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

Form 10-Q

(Mark One)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the Quarterly Period Ended March 31, 2014

or

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

Commission file number 000-51539

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

The Netherlands	**98-0417483**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

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

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

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

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

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

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

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

As of April 25, 2014, there were outstanding 33,285,752 ordinary shares, par value €0.01 per share, of Vistaprint N.V.

VISTAPRINT N.V.
QUARTERLY REPORT ON FORM 10-Q
For the Three and Nine Months Ended March 31, 2014

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	March 31, 2014	June 30, 2013
Assets		
Current assets:		
Cash and cash equivalents	$ 46,545	$ 50,065
Marketable securities	10,927	—
Accounts receivable, net of allowances of $122 and $104, respectively	20,339	22,026
Inventory	7,416	7,620
Prepaid expenses and other current assets	40,813	20,520
Total current assets	126,040	100,231
Property, plant and equipment, net	313,854	280,022
Software and web site development costs, net	12,985	9,071
Deferred tax assets	5,335	581
Goodwill	144,313	140,893
Intangible assets, net	24,840	30,337
Other assets	31,182	29,184
Investment in equity interests	13,457	11,248
Total assets	$ 672,006	$ 601,567
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 32,830	$ 22,597
Accrued expenses	100,150	103,338
Deferred revenue	23,776	18,668
Deferred tax liabilities	1,182	1,466
Current portion of long-term debt	16,375	8,750
Other current liabilities	3,127	207
Total current liabilities	177,440	155,026
Deferred tax liabilities	5,410	12,246
Other liabilities	25,442	14,734
Long-term debt	185,578	230,000
Total liabilities	393,870	412,006
Commitments and contingencies (Note 14)		
Noncontrolling interest (Note 12)	5,741	—
Shareholders' equity:		
Preferred shares, par value €0.01 per share, 100,000,000 shares authorized; none issued and outstanding	—	—
Ordinary shares, par value €0.01 per share, 100,000,000 shares authorized; 44,080,627 shares issued, and 33,272,556 and 32,791,338 shares outstanding, respectively	615	615
Treasury shares, at cost, 10,808,071 and 11,289,289 shares, respectively	(384,530)	(398,301)
Additional paid-in capital	309,097	299,659
Retained earnings	341,806	299,144
Accumulated other comprehensive income (loss)	5,407	(11,556)
Total shareholders' equity	272,395	189,561
Total liabilities, noncontrolling interest and shareholders' equity	$ 672,006	$ 601,567

See accompanying notes.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2014	2013	2014	2013
Revenue	$ 286,185	$ 287,684	$ 932,081	$ 887,412
Cost of revenue (1)	100,903	99,107	317,482	301,284
Technology and development expense (1)	42,434	43,004	127,555	120,706
Marketing and selling expense (1)	109,118	109,966	335,679	344,327
General and administrative expense (1)	28,491	25,874	85,195	78,087
Income from operations	5,239	9,733	66,170	43,008
Other income (expense), net	(116)	260	(8,151)	(559)
Interest expense, net	(1,725)	(1,283)	(4,868)	(3,709)
Income before income taxes and loss in equity interests	3,398	8,710	53,151	38,740
Income tax provision	999	2,264	7,819	10,587
Loss in equity interests	1,058	580	2,704	1,023
Net income	1,341	5,866	42,628	27,130
Add: Net loss attributable to noncontrolling interest	34	—	34	—
Net income attributable to Vistaprint N.V.	$ 1,375	$ 5,866	$ 42,662	$ 27,130
Basic net income per share attributable to Vistaprint N.V.	$ 0.04	$ 0.18	$ 1.30	$ 0.81
Diluted net income per share attributable to Vistaprint N.V.	$ 0.04	$ 0.17	$ 1.24	$ 0.78
Weighted average shares outstanding — basic	33,249,419	33,267,073	32,921,016	33,441,581
Weighted average shares outstanding — diluted	34,356,990	34,394,467	34,425,288	34,636,650

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2014	2013	2014	2013
Cost of revenue	$ 55	$ 104	$ 193	$ 309
Technology and development expense	1,022	2,297	5,900	6,903
Marketing and selling expense	876	1,594	4,153	4,733
General and administrative expense	3,639	4,175	11,604	12,842

See accompanying notes.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2014	2013	2014	2013
Net income	$ 1,341	$ 5,866	$ 42,628	$ 27,130
Other comprehensive income:				
Foreign currency translation	(227)	(4,657)	10,764	3,569
Net unrealized gain (loss) on derivative instruments designated and qualifying as cash flow hedges	(70)	617	(138)	102
Net unrealized gain on available-for-sale securities	6,283	—	6,283	—
Comprehensive income	7,327	1,826	59,537	30,801
Comprehensive loss attributable to noncontrolling interest	88	—	88	—
Total comprehensive income attributable to Vistaprint N.V.	$ 7,415	$ 1,826	$ 59,625	$ 30,801

See accompanying notes.

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

	Nine Months Ended March 31,	
	2014	2013
Operating activities		
Net income	$ 42,628	$ 27,130
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	49,346	46,993
Share-based compensation expense	21,850	24,787
Excess tax (benefits) shortfall derived from share-based compensation awards	(5,467)	1,808
Deferred taxes	(10,954)	(4,130)
Loss in equity interests	2,704	1,023
Non-cash gain on equipment	—	(1,414)
Abandonment of long-lived assets	—	977
Unrealized loss on derivative instruments included in net income	2,655	—
Effect of exchange rate changes on monetary assets and liabilities denominated in non-functional currency	983	23
Other non-cash items	729	125
Changes in operating assets and liabilities:		
Accounts receivable	2,293	(1,134)
Inventory	352	(1,159)
Prepaid expenses and other assets	(9,217)	7,242
Accounts payable	7,979	(3,278)
Accrued expenses and other liabilities	(7,835)	4,325
Net cash provided by operating activities	98,046	103,318
Investing activities		
Purchases of property, plant and equipment	(53,999)	(66,523)
Proceeds from sale of assets	137	1,750
Purchases of intangible assets	(202)	(452)
Purchase of available-for-sale securities	(4,629)	—
Capitalization of software and website development costs	(7,339)	(5,579)
Investment in equity interests	(4,994)	(12,753)
Issuance of note receivable	—	(512)
Net cash used in investing activities	(71,026)	(84,069)
Financing activities		
Proceeds from borrowings of long-term debt	109,000	79,712
Payments of long-term debt and debt issuance costs	(147,150)	(71,714)
Payments of withholding taxes in connection with vesting of restricted share units	(8,400)	(2,460)
Purchase of ordinary shares	—	(36,290)
Excess tax benefits (shortfall) derived from share-based compensation awards	5,467	(1,808)
Proceeds from issuance of ordinary shares	4,274	2,024
Capital contribution from noncontrolling interest	4,821	—
Net cash used in financing activities	(31,988)	(30,536)
Effect of exchange rate changes on cash	1,448	390
Net decrease in cash and cash equivalents	(3,520)	(10,897)
Cash and cash equivalents at beginning of period	50,065	62,203
Cash and cash equivalents at end of period	$ 46,545	$ 51,306

See accompanying notes.

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

1. Description of the Business

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

2. Summary of Significant Accounting Policies

Basis of Presentation

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

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

Operating results for the three and nine months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the year ending June 30, 2014 or for any other period. The consolidated balance sheet at June 30, 2013 has been derived from our audited consolidated financial statements at that date but does not include all of the information and footnotes required by GAAP for complete financial statements. These unaudited consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended June 30, 2013 included in the our Annual Report on Form 10-K filed with the United States Securities and Exchange Commission (the “SEC”).

Use of Estimates

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

Marketable Securities

We have investments in marketable equity securities and determine the appropriate classification of our investments at the date of purchase and reevaluate the classifications as of the balance sheet date. Our marketable securities are classified as "available-for-sale" and carried at fair value, with the unrealized gains and losses, net of taxes, reported as a separate component of accumulated other comprehensive income (loss), if applicable. We review our investments for other-than-temporary impairment whenever the fair value of an investment is less than amortized cost and evidence indicates that an investment's carrying amount is not recoverable within a reasonable period of time. Any decline in value that is determined to be other than temporary is recognized as expense in our consolidated statement of operations in the period the impairment is identified.

Net Income Per Share Attributable to Vistaprint N.V.

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

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2014	2013	2014	2013
Weighted average shares outstanding, basic	33,249,419	33,267,073	32,921,016	33,441,581
Weighted average shares issuable upon exercise/vesting of outstanding share options/RSUs/RSAs	1,107,571	1,127,394	1,504,272	1,195,069
Shares used in computing diluted net income per share attributable to Vistaprint N.V.	34,356,990	34,394,467	34,425,288	34,636,650
Weighted average anti-dilutive shares excluded from diluted net income per share attributable to Vistaprint N.V.	906,850	1,512,722	916,209	1,137,103

Share-Based Compensation

During the three and nine months ended March 31, 2014, we recorded share-based compensation expense of $5,592 and $21,850, respectively, and $8,170 and $24,787 during the three and nine months ended March 31, 2013, respectively. As of March 31, 2014, there was $41,956 of total unrecognized compensation cost related to non-vested share-based compensation arrangements, net of estimated forfeitures. This cost is expected to be recognized over a weighted average period of 2.86 years.

Derivative Financial Instruments

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

Restructuring

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

Leases

We categorize leases at their inception as either operating or capital leases. Costs for operating leases that include incentives such as payment escalations or rent abatements are recognized on a straight-line basis over the term of the lease. Additionally, inducements received are treated as a reduction of our costs over the term of the agreement. Leasehold improvements are capitalized at cost and amortized over the shorter of their expected useful life or the life of the lease, excluding renewal periods. For lease arrangements where we are deemed to be involved in the construction of structural improvements prior to the commencement of the lease or take some level of construction risk, we are considered the owner of the assets during the construction period. Accordingly, as the lessor incurs the construction project costs, the assets and corresponding financial obligation are recorded in our consolidated balance sheet. Once the construction is completed, if the lease meets certain “sale-leaseback” criteria, we will remove the asset and related financial obligation from the balance sheet and treat the building lease as either an operating or capital lease based on our assessment of the guidance. If upon completion of construction, the project does not meet the “sale-leaseback” criteria, the lease will be treated as a financing obligation and we will depreciate the asset over its estimated useful life for financial reporting purposes.

Recently Issued or Adopted Accounting Pronouncements

None.

