if applicable), in a lump sum in cash within 30 days after the Date of Termination, the sum of (A) the Executive's unpaid base salary through the Date of Termination, and (B) the amount of any compensation previously deferred by the Executive to the extent not previously paid and (ii) timely pay or provide to the Executive the Other Benefits.

4.3 Taxes.

(a) In the event that VistaPrint Limited undergoes a "Change in Ownership or Control" (as defined in Annex A), the Company or VistaPrint Limited shall, within 15 days after each date on which the Executive becomes entitled to receive (whether or not then due) a Contingent Compensation Payment (as defined in Annex A) relating to such Change in Ownership or Control, determine and notify the Executive (with reasonable detail regarding the basis for its determinations) (i) which of the payments or benefits due to the Executive (under this Agreement or otherwise) following such Change in Ownership or Control constitute Contingent Compensation Payments, (ii) the amount, if any, of the excise tax (the "Excise Tax") payable pursuant to Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), by the Executive with respect to such Contingent Compensation Payment and (iii) the amount of the Gross-Up Payment (as defined in Annex A) due to the Executive with respect to such Contingent Compensation Payment. Within 30 days after delivery of such notice to the Executive, the Executive shall deliver a response to the Company (the "Executive Response") stating either (A) that he agrees with the Company's determination pursuant to the preceding sentence or (B) that he disagrees with such determination, in which case he shall indicate which payment and/or benefits should be characterized as a Contingent Compensation Payment, the amount of the Excise Tax with respect to such Contingent Compensation Payment and the amount of the Gross-Up Payment due to the Executive with respect to such Contingent Compensation Payment. The amount and characterization of any item in the Executive Response shall be final; provided, however, that in the event that the Executive fails to deliver an Executive Response on or before the required date, the Company's initial determination shall be final. Within 60 days after the due date of each Contingent Compensation Payment to the Executive, the Company shall pay to the Executive, in cash, the Gross-Up Payment with respect to such Contingent Compensation Payment, in the amount determined pursuant to this Section 4.3(a).

(b) The provisions of this Section 4.3 are intended to apply to any and all payments or benefits available to the Executive under this Agreement or any other agreement or plan of the Company under which the Executive receives Contingent Compensation Payments.

4.4 Mitigation. The Executive shall not be required to mitigate the amount of any payment or benefits provided for in this Section 4 by seeking other employment or otherwise. Further, except as provided in Sections 4.2 (a)(ii) and (b)(ii), the amount of any payment or benefits provided for in this Section 4 shall not be reduced by any compensation earned by the Executive as a result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company or otherwise.

5. Disputes.

5.1 Settlement of Disputes; Arbitration. All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Board and shall be in writing in accordance with Section 7.1. Any denial by the Board of a claim for benefits under this Agreement shall be delivered to the Executive in writing in accordance with Section 7.1 and shall set forth the specific reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to the Executive for a review of the decision denying a claim. Any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Boston, Massachusetts, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

5.2 Expenses. The Company agrees to pay as incurred, to the full extent permitted by law, all legal, accounting and other fees and expenses which the Executive may reasonably incur as a result of any claim or contest (regardless of the outcome thereof) by the Company, the Executive or others regarding the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive regarding the amount of any payment or benefits pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code.

5.3 Compensation During a Dispute. If the right of the Executive to receive benefits under Section 4 (or the amount or nature of the benefits to which he is entitled to receive) are the subject of a dispute between the Company and the Executive, the Company shall continue (a) to pay to the Executive his base salary as of the Effective Date (or as the same was or may be increased thereafter from time to time) and (b) to provide benefits to the Executive and the Executive's family at least equal to those which would have been provided to them, if the Executive's employment had not been terminated, in accordance with the applicable Benefit Plans in effect on the Effective Date (or as subsequently adopted or modified with the Executive's written consent), until such dispute is resolved either by mutual written agreement of the parties or by an arbitrator's award pursuant to Section 5.1. Following the resolution of such dispute, the sum of the payments (net of tax and other withholdings) made to the Executive under clause (a) of this Section 5.3 shall be deducted from any cash payment which the Executive is entitled to receive pursuant to Section 4; and if such sum exceeds the amount of the cash payment which the Executive is entitled to receive pursuant to Section 4, the excess of such net sum over the amount of such payment shall be repaid (without interest) by the Executive to the Company within 60 days of the resolution of such dispute.

6. Successors.

6.1 Successor to Company and VistaPrint Limited. The Company and VistaPrint Limited shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company or VistaPrint Limited to expressly assume and agree to perform this Agreement to the same extent that the Company and VistaPrint Limited would be required to perform it if no such succession had taken place. Failure of the Company and VistaPrint Limited to obtain an assumption of this Agreement at or prior to the effectiveness of any succession shall (a) be a breach of this Agreement and shall constitute Good Reason if the Executive elects to terminate employment, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination and (b) shall cause such succession to be deemed a Change in Control for purposes of Section 4 hereof regardless of the definition of Change in Control set forth in Annex A. As used in this Agreement, "Company" shall mean the Company as defined above and any successor to its business or assets as aforesaid which assumes and agrees to perform this Agreement, by operation of law or otherwise and "VistaPrint Limited" shall mean VistaPrint Limited as defined above and any successor to its business or

assets as aforesaid which assumes and agrees to perform this Agreement, by operation of law or otherwise.

6.2 Successor to Executive. This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be payable to the Executive or his family hereunder if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

7. Notice.

7.1 All notices, instructions and other communications given hereunder or in connection herewith shall be in writing. Any such notice, instruction or communication shall be sent either (i) by registered or certified mail, return receipt requested, postage prepaid, or (ii) prepaid via a reputable nationwide overnight courier service, in each case addressed to:

the Company, at:

VistaPrint USA, Incorporated
100 Hayden Avenue
Lexington, MA 02421
Attn: CEO

with a copy to:

Thomas S. Ward, Esq.
Wilmer Cutler Pickering Hale and Dorr LLP
60 State Street
Boston, MA 02109

to VistaPrint Limited, at:

VistaPrint Limited
Canon's Court
22 Victoria Street
Hamilton, HM 12
Bermuda

and to the Executive at the Executive's address indicated on the signature page of this Agreement (or to such other address as either the Company or the Executive may have furnished to the other in writing in accordance herewith).

