

ENGAGE GLOBALLY

ANY TIME

ANY PLACE

ANY LANGUAGE

.....2011.....

Lionbridge

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OUR GLOBAL REACH – The Lionbridge Footprint

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90,000  
CROWD-BASED PROFESSIONALS

102  
COUNTRIES

4,600  
CITIES

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## ACCELERATING ONLINE ENGAGEMENT IN GLOBAL MARKETS

When the world's brand leaders bring products, content and services to global markets, they turn to Lionbridge. Our unique combination of translation and testing excellence, global scale, innovative technology and in-country intelligence enables them to effectively engage their customers and prospects globally throughout every stage of the customer lifecycle – **seek, engage, buy, experience and support.**

- **Unmatched Global Scale and Expertise** – Lionbridge is the market leader in language and testing services. With dedicated program management experts in 35 solution centers across 26 countries, only Lionbridge has the global scale and expertise to bring our clients' most business-critical products and online content to global markets.
- **A Recurring Base of Top-Tier Clients** – We have established thriving, trusted relationships with more than 500 clients – such as Caterpillar, Cisco, Google, HP, Microsoft, Philips Medical, Porsche and Rolls Royce. These market leaders rely on Lionbridge solutions to increase their market share, broaden worldwide product adoption and accelerate online customer engagement – any time, any place, in any language.
- **The Global Crowd-in-the-Cloud<sup>SM</sup>** – We've carefully identified and qualified a team of 90,000+ translators, testers, Web raters and in-country experts in more than 100 locales worldwide. Our professional "crowd" of experts provides local knowledge and industry expertise when and where our clients need it. And we've built the most advanced "cloud" technology platform to manage our clients' most complex global programs seamlessly and efficiently.

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MORE THAN 85%

MORE THAN 85 PERCENT OF CLIENTS HAVE RELIED ON LIONBRIDGE CONSISTENTLY FOR **THREE YEARS OR LONGER.**

# LIONBRIDGE ENABLES EVERY TOUCH POINT OF THE GLOBAL CUSTOMER LIFECYCLE

## SEEK

We raise our clients' online search profiles and enable their customers to find them more frequently in hundreds of markets and languages.

## ENGAGE

We enable our clients to connect with their global customers online through locally relevant marketing campaigns and multilingual communication.

## SUPPORT

Global brands support their customers in diverse markets and languages using our real-time translation technologies, technical documentation experts and support content specialists.

## BUY

We develop and translate consistent on-brand sales content and effective in-market programs to accelerate our clients' global revenue.

## EXPERIENCE

We translate and test our clients' business-critical products, applications and content, enabling them to deliver a superior customer experience worldwide.

Trouver \* Verbunden sein \* 购买 \* Впечатление \* สนับสนุน

IN

the fifteen-year history of Lionbridge, we have always focused on one core mission – enabling our clients' global success. This underlying foundation has powered our evolution from a \$20 million translation start-up into a growing, profitable \$428 million leader in globalization solutions. Today, we enjoy recurring, multi-million dollar relationships with world-leading brands such as Caterpillar, Cisco, Google, HP, Microsoft, Philips Medical, Porsche and Rolls Royce. These market leaders join more than 500 other clients who rely on Lionbridge to connect and engage with their customers worldwide and bring their content and applications to global markets.

#### 2011: A YEAR OF TRANSFORMATION

Last year marked the beginning of a positive transition for Lionbridge, with a number of important financial and strategic milestones. In 2011 we grew revenue \$23 million year-on-year by establishing new engagements with clients across vertical markets. We returned the business to GAAP profitability after winding down our multi-year, multi-million dollar cost-reduction program and expanding our revenue growth. And we generated approximately \$10 million in cash flow from operations. Following several years of cost management, we are emerging as an efficient, profitable, more nimble organization poised for accelerated growth.

We reached several strategic milestones as well. With a renewed



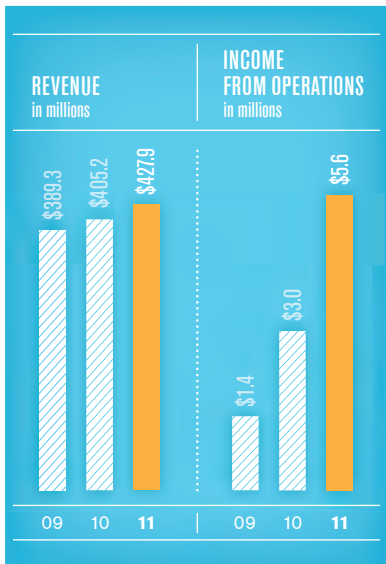
focus on growth and innovation, we accelerated our investments in sales and marketing and broadened our long-term growth strategy to include vertical market practices, new SaaS-based language technologies and new service offerings. These growth investments have already started to generate positive results. In the second half of 2011 we delivered 8 percent year-on-year revenue growth, signed a number of new, multi-million dollar client programs and secured our first two enterprise engagements for our SaaS products. Most importantly, during this time we converted more than 50 percent of incremental revenue to operating profit while continuing to fund our growth initiatives.

As a result, we enter 2012 with an efficient cost structure and a long-term growth strategy that leverages our proven delivery model for translation to provide a broader set of global engagement solutions for our clients. **This expanded platform allows our clients to connect, engage and support their customers intelligently, effectively and consistently in any language, in any geography, on any platform and through any device.**

#### 2012: A YEAR FOR GROWTH

Our strategic priorities for this year are clear: to expand our profitable growth and extend our market leadership by focusing on three key areas – new markets, new offerings and new technologies.

- **New markets:** Building on our client success in the technology sector, we recently aligned our sales and operational structure to serve the unique needs of clients in additional, high-potential, vertical markets such as life sciences, healthcare, automotive, aerospace, industrials, travel and retail. This is leading to a positive cycle of new business as we deliver superior service to clients in these markets. As a result, we expect many of these verticals to generate double digit year-on-year growth in 2012 and beyond.
- **New offerings:** In 2011 we launched a new Global Marketing Operations (GMO) offering, a service for managing digital marketing campaigns across languages, technical platforms and local content. This offering brings together our existing capabilities in language, content and technology



to create a unique, compelling solution for marketing executives within global enterprises. For clients, GMO increases the effectiveness of in-country marketing campaigns and reduces costs by as much as 30 percent. For Lionbridge, GMO enables us to sell to new buyers within large enterprises who are struggling with the complexity of providing a globally consistent, locally relevant customer experience in global markets. With a strong and growing pipeline of business, we expect GMO to be one of our fastest growing offerings in 2012.

- New technology:** Over the past 18 months we introduced two SaaS-based technology offerings: GeoFluent, our customized machine translation technology through our partnership with IBM Research, and Translation Workspace, our language productivity technology. In 2012 we expect to expand both applications. For GeoFluent, we expect to convert the strong interest in this innovative technology into revenue by demonstrating the clear, compelling benefits of customized, real-time translation technology

**Our focus on new markets, new services and new technologies supports our long-term growth strategy to deliver a portfolio of related solutions that enable our clients to effectively engage their customers and prospects globally throughout every stage of the customer lifecycle – seek, engage, buy, experience and support.**

for organizations that engage and support customers globally. We will also expand our partnership strategy with joint sales and marketing alliances with leaders in online chat and enterprise social software, two areas that support GeoFluent's go-to-market focus on customer care. For Translation Workspace, we will continue to expand our growing base of more than 3,300 translators, agencies and enterprises that use this technology platform daily to increase productivity and efficiency.

Our focus on new markets, new services and new technologies supports our long-term growth strategy to deliver a portfolio of related solutions that enable our clients to effectively engage their customers and prospects globally throughout every stage of the customer lifecycle – seek,

engage, buy, experience and support. This strategy builds on our proven Crowd-in-the-Cloud foundation we've built for translation and allows us to broaden our market, accelerate our growth and deliver new value for the world's most successful global brands.

I am proud of the Lionbridge teams around the world that enable our clients' global success with unparalleled knowledge and expertise. I would also like to thank our shareholders for their ongoing support. We are enthusiastic about the year ahead and are well positioned for growth and profit expansion in 2012 and beyond. I look forward to sharing our future successes.

**Rory J. Cowan**  
Chairman and CEO  
Lionbridge Technologies, Inc.

# LIONBRIDGE GLOBAL MARKETING OPERATIONS

Delivering effective marketing campaigns is a core component of successfully engaging customers and prospects across the Global Customer Lifecycle.

Marketing organizations around the world struggle with the complexity of executing global online marketing programs that deliver consistent, effective brand messaging across geographies, cultures and technical architectures. Until now, marketers have faced an unacceptable tradeoff – either locally optimized but off-brand content, or a consistent global brand with irrelevant, ineffective marketing in local markets.

To solve this global marketing challenge, Lionbridge offers the answer for brand leaders worldwide: *Global Marketing Operations (GMO)*, a multi-disciplinary service that blends Lionbridge's signature expertise in translation, Web publishing and content marketing to deliver a scalable, proven platform for managing effective in-country marketing campaigns.

With this unified global marketing offering, Lionbridge clients enjoy a number of powerful benefits across the Global Customer Lifecycle, including:

- Effective local-market SEO based on in-country customer demand
- Improved customer engagement through locally-relevant, rich media content
- High-impact, localized and published e-mails and display ads
- Faster time-to-publish for translated, relevant Website content
- Active support from in-country marketing personnel
- Valuable, measurable Web analytics
- Improved online engagement with GeoFluent real-time translation
- Seamless SEO tracking and adjustments
- Effective local social and mobile presence

Lionbridge GMO combines our market leadership in translation, testing and content development with our in-country knowledge and expertise, Crowd-in-the-Cloud program management excellence and innovative technology. As a result, we deliver unparalleled value to clients – global brand consistency *and* locally optimized marketing – with synchronized, streamlined digital marketing campaigns, efficient worldwide collaboration and effective online engagement.



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

**Form 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended: December 31, 2011

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission File Number 000-26933

**LIONBRIDGE TECHNOLOGIES, INC.**

(Exact Name of registrant as specified in its charter)

**DELAWARE**

(State or other jurisdiction of  
incorporation or organization)

**1050 Winter Street, Waltham, MA**

(Address of principal executive offices)

**04-3398462**

(I.R.S. Employer  
Identification Number)

**02451**

(Zip Code)

**Registrant's telephone number, including area code: (781) 434-6000**

**Securities to be registered pursuant to Section 12(b) of the Act:**

Title of Each Class

Name of Exchange on Which Registered

**Common Stock, par value \$.01 per share**

**The Nasdaq Stock Market LLC  
(Nasdaq Global Market)**

**Securities to be registered pursuant to Section 12(g) of the Act:**

**None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if small reporting company)  Smaller reporting company

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, as of June 30, 2011, was approximately \$177.9 million (based on the closing price of the registrant's Common Stock on June 30, 2011, of \$3.18 per share).

The number of shares outstanding of the registrant's \$.01 par value Common Stock as of February 29, 2012 was 63,201,962.

**DOCUMENTS INCORPORATED BY REFERENCE**

Lionbridge intends to file a proxy statement pursuant to Regulation 14A within 120 days of the end of the fiscal year ended December 31, 2011. Portions of such proxy statement are incorporated by reference into Part III of this Report.

**ANNUAL REPORT ON FORM 10-K**  
**YEAR ENDED DECEMBER 31, 2011**  
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## PART I

*Except for the historical information contained herein, the matters discussed in this Annual Report on Form 10-K 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. These forward-looking statements involve risks and uncertainties. Lionbridge makes such forward-looking statements under the provision of the “Safe Harbor” section of the Private Securities Litigation Reform Act of 1995. Any forward-looking statements should be considered in light of the factors described below in Item 1A “Risk Factors.” Actual results may vary materially from those projected, anticipated or indicated in any forward-looking statements. In this Annual Report on Form 10-K, the words “anticipates,” “believes,” “expects,” “intends,” “future,” “could,” and similar words or expressions (as well as other words or expressions referencing future events, conditions or circumstances) identify forward-looking statements. Unless the context otherwise requires, all references to “Lionbridge,” “we,” “our,” “us,” “our company”, the “Company” or the “Corporation” in this Annual Report on Form 10-K refer to Lionbridge Technologies, Inc., a Delaware corporation, and its subsidiaries.*

### **Item 1. Business**

#### **About Lionbridge**

Lionbridge is a leading provider of language, content and testing solutions that enable clients to optimize, release, manage, test and maintain their technology applications and content in global markets. Lionbridge enjoys long-term, recurring relationships with clients across industries. These clients rely on the Company’s global scale, innovative technology and in-market expertise to bring their products, content, and services to global markets and facilitate online customer engagement in local markets worldwide. Lionbridge has three operating segments:

Global Language and Content (“GLC”): Lionbridge GLC solutions enable the authoring, translation, localization and worldwide multilingual release of clients’ products, online content and related sales and marketing information, technical support and training material. Lionbridge GLC solutions involve translating, localizing and adapting content and products to meet the language, cultural, technical and industry-specific requirements of users in local markets throughout the world. As part of its GLC solutions, Lionbridge also develops and authors technical documentation. Lionbridge GLC solutions utilize the Company’s cloud-based technology platforms and applications, and its global service delivery model which make the translation, localization and content authoring processes more efficient for Lionbridge and its clients.

Global Development and Testing (“GDT”): Through its GDT solutions, Lionbridge optimizes, tests and maintains IT applications to ensure the quality, interoperability, usability, relevance and performance of clients’ software, search engines, consumer technology products, web sites, and content. Lionbridge has deep domain experience in testing, optimizing and maintaining applications in a cost-efficient, blended on-site and offshore model. As part of its GDT offering, Lionbridge also provides specialized enterprise crowdsourcing services including search relevance testing for its clients’ online marketing initiatives.

Interpretation: Lionbridge provides interpretation services for government, business and healthcare organizations that require experienced linguists to facilitate communication. Lionbridge provides interpretation communication services in more than 360 languages and dialects, including onsite interpretation, over-the-phone interpretation and interpreter testing, training, and assessment services.

Lionbridge provides a full suite of language, testing and content solutions to businesses in diverse end markets including technology, internet and media, mobile and telecommunications, life sciences, government, manufacturing, automotive, aerospace, manufacturing and retail. Lionbridge’s solutions include translation and localization; interpretation; language technology; technical authoring; application testing; and enterprise crowdsourcing. The Company’s services enable global organizations to increase international market share, broaden worldwide product adoption, support customers in global markets and accelerate online customer engagement across languages, geographies and technical platforms.

Lionbridge provides the following core benefits to clients:

*Global Scale.* With approximately 4,500 employees worldwide, Lionbridge operates solution centers in 26 countries. Lionbridge utilizes its global resources and proven program management capabilities to provide client delivery teams that are designed to have the optimal technical, linguistic and industry-specific expertise and skills to meet each client's specific needs. Lionbridge's global infrastructure enables Lionbridge to deliver high-value, cost-effective services and to meet its clients' technical, linguistic, vertical market and geographic requirements.

*In-Country Knowledge and Expertise.* Lionbridge service offerings are based on the Company's ability to combine its own network of program and project managers, technical experts and delivery personnel around the world with an external network of pre-qualified, in-country independent professionals. The Company has access to a network of more than 90,000 translators, interpreters, subject-matter experts, and web raters in more than 100 countries. This comprehensive crowd of professionals allows the Company to provide its clients with the optimal combination of in-country, local market knowledge and global expertise in technology, language and online content. As a result, clients can efficiently deliver products and online content that are technically, linguistically and culturally relevant for their target buyers in local markets worldwide.

*Cloud-based Translation Technologies.* Lionbridge solutions include technologies designed to make translation processes more efficient, productive and consistent. A core component of Lionbridge's technology platform is Translation Workspace™, a cloud-based, multi-tenant translation memory application that simplifies translation processes and allows for automated, in context, use of previously translated words, phrases and glossaries. Lionbridge uses Translation Workspace to increase the effectiveness, efficiency and consistency of its service delivery for clients. Lionbridge also offers GeoFluent™, a cloud-based, customizable, automated translation technology that instantly translates content and communications into multiple languages. GeoFluent offers enterprises the ability to increase their multilingual communications through an automated application that translates websites, online chat sessions, user forums and technical blogs in real-time. Lionbridge believes its clients can use its comprehensive suite of cloud-based translation technologies to improve their translation production processes, increase the availability of multilingual content and communications, reduce the costs of global technical support and bring their content and products to market more quickly.

*Integrated Full-Service Offering.* Lionbridge is able to serve as an outsourcing partner throughout a client's content and product lifecycle. Clients can utilize Lionbridge's comprehensive solutions to develop, optimize, release and maintain their global content, websites and technology applications for their customers, prospects, partners and employees throughout the world. This unified suite of solutions allows Lionbridge to serve as its clients' single outsource provider for developing, releasing, testing and maintaining multilingual content and technology across global end markets. By outsourcing to a large-scale provider, such as Lionbridge, organizations are able to focus on their core competencies, drive process improvements and speed the process of communicating large amounts of information to customers, prospects and employees worldwide.

Lionbridge was incorporated in Delaware in September 1996. Its principal executive offices are located at 1050 Winter Street, Waltham, Massachusetts 02451, its telephone number is (781) 434-6000, and its Web site is [www.lionbridge.com](http://www.lionbridge.com). Lionbridge makes available, free of charge, on its Web site its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, as well as other reports it files with the SEC and amendments to those reports as soon as reasonably practicable after the reports are electronically filed with or furnished to the SEC pursuant to Section 13(a) or 15(d) of the Exchange Act. Lionbridge's filings with the Securities and Exchange Commission are also available on the Web at [www.sec.gov](http://www.sec.gov).

## **Lionbridge Services**

Lionbridge provides a full suite of language, development and testing solutions. Our three offering segments consist of the following:

### ***Global Language and Content Services (“GLC”)***

*Product Localization.* Lionbridge creates foreign language versions of its clients’ products and software applications, including the user interface, online help systems and documentation. Through its internationalization, software localization and technical translation services, Lionbridge provides its clients with culturally adapted multilingual versions of their products and applications. Lionbridge’s product localization services enable Lionbridge clients to release fully operable software applications, consumer devices and hardware products that are adapted to the cultural, linguistic and technical requirements and expectations of users in specific international markets.

As an example, Lionbridge provides localization services for a global mobile communications provider that releases dozens of new communication devices and related applications in more than 80 languages every year. Lionbridge localizes and tests software and related documentation, user interfaces and help screens for this client. The Lionbridge process is integrated with and essential to the client’s worldwide product release cycle. As a result, Lionbridge believes that it is reducing the time required for its client’s new products to reach international markets and reducing the client’s global release costs while increasing its customer satisfaction worldwide.

*Content Translation.* Lionbridge adapts web content, interactive media, and marketing information to meet cultural, linguistic and business requirements of international markets. Lionbridge content translation services help organizations effectively communicate with their customers, prospects, partners and employees on a worldwide basis. By utilizing technology and integrating with its clients’ content management processes and systems, Lionbridge is able to manage the translation process in an automation-assisted manner for large volumes of content. Lionbridge combines technical writing and translation expertise, design and production capabilities, program management, standards-based automation technology, industry-specific knowledge and process optimization techniques to provide high-quality, client-specific solutions for multilingual content.

For example, Lionbridge is managing frequently changing content for a client’s global online search website and its online advertising program. Lionbridge is automating the process of extracting English language content from the client, routing the content through translation memory technology and workflow processes and publishing the translated content directly to the client in an automated manner. As a result of this streamlined process, Lionbridge estimates that it is saving this client significant time and cost associated with the ongoing management of its multilingual search website and advertising programs.

*Global Marketing Operations.* In 2011 Lionbridge introduced its Global Marketing Operations (“GMO”) offering, a service for managing digital marketing campaigns across languages, technical platforms and local content. Lionbridge GMO combines the Company’s existing capabilities in language, content, global production management, and local market knowledge to create an integrated solution aimed at helping marketing executives provide a globally consistent, locally relevant online customer experience in international markets. In 2011 the Company secured several GMO client programs. For one global organization, Lionbridge is providing a range of GMO solutions including search engine optimized web translation, global website management and support, and global campaign operations. Lionbridge believes this integrated GMO solution is helping the client increase global brand consistency and provide effective marketing content that is optimized for prospects and customers in more than 35 local markets worldwide.

*Language Technology.* Lionbridge offers language technology solutions to enterprises, freelance translators and translation agencies on a Software-as-a-Service (“SaaS”) basis. Lionbridge offers two SaaS-based language technologies, Translation Workspace, a productivity technology for translators and agencies and GeoFluent, a customized machine translation technology developed through our partnership with IBM Research.

Translation Workspace is a multi-tenant translation productivity technology that helps translators, agencies and enterprises manage and sequence their language assets in real-time, collaborate instantly with other translators and providers, monitor project productivity, automate quality assurance and engage qualified resources within a private work environment. Many subscribers use Translation Workspace to ensure consistency of translated content by reusing previously translated content in an accurate manner, as well as to gain real-time visibility into the progress and productivity of projects, collaborate with project teams and to access work from Lionbridge.

GeoFluent is a machine-translation technology that automatically translates content and communications into multiple languages on a real-time basis. The GeoFluent platform includes an IBM-developed machine translation engine, a proprietary Lionbridge customization solution to increase quality and usability of translation, a set of pre-built user interfaces, Application Programming Interfaces (“APIs”) for easy integration into enterprise applications, and access to Lionbridge’s translation memory capability. Several enterprises have expressed interest in using GeoFluent to translate content and communications they are not able to translate using traditional methods due to time or cost constraints.

*Technical Authoring and Documentation.* Technical authoring is the creation, design and deployment of user-focused product documentation and training related assets using rich media, text, images, and animations. Lionbridge provides technical authoring, production and integration of content for print, web, multimedia, mobile device, and proprietary displays. As part of this solution, Lionbridge creates content and integrates applications for authoring and managing content.

For example, Lionbridge is working with a leading provider of power systems and services for use on land, at sea and in the air. Lionbridge provides technical authoring and illustration for documentation that is used by technicians in the process of repairing, maintaining and operating aircraft, marine (ship) engines, power and energy generating equipment. Lionbridge technical authoring and illustration is used in the client’s print documentation, electronic media and content management systems. Lionbridge manages the program across its solution centers in the U.S., UK, Germany and India. Lionbridge believes that this integrated solution is enabling this client to produce high quality technical documentation while reducing its costs and shortening time to market.

*Global Language and Content Services Delivery.* By integrating language technology and skills, global resources, content creation expertise, skilled program management capabilities, and local market knowledge Lionbridge provides a unified approach to developing, releasing and maintaining multilingual content and technology applications and offers a high-return solution for worldwide delivery and support.

Lionbridge maintains long-term, strategic relationships with an extensive network of third-party individual, local-country translators and other language professionals, including independent agencies and freelance professionals. Lionbridge also directly employs program and project managers, linguistic engineers, publishers, editors and quality assurance specialists. Lionbridge uses a combination of translation software, internal expertise as well as external translation professionals for its translation and localization services. This approach allows Lionbridge to provide client delivery teams that have the appropriate combination of linguistic, technology and industry domain expertise and local country presence to meet each client’s specific needs. This flexible and scalable model also enables Lionbridge to manage large, complex client engagements while minimizing its fixed costs.

Lionbridge GLC services use Translation Workspace, Lionbridge’s proprietary, internet-architected translation memory application that simplifies translation management. This application, which is hosted by Lionbridge, allows translators to collaborate, share knowledge, and deliver consistent results. Lionbridge GLC services also incorporate translation productivity and quality assurance technologies including Freeway™, a client portal that allows clients to initiate and track translation projects, collaborate with their project teams, manage linguistic assets and generate enterprise budget and status reports. Lionbridge believes that its language technologies increase efficiency and enable clients to better manage their language assets on a real-time basis.

Using technology, Lionbridge increases the quality of multilingual content and enables the translation process to be more efficient as client programs grow in scope and duration. This technology-based approach allows Lionbridge to increase its opportunities for recurring clients and increase program efficiency over time.

Lionbridge's delivery of its GLC services is based on its proprietary Excellence in Operations ("LEO") methodology. LEO is a process framework to assure quality and on-time deliverables to customers, internal teams and external partners. LEO is a tested, repeatable process designed to ensure consistency around the world. A roadmap for effective service delivery, LEO offers a unified, systematic approach to adapting products and content to a target locale's technical, linguistic and cultural expectations. Lionbridge's LEO incorporates regional best practices and consolidates them into a standardized set of global processes to ensure repeatability, predictability and common expectations across various operating centers. LEO defines our customer feedback management approach specifying how to execute timely root cause analysis and improvement plans managed through our global customer feedback tool CCDB ("Customer Care Database"). LEO standardizes processes throughout every Lionbridge solution center, defines key activities, and specifies goals for each project. Our team of experienced auditors execute globally tracked checks against the LEO framework in each of our sites and across our accounts to identify improvements and ensure every customer receives the same high level of quality. Lionbridge's process-oriented approach to production enables Lionbridge to deliver high-quality applications and content across multiple technology platforms, languages and cultures in a timely fashion, while continually improving process and service delivery for Lionbridge clients.

#### ***Global Development and Testing Services ("GDT")***

*Testing.* Lionbridge provides a variety of testing services which are offered to clients under the VeriTest® brand. VeriTest services include enterprise-scale managed test teams, test process design, test automation, functional testing, performance testing, globalization testing, and product certification. The Company's testing services are aimed at helping organizations improve product usability and customer satisfaction, while reducing the time and cost associated with quality assurance ("QA"), testing, and support. VeriTest globalization testing services determine whether the product is ready for international markets by ensuring that locale-dependent functions work as intended within the local hardware and software environment of the end user. As part of its testing services, Lionbridge helps clients implement a QA continuous process improvement method, provide return on investment dashboards to track improvements, deploy a Test Automation framework and reduce test software costs.

For example, for a Fortune 100 provider of business and consumer technology products, Lionbridge provides a complete testing solution for many of the company's information management and printing technologies. Lionbridge tests the client's applications for functionality, interoperability, usability, environmental impact, duration, and full system performance – to ensure that the products meet the high quality standards required by the end customer while still meeting the providers' costs and time to market goals. Lionbridge has applied traditional headcount and physical plant cost management methods, and introduced innovative process improvements, to meet client budget, time-to-market, and quality objectives of its testing processes. Lionbridge believes that through its product engineering and testing services, the client is able to bring higher quality products to market faster and at reduced cost.

*Enterprise Crowdsourcing.* Lionbridge provides a range of crowdsourcing services that build on Lionbridge's skills for managing on-demand resources across a wide range of global markets. As part of its enterprise crowdsourcing service, the Company helps organizations evaluate business processes to determine which jobs or tasks are best suited to crowdsourcing solutions, and then administers the entire crowdsourcing process for the client including finding, recruiting, screening, and paying independent workers with specific skills in global markets.

For example, for one global search engine company Lionbridge provides crowdsourcing services that provide insight into the intent of online users in local markets worldwide through a global community of more than 90,000 pre-qualified, bi-lingual professionals across 100+ countries and languages. As a result, Lionbridge

believes it is helping this client deliver more relevant search results for queries generated in each of the client's target global markets. Another client relied on Lionbridge enterprise crowdsourcing services to monitor regulatory changes across numerous countries. This enabled the client to gain essential regulatory knowledge via a crowdsourcing model at 30% less cost than using a large accounting firm. Lionbridge believes its enterprise crowdsourcing solutions enable clients to improve their online marketing efforts in local markets, increase efficiency and lower labor and staffing costs.

***Interpretation Services***

Lionbridge provides interpretation services for government business and healthcare organizations that require experienced linguists to facilitate communication. Lionbridge provides interpretation communication services in more than 360 languages and dialects, including onsite interpretation, over-the-phone interpretation and interpreter testing, training, and assessment services.