3. Investments and Fair Value Measurements

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

	March 31, 2014		
	Amortized Cost Basis	Unrealized gain	Estimated Fair Value
Available-for-sale securities			
Plaza Create Co. Ltd. common shares (1)	$ 4,644	$ 6,283	$ 10,927
Total investments in available-for-sale securities	$ 4,644	$ 6,283	$ 10,927

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

We did not have any outstanding available-for-sale securities for the year ended June 30, 2013.

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

	March 31, 2014			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Available-for-sale securities	$ 10,927	$ 10,927	$ —	$ —
Interest rate swap contracts	124	—	124	—
Currency forward contracts	401	—	401	—
Total assets recorded at fair value	$ 11,452	$ 10,927	$ 525	$ —
Liabilities				
Interest rate swap contracts	$ (189)	$ —	$ (189)	$ —
Currency forward contracts	(3,056)	—	(3,056)	—
Total liabilities recorded at fair value	$ (3,245)	$ —	$ (3,245)	$ —

	June 30, 2013			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Interest rate swap contracts	$ 344	$ —	$ 344	$ —
Currency forward contracts	70	—	70	—
Total assets recorded at fair value	$ 414	$ —	$ 414	$ —
Liabilities				
Interest rate swap contracts	$ (70)	$ —	$ (70)	$ —
Currency forward contracts	(203)	—	(203)	—
Total liabilities recorded at fair value	$ (273)	$ —	$ (273)	$ —

The fair value of our Level 1 financial assets are based on quoted market prices of the identical underlying security. The fair values of our Level 2 financial assets and liabilities are obtained using quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in markets that are not active; and inputs other than quoted prices, e.g., interest rates and yield curves. During the three and nine months ended March 31, 2014 and March 31, 2013 there were no significant transfers in or out of Level 1, Level 2 and Level 3 classifications.

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

Although we have determined that the majority of the inputs used to value our derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with our derivatives utilize Level 3 inputs, such as estimates of current credit spreads, to appropriately reflect both our own nonperformance risk and the respective counterparties' nonperformance risk in the fair value measurement. However, as of March 31, 2014, we have assessed the significance of the impact of the credit valuation adjustments on the overall valuation of our derivative positions and have determined that the credit valuation adjustments are not significant to the overall valuation of our derivatives. As a result, we have determined that our derivative valuations in their entirety are classified in Level 2 in the fair value hierarchy.

As of March 31, 2014 and June 30, 2013, the carrying amounts of cash and cash equivalents, receivables, accounts payable, and other current liabilities approximated their estimated fair values. As of March 31, 2014 the carrying value of our debt was $201,953 and the fair value was $206,657. As of June 30, 2013, we performed an evaluation of the estimated fair value of our debt and determined that the fair value approximates the carrying value of the liability. Our debt is a variable rate debt instrument indexed to LIBOR that resets periodically. The estimated fair value of our debt was determined using available market information based on recent trades or activity of debt instruments with substantially similar risks, terms and maturities, which fall within Level 2 under the fair value hierarchy. The estimated fair value of assets and liabilities disclosed above may not be representative of actual values that could have been or will be realized in the future.

4. Derivative Financial Instruments

Hedges of Interest Rate Risk

We enter into interest rate swap contracts to manage differences in the amount of our known or expected cash payments related to our debt. Our objective in using interest rate derivatives is to add stability to interest expense and to manage our exposure to interest rate movements. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for us making fixed-rate payments over the life of the derivative agreements without exchange of the underlying notional amount.

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recorded in accumulated other comprehensive income (loss) and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. If a derivative is deemed to be ineffective, the ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. During the three and nine months ended March 31, 2014, we did not hold any interest rate derivative instruments that were determined to be ineffective.

Amounts reported in accumulated other comprehensive income (loss) related to interest rate swap contracts will be reclassified to interest expense as interest payments are accrued or made on our variable-rate debt. Assuming these derivative instruments continue to qualify for hedge accounting, as of March 31, 2014, we estimate that $539 will be reclassified from accumulated other comprehensive income (loss) to interest expense during the twelve months ending March 31, 2015. As of March 31, 2014, we had 8 outstanding interest rate swap contracts indexed to one-month LIBOR. These instruments were designated as cash flow hedges of interest rate risk and have varying maturity dates from 2014 - 2017. As the start date of certain contracts has not yet commenced, the notional amount of our outstanding contracts is in excess of the variable-rate debt being hedged as of the balance sheet date.

Interest rate swap contracts outstanding:	**Notional Amounts**
Contracts accruing interest as of March 31, 2014	$ 165,000
Contracts with a future start date (1)	65,000
Total	$ 230,000

(1) These contracts will replace a portion of our current contracts when they expire.

Hedges of Currency Risk

We execute currency forward contracts in order to mitigate our exposure to fluctuations in various currencies against our reporting currency, the U.S. dollar. We use currency derivatives, specifically currency forward contracts, to manage this exposure. During the nine months ended March 31, 2014, we had both currency forward contract activity for which we elected hedge accounting and activity for which we did not elect hedge accounting. In evaluating our currency hedging program and ability to achieve hedge accounting in light of certain changes in our legal entity cash flows, we considered the benefits of hedge accounting relative to the additional economic cost of trade execution and administrative burden. Based on this analysis, we decided to not seek hedge accounting for our currency forward contracts outstanding as of March 31, 2014, but we may elect to apply hedge accounting in future scenarios. As a result, during the three and nine months ended March 31, 2014, we have experienced increased volatility within other income (expense), net in our consolidated statements of operations from unrealized gains and losses on the mark-to-market of outstanding currency forward contracts. We expect this volatility to continue in future periods for contracts for which we do not apply hedge accounting.

The effective portion of changes in the fair value of derivatives designated and qualifying as cash flow hedges is recorded in accumulated other comprehensive income (loss) and is subsequently reclassified into earnings in the period in which the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings as a component of other income (expense), net. As of March 31, 2014, we have no outstanding currency forward contracts that qualify for hedge accounting and, as such, there are no current balances to be reclassified into earnings over the next twelve months.

As of March 31, 2014, we had the following outstanding currency forward contracts that were not designated for hedge accounting and were used to hedge fluctuations in the U.S. Dollar value of forecasted transactions denominated in Canadian Dollar, Danish Krone, The Euro, Great British Pound, Indian Rupee, New Zealand Dollar, Norwegian Krone, Singapore Dollar, Swedish Krona, and Swiss Franc:

Notional Amount	**Effective Date**	**Maturity Date**	**Number of Instruments**	**Index**	**Hedge Designation**
$138,531	July 2013 through March 2014	Various through March 2015	157	Various	Non-designated

Financial Instrument Presentation

The table below presents the fair value of our derivative financial instruments as well as their classification on the balance sheet as of March 31, 2014 and June 30, 2013:

	March 31, 2014							
	Asset Derivatives				Liability Derivatives			
Derivatives designated as hedging instruments	Balance Sheet Line Item	Gross amounts of recognized assets	Gross amount offset in consolidated balance sheet	Net amount	Balance Sheet Line Item	Gross amounts of recognized liabilities	Gross amount offset in consolidated balance sheet	Net amount
Interest rate swaps	Other non-current assets	$ 209	$ (85)	$ 124	Other current liabilities/other liabilities	$ (189)	$ —	$ (189)
Total derivatives designated as hedging instruments		$ 209	$ (85)	$ 124		$ (189)	$ —	$ (189)
Derivatives not designated as hedging instruments								
Currency forward contracts	Other current assets	$ 558	$ (157)	$ 401	Other current liabilities	$ (3,213)	$ 157	$ (3,056)
Total derivatives not designated as hedging instruments		$ 558	$ (157)	$ 401		$ (3,213)	$ 157	$ (3,056)

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

The following table presents the effect of our derivative financial instruments designated as hedging instruments and their classification within comprehensive income for the three and nine months ended March 31, 2014 and 2013:

Derivatives in Hedging Relationships	Amount of Gain (Loss) Recognized in Comprehensive Income on Derivatives (Effective Portion)			
	Three Months Ended March 31,		Nine Months Ended March 31,	
	2014	2013	2014	2013
Currency contracts that hedge revenue	$ —	$ 1,058	$ (107)	$ 407
Currency contracts that hedge cost of revenue	—	(137)	59	(55)
Currency contracts that hedge technology and development expense	—	(214)	70	(4)
Currency contracts that hedge general and administrative expense	—	(39)	12	(24)
Interest Rate Swaps	(132)	(90)	(456)	(367)
Total loss recognized in comprehensive income during the period	$ (132)	$ 578	$ (422)	$ (43)

The following table presents reclassifications out of accumulated other comprehensive income (loss) for the three and nine months ended March 31, 2014 and 2013:

Details about Accumulated Other Comprehensive Income (Loss) Components	Amount Reclassified from Accumulated Other Comprehensive Income (Loss) to Net Income Gain/(Loss)				Affected line item in the Statement of Operations
	Three Months Ended March 31,		Nine Months Ended March 31,		
	2014	2013	2014	2013	
Currency contracts that hedge revenue	$ —	$ 11	$ (120)	$ 8	Revenue
Currency contracts that hedge cost of revenue	—	22	(112)	11	Cost of revenue
Currency contracts that hedge technology and development expense	—	(30)	122	(39)	Technology and development expense
Currency contracts that hedge general and administrative expense	—	(4)	11	(6)	General and administrative expense
Interest Rate Swaps	(78)	(48)	(232)	(129)	Interest expense
Total before income tax	(78)	(49)	(331)	(155)	Income (loss) before income taxes and loss in equity interests
Income tax benefit	16	10	47	10	Income tax provision
Total	$ (62)	$ (39)	$ (284)	$ (145)	

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

Derivatives not classified as hedging instruments under ASC 815	Amount of Gain (Loss) Recognized in Income				Location of Gain (Loss) Recognized in Income
	Three Months Ended March 31,		Nine Months Ended March 31,		
	2014	2013	2014	2013	
Currency forward contracts	$ (1,086)	$ (164)	$ (7,526)	$ (112)	Other income (expense), net

5. Accumulated Other Comprehensive Income (Loss)

The following table presents a roll forward of amounts recognized in accumulated other comprehensive income (loss) by component, net of tax of $13, for the nine months ended March 31, 2014:

	Gains (Losses) on Cash Flow Hedges	Gains (losses) on available for sale securities	Currency translation adjustments	Total
Balance as of June 30, 2013	$ 86	$ —	$ (11,642)	$ (11,556)
Other comprehensive income (loss) before reclassifications	(422)	6,283	10,818	16,679
Amounts reclassified from accumulated other comprehensive income (loss) to net income	284	—	—	284
Net current period other comprehensive income (loss)	(138)	6,283	10,818	16,963
Balance as of March 31, 2014	$ (52)	$ 6,283	$ (824)	$ 5,407

6. Waltham and Lexington Lease Arrangements

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

Concurrent with the Waltham negotiations, we amended our current Lexington lease, as both leases are held with the same landlord. The amendment to the Lexington lease contained a contingent feature to shorten the current term of the lease to coincide with the rent commencement date of the Waltham lease, and a second contingent feature to adjust the remaining annual rental amounts. Both of the arrangements were contingent upon the lessor obtaining certain building permits for the Waltham lease. If the lessor did not fulfill this obligation, we had the option to cancel the Waltham lease, without penalty, and return to the terms of our original Lexington lease. During the quarter ended March 31, 2014, the lessor obtained all of the requisite building permits for the Waltham building construction, thus resolving the contingent features.