7.2 Any such notice, instruction or communication shall be deemed to have been delivered five business days after it is sent by registered or certified mail, return receipt requested, postage prepaid, or one business day after it is sent via a reputable nationwide overnight courier service. Either party may give any notice, instruction or other communication hereunder using any other means, but no such notice, instruction or other communication shall be deemed to have been duly delivered unless and until it actually is received by the party for whom it is intended.

8. Miscellaneous.

8.1 Consideration. The Executive acknowledges that he has received adequate consideration from the Company and VistaPrint Limited for entering into this Agreement.

8.2 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

8.3 Injunctive Relief. The Company and the Executive agree that any breach of this Agreement by the Company is likely to cause the Executive substantial and irrevocable damage and therefore, in the event of any such breach, in addition to such other remedies which may be available, the Executive shall have the right to specific performance and injunctive relief.

8.4 Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the internal laws of the Commonwealth of Massachusetts, without regard to conflicts of law principles.

8.5 Guarantee. VistaPrint Limited hereby unconditionally guarantees all of the payment obligations of the Company to the Executive which may arise in connection with the terms and conditions of this Agreement.

8.6 Waivers. No waiver by the Executive at any time of any breach of, or compliance with, any provision of this Agreement to be performed by the Company shall be deemed a waiver of that or any other provision at any subsequent time.

8.7 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original but both of which together shall constitute one and the same instrument.

8.8 Tax Withholding. Any payments provided for hereunder shall be paid net of any applicable tax withholding required under federal, state or local law.

8.9 Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto in respect of the subject matter contained herein; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled. Except for the provisions of Section 4.1 hereof, nothing in this Agreement shall modify, amend or alter, in any manner, any stock option, stock restriction or other equity incentive arrangement or any non-disclosure, non-competition, non-solicitation, assignment of invention, or any similar agreement, to which the Executive is a party.

8.10 Amendments. This Agreement may be amended or modified only by a written instrument executed by the Company, VistaPrint Limited and the Executive. Notwithstanding anything herein to the contrary, to the extent future guidance is issued regarding Section 409A that the Company, VistaPrint Limited or the Executive reasonably believe will result in adverse tax consequences to the Executive as a result of this Agreement, then the Company, VistaPrint Limited and the Executive will renegotiate the terms of this Agreement in good faith in order to minimize or eliminate such tax treatment.

8.11 Executive's Acknowledgements. The Executive acknowledges that he (a) has read this Agreement; (b) has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of the Executive's own choice or has voluntarily declined to seek such counsel; (c) understands the terms and consequences of this Agreement; and (d) understands that the

Company's outside and in-house counsel are acting as counsel to the Company in connection with the transactions contemplated by this Agreement, and are not acting as counsel for the Executive.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first set forth above.

VISTAPRINT USA, INCORPORATED

/s/ Robert S. Keane
By: Robert S. Keane
Title: President and CEO

VISTAPRINT LIMITED

/s/ Janice Richardson-Trott
By: Janice Richardson-Trott
Title: Secretary

HARPREET GREWAL

/s/ Harpreet Grewal
Harpreet Grewal

Address:

c/o VistaPrint USA
100 Hayden Avenue
Lexington, MA 02421

Annex A

As used herein, the following terms shall have the following respective meanings:

1.1 “Change in Control” means an event or occurrence set forth in any one or more of subsections (a) through (d) below:

(a) the acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (a “Person”) of beneficial ownership of any capital stock of VistaPrint Limited if, after such acquisition, such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) 50% or more of either (x) the then-outstanding shares of common stock of VistaPrint Limited (the “Outstanding VistaPrint Limited Common Stock”) or (y) the combined voting power of the then-outstanding securities of VistaPrint Limited entitled to vote generally in the election of directors (the “Outstanding VistaPrint Limited Voting Securities”); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from VistaPrint Limited (excluding an acquisition pursuant to the exercise, conversion or exchange of any security exercisable for, convertible into or exchangeable for common stock or voting securities of VistaPrint Limited, unless the Person exercising, converting or exchanging such security acquired such security directly from VistaPrint Limited or an underwriter or agent of VistaPrint Limited), (ii) any acquisition by VistaPrint Limited, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by VistaPrint Limited or any corporation controlled by VistaPrint Limited, or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i) and (ii) of subsection (c) of this Section 1.1 of Annex A; or

(b) such time as the Continuing Directors (as defined below) do not constitute a majority of the Board (or, if applicable, the Board of Directors of a successor corporation to VistaPrint Limited), where the term “Continuing Director” means at any date a member of the Board (i) who was a member of the Board on the date of the execution of this Agreement or (ii) who was nominated or elected subsequent to such date by at least a majority of the directors who were Continuing Directors at the time of such nomination or election or whose election to the Board was recommended or endorsed by at least a majority of the directors who were Continuing Directors at the time of such nomination or election; provided, however, that there shall be excluded from this clause (ii) any individual whose initial assumption of office occurred as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents, by or on behalf of a person other than the Board; or

(c) the consummation of a merger, consolidation, reorganization, recapitalization or statutory share exchange involving VistaPrint Limited or a sale or other disposition of all or substantially all of the assets of VistaPrint Limited in one or a series of transactions (a “Business Combination”), unless, immediately following such Business Combination, each of the following two conditions is satisfied: (i) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding VistaPrint Limited Common Stock and Outstanding VistaPrint Limited Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding securities entitled to vote generally in the election of directors, respectively, of the resulting or acquiring corporation in such Business Combination (which shall include, without limitation, a corporation which as a result of such transaction owns VistaPrint Limited or substantially all of VistaPrint Limited’s assets either directly or through one or more subsidiaries) (such resulting or acquiring corporation is referred to herein as the “Acquiring Corporation”) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding VistaPrint Limited

Common Stock and Outstanding VistaPrint Limited Voting Securities, respectively; and (ii) no Person (excluding the Acquiring Corporation or any employee benefit plan (or related trust) maintained or sponsored by VistaPrint Limited or by the Acquiring Corporation) beneficially owns, directly or indirectly, 30% or more of the then outstanding shares of common stock of the Acquiring Corporation, or of the combined voting power of the then-outstanding securities of such corporation entitled to vote generally in the election of directors (except to the extent that such ownership existed prior to the Business Combination); or

(d) approval by the Board of a complete liquidation or dissolution of VistaPrint Limited or the Company.