For one government agency, Lionbridge provides telephonic interpretation services, onsite interpretation services and translation services during interviews of individuals seeking asylum or protection from removal to their home countries. As a result, Lionbridge believes that this government agency can promote greater reliability in understanding and evaluating claims. For a large healthcare information service provider, Lionbridge provides interpretation services that link patients with interpreters who translate the confidential communications between the patients and healthcare providers. Lionbridge believes that this enables the healthcare information provider to effectively and efficiently service its total of approximately 500 non-English speaking users per month.

See Note 12 of Notes to Consolidated Financial Statements included as part of Item 15 of this Form 10-K for financial information relating to Lionbridge's operating segments and geographic areas of operation. Segment revenue in dollars and as a percentage of total revenue is included in the "Results of Operations" of Item 7.

**Sales and Marketing**

Substantially all of Lionbridge's revenue has been generated through its dedicated direct sales force based in the Americas, Europe and Asia who sell the full range of Lionbridge solutions. The Lionbridge sales approach involves planning for an organization's unique ongoing requirements, including future versions of products, and ongoing support, maintenance, and training, related to both technology products and content.

**Clients**

Lionbridge clients are predominantly Global 2000 companies in the technology, mobile and telecommunications, internet and media, life sciences, government, manufacturing, automotive, retail and aerospace sectors. Lionbridge provided services in excess of \$50,000 to approximately 400 clients worldwide for the year ended December 31, 2011. The following companies are representative Lionbridge clients, each of whom purchased more than \$2.0 million in services from Lionbridge in the year ended December 31, 2011:

Adobe	Golden Living	Philips
Canon	Google	Porsche
Caterpillar	HP	PTC
Cisco	LRN	Research in Motion
CNET	Microsoft	Rolls Royce
Dell	Motorola	Samsung
Eli Lilly	Nokia	SkillSoft
EMC	Pearson	Studec
Expedia	Pfizer	U.S. Department of Justice

In 2011, 2010 and 2009, Microsoft accounted for 17%, 20% and 21% of total revenue, respectively. In 2011 and 2010, Google accounted for 12% and 11% of total revenue, respectively. No other client accounted for greater than 10% of total revenue in 2011, 2010 or 2009. Lionbridge's ten largest clients accounted for 56%, 56% and 57% of revenue in 2011, 2010 and 2009, respectively.

## **Competition**

Lionbridge provides a broad range of solutions for worldwide delivery of technology and content to its clients. The market for its solutions is highly fragmented, and Lionbridge has many competitors. Additionally, many potential customers address their translation, development and testing requirements through in-house capabilities and/or by using software to automate process, while others outsource their needs to providers such as Lionbridge. Lionbridge's current competitors include the following:

- Existing and prospective clients' internal translation, localization, testing and development departments;
- Translation or localization services and technology providers such as SDL International plc, Translations.com, Welocalize and Moravia as well as the regional vendors of translation services specializing in specific languages in various geographic areas; and
- Information Technology consulting and software development and testing services organizations such as Globallogic, Beyondsoft, Symphony Services, AppLabs, Cognizant, and HCL.

Lionbridge may also face competition from a number of other companies in the future, including some companies that currently seek translation, development or testing services from Lionbridge. Other potential entrants into Lionbridge's market include India-based and China-based development organizations that are providing a range of software development, testing and maintenance services for global technology companies that require translation of the products and applications they provide. As content management software is deployed internationally, these firms may be required to assist their customers with maintaining multilingual databases. While today these companies are often working with Lionbridge to assist in meeting their customers' needs, it is possible that over time they will expand into offering competitive services.

From time to time, new companies may enter Lionbridge's global language and content industry. Although Lionbridge builds unique applications and utilizes machine translation software licensed from third parties, Lionbridge's technology does not preclude or inhibit others from entering its market.

Lionbridge believes the principal competitive factors in providing its services include its global infrastructure which supports cost-effective, high-quality client delivery worldwide; its ability to provide clients a comprehensive set of services that address multiple phases of a client's content and technology application lifecycle; its project management expertise; its proprietary, web-based language technology platform; quality and speed of service delivery; vertical industry expertise; expertise and presence in certain geographic areas and corporate reputation. Lionbridge believes it has competed favorably with respect to these factors and has a strong reputation in its industry.

## **Government Contracts**

Many of Lionbridge's customers within its Interpretation segment are Federal, State or local government entities. A material portion of Lionbridge's revenues from its Interpretations segment is derived from government entities, and in particular, from two contracts with the U.S. government, both of which were renewed for multi-year terms in 2009. Lionbridge has typically been successful in maintaining existing relationships with government entities and in renewing its contracts for successive multi-year terms; however, there is no guarantee that it may continue to do so in the future. In addition, government entities often reserve the right to change the scope of engagements with limited notice, for lack of approved funding or at their convenience.

## **Intellectual Property Rights**

Lionbridge's success is dependent, in part, upon its proprietary methodologies and practices, including its Translation Workspace language platform, applications of its machine translation technologies, its Freeway portal technology, its proprietary linguistic testing practices and methodologies, its language assets and other intellectual property rights. Lionbridge has patents or patent applications pending relating to its language

automation translation memory engine, its machine translation applications and its Translation Workspace and GeoFluent technologies and believes that the duration of these patents is adequate relative to the expected lives of their applications. Patents that have already been issued have remaining terms that range from 5-14 years. Lionbridge relies on a combination of trade secret, license, nondisclosure and other contractual agreements, and copyright and trademark laws to protect its intellectual property rights. Existing trade secret and copyright laws afford Lionbridge only limited protection. Lionbridge enters into confidentiality agreements with its employees, contractors and clients, and limits access to and distribution of Lionbridge's and Lionbridge's clients' proprietary information. Lionbridge cannot assure that these arrangements will be adequate to deter misappropriation of its proprietary information or that it will be able to detect unauthorized use and take appropriate steps to enforce its intellectual property rights.

## **Employees**

As of December 31, 2011, Lionbridge had approximately 4,500 full-time equivalent employees. Of these, approximately 3,900 were service delivery professionals and 600 were management and administrative personnel performing sales, operations, marketing, process and technology, research and development, finance, accounting, and administrative functions.

Lionbridge has employees in Norway, Poland and Finland who are represented by trade unions, and there are works councils in the Netherlands, France, Germany, Denmark, Finland, and Spain. Lionbridge has never experienced a work stoppage and believes that its employee relations are good.

## **Compliance with Environmental Laws**

Lionbridge conducts its operations in 26 countries and accordingly, is subject to the laws and regulations of each of those countries, many of which have announced or enacted initiatives designed to reduce carbon emissions in the atmosphere. Lionbridge's business does not involve manufacturing or other processes that are significant contributors to excessive carbon emissions and does not believe its current operating model requires modification in order to comply with these regulations. Lionbridge has a robust program of telecommuting among its world-wide workforce which results in a reduced global footprint due to reduced office and infrastructure occupancy and reduced commuting costs and emissions.

## **Item 1A. Risk Factors**

This Annual Report on Form 10-K contains forward-looking statements which involve risks and uncertainties. Lionbridge's actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, without limitation, those set forth in the following risk factors and elsewhere in this Annual Report on Form 10-K. In addition to the other information included or incorporated by reference in this Annual Report on Form 10-K, the following risk factors should be considered carefully in evaluating Lionbridge and its business.

*A large portion of Lionbridge's revenue is derived from a relatively small number of large clients and the delay or reduction of its clients' product releases and production schedules or the loss of, or reduction in revenue from, a major client could negatively affect Lionbridge's revenue and results of operations.*

Lionbridge derives a significant portion of its revenues from large projects and programs for a limited number of large clients. In addition, a significant portion of Lionbridge's revenue is linked to the product release cycles and production schedules of its clients, and, in particular, to certain key clients. As a result, Lionbridge performs varying amounts of work for specific clients from year-to-year based on their product release cycles and production schedules. A major client in one year may not have use for a similar level of Lionbridge's services in another year. Although we generally enter into long-term contracts with our clients, the volume of work we perform for specific clients may vary from year-to-year or quarter-to-quarter. Our contracts may allow our clients to terminate the contract early. There can be no assurance that we will be able to retain these major

clients or that, if we were to lose one or more of our major clients, we would be able to replace such clients with clients that generate a comparable amount of revenues. A number of factors could cause us to lose business or revenue from a client, and some of these factors are not predictable and are beyond our control. For example, a client may demand price reductions, change its procurement strategy, move work in-house or reduce previously forecasted demand. In most cases, if a client terminates its contract with us or does not meet its forecasted demand, we have no contractual recourse even if we have hired and trained service professionals to provide services to the client. Consequently, the loss of one or more of our major clients, or the inability to generate anticipated revenues from them, would have a material adverse effect on our business, results of operations and financial condition.

While our strategy of focusing on serving large enterprises is intended to enable us to increase our revenues from large corporate customers, this strategy also exposes us to increased risks arising from the possible loss of major customer accounts.

For the years ended December 31, 2011 and 2010, Lionbridge's largest client accounted for 17% and 20% of its revenue, respectively, and its five largest clients accounted for approximately 46% and 47% of its revenue, respectively. As a result, the loss of any major client or a significant reduction in a large project's scope could materially reduce Lionbridge's revenue and cash flow, and adversely affect its ability to maintain profitability.

*Fluctuations in the mix of customer demand for the Company's various types of solution offerings could impact Lionbridge's financial performance and impact Lionbridge's ability to forecast performance.*

Due to fluctuations in customer needs, changes in customer industries, and general economic conditions, customer demand for the range of the Company's offerings varies from time to time and is not predictable. In addition, customer's software product localization requirements for high quality translation services may be affected by the mix of graphics and words in a particular language, thereby reducing the amount of content suitable for high quality, professional human-based translation. In addition, Lionbridge gross margins vary by customer. Generally, the profitability of an account increases over time. As a result, the mix of solutions provided by Lionbridge to its customers varies at any given time, both within a quarter and from quarter-to-quarter. These variations in service mix impact gross margins and the predictability of gross margins for any period. Therefore, Lionbridge believes that quarter-to-quarter comparisons of its results of operations are not necessarily meaningful. You should not rely on the results of any one quarter as an indication of Lionbridge's future performance. Lionbridge may not experience profitability or margin increases in future years comparable to those experienced in some prior years.

*Procurement strategies and vendor consolidation as well as unfavorable conditions in the United States and global economies may adversely affect demand for Lionbridge's services, which would in turn, adversely affect future revenues and operating results.*

Many of Lionbridge's clients are seeking to consolidate their current service providers. In some cases, the range and breadth of our service offerings is not as broad as its customers demand. Lionbridge's ability to sustain growth and our profitability in the current environment is dependent upon its ability to maintain and/or gain a greater share of the business within its clients, and to attract new clients. There can be no assurance that Lionbridge will be able to do so in the future.

More generally, future unfavorable changes in global economic and political conditions, including economic and monetary instability in Europe, inflation, fluctuating energy costs, geopolitical issues, and unrest may contribute to increased volatility and diminished expectations for the global economy and global economic growth going forward. Continued instability in global economic conditions could negatively impact business and customer spending patterns. More specifically, Lionbridge's customers or potential customers may cancel, reduce or delay their purchases of our solutions or payment for such solutions, which would adversely impact our revenues, collections of customer receivables and ultimately our profitability.

The Company cannot predict global economic conditions or when and to what extent these conditions may affect our customers. The Company can not ensure that its business financial condition or results of operations will not be adversely impacted by any negative economic conditions.

*Potential fluctuations in Lionbridge's quarterly results make financial forecasting difficult and could affect its common stock trading price.*

As a result of fluctuations in Lionbridge's revenues tied to foreign currency fluctuations, its clients' activities and release cycles, customer and vendor pricing pressures, the three-to nine-month length of its typical sales cycle, historical growth, acquisition activity, the emerging nature of the markets in which it competes, global economic conditions and other factors outside its control, Lionbridge believes that financial forecasting is difficult and quarter-to-quarter comparisons of its results of operations are not necessarily meaningful. You should not rely on the results of any one quarter as an indication of Lionbridge's future performance. Lionbridge may not experience revenue increases in future years comparable to the revenue increases in some prior years. There have been quarters in the past in which Lionbridge's results of operations have fallen below the expectations of securities analysts and investors and this may occur in the future. If in a future quarter Lionbridge's results of operations were to fall below the expectations of securities analysts and investors, the trading price of its common stock would likely decline.

*Lionbridge's expansion into new SaaS-based product offerings may not succeed and may harm its , financial results and reputation.*

Lionbridge offers its web-based language technologies on a subscription, or Software-as-a-Service ("SaaS"), service offering. The Company's current SaaS products include Translation Workspace™ and GeoFluent™. These SaaS-based offerings are available to translators and enterprises on a subscription basis, independent of otherwise engaging Lionbridge as the translation services provider. Lionbridge is providing Translation Workspace on a subscription basis to individual translators and agencies for their use with their customers, as well as to enterprises. Lionbridge has also offered GeoFluent to corporations and enterprises engaged in real-time, web-based communications. Lionbridge will continue to devote capital, personnel and management attention to developing these new services and offerings. These services and offerings will present technological, marketing and management challenges that differ from the challenges the Company faces in its existing localization business. The success of this expansion and Lionbridge's future growth and profitability in connection with this initiative will depend in large part on its ability to attract and retain subscribers and to constantly improve the tools and solutions offered and adapt them to changing customer needs. Lionbridge cannot assure you that these web-based solutions and strategies will be successful or that they will be profitable, or if they are profitable, that they will provide an adequate return on capital expended. If Lionbridge is not successful in marketing, selling, developing and deploying these new solutions, its financial results and reputation may be harmed.

In addition, the market for SaaS-based translation solutions is emerging and it is uncertain whether SaaS-based services will achieve and sustain high levels of demand and market acceptance. Lionbridge's successful expansion into new SaaS-based product offerings will depend to a substantial extent on the willingness of translators and enterprises, large and small, to subscribe to SaaS-based tools and services for translation requirements. Some potential users may be reluctant or unwilling to use SaaS-based services because they have concerns regarding the risk associated with security capabilities, among other things, of the technology delivery model associated with these services. If they do not perceive the benefits of subscribing to SaaS-based tools and services, then the market for these services may not develop at all, or it may develop more slowly than the Company expects, either of which may adversely affect Lionbridge's financial results.

*Defects or disruptions in Lionbridge's newly introduced web-based tool and service offerings (including interruptions in service due to third parties) could diminish demand for those offerings and subject the Company to liability.*

SaaS offerings may contain undetected errors when first introduced or when new versions or enhancements are released. Since Lionbridge's customers use our web-based services for important aspects of their business,

any errors, defects, disruptions in service or other performance problems with the Company's service could hurt its reputation and may damage Lionbridge's customers' businesses. If that occurs, customers could elect not to renew, or delay or withhold payment to Lionbridge, the Company could lose future subscribers or customers may make warranty claims against Lionbridge, which could result in an increase in the Company's provision for doubtful accounts, an increase in collection cycles for accounts receivable or the expense and risk of litigation.

Lionbridge currently serves its customers from third-party data center hosting facilities located on the east coast of the United States. Any damage to, or failure of, these facilities could result in interruptions in its service. As Lionbridge continues to add capacity to its data centers, it may move or transfer data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of Lionbridge's service. Further, any damage to, or failure of, Lionbridge's systems generally could result in interruptions in its service. Interruptions in Lionbridge's service may reduce its revenue, cause customers to terminate their subscriptions and adversely affect the Company's renewal rates and its ability to attract new customers. Lionbridge's business will also be harmed if its customers and potential customers believe the Company's service is unreliable.

*Evolving regulation of the Internet may affect Lionbridge adversely.*

As Internet commerce continues to evolve, increasing regulation by federal, state or foreign agencies may occur. For example, the Company believes increased regulation may occur in the area of data privacy and in status of employment. In addition, taxation of services provided over the Internet or other charges imposed by government agencies or by private organizations for accessing the Internet may also be imposed. Any regulation imposing greater fees for Internet use or restricting information exchange over the Internet could result in a decline in the use of the Internet and the viability of Internet-based services, which could harm Lionbridge's web-based tools and services business as well as reduce demand for its services by customers that provide Internet-based services.

*Demand for subscription fee-based translation tools such as Lionbridge's and demand for the Company's high quality translation services could decline if effective tools and solutions become available for free.*

Presently there are a number of free translation tools offering limited access to machine translation and translation management applications. If these free offerings become more sophisticated or comprehensive, and become better able to produce more accurate translations and production efficiencies, demand for Lionbridge's solutions and products, particularly its real-time machine translation offering known as GeoFluent, may decline.

*A failure by Lionbridge to comply with the covenants under its revolving credit facility could trigger a default under that facility if not cured.*

Lionbridge's failure to comply with the financial and other restrictive covenants under its revolving credit agreement could result in an event of default, which, if not cured or waived, could result in the Company being required to repay these borrowings before their due date. There is no guarantee that the Company would be able to refinance these borrowings and the failure to refinance would have an adverse affect on the Company's cash flows, results of operations and financial condition. If the Company is forced to refinance these borrowings on less favorable terms, its results of operations and financial condition could be adversely affected by increased costs, rates and terms.

*Lionbridge's results of operations could be negatively affected by potential fluctuations in foreign currency exchange rates.*

Lionbridge conducts a large portion of its business in international markets. For the years ended December 31, 2011 and 2010, respectively, 38% and 41% of Lionbridge's revenue was denominated in foreign currencies. In addition, 64% and 66% of its costs and expenses for the years ended December 31, 2011 and 2010, respectively, were denominated in foreign currencies. Therefore, the Company is exposed to the risk of an increase in the value of the foreign currencies relative to the U.S. Dollar, which would increase the value of those

expenses when measured in U.S. Dollars. Lionbridge's foreign subsidiaries have assets and liabilities that are denominated in currencies other than the relevant entity's functional currency. Changes in the functional currency value of certain assets and liabilities create fluctuations that may result in translations gains or losses. Management selectively engages in foreign exchange hedging transactions (typically, forward contracts) designed to minimize its exposure to foreign exchange rate fluctuations. Management regularly reviews the hedging program and will make adjustments as necessary, including suspending or accelerating hedging activities based on its judgment of the efficacy of such programs under anticipated market and economic conditions. However, there can be no assurance that our foreign currency management strategy will adequately protect our financial condition or results of operation from the effects of future exchange rate fluctuations.

*Lionbridge may not realize the anticipated benefits of current or future cost reduction initiatives.*

Lionbridge has initiated cost reduction actions to improve its operating cost structure, reduce overhead and better position itself competitively. These cost reduction initiatives include measures designed to better align operating expenses with expected revenue levels, resource reallocations, headcount reductions and technology deployments. The timing and implementation of cost reduction initiatives is dependent upon a number of factors, including customer needs and transition requirements, local statutory and regulatory requirements, and economic conditions. Future cost reduction initiatives could result in current period charges and expenses that could impact Lionbridge's operating results. The anticipated benefits of these cost reduction actions may be negatively impacted by foreign currency exchange rate fluctuations. Lionbridge cannot guarantee that these measures, or other expense reduction measures we take in the future, will result in the expected cost savings.

Lionbridge may engage in restructuring actions and incur restructuring charges for actions undertaken in any particular quarter. In connection with determining the size and scope of any such restructuring charge, management will be required to make significant estimates related to expenses for severance and other employee separation costs, lease cancellation and other exit costs, and estimates of future rental income that may be generated through the subleasing of excess leased property. Should the actual amounts differ from our estimates, the amount of the restructuring charges could be materially impacted.

*Lionbridge may be exposed to employment-related claims and costs that could materially adversely affect its business, financial condition and results of operations.*

Lionbridge engages resources in multiple countries worldwide and from time-to-time places them in workplaces of its customers. Lionbridge also may engage in redundancy or other reduction in force actions in light of any decline in demand for its services due to global economic conditions. Risks related to these activities include:

- Claims arising out of the actions or inactions of our personnel;
- Claims of discrimination or harassment;
- Classification of employees as independent contractors and payment of workers' compensation claims and other similar claims, including matters for which we may have indemnified a customer;
- Violations of wage and hour requirements;
- Retroactive entitlement to employment benefits;
- Errors and omissions by our personnel; and
- Claims by our customers relating to our personnel misusing customer proprietary information, or other similar claims.

Lionbridge may incur fines and other losses or negative publicity with respect to these problems. In addition, some or all of these claims may give rise to litigation, which could be time-consuming to its management team and costly and have a negative impact on its business. Lionbridge cannot assure you that it will not experience these problems in the future.

Lionbridge cannot assure you that its insurance will be sufficient in amount or scope to cover all claims that maybe asserted against the Company. Should the ultimate judgments and settlements exceed its insurance coverage, it could have a material effect on the Company's results of operations, financial position and cash flows. Lionbridge cannot assure you that it will be able to obtain appropriate types or levels of insurance in the future.

*If Lionbridge fails to hire and retain professional staff, its ability to obtain and complete its projects could suffer.*

Lionbridge's potential failure to hire and retain qualified employees could impair its ability to complete existing projects and bid for or obtain new projects and, as a result, could have a material adverse effect on its business and revenue. Lionbridge's ability to grow and increase its market share largely depends on its ability to hire, train, retain and manage highly skilled employees, including project managers and technical, sales and marketing personnel. In addition, Lionbridge must ensure that its employees maintain their technical expertise and business skills. Lionbridge cannot assure you that it will be able to attract a sufficient number of qualified employees or that it will successfully train and manage the employees it hires to allow Lionbridge to carry out its operating plan.

*Lionbridge's financial performance may be impacted by its ability to transition service execution to its lower cost operational sites, the timing of such transition, and customer acceptance of such transition.*

Lionbridge's business strategy includes the transition of service execution to its global delivery centers located in India, China, Poland and Slovakia. The rate at which such services may be transitioned and the timing of any transition is difficult to predict and is dependent on customer demand for such services and customer acceptance of such any such transition. Accordingly, changes in the location of service execution may not produce the anticipated financial benefit and the Company may not realize the anticipated benefits of service execution in its Global Delivery Centers to the extent anticipated, or as rapidly as anticipated, all of which could adversely affect Lionbridge's business, financial condition or results of operations.

*Lionbridge may not realize the anticipated benefits of past or future acquisitions and integration of these acquisitions may interrupt the Company's business and management.*

Lionbridge has made significant acquisitions in the past. The Company may make acquisitions in the future as part of its long-term business strategy. Lionbridge may not realize the anticipated benefits of any acquisition, or Lionbridge may not realize the anticipated benefits as quickly as originally anticipated. In particular, the process of integrating acquired companies into the Company's existing business may result in unforeseen difficulties and delays. These risks include:

- difficulty in integrating the operations and personnel of the acquired company;
- difficulty in maintaining controls, procedures and policies during the transition and integration;
- difficulty in integrating the acquired company's accounting, financial reporting systems, human resources and other administrative systems; and
- delays or difficulty to achieve the financial and strategic goals for the acquired and combined businesses on the original timetable.

Mergers and acquisitions are inherently risky and if Lionbridge does not fully complete the integration of acquired businesses successfully and in a timely manner, the Company may not realize the anticipated benefits of the acquisitions to the extent anticipated, or as rapidly as anticipated, which could adversely affect Lionbridge's business, financial condition or results of operations.

*Pursuing and completing potential acquisitions could divert management attention and financial resources and may not produce the desired business results.*

As part of its growth strategy, Lionbridge may pursue and make selected acquisitions of complementary businesses. Lionbridge does not have specific personnel dedicated solely to pursuing and making acquisitions. As a result, if Lionbridge pursues any acquisition, its management, in addition to their operational responsibilities, could spend a significant amount of time and management and financial resources to pursue and integrate the acquired business with its existing business. To fund the purchase price of an acquisition, Lionbridge might use capital stock, cash or a combination of both. Alternatively, Lionbridge may borrow money from a bank or other lender. If it uses capital stock, Lionbridge's stockholders will experience dilution. If it uses cash or debt financing, Lionbridge's financial liquidity may be reduced. In addition, from an accounting perspective, an acquisition may involve amortization of significant amounts of other intangible assets that could adversely affect Lionbridge's ability to maintain profitability.

Despite the investment of these management and financial resources, an acquisition may not produce the revenue, earnings or business synergies that Lionbridge anticipated or may produce such synergies less rapidly than anticipated for a variety of reasons, including:

- difficulties in the assimilation of the operations, operational systems deployments, technologies, services, products and personnel of the acquired company;
- failure of acquired technologies and services to perform as expected;
- risks of entering markets in which Lionbridge has no, or limited, prior experience;
- effects of any undisclosed or potential legal or tax liabilities of the acquired company;
- compliance with additional laws, rules or regulations that Lionbridge may become subject to as a result of an acquisition that might restrict Lionbridge's ability to operate; and
- the loss of key employees of the acquired company.

Lionbridge may not be able to successfully address these problems. Lionbridge's future operating results may depend to a significant degree on Lionbridge's ability to successfully integrate acquisitions and manage operations while controlling expenses and cash outflows. While Lionbridge currently does not have commitments or agreements with respect to any acquisitions, it regularly explores potential acquisitions of strategically complementary businesses or operations. Lionbridge may not be able to identify suitable acquisition candidates and it can expect to face competition from other companies for potential acquisition candidates, making it more difficult to acquire suitable companies on favorable terms.

*Difficulties presented by international economic, political, legal, health, accounting and business factors could negatively affect Lionbridge's business in international markets.*

Lionbridge conducts business and has operations and clients throughout the world. As a result, Lionbridge's business is subject to political unrest and economic fluctuations in various countries and to more cost-intensive social insurance and employment laws and regulations, particularly in Europe. In addition, as Lionbridge continues to employ and retain personnel throughout the world and to comply with various employment laws, it may face difficulties in integrating such personnel on a cost-efficient basis. In the U.S. and certain other countries, new employment and labor laws and regulations have been proposed or adopted that may increase the potential exposure of employers to employment-related claims and litigation. There can be no assurance that the corporate policies Lionbridge has in place to help reduce its exposure to these risks will be effective or that the Company will not experience losses as a result of these risks. As Lionbridge aligns its worldwide workforce, it may face difficulties and expense in reducing its workforce in certain high cost countries and regions, including Europe. To date, Lionbridge has been able to successfully staff its international operations, but if Lionbridge seeks to expand its operations, it may become more difficult to manage its international business. In addition, Lionbridge's ability to engage individual interpreters and translators as contractors rather than employees may be impacted by changes in employment laws, regulations and interpretations in certain jurisdictions, which may

expose Lionbridge to additional costs and expenses. In addition, compliance with complex foreign and U.S. laws and regulations that apply to Lionbridge's international operations increases the Company's cost of doing business in international jurisdictions and could expose the Company to fines or penalties. These numerous and sometimes conflicting laws and regulations include import and export requirements, trade restrictions, tax laws, sanctions, data privacy requirements, labor laws, U.S. laws and regulations such as the Foreign Corrupt Practices Act and the regulations of the Office of Foreign Asset Controls ("OFAC"), and local laws. Violations of these law and regulations could result in fines, criminal sanctions, prohibitions on the conduct of Lionbridge's business and damage to the Company's reputation. Although Lionbridge has implemented policies and procedures designed to ensure compliance with these laws, the Company cannot guarantee compliance. Any such violations could materially damage the Company's reputation, its ability to attract and retain employees, our business and our operating results. Lionbridge's and its clients' abilities to conduct business may also be affected by wars, political unrest, terrorism, natural disasters or the impact of diseases such as avian influenza. Furthermore, as a result of operating in international markets, Lionbridge is subject to longer payment cycles from many of its customers and may experience greater difficulties in timely accounts receivable collections. If Lionbridge fails to manage these operations successfully, its ability to service its clients and grow its business will be seriously impeded.