For accounting purposes, we are deemed to be the owner of the Waltham building during the construction period and, accordingly, as of March 31, 2014 we have recorded $8,397 of construction project costs incurred by the landlord as an asset with a corresponding financing obligation. The asset is included as construction in progress in property, plant and equipment, net and the liability is included in other liabilities on our consolidated balance sheet. Once the construction is completed, we will evaluate the Waltham lease in order to determine whether or not the lease meets the criteria for "sale-leaseback" treatment.

Although we will not begin making cash lease payments until the lease commencement date, a portion of the lease obligation attributable to the land is treated for accounting purposes as an operating lease that commenced during the second quarter of fiscal 2014. We bifurcate our future lease payments pursuant to the lease into (i) a portion that is allocated to the building and (ii) a portion that is allocated to the land on which the building is being constructed, which will be recorded as rental expense during the construction period. Although this is not currently a cash outlay for us, we recognized rent expense of $375 and $500 in our consolidated statement of operations for the land operating lease during the three months and nine months ended March 31, 2014.

7. Goodwill and Acquired Intangible Assets

Goodwill

The carrying amount of goodwill by segment as of June 30, 2013 and March 31, 2014 is as follows:

	North America	Europe	Most of World	Total
Balance as of June 30, 2013	$ 95,790	$ 44,895	$ 208	$ 140,893
Effect of currency translation adjustments (1)	(1,087)	4,507	—	3,420
Balance as of March 31, 2014	$ 94,703	$ 49,402	$ 208	$ 144,313

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

Acquired Intangible Assets

Acquired intangible assets amortization expense was $2,228 and $6,885 for the three and nine months ended March 31, 2014, respectively, and $2,379 and $7,009 for the three and nine months ended March 31, 2013, respectively.

8. Accrued Expenses

Accrued expenses included the following:

	March 31, 2014	June 30, 2013
Compensation Costs (1)	$ 32,930	$ 43,879
Advertising costs	26,191	24,824
Income and indirect taxes	14,438	12,463
Professional costs (2)	5,268	2,470
Shipping costs	4,705	4,632
Purchases of property, plant and equipment	3,008	1,582
Other	13,610	13,488
Total accrued expenses	$ 100,150	$ 103,338

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

(2) The increase in professional costs is primarily related to investment banking, legal, financial, and other professional fees associated with our recently announced acquisitions that will close during the fourth quarter, as well as our joint venture in Japan.

9. Debt

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

As of March 31, 2014, we have a committed credit facility of $797,953 as follows:

- Revolving loans of $640,000 with a maturity date of February 8, 2018;
- Term loan of $157,953 amortizing over the loan period, with a final maturity date of February 8, 2018.

As of March 31, 2014 and June 30, 2013, our debt outstanding was $201,953 and $238,750, respectively.

Under the terms of our credit agreement, borrowings bear interest at a variable rate of interest based on LIBOR plus 1.50% to 2.00% depending on our leverage ratio, which is the ratio of our consolidated total indebtedness to our consolidated earnings before interest, taxes, depreciation and amortization (EBITDA), as defined by the credit agreement. As of March 31, 2014, the weighted-average interest rate on outstanding borrowings was 2.03%, inclusive of interest rate swap activity. We must also pay a commitment fee on unused balances of 0.225% to 0.350% depending on our leverage ratio. We have pledged the assets and/or share capital of several of our subsidiaries as collateral for our outstanding debt as of March 31, 2014.

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

- our consolidated leverage ratio, which is the ratio of our consolidated indebtedness (*) to our TTM consolidated EBITDA (*), will not exceed 3.25 during the period from March 31, 2014 through December 31, 2014; and 3.0 after March 31, 2015; and

- our interest coverage ratio, which is the ratio of our consolidated EBITDA to our consolidated interest expense, will be at least 3.0.

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

Our agreement also contains customary representations, warranties and events of default. As of March 31, 2014, we were in compliance with all financial and other covenants under the credit agreement.

10. Income Taxes

Income tax expense was $999 and $7,819 for the three and nine months ended March 31, 2014, as compared to $2,264 and $10,587 for the same prior year periods. The decrease is primarily attributable to tax benefits resulting from changes to our corporate entity operating structure that became effective on October 1, 2013 and a lower annual effective tax rate relative to fiscal 2013. We made the changes to our corporate entity operating structure, which included transferring our intellectual property among certain of our subsidiaries, primarily to align our corporate entities with our evolving operations and business model. Additionally, income tax expense for the nine months ended March, 31 2013 was reduced by a one-time currency exchange related tax benefit of $1,918 recognized by one of our Canadian subsidiaries.

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

As of March 31, 2014, we had a net liability for unrecognized tax benefits included in the balance sheet of approximately $6,099, including accrued interest of $250. There have been no significant changes to the net liability during the three months ended March 31, 2014. Of the total amount of unrecognized tax benefits, approximately, $2,955 will reduce the effective tax rate if recognized. We recognize interest and, if applicable, penalties related to unrecognized tax benefits in the provision for income taxes.

It is reasonably possible that a further change in unrecognized tax benefits may occur within the next twelve months related to the settlement of one or more audits or the lapse of applicable statutes of limitations. However, an estimated range of the impact on the unrecognized tax benefits cannot be quantified at this time. We believe we have appropriately provided for all tax uncertainties.

We conduct business in a number of tax jurisdictions and, as such, are required to file income tax returns in multiple jurisdictions globally. The years 2007 through 2013 remain open for examination by the United States Internal Revenue Service (“IRS”) and the years 2006 through 2013 remain open for examination in the various states and non-US tax jurisdictions in which we file tax returns.

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

Vistaprint USA, Incorporated has received Notices of Assessment from the Massachusetts Department of Revenue ("DOR") related to the tax years 2006-2008. Additionally, we have received Notices of Intent to Assess for tax years 2010 and 2011. The Notices contain proposed adjustments to taxable income for these years. The issue in dispute is whether there was appropriate value received with respect to intangible property rights owned by Vistaprint USA, Incorporated and licensed to Vistaprint Limited. The case is currently under review by the DOR Office of Appeals. However, at this stage, we believe it is unlikely that a mutually agreeable resolution will be reached in the DOR Office of Appeals. As a result, we anticipate the DOR Office of Appeals will issue a Letter of Determination within the next few months upholding the DOR’s assessments. Upon receipt of the Letter of Determination, it is our intention to file a petition to have our case heard by the Massachusetts Appellate Tax Board.

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

11. Investment in Equity Interests

As of March 31, 2014, the carrying value of our investment in Namex Limited, which includes an indirect investment in a Chinese printing business, was $13,457 in our consolidated balance sheet. Our proportionate ownership share in Namex is 45% and for the three and nine months ended March 31, 2014, we recorded losses of $1,058 and $2,704, respectively, attributable to Namex in our consolidated statement of operations. We have determined that the level of equity investment at risk is not sufficient for the entity to finance its activities without additional financial support and, as a result, Namex represents a variable interest entity. However, through consideration of the most significant activities of the entity in conjunction with the collective shareholders' rights of Namex, we have concluded that we do not have the power to direct the activities that most significantly impact the entity's economic performance, and therefore we do not qualify as the primary beneficiary.

In April 2014, we decided to dispose of our investment in Namex, as recent discussions with management identified different visions in the execution of the long-term strategic direction of the business. We expect to sell all of our Namex shares to Namex's majority shareholder and recognize a loss of up to $14,000 in the fourth fiscal quarter as the carrying value of the investment exceeds the expected proceeds.

In addition to our equity investment, as of March 31, 2014 we have a contractual loan arrangement with the majority shareholder of Namex, resulting in a loan receivable of $512 that is due with 6.5% per annum interest on or before December 31, 2016, and we expect that the majority shareholder will repay this loan in full in our fourth fiscal quarter. In addition, we executed a convertible debt arrangement with Namex in January 2014, but there are no loans outstanding to Namex under this agreement. We expect to terminate this loan agreement without funding any loans thereunder during our fourth fiscal quarter.

12. Noncontrolling Interest

We own a 51% controlling interest in a joint business arrangement with Plaza Create Co. Ltd., a leading Japanese retailer of photo products, to expand our market presence in Japan. During the three months ended March 31, 2014, we contributed $4,891 in cash and $1,100 in assets, and Plaza Create made an initial capital contribution of $4,818 in cash and assets valued at $955. The balance sheet and results of the joint business arrangement are included in our consolidated financial statements for the period ended March 31, 2014. Plaza Create’s share of the net loss of the operations is included in net loss attributable to noncontrolling interest in the consolidated statement of operation for the period ended March 31, 2014. The 49% noncontrolling equity interest in the business is presented separately as temporary equity in our consolidated balance sheet for the period ended March 31, 2014, due to certain default provisions contained in the agreement.

The following table presents the changes in our redeemable noncontrolling interest for the nine months ended March 31, 2014:

	Noncontrolling Interest
Balance as of June 30, 2013	$ —
Capital contribution from noncontrolling interest	5,773
Adjustment to noncontrolling interest	56
Net loss attributable to noncontrolling interest	(34)
Foreign currency translation	(54)
Balance as of March 31, 2014	$ 5,741

13. Segment Information

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

Consistent with our historical reporting,the cost of our North America and Europe legal, human resource, and facilities management functions are not allocated to the reporting segments and instead reported and disclosed under the caption "Corporate and global functions," which includes expenses related to corporate support functions, software and manufacturing engineering, and the global component of our IT operations and customer sales and design support. Effective March 1, 2014 we revised our Most of World ("MOW") internal reporting structure to align to this model and as such have recast our historical segment operating income to reflect those MOW specific costs as part of the Corporate and global function operating loss.