1.2 “Change in Control Date” means the first date during the Term (as defined in Section 2) on which a Change in Control occurs. Anything in this Agreement to the contrary notwithstanding, if (a) a Change in Control occurs, (b) the Executive’s employment with the Company is terminated less than 180 days prior to the date on which the Change in Control occurs, then for all purposes of this Agreement the “Change in Control Date” shall mean the date immediately prior to the date of such termination of employment.

1.3 “Cause” means:

(a) the Executive’s willful and continued failure to substantially perform his reasonable assigned duties (other than any such failure resulting from incapacity due to physical or mental illness or any failure after the Executive gives notice of termination for Good Reason), which failure is not cured within 30 days after a written demand for substantial performance is received by the Executive from the Board which specifically identifies the manner in which the Board of Directors believes the Executive has not substantially performed the Executive’s duties; or

(b) the Executive’s willful engagement in illegal conduct or gross misconduct that is materially and demonstrably injurious to the Company.

For purposes of this Section 1.3 of Annex A, no act or failure to act by the Executive shall be considered “willful” unless it is done, or omitted to be done, in bad faith and without reasonable belief that the Executive’s action or omission was in the best interests of the Company.

1.4 “Good Reason” means the occurrence, without the Executive’s written consent, of any of the events or circumstances set forth in clauses (a) through (h) below. Notwithstanding the occurrence of any such event or circumstance, such occurrence shall not be deemed to constitute Good Reason if, prior to the Date of Termination specified in the Notice of Termination (each as defined in Section 3.2(a)) given by the Executive in respect thereof, such event or circumstance has been fully corrected and the Executive has been reasonably compensated for any losses or damages resulting therefrom (provided that such right of correction by the Company shall only apply to the first Notice of Termination for Good Reason given by the Executive).

(a) the assignment to the Executive of duties inconsistent in any material respect with the Executive’s position (including status, offices, titles and reporting requirements), authority or responsibilities in effect as of the Effective Date, or any other action or omission by the Company or VistaPrint Limited which results in a material diminution in such position, authority or responsibilities;

(b) a reduction in the Executive’s annual base salary as in effect on the Effective date or as the same was or may be increased thereafter from time to time except to the extent

that such reduction affects all executive officers of VistaPrint Limited and its subsidiaries to a comparable extent;

(c) the failure by the Company or VistaPrint Limited to (i) continue in effect any material compensation or benefit plan or program (including without limitation any life insurance, medical, health and accident or disability plan and any vacation or automobile program or policy) (a "Benefit Plan") in which the Executive participates or which is applicable to the Executive immediately prior to the Effective Date or subsequently adopted, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made, with the Executive's written consent, with respect to such plan or program, (ii) continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Executive's participation relative to other participants, than the basis existing immediately prior to the Effective Date or subsequent to such adoption or (iii) award cash bonuses to the Executive in amounts and in a manner substantially consistent with past practice in light of the Company's financial performance; except, in each event, to the extent such failure affects all executive officers of VistaPrint Limited and its subsidiaries to a comparable extent;

(d) a change by the Company in the location at which the Executive performs his principal duties for the Company to a new location that is both (i) outside a radius of 45 miles from the Executive's principal residence immediately prior to the Effective Date and (ii) more than 20 miles from the location at which the Executive performed his principal duties for the Company immediately prior to the Effective Date; or a requirement by the Company that the Executive travel on Company business to a substantially greater extent than required immediately prior to the Effective Date;

(e) the failure of the Company to obtain the agreement from any successor to the Company to assume and agree to perform the Agreement, as required by Section 6.1 of the Agreement;

(f) a purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 3.2(a) of the Agreement; or

(g) any failure of the Company to pay or provide to the Executive any portion of the Executive's compensation or benefits due under any Benefit Plan within seven days of the date such compensation or benefits are due, or any material breach by the Company of this Agreement or any employment agreement with the Executive.

For purposes of this Agreement, any good faith determination of "Good Reason" made by the Executive shall be conclusive, binding and final. The Executive's right to terminate his employment for Good Reason shall not be affected by his incapacity due to physical or mental illness.

1.5 "Disability." means the Executive's absence from the full-time performance of the Executive's duties with the Company for 180 consecutive calendar days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

1.6 For purposes of Section 4.3 of the Agreement, the following terms shall have the following respective meanings:

(i) "Change in Ownership or Control" shall mean a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company determined in accordance with Section 280G(b)(2) of the Code.

(ii) "Contingent Compensation Payment" shall mean any payment (or benefit) in the nature of compensation that is made or made available (under this Agreement or otherwise) to a "disqualified individual" (as defined in Section 280G(c) of the Code) and that is contingent (within the meaning of Section 280G(b)(2)(A)(i) of the Code) on a Change in Ownership or Control of the Company.

(iii) "Gross-Up Payment" shall mean an amount equal to the sum of (i) the amount of the Excise Tax payable with respect to a Contingent Compensation Payment and (ii) the amount necessary to pay all additional taxes imposed on (or economically borne by) the Executive (including the Excise Taxes, state and federal income taxes and all applicable employment taxes) attributable to the receipt of such Gross-Up Payment. For purposes of the preceding sentence, all taxes attributable to the receipt of the Gross-Up Payment shall be computed assuming the application of the maximum tax rates provided by law.

Executive Retention Agreement

THIS EXECUTIVE RETENTION AGREEMENT by and among VistaPrint USA, Incorporated, a Delaware corporation (the "Company"), VistaPrint Limited, a Bermuda corporation and sole shareholder of the Company ("VistaPrint Limited"), and Wendy Cebula (the "Executive") is made as of January 3, 2007 (the "Effective Date").

WHEREAS, the Company and VistaPrint Limited desire to retain the services of the Executive and, in order to do so, are entering into this Agreement in order to provide compensation to the Executive in the event her employment with the Company is terminated under certain circumstances;

WHEREAS, the Company also recognizes that the possibility of a change in control of VistaPrint Limited exists and that such possibility, and the uncertainty and questions which it may raise among key personnel, may deter key potential personnel from joining the Company and may result in the departure or distraction of key personnel to the detriment of the Company and its stockholders, and

WHEREAS, the Board of Directors of VistaPrint Limited (the "Board") has determined that appropriate steps should be taken to retain the Executive and to reinforce and encourage the continued employment and dedication of the Company's key personnel without distraction from the possibility of a change in control of the Company and related events and circumstances.