*Goodwill and other intangible assets represent a portion of Lionbridge's assets; any impairment of Lionbridge's goodwill or other intangible assets will adversely impact its net income.*

At December 31, 2011, Lionbridge had goodwill and other intangible assets of approximately \$16.9 million, net of accumulated amortization, which represented approximately 10.7% of its total assets. Lionbridge's goodwill is subject to an impairment test on an annual basis, and both goodwill and other intangible assets are also tested whenever events and circumstances indicate that they may be impaired. Such events or conditions could include an economic downturn in the industries to which Lionbridge provides services, increased competition, an increase in operating or other costs, additional volatility in international currencies, the pace of technological improvements; or other information regarding Lionbridge's market value, such as a reduction in stock price to a price near or below the book value of the Company for an extended period of time. Any excess goodwill resulting from the impairment test must be written off in the period of determination. Lionbridge recorded a goodwill impairment charge of \$120.6 million during the year ended December 31, 2008. Although the Company does not believe that an impairment of Lionbridge's remaining goodwill or other intangible assets exists at this time, in the event that such a condition or event occurs, we may record additional charges which could have a material adverse effect on our results of operations.

*If Lionbridge does not respond to future advances in technology and changes in customer demands, its business and results of operations may be adversely affected.*

The demand for Lionbridge's services may be substantially affected, in large part, by future advances in technology and changes in customer demands. Lionbridge's success will depend on its ability to address the increasingly sophisticated and varied needs of its existing and prospective clients. Lionbridge cannot assure you that there will be a demand for its services in the future. Lionbridge's success in servicing its clients will be largely dependent on its development of strategic business solutions and methodologies in response to technological advances and client preferences. For example, Lionbridge's services are based on a hosted internet-based language technology platform, core components of which include Lionbridge's Translation Workspace technology.

*Lionbridge's business may be harmed by defects or errors in the services it provides to its clients.*

Many of the services Lionbridge provides are critical to its clients' businesses. While Lionbridge maintains general liability insurance, including coverage for errors and omissions, defects or errors in the services it provides could interrupt its clients' abilities to provide services to their end users resulting in delayed or lost client revenue. This could damage Lionbridge's reputation through negative publicity, make it difficult to attract new, and retain existing customers and cause customers to terminate their contracts and seek damages.

Lionbridge may incur additional costs to correct errors or defects. Lionbridge cannot assure you that its general liability and errors and omissions insurance coverage will be available in amounts sufficient to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claims.

*Improper disclosure of employee and customer data could result in liability and harm Lionbridge's reputation.*

From time to time, Lionbridge's services involve the use, storage and transmission of personal data, including information of its employees and resources. Lionbridge and its third party service providers have established policies and procedures to help protect the security and privacy of this information. It is possible that the Company's security controls over personal and other data and other practices the Company and its third party service providers follow may not prevent the improper access to or disclosure of personally identifiable or otherwise confidential information. Such disclosure could harm Lionbridge's reputation and subject the Company to liability under its contracts and laws that protect personal data and confidential information, resulting in increased costs or loss of revenue. Further, data privacy is subject to frequently changing rules and regulations, which sometimes conflict among various jurisdictions and countries in which we provide services. Lionbridge's failure to adhere to or successfully implement processes in response to changing regulatory requirements in this area could result in legal liability or impairment to its reputation in the marketplace.

*Lionbridge's service delivery system is dependent on global electronic communications. System failures could cause delays or interruptions of service, which could cause Lionbridge to lose clients and subscribers and delay scheduled deliveries to customers.*

Lionbridge's translation service offerings in particular are dependent on its ability to communicate to its global network of operational sites and translation experts, primarily through web-based communications technologies. As a result, Lionbridge is dependent upon its ability to protect computer and telecommunications equipment and systems against damage from fire, power loss, telecommunications interruption or failure, natural disaster and other similar events. If Lionbridge experiences a temporary or permanent interruption affecting its access to our proprietary solutions, communications with global resources, or preventing its customers from accessing tools or solutions to which they have subscribed, Lionbridge's business could be materially adversely affected. While Lionbridge maintains property and business interruption insurance, such insurance may not adequately compensate the Company for all losses that it may incur.

Although Lionbridge maintains general liability insurance, including coverage for errors and omissions, there can be no assurance that its existing coverage will continue to be available on reasonable terms or will be available in amounts sufficient to cover one or more large claims, or that the insurer will not disclaim coverage as to any future claim. The occurrence of errors could result in a loss of data to Lionbridge or its clients, which could cause a loss of revenues, failure to achieve product acceptance, increased insurance costs, legal claims, against Lionbridge, delays in payment to Lionbridge by clients, increased service and warranty expenses or financial concessions, diversion of resources, injury to the Company's reputation, any of which could have a material adverse effect on Lionbridge's market share and, in turn, its business, results of operations and financial condition.

*If Lionbridge's security measures are breached and unauthorized access is obtained to a customer's data or Lionbridge's data, the Company's services may be perceived as not being secure, customers may curtail or stop using Lionbridge's service and the Company may incur significant legal and financial exposure and liabilities.*

In all lines of our business, Lionbridge is involved in the storing and transmission of certain customer proprietary information. Accordingly, security breaches could expose Lionbridge to a risk of loss of this information, litigation and possible liability. If Lionbridge's security measures are breached as a result of third-party action, employee error, malfeasance or otherwise, and, as a result, someone obtains unauthorized access to Lionbridge's data or its customers' data, Lionbridge's reputation could be damaged, the company's business may suffer and the Company could incur significant liability. Additionally, third parties may attempt to fraudulently

induce employees or customers into disclosing sensitive information such as user names, passwords or other information in order to gain access to Lionbridge's data or its customers' data, which could result in significant legal and financial exposure and a loss of confidence in the security of the Company's service that would harm its future business prospects. Because the techniques used to obtain unauthorized access, or to sabotage systems, change Lionbridge may be unable to anticipate these techniques or to implement adequate preventative measures. If an actual or perceived breach of Lionbridge's security occurs, the market perception of the effectiveness of the Company's security measures could be harmed and Lionbridge could lose sales and customers.

*Lionbridge competes in highly competitive markets.*

The markets for Lionbridge's services are very competitive. Lionbridge cannot assure you that it will compete successfully against its competitors in the future. If Lionbridge fails to be competitive with other companies in the future, it may lose market share and its revenue could decline.

There are relatively few barriers preventing companies from competing with Lionbridge. Although Lionbridge owns proprietary technology, Lionbridge does not own any patented or other technology that, by itself, precludes or inhibits others from entering its market. As a result, new market entrants also pose a threat to Lionbridge's business. In addition to Lionbridge's existing competitors, Lionbridge may face further competition in the future from companies that do not currently offer globalization or testing services. Lionbridge may also face competition from internal globalization and testing departments of its current and potential clients. Technology companies, information technology services companies, business process outsourcing companies, web consulting firms, technical support call centers, hosting companies and content management providers may choose to broaden their range of services to include globalization or testing as they expand their operations internationally. Lionbridge cannot assure you that it will be able to compete effectively with potential future competitors.

*Lionbridge will continue to depend on intellectual property rights to protect its proprietary technologies, although it may not be able to successfully protect these rights.*

Lionbridge relies on its proprietary technology to enhance some of its service offerings. Lionbridge's policy is to enter into confidentiality agreements with its employees, outside consultants and independent contractors. Lionbridge also uses patent, trademark, trade secret and copyright law in addition to contractual restrictions to protect its technology. Notwithstanding these precautions, it may be possible for a third party to obtain and use Lionbridge's proprietary technology without authorization. Although Lionbridge holds registered or pending United States patents and foreign patents covering certain aspects of its technology, it cannot be sure of the level of protection that these patents will provide. Lionbridge may have to resort to litigation to enforce its intellectual property rights, to protect trade secrets or know-how, or to determine their scope, validity or enforceability. Enforcing or defending its proprietary technology is expensive, could cause diversion of Lionbridge's resources and may not prove successful. The laws of other countries may afford Lionbridge little or no effective protection of its intellectual property rights.

*The intellectual property of Lionbridge's customers may be damaged, misappropriated, stolen or lost while in Lionbridge's possession, subjecting it to litigation and other adverse consequences.*

In the course of providing globalization and testing services to Lionbridge's customers, Lionbridge takes possession of or is granted access to certain intellectual property of such customers, including unreleased versions of software and source code. In the event such intellectual property is damaged, misappropriated, stolen or lost, Lionbridge could suffer:

- claims under indemnification provisions in customer agreements or other liability for damages;
- delayed or lost revenue due to adverse customer reaction;
- negative publicity; and
- litigation that could be costly and time consuming.

*Lionbridge has an accumulated deficit and may not be able to continue to achieve operating profit.*

For the years ended December 31, 2011, 2010 and 2009, Lionbridge achieved an operating profit of \$5.6 million, \$3.0 million and \$1.4 million, respectively. For the year ended December 31, 2008, Lionbridge incurred an operating loss of \$114.2 million, which included a \$120.6 million goodwill impairment charge. For the years ended December 31, 2007, 2006 and 2005, Lionbridge achieved operating profits of \$9.0 million, \$15.0 million, and \$1.3 million, respectively. However, prior to 2005, Lionbridge incurred substantial losses and may incur losses in the future. Lionbridge has an accumulated deficit of \$235.0 million as of December 31, 2011. Lionbridge intends to continue to invest in internal expansion, infrastructure, select acquisitions and its sales and marketing efforts. Lionbridge cannot be assured that it will continue to achieve operating profits in the future or will generate net income in the future.

*Changes in, or interpretations of, tax rules and regulations may adversely affect Lionbridge's effective tax rates.*

Lionbridge is subject to income taxes in both the U.S. and numerous foreign jurisdictions. Significant judgment is required in determining Lionbridge's worldwide provision for income taxes. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Lionbridge is subject to the continual examination by tax authorities in certain jurisdictions, most notably India, and the Company regularly assesses the likelihood of outcomes resulting from these examinations to determine the adequacy of its provision for income taxes. Although Lionbridge believes its tax estimates are reasonable, the final determination of tax audits could be materially different than what is reflected in historical income tax provisions and accruals, and could result in a material effect on the Company's income tax provision, net income, or cash flows in the period or periods for which that determination is made. If additional taxes are assessed, the possibility exists for an adverse impact on Lionbridge's financial results.

The Indian taxing authorities issued assessment orders to our Indian subsidiary for the fiscal years ended March 31, 2006, March 31, 2007, and March 31, 2008. At issue in these assessments are several matters, the most significant of which is the redetermination of the arm's-length profit related to intercompany transactions ("Transfer Pricing"). We are contesting all three years of assessments, and they are all at various stages of appeals. If we do not prevail in our appeals, we may incur an additional legal liability and obligations to pay additional interest, penalties and costs related to such matters.

Lionbridge's future effective tax rates could be unfavorably affected by changes in tax laws or the interpretation of tax laws, changes in relative amounts of income before taxes in the various jurisdictions in which Lionbridge operates that have differing statutory tax rates, or by changes in the valuation of the Company's deferred tax assets or liabilities.

Lionbridge has sizeable net operating losses which currently have a valuation allowance recorded against them, based on management's review of both the positive and negative evidence, and their determination that it is more-likely-than-not that all or a portion of the deferred tax asset will not be realized. In the United States the Company has a substantial net operating loss with a valuation allowance recorded against it. Changes in the valuation allowance could have a substantial favorable impact on the effective tax rate in the period of release and an unfavorable impact in future periods.

*Changes in accounting policies may affect Lionbridge's reported earnings and operating income.*

Generally accepted accounting principles and accompanying accounting pronouncements, implementation guidelines and interpretations for many aspects of our business, including revenue recognition are highly complex and involve subjective judgments. Changes in these rules, their interpretation, or their application relative to changes in the Company's services or business could significantly change Lionbridge's reported earnings and could add significant volatility to these measures, without a comparable underlying change in cash flow from operations. Lionbridge's application of applicable accounting guidance involves interpretation and judgment, and may, as a result, delay the timing of revenue recognition or accelerate the costs associated with deferred revenue.

*If future results are different than anticipated, there may be adjustments to stock-based compensation expense.*

Lionbridge uses stock-based compensation as one of its central incentive and retention components for its key employees. A portion of stock-based compensation expense relates to long-term performance-based stock incentive awards, which will vest only if future revenue and/or profitability levels are met. If these revenue and/or profitability levels are not fully met, all or some portion of the equity will be forfeited, and previously recorded stock-based compensation expense will be adjusted which if material, could affect future earnings.

**Item 1B. *Unresolved Staff Comments***

None.

**Item 2. *Properties***

Lionbridge maintains solution centers in North America, South America, Europe and Asia. Lionbridge's headquarters and principal administrative, finance, legal, sales and marketing, investor relations and information technology operations are located in Waltham, Massachusetts. Its principal operational facilities are located as follows:

- North America—Bellevue, Washington; Boise, Idaho; Framingham, Massachusetts; Madison Heights, Michigan; San Diego, California; Silver Spring, Maryland; Vancouver, Washington; and Montreal, Canada
- South America—Brazil, Chile
- Europe—Belgium, Denmark, England, Finland, France, Germany, Ireland, Italy, The Netherlands, Norway, Portugal, Poland, Slovakia, Spain, Sweden
- Asia—China, India, Japan, South Korea, Singapore, Taiwan, Thailand

**Item 3. *Legal Proceedings***

On or about July 24, 2001, a purported securities class action lawsuit captioned “Samet v. Lionbridge Technologies, Inc. et al.” (01-CV-6770) was filed in the United States District Court for the Southern District of New York (the “Court”) against the Company, certain of its officers and directors, and certain underwriters involved in the Company's initial public offering. The complaint in this action asserted, among other things, that omissions regarding the underwriters' alleged conduct in allocating shares in Lionbridge's initial public offering to the underwriters' customers. In March 2002, the United States District Court for the Southern District of New York entered an order dismissing without prejudice the claims against Lionbridge and its officers and directors (the case remained pending against the underwriter defendants).

On April 19, 2002, the plaintiffs filed an amended complaint naming as defendants not only the underwriter defendants but also Lionbridge and certain of its officers and directors. The amended complaint asserts claims under both the registration and antifraud provisions of the federal securities laws relating to, among other allegations, the underwriters' alleged conduct in allocating shares in the Company's initial public offering and the disclosures contained in the Company's registration statement. On July 15, 2002, the Company, together with the other issuers named as defendants in these coordinated proceedings, filed a collective motion to dismiss the complaint on various legal grounds common to all or most of the issuer defendants. In October 2002, the claims against officers and directors were dismissed without prejudice. In February 2003, the Court issued its ruling on the motion to dismiss, ruling that the claims under the antifraud provisions of the securities laws could proceed against the Company and a majority of the other issuer defendants.

In June 2003, Lionbridge elected to participate in a proposed settlement agreement with the plaintiffs in this litigation. If the proposed settlement had been approved by the Court, it would have resulted in the dismissal, with prejudice, of all claims in the litigation against Lionbridge and against any other of the issuer defendants who elected to participate in the proposed settlement, together with the current or former officers and directors of participating issuers who were named as individual defendants. This proposed settlement was conditioned on,

among other things, a ruling by the District Court that the claims against Lionbridge and against the other issuers who had agreed to the settlement would be certified for class action treatment for purposes of the proposed settlement, such that all investors included in the proposed classes in these cases would be bound by the terms of the settlement unless an investor opted to be excluded from the settlement.

On December 5, 2006, the U.S. Court of Appeals for the Second Circuit issued a decision in *In re Initial Public Offering Securities Litigation* that six purported class action lawsuits containing allegations substantially similar to those asserted against the Company may not be certified as class actions due, in part, to the Appeals Court's determination that individual issues of reliance and knowledge would predominate over issues common to the proposed classes. On January 8, 2007, the plaintiffs filed a petition seeking rehearing *en banc* of the Second Circuit Court of Appeals' decision. On April 6, 2007 the Court of Appeals denied the plaintiffs' petition for rehearing of the Court's December 5, 2006 ruling but noted that the plaintiffs remained free to ask the District Court to certify classes different from the ones originally proposed which might meet the standards for class certification that the Court of Appeals articulated in its December 5, 2006 decision. In light of the Court of Appeals' December 5, 2006 decision regarding certification of the plaintiffs' claims, the District Court entered an order on June 25, 2007 terminating the proposed settlement between the plaintiffs and the issuers, including Lionbridge.

On August 14, 2007, the plaintiffs filed amended complaints in the six focus cases. The issuer defendants and the underwriter defendants separately moved to dismiss the claims against them in the amended complaints in the six focus cases. On March 26, 2008, the District Court issued an order in which it denied in substantial part the motions to dismiss the amended complaints in the six focus cases.

On February 25, 2009, the parties advised the District Court that they had reached an agreement-in-principle to settle the litigation in its entirety. A stipulation of settlement was filed with the District Court on April 2, 2009. On June 9, 2009, the District Court preliminarily approved the proposed global settlement. Notice was provided to the class, and a settlement fairness hearing, at which members of the class had an opportunity to object to the proposed settlement, was held on September 10, 2009. On October 6, 2009, the District Court issued an order granting final approval to the settlement. Ten appeals were filed objecting to the definition of the settlement class and fairness of the settlement. Five of those appeals were dismissed with prejudice on October 6, 2010. On May 17, 2011, the Court of Appeals dismissed four of the remaining appeals. On January 10, 2012, the last remaining appeal was dismissed with prejudice, as a result of which the settlement became final, by its terms. The Company's financial contribution to the settlement is fully covered by insurance.

**Item 4. *Mine Safety Disclosures***

Not applicable.

## PART II

### Item 5. *Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities*

As of February 29, 2012, there were 845 holders of record of Lionbridge’s common stock. Lionbridge’s common stock is listed and traded on the Nasdaq Global Market under the symbol “LIOX”.

The following table sets forth, for the periods indicated, the range of high and low sales prices for the common stock for the past eight quarters, all as reported by the Nasdaq Global Market of the Nasdaq Stock Market LLC.

	<u>High</u>	<u>Low</u>
<b>2011</b>		
First Quarter .....	\$4.28	\$3.10
Second Quarter .....	\$3.73	\$2.57
Third Quarter .....	\$3.56	\$2.24
Fourth Quarter .....	\$3.06	\$1.94
<b>2010</b>		
First Quarter .....	\$3.75	\$2.25
Second Quarter .....	\$6.21	\$3.51
Third Quarter .....	\$5.40	\$4.05
Fourth Quarter .....	\$5.27	\$3.13

During 2011, the Company purchased 210,353 restricted shares from employees to cover withholding taxes due from the employees at the time the shares vested, 19,460 of these restricted shares were purchased during the quarter ended December 31, 2011 at an average price per share of \$2.47. The following table provides information about Lionbridge’s purchases of restricted shares for the year ended December 31, 2011:

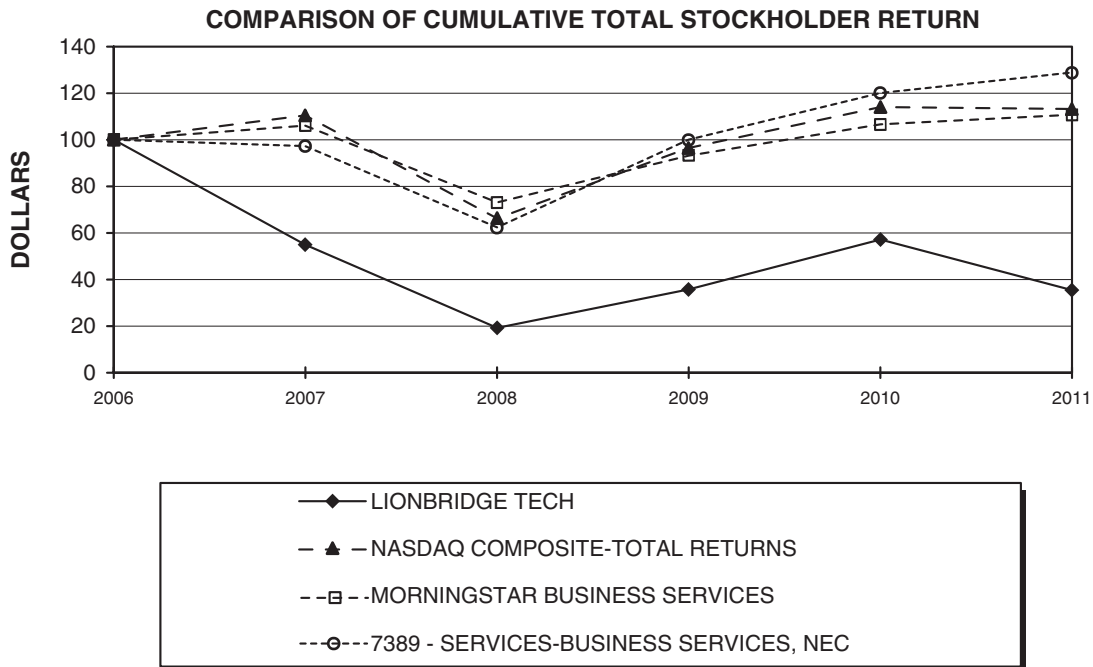
<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>
January 1, 2011—January 31, 2011 .....	123,853	\$3.87
February 1, 2011—February 28, 2011 .....	11,389	\$3.64
March 1, 2011—March 31, 2011 .....	675	\$3.68
May 1, 2011—May 31, 2011 .....	46,353	\$3.37
June 1, 2011—June 30, 2011 .....	450	\$2.99
August 1, 2011—August 31, 2011 .....	2,160	\$3.33
September 1, 2011—September 30, 2011 .....	6,013	\$2.72
October 1, 2011—October 31, 2011 .....	6,176	\$2.88
November 1, 2011—November 30, 2011 .....	1,568	\$2.44
December 1, 2011—December 31, 2011 .....	11,716	\$2.26
	<u>210,353</u>	<u>\$3.58</u>

In addition, upon the termination of employees during the year ended December 31, 2011, 178,063 unvested restricted shares were forfeited, 122,750 of which were forfeited in the quarter ended December 31, 2011. The following table provides information about Lionbridge's forfeited restricted shares for the year ended December 31, 2011:

<u>Period</u>	<u>Total Number of Shares Forfeited</u>
January 1, 2011—January 31, 2011 .....	8,250
March 1, 2011—March 31, 2011 .....	2,625
April 1, 2011—April 30, 2011 .....	688
July 1, 2011—July 31, 2011 .....	6,875
August 1, 2011—August 31, 2011 .....	15,625
September 1, 2011—September 30, 2011 .....	21,250
October 1, 2011—October 31, 2011 .....	6,875
November 1, 2011—November 30, 2011 .....	44,750
December 1, 2011—December 31, 2011 .....	<u>71,125</u>
	<u>178,063</u>

Lionbridge currently intends to retain any earnings for its use in its business. Lionbridge has not paid any cash dividends on its capital stock in the last two completed fiscal years and does not currently anticipate paying any cash dividends on its capital stock in the foreseeable future.

The following chart compares the total stockholder return on a cumulative basis of \$100 invested in Lionbridge's common stock for the period from December 31, 2006 through December 31, 2011 to the Nasdaq Composite Index, Morningstar Business Services and 7389—Services—Business Services, NEC.



	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
LIONBRIDGE TECHNOLOGIES, INC. ....	100.00	55.14	19.41	35.72	57.31	35.57
NASDAQ COMPOSITE INDEX .....	100.00	110.65	66.42	96.54	114.06	113.16
MORNINGSTAR BUSINESS SERVICES .....	100.00	106.08	73.07	93.31	106.59	110.71
7389—SERVICES—BUSINESS SERVICES, NEC ...	100.00	97.38	62.37	99.97	120.20	128.85

The Stock Performance Graph furnished shall not be deemed “filed” for purposes of Section 18 of the Exchange Act or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act.

### Equity Compensation Plan Information

Please see Part III, Item 11 for information regarding securities authorized for issuance under the Company’s equity compensation plans.

### Item 6. Selected Financial Data

The selected consolidated financial data as of December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011 have been derived from the audited consolidated financial statements of Lionbridge which appear as part of Item 15 of this Form 10-K. The selected consolidated financial data as of December 31, 2009, 2008 and 2007 and for the years ended December 31, 2008 and 2007 have been derived from audited consolidated financial statements of Lionbridge that are not included in this Form 10-K.

The historical results presented are not necessarily indicative of future results. You should read the data set forth below in conjunction with the “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and related notes included in this Form 10-K.

	Year Ended December 31,				
	2011	2010	2009	2008	2007
	(In thousands, except per share data)				
<b>Consolidated Statement of Operations Data:</b>					
Revenue .....	\$427,856	\$405,238	\$389,250	\$ 461,432	\$451,994
Operating expenses:					
Cost of revenue (exclusive of depreciation and amortization shown separately below) .....	296,221	275,474	264,038	314,137	302,059
Sales and marketing .....	33,563	31,218	28,777	33,551	32,841
General and administrative .....	75,047	74,087	74,056	87,872	87,041
Research and development .....	5,765	3,880	4,026	5,273	3,375
Depreciation and amortization .....	5,956	4,901	4,619	4,741	5,186
Amortization of acquisition-related intangible assets .....	2,332	4,892	5,520	8,441	8,453
Goodwill impairment .....	—	—	—	120,587	—
Restructuring and other charges .....	3,369	7,762	6,842	1,007	4,019
Total operating expenses .....	<u>422,253</u>	<u>402,214</u>	<u>387,878</u>	<u>575,609</u>	<u>442,974</u>
Income (loss) from operations .....	5,603	3,024	1,372	(114,177)	9,020
Interest expense:					
Interest on outstanding debt .....	722	939	1,777	3,872	5,403
Accretion of discount on debt and deferred financing costs .....	100	311	177	177	190
Interest income .....	71	87	122	527	699
Other expense, net .....	3,195	1,749	3,732	2,603	3,347
Income (loss) before income taxes .....	1,657	112	(4,192)	(120,302)	779
Provision for (benefit from) income taxes .....	(71)	1,402	(184)	(997)	4,991
Net income (loss) .....	<u>\$ 1,728</u>	<u>\$ (1,290)</u>	<u>\$ (4,008)</u>	<u>\$(119,305)</u>	<u>\$ (4,212)</u>
Net income (loss) per share: (1)					
Basic .....	\$ 0.03	\$ (0.02)	\$ (0.07)	\$ (2.14)	\$ (0.07)
Diluted .....	\$ 0.03	\$ (0.02)	\$ (0.07)	\$ (2.14)	\$ (0.07)
Weighted average number of shares outstanding:					
Basic .....	57,859	56,690	56,036	55,837	59,297
Diluted .....	59,478	56,690	56,036	55,837	59,297

- (1) See Note 2 to Lionbridge's consolidated financial statements for an explanation of the basis used to calculate net income (loss) per share.

	December 31,				
	2011	2010	2009	2008	2007
	(In thousands)				
<b>Balance Sheet Data:</b>					
Cash and cash equivalents . . . . .	\$ 25,219	\$ 28,206	\$ 27,432	\$37,978	\$32,248
Working capital . . . . .	45,515	40,795	36,182	57,163	64,460
Total assets . . . . .	157,747	156,976	152,719	184,182	333,063
Long-term debt, less current portion and discounts . . . . .	24,700	24,700	24,700	55,700	71,751
Capital lease obligations, less current portion . . . . .	—	14	15	47	207
Stockholders' equity . . . . .	51,292	45,174	41,029	39,670	156,154

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion contains forward-looking statements which involve risks and uncertainties. Lionbridge makes such forward-looking statements under the provision of the "Safe Harbor" section of the Private Securities Litigation Reform Act of 1995. Any forward-looking statements should be considered in light of the factors described above in Item 1A "Risk Factors." Actual results may vary materially from those projected, anticipated or indicated in any forward-looking statements. In this Item 7, the words "anticipates," "believes," "expects," "intends," "future," "could," and similar words or expressions (as well as other words or expressions referencing future events, conditions, or circumstances) identify forward-looking statements. The following discussion and analysis should be read in conjunction with "Risk factors," "Selected Consolidated Financial Data" and the accompanying consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. Lionbridge undertakes no obligation to update any forward-looking statement to reflect events or circumstances after the date such statement is made except as required by law.*

### **Overview**

Founded in 1996, Lionbridge is a leading provider of language, content and testing solutions that enable clients to optimize, release, manage, test and maintain their technology applications and content in global markets. Lionbridge Global Language and Content ("GLC") solutions enable the authoring, translation, localization and worldwide multilingual release of clients' products, online content and related sales and marketing information, technical support and training material. Lionbridge GLC solutions involve translating, localizing and adapting content and products to meet the language, cultural, technical and industry-specific requirements of users in local markets throughout the world. As part of its GLC solutions, Lionbridge also develops and authors technical documentation. Lionbridge GLC solutions utilize the Company's cloud-based technology platforms and applications, and its global service delivery model which make the translation, localization and content authoring processes more efficient for Lionbridge and its clients.