We do not allocate non-operating income to our segment results. There are no internal revenue transactions between our reporting segments and all intersegment transfers are recorded at cost for presentation to the CODM, for example, products manufactured by our Venlo, the Netherlands facility for the MOW segment; therefore, there is no intercompany profit or loss recognized on these transactions. At this time, we do not allocate support costs across operating segments or corporate and global functions, which may limit the comparability of income from operations by segment. Our balance sheet information is not presented to the CODM on an allocated basis and therefore we do not present asset information by segment.

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2014	2013	2014	2013
Revenue:				
North America	$ 166,118	$ 163,029	$ 520,339	$ 474,778
Europe	104,177	108,255	359,912	357,307
Most of World	15,890	16,400	51,830	55,327
Total revenue	$ 286,185	$ 287,684	$ 932,081	$ 887,412

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2014	2013	2014	2013
Income (loss) from operations:				
North America	$ 48,749	$ 50,234	$ 170,018	$ 147,335
Europe	26,812	25,772	99,999	82,201
Most of World	(652)	(1,361)	(2,929)	(1,189)
Corporate and global functions	(69,670)	(64,912)	(200,918)	(185,339)
Total income from operations	$ 5,239	$ 9,733	$ 66,170	$ 43,008

Enterprise Wide Disclosures:

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2014	2013	2014	2013
United States	$ 155,056	$ 153,351	$ 485,765	$ 446,769
Non-United States (1)	131,129	134,333	446,316	440,643
Total revenue	$ 286,185	$ 287,684	$ 932,081	$ 887,412

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2014	2013	2014	2013
Physical printed products and other (2)	$ 266,447	$ 267,483	$ 871,218	$ 826,997
Digital products/services	19,738	20,201	60,863	60,415
Total revenue	$ 286,185	$ 287,684	$ 932,081	$ 887,412

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

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

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

	March 31, 2014	June 30, 2013
Long-lived assets (3):		
Netherlands	$ 105,099	$ 99,521
Canada	99,262	90,807
Australia	35,566	36,774
United States	40,013	35,943
Switzerland	31,626	4,522
Jamaica	25,905	26,730
Bermuda	7,930	14,667
India	5,624	4,429
Other	6,996	4,884
Total	$ 358,021	$ 318,277

(3) Excludes goodwill of $144,313 and $140,893, intangible assets, net of $24,840 and $30,337, deferred tax assets of $5,335 and $581 and the investment in equity interests of $13,457 and $11,248 as of March 31, 2014 and June 30, 2013, respectively.

14. Commitments and Contingencies

Purchase Obligations

At March 31, 2014, we had unrecorded commitments under contract of $16,235, which were principally composed of inventory purchase commitments of approximately $6,365, production and computer equipment purchases of approximately $4,318, and other unrecorded purchase commitments of $5,552.

Other Obligations

We have an outstanding installment obligation of $17,355 related to the fiscal 2012 intra-entity transfer of Webs' intellectual property, which results in tax being paid over a 7.5 year term and has been classified as a deferred tax liability in our consolidated balance sheet as of March 31, 2014.

Legal Proceedings

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

15. Restructuring

In December 2013 we closed our Singapore location, which provided strategic and administrative support services as part of our Most of World Segment. The following table summarizes the total restructuring costs incurred during the three and nine months ended March 31, 2014. There were no such charges during the three and nine months ended March 31, 2013.

	Three months ended March 31,	Nine months ended March 31,
	2014	2014
Employee termination benefits	$ —	$ 2,372
Facility termination costs (1)	128	742
Total restructuring expense	$ 128	$ 3,114

(1) The nine months ended March 31, 2014 include $472 of accelerated depreciation related to property, plant and equipment.

The following table summarizes the restructuring activity for the period ended March 31, 2014:

	Employee Termination Benefits	Facility Termination Costs
Accrued restructuring balance as of June 30, 2013	$ —	$ —
Restructuring additions	2,372	269
Cash payments	(2,293)	(186)
Accrued restructuring balance as of March 31, 2014	$ 79	$ 83

During the three months ended March 31, 2014, we recognized restructuring expense of $114 in general and administrative expense, $11 in technology and development expense and $3 in marketing and selling expense. During the nine months ended March, 31 2014, we recognized restructuring expense of $2,777 in general and administrative, $268 in technology and development expense and $69 in marketing and selling expense. We do not expect to incur any additional costs related to this restructuring activity in future periods, however estimates may change which could result in additional expense.

16. Subsequent Events

Refer to Note 11 for subsequent event disclosure related to the disposal of our minority equity investment in Namex.

On April 1, 2014, we acquired 100% of the outstanding shares of People & Print Group B.V., a leading Dutch online printing company. At closing we paid €20,525 ($28,273 based on the exchange rate as of the date of acquisition) in cash, subject to working capital and other adjustments, and an additional €4,000, subject to warranties and claims made by the seller, is payable in Vistaprint shares in January 2016. In addition to the initial purchase consideration we have agreed to a sliding scale earn-out that is based on calendar year 2015 revenue and EBITDA targets. The earn-out amount is theoretically unlimited and could be significant in relation to the base purchase price. The estimated fair value of the earn-out payment will be included as a component of the purchase price based on an evaluation of the likelihood of achievement of the contractual conditions and weighted probability assumptions of these outcomes and will be recorded in the fourth quarter. We utilized proceeds from our credit facility to finance the acquisition. In connection with the acquisition, we incurred transaction costs related to investment banking, legal, financial, and other professional services of approximately $950 and $1,218 during the three and nine months ended March 31, 2014, which have been recorded in general and administrative expenses.

On April 3, 2014, we acquired 97% of the outstanding shares of Pixartprinting S.p.A., a leading Italian online printing company. At closing we paid €127,850 ($175,896 based on the exchange rate as of the date of acquisition) in cash, subject to working capital and other adjustments, and we may pay up to an additional €10,000 ($13,758 based on the exchange rate as of the date of acquisition) in cash on or after December 31, 2014 based upon the acquired business achieving certain revenue and EBITDA targets for calendar year 2014. The estimated fair value of the earn-out payment will be included as a component of the purchase price based on an evaluation of the likelihood of achievement of the targets and weighted probability assumptions of these outcomes and will be recorded in the fourth quarter. We utilized proceeds from our credit facility to finance the acquisition. In connection with the acquisition, we incurred transaction costs related to investment banking, legal, financial, and other professional services of approximately $2,463 and $2,545 during the three and nine months ended March 31, 2014, which have been recorded in general and administrative expenses.

Due to the recent closing of the transactions, we have not yet completed our initial accounting for the business combinations, and we are unable to provide additional disclosures.

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

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

Executive Overview

For the three months ended March 31, 2014, we reported revenue of $286.2 million, representing a decline in both reported and constant-currency revenue of 1% over the same period in the prior year. During the quarter we introduced a new pricing strategy in two of our top markets: the U.S. and Germany, negatively impacting our revenue growth in those regions. We expect our near-term revenue growth rates to improve as our customer base adapts to these changes; however, we expect our growth will continue to be lower than our historical levels. Diluted earnings per share (EPS) for the three months ended March 31, 2014 decreased to $0.04, as compared to $0.17 for the three months ended March 31, 2013. This decline was significantly impacted by transaction costs incurred of approximately $3.7 million, or $0.11 per diluted share, related to our recent acquisitions of Pixartprinting and People & Print Group, as well as our joint business arrangement with Plaza Create in Japan.

For the nine months ended March 31, 2014, we reported revenue of $932.1 million, representing 5% revenue growth in terms of both reported and constant-currency revenue over the same period in the prior year. EPS for the nine months ended March 31, 2014 increased to $1.24, as compared to $0.78 for the nine months ended March 31, 2013. This increase was driven primarily by growth in revenue and better leverage of our advertising and normal operating expense activities, offset by transaction costs incurred of approximately $5.0 million for our strategic investments. For the full year of fiscal 2014, we continue to expect to deliver increased net income margin as a percentage of revenue and EPS improvement relative to our fiscal 2013 performance, despite the expected fourth quarter impact of the loss on the sale of our Namex investment and the recognition of additional transaction costs. Our profitability improvement and lower revenue growth is partly the result of improvements we are making in our North America and European customer value proposition and marketing execution, as we realize the benefits of our recent investment strategy and operating expense efficiency. The changes create near-term revenue headwinds but we believe these are important to our overall strategy, as well as near and long-term profitability.

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

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

- *Customer Value Proposition.* We believe our average customer currently spends only a small portion of their annual budget for marketing products and services with us. By shifting our success metrics from transactionally focused profit measures to longer-term customer satisfaction and economic measures, we believe we can deliver improvements to our customer experience and value proposition that will significantly increase customer loyalty and lifetime value. Examples of these programs include improving the customer experience on our site, such as ease of use, less cross selling before customers reach the checkout, expanded customer service, and pricing transparency. While we serve customers across the spectrum of micro businesses with fewer than 10 employees, our strength has traditionally been in the smallest and most price sensitive of these customers rather than those with more sophisticated marketing needs and higher expectations. We believe the customer value proposition investments we are making will be foundational to our ability to support the needs of these higher expectations customers. We believe that a majority of the value of our core market opportunity is in these slightly larger micro businesses, and over the next several years, we hope to unlock the potential of this market segment while continuing to drive value for the price sensitive customers we have historically excelled at serving.
- *Lifetime Value Based Marketing.* We have traditionally acquired customers by targeting micro businesses who are already shopping online through marketing channels such as search marketing, email marketing, and other online advertising. We believe a significant portion of micro businesses in our core markets do not currently use online providers of marketing services. By investing more deeply into existing marketing channels, as well as opening up new channels such as television broadcast, direct mail and social media, we believe we can drive continued new customer growth and reach offline audiences that are not currently looking to online partners for their marketing needs. Regionally, we have made the most progress executing this strategy in North America, where we have gained significant campaign and channel performance data that are helping us optimize advertising efficiencies. We recently executed a more transparent pricing strategy in select markets in North America and Europe, which has resulted in lower revenue growth during the quarter; however, we believe this will drive long-term customer satisfaction. Given our recent revenue performance in Europe, we have made more modest advertising investments in that region, as the current customer economics do not support these higher levels of investment. If we are successful in improving the European customer economics over time, we believe we could then benefit from enhanced advertising investments as we have done in North America.