NOW, THEREFORE, as an inducement for and in consideration of the Executive remaining in the Company's employ, the Company and VistaPrint Limited agree that the Executive shall receive the benefits set forth herein in the event of a Change in Control and the severance and other benefits set forth in this Agreement in the event the Executive's employment with the Company is terminated under the circumstances described below.

1. Key Definitions.

See Annex A for a list of certain defined terms used herein.

2. Term of Agreement. This Agreement, and all rights and obligations of the parties hereunder, shall take effect upon the Effective Date and shall terminate upon the fulfillment by the Company and VistaPrint Limited of all of their respective obligations under this Agreement following a termination of the Executive's employment (the "Term").

3. Employment Status; Termination of Employment.

3.1 Not an Employment Contract. The Executive acknowledges that this Agreement does not constitute a contract of employment or impose on the Company or VistaPrint Limited any obligation to retain the Executive as an employee and that this Agreement does not prevent the Executive from terminating employment at any time.

3.2 Termination of Employment.

(a) Any termination of the Executive's employment by the Company or by the Executive (other than due to the death of the Executive) shall be communicated by a written notice to the other party hereto (the "Notice of Termination"), given in accordance with Section 7. Any Notice of Termination shall: (i) indicate the specific termination provision (if any) of this Agreement relied upon by the party giving such notice, (ii) to the extent applicable, set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) specify the Date of Termination (as defined below). The effective date of an employment termination (the "Date of Termination") shall be the close of business on the date

specified in the Notice of Termination (which date may not be less than 15 days or more than 120 days after the date of delivery of such Notice of Termination), in the case of a termination other than one due to the Executive's death, or the date of the Executive's death, as the case may be; provided, however that if the Executive is resigning the Executive's employment for other than Good Reason, the Company may elect to accept such resignation prior to the date specified in the Executive's notice and the Date of Termination shall be the date the Company notifies the Executive of such acceptance. In the event the Company fails to satisfy the requirements of Section 3.2(a) regarding a Notice of Termination, the purported termination of the Executive's employment pursuant to such Notice of Termination shall not be effective for purposes of this Agreement.

(b) The failure by the Executive or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of the Executive or the Company, respectively, hereunder or preclude the Executive or the Company, respectively, from asserting any such fact or circumstance in enforcing the Executive's or the Company's rights hereunder.

(c) Any Notice of Termination for Cause given by the Company must be given within 30 days of the occurrence of the event(s) or circumstance(s), which constitute(s) Cause. Prior to any Notice of Termination for Cause being given (and prior to any termination for Cause being effective), the Executive shall be entitled to a hearing before the Board at which she may, at her election, be represented by counsel and at which she shall have a reasonable opportunity to be heard. Such hearing shall be held on not less than 30 days prior written notice to the Executive stating the Board's intention to terminate the Executive for Cause and stating in detail the particular event(s) or circumstance(s) which the Board believes constitutes Cause for termination. Any such Notice of Termination for Cause must be approved by an affirmative vote of two-thirds of the members of the Board.

(d) Any Notice of Termination for Good Reason given by the Executive must be given within 90 days of the occurrence of the event(s) or circumstance(s), which constitute(s) Good Reason.

4. Benefits to Executive.

4.1 Stock Acceleration.

(a) If the Change in Control Date occurs at any time during the Term, then, effective upon the Change in Control Date, (a) each outstanding option to purchase shares of VistaPrint Limited (or any successor) held by the Executive (to the extent not then currently exercisable) shall become immediately exercisable in full and shares of VistaPrint Limited received upon exercise of any options will no longer be subject to a right of repurchase or first refusal by VistaPrint Limited, (b) each outstanding restricted stock award held by the Executive shall be deemed to be fully vested and such vested shares will no longer be subject to a right of repurchase or first refusal by VistaPrint Limited and (c) notwithstanding any provision in any applicable option agreement to the contrary, each such option shall continue to be exercisable by the Executive for a period of twelve months following the Date of Termination if the Executive is terminated without Cause or terminates employment for Good Reason following the Change in Control Date; provided that this Section 4.1(c) shall only apply to options that have an exercise price that is at least equal to \$4.11 per common share of VistaPrint Limited and to options granted after March 1, 2005.

4.2 Compensation. If the Executive's employment with the Company terminates during the Term, the Executive shall be entitled to the following benefits:

(a) Termination Without Cause or for Good Reason Prior to the Change in Control Date. If the Executive's employment with the Company is terminated by the Company (other

than for Cause, Disability or Death) or by the Executive for Good Reason prior to the Change in Control Date, then the Executive shall be entitled to the following benefits:

(i) the Company shall pay to the Executive the following amounts:

(1) in a lump sum in cash in the next regularly scheduled pay cycle following the Date of Termination the aggregate of the lump sum of (A) the Executive's unpaid base salary through the Date of Termination, (B) the product of (w) the greater of any annual bonus paid or payable (including any bonus or portion thereof which has been earned but deferred or which the Executive forewent) for the most recently completed fiscal year or any annual bonus payable for the then current fiscal year and (x) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination, and the denominator of which is 365, (C) the product of (y) the greater of any quarterly bonus paid or payable (including any bonus or portion thereof which has been earned but deferred or which the Executive forewent) for the most recently completed fiscal quarter or any quarterly bonus payable for the then current fiscal quarter and (z) a fraction, the numerator of which is the number of days in the current fiscal quarter through the Date of Termination, and the denominator of which is 90 and (D) the amount of any compensation previously deferred by the Executive (together with any accrued interest or earnings thereon) and any accrued vacation pay, in each case to the extent not previously paid (the sum of the amounts described in clauses (A), (B), (C), and (D) shall be hereinafter referred to as the "Accrued Obligations");

(2) in a lump sum in cash in the next regularly scheduled pay cycle following the Date of Termination an amount equal to the sum of (i) 50% of the greater of (a) the Executive's highest aggregate bonus (including both annual and quarterly bonuses, if applicable) paid in any fiscal year during the five fiscal year period prior to the Date of Termination and (b) the sum of the maximum bonus (including both annual and quarterly bonuses, if applicable) payable to the Executive during the then current fiscal year; and (ii) the greater of (x) 50% of the Executive's highest annual base salary during the five fiscal year period prior to the Date of Termination and (y) 50% of the Executive's then current annual base salary.