Through its Global Development and Testing ("GDT") solutions, Lionbridge optimizes, tests and maintains IT applications to ensure the quality, interoperability, usability, relevance and performance of clients' software, search engines, consumer technology products, web sites, and content. Lionbridge has deep domain experience in testing, optimizing and maintaining applications in a cost-efficient, blended on-site and offshore model. As part of its GDT offering, Lionbridge also provides specialized enterprise crowdsourcing services including search relevance testing for its clients' online marketing initiatives.

Lionbridge also provides interpretation services for government, business and healthcare organizations that experienced linguists to facilitate communication for non-English speaking individuals.

Lionbridge provides a full suite of language, testing and content solutions to businesses in diverse end markets including technology, internet and media, mobile and telecommunications, life sciences, government, manufacturing, automotive, aerospace, manufacturing and retail. Lionbridge's solutions include translation and localization; interpretation; language technology; technical authoring; application testing; and enterprise crowdsourcing. The Company's services enable global organizations to increase international market share, broaden worldwide product adoption, support customers in global markets and accelerate online customer engagement across languages, geographies and technical platforms.

In 2011, 2010 and 2009, Lionbridge's operating profit was \$5.6 million, \$3.0 million and \$1.4 million, respectively. In 2011, Lionbridge's net income was \$1.7 million. In 2010 and 2009, Lionbridge's net loss was \$1.3 million and \$4.0 million, respectively. In 2008, Lionbridge's operating loss was \$114.2 million (which included a goodwill impairment charge of \$120.6 million) with a net loss of \$119.3 million. In 2007, Lionbridge's operating profit was \$9.0 million with a net loss of \$4.2 million. Lionbridge had an accumulated deficit of \$235.0 million at December 31, 2011.

### *Critical Accounting Policies and Estimates*

Lionbridge's discussion and analysis of its financial condition and results of operations are based upon its consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires Lionbridge to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Lionbridge periodically evaluates its estimates. Lionbridge bases its estimates on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions. Lionbridge reviewed the development, selection, and disclosure of the following critical accounting policies and estimates with its audit committee and the Company's board of directors. Lionbridge's critical accounting estimates relate to the following: revenue recognition, allowance for doubtful accounts, business combinations, valuation of goodwill and other intangible assets and the provision for income taxes.

*Revenue Recognition.* Lionbridge recognizes revenue as services are performed and amounts are earned in accordance with ASC 605-20, "Services" ("ASC 605-20"). Lionbridge considers amounts to be earned when (1) persuasive evidence of an arrangement has been obtained; (2) services are delivered; (3) the fee is fixed or determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the fee charged for services rendered and products delivered and the collectability of those fees.

Lionbridge's revenue is recorded from the provision of services to customers for GLC, GDT and Interpretation services which include content development, product and content globalization, interpretation, software and hardware testing, product certification and application development and maintenance.

Content development, software and hardware testing, interpretations and application development and maintenance projects are normally time and expense priced contracts, and revenue is recognized using a time and expense basis over the period of performance, primarily based on labor costs incurred to date.

Product and content globalization and product certification projects are fixed price contracts and revenue is recognized as services are delivered. Depending on specific contractual provisions and the nature of the deliverable, revenue is recognized (1) on a proportional performance model based on level of effort, (2) as milestones are achieved or (3) when final deliverables have been met. Amounts billed in excess of revenue recognized are recorded as deferred revenue.

The delivery of Lionbridge's GLC services involves and is dependent on the translation and development of content by subcontractors and in-house employees. As the time and cost to translate or produce each word of content within a project is relatively uniform, labor input is reflective of the delivery of the contracted service and an appropriate metric for the measurement of proportional performance in delivering such services. The use of a proportional performance assessment of service delivery requires significant judgment relative to estimating total contract costs, including assumptions relative to the length of time to complete the project, the nature and complexity of the work to be performed, anticipated increases in employee wages and prices for subcontractor services, and the availability of subcontractor services. When adjustments in estimated project costs are identified, anticipated losses, if any, are recognized in the period in which they are determined.

Lionbridge's GLC agreements with its customers may provide the customer with a fixed and limited time period following delivery during which Lionbridge will attempt to address any non-conformity to previously agreed upon objective specifications relating to the work, either in the form of a limited acceptance period or a post-delivery warranty period. Management believes recognition of revenue at the time the services are delivered is appropriate, because its obligations under such provisions are limited in time, limited in scope, and historically have not involved significant costs. In the future, if the post delivery acceptance or warranty provisions become more complex or include subjective acceptance criteria, Lionbridge may have to revise its revenue recognition policy appropriately, which could affect the timing of revenue recognition.

Lionbridge's GLC segment includes Translation Workspace, the Company's hosted proprietary, internet-architected translation memory application that simplifies translation management. This SaaS-based application is available to translators on a subscription basis. Access revenue is billed in advance and generally recognized over the subscription period. Incremental overage fees are recognized in the period incurred.

Lionbridge occasionally provides integrated full-service offerings throughout a client's product and content lifecycle, including GLC and GDT services. Such multiple-element service offerings are governed by ASC 605-25, "Multiple-Element Arrangements" ("ASC 605-25"). For these arrangements where the GLC and GDT services have independent value to the customer, and there is evidence of selling price for each service, the combined service arrangement is bifurcated into separate units for accounting treatment. In instances where it is not possible to bifurcate a project, direct and incremental costs attributable to each component are deferred and recognized together with the service revenue upon delivery. The determination of selling price requires the use of significant judgment. Lionbridge determines the selling price of service revenues based upon its recent pricing for those services when sold separately and/or prevailing market rates for similar services. Upon adoption of ASU 2009-13, "Revenue Recognition: Multiple-Deliverable Revenue Arrangements", there has been no material change to the determination of units of accounting or timing of revenue recognition.

Revenue includes reimbursement of travel and out-of-pocket expenses and certain facilities costs with equivalent amounts of expense recorded in cost of revenue.

Estimates for incentive rebates and other allowances are recorded as a reduction of revenues in the period the related revenues are recorded. These estimates are based upon contracted terms, historical experience and information currently available to management with respect to business and economic trends. Revisions of these estimates are recorded in the period in which the facts that give rise to the revision become known.

*Allowance for Doubtful Accounts.* Lionbridge establishes an allowance for doubtful accounts to cover accounts receivable that may not be collectible. In establishing the allowance for doubtful accounts, Lionbridge analyzes the collectability of all accounts. Additionally, Lionbridge considers its historical bad debt experience and current economic trends in evaluating the allowance for doubtful accounts. Accounts written off in subsequent periods can differ materially from the allowance provided.

*Business Combinations.* In the event that Lionbridge completes a business combination where the purchase method of accounting is used as required by the authoritative guidance of ASC 805, "Business Combinations" ("ASC 805"), the Company allocates the purchase price paid to the assets of the business acquired, including intangible assets, and the liabilities assumed based on their estimated fair values, with any amount of excess purchase price recorded as goodwill. Significant management judgments and assumptions are required in determining the fair value of acquired assets and liabilities, particularly acquired intangible assets which typically comprise acquired customer contracts and relationships and acquired technology. The valuation of purchased intangible assets is principally based upon estimates of the future performance and cash flows from the acquired business. If different assumptions are used, it could materially impact the purchase price allocation and our financial position and results of operations.

*Valuation of Goodwill and Other Intangible Assets.* Lionbridge assesses the impairment of goodwill and other intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Such events or conditions could include: an economic downturn in the industries to which Lionbridge provides services; increased competition; an increase in operating or other costs; additional volatility in international currencies; the pace of technological improvements; or other information regarding Lionbridge's market value, such as a reduction in stock price to a price near or below the book value of the Company for an extended period of time. When Lionbridge determines that the carrying value of a reporting unit will may not be recoverable based upon one or more of these indicators of impairment, the Company initially assesses any impairment using fair value measurements based on projected discounted cash flow valuation models. In addition, in accordance with ASC 350, "Intangibles—Goodwill and Other" ("ASC 350"), goodwill is reviewed

for impairment on an annual basis. At December 31, 2011, the Company performed its annual test of goodwill to determine if an impairment existed. This test determined that each reporting unit's fair value substantially exceeded the carrying value of the net assets of each respective reporting unit, using projected discounted cash flow modeling. As a result, no impairment was recorded for the year ended December 31, 2011. Estimating future cash flows requires management to make projections that can materially differ from actual results.

The Company evaluates whether there has been an impairment in the carrying value of its long-lived assets in accordance with ASC 360, "Property, Plant and Equipment" ("ASC 360"), if circumstances indicate that a possible impairment may exist. An impairment in the carrying value of an asset is assessed when the undiscounted expected future operating cash flows derived from the asset grouping are less than its carrying value. If it is determined that the asset is impaired then it is written down to its estimated fair value. Factors that could lead to an impairment of acquired customer relationships (recorded with the acquisition of Bowne Global Solutions ("BGS") in September 2005) include a worsening in customer attrition rates compared to historical attrition rates, or lower than initially anticipated cash flows associated with customer relationships.

*Provision for Income Taxes.* Lionbridge is required to estimate its income taxes in each of the jurisdictions in which it operates as part of preparing its consolidated financial statements. This involves estimating the current taxes in each taxing jurisdiction in addition to assessing temporary differences resulting from differing treatments for tax and financial accounting purposes. These differences together with net operating loss carryforwards and tax credits may be recorded as deferred tax assets or liabilities on the balance sheet. A judgment must then be made to determine the likelihood that any deferred tax asset will be utilized to offset taxable income. To the extent that Lionbridge determines that it is more-likely-than-not that its deferred tax assets will not be utilized, a valuation allowance is established. A change in taxable income in future periods that is significantly different from that projected may cause adjustments to the valuation allowance that could materially increase or decrease future income tax expense.

### ***Significant Acquisitions***

Lionbridge has grown its business since inception through a combination of acquisitions and organic growth. Such acquisitions through December 31, 2011 have resulted in the cumulative recognition of approximately \$204.3 million of goodwill and other intangible assets on its balance sheet. The Company recorded a noncash goodwill impairment charge of \$120.6 million in the fourth quarter of 2008. Other acquired intangible assets are amortized over periods ranging from one to twelve years. Lionbridge did not have any acquisitions in the three year period ended December 31, 2011.

Lionbridge believes its acquisitions have contributed to its growth by rapidly expanding its employee base, geographic coverage, client base, industry expertise, and technical skills. Lionbridge anticipates that a portion of its future growth will be accomplished by additional acquisitions. The success of this plan depends upon, among other things, Lionbridge's ability to integrate acquired personnel, operations, products and technologies into its organization effectively; to retain and motivate key personnel of acquired businesses; and to retain customers of acquired firms. Lionbridge cannot guarantee that it will be able to identify suitable acquisition opportunities, obtain any necessary financing on acceptable terms to finance any acquisitions, consummate any acquisitions, or successfully integrate acquired personnel and operations.

### ***Restructuring Charges***

Lionbridge recorded \$3.4 million of restructuring charges in the year ended December 31, 2011. The \$3.4 million included \$2.8 million for workforce reductions in Europe, the Americas and Asia consisting of 53 technical staff, 7 administrative staff and 1 sales staff, \$178,000 recorded for vacated facilities and associated site closure costs, \$345,000 of additional costs recorded for a previously vacated facility in order to reflect changes in initial estimates of a sublease arrangement due to current economic conditions, recorded pursuant to the guidance of ASC 420, "Exit or Disposal Cost Obligations" ("ASC 420") and ASC 712, "Compensation—Nonretirement Postemployment Benefits" ("ASC 712"), and related literature. Of these charges, \$3.4 million related to the

Company's Global Language and Content ("GLC") segment and \$9,000 related to the Interpretation segment. The Company made \$7.1 million of cash payments related to restructuring in 2011, of which \$7.1 million, \$8,000 and \$9,000 related to the GLC, GDT and Interpretation segments, respectively.

Lionbridge recorded \$7.8 million of restructuring charges in the year ended December 31, 2010. The \$7.8 million included \$5.7 million for workforce reductions in Europe, the Americas and Asia consisting of 70 technical staff, 8 administrative staff and 6 sales staff, \$1.2 million recorded for vacated facilities and associated site closure costs, \$673,000 of additional costs recorded for a previously vacated facility in order to reflect changes in initial estimates of a sublease arrangement due to current economic conditions and \$270,000 for the accelerated amortization of long-lived assets in connection with vacated facilities, recorded pursuant to the guidance of ASC 420 and ASC 712, and related literature. Of these charges, \$7.7 million related to the Company's GLC segment and \$133,000 related to the GDT segment. Of the \$4.0 million of cash payments related to restructuring in 2010, \$3.9 million and \$89,000 related to the GLC and GDT segments, respectively.

Lionbridge recorded \$6.8 million of restructuring charges in the year ended December 31, 2009. The \$6.8 million included \$4.4 million for workforce reductions in Europe, the Americas and Asia consisting of 179 technical staff, 25 administrative staff and 18 sales staff, and \$2.4 million recorded for vacated facilities, recorded pursuant to the guidance of ASC 420 and ASC 712, and related literature. Of the \$2.4 million recorded for vacated facilities, \$1.5 million was a revision of estimated liability recorded on a certain vacated facility. Of these charges, \$6.5 million related to the Company's GLC segment, \$260,000 related to the GDT segment, \$32,000 related to Corporate and Other and \$20,000 related to the Interpretation segment. Of the \$4.5 million of cash payments related to restructuring in 2009, \$4.1 million, \$292,000, \$32,000 and \$20,000 related to the GLC, GDT, Corporate and Other and Interpretation segments, respectively.

The following table summarizes the merger and restructuring reserve activity (excluding the \$270,000 long-lived asset accelerated amortization in 2010) for the years ended December 31, 2011, 2010 and 2009, respectively:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Beginning balance, January 1 . . . . .	\$ 6,607,000	\$ 3,261,000	\$ 933,000
Employee severance:			
Restructuring charges recorded . . . . .	2,834,000	5,721,000	4,410,000
Cash payments related to liabilities recorded on exit or disposal activities . . . . .	<u>(6,395,000)</u>	<u>(2,977,000)</u>	<u>(3,436,000)</u>
	<u>(3,561,000)</u>	<u>2,744,000</u>	<u>974,000</u>
Vacated facility/lease termination:			
Restructuring charges recorded . . . . .	178,000	1,001,000	879,000
Revisions of estimated liabilities . . . . .	345,000	673,000	1,492,000
Cash payments related to liabilities assumed and recorded on business combinations . . . . .	—	(57,000)	(220,000)
Cash payments related to liabilities recorded on exit or disposal activities . . . . .	<u>(702,000)</u>	<u>(1,015,000)</u>	<u>(797,000)</u>
	<u>(179,000)</u>	<u>602,000</u>	<u>1,354,000</u>
Ending balance, December 31 . . . . .	<u>\$ 2,867,000</u>	<u>\$ 6,607,000</u>	<u>\$ 3,261,000</u>

At December 31, 2011, the consolidated balance sheet includes accruals totaling \$2.9 million primarily related to employee termination costs and vacated facilities. Lionbridge currently anticipates that \$1.3 million of this will be fully utilized in 2012. The remaining \$1.6 million relates to lease obligations on unused facilities expiring through 2026 and is included in long-term liabilities.

## Non-Cash Charges

### Stock-Based Compensation

Lionbridge recorded stock-based compensation of approximately \$5.5 million, \$4.0 million and \$3.6 million in 2011, 2010 and 2009, respectively, in connection with stock options and restricted stock awards.

Lionbridge issued 2,134,826 and 2,065,511 shares of restricted common stock and restricted stock units with a fair market value of \$7.9 million and \$6.3 million in 2011 and 2010, respectively. Of the total 2,134,826 shares of restricted common stock and restricted stock units issued in 2011, 1,738,750 have restrictions on disposition which lapse over four years from the date of grant, 56,076 have restrictions on disposition which lapse over thirteen months from the date of grant, and 340,000 restricted shares were granted to certain employees through the long-term incentive plan (the "LTIP") as long-term performance based stock incentive awards under the Corporation's 2005 Stock Incentive Plan. Pursuant to the terms of the LTIP, restrictions with respect to the stock will lapse upon the achievement of revenue and/or profitability targets within the two calendar years from and including the year of grant. The grant date fair value of the shares is recognized over the requisite period of performance once achievement of criteria is deemed probable. On a quarterly basis, the Company estimates the likelihood of achieving performance goals. Actual results, and future changes in estimates, may differ substantially from the Company's current estimates. If the targets are not achieved, the shares will be forfeited by the employee. Lionbridge currently expects to amortize the following unamortized compensation in connection with restricted stock awards outstanding as of December 31, 2011 in the years ending:

<u>Year ending December 31,</u>	
2012 .....	\$3,769,000
2013 .....	1,942,000
2014 .....	1,295,000
2015 .....	<u>166,000</u>
	<u>\$7,172,000</u>

For the years ended December 31, 2011, 2010 and 2009, 424,500, 470,500 and 314,125 stock options were granted, respectively.

Lionbridge currently expects to amortize the following amounts of stock-based compensation related to stock options outstanding as of December 31, 2011 in the years ending:

<u>Year ending December 31,</u>	
2012 .....	\$435,000
2013 .....	307,000
2014 .....	187,000
2015 .....	<u>16,000</u>
	<u>\$945,000</u>

## Executive Summary

In 2011, Lionbridge implemented many aspects of its long term strategy which includes growing its business through large, recurring relationships with global organizations and leveraging its proven delivery model for translation to provide a broader set of global engagement solutions for its clients. The Company believes this expanded platform will enable us to increase our growth and profitability and allow our clients to connect, engage and support their customers more intelligently, effectively and consistently across languages, geographies, technology platforms and devices. Lionbridge's ongoing strategy includes:

- *Expanding GAAP profitability.* In 2011 Lionbridge returned the business to GAAP profitability following a multi-year, multi-million dollar cost reduction program that enabled us to better align our cost structure with client demand. The Company's increase in profitability in 2011 resulted from the

operational efficiencies and related benefits of this restructuring program and our 6% year-on-year revenue growth. In 2012 Lionbridge expects to continue to grow our profitability by expanding our existing client relationships, establishing new client engagements across vertical markets, building on the market interest in our new offerings and technologies and continuing to manage our cost structure.

- *Growing recurring relationships with some of the world's most respected global organizations.* Lionbridge maintains strong recurring client relationships. In 2011, 93% of our revenue was derived from clients that had procured solutions from Lionbridge every quarter for 12 consecutive quarters or longer. During the year, the Company expanded and extended relationships with several of our existing large clients and established new relationships with organizations in the consumer technology, life sciences, manufacturing and retail sectors.
- *Extending our Vertical Market Strategy.* Since our founding in 1996 Lionbridge has built and maintained long-term relationships with clients in the technology sector. Over the past several years, the Company expanded its growth opportunities by establishing relationships with clients in other industry sectors including automotive, mobile and telecommunications and life sciences. In 2011 Lionbridge further expanded its vertical market strategy by creating dedicated sales and operational teams to serve the unique needs of clients in specific, high potential vertical markets such as life sciences, automotive, aerospace, manufacturing, travel and retail. As a result, the Company expects many of these vertical markets to generate double-digit year-on-year growth in 2012 and 2013.
- *Establishing new offerings.* In 2011 Lionbridge introduced a new Global Marketing Operations (GMO) offering, a service for managing digital marketing campaigns across languages, technical platforms and local content. This offering brings together our existing capabilities in language, content and technology to create a unique, innovative solution for marketing executives within global enterprises. The Company believes GMO can increase the effectiveness of our clients' in-country marketing campaigns and reduce their global campaign marketing costs by as much as 30%. In 2011 this new GMO offering enabled us to secure new engagements with large enterprises challenged by the complexity of providing a globally consistent, locally relevant customer experience in global markets. In 2011 Lionbridge established a growing revenue pipeline of business for GMO and expects this to be one of our fastest growing offerings in 2012.
- *Investing in SaaS technology.* Over the past two years Lionbridge has invested in and introduced two SaaS-based technology offerings—GeoFluent, its customized machine translation technology through a partnership with IBM Research, and Translation Workspace, its language productivity technology. In 2011 the Company continued to invest in, develop and market both applications.

Lionbridge's recent development initiatives have focused on transforming and commercializing IBM Research's real-time machine translation technology application into high-quality customized solution that can be rapidly deployed in large-scale enterprise environments. In May 2011 Lionbridge introduced general availability for GeoFluent and began refining our go-to-market strategy to focus on enterprises that manage global online customer care initiatives. During the year Lionbridge also established technology and marketing partnerships with companies that offer online chat technology and enterprise social media software applications. Over time, the Company believes GeoFluent can expand our growth opportunities by enabling us to offer enterprises an innovative, customized, automated translation solution for rapidly translating online chat, technical forums and blogs and other online communications that increase customer engagement and reduce support costs in global markets.

Also in 2011 Lionbridge expanded the development, sales and marketing of Translation Workspace. By the end of 2011, the Translation Workspace subscriber base grew by 50% over the prior year. More than 3,300 translators and agencies in over 80 countries use Translation Workspace as a translation productivity platform. Lionbridge also extended the offering to enterprise clients and secured its first contract with a large global enterprise that will use Translation Workspace to manage their community translation efforts. In 2012 Lionbridge will continue to invest in developing and marketing these SaaS technologies and expect to expand our revenue for both Translation Workspace and GeoFluent.

- *Extending our leadership in enterprise crowdsourcing.* To deliver our services effectively and efficiently Lionbridge have established expertise in identifying, qualifying and interacting with a large population of independent, freelance professionals in over 100 markets who have specific language, domain, technical or locale-specific knowledge. In 2011, Lionbridge began to expand this global crowdsourcing capability by increasing the number of qualified freelance professionals and by extending the crowdsourcing services we provide to clients. In addition to the Company's existing crowdsourcing offerings for translation, interpretation, and multilingual search relevance rating, Lionbridge began to add new crowdsourcing services including services that help organizations evaluate business processes to determine which jobs or tasks are best suited to crowdsourcing solutions, and then administering for these clients the sourcing, recruiting, screening, and payment of independent workers with specific skills in global markets. In 2012, Lionbridge believes our enterprise crowdsourcing solutions will enable us to expand relationships with existing clients and secure new relationships with large enterprises by offering assessments that may be used to increase global organizations' online revenue, enhance customer experience and lower their administrative costs.
- *Adjusting our cost structure to respond more quickly to changes in customer demand.* Despite many achievements in our GLC segment, one of our largest customers in this segment shifted translation spend related to several of its technology releases, which had a negative impact on Lionbridge's revenue in 2011. To adjust our cost structure to respond to the variable demand for our services, Lionbridge continued to implement a number of cost-cutting and restructuring activities during the year. These activities enabled Lionbridge to enhance the efficiency of the Company's global GLC operations and increase our total company profitability in 2011. Lionbridge believes these actions will continue to increase the efficiency of our cost structure in the future.

In 2012, Lionbridge expects revenue to increase from 2011 primarily as a result of growth driven by anticipated increases in revenue from several large recurring client relationships in our GLC and GDT segments; new relationships with organizations in specific vertical markets such as life sciences, aerospace, manufacturing and retail; new client engagements related to our GMO offerings, new revenue opportunities for its global crowdsourcing offerings and increased subscribers and enterprise clients for our Translation Workspace and GeoFluent SaaS offerings. Lionbridge expects moderate demand for solutions that help clients expand their revenue opportunities in the U.S. and European markets during 2012, with significantly higher demand for solutions that help clients grow their revenue opportunities in developing economies. Lionbridge expects to offset traditional pricing pressure for certain new projects and contract renewals by utilizing our technology, global scale and by continuing our ongoing cost management and operational efficiency initiatives. To facilitate the growth of our SaaS offerings, Lionbridge expects to continue to increase our software development activities and personnel in 2012.

In 2012, Lionbridge expects to continue to implement aspects of our long-term strategy by establishing recurring relationships with large clients, providing the capability, capacity, and in-country expertise our clients require, and by extending our new offerings and new technologies to potential customers. As a result, the Company expects to increase market opportunities, improve operational efficiency, and enhance productivity for its clients, which may in turn, accelerate Lionbridge's revenue and profitability growth opportunities.

#### *Financial Overview*

During 2011, the Company's revenue increased 5.6% and net income increased by \$2.9 million year-over-year reflecting the effectiveness of the Company's ongoing cost management activities and its technology-assisted production model which increase production efficiency and reduce overhead costs.

The Company has benefitted from long-term, recurring relationships with its large clients. More than 93% of the Company's total revenue for 2011 was generated from clients that have utilized the Company's services every quarter for 12 consecutive quarters or longer. Historically, the Company's quarterly results have been

impacted by the timing of product release cycles of its customers, particularly from customers in the technology sector. The Company expects that it will continue to generate and increase revenue from its long term customers and that demand for the Company's services from new customers may continue to stabilize and possibly strengthen in 2012, although the timing and scope of engagements may vary.

Certain segments of Lionbridge's business, its GLC segment in particular, are sensitive to fluctuations in the value of the U.S. Dollar relative to the Euro and other currencies, as a large portion of its cost of revenue and general and administrative expenses are payable in Euros and other currencies, while the majority of its revenues are recorded in U.S. Dollars. Approximately 38% of Lionbridge's revenue is denominated in non-U.S. Dollars but more than 61% of the Company's costs are denominated in non-U.S. Dollar, principally the Euro. During 2011, the value of the U.S. Dollar relative to other currencies weakened by approximately 5.3% from the prior year. This resulted in favorable foreign currency impact on revenue for 2011. In addition, the Company's operating income and net income (loss) for 2011 was negatively impacted by weakening in the U.S. Dollar against other currencies as compared to 2010, particularly in the GLC segment.

The Company's liquidity position remains strong, in part due to effective cash management actions. Lionbridge generated approximately \$9.8 million in cash flow from operations in 2011. The Company's cash as of December 31, 2011 was \$25.2 million and the Company concluded 2011 in a net cash positive position.

Revenue increased 5.6% year-over-year, indicating renewed customer demand for the Company's service offerings, particularly in the Company's GLC segment. The Company believes that the more efficient cost and operating structure implemented in 2011, coupled with its continued investment in innovative language technologies, will allow the Company to enhance its operating results in 2012, particularly if customer demand for the Company's services continues to strengthen.

## Results of Operations

The following table sets forth certain consolidated financial data as a percentage of total revenue.