- *World Class Manufacturing.* We believe our manufacturing processes are best-in-class when it comes to the printing industry. However, when compared to the best manufacturing companies in the world, we believe there is significant opportunity to drive further efficiencies and competitive advantages. By focusing additional top engineering talent on key process approaches, we believe we can make a step-function improvement in product quality and reliability, and significantly lower unit manufacturing costs. We have dedicated resources focused on improving our current processes and developing new and better tools for the future. To date, our execution of this strategy element has been strong, and we believe we have many more opportunities for further enhancements.

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

- *Digital Marketing Services.* We estimate that less than 50% of micro businesses have a website today, but digital marketing services, including websites, email marketing, online search marketing and social media marketing, are a fast-growing part of the small business marketing space. We believe there is great value in helping customers understand the powerful ways in which physical and digital marketing can be combined. Our current digital offering includes websites, email marketing, local search visibility, blogs, search engine optimization, and personalized email domain names. In fiscal 2012, we acquired Webs, Inc. to significantly expand our ability to develop and deliver innovative, customer-focused online marketing solutions. During fiscal 2013 we introduced the Webs white-labeled Pagemodo product to Vistaprint customers and began cross-promotional offers of Vistaprint products to Webs customers. During the first quarter of fiscal 2014 we completed the integration of the Webs site builder technology into the Vistaprint website offering, and we expect that it will take several years to realize the full potential of this combination.

- *Geographies outside North America and Europe.* For each of the three and nine months ended March 31, 2014, revenue generated outside of North America and Europe accounted for approximately 6% of our total revenue, respectively. We believe that we have significant opportunities to expand our revenue both in the countries we currently serve and in new markets. We intend to further extend our geographic reach by continuing to introduce localized websites in additional countries and languages, expanding our marketing efforts and customer service capabilities, and offering graphic design content, products, payment methodologies and languages specific to local markets. Developing a business in emerging markets is complex, and often requires local expertise and presence. To support our expansion into global emerging markets, during fiscal 2013 we launched our new website, customer service and manufacturing facility in India (after acquiring the assets and hiring the team of a local company). During the current quarter, we launched our joint venture in Japan with Plaza Create, a well known retailer in that country. We plan to continue to invest in these and potentially additional markets in the near term, as they could drive significant growth in the longer term, but expect that these investments will be dilutive to earnings for multiple years and will not become a material source of revenue for the foreseeable future.

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

- *Locally Focused Customer Segment*. Through customer research, we have segmented our market opportunity into three major categories within the large market for marketing products and services used by small businesses with fewer than 10 employees. As described above, Vistaprint has historically gained the most traction in the part of the market with the highest number of small businesses but the lowest per-customer annual spend (“Price Primary” segment). Additionally, via the Vistaprint brand, we actively seek to penetrate the second customer segment of customers with more sophisticated marketing needs who choose their marketing providers not solely on price, but on a blend of value, product quality, customer service and overall experience ("Higher Expectations" segment). While we believe the Vistaprint brand can defend its share in the Price Primary segment and is extensible to Higher Expectations customers, we believe the right approach to the third segment of "Locally Focused" customers - those who choose to work with local graphic designers, agencies, resellers and print shops to meet their marketing needs - is through differentiated brands like Pixartprinting and People & Print Group. These brands specialize in serving graphically-enabled customers via an upload and print business model, offering a very wide and deep range of products and attributes that extend beyond Vistaprint's current offerings in categories such as flyers and signage. Though this Locally Focused customer segment is largely composed of offline spend, online companies like Pixartprinting and People & Print Group have been successful penetrating this space in their respective geographic markets. We intend to invest in these companies as distinct brands from Vistaprint, much like we do with the Albumprinter brands today.

Results of Operations

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2014	2013	2014	2013
As a percentage of revenue:				
Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Cost of revenue	35.3 %	34.5 %	34.1 %	34.0 %
Technology and development expense	14.8 %	14.9 %	13.7 %	13.6 %
Marketing and selling expense	38.1 %	38.2 %	36.0 %	38.8 %
General and administrative expense	10.0 %	9.0 %	9.1 %	8.8 %
Income from operations	1.8 %	3.4 %	7.1 %	4.8 %
Other income (expense), net	— %	— %	(0.9)%	— %
Interest expense, net	(0.6)%	(0.4)%	(0.5)%	(0.4)%
Income before income taxes and loss in equity interests	1.2 %	3.0 %	5.7 %	4.4 %
Income tax provision	0.3 %	0.8 %	0.8 %	1.2 %
Loss in equity interests	0.4 %	0.2 %	0.3 %	0.1 %
Net income	0.5 %	2.0 %	4.6 %	3.1 %
Add: Net loss attributable to noncontrolling interest	— %	— %	— %	— %
Net income attributable to Vistaprint N.V.	0.5 %	2.0 %	4.6 %	3.1 %

In thousands	Three Months Ended March 31,			Nine Months Ended March 31,		
	2014	2013	2014 vs. 2013	2014	2013	2014 vs. 2013
Revenue	$ 286,185	$ 287,684	(1)%	$ 932,081	$ 887,412	5%

Revenue

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

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

- *Unique active customers.* The consolidated unique active customer count is the number of individual customers who purchased from us in a given period, with no regard to the frequency of purchase. For example, if a single customer makes two distinct purchases within a twelve-month period or is a distinct customer purchasing from Vistaprint and Albumprinter, that customer is tallied only once in the unique active customer count. We determine the uniqueness of a customer by looking at certain customer data. Unique active customers are driven by both the number of new customers we acquire, as well as our ability to retain customers after their first purchase. During our early growth phase, we focused more resources on the acquisition of new customers through the value of our offering and our broad-based marketing efforts targeted at the mass market for micro business customers. As we have grown larger, our acquisition focus has been supplemented with expanded retention efforts, such as email offers, customer service, and expanding our product offering. Our unique active customer count has grown significantly over the years, and we expect it will continue to grow as we see additional opportunity to drive both new customer acquisitions as well as increased retention rates. A retained customer is any unique customer in a specific period who has also purchased in any prior period.

- *Average bookings per unique active customer.* Average bookings per unique active customer is total bookings, which represents the value of total customer orders received on our websites, for a given period of time divided by the total number of unique active customers, regardless of brand, who purchased during that same period of time. We seek to increase average bookings per unique active customer as a means of increasing revenue. Average bookings per unique active customer are influenced by the frequency that a customer purchases from us, the number of products and feature upgrades a customer purchases in a given period, as well as the mix of tenured customers versus new customers within the unique active customer count, as tenured customers tend to purchase more than new customers. Average bookings per unique active customer have grown over a multi-year period, though they do sometimes fluctuate from one quarter to the next depending upon the type of products we promote during a period and promotional discounts we offer. For example, among other things, seasonal product offerings, such as holiday cards, can cause changes in bookings per customer in our second fiscal quarter ended December 31.

Revenue for the three months ended March 31, 2014 decreased by 1% to $286.2 million compared to the three months ended March 31, 2013 due to a decline in sales across our product and service offerings. During the third quarter, we rolled out significant pricing changes in two of our top markets: the U.S. and Germany. These changes are designed to help us improve customer lifetime value and loyalty over time, but created meaningful near-term revenue headwinds in North America and Europe this quarter. The North American business delivered constant-currency revenue growth of 3% from the prior comparable period. Our European business experienced a decline in constant-currency revenue of 7% during the quarter ended March 31, 2014, as compared to the prior comparative period. Additionally, we continue to expect our fiscal 2014 European revenue growth rate to remain below our historical trends as we reduce certain advertising expenditures with lower returns to make more focused investments in the region. Most of World constant-currency revenue grew by 10% from the prior comparative period.

Revenue for the nine months ended March 31, 2014 increased 5% to $932.1 million compared to the nine months ended March 31, 2013 due to increases in sales across our product and service offerings. The number of consolidated unique active customers declined slightly but was offset by a 7% increase in our average order value for the period, contributing positively to our 5% reported revenue growth. The North American business delivered a solid performance with 10% constant-currency revenue growth, leveraging successful programs to drive customer value that we started two years ago. During the nine months ended March 31, 2014, our European business experienced a 3% decline in constant-currency revenue as we continue to execute marketing improvement initiatives. Most of World constant-currency revenue grew 6% as compared to the prior period. We are implementing changes to our global customer value proposition that we believe will generate higher revenues in the long-term but that create pressure on growth in the near term.

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

	TTM Ended March 31,		
	2014	2013	% Increase/(Decrease)
Unique active customers	16.8 million	16.9 million	(1)%
New customers	*9.8 million*	*10.5 million*	(7)%
Retained customers	*7.0 million*	*6.4 million*	9 %
Average bookings per unique active customer	$ 73	$ 68	7 %
New customers	*$ 53*	*$ 50*	*6 %*
Retained customers	*$ 101*	*$ 96*	*5 %*

Total revenue by geographic segment for the three and nine months ended March 31, 2014 and 2013 is shown in the following table:

In thousands	Three Months Ended March 31,			Currency Impact:	Constant-Currency
	2014	2013	% Change	(Favorable)/Unfavorable	Revenue Growth (1)
North America	$ 166,118	$ 163,029	2%	1%	3%
Europe	104,177	108,255	(4)%	(3)%	(7)%
Most of World	15,890	16,400	(3)%	13%	10%
Total revenue	$ 286,185	$ 287,684	(1)%	—%	(1)%

In thousands	Nine Months Ended March 31,			Currency Impact:	Constant-Currency
	2014	2013	% Change	(Favorable)/Unfavorable	Revenue Growth (1)
North America	$ 520,339	$ 474,778	10%	—%	10%
Europe	359,912	357,307	1%	(4)%	(3)%
Most of World	51,830	55,327	(6)%	12%	6%
Total revenue	$ 932,081	$ 887,412	5%	—%	5%

(1) Constant-currency revenue growth, a non-GAAP financial measure, represents the change in total revenue between current and prior year periods at constant-currency exchange rates by translating all non-U.S. dollar denominated revenue generated in the current period using the prior year period's average exchange rate for each currency to the U.S. dollar and excludes the impact of gains or losses on effective currency hedges recognized in revenue. We have provided these non-GAAP financial measures because we believe they provide meaningful information regarding our results on a consistent and comparable basis for the periods presented. Management uses these non-GAAP financial measures, in addition to GAAP financial measures, to evaluate our operating results. These non-GAAP financial measures should be considered supplemental to and not a substitute for our reported financial results prepared in accordance with GAAP.