(ii) for 6 months after the Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue to provide benefits to the Executive and the Executive's family at least equal to those which would have been provided to them if the Executive's employment had not been terminated, in accordance with the applicable Benefit Plans in effect on the Effective Date or, if more favorable to the Executive and her family, in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies; provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive a particular type of benefits (e.g., health insurance benefits) from such employer on terms at least as favorable to the Executive and her family as those being provided by the Company, then the Company shall no longer be required to provide those particular benefits to the Executive and her family;

(iii) to the extent not previously paid or provided, the Company shall timely pay or provide to the Executive any other amounts or benefits required to be paid or provided or which the Executive is eligible to receive following the Executive's termination of employment under any plan, program, policy, practice, contract or agreement of the Company and its affiliated companies (such other amounts and benefits shall be hereinafter referred to as the "Other Benefits"); and

(iv) for purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits to which the Executive is entitled, the Executive shall be considered to have remained employed by the Company until 6 months after the Date of Termination.

(b) Termination Without Cause or for Good Reason at any Time on or after the Change in Control Date. If the Executive's employment with the Company is terminated by the Company (other than for Cause, Disability or Death) or by the Executive for Good Reason at any time on or after the Change in Control Date, then the Executive shall be entitled to the following benefits:

(i) the Company shall pay to the Executive the following amounts:

(1) in a lump sum in cash in the next regularly scheduled pay cycle following the Date of Termination the Accrued Obligations;

(2) in a lump sum in cash in the next regularly scheduled pay cycle following the Date of Termination an amount equal to the sum of (i) 100% of the greater of (a) the Executive's highest aggregate bonus (including both annual and quarterly bonuses, if applicable) paid in any fiscal year during the five fiscal year period prior to the Date of Termination and (b) the sum of the maximum bonus (including both annual and quarterly bonuses, if applicable) payable to the Executive during the then current fiscal year; and (ii) the greater of (x) 100% of the Executive's highest annual base salary during the five fiscal year period prior to the Date of Termination and (y) 100% of the Executive's then current annual base salary.

(ii) for 12 months after the Date of Termination, or such longer period as may be provided by the terms of the appropriate plan, program, practice or policy, the Company shall continue to provide benefits to the Executive and the Executive's family at least equal to those which would have been provided to them if the Executive's employment had not been terminated, in accordance with the applicable Benefit Plans in effect on the Effective Date or, if more favorable to the Executive and her family, in effect generally at any time thereafter with respect to other peer executives of the Company and its affiliated companies; provided, however, that if the Executive becomes reemployed with another employer and is eligible to receive a particular type of benefits (e.g., health insurance benefits) from such employer on terms at least as favorable to the Executive and her family as those being provided by the Company, then the Company shall no longer be required to provide those particular benefits to the Executive and her family;

(iii) the Other Benefits; and

(iv) for purposes of determining eligibility (but not the time of commencement of benefits) of the Executive for retiree benefits to which the Executive is entitled, the Executive shall be considered to have remained employed by the Company until 12 months after the Date of Termination.

(c) Neither the Company, VistaPrint Limited, nor the Executive may elect to defer delivery of any of the payments to be made under Section 4.2(a) or 4.2(b). If any of the benefits payable under Section 4.2(a) or 4.2(b) (each a "Severance Benefit") is considered "nonqualified deferred compensation" within the meaning of Internal Revenue Code Section 409A ("Section 409A"), and the Executive is considered a "specified employee" within the meaning of Section 409A, then notwithstanding the provisions of Sections 4.2(a) and (b), no such Severance Benefit shall be paid to the Executive during the 6-month period following her termination of employment, provided, however that that such Severance Benefits may be paid immediately following the death of the Executive and such Severance Benefits shall be paid in a lump sum immediately upon the expiration of such 6-month period.; and, provided, further, if not prohibited by Section 409A, such Severance Benefits shall, upon the Date of Termination, be paid into an escrow account with a third party acceptable to the Executive, such escrow account to be subject to the claims of creditors of the Company and such Severance Benefits to be paid to the Executive immediately upon the expiration of such 6-month period.

(d) Termination for Cause; Resignation without Good Reason; Termination for Death or Disability. If the Company terminates the Executive's employment with the Company for Cause at any time, the Executive voluntarily terminates her employment at any time for other than Good Reason, or if the Executive's employment with the Company is terminated by reason of the Executive's death or Disability, then the Company shall (i) pay the Executive (or her estate, if applicable), in a lump sum in cash within 30 days after the Date of Termination, the sum of (A) the Executive's unpaid base salary through the Date of Termination, and (B) the amount of any compensation previously deferred by the Executive to the extent not previously paid and (ii) timely pay or provide to the Executive the Other Benefits.

4.3 Taxes.

(a) In the event that VistaPrint Limited undergoes a "Change in Ownership or Control" (as defined in Annex A), the Company or VistaPrint Limited shall, within 15 days after each date on which the Executive becomes entitled to receive (whether or not then due) a Contingent Compensation Payment (as defined in Annex A) relating to such Change in Ownership or Control, determine and notify the Executive (with reasonable detail regarding the basis for its determinations) (i) which of the payments or benefits due to the Executive (under this Agreement or otherwise) following such Change in Ownership or Control constitute Contingent Compensation Payments, (ii) the amount, if any, of the excise tax (the "Excise Tax") payable pursuant to Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code"), by the Executive with respect to such Contingent Compensation Payment and (iii) the amount of the Gross-Up Payment (as defined in Annex A) due to the Executive with respect to such Contingent Compensation Payment. Within 30 days after delivery of such notice to the Executive, the Executive shall deliver a response to the Company (the "Executive Response") stating either (A) that she agrees with the Company's determination pursuant to the preceding sentence or (B) that she disagrees with such determination, in which case she shall indicate which payment and/or benefits should be characterized as a Contingent Compensation Payment, the amount of the Excise Tax with respect to such Contingent Compensation Payment and the amount of the Gross-Up Payment due to the Executive with respect to such Contingent Compensation Payment. The amount and characterization of any item in the Executive Response shall be final; provided, however, that in the event that the Executive fails to deliver an Executive Response on or before the required date, the Company's initial determination shall be final. Within 60 days after the due date of each Contingent Compensation Payment to the Executive, the Company shall pay to the Executive, in cash, the Gross-Up Payment with respect to such Contingent Compensation Payment, in the amount determined pursuant to this Section 4.3(a).