	<u>Year Ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenue .....	100.0%	100.0%	100.0%
Operating expenses:			
Cost of revenue (exclusive of depreciation and amortization shown separately below) .....	69.2	68.0	67.8
Sales and marketing .....	7.8	7.7	7.4
General and administrative .....	17.5	18.3	19.0
Research and development .....	1.4	1.0	1.0
Depreciation and amortization .....	1.4	1.2	1.2
Amortization of acquisition-related intangible assets .....	0.6	1.2	1.4
Restructuring and other charges .....	0.8	1.9	1.8
Total operating expenses .....	<u>98.7</u>	<u>99.3</u>	<u>99.6</u>
Income from operations .....	1.3	0.7	0.4
Interest expense:			
Interest on outstanding debt .....	0.2	0.2	0.5
Amortization of deferred financing charges .....	0.1	0.1	—
Interest income .....	(0.2)	—	—
Other expense, net .....	0.8	0.4	1.0
Income (loss) before income taxes .....	0.4	—	(1.1)
Provision for (benefit from) income taxes .....	—	0.3	(0.1)
Net income (loss) .....	<u>0.4%</u>	<u>(0.3)%</u>	<u>(1.0)%</u>

*Revenue.* The following table shows Global Language and Content (“GLC”), Global Development and Testing (“GDT”), and Interpretation revenues in dollars and as a percentage of total revenue for the years ended December 31, 2011, 2010 and 2009, respectively:

	<u>2011</u>		<u>2010</u>		<u>2009</u>	
GLC .....	\$295,337,000	69%	\$289,588,000	71%	\$281,734,000	72%
GDT .....	109,536,000	26%	95,929,000	24%	84,203,000	22%
Interpretation .....	22,983,000	5%	19,721,000	5%	23,313,000	6%
Total revenue .....	<u>\$427,856,000</u>	<u>100%</u>	<u>\$405,238,000</u>	<u>100%</u>	<u>\$389,250,000</u>	<u>100%</u>

In 2011, total revenue was \$427.9 million, an increase of \$22.6 million, or 5.6% from \$405.2 million in 2010. This period-over-period increase in total revenue was primarily due to approximately \$13.7 million of organic growth, or 3.4%, and approximately \$8.9 million, or 2.2%, due to the decline in the exchange rate of the U.S. Dollar against most foreign currencies in particular the Euro, as compared to the prior year. Lionbridge conducts a large portion of its business in international markets. Approximately 38% of its revenue for the year ended December 31, 2011 was denominated in foreign currencies, primarily the Euro. A fluctuation in foreign currency exchange rates primarily affects the GLC segment. Revenue increases during 2011 in the GLC, GDT and Interpretation segments were \$5.8 million, \$13.6 million and \$3.3 million respectively, as compared to 2010. In 2010, total revenue was \$405.2 million, an increase of \$16.0 million, or 4.1% from \$389.3 million in 2009. This period-over-period increase in total revenue was primarily due to approximately \$21.2 million of organic growth, or 5.4%, partially offset by decreased revenue of \$5.2 million as a result of the U.S. Dollar strengthening against certain foreign currencies, in particular the Euro, as compared to the prior year. Revenue increases during 2010 in the GLC and GDT segments were \$7.9 million and \$11.7 million, respectively, as compared to 2009. Revenue decline during 2010 in the Interpretation segment was \$3.6 million as compared to 2009.

Revenue from the Company’s GLC business for the year ended December 31, 2011 increased \$5.8 million, or 2.0%, to \$295.3 million from \$289.6 million for the year ended December 31, 2010. As compared to 2010, GLC revenue increased approximately \$8.5 million due to the impact of the decline in the exchange rate of the U.S. Dollar against most foreign currencies, in particular the Euro, period-over-period, partially offset by a decline of approximately \$2.7 million during the year ended December 31, 2011 due to decreased revenue from a certain large customer in the technology sector primarily during the first quarter of 2011. In 2010, revenue from the Company’s GLC business for the year ended December 31, 2010 increased \$7.9 million, or 2.8%, to \$289.6 million from \$281.7 million for the year ended December 31, 2009. As compared to 2009, GLC revenue increased approximately \$12.7 million due to organic growth reflecting increased demand for the Company’s services, particularly from existing customers, partially offset by decreased revenue of approximately \$4.8 million as a result of the U.S. Dollar strengthening against certain foreign currencies, in particular against the Euro.

Revenue from the Company’s GDT business for the year ended December 31, 2011 was \$109.5 million, an increase of \$13.6 million, or 14.2%, from \$95.9 million for the year ended December 31, 2010. The period-over-period increase in GDT revenue was primarily due to expanded customer engagements with a large client in the technology sector and new customer engagements. In 2010, revenue from the Company’s GDT business for the year ended December 31, 2010 was \$95.9 million, an increase of \$11.7 million, or 13.9%, from \$84.2 million for the year ended December 31, 2009. The period-over-period increases in GDT revenue were primarily due to increased revenue from expanded relationships with, and new programs from existing customers. Revenue in the GDT segment is not materially impacted by fluctuations in foreign currency exchange rates.

Revenue from the Company’s Interpretation business for the year ended December 31, 2011 was \$23.0 million, an increase of \$3.3 million, or 16.5%, from \$19.7 million for the year ended December 31, 2010. The period-over-period increase in Interpretation revenue was primarily due to increased volume and more favorable terms from one large customer engagement. In 2010, revenue from the Company’s Interpretation

business was \$19.7 million, a decrease of \$3.6 million, or 15.4%, from \$23.3 million for the year ended December 31, 2009. The decrease in Interpretation revenue for the year ended December 31, 2010 was primarily due to decreased volume from one large customer engagement. Revenue in the Interpretation segment is not materially impacted by fluctuations in foreign currency exchange rates.

Lionbridge's ten largest customers accounted for 56% of revenue in 2011 as compared to 56% of revenue in 2010 and 57% of revenue in 2009.

*Cost of Revenue.* Cost of revenue, excluding depreciation and amortization, consists primarily of expenses incurred for translation services provided by third parties as well as salaries and associated employee benefits for personnel related to client projects. The following table shows GLC, GDT and Interpretation cost of revenues, the percentage change from the prior year and as a percentage of revenue for the years ended December 31, 2011, 2010 and 2009, respectively:

	<u>2011</u>	<u>% Change 2010 to 2011</u>	<u>2010</u>	<u>% Change 2009 to 2010</u>	<u>2009</u>
GLC:					
Cost of revenue	\$199,857,000	3.1%	\$193,848,000	1.6%	\$190,719,000
Percentage of revenue	67.7%		66.9%		67.7%
GDT:					
Cost of revenue	76,601,000	18.5%	64,620,000	18.2%	54,688,000
Percentage of revenue	69.9%		67.4%		64.9%
Interpretation:					
Cost of revenue	19,763,000	16.2%	17,006,000	(8.7)%	18,631,000
Percentage of revenue	86.0%		86.2%		79.9%
Total cost of revenue	<u>\$296,221,000</u>		<u>\$275,474,000</u>		<u>\$264,038,000</u>
Percentage of revenue	69.2%		68.0%		67.8%

During 2011, as a percentage of revenue, cost of revenue increased to 69.2% as compared to 68.0% for the same period of the prior year. This increase was primarily the result of customer and work mix changes in the Company's GLC and GDT segments, and the impact of the weakening of the U.S. Dollar against certain foreign currencies, particularly the Euro, as compared to 2010. The increased cost of revenue percentage was partially offset by cost saving initiatives implemented in 2010 and 2011 in its GLC segment, and continued benefits realized from the deployment and use of Lionbridge's language management technology platform.

In 2010, as a percentage of revenue, cost of revenue increased to 68.0% as compared to 67.8% for the same period of the prior year. This increase was primarily the result of customer and work mix changes in the Company's GDT segment and decreased revenue levels in the Interpretation segment. The increased cost of revenue percentage was partially offset by cost saving initiatives implemented in 2009 and 2010 in its GLC segment, and continued benefits realized from the deployment and use of Lionbridge's language management technology platform in addition to the strengthening of the U.S. Dollar against certain foreign currencies, particularly the Euro, as compared to 2009.

For the year ended December 31, 2011, cost of revenue was \$296.2 million, an increase of \$20.7 million, or 7.5%, as compared to \$275.5 million for the same period of 2010. This increase was primarily associated with the \$22.6 million increase in revenue as compared to the prior year, and includes approximately \$10.5 million incremental costs attributable to the weakening of the U.S. Dollar's exchange rate against certain foreign currencies, in particular the Euro.

For the year ended December 31, 2010, cost of revenue was \$275.5 million, an increase of \$11.5 million, or 4.4%, as compared to \$264.0 million for the same period of 2009. This increase was primarily associated with

the \$16.0 million increase in revenue as compared to the prior year, offset by approximately \$2.8 million of reduced expenses attributable to the strengthening of the U.S. Dollar's exchange rate against certain foreign currencies, in particular the Euro.

Each segment provides distinctive services with different gross margins. For the year ended December 31, 2011, GLC, GDT and Interpretation accounted for approximately 69.0%, 25.6% and 5.3% of the total revenue. For the year ended December 31, 2010, GLC, GDT and Interpretation accounted for approximately 71.5%, 23.8% and 4.7% of the total revenue.

Cost of revenue as a percentage of revenue in the Company's GLC business increased to 67.7% for the year ended December 31, 2011, as compared to 66.9% for the same period of the prior year. For the year ended December 31, 2011, GLC cost of revenue increased \$6.0 million to \$199.9 million as compared to \$193.8 million for the corresponding period of the prior year. This increase is primarily associated with incremental expenses of approximately \$9.1 million attributable to the weakening of the U.S. Dollar exchange rate against certain foreign currencies, and the \$5.8 million increase in revenue as compared to the corresponding period of the prior year.

In 2010, the cost of revenue as a percentage of revenue in the Company's GLC business decreased to 66.9% for the year ended December 31, 2010, as compared to 67.7% for the same period of the prior year. For the year ended December 31, 2010, GLC cost of revenue increased \$3.1 million to \$193.8 million as compared to \$190.7 million for the corresponding period of the prior year. This increase is primarily associated with the \$7.9 million increase in revenue as compared to the corresponding period of the prior year, offset by reduced expenses of approximately \$2.5 million attributable to the strengthening of the U.S. Dollar exchange rate against certain foreign currencies, as compared to the corresponding period of 2009.

Cost of revenue as a percentage of revenue in the Company's GDT business increased to 69.9% for the year ended December 31, 2011, as compared to 67.4% for the same period of the prior year, primarily due to changes in customer mix, an increase in U.S.-based customer delivery, and a negative impact of approximately \$1.3 million due to the decline in the exchange rate of the U.S. Dollar against certain foreign currencies. For the year ended December 31, 2011, GDT cost of revenue was \$76.6 million, an increase of \$12.0 million, or 18.5%, as compared to \$64.6 million for the same period of 2010. This increase was primarily associated with the \$13.6 million increase in revenue as compared to the corresponding period of the prior year, and to a lesser extent the impact of changes in service mix. The increase is inclusive of a negative impact of approximately \$1.3 million due to the decline in the exchange rate of the U.S. Dollar against certain foreign currencies. In 2010, the cost of revenue as a percentage of revenue in the Company's GDT business increased to 67.4% for the year ended December 31, 2010, as compared to 64.9% for the same period of the prior year, primarily due to changes in customer mix and an increase in U.S.-based customer delivery.

In 2010, GDT cost of revenue was \$64.6 million, an increase of \$9.9 million, or 18.2%, as compared to \$54.7 million for the same period of 2009. This increase was primarily associated with the \$11.7 million increase in revenue as compared to the corresponding period of the prior year. The Company's GDT business was not materially impacted by foreign currency exchange rate fluctuations in 2010.

Cost of revenue as a percentage of revenue in the Company's Interpretation business decreased to 86.0% for the year ended December 31, 2011, as compared to 86.2% for the same period of the prior year. This decrease is primarily due to higher pricing for a certain large customer, cost savings as a result of service process improvements and increased revenue period-over-period. For the year ended December 31, 2011, cost of revenue was \$19.8 million, an increase of \$2.8 million, or 16.2%, as compared to \$17.0 million for the same period of 2010. This increase was primarily associated with the \$3.3 million increase in revenue year-over-year.

In 2010, the cost of revenue as a percentage of revenue in the Company's Interpretation business increased to 86.2% for the year ended December 31, 2010, as compared to 79.9% for the same period of the prior year. This increase reflects the unfavorable impact of pricing and work mix variations in services as compared to the

corresponding period of the prior year. For the year ended December 31, 2010, cost of revenue was \$17.0 million, a decrease of \$1.6 million, or 8.7%, as compared to \$18.6 million for the same period of 2009. This decrease was primarily associated with the \$3.6 million decrease in revenue year-over-year. The Company's Interpretation segment is not materially impacted by foreign currency exchange rate fluctuations.

*Sales and Marketing.* Sales and marketing expenses consist primarily of salaries, commissions and associated employee benefits, travel expenses of sales and marketing personnel, promotional expenses, sales force automation expense, training, and the costs of programs aimed at increasing revenue, such as advertising, trade shows, public relations and other market development programs. The following table shows sales and marketing expenses, the dollar change from the prior year and as a percentage of revenue for the years ended December 31, 2011, 2010 and 2009, respectively:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total sales and marketing expenses . . . . .	\$33,563,000	\$31,218,000	\$28,777,000
Increase from prior year . . . . .	2,345,000	2,441,000	
Percentage of revenue . . . . .	7.8%	7.7%	7.4%

For the year ended December 31, 2011, sales and marketing expenses increased \$2.3 million to \$33.6 million as compared to \$31.2 million for the year ended December 31, 2010. This increase is primarily attributable to increased compensation and travel costs to support the \$22.6 million increase in revenue, year-over-year. Sales and marketing expenses for 2011 were negatively impacted by approximately \$664,000 due to fluctuations in foreign currency exchange rates. As a percentage of revenue, sales and marketing expenses increased to 7.8% as compared to 7.7% for the same period of the prior year. This increase is primarily attributable to higher compensation and travel expense, inclusive of the currency impact noted above, to support the \$22.6 million increase in revenue year-over-year and investment in future sales and marketing.

In 2010, sales and marketing expenses increased \$2.4 million to \$31.2 million as compared to \$28.8 million for the corresponding period of the prior year. This increase is primarily attributable to increased compensation and travel costs to support the \$16.0 million increase in revenue, year-over-year. Sales and marketing expenses for 2010 were not materially impacted by fluctuations in foreign currency exchange rates. As a percentage of revenue, sales and marketing expenses increased to 7.7% as compared to 7.4% for the same period of the prior year. This increase is primarily attributable to higher compensation and travel expense to support the \$16.0 million increase in revenue year-over-year and investment in future sales and marketing.

*General and Administrative.* General and administrative expenses consist of salaries of the management, purchasing, process and technology, finance and administrative groups, and associated employee benefits and travel; facilities costs; information systems costs; professional fees; business reconfiguration costs and all other site and corporate costs. The following table shows general and administrative expenses, the dollar change from the prior year and as a percentage of revenue for the years ended December 31, 2011, 2010 and 2009, respectively:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total general and administrative expenses . . . . .	\$75,047,000	\$74,087,000	\$74,056,000
Increase from prior year . . . . .	960,000	31,000	
Percentage of revenue . . . . .	17.5%	18.3%	19.0%

For the year ended December 31, 2011, general and administrative expenses increased \$960,000 to \$75.0 million as compared to \$74.1 million for the year ended December 31, 2010. Approximately \$1.9 million of this increase was due to the negative impact of the depreciation of the U.S. Dollar against certain foreign exchange currencies as compared to 2010. These increases were partially offset by reduced expenses as the result of cost initiatives implemented in 2011 and 2010, primarily reductions in rent expense. Approximately 54.7% of general and administrative expenses are denominated in non-U.S. Dollars and of that amount a majority of these

expenses related to rent and compensation expense. As a percentage of revenue, general and administrative expenses decreased to 17.5% for the year ended December 31, 2011, as compared to 18.3%, for the same period of the prior year. This decrease is primarily associated with the \$22.6 million increase in revenue year-over-year.

In 2010, general and administrative expenses remained flat at \$74.1 million as compared to the same period of the prior year. The flat general and administrative expense, year-over-year, reflects the Company's investment in general and administrative infrastructures for the emerging businesses during 2010, offset by the favorable benefit of the restructuring and cost saving initiatives implemented in 2009 and 2010. General and administrative expenses for 2010 were not materially impacted by fluctuations in foreign currency exchange rates. As a percentage of revenue, general and administrative expenses decreased to 18.3% for 2010 as compared to 19.0% for the same period of the prior year. This decrease is primarily associated with the \$16.0 million increase in revenue year-over-year.

*Research and Development.* Research and development expenses relate primarily to the Company's web-based hosted language management technology platform used in the globalization process and the research and development of a globalization management system, its Translation Workspace SaaS-based offering, and development of GeoFluent based on automated machine translation technology licensed from IBM. The cost consists primarily of salaries and associated employee benefits and third-party contractor expenses. The following table shows research and development expenses, the dollar change from the prior year and as a percentage of revenue for the years ended December 31, 2011, 2010 and 2009, respectively:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total research and development expenses . . . . .	\$5,765,000	\$3,880,000	\$4,026,000
Increase (decrease) from prior year . . . . .	1,885,000	(146,000)	
Percentage of revenue . . . . .	1.4%	1.0%	1.0%

For the year ended December 31, 2011, research and development expenses increased to \$5.8 million as compared to \$3.9 million for the year ended December 31, 2010. This increase is primarily attributable to an increase in headcount to support the development of the Company's web-based hosted language management technology platform, its Translation Workspace SaaS-based offering and development of automated machine translation technology licensed from IBM (known as GeoFluent). Approximately \$177,000 of the increase is due to the depreciation of the U.S. Dollar against most foreign currencies year-over-year.

In 2010, research and development expenses decreased \$146,000 to \$3.9 million as compared to \$4.0 million for the prior year. This decrease in research and development expenses is primarily the result of an increase in the internal and external capitalized costs for the development of the Company's web-based hosted language management technology platform and new SaaS-based offerings. Research and development expenses for 2010 were not materially impacted by fluctuations in foreign currency exchange rates.

*Depreciation and Amortization.* Depreciation and amortization expense relates to property and equipment that is being recognized over the estimated useful lives of the assets using the straight-line method. The following table shows depreciation and amortization expense, the dollar change from the prior year and as a percentage of revenue for the years ended December 31, 2011, 2010 and 2009, respectively:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total depreciation and amortization expense . . . . .	\$5,956,000	\$4,901,000	\$4,619,000
Increase from prior year . . . . .	1,055,000	282,000	
Percentage of revenue . . . . .	1.4%	1.2%	1.2%

For the year ended December 31, 2011, depreciation and amortization expense increased by \$1.1 million to \$6.0 million as compared to \$4.9 million for the year ended December 31, 2010. This increase is primarily the result of depreciation of the increased investment in internal and external capitalized costs for the Company's

web-based hosted management technology platform, its Translation Workspace SaaS-based offering and its customizable real-time automated machine translation technology known as GeoFluent. Approximately \$117,000 of the increase is due to the depreciation of the U.S. Dollar against most foreign currencies, year-over-year.

In 2010, depreciation and amortization expense increased by \$282,000 to \$4.9 million as compared to \$4.6 million for the prior year. This increase is primarily the result of the depreciation of increased internal and external capitalized costs for the development of the Company's web-based hosted management technology platform and SaaS-based offering. Depreciation and amortization expense for 2010 was not materially impacted by fluctuations in foreign currency exchange rates.

*Amortization of Acquisition-related Intangible Assets.* Amortization of acquisition-related intangible assets consists of the amortization of identifiable intangible assets from acquired businesses. Amortization expense for 2011, 2010 and 2009 of \$2.3 million, \$4.9 million and \$5.5 million, respectively, relates to the amortization of identifiable intangible assets acquired from BGS.

*Interest Expense.* Interest expense represents interest paid or payable on debt and the amortization of deferred financing costs. The following table shows interest expense, dollar changes from the prior year and as a percentage of revenue for the years ended December 31, 2011, 2010 and 2009, respectively:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total interest expense . . . . .	\$822,000	\$1,250,000	\$1,954,000
Decrease from prior year . . . . .	428,000	704,000	
Percentage of revenue . . . . .	0.3%	0.3%	0.5%

For the year ended December 31, 2011, interest expense decreased \$428,000 to \$822,000 as compared to \$1.3 million for the year ended December 31, 2010. The decrease reflects the impact of lower interest rates and lower amortization of deferred financing costs in 2011 as compared to 2010 as well as the impact of the maturity of the Company's interest rate swap in July 2010.

In 2010, interest expense decreased \$704,000 to \$1.3 million, as compared to \$2.0 million for the year ended December 31, 2009. The decrease reflects lower average borrowings and lower interest rates in 2010 as compared to 2009. In addition, interest expense for 2009 includes the effect of the interest rate swap. On July 20, 2007, the Company entered into a three-year amortizing interest rate swap with a notional amount of \$20.0 million that corresponds to a portion of the Company's floating rate credit facility. On July 31, 2010, the Company's interest rate swap matured. The notional amount effectively converted that portion of the Company's total floating rate credit facility to fixed rate debt.

*Other Expense, Net.* Other (income) expense, net primarily reflects the foreign currency transaction gains or losses arising from exchange rate fluctuations on transactions denominated in currencies other than the functional currencies of the countries in which the transactions are recorded. For the year ended December 31, 2011, the Company recognized \$3.2 million in other expense, net, due to \$1.1 million of foreign currency transaction losses attributable to differences among the Euro and other currencies against the U.S. Dollar in the periods, as compared to the net position and variance during the corresponding periods of the prior year and \$607,000 realized foreign currency losses on forward contracts. In addition, other expense, net for the year ended December 31, 2011 includes \$2.0 million relating to the release of indemnified reserves for uncertain tax positions related to the Bowne Global Solutions ("BGS") acquisition from Bowne & Co., Inc. (which has since been acquired by R.R. Donnelley & Sons Co.). A corresponding \$2.0 million benefit was recorded in the provision for income taxes for the reduction of the indemnified reserves. In addition, other expense, net for the year ended December 31, 2011 includes \$434,000 for the release of reserves related to uncertain pre-BGS acquisition property-related tax risks.

In 2010, the Company recognized \$1.7 million in other expense, net, primarily due to foreign currency transaction losses, as a result of the U.S. Dollar's strengthening against certain foreign currencies, as compared to the net position and variance during the corresponding periods of prior year. In 2009, the Company recognized

\$3.7 million in other expense, net, primarily due to \$2.6 million of foreign currency transaction losses, as a result of the U.S. Dollar's strengthening against certain foreign currencies, as compared to the net position and variance during the corresponding periods of prior year, partially offset by \$1.4 million relating to the release of indemnified reserves for uncertain tax positions related to the BGS acquisition. A corresponding \$1.4 million benefit was recorded in the provision for income taxes for the reduction of the indemnified reserves.

*Provision for (Benefit from) Income Taxes.* The following table shows the provision for income taxes and the effective income tax rate for the years ended December 31, 2011, 2010 and 2009, respectively:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Provision for (benefit from) income taxes .....	\$(71,000)	\$1,402,000	\$(184,000)
Effective income tax rate .....	(4.3)%	1,251.8%	4.4%

The income tax provision decreased \$1.5 million to a benefit of \$(71,000) in 2011 from \$1.4 million in 2010. The 2011 provision for income taxes is primarily attributable to \$1.7 million of current income tax expense resulting from profits in various foreign jurisdictions, \$303,000 of deferred tax expense in foreign jurisdictions, a benefit of \$2.0 million from the release of indemnified reserves for uncertain tax positions related to the BGS acquisition and a benefit of \$415,000 from the receipt of a tax refund in South Korea.

The Company recognizes tax reserves for uncertainty in income taxes and adjusts these reserves when our judgment changes as a result of the evaluation of new information not previously available. Due to the complexity of some of these uncertainties, the ultimate resolution may be materially different from our current estimates. These differences will be reflected as increases or decreases to income tax expense in the period in which they are determined.

The Company's unrecognized tax benefits include transfer pricing uncertainties from allocation of income between jurisdictions. Lionbridge believes that it is reasonably possible that approximately \$628,000 of its unrecognized tax benefits, consisting of several items in various jurisdictions, may be recognized by the end of 2012 as a result of a lapse of the statute of limitations.

The income tax provision increased \$1.6 million to an expense of \$1.4 million in 2010 from \$(184,000) in 2009. The 2010 provision for income taxes is primarily attributable to \$1.7 million of current income tax expense resulting from profits in various foreign jurisdictions, a \$753,000 deferred tax benefit in foreign jurisdictions primarily related to the reversal of deferred tax liabilities for acquired intangible assets and the recognition of deferred tax assets, and a \$284,000 net increase in the reserve for uncertain tax positions.

## Quarterly Results of Operations

The following tables set forth unaudited consolidated quarterly financial data for the periods indicated. Lionbridge derived this data from its unaudited consolidated financial statements, and, in the opinion of management, they have been prepared on the same basis as Lionbridge's audited consolidated financial statements for the years ended December 31, 2011 and 2010, and include all adjustments, which consist only of normal recurring adjustments, necessary to present fairly the financial results for the periods. The operating results for any quarter are not necessarily indicative of results for any future period.

	(Unaudited) (Amounts in thousands) Quarter Ended							
	Dec. 31, 2011	Sept. 30, 2011	June 30, 2011	March 31, 2011	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010	March 31, 2010
Revenue	\$107,385	\$107,574	\$113,245	\$ 99,652	\$100,365	\$ 99,221	\$104,872	\$100,780
Operating expenses:								
Cost of revenue (exclusive of depreciation and amortization shown separately below)	72,015	73,662	78,808	71,736	69,322	67,564	69,643	68,945
Sales and marketing	8,608	7,976	8,701	8,278	8,595	8,190	7,465	6,968
General and administrative	18,327	19,438	18,657	18,625	18,565	18,032	18,698	18,792
Research and development	1,468	1,383	1,518	1,396	1,149	1,021	952	758
Depreciation and amortization	1,615	1,615	1,435	1,291	1,330	1,266	1,175	1,130
Amortization of acquisition-related intangible assets	583	583	583	583	1,223	1,223	1,223	1,223
Restructuring and other charges	67	556	643	2,103	1,881	4,026	666	1,189
Total operating expenses	102,683	105,213	110,345	104,012	102,065	101,322	99,822	99,005
Income (loss) from operations	4,702	2,361	2,900	(4,360)	(1,700)	(2,101)	5,050	1,775
Interest expense:								
Interest on outstanding debt	196	192	185	149	169	191	282	297
Amortization of deferred financing costs	25	25	25	25	24	199	44	44
Interest income	22	17	15	17	24	30	8	25
Other (income) expense, net	2,545	(231)	423	458	599	1,607	(731)	274
Income (loss) before income taxes	1,958	2,392	2,282	(4,975)	(2,468)	(4,068)	5,463	1,185
Provision for (benefit from) income taxes	(1,079)	(23)	560	471	84	(295)	905	708
Net income (loss)	\$ 3,037	\$ 2,415	\$ 1,722	\$ (5,446)	\$ (2,552)	\$ (3,773)	\$ 4,558	\$ 477
Net income (loss) per share of common stock:								
Basic	\$ 0.05	\$ 0.04	\$ 0.03	\$ (0.09)	\$ (0.04)	\$ (0.07)	\$ 0.08	\$ 0.01
Diluted	\$ 0.05	\$ 0.04	\$ 0.03	\$ (0.09)	\$ (0.04)	\$ (0.07)	\$ 0.08	\$ 0.01
Weighted average number of shares outstanding:								
Basic	57,859	58,012	57,815	57,523	56,927	56,814	56,619	56,367
Diluted	59,478	59,585	59,548	57,523	56,927	56,814	59,854	58,221

Lionbridge has experienced quarter-to-quarter variability in its revenue and operating profit. This variability is due to fluctuations in its clients' release cycles, the length of its sales cycle, rapid growth, acquisitions, the emerging nature of the markets in which Lionbridge competes, global economic conditions, and exchange rate fluctuations. Lionbridge believes that quarter-to-quarter comparisons of results of operations are not necessarily meaningful. You should not rely on these comparisons as a measure of future performance.

### *Out of Period Adjustments*

During the three-month interim period ended March 31, 2011, the Company identified certain out of period immaterial errors related to revenue recognition in the fourth quarter of 2010 and certain gross receipts taxes for the period of fiscal years 2007 through 2010. The Company corrected these errors during the three-month interim period ended March 31, 2011, which had the effect of reducing net income by \$320,000, comprised of a \$108,000 reduction in revenue, a \$30,000 increase in cost of revenue and a \$182,000 increase in general and administrative expenses.

During the three-month interim period ended June 30, 2011, the Company identified certain out of period immaterial errors related to revenue recognition in the fourth quarter of 2010 and first quarter of 2011 and certain property tax accruals for the period of fiscal year 2007 through the first quarter of 2011. The Company corrected these errors during the three-month interim period ended June 30, 2011, which had the effect of decreasing net income by \$16,000, comprised of a \$210,000 reduction in revenue and a \$194,000 decrease in general and administrative expenses.