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

In thousands	Three Months Ended March 31,			Nine Months Ended March 31,		
	2014	2013	2014 vs. 2013	2014	2013	2014 vs. 2013
Cost of revenue	$ 100,903	$ 99,107	2%	$ 317,482	$ 301,284	5%
% of revenue	*35.3%*	*34.5%*		*34.1%*	*34.0%*	
Technology and development expense	$ 42,434	$ 43,004	(1)%	$ 127,555	$ 120,706	6%
% of revenue	*14.8%*	*14.9%*		*13.7%*	*13.6%*	
Marketing and selling expense	$ 109,118	$ 109,966	(1)%	$ 335,679	$ 344,327	(3)%
% of revenue	*38.1%*	*38.2%*		*36.0%*	*38.8%*	
General and administrative expense	$ 28,491	$ 25,874	10%	$ 85,195	$ 78,087	9%
% of revenue	*10.0%*	*9.0%*		*9.1%*	*8.8%*	

Cost of revenue

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

The increase in cost of revenue of $1.8 million for the three months ended March 31, 2014, as compared to the prior period was primarily due to an increase in fixed costs. Overhead and other related expenses increased $3.5 million as compared to the prior comparative period as we incurred additional fixed costs to support our manufacturing operations. These increases were partially offset by improved material costing of $1.3 million and shipping efficiencies of $0.4 million.

The increase in cost of revenue of $16.2 million for the nine months ended March 31, 2014, as compared to the prior period, was primarily due to an increase in volumes produced. We incurred incremental shipping and temporary labor related costs of $2.8 million and $3.1 million, respectively. The prior year period included a benefit from a non-cash gain related to a free piece of equipment of $1.4 million in our European operations that did not occur in fiscal 2014 and therefore contributed to the $3.1 million increase in overhead and other related expenses during the nine months ended March 31, 2014.

Technology and development expense

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

The decline in our technology and development expense of $0.6 million for the three months ended March 31, 2014, as compared to the prior comparative period was primarily due to a decrease in share-based compensation expense of $1.3 million, as the restricted share awards granted as part of our fiscal 2012 Webs acquisition were fully vested as of December 31, 2013. Additionally, other technology and development expenses decreased by $0.3 million. These cost declines were partially offset by an increase in payroll and facility-related expenses of $1.0 million, as we increased headcount in our technology development and information technology support organizations to 814 employees at March 31, 2014, compared to 765 employees at March 31, 2013.

The increase in our technology and development expense of $6.8 million for the nine months ended March 31, 2014 was due to increased payroll and facility-related costs of $7.7 million, inclusive of restructuring-related expenses of $0.3 million. Additionally, other technology and development expenses increased $1.1 million as compared to the prior comparative periods primarily due to increased recruitment, hosting services and other costs related to continued investment in our infrastructure. These expense increases were partially offset during the nine months ended March 31, 2014 by a decline in share-based compensation expense of $0.9 million and higher capitalization of software costs of $1.1 million due to an increase in current costs that qualify for capitalization during the fiscal year.

Marketing and selling expense

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

The decrease in our marketing and selling expenses of $0.8 million and $8.6 million for the three and nine months ended March 31, 2014, respectively, as compared to the prior comparative periods was primarily due to decreased advertising costs of $3.2 million and $17.5 million, respectively, as we executed more strategically focused marketing spend in the given periods, particularly in Europe. Additionally, share-based compensation expense decreased during the three and nine months ended March 31, 2014 by $0.7 million and $0.6 million, respectively, as the restricted share awards granted as part of our fiscal 2012 Webs acquisition were fully vested at

December 31, 2013. This reduction in spend was partially offset by increased payroll and facility-related costs of $1.3 million and $6.1 million, respectively, as we continued to expand our marketing organization and our customer service, sales and design support centers. At March 31, 2014, we employed 1,975 employees in these organizations, compared to 1,675 employees at March 31, 2013. In addition, during the three and nine months ended March 31, 2014 other marketing and selling expenses increased by $1.8 million and $3.4 million, respectively, due to increased outside service costs, payment processing fees, and other marketing costs.

General and administrative expense

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

The increase in our general and administrative expenses of $2.6 million for the three months ended March 31, 2014, as compared to the same prior year period, was primarily due to an increase of $3.7 million in professional fees for costs incurred related to our recent acquisitions and Japanese joint venture. These increases were partially offset by a net decrease of $1.1 million primarily related to reduced payroll, share-based compensation and recruiting costs. At March 31, 2014, we employed 398 employees in these organizations compared to 391 employees at March 31, 2013.

The growth in our general and administrative expenses of $7.1 million for the nine months ended March 31, 2014, as compared to the prior comparative period was primarily due to restructuring expenses of $2.8 million for the closure of our Singapore office in our Most of World operations and increased professional fees of $5.5 million incurred primarily for certain strategic initiatives during the nine months ended March 31, 2014. These amounts were offset by a decrease in share-based compensation of $1.2 million as compared to the prior fiscal 2013 period.

Other income (expense), net

Other income (expense), net consists of gains and losses from currency exchange rate fluctuations on transactions or balances denominated in currencies other than the functional currency of our subsidiaries, as well as the realized and unrealized gains and losses on our derivative instruments. We incurred $0.1 million and $8.2 million of other expense for the three and nine months ended March 31, 2014, respectively, as compared to $0.3 million of income and $0.6 million of expense, for the prior year periods. The increased expense is primarily due to the net loss of $1.0 million and $7.5 million, respectively, for the three and nine months ended March 31, 2014 recognized on our currency forward contracts for which we did not seek hedge accounting and that did not occur in fiscal 2013. The loss during the three and nine months ended March 31, 2014 was partially offset by a net gain of $0.9 million and $0.7 million, respectively, related to foreign exchange rate fluctuations on our operating accounts. In evaluating our currency hedging program and ability to achieve hedge accounting in light of certain changes in our legal entity cash flows, we considered the benefits of hedge accounting relative to the additional economic cost of trade execution and administrative burden. Based on this analysis, we decided to execute currency forward contracts that do not qualify for hedge accounting. As a result, during the three and nine months ended March 31, 2014, we have experienced increased volatility within other expense, net in our consolidated statements of operations from unrealized gains and losses on the mark-to-market of outstanding currency forward contracts. We expect this volatility to continue in future periods for contracts for which we do not apply hedge accounting.

In addition, changes in our corporate entity operating structure, effective on October 1, 2013 impacted our intercompany transactional and financing activities and have resulted in increased unrealized currency exchange rate losses of $1.9 million and $5.2 million for the three and nine months ended March 31, 2014, respectively, partially offset by realized currency gains of $1.0 million and $2.3 million for the same periods. We may experience increased volatility in exchange rate gains and losses in future periods as a result of these changes.

Interest expense, net

Interest expense, net, which consists primarily of interest paid to financial institutions on outstanding balances on our credit facility and amortization of debt issuance costs was $1.7 million and $4.9 million for the three and nine months ended March 31, 2014, respectively. The increase in interest expense, net as compared to the prior year periods is principally the result of increased borrowings under our credit facility.

Income tax provision

In thousands	Three Months Ended March 31,		Nine Months Ended March 31,	
	2014	2013	2014	2013
Income tax provision	$ 999	$ 2,264	$ 7,819	$ 10,587
Effective tax rate	29.4%	26.0%	14.7%	27.3%

Income tax expense was $1.0 million and $7.8 million for the three and nine months ended March 31, 2014, respectively, as compared to $2.3 million and $10.6 million, respectively, for the same prior year periods. The decrease is primarily attributable to tax benefits resulting from changes to our corporate entity operating structure that became effective on October 1, 2013 and a lower annual effective tax rate relative to fiscal 2013. We made the changes to our corporate entity operating structure, which included transferring our intellectual property among certain of our subsidiaries, primarily to align our corporate entities with our evolving operations and business model. Additionally, income tax expense for the nine months ended March 31, 2013 was reduced by a one-time currency exchange related tax benefit of $1.9 million recognized by one of our Canadian subsidiaries.

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

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

Loss in Equity Interest

Our share of the loss from our investment in Namex for the three and nine months ended March 31, 2014 was $1.1 million and $2.7 million, respectively, and $0.6 million and $1.0 million, respectively, for the comparative prior periods. In April 2014, we decided to dispose of our investment in Namex, as recent discussions with management identified different visions in the execution of the long-term strategic direction of the business. We expect to sell all of our Namex shares to Namex's majority shareholder and recognize a loss of up to $14.0 million in the fourth fiscal quarter as the carrying value of the investment exceeds the expected proceeds.

Liquidity and Capital Resources

Consolidated Statements of Cash Flows Data:
In thousands

In thousands	Nine Months Ended March 31,	
	2014	2013
Net cash provided by operating activities	$ 98,046	$ 103,318
Net cash used in investing activities	(71,026)	(84,069)
Net cash used in financing activities	(31,988)	(30,536)

At March 31, 2014, we had $46.5 million of cash and cash equivalents and $202.0 million of outstanding debt. Cash and cash equivalents decreased $3.5 million during the nine months ended March 31, 2014. The cash flows during the nine months ended March 31, 2014 related primarily to the following items:

Cash inflows:

- Net income of $42.7 million;
- Positive adjustments to accrual based net income for non-cash items of $61.8 million primarily related to depreciation and amortization of $49.3 million and share-based compensation costs of $21.9 million; and
- Proceeds from borrowing of long-term debt of $109.0 million.

Cash outflows:

- Capital expenditures of $54.0 million of which $29.0 million were related to the purchase of manufacturing and automation equipment for our production facilities, $7.5 million were related to the construction of facilities, and $17.5 million were related to purchases of other assets, including information technology infrastructure and office equipment;
- Repayments of long-term debt and debt issuance costs of $147.2 million;
- Internal costs for software and website development that we have capitalized of $7.3 million;
- Increased equity investment in Namex Limited of $5.0 million; and
- Investment in available-for-sale securities of $4.6 million.

Additional Liquidity and Capital Resources Information. During the nine months ended March 31, 2014, we financed our operations and strategic investments in capital expenditures through internally generated cash flows from operations and our debt financing. We currently plan to invest approximately $70 million to $80 million in total capital expenditures in fiscal 2014. Due to our recent investments, our current liabilities continue to exceed our current assets; however, we believe that our available cash, cash flows generated from operations, and our debt financing capacity will be sufficient to satisfy our working capital and planned investments to support our long-term growth strategy, including investments in joint ventures and other strategic initiatives, capital expenditure requirements and any share purchase activity, for the foreseeable future.