(b) The provisions of this Section 4.3 are intended to apply to any and all payments or benefits available to the Executive under this Agreement or any other agreement or plan of the Company under which the Executive receives Contingent Compensation Payments.

4.4 Mitigation. The Executive shall not be required to mitigate the amount of any payment or benefits provided for in this Section 4 by seeking other employment or otherwise. Further, except as provided in Sections 4.2 (a)(ii) and (b)(ii), the amount of any payment or benefits provided for in this Section 4 shall not be reduced by any compensation earned by the Executive as a result of employment by another employer, by retirement benefits, by offset against any amount claimed to be owed by the Executive to the Company or otherwise.

5. Disputes.

5.1 Settlement of Disputes; Arbitration. All claims by the Executive for benefits under this Agreement shall be directed to and determined by the Board and shall be in writing in accordance with Section 7.1. Any denial by the Board of a claim for benefits under this Agreement shall be delivered to the Executive in writing in accordance with Section 7.1 and shall set forth the specific

reasons for the denial and the specific provisions of this Agreement relied upon. The Board shall afford a reasonable opportunity to the Executive for a review of the decision denying a claim. Any further dispute or controversy arising under or in connection with this Agreement shall be settled exclusively by arbitration in Boston, Massachusetts, in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

5.2 Expenses. The Company agrees to pay as incurred, to the full extent permitted by law, all legal, accounting and other fees and expenses which the Executive may reasonably incur as a result of any claim or contest (regardless of the outcome thereof) by the Company, the Executive or others regarding the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (including as a result of any contest by the Executive regarding the amount of any payment or benefits pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code.

5.3 Compensation During a Dispute. If the right of the Executive to receive benefits under Section 4 (or the amount or nature of the benefits to which she is entitled to receive) are the subject of a dispute between the Company and the Executive, the Company shall continue (a) to pay to the Executive her base salary as of the Effective Date (or as the same was or may be increased thereafter from time to time) and (b) to provide benefits to the Executive and the Executive's family at least equal to those which would have been provided to them, if the Executive's employment had not been terminated, in accordance with the applicable Benefit Plans in effect on the Effective Date (or as subsequently adopted or modified with the Executive's written consent), until such dispute is resolved either by mutual written agreement of the parties or by an arbitrator's award pursuant to Section 5.1. Following the resolution of such dispute, the sum of the payments (net of tax and other withholdings) made to the Executive under clause (a) of this Section 5.3 shall be deducted from any cash payment which the Executive is entitled to receive pursuant to Section 4; and if such sum exceeds the amount of the cash payment which the Executive is entitled to receive pursuant to Section 4, the excess of such net sum over the amount of such payment shall be repaid (without interest) by the Executive to the Company within 60 days of the resolution of such dispute.

6. Successors.

6.1 Successor to Company and VistaPrint Limited. The Company and VistaPrint Limited shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Company or VistaPrint Limited to expressly assume and agree to perform this Agreement to the same extent that the Company and VistaPrint Limited would be required to perform it if no such succession had taken place. Failure of the Company and VistaPrint Limited to obtain an assumption of this Agreement at or prior to the effectiveness of any succession shall (a) be a breach of this Agreement and shall constitute Good Reason if the Executive elects to terminate employment, except that for purposes of implementing the foregoing, the date on which any such succession becomes effective shall be deemed the Date of Termination and (b) shall cause such succession to be deemed a Change in Control for purposes of Section 4 hereof regardless of the definition of Change in Control set forth in Annex A. As used in this Agreement, "Company" shall mean the Company as defined above and any successor to its business or assets as aforesaid which assumes and agrees to perform this Agreement, by operation of law or otherwise and "VistaPrint Limited" shall mean VistaPrint Limited as defined above and any successor to its business or assets as aforesaid which assumes and agrees to perform this Agreement, by operation of law or otherwise.

6.2 Successor to Executive. This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If the Executive should die while any amount would still be

payable to the Executive or her family hereunder if the Executive had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to the executors, personal representatives or administrators of the Executive's estate.

7. Notice.

7.1 All notices, instructions and other communications given hereunder or in connection herewith shall be in writing. Any such notice, instruction or communication shall be sent either (i) by registered or certified mail, return receipt requested, postage prepaid, or (ii) prepaid via a reputable nationwide overnight courier service, in each case addressed to:

the Company, at:

VistaPrint USA, Incorporated
100 Hayden Avenue
Lexington, MA 02421
Attn: CEO

with a copy to:

Thomas S. Ward, Esq.
Wilmer Cutler Pickering Hale and Dorr LLP
60 State Street
Boston, MA 02109

to VistaPrint Limited, at:

VistaPrint Limited
Canon's Court
22 Victoria Street
Hamilton, HM 12
Bermuda

and to the Executive at the Executive's address indicated on the signature page of this Agreement (or to such other address as either the Company or the Executive may have furnished to the other in writing in accordance herewith).

7.2 Any such notice, instruction or communication shall be deemed to have been delivered five business days after it is sent by registered or certified mail, return receipt requested, postage prepaid, or one business day after it is sent via a reputable nationwide overnight courier service. Either party may give any notice, instruction or other communication hereunder using any other means, but no such notice, instruction or other communication shall be deemed to have been duly delivered unless and until it actually is received by the party for whom it is intended.

8. Miscellaneous.

8.1 Consideration. The Executive acknowledges that she has received adequate consideration from the Company and VistaPrint Limited for entering into this Agreement.

8.2 Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

8.3 Injunctive Relief. The Company and the Executive agree that any breach of this Agreement by the Company is likely to cause the Executive substantial and irrevocable damage and therefore, in the event of any such breach, in addition to such other remedies which may be available, the Executive shall have the right to specific performance and injunctive relief.