The Company has evaluated these errors and does not believe the amounts are material to any periods impacted and the correction of these errors is not material to the condensed consolidated financial statements for the year ended December 31, 2011 or any interim periods within the 2011 year.

### **Liquidity and Capital Resources**

The following table shows cash and cash equivalents, working capital, net cash provided by operating activities, net cash used in investing activities, and net cash provided by (used in) financing activities for the years ended December 31, 2011, 2010 and 2009, respectively:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash and cash equivalents . . . . .	\$ 25,219,000	\$28,206,000	\$ 27,432,000
Working capital . . . . .	45,515,000	40,795,000	36,182,000
Net cash provided by operating activities . . . . .	9,834,000	7,984,000	23,208,000
Net cash used in investing activities . . . . .	(13,040,000)	(7,967,000)	(3,066,000)
Net cash provided by (used in) financing activities . . . . .	90,000	690,000	(31,125,000)

In 2011, Lionbridge's working capital increased \$4.7 million to \$45.5 million at December 31, 2011, as compared to \$40.8 million at December 31, 2010. The increase was primarily due to increases in accounts receivable and unbilled receivables, and decreases in accounts payable, accrued outsourcing and other current assets, partially offset primarily by a decrease in cash and cash equivalents, other current assets, accrued expenses and deferred revenue.

As of December 31, 2011, cash and cash equivalents totaled \$25.2 million, a decrease of \$3.0 million from \$28.2 million at December 31, 2010. The decrease was primarily due to \$12.4 million for the purchase of property and equipment, \$607,000 of payments of forward contract hedges, partially offset by \$9.8 million of cash generated by the business and \$104,000 of cash received from the issuance of common stock under option plans.

Accounts receivable and unbilled receivables at December 31, 2011 totaled \$79.1 million, an increase of \$3.9 million from \$75.2 million at December 31, 2010. As of December 31, 2011, other current assets decreased \$465,000 to \$9.1 million from \$9.6 million at December 31, 2010. Current liabilities totaled \$67.9 million, a decrease of \$4.3 million from \$72.2 million at December 31, 2010.

In 2010, Lionbridge's working capital increased \$4.6 million to \$40.8 million at December 31, 2010, as compared to \$36.2 million at December 31, 2009. The increase was primarily due to an increase in cash and cash equivalents, accounts receivable, unbilled receivables, accrued restructuring and other current assets, partially offset primarily by a decrease in accounts payable and deferred revenue.

As of December 31, 2010, cash and cash equivalents totaled \$28.2 million, an increase of \$774,000 from \$27.4 million at December 31, 2009. The increase was primarily due to \$8.0 million of cash generated by the business, \$814,000 of cash received from forward contract hedges, \$701,000 of cash received from the issuance of common stock under option plans, partially offset by \$8.8 million used to purchase property and equipment.

Accounts receivable and unbilled receivables at December 31, 2010 totaled \$75.2 million, an increase of \$2.5 million from \$72.7 million at December 31, 2009. As of December 31, 2010, other current assets increased \$1.3 million to \$9.6 million from \$8.3 million at December 31, 2009. Current liabilities totaled \$72.2 million, a decrease of \$57,000 from \$72.3 million at December 31, 2009.

Net cash provided by operating activities was \$9.8 million in 2011 as compared to \$8.0 million in 2010. The primary source of cash in 2011 was \$1.7 million of net income (inclusive of \$15.1 million in depreciation, amortization, stock-based compensation and other non-cash expenses), a \$4.3 million net increase in accounts receivable and unbilled receivables, a \$2.9 million decrease in other operating assets, a \$5.6 million decrease in accounts payable, accrued expenses and deferred revenue.

In 2010, net cash provided by operating activities was \$8.0 million as compared to \$23.2 million in 2009. The primary source of cash in 2010 was a \$3.2 million increase in accrued restructuring and a \$2.4 million decrease in other assets, partially offset by other changes including a net loss of \$1.3 million (net of \$13.7 million in depreciation, amortization and other non-cash expenses and gains), a \$3.6 million increase in accounts receivable, a \$528,000 increase in unbilled receivables a \$349,000 decrease in accounts payable, accrued expenses and deferred revenue.

Lionbridge has not experienced any significant trends in accounts receivable and unbilled receivables other than changes relative to the change in revenue, as previously noted. Fluctuations in accounts receivable from period to period relative to changes in revenue are a result of timing of customer invoicing and receipt of payments from customers.

Net cash used in investing activities increased \$5.1 million to \$13.0 million in 2011 as compared to \$8.0 million in 2010. The primary use of cash in investing activity in 2011 was \$12.4 million for the purchase of property and equipment and \$607,000 in payments of forward contract hedges.

In 2010, net cash used in investing activities increased \$4.9 million to \$8.0 million as compared to \$3.1 million in 2009. The primary use of cash in investing activity in 2010 was \$8.8 million for the purchase of property and equipment, partially offset by \$814,000 in proceeds from forward contract hedges. The primary use of cash in investing activity in 2009 was \$3.1 million for the purchase of property and equipment.

Net cash provided by financing activities decreased \$600,000 to \$90,000 in 2011 as compared to \$690,000 in 2010. Cash provided by financing activities consisted of \$104,000 of proceeds from the issuance of common stock under option plans and \$14,000 for payments of capital lease obligations.

In 2010, net cash provided by financing activities increased \$31.8 million to \$690,000 as compared to \$31.1 million of net cash used in financing activities for the corresponding period of 2009. Cash provided by financing activities consisted of \$701,000 of proceeds from the issuance of common stock under option plans and \$11,000 for payments of capital lease obligations. Net cash used in financing activities in 2009 primarily included \$31.0 million of payments of long-term debt, \$3.5 million of payments of short-term debt, and \$3.5 million of proceeds from the issuance of short-term debt.

On May 5, 2010, Lionbridge filed with the Securities and Exchange Commission a shelf registration statement on Form S-3 under the Securities Act of 1933, as amended (SEC File No. 333-166529), covering the registration of debt and equity securities (the "Securities"), in an aggregate amount of \$100.0 million. The registration statement was declared effective by the Commission on May 13, 2010. The Company may offer

these Securities from time to time in amounts, at prices and on terms to be determined at the time of sale. The Company believes that with this Registration Statement, it has additional financing flexibility to meet potential future funding requirements and the ability to take advantage of potentially attractive capital market conditions.

On September 30, 2010, the Company entered into Amendment No. 3 (the “Amendment”) with HSBC Bank USA, National Association (“HSBC”) to extend the term for an additional four years to 2014 on its revolving credit agreement dated as of December 31, 2006, as the amended to date (the “Credit Agreement”), which was scheduled to expire in December 2011. In addition, under the terms of the Amendment, the Credit Agreement was amended to reflect that HSBC is the sole lender under the Credit Agreement. The Credit Agreement provides for a \$50.0 million revolving credit facility and establishes interest rates in the range of LIBOR plus 1.75% – 2.50%, depending on certain conditions. At December 31, 2011, \$24.7 million was outstanding with an interest rate of 2.5%. The Company is required to maintain leverage and fixed charge coverage ratios and to comply with other covenants in its revolving credit agreement. The leverage ratio is calculated by dividing the Company’s total outstanding indebtedness at each quarter end by its adjusted earnings before interest, taxes, depreciation and certain other non-cash expenses during the four consecutive quarterly periods then ended. The fixed charge coverage ratio is calculated by dividing the Company’s adjusted earnings before interest, taxes, depreciation and certain other non-cash expenses minus capital expenditures for each consecutive four quarterly periods by its interest paid and cash paid on taxes during each such consecutive four quarterly periods. The Company was in compliance with both of these ratios as well as all other bank covenants as of December 31, 2011.

Lionbridge anticipates that its present cash and cash equivalents position and available financing under its Credit Agreement should provide adequate cash to fund its currently anticipated cash needs for at least the next twelve months.

### Contractual Obligations

The following table summarizes Lionbridge’s contractual cash obligations at December 31, 2011 and the effect such obligations are expected to have on its liquidity and cash flow in future periods:

	<u>Total</u>	<u>Less than 1 Year</u>	<u>1-3 Years</u>	<u>3-5 Years</u>	<u>More than 5 Years</u>
			(In thousands)		
Debt . . . . .	\$24,700	—	24,700	—	—
Interest on debt (1) . . . . .	1,730	629	629	472	—
Operating leases . . . . .	<u>53,775</u>	<u>14,004</u>	<u>18,036</u>	<u>8,473</u>	<u>13,262</u>
	<u>\$80,205</u>	<u>\$14,633</u>	<u>\$43,365</u>	<u>\$8,945</u>	<u>\$13,262</u>

(1) Interest payment amounts are projected using market rates as of December 31, 2011. Future interest payments may differ from these projections based on changes in market interest rates.

As of December 31, 2011, the total amount of net unrecognized tax benefits for uncertain tax positions and the accrual for the related interest and penalties was \$6.2 million. Lionbridge believes that it is reasonably possible that approximately \$628,000 of its unrecognized tax position, consisting of several items in various jurisdictions, may be recognized by the end of 2012 as a result of a lapse of the statute of limitations.

As of December 31, 2011, Lionbridge did not have any material purchase obligations, or material long-term commitments other than those included in the table above reflected on its consolidated balance sheet.

### Off-Balance Sheet Arrangements

The Company does not have any special purpose entities or off-balance sheet financing arrangements.

## Recently Issued Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board (“FASB”) issued ASU 2011-11, “Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities” (“ASU 2011-11”), authoritative guidance which requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The amendment will be effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The Company does not expect the adoption of this guidance to have a material effect on its consolidated financial statements.

In September 2011, the FASB issued ASU 2011-09, “Compensation—Retirement Benefits—Multiemployer Plans” (“ASU 2011-09”) which pertains to an employer’s participation in multiemployer benefit plans, amending ASC Subtopic 715-80, “Disclosures about an Employer’s Participation in a Multiemployer Plan”. The amendment enhances the disclosures about significant multiemployer plans in which an employer participates, the level of the employer’s participation, the financial health of the plans and the nature of the employer’s commitments to the plans. The new disclosure requirements are required for fiscal years ending after December 15, 2011. The Company does not expect the adoption of this guidance to have a material effect on its consolidated financial statements.

In September 2011, the FASB issued ASU 2011-08, “Testing Goodwill for Impairment” (“ASU 2011-08”), authoritative guidance which simplifies how entities test goodwill for impairment and permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. This authoritative guidance is to be applied for goodwill impairment testing performed for fiscal years beginning after December 15, 2011. The Company does not expect the adoption of this guidance to have a material effect on its consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, “Comprehensive Income: Presentation of Comprehensive Income” (“ASU 2011-05”), authoritative guidance which allows an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This authoritative guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholder’s equity. This authoritative guidance is to be applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. In December 2011, the FASB issued ASU 2011-12, “Comprehensive Income (Topic 820): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income” (“ASU 2011-12”), which defers the reclassifications from other comprehensive income to net income be presented on the face of the financial statements mandated by ASU 2001-05. Although the Company will need to modify the presentation of certain information to comply with the requirements of this guidance, the Company does not expect the adoption of this guidance to have a material effect on its consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, “Fair Value Measurement” (“ASU 2011-04”), an amendment to achieve common fair value measurement and disclosure requirements in GAAP and international financial reporting standards (“IFRS”). The amendments explain how to measure fair value and will improve the comparability of fair value measurement presented and disclosed in financial statements prepared in accordance with GAAP and IFRS. This authoritative guidance is to be applied prospectively and is effective during interim and annual periods beginning after December 15, 2011. The Company does not expect the adoption of this guidance to have a material effect on its consolidated financial statements.

In December 2010, the FASB issued ASU 2010-28, “Intangibles—Goodwill and Other” (“ASU 2010-28”), an amendment to goodwill impairment testing. The amendment modifies Step 1 of the goodwill impairment test

for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that impairment may exist. The qualitative factors are consistent with the existing guidance and examples, which require that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The amendments were first effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The adoption of this guidance did not have an impact on the Company's consolidated financial statements since it did not have any reporting units with zero or negative carrying amounts.

In January 2010, the FASB issued ASU 2010-06, "Value Measurements and Disclosures—Improving Disclosures about Fair Value Measurements" ("ASU 2010-06"), that amends ASC Subtopic 820-10, "Fair Value Measurements and Disclosures—Overall", and requires reporting entities to disclose (1) the amount of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers, and (2) separate information about purchases, sales, issuance and settlements in the reconciliation of fair value measurements using significant unobservable inputs (Level 3). ASU 2010-06 also requires reporting entities to provide fair value measurement disclosures for each class of assets and liabilities and disclose the inputs and valuation techniques for fair value measurements that fall within Levels 2 and 3 of the fair value hierarchy. These disclosures and clarification were effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuance, and settlements in the rollforward of activity in Level 3 fair value measurements. These additional disclosures were effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The Company adopted the further provisions of ASU 2010-06 on January 1, 2011 which did not have a material impact on its consolidated financial statements.

In October 2009, the Emerging Issues Task Force ("EITF") reached final consensus on ASU 2009-13, "Revenue Recognition: Multiple-Deliverable Revenue Arrangements" ("ASU 2009-13"), which addresses the issue related to revenue arrangements with multiple deliverables. This issue addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how arrangement consideration should be measured and allocated to the separate units of accounting. This issue is effective for the Company's revenue arrangements entered into or materially modified on or after January 1, 2011. The Company adopted this guidance and concluded it did not have a material impact on its consolidated financial statements.

#### **Item 7A. *Quantitative and Qualitative Disclosures About Market Risk***

Lionbridge conducts its business globally and its earnings and cash flows are exposed to market risk from changes in interest rates and currency exchange rates. The Company manages its risk to foreign currency transaction exposure and interest rates through risk management programs that include the use of derivative financial instruments. Lionbridge operates these programs pursuant to documented corporate risk management policies. Lionbridge does not enter into any derivative transactions for speculative purposes. Gains and losses on derivative financial instruments substantially offset gains and losses on underlying hedged exposures.

*Interest Rate Risk.* Lionbridge is exposed to market risk from changes in interest rates with respect to its revolving loan facility which bears interest at Prime or LIBOR (at the Company's discretion) plus an applicable margin based on certain financial covenants. As of December 31, 2011, \$24.7 million was outstanding under this facility. A hypothetical 10% increase or decrease in interest rates would have approximately a \$63,000 impact on the Company's interest expense based on the \$24.7 million outstanding at December 31, 2011 with an interest rate of 2.5%. On July 20, 2007, the Company entered into a three-year amortizing interest rate swap with a notional amount of \$20.0 million that corresponds to a portion of the Company's floating rate credit facility. On July 31, 2010, the interest rate swap matured. The notional amount effectively converted that portion of the Company's total floating rate credit facility to fixed rate debt. Additionally, Lionbridge is exposed to market risk

through its investing activities. The Company's portfolio consists primarily of short-term time deposits with investment grade banks and maturities less than 90 days. A hypothetical 10% increase or decrease in interest rates would not have a material impact on the carrying value of Lionbridge's investments due to their immediately available liquidity.

*Foreign Currency Exchange Rate Risk.* Lionbridge conducts a large portion of its business in international markets. Although a majority of Lionbridge's contracts with clients are denominated in U.S. dollars, 64% and 66% of its costs and expenses in 2011 and 2010, respectively, were denominated in foreign currencies, primarily operating expenses associated with cost of revenue, sales and marketing and general and administrative. In addition, 17% of the Company's consolidated tangible assets were subject to foreign currency exchange fluctuations as of each of December 31, 2011 and 2010, while 16% of its consolidated liabilities were exposed to foreign currency exchange fluctuations as of each of December 31, 2011 and 2010. In addition, net inter-company balances denominated in currencies other than the functional currency of the respective entity were approximately \$48.4 million and \$57.9 million as of December 31, 2011 and 2010, respectively. The principal foreign currency applicable to our business is the Euro. The Company has implemented a risk management program that partially mitigates its exposure to assets or liabilities (primarily cash, accounts receivable, accounts payable and inter-company balances) denominated in currencies other than the functional currency of the respective entity which includes the option to use derivative financial instruments principally foreign exchange forward contracts. These foreign exchange forward contracts generally have less than 90-day terms and do not qualify for hedge accounting under the ASC 815 guidance. The Company had no foreign exchange forward contracts outstanding at December 31, 2011.

**Item 8. *Financial Statements and Supplementary Data***

Lionbridge's consolidated financial statements together with the related notes and the report of PricewaterhouseCoopers LLP, an independent registered public accounting firm, are set forth beginning on page 50 of this Form 10-K.

**Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure***

None.

**Item 9A. *Controls and Procedures***

*Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures.* Lionbridge maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and that such information is accumulated and communicated to management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as the Company's are designed to do, and management necessarily was required to apply its judgment in evaluating the risk related to controls and procedures.

In connection with the preparation of this Form 10-K, as of December 31, 2011, an evaluation was performed under the supervision and with the participation of management, including the CEO and CFO, regarding the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based upon this evaluation, the CEO and CFO concluded that the Company's disclosure controls and procedures were effective at the reasonable assurance level as of December 31, 2011. This conclusion was communicated to the Audit Committee.

*Management's Annual Report on Internal Control Over Financial Reporting.* The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in 13a-15(f) under the Exchange Act. The Company's internal control system is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation and fair presentation of published financial statements for external purposes in accordance with generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

The Company's management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2011. In making its assessment of internal controls over financial reporting, management used the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in *Internal Control-Integrated Framework*. Based on this assessment, management concluded that the Company's internal control over financial reporting was effective at December 31, 2011 based on the criteria set forth in *Internal Control-Integrated Framework*.

The Company's independent registered public accounting firm, PricewaterhouseCoopers LLP, has audited the effectiveness of our internal control over financial reporting, as stated in their report which appears herein.

*Changes in Internal Control over Financial Reporting.* There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended December 31, 2011 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**Item 9B. Other Information**

None.

### PART III

Anything herein to the contrary notwithstanding, in no event whatsoever are the sections entitled “Nominating and Compensation Committee Report on Executive Compensation” and “Audit Committee Report” to be incorporated by reference herein from Lionbridge’s proxy statement in connection with its annual meeting of stockholders expected to be held in the second quarter of 2012.

#### **Item 10. *Directors, Executive Officers and Corporate Governance***

Certain information relating to directors and executive officers of Lionbridge is incorporated by reference herein from Lionbridge’s proxy statement in connection with its annual meeting of stockholders expected to be held in the second quarter of 2012, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of Lionbridge’s fiscal year ended December 31, 2011.

Lionbridge has adopted a code of conduct that applies to all employees, including its principal executive officer, principal financial officer, and principal accounting officer. A copy of the code of ethics is available on Lionbridge’s Web site.

#### **Item 11. *Executive Compensation***

Certain information relating to remuneration of directors and executive officers and other transactions involving management is incorporated by reference herein from Lionbridge’s proxy statement in connection with its annual meeting of stockholders expected to be held in the second quarter of 2012, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of Lionbridge’s year ended December 31, 2011.

#### **Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters***

Certain information relating to security ownership of certain beneficial owners and management and information on securities for issuance under equity compensation plans is incorporated by reference herein from Lionbridge’s proxy statement in connection with its annual meeting of stockholders expected to be held in the second quarter of 2012, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of Lionbridge’s fiscal year ended December 31, 2011.

#### **Item 13. *Certain Relationships and Related Transactions, and Director Independence***

Certain information relating to certain relationships and related transactions, and director independence is incorporated by reference herein from Lionbridge’s proxy statement in connection with its annual meeting of stockholders expected to be held in the second quarter of 2012, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of Lionbridge’s year ended December 31, 2011.

#### **Item 14. *Principal Accounting Fees and Services.***

Information regarding principal auditor fees and services is set forth under “Principal Auditor Fees and Services” in Lionbridge’s proxy statement in connection with its annual meeting of stockholders expected to be held in the second quarter of 2012, which proxy statement will be filed with the Securities and Exchange Commission not later than 120 days after the close of Lionbridge’s year ended December 31, 2011.

**PART IV**

**Item 15. Exhibits, Financial Statement Schedules.**

(a) The following documents are filed as part of this Form 10-K:

(1) Financial Statements:

	<u>Page Number</u>
Report of Independent Registered Public Accounting Firm . . . . .	61
Consolidated Balance Sheets as of December 31, 2011 and 2010 . . . . .	62
Consolidated Statements of Operations for the years ended December 31, 2011, 2010 and 2009 . . . . .	63
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2011, 2010 and 2009 . . . . .	64
Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010 and 2009 . . . . .	65
Notes to Consolidated Financial Statements . . . . .	66

(2) Financial Statement Schedules:

Financial Statement Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the accompanying Consolidated Financial Statements or notes thereto.

(3) Exhibits

<u>Exhibit No.</u>	<u>Exhibit</u>
3.1, 4.1	Second Amended and Restated Certificate of Incorporation of Lionbridge (filed as Exhibit 3.2 to the Registration Statement on Form S-1 (File No. 333-81233) and incorporated herein by reference).
3.2, 4.2	Amended and Restated By-laws of Lionbridge Technologies, Inc. (filed as Exhibit 3.1 to the Current Report on Form 8-K (File No. 000-26933) filed on October 30, 2008, and incorporated herein by reference).
4.3	Specimen Certificate for shares of Lionbridge's Common Stock (filed as Exhibit 4.3 to the Registration Statement on Form S-1 (File No. 333-81233) and incorporated herein by reference).
10.1**	1998 Stock Plan, as amended and restated (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended June 30, 2004, and incorporated herein by reference).
10.2**	Form of Restricted Stock Agreement under the 1998 Stock Plan (filed as Exhibit 10.4 to the Annual Report on Form 10-K (File No. 000-26933) for the fiscal year ended December 31, 2003, and incorporated herein by reference).
10.3**	Amended and Restated Lionbridge 2005 Stock Incentive Plan (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-26933) filed on May 5, 2009, and incorporated herein by reference).
10.4**	Form of Restricted Stock Agreement under the Lionbridge 2005 Stock Incentive Plan (filed as Exhibit 10.5 to the Current Report on Form 8-K (File No. 000-26933) filed on November 14, 2005, and incorporated herein by reference).
10.5**	Form of Incentive Stock Option Agreement under the Lionbridge 2005 Stock Incentive Plan (filed as Exhibit 10.2 to the Current Report on Form 8-K (File No. 000-26933) filed on November 14, 2005, and incorporated herein by reference).
10.6**	Form of Non-Qualified Stock Option Agreement For Officers and Employees under the Lionbridge 2005 Stock Incentive Plan (filed as Exhibit 10.3 to the Current Report on Form 8-K (File No. 000-26933) filed on November 14, 2005, and incorporated herein by reference).
10.7**	Lionbridge Deferred Compensation Plan for Independent Directors (filed as Exhibit 10.3 to the Current Report on Form 8-K (File No. 000-26933) filed on May 25, 2007, and incorporated herein by reference).
10.8**	Independent Director Compensation Plan, Amended and Restated as of April 4, 2008 (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-26933) filed on April 7, 2008, and incorporated herein by reference).
10.9**	Independent Directors' Compensation Policy Amended and Restated as of March 10, 2009 (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-26933) filed on March 13, 2009, and incorporated herein by reference).
10.10**	Form of Restricted Stock Unit Agreement for Independent Directors (filed as Exhibit 10.4 to the Current Report on Form 8-K (File No. 000-26933) filed on May 25, 2007, and incorporated herein by reference).
10.11**	Form of Non-Qualified Stock Option Agreement for Independent Directors (filed as Exhibit 10.5 to the Current Report on Form 8-K (File No. 000-26933) filed on May 25, 2007, and incorporated herein by reference).

<u>Exhibit No.</u>	<u>Exhibit</u>
10.12	Lease dated as of July 10, 2006 between Abaco Urbanizacao E Empreendimentos Limitada and Lionbridge Participações, Ltda. (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2006, and incorporated herein by reference).
10.13	Lease dated as of July 11, 2006, between Taifun Real sp. zo.o and Lionbridge Poland sp. zo.o (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2006, and incorporated herein by reference).
10.14	Third Amendment to Lease dated October 31, 2006, between 492 OCP LLC and Lionbridge Technologies, Inc. (filed as Exhibit 10.26 to the Annual Report on Form 10-K (File No. 000-26933) for the year ended December 31, 2006, and incorporated herein by reference).
10.15	Lease dated as of March 14, 2007, between TCAM Core Property Fund Operating LP and Lionbridge US, Inc. (filed as Exhibit 10.5 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended March 31, 2007, and incorporated herein by reference).
10.16	Lease amendment dated as of May 1, 2007, between Société Civile Immobilière Core Sophia and Lionbridge Technologies SARL (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No: 000-26933) for the quarter ended June 30, 2007, and incorporated herein by reference).
10.17	Lease amendment dated as of June 4, 2007, between IEF Vastgoad Pluto B.V. and Lionbridge Technologies B.V. (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No: 000-26933) for the quarter ended June 30, 2007, and incorporated herein by reference).
10.18	First Amendment to the Lease Agreement dated as of June 5, 2008 between iAnywhere Solutions, Inc. and Lionbridge Technologies, Inc. (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2008, and incorporated herein by reference.)
10.19	Fifth Amendment to Office Lease dated as of July 3, 2008 between BCCC Property LLC and Lionbridge Technologies, Inc. (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2008, and incorporated herein by reference).
10.20	Seventh Amendment to the Lease Agreement dated as of July 10, 2008 between Sterling Realty Organization Co. and Lionbridge Technologies, Inc. (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2008, and incorporated herein by reference).
10.21	Lease dated July 28, 2008 between Lionbridge (Thailand) Ltd and Silom Building and Service Co., Ltd.
10.22	Lease Agreement dated as of December 23, 2008 between Horizon West Property Management, Inc. and Lionbridge US, Inc. (filed as Exhibit 10.30 to the Annual Report on Form 10-K (File No. 000-26933) for the year ended December 31, 2008, and incorporated herein by reference).
10.23	Lease dated as of January 28, 2009, between Virgo Chanin Business Centers LLC and Lionbridge Technologies, Inc. (filed as Exhibit 10.38 to the Annual Report on Form 10-K (File No. 000-26933) for the year period ending December 31, 2009, and incorporated herein by reference.)
10.24	Lease dated as of February 25, 2009, between Bernardo Summit LLC and Lionbridge Technologies, Inc. (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter period ending March 31, 2009, and incorporated herein by reference.)
10.25	First Amendment to Lease dated June 2, 2009, between Horizon West Property Management, Inc. and Lionbridge US, Inc. (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended June 30, 2009, and incorporated herein by reference).