At March 31, 2014, approximately $45.0 million of our cash and cash equivalents was held by our subsidiaries; and undistributed earnings of our subsidiaries that are considered to be indefinitely reinvested were $126.6 million. However, we do not intend to repatriate such funds as the cash and cash equivalent balances are generally used and available, without legal restrictions, to fund ordinary business operations and investments of the respective subsidiaries. If there is a change in the future, the repatriation of undistributed earnings from certain subsidiaries, in the form of dividends or otherwise, could have tax consequences that may result in material cash outflows.

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

In the next twelve months we will continue to use, as needed, our revolving credit facility or additional sources of borrowings in order to fund our ongoing operations, support our long-term growth through strategic investments, or purchase our ordinary shares. We have other financial obligations that constitute additional indebtedness based on the definitions within the credit facility. As of March 31, 2014, the amount available for borrowing under our credit facility was as follows, not including the subsequent amendment to our credit agreement described above:

In thousands	March 31, 2014
Maximum aggregate available borrowing amounts	$ 797,953
Outstanding borrowings of credit facility	201,953
Remaining amount	596,000
Limitations to borrowing due to debt covenants and other obligations (1)	(294,620)
Amount available for borrowing as of March 31, 2014 (2)	$ 301,380

(1) Our borrowing ability can be limited by our debt covenants each quarter. These covenants may limit our borrowing capacity depending on our leverage, other indebtedness, such as installment obligations and letters of credit, and other factors that are outlined in our credit agreement filed as an exhibit in our Form 8-K filed on February 13, 2013 and January 22, 2014.
(2) The use of available borrowings for share purchases, dividend payments, or corporate acquisitions and dispositions is subject to more restrictive covenants that lower available borrowings for such purposes relative to the general availability described in the above table.

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

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

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

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

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

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

At March 31, 2014, we were in compliance with all financial and other covenants under the credit agreement in effect at that time.

Contractual Obligations

Contractual obligations at March 31, 2014 are as follows:

In thousands	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Operating leases	$ 154,569	$ 12,904	$ 27,661	$ 26,784	$ 87,220
Purchase commitments	16,235	16,235	—	—	—
Debt	221,899	22,216	51,821	147,862	—
Other	17,355	3,222	6,559	6,724	850
Total (1)	$ 410,058	$ 54,577	$ 86,041	$ 181,370	$ 88,070

(1) We may be required to make cash outlays related to our unrecognized tax benefits. However, due to the uncertainty of the timing of future cash flows associated with our unrecognized tax benefits, we are unable to make reasonably reliable estimates of the period of cash settlement, if any, with the respective taxing authorities. Accordingly, unrecognized tax benefits of $6.1 million as of March 31, 2014 have

been excluded from the contractual obligations table above. For further information on unrecognized tax benefits, see Note 10 to the accompanying consolidated financial statements.

Operating Leases. We rent office space under operating leases expiring on various dates through 2024. Future rental payments required under our leases are an aggregate of approximately $154.6 million. The terms of certain lease agreements require security deposits in the form of bank guarantees and a letter of credit in the amounts of $1.4 million and $0.4 million, respectively. In July 2013, we executed a lease for an eleven-year term to move our Lexington, Massachusetts operations to a new facility in Waltham, Massachusetts, that is expected to commence in the second half of calendar 2015. The table above includes the lease payments associated with our current lease through June 2015, with the Waltham facility payments beginning in September 2015 through the initial eleven-year term of the lease.

Purchase Obligations. At March 31, 2014, we had unrecorded commitments under contract of $16.2 million, which were principally composed of inventory purchase commitments of approximately $6.4 million, production and computer equipment purchases of approximately $4.3 million, and other unrecorded purchase commitments of approximately $5.5 million.

Debt. The term loan outstanding under our credit facility has repayments due on various dates through February 8, 2018, with the revolving loans due on February 8, 2018. Interest payable included in this table is based on the interest rate as of March 31, 2014 and assumes all revolving loan amounts outstanding will not be paid until maturity, but that the term loan amortization payments will be made according to our defined schedule.

Other Obligations. Included above is an installment obligation of $17.4 million related to the fiscal 2012 intra-entity transfer of Webs' intellectual property, which results in tax being paid over a 7.5 year term and has been classified as a deferred tax liability in our consolidated balance sheet as of March 31, 2014.

Recently Issued or Adopted Accounting Pronouncements

None.

Item 3. *Quantitative and Qualitative Disclosures About Market Risk*

Interest Rate Risk. Our exposure to interest rate risk relates primarily to our cash, cash equivalents and long-term debt. As of March 31, 2014, our cash and cash equivalents consisted of standard depository accounts which are held for working capital purposes. Due to the nature of our cash and cash equivalents, we do not believe we have a material exposure to interest rate fluctuations.

As of March 31, 2014, we have $202.0 million of total U.S. dollar denominated variable rate debt and a $17.4 million variable rate installment obligation related to the fiscal 2012 intra-entity transfer of Webs' intellectual property. As a result, we have exposure to market risk for changes in interest rates related to these obligations. In order to mitigate our exposure to interest rate changes, we execute interest rate swap contracts to fix the interest rate on a portion of our outstanding long-term debt with varying maturities. As of March 31, 2014, a hypothetical 100 basis point increase in rates, inclusive of our outstanding interest rate swaps, would result in an increase of interest expense of approximately $0.5 million over the next 12 months.

Currency Exchange Rate Risk. We conduct business in multiple currencies through our worldwide operations but report our financial results in U.S. dollars. Our international revenues, as well as costs and expenses denominated in currencies other than the U.S. dollar, expose us to the risk of fluctuations in exchange rates of such currencies versus the U.S. dollar. Our most significant net currency exposures are the British pound, Canadian dollar and Swiss Franc, although our exposures to these and other currencies fluctuate, particularly in our fiscal second quarter. A summary of our currency risk is as follows:

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

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

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

- *Remeasurement of monetary assets and liabilities:* Transaction gains and losses generated from remeasurement of monetary assets and liabilities denominated in currencies other than the functional currency of a subsidiary are included in other expense, net on the consolidated statements of operations. Our subsidiaries have intercompany accounts that are eliminated in consolidation and cash and cash equivalents denominated in various currencies that expose us to fluctuations in currency exchange rates. A hypothetical 10% change in currency exchange rates was applied to total net monetary assets denominated in currencies other than the functional currencies at the balance sheet dates to compute the impact these changes would have had on our income before taxes in the near term. A hypothetical decrease in exchange rates of 10% against the functional currency of our subsidiaries would have resulted in an increase of $5.8 million and $2.8 million on our income before taxes for the three months ended March 31, 2014 and 2013, respectively. Changes in our corporate entity operating structure, effective on October 1, 2013, resulted in changes in our intercompany transactional and financing activities that may cause increased volatility in exchange rate gains and losses in future periods. Additionally, some of our subsidiaries prepare tax returns in currencies other than their functional currency.

Item 4. *Controls and Procedures*

Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and our chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2014. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2014, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

There were no other changes in our internal control over financial reporting during the fiscal quarter ended March 31, 2014 that materially affect, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. *Risk Factors*

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

Risks Related to Our Business

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

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

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

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

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

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

Our success depends on our ability to attract new and repeat customers in a cost-effective manner. We rely on a variety of methods to draw visitors to our websites and promote our products and services, such as purchased search results from online search engines, e-mail, direct mail, advertising banners and other online links, broadcast media, and word-of-mouth customer referrals. If we are not effective at reaching new and repeat customers, if the costs of attracting customers using our current methods significantly increase, or if we are unable to develop new cost-effective means to obtain customers, then traffic to our websites would be reduced, and our business and results of operations would be harmed.

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

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

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

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

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

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

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

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

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

- seasonality-driven or other variations in the demand for our products and services;
- currency and interest rate fluctuations, which affect our revenues and costs;
- hedge activity that does not qualify for hedge accounting;
- our ability to attract visitors to our websites and convert those visitors into customers;
- our ability to retain customers and generate repeat purchases;
- shifts in product mix toward less profitable products;
- our ability to manage our production, fulfillment, and support operations;
- costs to produce and deliver our products and provide our services, including the effects of inflation;
- our pricing and marketing strategies and those of our competitors;
- investments in our business to generate or support revenues and operations in future periods, such as incurring marketing, engineering, or consulting expenses in a current period for revenue growth or support in future periods;
- expenses and charges related to our compensation agreements with our executives and employees;
- costs and charges resulting from litigation;
- significant increases in credits, beyond our estimated allowances, for customers who are not satisfied with our products;
- changes in our income tax rate;
- costs to acquire businesses or integrate our acquired businesses;

- impairments of our tangible and intangible assets including goodwill; and
- the results of our minority investments.

We base our operating expense budgets in part on expected revenue trends. Some of our expenses, such as office leases, depreciation related to previously acquired property and equipment, and personnel costs, are relatively fixed, and we may be unable to adjust spending quickly enough to offset any revenue shortfall. Accordingly, any shortfall in revenue may cause significant variation in operating results in any quarter. Based on the above factors, among others, we believe that quarter-to-quarter comparisons of our operating results may not be a good indication of our future performance. Our operating results may sometimes be below the expectations of public market analysts and investors, in which case the price of our ordinary shares will likely decline.

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

Our operations and businesses are growing rapidly. We currently operate production facilities or offices in 15 countries and have approximately 30 localized websites to serve various geographic markets. We expect to establish operations and sell our products and services in additional geographic regions, including emerging markets, where we may have limited or no experience. We may not be successful in all regions in which we invest or where we establish operations, which may be costly to us. We are subject to a number of risks and challenges that relate to our global operations and expansion, including, among others:

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

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

Acquisitions and strategic investments may be disruptive to our business.

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

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

- We may not be able to retain customers and key employees of the acquired businesses, and we and the businesses we acquire or invest in may not be able to cross sell products and services to each other's customers.
- In some cases, our acquisitions and investments are dilutive for a period of time, leading to reduced earnings. For example, both the Albumprinter and Webs acquisitions have resulted in additional amortization and share-based compensation expense, and the Namex investment has been dilutive to our earnings.
- An acquisition or investment may fail to achieve our goals and expectations because we fail to integrate the acquired business, technologies, or services effectively, the integration is more expensive or takes more time than we anticipated, the management of our investment is more expensive or takes more resources than we expected, or the business we acquired or invested in does not perform as well as we expected.
- Acquisitions can result in large write-offs including impairments of goodwill and intangible assets, assumptions of contingent or unanticipated liabilities, or increased tax costs.