8.4 Governing Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the internal laws of the Commonwealth of Massachusetts, without regard to conflicts of law principles.

8.5 Guarantee. VistaPrint Limited hereby unconditionally guarantees all of the payment obligations of the Company to the Executive which may arise in connection with the terms and conditions of this Agreement.

8.6 Waivers. No waiver by the Executive at any time of any breach of, or compliance with, any provision of this Agreement to be performed by the Company shall be deemed a waiver of that or any other provision at any subsequent time.

8.7 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed to be an original but both of which together shall constitute one and the same instrument.

8.8 Tax Withholding. Any payments provided for hereunder shall be paid net of any applicable tax withholding required under federal, state or local law.

8.9 Entire Agreement. This Agreement sets forth the entire agreement of the parties hereto in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto in respect of the subject matter contained herein; and any prior agreement of the parties hereto in respect of the subject matter contained herein is hereby terminated and cancelled, including specifically and without limitation the Retention Agreement dated as of March 1, 2005 by and among the Executive, VistaPrint Limited and the Company. Except for the provisions of Section 4.1 hereof, nothing in this Agreement shall modify, amend or alter, in any manner, any stock option, stock restriction or other equity incentive arrangement or any non-disclosure, non-competition, non-solicitation, assignment of invention, or any similar agreement, to which the Executive is a party.

8.10 Amendments. This Agreement may be amended or modified only by a written instrument executed by the Company, VistaPrint Limited and the Executive. Notwithstanding anything herein to the contrary, to the extent future guidance is issued regarding Section 409A that the Company, VistaPrint Limited or the Executive reasonably believe will result in adverse tax consequences to the Executive as a result of this Agreement, then the Company, VistaPrint Limited and the Executive will renegotiate the terms of this Agreement in good faith in order to minimize or eliminate such tax treatment.

8.11 Executive's Acknowledgements. The Executive acknowledges that she (a) has read this Agreement; (b) has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of the Executive's own choice or has voluntarily declined to seek such counsel; (c) understands the terms and consequences of this Agreement; and (d) understands that the Company's outside and in-house counsel are acting as counsel to the Company in connection with the transactions contemplated by this Agreement, and are not acting as counsel for the Executive.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first set forth above.

VISTAPRINT USA, INCORPORATED

/s/ Robert S. Keane

By: Robert S. Keane

Title: President and CEO

VISTAPRINT LIMITED

/s/ Janice Richardson-Trott

By: Janice Richardson-Trott

Title: Secretary

WENDY CEBULA

/s/ Wendy Cebula

Wendy Cebula

Address:

c/o VistaPrint USA
100 Hayden Avenue
Lexington, MA 02421

Annex A

As used herein, the following terms shall have the following respective meanings:

1.1 “Change in Control” means an event or occurrence set forth in any one or more of subsections (a) through (d) below:

(a) the acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) (a “Person”) of beneficial ownership of any capital stock of VistaPrint Limited if, after such acquisition, such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) 50% or more of either (x) the then-outstanding shares of common stock of VistaPrint Limited (the “Outstanding VistaPrint Limited Common Stock”) or (y) the combined voting power of the then-outstanding securities of VistaPrint Limited entitled to vote generally in the election of directors (the “Outstanding VistaPrint Limited Voting Securities”); provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change in Control: (i) any acquisition directly from VistaPrint Limited (excluding an acquisition pursuant to the exercise, conversion or exchange of any security exercisable for, convertible into or exchangeable for common stock or voting securities of VistaPrint Limited, unless the Person exercising, converting or exchanging such security acquired such security directly from VistaPrint Limited or an underwriter or agent of VistaPrint Limited), (ii) any acquisition by VistaPrint Limited, (iii) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by VistaPrint Limited or any corporation controlled by VistaPrint Limited, or (iv) any acquisition by any corporation pursuant to a transaction which complies with clauses (i) and (ii) of subsection (c) of this Section 1.1 of Annex A; or

(b) such time as the Continuing Directors (as defined below) do not constitute a majority of the Board (or, if applicable, the Board of Directors of a successor corporation to VistaPrint Limited), where the term “Continuing Director” means at any date a member of the Board (i) who was a member of the Board on the date of the execution of this Agreement or (ii) who was nominated or elected subsequent to such date by at least a majority of the directors who were Continuing Directors at the time of such nomination or election or whose election to the Board was recommended or endorsed by at least a majority of the directors who were Continuing Directors at the time of such nomination or election; provided, however, that there shall be excluded from this clause (ii) any individual whose initial assumption of office occurred as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents, by or on behalf of a person other than the Board; or

(c) the consummation of a merger, consolidation, reorganization, recapitalization or statutory share exchange involving VistaPrint Limited or a sale or other disposition of all or substantially all of the assets of VistaPrint Limited in one or a series of transactions (a “Business Combination”), unless, immediately following such Business Combination, each of the following two conditions is satisfied: (i) all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding VistaPrint Limited Common Stock and Outstanding VistaPrint Limited Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding securities entitled to vote generally in the election of directors, respectively, of the resulting or acquiring corporation in such Business Combination (which shall include, without limitation, a corporation which as a result of such transaction owns VistaPrint Limited or substantially all of VistaPrint Limited’s assets either directly or through one or more subsidiaries) (such resulting or acquiring corporation is referred to herein as the “Acquiring Corporation”) in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding VistaPrint Limited

Common Stock and Outstanding VistaPrint Limited Voting Securities, respectively; and (ii) no Person (excluding the Acquiring Corporation or any employee benefit plan (or related trust) maintained or sponsored by VistaPrint Limited or by the Acquiring Corporation) beneficially owns, directly or indirectly, 30% or more of the then outstanding shares of common stock of the Acquiring Corporation, or of the combined voting power of the then-outstanding securities of such corporation entitled to vote generally in the election of directors (except to the extent that such ownership existed prior to the Business Combination); or

(d) approval by the Board of a complete liquidation or dissolution of VistaPrint Limited or the Company.