<u>Exhibit No.</u>	<u>Exhibit</u>
10.26	Termino de Contrato, Finiquito y Contrato de Arrendamiento (Lease) dated July 27, 2009, between Union Investment Chile V S.A. and Lionbridge Chile Traducciones Limitada (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2009, and incorporated herein by reference).
10.27	Lease dated August 6, 2009 between Technopolis Plc and Lionbridge Testing Services Oy (filed as Exhibit 10.27 to the Annual Report on Form 10-K (File No. 000-26933) for the year ended December 31, 2010, and incorporated herein by reference).
10.28	Lease dated August 18, 2009, between Lambhar Singh Rai and Sukhjot Kaur Rai and Cosmic Concepts Limited and Lionbridge (UK) Limited (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2009, and incorporated herein by reference).
10.29	Underlease dated August 19, 2009, between The Secretary of State for Environment Food and Rural Affairs, Lionbridge (UK) Limited, and Lionbridge Technologies, Inc. (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2009, and incorporated herein by reference).
10.30	Lease dated November 19, 2009 between National IT Industry Promotion Agency and Lionbridge Korea Co. Ltd. (filed as Exhibit 10.30 to the Annual Report on Form 10-K (File No. 000-26933) for the year ended December 31, 2010, and incorporated herein by reference).
10.31	Lease dated January 17, 2010 between Huan-Yi Enterprises Co., Ltd, Liao-Su-Jen and Lionbridge of Europe B.V. Taiwan Branch (filed as Exhibit 10.31 to the Annual Report on Form 10-K (File No. 000-26933) for the year ended December 31, 2010, and incorporated herein by reference).
10.32	Lease dated April 1, 2010 between Mitsubishi Estate Co., Ltd. and Lionbridge Japan K.K (filed as Exhibit 10.32 to the Annual Report on Form 10-K (File No. 000-26933) for the year ended December 31, 2010, and incorporated herein by reference).
10.33	Lease dated April 23, 2010 between Fata Assicurazioni Danni SpA and Lionbridge Italy Srl (filed as Exhibit 10.33 to the Annual Report on Form 10-K (File No. 000-26933) for the year ended December 31, 2010, and incorporated herein by reference).
10.34	Lease dated as of April 26, 2010 between ADF Properties LLC and Lionbridge Technologies, Inc. (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended June 30, 2010, and incorporated herein by reference).
10.35	Lease dated as of May 12, 2010 between Promociones Inmobiliarias Capital 7, SL and Lionbridge Espana SL (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended June 30, 2010, and incorporated herein by reference).
10.36	Lease dated as of May 31, 2010 between Beijing Tongshun Real Estate Development Co., Ltd. and Beijing Lionbridge Global Solutions Technologies, Inc. (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended June 30, 2010, and incorporated herein by reference).
10.37	Lease dated as of June 22, 2010 between Dominion Corporate Trustees Limited and Dominion Trust Limited and Lionbridge (UK) Limited (filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended June 30, 2010, and incorporated herein by reference).
10.38	Lease dated as of September 16, 2010 between British and Malayan Trustees Limited in its capacity as trustee of Frasers Commercial Trust, Orrick Investments Pte. Limited and Lionbridge Singapore Pte. Ltd. (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2010, and incorporated herein by reference).

<u>Exhibit No.</u>	<u>Exhibit</u>
10.39	Lease dated as of October 12, 2010 between Beijing Oriental Plaza Co., Ltd. and Huanqui Tonglian WFOE (Lionbridge (Beijing) Technologies, Inc. (filed as Exhibit 10.39 to the Annual Report on Form 10-K (File No. 000-26933) for the year ended December 31, 2010, and incorporated herein by reference).
10.40	Lease dated as of October 12, 2010 between Beijing Oriental Plaza Co, Ltd. and Beijing Global Solutions Technologies, Inc. (filed as Exhibit 10.40 to the Annual Report on Form 10-K (File No. 000-26933) for the year ended December 31, 2010, and incorporated herein by reference).
10.41	Lease and license agreement dated December 20, 2010 between Lake View Developers and Lionbridge Technologies Private Limited (filed as Exhibit 10.41 to the Annual Report on Form 10-K (File No. 000-26933) for the year ended December 31, 2010, and incorporated herein by reference).
10.42	Deed of Lease effective January 26, 2011 between Ascendas IT Park (Chennai) Limited and Lionbridge Technologies Private Limited (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended March 31, 2011, and incorporated herein by reference).
10.43	Agreement for Services effective January 26, 2011 between Ascendas IT Park (Chennai) Limited and Lionbridge Technologies Private Limited (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended March 31, 2011, and incorporated herein by reference).
10.44	Lease Agreement dated February 1, 2011 between Taifun Real Sp.zo.o. and Lionbridge Poland Sp.zo.o. (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended March 31, 2011, and incorporated herein by reference).
10.45	Sub-lease dated February 4, 2011 between Frontline the International Foundation for the Protection of Human Rights Defenders Trust and Lionbridge International (filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended March 31, 2011, and incorporated herein by reference).
10.46	Office Lease dated February 24, 2011 between Columbia Tech Center LLC and Lionbridge Technologies, Inc. (filed as Exhibit 10.5 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended March 31, 2011, and incorporated herein by reference).
10.47	Office Lease Agreement No. Chor Or 2554/008 dated March 1, 2011 between Silom Building and Service Co., Ltd. and Lionbridge (Thailand) Limited (filed as Exhibit 10.6 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended March 31, 2011, and incorporated herein by reference).
10.48	Service Agreement No. Chor Or (Bor) 2554/008 dated March 1, 2011 between Silom Building and Service Co., Ltd. and Lionbridge (Thailand) Limited (filed as Exhibit 10.7 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended March 31, 2011, and incorporated herein by reference).
10.49	Lease executed June 28, 2011 between Margot og Thorvald Dreyers Fond (the Margot and Thorvald Dreyer Foundation), Charlotte Dreyer and Susan Dreyer and Lionbridge Denmark A/S (filed as Exhibit 10.8 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended June 30, 2011, and incorporated herein by reference).
10.50	Lease executed September 15, 2011 between IEF Capital Vastgoed Rietveld (Amsterdam Overschiestraat ) B.V. and Lionbridge Technologies B.V. (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2011, and incorporated herein by reference).

<u>Exhibit No.</u>	<u>Exhibit</u>
10.51	Lease executed July 21, 2011 between UCM/MDC-1010 Wayne LLC and Lionbridge Global Solutions II, Inc. (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2011, and incorporated herein by reference).
10.52	Lease effective September 1, 2011 between Coventry University Enterprises Limited and Lionbridge (UK) Limited (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2011, and incorporated herein by reference).
10.53*	Amendment to Lease between Marite Oy and Lionbridge Oy executed September 15, 2011.
10.54*	Lease Agreement for Office Space between National IT Industry Promotion Agency and L10nbridge Korea Co. Ltd. effective November 21, 2011.
10.55*	Sixth Amendment to Lease dated December 21, 2011 between BP Bay Colony LLC (successor-in-interest to BCCC Property LLC) and Lionbridge Technologies, Inc.
10.56*	Commercial Lease Agreement between WH2005/NIAM III East Holding Ltd and Lionbridge Testing Services Oy executed October 28, 2011.
10.57**	Form of Indemnification Agreement between Lionbridge Technologies, Inc. and its Officers and Directors (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended March 31, 2003, and incorporated herein by reference).
10.58**	Non-competition Agreement between the Lionbridge Technologies, Inc. and Henri Broekmate dated March 24, 2004, (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended March 31, 2004, and incorporated herein by reference).
10.59**	Form of Restricted Stock Unit Agreement under the Lionbridge 1998 Stock Plan (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2004, and incorporated herein by reference).
10.60**	Form of Restricted Stock Unit Award Agreement under the Lionbridge 2005 Stock Incentive Plan (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended March 31, 2006, and incorporated herein by reference).
10.61**	Rory Cowan Performance-Based Restricted Stock Award Agreement (filed as Exhibit 10.2 to the Current Report on Form 8-K (File No. 000-26933) filed on September 20, 2006, and incorporated herein by reference).
10.62**	Rory Cowan Performance-Based Stock Option Agreement (filed as Exhibit 10.3 to the Current Report on Form 8-K (File No. 000-26933) filed on September 20, 2006, and incorporated herein by reference).
10.63**	Employment and Business Protection Agreement, effective as of September 17, 2007, between Donald M. Muir and Lionbridge Technologies, Inc. (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-26933) filed on September 11, 2007, and incorporated herein by reference).
10.64**	Amended and Restated Lionbridge Change of Control Plan (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-26933) filed on November 5, 2008, and incorporated herein by reference).
10.65**	Amended and Restated Change of Control Agreement between Lionbridge and Executive Officers (filed as Exhibit 10.2 to the Current Report on Form 8-K (File No. 000-26933) filed on November 5, 2008, and incorporated herein by reference).

<u>Exhibit No.</u>	<u>Exhibit</u>
10.66**	Amended and Restated Employment Agreement dated October 31, 2008 between Rory J. Cowan and Lionbridge Technologies, Inc. (filed as Exhibit 10.49 to the Annual Report on Form 10-K (File No. 000-26933) for the period ended December 31, 2010, and incorporated herein by reference).
10.67**	Form of Management Incentive Plan Agreement for Executive Officers (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 0000-26933) filed on February 10, 2010, and incorporated herein by reference).
10.68**	Form of Long-Term Performance-Based Award Agreement for Executive Officers (filed as Exhibit 10.2 to the Current Report on Form 8-K (File No. 000-26933) filed on February 10, 2010, and incorporated herein by reference).
10.69**	Form of Long-Term Performance-Based Restricted Stock Award Agreement (filed as Exhibit 10.1 to the Current Report on Form 8-K/A (File No. 000-26933) filed on June 18, 2010, as amended, and incorporated herein by reference).
10.70**	Form of Management Incentive Plan Agreement (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-26933) filed on February 1, 2011, and incorporated herein by reference).
10.71**	Form of 2011 Long-Term Performance-based Stock Incentive Award Agreement (LTIP) (filed as Exhibit 10.2 to the Current Report on Form 8-K (File No. 000-26933) filed on February 1, 2011, and incorporated herein by reference).
10.72**	Amended and Restated Non-Employee Director Compensation Plan (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-26933) filed on May 6, 2011, and incorporated herein by reference).
10.73**	Lionbridge Technologies, Inc. 2011 Stock Incentive Plan (the “2011 Plan”) (filed as Exhibit 10.1 to the Registration Statement on Form S-8 (File No. 000-26933) filed on May 16, 2011, and incorporated herein by reference).
10.74**	Form of Non-Qualified Stock Option Agreement (For Officers and Employees) under the 2011 Plan (filed as Exhibit 10.2 to the Registration Statement on Form S-8 (File No. 000-26933) filed on May 16, 2011, and incorporated herein by reference).
10.75**	Form of Non-Qualified Stock Option Agreement (For Non-Employee Directors) under the 2011 Plan (filed as Exhibit 10.3 to the Registration Statement on Form S-8 (File No. 000-26933) filed on May 16, 2011, and incorporated herein by reference).
10.76**	Form of Restricted Stock Agreement under the 2011 Plan (filed as Exhibit 10.4 to the Registration Statement on Form S-8 (File No. 000-26933) filed on May 16, 2011, and incorporated herein by reference).
10.77**	Form of Restricted Stock Unit Agreement under the 2011 Plan (filed as Exhibit 10.5 to the Registration Statement on Form S-8 (File No. 000-26933) filed on May 16, 2011, and incorporated herein by reference).
10.78**	Form of Restricted Stock Unit Agreement for Non-Employee Directors under the 2011 Plan (filed as Exhibit 10.6 to the Registration Statement on Form S-8 (File No. 000-26933) filed on May 16, 2011, and incorporated herein by reference).
10.79**	Amended and Restated Lionbridge Technologies, Inc. 2011 Stock Incentive Plan (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-26933) filed on November 2, 2011, and incorporated herein by reference).

<u>Exhibit No.</u>	<u>Exhibit</u>
10.80	Credit Agreement dated as of December 21, 2006, by and among Lionbridge Technologies, Inc., VeriTest, Inc., Lionbridge US, Inc., Lionbridge Global Solutions Federal, Inc., the several banks and financial institutions named therein, and HSBC Bank USA, National Association, as administrative agent (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-26933) filed on December 26, 2006, and incorporated herein by reference).
10.81	Pledge Agreement dated as of December 21, 2006, by and among Lionbridge Technologies, Inc., VeriTest, Inc., Lionbridge US, Inc., Lionbridge Global Solutions Federal, Inc., the several banks and financial institutions named therein, and HSBC Bank USA, National Association, as administrative agent (filed as Exhibit 10.2 to the Current Report on Form 8-K (File No. 000-26933) filed on December 26, 2006, and incorporated herein by reference).
10.82	Security Agreement dated as of December 21, 2006, by and among Lionbridge Technologies, Inc., VeriTest, Inc., Lionbridge US, Inc., Lionbridge Global Solutions Federal, Inc., the several banks and financial institutions named therein, and HSBC Bank USA, National Association, as administrative agent (filed as Exhibit 10.3 to the Current Report on Form 8-K (File No. 000-26933) filed on December 26, 2006, and incorporated herein by reference).
10.83	Joinder Agreement dated as of October 30, 2009, by and among Lionbridge Global Sourcing Solutions, Inc., Lionbridge Technologies, Inc., HSBC Bank USA, National Association, as administrative agent for the benefit of the Lenders (filed as Exhibit 10.1 to the Current Report Form 8-K (File No. 000-26933) filed on November 5, 2009, and incorporated herein by reference).
10.84	Amendment and Joinder Agreement dated as of January 22, 2007, among Lionbridge Technologies, Inc., HSBC Bank USA, NA and the parties named therein (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-26933) filed on January 25, 2007, and incorporated herein by reference).
10.85	Charge on Shares of Lionbridge International (filed as Exhibit 10.2 to the Current Report on Form 8-K (File No. 000-26933) filed on January 25, 2007, and incorporated herein by reference).
10.86	Charge on Shares of Lionbridge International Finance Limited (filed as Exhibit 10.3 to the Current Report on Form 8-K (File No. 000-26933) filed on January 25, 2007, and incorporated herein by reference).
10.87	Notes issued by Lionbridge International Finance Limited to the Lenders under the Credit Agreement (filed as Exhibit 10.4 to the Current Report on Form 8-K (File No. 000-26933) filed on January 25, 2007, and incorporated herein by reference).
10.88	Amendment No. 3 to Credit Agreement dated as of September 30, 2010 by and among Lionbridge Technologies, Inc., Lionbridge International Finance Limited, the Foreign Guarantors, the US Guarantors, and HSBC Bank USA, N.A. (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-26933) filed on October 5, 2010, and incorporated herein by reference).
14	Lionbridge Technologies, Inc. Code of Conduct (filed as Exhibit 14 to the Form 10-K (File No. 000-26933) for the period ending December 31, 2007, and incorporated herein by reference).
21.1*	Subsidiaries of Lionbridge
23.1*	Consent of PricewaterhouseCoopers LLP
31.1*	Certification of Rory J. Cowan, the Company's principal executive officer as required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

<u>Exhibit No.</u>	<u>Exhibit</u>
31.2*	Certification of Donald M. Muir, the Company's principal financial officer as required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*†	Certifications of Rory J. Cowan, the Company's principal executive officer, and Donald M. Muir, the Company's principal financial officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101††	The following financial information from Lionbridge Technologies, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the SEC on March 14, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Cash Flows, (iv) Condensed Consolidated Statements of Stockholders' Equity, and (v) the Notes to Condensed Consolidated Financial Statements, tagged in summary and detail.

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\* Filed herewith.

\*\* Indicates a management contract or any compensatory plan, contract or arrangement required to be filed as an exhibit pursuant to Item 15(b) of Form 10-K.

† Furnished herewith.

†† As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities and Exchange Act of 1934.

## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of  
Lionbridge Technologies, Inc.

In our opinion, the consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Lionbridge Technologies, Inc. and its subsidiaries at December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Annual Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ PricewaterhouseCoopers LLP  
Boston, Massachusetts  
March 14, 2012

**LIONBRIDGE TECHNOLOGIES, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(Amounts in thousands, except share data)

	December 31,	
	2011	2010
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents .....	\$ 25,219	\$ 28,206
Accounts receivable, net of allowances of \$500 at December 31, 2011 and 2010, respectively .....	58,413	57,763
Unbilled receivables .....	20,665	17,471
Other current assets .....	9,120	9,585
Total current assets .....	113,417	113,025
Property and equipment, net .....	21,725	16,394
Goodwill .....	9,675	9,675
Other intangible assets, net .....	7,256	9,588
Other assets .....	5,674	8,294
Total assets .....	\$ 157,747	\$ 156,976
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable .....	\$ 19,347	\$ 18,185
Accrued compensation and benefits .....	15,696	17,080
Accrued outsourcing .....	10,907	9,506
Accrued restructuring .....	1,308	5,036
Other accrued expenses .....	8,105	10,587
Income taxes payable .....	1,482	763
Deferred revenue .....	11,057	11,073
Total current liabilities .....	67,902	72,230
Long-term debt, less current portion .....	24,700	24,700
Deferred income taxes, long-term .....	641	730
Other long-term liabilities .....	13,212	14,142
Commitments and Contingencies (Note 6)		
Stockholders' equity:		
Preferred stock, \$0.01 par value; 5,000,000 shares authorized; no shares issued and outstanding .....	—	—
Common stock, \$0.01 par value; 100,000,000 shares authorized; 61,903,518 and 60,084,269 shares issued and outstanding at December 31, 2011 and 2010, respectively .....	619	601
Additional paid-in capital .....	267,388	262,540
Accumulated deficit .....	(234,976)	(236,704)
Accumulated other comprehensive income .....	18,261	18,737
Total stockholders' equity .....	51,292	45,174
Total liabilities and stockholders' equity .....	\$ 157,747	\$ 156,976

The accompanying notes are an integral part of the consolidated financial statements.

**LIONBRIDGE TECHNOLOGIES, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(Amounts in thousands, except per share amounts)

	<u>For the Years Ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Revenue .....	\$427,856	\$405,238	\$389,250
Operating expenses:			
Cost of revenue (exclusive of depreciation and amortization shown separately below) .....	296,221	275,474	264,038
Sales and marketing .....	33,563	31,218	28,777
General and administrative .....	75,047	74,087	74,056
Research and development .....	5,765	3,880	4,026
Depreciation and amortization .....	5,956	4,901	4,619
Amortization of acquisition-related intangible assets .....	2,332	4,892	5,520
Restructuring and other charges .....	3,369	7,762	6,842
Total operating expenses .....	<u>422,253</u>	<u>402,214</u>	<u>387,878</u>
Income from operations .....	5,603	3,024	1,372
Interest expense:			
Interest on outstanding debt .....	722	939	1,777
Amortization of deferred financing costs .....	100	311	177
Interest income .....	71	87	122
Other expense, net .....	3,195	1,749	3,732
Income (loss) before income taxes .....	1,657	112	(4,192)
Provision for (benefit from) income taxes .....	(71)	1,402	(184)
Net income (loss) .....	<u>\$ 1,728</u>	<u>\$ (1,290)</u>	<u>\$ (4,008)</u>
Net income (loss) per share of common stock:			
Basic .....	\$ 0.03	\$ (0.02)	\$ (0.07)
Diluted .....	\$ 0.03	\$ (0.02)	\$ (0.07)
Weighted average number of shares outstanding:			
Basic .....	57,859	56,690	56,036
Diluted .....	59,478	56,690	56,036

The accompanying notes are an integral part of the consolidated financial statements.

**LIONBRIDGE TECHNOLOGIES, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(Amounts in thousands, except number of shares)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity	Comprehensive Income (Loss)
	Shares	Par Value					
Balance at January 1, 2009	57,214,003	\$572	\$255,126	\$(231,406)	\$15,378	\$39,670	
Issuance of restricted stock	1,353,882	14	(14)				
Restricted stock forfeitures to cover employee withholding taxes on vested shares	(163,366)	(2)	(269)			(271)	
Common stock issued for option exercises	3,000	5	5			5	
Stock-based compensation (net of unvested restricted stock forfeitures)	(215,125)	(2)	3,601			3,599	
Comprehensive loss:							
Net loss				(4,008)		(4,008)	\$(4,008)
Other comprehensive income:							
Unrealized loss on cash flow hedge					391	391	391
Impact to revalue unfunded projected benefit obligation					168	168	168
Translation adjustment					1,475	1,475	1,475
Comprehensive loss					\$17,412	\$41,029	\$(1,974)
Balance at December 31, 2009	58,192,394	\$582	\$258,449	\$(235,414)	\$17,412	—	
Issuance of restricted stock	2,171,036	21	(21)				
Restricted stock forfeitures to cover employee withholding taxes on vested shares	(158,517)	(2)	(613)			(615)	
Common stock issued for option exercises	521,418	5	1,521			1,526	
Stock-based compensation (net of unvested restricted stock forfeitures)	(419,751)	(3)	4,043			4,040	
Shares repurchased	(222,311)	(2)	(839)			(841)	
Comprehensive loss:							
Net loss				(1,290)		(1,290)	\$(1,290)
Other comprehensive income:							
Impact to revalue unfunded projected benefit obligation					110	110	110
Translation adjustment					1,215	1,215	1,215
Comprehensive gain					\$18,737	\$45,174	\$ 35
Balance at December 31, 2010	60,084,269	\$601	\$262,540	\$(236,704)	\$18,737	—	
Issuance of restricted stock	2,003,039	20	(20)				
Restricted stock forfeitures to cover employee withholding taxes on vested shares	(210,353)	(2)	(751)			(753)	
Common stock issued for option exercises	336,480	3	530			533	
Stock-based compensation (net of unvested restricted stock forfeitures)	(178,063)	(2)	5,515			5,513	
Shares repurchased	(131,854)	(1)	(426)			(427)	
Comprehensive income:							
Net income				1,728		1,728	\$ 1,728
Other comprehensive income:							
Impact to revalue unfunded projected benefit obligation					25	25	25
Translation adjustment					(501)	(501)	(501)
Comprehensive gain					\$18,261	\$51,292	\$ 1,252
Balance at December 31, 2011	61,903,518	\$619	\$267,388	\$(234,976)	\$18,261	—	

The accompanying notes are an integral part of the consolidated financial statements.

**LIONBRIDGE TECHNOLOGIES, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in thousands)

	<u>For the Years Ended December 31,</u>		
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:			
Net income (loss) . . . . .	\$ 1,728	\$ (1,290)	\$ (4,008)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Amortization of acquisition-related intangible assets . . . . .	2,332	4,892	5,520
Stock-based compensation . . . . .	5,515	4,040	3,599
Non-cash restructuring and other charges . . . . .	—	270	—
Amortization of deferred financing costs . . . . .	100	311	177
Depreciation and amortization . . . . .	5,956	4,901	4,619
Provision for doubtful accounts . . . . .	200	81	(144)
Gain on disposal of fixed assets . . . . .	(24)	(14)	(5)
Deferred income taxes . . . . .	303	(753)	(2,435)
Net realized and unrealized foreign currency gains (losses) on forward contracts . . . . .	607	(814)	—
Changes in operating assets and liabilities:			
Accounts receivable . . . . .	(1,049)	(3,642)	12,686
Unbilled receivables . . . . .	(3,222)	(528)	1,003
Other current assets . . . . .	358	(1,173)	1,618
Other assets . . . . .	2,560	(1,188)	174
Accounts payable . . . . .	924	(879)	1,534
Accrued compensation and benefits . . . . .	(2,965)	447	(4,216)
Accrued outsourcing . . . . .	1,539	214	94
Accrued restructuring . . . . .	(3,735)	3,240	(25)
Income taxes payable . . . . .	746	(688)	(2,024)
Other accrued expenses . . . . .	(2,018)	801	4,119
Deferred revenue . . . . .	(21)	(244)	922
Net cash provided by operating activities . . . . .	<u>9,834</u>	<u>7,984</u>	<u>23,208</u>
Cash flows from investing activities:			
Purchases of property and equipment . . . . .	(12,433)	(8,787)	(3,068)
Proceeds from sale of property and equipment . . . . .	—	6	2
Net proceeds from (payments of) forward contract hedges . . . . .	(607)	814	—
Net cash used in investing activities . . . . .	<u>(13,040)</u>	<u>(7,967)</u>	<u>(3,066)</u>
Cash flows from financing activities:			
Proceeds from borrowings on revolving line of credit . . . . .	23,500	—	3,500
Payments of borrowings on revolving line of credit . . . . .	(23,500)	—	(3,500)
Payments of long-term debt . . . . .	—	—	(31,000)
Proceeds from issuance of common stock under option and employee stock purchase plans . . . . .	104	701	5
Payments of capital lease obligations . . . . .	(14)	(11)	(130)
Net cash provided by (used in) financing activities . . . . .	<u>90</u>	<u>690</u>	<u>(31,125)</u>
Net increase (decrease) in cash and cash equivalents . . . . .	(3,116)	707	(10,983)
Effects of exchange rate changes on cash and cash equivalents . . . . .	129	67	437
Cash and cash equivalents at beginning of year . . . . .	28,206	27,432	37,978
Cash and cash equivalents at end of year . . . . .	<u>\$ 25,219</u>	<u>\$28,206</u>	<u>\$ 27,432</u>

The accompanying notes are an integral part of the consolidated financial statements.

**LIONBRIDGE TECHNOLOGIES, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of Presentation:**

*Nature of the Business*

Lionbridge Technologies, Inc. and its wholly owned subsidiaries (collectively, “Lionbridge” or the “Company”) provides a suite of content, development and testing solutions to businesses, particularly in the technology, mobile and telecommunications, internet and media, life sciences, government, manufacturing, automotive, retail, aerospace, education and financial services industries. Lionbridge is a leading provider of language, content and testing solutions that enable clients to optimize, release, manage and maintain their technology applications and content globally. Lionbridge’s solutions include product and content globalization; interpretation services; application development and maintenance; software and hardware testing; product certification and competitive analysis. Lionbridge has three operating segments: Global Language and Content (“GLC”), Global Development and Testing (“GDT”) and Interpretation. As part of its GLC solutions, Lionbridge also develops and authors technical documentation. Lionbridge GLC solutions utilize the Company’s cloud-based technology platform and global service delivery model which make the translation, localization and authoring process more efficient for Lionbridge clients. Through its GDT solutions, Lionbridge optimizes, tests and maintains IT applications to ensure the quality, interoperability, usability relevance and performance of clients’ software, consumer technology products, web sites and content. Lionbridge’s testing services, which are offered under the VeriTest brand, also include product certification and competitive analysis. Lionbridge has substantial domain experience developing, testing and maintaining applications in a cost-efficient, blended on-site and offshore model. Lionbridge provides interpretation services for government, business and healthcare organizations that require experienced linguists to facilitate communication. Lionbridge has its head office in the United States, with operations in Europe, Asia, India, North America, and Latin America.

Lionbridge anticipates that its present cash and cash equivalents position and available financing under its Credit Agreement should provide adequate cash to fund its currently anticipated cash needs for the next twelve months and foreseeable future. Should the Company require additional funding, the Company’s access to capital markets as a means of funding any anticipated cash needs may be limited due to global economic market conditions. Moreover, the Company may not be able to access additional debt financing on the same or substantially similar terms as those in the Credit Agreement due to volatility and instability in worldwide credit markets. Management is committed to pursuing alternative financing arrangements or reducing expenditures as necessary to meet the Company’s cash requirements through 2012 if necessary.

*Out of Period Adjustments*

During the three-month interim period ended March 31, 2011, the Company identified certain out of period immaterial errors related to revenue recognition in the fourth quarter of 2010 and certain gross receipts taxes for the period of fiscal years 2007 through 2010. The Company corrected these errors during the three-month interim period ended March 31, 2011, which had the effect of reducing net income by \$320,000, comprised of a \$108,000 reduction in revenue, a \$30,000 increase in cost of revenue and a \$182,000 increase in general and administrative expenses.

During the three-month interim period ended June 30, 2011, the Company identified certain out of period immaterial errors related to revenue recognition in the fourth quarter of 2010 and first quarter of 2011 and certain property tax accruals for the period of fiscal year 2007 through the first quarter of 2011. The Company corrected these errors during the three-month interim period ended June 30, 2011, which had the effect of decreasing net income by \$16,000, comprised of a \$210,000 reduction in revenue and a \$194,000 decrease in general and administrative expenses.

## LIONBRIDGE TECHNOLOGIES, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company has evaluated these errors and does not believe the amounts are material to any periods impacted and the correction of these errors is not material to the condensed consolidated financial statements for the year ended December 31, 2011 or any interim periods within the 2011 year.

#### **2. Significant Accounting Policies:**

The accompanying consolidated financial statements of Lionbridge reflect the application of certain significant accounting policies as described below:

##### *Principles of Consolidation*

The accompanying consolidated financial statements include the accounts of Lionbridge and its wholly owned subsidiaries from the effective date of their acquisition or formation. All significant inter-company accounts and transactions have been eliminated in the consolidated financial statements.