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

Our second fiscal quarter includes the majority of the holiday shopping season and accounts for a disproportionately high portion of our revenue and earnings for the year, primarily due to higher sales of home and family products such as holiday cards, calendars, photo books, and personalized gifts. In anticipation of increased sales activity during our second fiscal quarter holiday season, we typically incur significant additional capacity related expenses each year to meet our seasonal needs, including facility expansions, equipment purchases, and increases in the number of temporary and permanent employees. Lower than expected sales during the second quarter would likely have a disproportionately large impact on our operating results and financial condition for the full fiscal year. If we are unable to accurately forecast and respond to seasonality in our business, our business and results of operations may be materially harmed.

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

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

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

Our production facilities, websites, infrastructure, supply chain, customer service centers, and operations may be vulnerable to interruptions, and we do not have redundancies in all cases to carry on these operations in the event of an interruption. Some of the events that could cause interruptions in our operations or systems are, among others:

- fire, flood, earthquake, hurricane, or other natural disaster or extreme weather;
- labor strike, work stoppage, or other issue with our workforce;
- political instability or acts of terrorism or war;
- power loss or telecommunication failure;
- attacks on our external websites or internal network by hackers or other malicious parties;
- undetected errors or design faults in our technology, infrastructure, and processes that may cause our websites to fail;
- inadequate capacity in our systems and infrastructure to cope with periods of high volume and demand; and
- human error, including but not limited to poor managerial judgment or oversight.

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

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

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

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

The markets for small business marketing products and services and home and family custom products, including the printing and graphic design market, are intensely competitive, highly fragmented, and geographically dispersed. The competitive landscape for e-commerce companies continues to change as new e-commerce businesses are introduced and traditional “bricks and mortar” businesses establish an online presence. The increased use of the Internet for commerce and other technological advances have allowed traditional providers of these products and services to improve the quality of their offerings, produce and deliver those products and services more efficiently, and reach a broader purchasing public. Competition may result in price pressure, reduced profit margins and loss of market share and brand recognition, any of which could substantially harm our business and results of operations. Current and potential competitors include:

- traditional storefront printing and graphic design companies;

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

Many of our current and potential competitors have advantages over us, including longer operating histories, greater brand recognition or loyalty, more focus on a given subset of our business, or significantly greater financial, marketing, and other resources. Many of our competitors currently work together, and additional competitors may do so in the future through strategic business agreements or acquisitions.

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

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

Demand for our products and services is sensitive to price, and changes in our pricing strategies have a significant impact on our revenues and results of operations. For example, recent changes to our pricing have adversely affected our revenue growth in some regions. Many factors can significantly impact our pricing strategies, including the costs of running our business, our competitors' pricing and marketing strategies, and the effects of inflation. We offer some free or discounted products and services as a means of attracting customers and encouraging repeat purchases, but these free offers and discounts reduce our profit margins and may not result in repeat business to increase our revenues. If we fail to meet our customers' price expectations, our business and results of operations will suffer.

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

We may need to expend significant resources to protect against security breaches or to address problems caused by breaches. Any compromise or breach of our network or the technology that we use to protect our network and our customer transaction data, including credit and debit card information, could damage our reputation and brand; expose us to losses, litigation, and possible liability; lead to the misappropriation of our proprietary information; or cause interruptions in our operations. In addition, some of our partners also collect information from transactions with our customers, and we may be liable or our reputation may be harmed if our partners fail to protect our customers' information or use it in a manner that is inconsistent with our practices.

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

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

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

Many customers access our websites by clicking through on search results displayed by search engines such as Google, Bing, and Yahoo!. If the search engines on which we rely modify their algorithms, terminate their relationships with us, or increase the prices at which we may purchase listings, our costs could increase, and fewer customers may click through to our websites. If fewer customers click through to our websites, we could be required to resort to other more costly resources to replace this traffic, which could adversely affect our revenues and operating and net income and could harm our business.

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

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

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

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

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

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

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

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

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

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

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

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

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

We have entered into interest rate swap and currency forward contracts to manage differences in the amount of our known or expected cash payments or receipts related to our long-term debt and operating cash flows. Our objective in using these derivatives is to manage our exposure to interest rate and currency movements. If we do not accurately forecast our future long-term debt, revenue or expenditure levels, execute contracts that do not effectively mitigate our economic exposure to variable interest and currency rates, elect to not apply hedge accounting, or fail to comply with the complex accounting requirements for hedging, our results of operations and cash flows could be volatile, as well as negatively impacted.

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

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

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

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

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

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

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

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

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

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

Alternatively, we may be required to, or decide to, enter into a license with a third party that claims infringement by us. Any such license may not be made available on commercially acceptable terms, if at all. In addition, such licenses are likely to be non-exclusive, and therefore our competitors may have access to the same technology licensed to us. If we fail to obtain a required license and are unable to design around a third party's patent, we may be unable to effectively conduct some of our business activities, which could limit our ability to generate revenues, grow our business or maintain profitability.

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

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

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

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

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

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

Because of our focus on automation and high volumes, the vast majority of our sales do not involve any human-based review of content. Although our websites' terms of use specifically require customers to represent that the content they upload for production complies with all laws and that they have the right to use and reproduce that content, we do not have the ability to determine the accuracy of these representations on a case-by-case basis. There is a risk that a customer may supply an image or other content for a product order that we produce that is the property of another party used without permission, that infringes the copyright or trademark of another party, or that would be considered to be defamatory, hateful, obscene, or otherwise objectionable or illegal under the laws of the jurisdiction(s) where that customer lives or where we operate. If we become legally obligated in the future to perform manual screening and review for all orders destined for a jurisdiction, we will encounter increased production costs or may cease accepting orders for shipment to that jurisdiction, which could substantially harm our business and results of operations. In addition, if we were held liable for actions of our customers, we could be required to pay substantial penalties, fines, or monetary damages.

We are subject to customer payment-related risks.

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

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

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

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

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

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

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

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

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

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

Risks Related to Our Corporate Structure

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A Dutch withholding tax may be levied on dividends and similar distributions made by Vistaprint N.V. to its shareholders at the statutory rate of 15% if we cannot structure such distributions as being made to shareholders in relation to a reduction of par value, which would be non-taxable for Dutch withholding tax purposes. We have purchased our shares and may seek to purchase additional shares in the future. Under our Dutch Advanced Tax Ruling, a purchase of shares should not result in any Dutch withholding tax if we hold the purchased shares in treasury for the purpose of issuing shares pursuant to some employee share awards or for the funding of acquisitions. However, if the shares cannot be used for these purposes, or the Dutch tax authorities challenge the use of the shares for these purposes, such a purchase of shares for the purposes of capital reduction may be treated as a partial liquidation subject to the 15% Dutch withholding tax to be levied on the difference between our recognized paid in capital per share for Dutch tax purposes and the redemption price per share. Our recognized paid in capital per share for Dutch tax purposes is €28.99 per share translated as of the date of our reincorporation to the Netherlands on August 28, 2009.

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

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

We believe that we were not a PFIC for the tax year ended June 30, 2013 and we expect that we will not become a PFIC in the foreseeable future. However, whether we are treated as a PFIC depends on questions of fact as to our assets and revenues that can only be determined at the end of each tax year. Accordingly, we cannot be certain that we will not be treated as a PFIC for our current tax year or for any subsequent year.

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

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

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

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

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

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

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

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

We did not purchase any shares during the three months ended March 31, 2014, and 6,152,275 shares remain available for purchase under this program, subject to certain limitations imposed by our credit agreement.

ITEM 6. EXHIBITS

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

SIGNATURES

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

April 30, 2014	Vistaprint N.V.		
		By:	/s/ Ernst J. Teunissen
			Ernst J. Teunissen
			Chief Financial Officer
			(Principal Financial Officer)
		By:	/s/ Michael C. Greiner
			Michael C. Greiner
			Chief Accounting Officer
			(Principal Accounting Officer)

EXHIBIT INDEX

Exhibit No.	Description
2.1	Sale and Purchase Agreement dated April 1, 2014 among Vistaprint N.V., Vistaprint Italy S.r.l., Alcedo SGR S.p.A (on behalf of the close-ended investment fund “Alcedo III”), Cap2 S.r.l., and Alessandro Tenderini is incorporated by reference to our Current Report on Form 8-K filed with the SEC on April 4, 2014
2.2	Put and Call Option Agreement dated April 3, 2014 among Vistaprint N.V., Vistaprint Italy S.r.l., Cap2 S.r.l., and Matteo Rigamonti is incorporated by reference to our Current Report on Form 8-K filed with the SEC on April 4, 2014
2.3	Put and Call Option Agreement dated April 3, 2014 among Vistaprint N.V., Vistaprint Italy S.r.l., and Alessandro Tenderini is incorporated by reference to our Current Report on Form 8-K filed with the SEC on April 4, 2014
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Rule 13a-14(a)/15d-14(a), by Chief Executive Officer
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Rule 13a-14(a)/15(d)-14(a), by Chief Financial Officer
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Chief Executive Officer and Chief Financial Officer
101.INS	XBRL Instance Document*
101.SCH	XBRL Taxonomy Extension Schema Document*
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document*
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*
101.LAB	XBRL Taxonomy Extension Label Linkbase Document*
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document*

* Submitted electronically herewith.

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

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

Exhibit 31.1

CERTIFICATION

I, Robert S. Keane, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vistaprint N.V.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrants fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 30, 2014

/s/ Robert S. Keane

Robert S. Keane
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Ernst J. Teunissen, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vistaprint N.V.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrants fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: April 30, 2014

/s/ Ernst J. Teunissen

Ernst J. Teunissen
Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report on Form 10-Q of Vistaprint N.V. (the “Company”) for the fiscal quarter ended March 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), the undersigned, Robert S. Keane, Chief Executive Officer, and Ernst J. Teunissen, Chief Financial Officer, of the Company, each hereby certifies, pursuant to 18 U.S.C. Section 1350, that, to his knowledge on the date hereof:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: April 30, 2014

/s/ Robert S. Keane

Robert S. Keane
Chief Executive Officer

Date: April 30, 2014

/s/ Ernst J. Teunissen

Ernst J. Teunissen
Chief Financial Officer