1.2 “Change in Control Date” means the first date during the Term (as defined in Section 2) on which a Change in Control occurs. Anything in this Agreement to the contrary notwithstanding, if (a) a Change in Control occurs, (b) the Executive’s employment with the Company is terminated less than 180 days prior to the date on which the Change in Control occurs, then for all purposes of this Agreement the “Change in Control Date” shall mean the date immediately prior to the date of such termination of employment.

1.3 “Cause” means:

(a) the Executive’s willful and continued failure to substantially perform her reasonable assigned duties (other than any such failure resulting from incapacity due to physical or mental illness or any failure after the Executive gives notice of termination for Good Reason), which failure is not cured within 30 days after a written demand for substantial performance is received by the Executive from the Board which specifically identifies the manner in which the Board of Directors believes the Executive has not substantially performed the Executive’s duties; or

(b) the Executive’s willful engagement in illegal conduct or gross misconduct that is materially and demonstrably injurious to the Company.

For purposes of this Section 1.3 of Annex A, no act or failure to act by the Executive shall be considered “willful” unless it is done, or omitted to be done, in bad faith and without reasonable belief that the Executive’s action or omission was in the best interests of the Company.

1.4 “Good Reason” means the occurrence, without the Executive’s written consent, of any of the events or circumstances set forth in clauses (a) through (h) below. Notwithstanding the occurrence of any such event or circumstance, such occurrence shall not be deemed to constitute Good Reason if, prior to the Date of Termination specified in the Notice of Termination (each as defined in Section 3.2(a)) given by the Executive in respect thereof, such event or circumstance has been fully corrected and the Executive has been reasonably compensated for any losses or damages resulting therefrom (provided that such right of correction by the Company shall only apply to the first Notice of Termination for Good Reason given by the Executive).

(a) the assignment to the Executive of duties inconsistent in any material respect with the Executive’s position (including status, offices, titles and reporting requirements), authority or responsibilities in effect as of the Effective Date, or any other action or omission by the Company or VistaPrint Limited which results in a material diminution in such position, authority or responsibilities;

(b) a reduction in the Executive’s annual base salary as in effect on the Effective date or as the same was or may be increased thereafter from time to time except to the extent

that such reduction affects all executive officers of VistaPrint Limited and its subsidiaries to a comparable extent;

(c) the failure by the Company or VistaPrint Limited to (i) continue in effect any material compensation or benefit plan or program (including without limitation any life insurance, medical, health and accident or disability plan and any vacation or automobile program or policy) (a "Benefit Plan") in which the Executive participates or which is applicable to the Executive immediately prior to the Effective Date or subsequently adopted, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made, with the Executive's written consent, with respect to such plan or program, (ii) continue the Executive's participation therein (or in such substitute or alternative plan) on a basis not materially less favorable, both in terms of the amount of benefits provided and the level of the Executive's participation relative to other participants, than the basis existing immediately prior to the Effective Date or subsequent to such adoption or (iii) award cash bonuses to the Executive in amounts and in a manner substantially consistent with past practice in light of the Company's financial performance; except, in each event, to the extent such failure affects all executive officers of VistaPrint Limited and its subsidiaries to a comparable extent;

(d) a change by the Company in the location at which the Executive performs her principal duties for the Company to a new location that is both (i) outside a radius of 45 miles from the Executive's principal residence immediately prior to the Effective Date and (ii) more than 20 miles from the location at which the Executive performed her principal duties for the Company immediately prior to the Effective Date; or a requirement by the Company that the Executive travel on Company business to a substantially greater extent than required immediately prior to the Effective Date;

(e) the failure of the Company to obtain the agreement from any successor to the Company to assume and agree to perform the Agreement, as required by Section 6.1 of the Agreement;

(f) a purported termination of the Executive's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 3.2(a) of the Agreement; or

(g) any failure of the Company to pay or provide to the Executive any portion of the Executive's compensation or benefits due under any Benefit Plan within seven days of the date such compensation or benefits are due, or any material breach by the Company of this Agreement or any employment agreement with the Executive.

For purposes of this Agreement, any good faith determination of "Good Reason" made by the Executive shall be conclusive, binding and final. The Executive's right to terminate her employment for Good Reason shall not be affected by her incapacity due to physical or mental illness.

1.5 "Disability" means the Executive's absence from the full-time performance of the Executive's duties with the Company for 180 consecutive calendar days as a result of incapacity due to mental or physical illness which is determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Executive or the Executive's legal representative.

1.6 For purposes of Section 4.3 of the Agreement, the following terms shall have the following respective meanings:

(i) "Change in Ownership or Control" shall mean a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company determined in accordance with Section 280G(b)(2) of the Code.

(ii) "Contingent Compensation Payment" shall mean any payment (or benefit) in the nature of compensation that is made or made available (under this Agreement or otherwise) to a "disqualified individual" (as defined in Section 280G(c) of the Code) and that is contingent (within the meaning of Section 280G(b)(2)(A)(i) of the Code) on a Change in Ownership or Control of the Company.

(iii) "Gross-Up Payment" shall mean an amount equal to the sum of (i) the amount of the Excise Tax payable with respect to a Contingent Compensation Payment and (ii) the amount necessary to pay all additional taxes imposed on (or economically borne by) the Executive (including the Excise Taxes, state and federal income taxes and all applicable employment taxes) attributable to the receipt of such Gross-Up Payment. For purposes of the preceding sentence, all taxes attributable to the receipt of the Gross-Up Payment shall be computed assuming the application of the maximum tax rates provided by law.

CERTIFICATION

I, Robert S. Keane, certify that:

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

Date: January 31, 2007

/s/ ROBERT S. KEANE

Robert S. Keane
Chief Executive Officer

CERTIFICATION

I, Harpreet Grewal, certify that:

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

Date: January 31, 2007

/s/ HARPREET GREWAL

Harpreet Grewal
Chief Financial Officer

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

In connection with the Quarterly Report on Form 10-Q of VistaPrint Limited (the "Company") for the fiscal quarter ended December 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Robert S. Keane, Chief Executive Officer of the Company, and Harpreet Grewal, Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, that, to his knowledge on the date hereof:

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

Date: January 31, 2007

/s/ ROBERT S. KEANE

Robert S. Keane
Chief Executive Officer

Date: January 31, 2007

/s/ HARPREET GREWAL

Harpreet Grewal
Chief Financial Officer