##### *Revenue Recognition*

Lionbridge recognizes revenue as services are performed and amounts are earned in accordance with ASC 605-20, "Services" ("ASC 605-20"). Lionbridge considers amounts to be earned when (1) persuasive evidence of an arrangement has been obtained; (2) services are delivered; (3) the fee is fixed or determinable; and (4) collectability is reasonably assured. Determination of criteria (3) and (4) are based on management's judgments regarding the fixed nature of the fee charged for services rendered and products delivered and the collectability of those fees.

Lionbridge's revenue is recorded from the provision of services to customers for GLC, GDT and Interpretation services which include content development, product and content globalization, interpretation, software and hardware testing, product certification and application development and maintenance.

Content development, software and hardware testing, interpretations and application development and maintenance projects are normally time and expense priced contracts, and revenue is recognized using a time and expense basis over the period of performance, primarily based on labor costs incurred to date.

Product and content globalization and product certification projects are fixed price contracts and revenue is recognized as services are delivered. Depending on specific contractual provisions and the nature of the deliverable, revenue is recognized (1) on a proportional performance model based on level of effort, (2) as milestones are achieved or (3) when final deliverables have been met. Amounts billed in excess of revenue recognized are recorded as deferred revenue.

The delivery of Lionbridge's GLC services involves and is dependent on the translation and development of content by subcontractors and in-house employees. As the time and cost to translate or produce each word of content within a project is relatively uniform, labor input is reflective of the delivery of the contracted service and an appropriate metric for the measurement of proportional performance in delivering such services. The use of a proportional performance assessment of service delivery requires significant judgment relative to estimating total contract costs, including assumptions relative to the length of time to complete the project, the nature and complexity of the work to be performed, anticipated increases in employee wages and prices for subcontractor services, and the availability of subcontractor services. When adjustments in estimated project costs are identified, anticipated losses, if any, are recognized in the period in which they are determined.

## LIONBRIDGE TECHNOLOGIES, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Lionbridge's GLC agreements with its customers may provide the customer with a fixed and limited time period following delivery during which Lionbridge will attempt to address any non-conformity to previously agreed upon objective specifications relating to the work, either in the form of a limited acceptance period or a post-delivery warranty period. Management believes recognition of revenue at the time the services are delivered is appropriate, because its obligations under such provisions are limited in time, limited in scope, and historically have not involved significant costs. In the future, if the post delivery acceptance or warranty provisions become more complex or include subjective acceptance criteria, Lionbridge may have to revise its revenue recognition policy appropriately, which could affect the timing of revenue recognition.

Lionbridge's GLC segment includes Translation Workspace, the Company's hosted proprietary, internet-architected translation memory application that simplifies translation management. This SaaS-based application is available to translators on a subscription basis. SaaS-based revenue is billed in advance and generally recognized over the subscription period. Incremental overage fees are recognized in the period incurred.

Lionbridge occasionally provides integrated full-service offerings throughout a client's product and content lifecycle, including GLC and GDT services. Such multiple-element service offerings are governed by ASC 605-25, "Multiple-Element Arrangements" ("ASC 605-25"). For these arrangements where the GLC and GDT services have independent value to the customer, and there is evidence of selling price for each service, the combined service arrangement is bifurcated into separate units for accounting treatment. In instances where it is not possible to bifurcate a project, direct and incremental costs attributable to each component are deferred and recognized together with the service revenue upon delivery. The determination of selling price requires the use of significant judgment. Lionbridge determines the selling price of service revenues based upon its recent pricing for those services when sold separately and/or prevailing market rates for similar services. Upon adoption of ASU 2009-13, "Revenue Recognition: Multiple-Deliverable Revenue Arrangements", there has been no material change to the determination of units of accounting or timing of revenue recognition.

Revenue includes reimbursement of travel and out-of-pocket expenses and certain facilities costs with equivalent amounts of expense recorded in cost of revenue.

Estimates for incentive rebates and other allowances are recorded as a reduction of revenues in the period the related revenues are recorded. These estimates are based upon contracted terms, historical experience and information currently available to management with respect to business and economic trends. Revisions of these estimates are recorded in the period in which the facts that give rise to the revision become known.

#### *Advertising Costs*

Advertising costs are included in sales and marketing expenses and are expensed as incurred. Advertising costs were approximately \$376,000, \$92,000 and \$129,000 for the years ended December 31, 2011, 2010 and 2009, respectively.

#### *Foreign Currency Translation*

The functional currency for each of Lionbridge's foreign operations is predominantly the local currency of the country in which those operations are based. Revenues and expenses of foreign operations are translated into U.S. Dollars at the average rates of exchange during the year. Assets and liabilities of foreign operations are translated into U.S. Dollars at year-end rates of exchange. The Company has reflected a resulting translation loss of \$502,000 for the year ended December 31, 2011, and translation gains of \$1.2 million and \$1.5 million for the years ended December 31, 2010 and 2009, respectively, in accumulated other comprehensive income, which is a component of stockholders' equity. These unrealized gains and losses are primarily attributable to the fluctuation

## LIONBRIDGE TECHNOLOGIES, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

in value between the U.S. Dollar and the Euro. For the purpose of disclosure of comprehensive income (loss), Lionbridge does not record tax provisions or benefits for the net changes in foreign currency translation adjustments, as Lionbridge intends to permanently reinvest undistributed earnings in its foreign subsidiaries.

Realized and unrealized foreign currency transaction gains or losses, arising from exchange rate fluctuations on balances denominated in currencies other than the functional currencies, are included in other expense, net in the consolidated statements of operations and resulted in losses of \$1.7 million, \$1.8 million and \$2.1 million for the years ended December 31, 2011, 2010 and 2009, respectively.

#### *Financial Instruments*

Lionbridge enters into foreign currency forward contracts with commercial banks to hedge exposure to foreign currency assets and liabilities recorded on its balance sheet and utilizes interest rate swaps to manage interest rate risk. Changes in the fair value of foreign exchange forward contracts are recorded in the Company's earnings. The Company had no foreign exchange forward contracts outstanding at December 31, 2011.

On July 20, 2007, the Company entered into a three-year amortizing interest rate swap with a notional amount of \$20.0 million that corresponds to a portion of the Company's floating rate credit facility. On July 31, 2010, the interest rate swap matured. The notional amount effectively converted that portion of the Company's total floating rate credit facility to fixed rate debt. The interest rate swap is designated as a cash flow hedge under the guidance of ASC 815, "Derivatives and Hedging" ("ASC 815") and changes in the fair value are recorded to other comprehensive income.

Lionbridge does not hold or issue financial instruments for trading or speculative purposes.

#### *Cash Equivalents*

Cash and cash equivalents include all highly liquid investments with a maturity of ninety days or less at the time of purchase. Cash equivalents consist primarily of time deposits and are stated at cost plus accrued interest.

#### *Unbilled Receivables*

Unbilled receivables represent revenue not yet billed. Unbilled receivables are calculated for each individual project based on the proportional delivery of services at the balance sheet date. Billing of amounts in unbilled receivables occurs according to customer-agreed payment schedules or upon completion of specified project milestones. All of Lionbridge's projects in unbilled receivables are expected to be billed and collected within one year.

#### *Property and Equipment*

Property and equipment are stated at cost less accumulated depreciation and any recognized impairment loss. Additions and improvements that extend the useful life of an asset are capitalized; maintenance and repairs are expensed as incurred. Upon retirement or other disposition, the cost and related accumulated depreciation of the assets are removed from the accounts and the resulting gain or loss is reflected in the determination of net income or loss.

In accordance with ASC 350-40, "Internal Use Software" ("ASC 350-40"), costs associated with the internally developed software are capitalized when both the preliminary project stage is completed and management has authorized further funding for the project which it deems probable of being completed. Capitalization of such costs ceases no later than the point at which the project is substantially complete and ready for its intended use.

**LIONBRIDGE TECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The cost of property and equipment is depreciated over the estimated useful lives of the assets using the straight-line method, based upon the following asset lives:

Computer software and equipment . . . . .	1 to 7 years
Building and building improvements . . . . .	5 to 40 years
Furniture and office equipment . . . . .	3 to 10 years
Leasehold improvements . . . . .	Shorter of lease term or useful life of asset

*Goodwill and Other Intangible Assets*

Lionbridge assesses the impairment of goodwill and other intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Such events or conditions could include an economic downturn in the industries to which Lionbridge provides services; increased competition; an increase in operating or other costs; additional volatility in international currencies; the pace of technological improvements; or other information regarding Lionbridge’s market value, such as a reduction in stock price to a price near or below the book value of the Company for an extended period of time. When Lionbridge determines that the carrying value of goodwill may not be recoverable based upon one or more of these indicators of impairment, the Company initially assesses any impairment using fair value measurements based on projected discounted cash flow valuation models. In addition, in accordance with ASC 350, “Intangibles—Goodwill and Other” (“ASC 350”), goodwill is reviewed for impairment on an annual basis. At December 31, 2011 and 2010, the Company performed its annual test of goodwill to determine if an impairment existed. This test determined that each reporting unit’s fair value exceeded the carrying value of the net assets of each respective reporting unit, using projected discounted cash flow modeling. As a result, no impairment was recorded for either year.

The Company evaluates whether there has been an impairment in the carrying value of its long-lived assets in accordance with ASC 360, “Property, Plant and Equipment” (“ASC 360”), if circumstances indicate that a possible impairment may exist. An impairment in the carrying value of an asset is assessed when the undiscounted expected future operating cash flows derived from the asset grouping are less than its carrying value. If it is determined that the asset group is impaired then it is written down to its estimated fair value. Factors that could lead to an impairment of acquired customer relationships (recorded with the acquisition of Bowne Global Solutions (“BGS”) in September 2005) include a worsening in customer attrition rates compared to historical attrition rates, or lower than initially anticipated cash flows associated with customer relationships.

Other intangible assets arose from the acquisition of BGS and consist of the following, which have been or are being amortized on a straight-line basis over the following estimated useful lives, except for the BGS customer relationships, of which a portion is being amortized using an economic consumption method:

	<u>Estimated Useful Life</u>
BGS:	
Customer relationships . . . . .	3 to 12 years
Customer contracts . . . . .	3 to 5 years
Internally developed software . . . . .	1 to 4 years

*Income Taxes*

Current income taxes are recorded based on statutory obligations for the current operating period for the various countries in which the Company has operations.

## LIONBRIDGE TECHNOLOGIES, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Deferred income taxes are generally recognized for the difference between the financial statement and tax basis of assets and liabilities (temporary differences) multiplied by the enacted tax rates in effect in the years in which the temporary differences are expected to reverse. A valuation allowance is provided if, based on the weight of available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

#### *Net Income (Loss) per Share*

Basic earnings per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding. For purposes of calculating diluted earnings per share, the denominator includes both the weighted average number of shares of common stock outstanding and the number of dilutive common stock equivalents such as stock options, unvested restricted stock and warrants, as determined using the treasury stock method.

#### *Accounting for Stock-Based Compensation*

The Company recognizes expense for stock options, market-based restricted stock awards and time-based restricted stock awards pursuant to ASC 718, “Compensation—Stock Compensation” (“ASC 718”), which requires recognition of stock-based compensation expense in the statement of operations over the vesting period based on the fair value of the award at the grant date.

The Company has stock-based employee compensation plans which are described more fully in Note 8 to these consolidated financial statements.

#### *Use of Estimates*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company bases its estimates on historical experience, actuarial valuations and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Estimates are used when accounting for the collectability of receivables, calculating revenue based on the proportional delivery of services, and valuing intangible assets, deferred tax assets, net assets of businesses acquired and accrued liabilities associated with compensation. Some of these estimates can be subjective and complex and, consequently, actual results may differ from these estimates under different assumptions or conditions. However, if different assumptions or conditions were to prevail, the results could be materially different from the amounts recorded.

#### *Comprehensive Income (Loss)*

Total comprehensive income (loss) consists of net income (loss), the net change in the funded status of defined benefit postretirement plans, unrealized gains (losses) on a cash flow hedge and the net change in foreign currency translation adjustment.

#### *Concentrations of Credit Risk and Significant Customers*

Financial instruments which potentially subject Lionbridge to concentrations of credit risk consist principally of cash and cash equivalents and trade accounts receivable. The Company places its cash and cash

## LIONBRIDGE TECHNOLOGIES, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

equivalents with several investment grade financial institutions. Investments consist of time deposits with maturities less than 30 days. Concentrations of credit risk with respect to trade accounts receivable are limited due to the dispersion of customers across different industries and geographic regions. Hewlett Packard accounted for approximately 10% of consolidated accounts receivable at December 31, 2011. No other client individually accounted for more than 10% of consolidated accounts receivable at December 31, 2011 or 2010. Lionbridge generally does not require collateral or other security against trade receivable balances; however, it maintains reserves for potential credit losses and such losses have historically been within management's expectations.

#### *Fair Value of Financial Instruments*

Financial instruments are carried in the consolidated financial statements at amounts that approximate fair values at December 31, 2011 and 2010. Fair values are based on market prices and assumptions concerning the amount and timing of estimated future cash flows and assumed discount rates, reflecting varying degrees of perceived risk. The Company recognizes all derivative financial instruments in our consolidated financial statements at fair value in accordance with ASC 815, "Derivatives and Hedging—Net Settlement". The Company records changes in the fair value of derivative instruments in earnings unless deferred hedge accounting criteria is met. For derivative instruments designated as fair value hedges, the Company records the changes in fair value of both the derivative instrument and the hedged item in earnings.

#### *Recent Accounting Pronouncements*

In December 2011, the Financial Accounting Standards Board ("FASB") issued ASU 2011-11, "Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities" ("ASU 2011-11"), authoritative guidance which requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The amendment will be effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The Company does not expect the adoption of this guidance to have a material effect on its consolidated financial statements.

In September 2011, the FASB issued ASU 2011-09, "Compensation—Retirement Benefits—Multiemployer Plans" ("ASU 2011-09") which pertains to an employer's participation in multiemployer benefit plans, amending ASC Subtopic 715-80, "Disclosures about an Employer's Participation in a Multiemployer Plan". The amendment enhances the disclosures about significant multiemployer plans in which an employer participates, the level of the employer's participation, the financial health of the plans and the nature of the employer's commitments to the plans. The new disclosure requirements are required for fiscal years ending after December 15, 2011. The Company does not expect the adoption of this guidance to have a material effect on its consolidated financial statements.

In September 2011, the FASB issued ASU 2011-08, "Testing Goodwill for Impairment" ("ASU 2011-08"), authoritative guidance which simplifies how entities test goodwill for impairment and permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. This authoritative guidance is to be applied for goodwill impairment testing performed for fiscal years beginning after December 15, 2011. The Company does not expect the adoption of this guidance to have a material effect on its consolidated financial statements.

In June 2011, the FASB issued ASU 2011-05, "Comprehensive Income: Presentation of Comprehensive Income" ("ASU 2011-05"), authoritative guidance which allows an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income

## LIONBRIDGE TECHNOLOGIES, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

either in a single continuous statement of comprehensive income or in two separate but consecutive statements. This authoritative guidance eliminates the option to present the components of other comprehensive income as part of the statement of changes in stockholder's equity. This authoritative guidance is to be applied retrospectively and is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. In December 2011, the FASB issued ASU 2011-12, "Comprehensive Income (Topic 820): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income" ("ASU 2011-12"), which defers the reclassifications from other comprehensive income to net income be presented on the face of the financial statements mandated by ASU 2001-05. Although the Company will need to modify the presentation of certain information to comply with the requirements of this guidance, the Company does not expect the adoption of this guidance to have a material effect on its consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, "Fair Value Measurement" ("ASU 2011-04"), an amendment to achieve common fair value measurement and disclosure requirements in GAAP and international financial reporting standards ("IFRS"). The amendments explain how to measure fair value and will improve the comparability of fair value measurement presented and disclosed in financial statements prepared in accordance with GAAP and IFRS. This authoritative guidance is to be applied prospectively and is effective during interim and annual periods beginning after December 15, 2011. The Company does not expect the adoption of this guidance to have a material effect on its consolidated financial statements.

In December 2010, the FASB issued ASU 2010-28, "Intangibles—Goodwill and Other" ("ASU 2010-28"), an amendment to goodwill impairment testing. The amendment modifies Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that impairment may exist. The qualitative factors are consistent with the existing guidance and examples, which require that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The amendments were first effective for fiscal years, and interim periods within those years, beginning after December 15, 2010. The adoption of this guidance did not have an impact on the Company's consolidated financial statements since it did not have any reporting units with zero or negative carrying amounts.

In January 2010, the FASB issued ASU 2010-06, "Value Measurements and Disclosures—Improving Disclosures about Fair Value Measurements" ("ASU 2010-06"), that amends ASC Subtopic 820-10, "Fair Value Measurements and Disclosures—Overall", and requires reporting entities to disclose (1) the amount of significant transfers in and out of Level 1 and Level 2 fair value measurements and describe the reasons for the transfers, and (2) separate information about purchases, sales, issuance and settlements in the reconciliation of fair value measurements using significant unobservable inputs (Level 3). ASU 2010-06 also requires reporting entities to provide fair value measurement disclosures for each class of assets and liabilities and disclose the inputs and valuation techniques for fair value measurements that fall within Levels 2 and 3 of the fair value hierarchy. These disclosures and clarification were effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuance, and settlements in the rollforward of activity in Level 3 fair value measurements. These additional disclosures were effective for fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years. The Company adopted the further provisions of ASU 2010-06 on January 1, 2011 which did not have a material impact on its consolidated financial statements.

**LIONBRIDGE TECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

In October 2009, the Emerging Issues Task Force (“EITF”) reached final consensus on ASU 2009-13, “Revenue Recognition: Multiple-Deliverable Revenue Arrangements” (“ASU 2009-13”), which addresses the issue related to revenue arrangements with multiple deliverables. This issue addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how arrangement consideration should be measured and allocated to the separate units of accounting. This issue is effective for the Company’s revenue arrangements entered into or materially modified on or after January 1, 2011. The Company adopted this guidance and concluded it did not have a material impact on its consolidated financial statements.

**3. Property and Equipment:**

Property and equipment consisted of the following at December 31:

	<b>2011</b>	<b>2010</b>
Computer software and equipment . . . . .	\$ 34,579,000	\$ 29,737,000
Land, buildings and building improvements . . . . .	980,000	980,000
Furniture and office equipment . . . . .	5,213,000	5,221,000
Leasehold improvements . . . . .	10,417,000	6,596,000
	51,189,000	42,534,000
Less: Accumulated depreciation and amortization . . . . .	(29,464,000)	(26,140,000)
	\$ 21,725,000	\$ 16,394,000

Depreciation and amortization expense was \$6.0 million, \$4.9 million and \$4.6 million for the years ended December 31, 2011, 2010 and 2009, respectively.

**4. Goodwill and Other Intangible Assets:**

Changes in the carrying amount of goodwill on a total consolidated basis and by reportable segment for the years ended December 31, 2011 and 2010 consisted of the following:

	<b>GLC</b>	<b>GDT</b>	<b>Total</b>
Balance at December 31, 2009, gross . . . . .	\$ 120,587,000	\$9,675,000	\$ 130,262,000
Accumulated goodwill impairment . . . . .	(120,587,000)	—	(120,587,000)
Balance at December 31, 2010, net . . . . .	\$ —	\$9,675,000	\$ 9,675,000
Balance at December 31, 2010, gross . . . . .	\$ 120,587,000	\$9,675,000	\$ 130,262,000
Accumulated goodwill impairment . . . . .	(120,587,000)	—	(120,587,000)
Balance at December 31, 2011, net . . . . .	\$ —	\$9,675,000	\$ 9,675,000

**LIONBRIDGE TECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Included in “Other intangible assets, net” in the Company’s consolidated balance sheet are other intangible assets that are subject to amortization. The following table summarizes other intangible assets as of December 31, 2011 and 2010, respectively:

	2011			2010		
	Gross Carrying Value	Accumulated Amortization	Balance	Gross Carrying Value	Accumulated Amortization	Balance
BGS acquired customer relationships . . . . .	\$32,000,000	\$(24,744,000)	\$7,256,000	\$32,000,000	\$(22,412,000)	\$9,588,000
BGS acquired customer contracts . . . . .	14,000,000	(14,000,000)	—	14,000,000	(14,000,000)	—
BGS acquired technology . . . . .	2,317,000	(2,317,000)	—	2,317,000	(2,317,000)	—
	<u>\$48,317,000</u>	<u>\$(41,061,000)</u>	<u>\$7,256,000</u>	<u>\$48,317,000</u>	<u>\$(38,729,000)</u>	<u>\$9,588,000</u>

Estimated annual amortization expense related to these intangible assets is as follows:

<u>Year ending December 31,</u>	
2012 . . . . .	\$1,921,000
2013 . . . . .	1,583,000
2014 . . . . .	1,304,000
2015 . . . . .	1,075,000
2016 . . . . .	885,000
Thereafter . . . . .	488,000
	<u>\$7,256,000</u>

**Impairment**

Lionbridge has three reporting units: (1) GLC, (2) GDT, and (3) Interpretation. As of December 31, 2011 and 2010, no goodwill was assigned to our GLC and Interpretation reporting units. The Company performs an annual impairment test of its goodwill as required under the provisions of ASC 350 on December 31 and whenever events or changes in circumstances indicate that the carrying value may not be recoverable. ASC 350 requires that the impairment test be performed through the application of a two-step process. The first step compares the carrying value of the Company’s reporting units to their estimated fair values as of the test date. If fair value is less than carrying value, a second step is performed to quantify the amount of the impairment, if any. As of December 31, 2011 and 2010, the Company performed its annual impairment test for goodwill at the reporting unit level and, after conducting the first step, determined that it was not necessary to conduct the second step as it concluded that the fair value of its reporting units substantially exceeded their carrying value. Accordingly, as of December 31, 2011 and 2010, the Company determined no adjustment to goodwill was necessary. For intangible assets, the Company assesses the carrying value of these assets whenever events or circumstances indicate that the carrying value may not be recoverable. Recoverability of assets to be held and used is measured by comparing the carrying amount of an asset, or asset group, to the future undiscounted cash flows expected to be generated by the asset, or asset group.

**5. Debt:**

On September 30, 2010, the Company entered into Amendment No. 3 (the “Amendment”) with HSBC Bank USA, National Association (“HSBC”) to extend the term for an additional four years to 2014 on its revolving

## LIONBRIDGE TECHNOLOGIES, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

credit agreement dated as of December 31, 2006, as the amended to date (the “Credit Agreement”), which was scheduled to expire in December 2011. In addition, under the terms of the Amendment, the Credit Agreement was amended to reflect that HSBC is the sole lender under the Credit Agreement. The Credit Agreement provides for a \$50.0 million revolving credit facility and establishes interest rates in the range of LIBOR plus 1.75% – 2.50%, depending on certain conditions. At December 31, 2011, \$24.7 million was outstanding with an interest rate of 2.5%. The fair value of debt approximates its current value of \$24.7 million as of December 31, 2011. The Company is required to maintain leverage and fixed charge coverage ratios and to comply with other covenants in its revolving credit agreement. The leverage ratio is calculated by dividing the Company’s total outstanding indebtedness at each quarter end by its adjusted earnings before interest, taxes, depreciation and certain other non-cash expenses during the four consecutive quarterly periods then ended. The fixed charge coverage ratio is calculated by dividing the Company’s adjusted earnings before interest, taxes, depreciation and certain other non-cash expenses minus capital expenditures for each consecutive four quarterly periods by its interest paid and cash paid on taxes during each such consecutive four quarterly periods. The Company was in compliance with both of these ratios as well as all other bank covenants as of December 31, 2011. During 2011, the Company borrowed and paid back \$23.5 million against its revolving line of credit.

#### 6. Commitments and Contingencies:

##### *Operating Lease Commitments*

The Company leases certain equipment and office space under noncancelable agreements which expire at various dates through 2026. Future minimum lease payments under noncancelable operating leases (excluding recognition of sublease income) at December 31, 2011 were as follows:

<u>Year ending December 31,</u>	
2012 .....	\$14,004,000
2013 .....	11,934,000
2014 .....	6,102,000
2015 .....	5,279,000
2016 .....	3,194,000
Thereafter .....	<u>13,262,000</u>
	<u>\$53,775,000</u>

Lionbridge recorded total rental expense of \$14.1 million, \$14.5 million and \$15.6 million in 2011, 2010 and 2009, respectively.

##### *Guarantor Arrangements*

When as part of an acquisition the Company acquires all of the stock or all of the assets and liabilities of a company, the Company assumes the liability for certain events or occurrences that took place prior to the date of acquisition. The maximum potential amount of future payments the Company could be required to make for such obligations is undeterminable at this time. In September 2005, the Company acquired all of the stock of Bowne Global Solutions (“BGS”). Since those dates, the Company has not received any claims for events that occurred prior to such acquisition. The Company believes that there are no such liabilities outside the ordinary course of business related to the acquisition of BGS. Accordingly, the Company has no liabilities recorded for these guarantees as of December 31, 2011. Moreover, pursuant to the terms of the acquisition agreement with BGS, BGS is obligated to indemnify the Company for tax liabilities incurred prior to the September 1, 2005 acquisition date. This indemnification obligation continues in perpetuity with respect to tax liabilities arising prior to the acquisition date.

## LIONBRIDGE TECHNOLOGIES, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Under the terms of the Company's existing Credit Agreement dated as of December 21, 2006, with HSBC Bank USA, National Association, the Company has guaranteed the obligations of certain of its subsidiaries that are borrowers under the terms of the Credit Agreement. The maximum potential amount of future payments the Company could be required to make for such obligations is equal to the maximum amount of borrowings under the Credit Agreement at such time.

Lionbridge enters into services agreements in the ordinary course of business with its customers. Most of these agreements require us to indemnify the customers against third party claims alleging that deliverables provided by Lionbridge infringe on a patent, copyright or other proprietary rights. Certain of these agreements require Lionbridge to indemnify the customers against certain claims relating to property damage, personal injury or the acts or omissions of Lionbridge, its employees, agents or representatives.

From time to time, Lionbridge may guarantee the performance by its subsidiaries of contractual obligations to customers under the terms of services agreements entered into with customers in the ordinary course of business.

Based upon Lionbridge's historical experience, contractual limitations of liability applicable to such indemnities, and information known as of December 31, 2011, the Company believes its liability on the above guarantees and indemnities at December 31, 2011 is immaterial.

#### *Contingencies*

On or about July 24, 2001, a purported securities class action lawsuit captioned "Samet v. Lionbridge Technologies, Inc. et al." (01-CV-6770) was filed in the United States District Court for the Southern District of New York (the "Court") against the Company, certain of its officers and directors, and certain underwriters involved in the Company's initial public offering. The complaint in this action asserted, among other things, that omissions regarding the underwriters' alleged conduct in allocating shares in Lionbridge's initial public offering to the underwriters' customers. In March 2002, the United States District Court for the Southern District of New York entered an order dismissing without prejudice the claims against Lionbridge and its officers and directors (the case remained pending against the underwriter defendants).

On April 19, 2002, the plaintiffs filed an amended complaint naming as defendants not only the underwriter defendants but also Lionbridge and certain of its officers and directors. The amended complaint asserts claims under both the registration and antifraud provisions of the federal securities laws relating to, among other allegations, the underwriters' alleged conduct in allocating shares in the Company's initial public offering and the disclosures contained in the Company's registration statement. On July 15, 2002, the Company, together with the other issuers named as defendants in these coordinated proceedings, filed a collective motion to dismiss the complaint on various legal grounds common to all or most of the issuer defendants. In October 2002, the claims against officers and directors were dismissed without prejudice. In February 2003, the Court issued its ruling on the motion to dismiss, ruling that the claims under the antifraud provisions of the securities laws could proceed against the Company and a majority of the other issuer defendants.

In June 2003, Lionbridge elected to participate in a proposed settlement agreement with the plaintiffs in this litigation. If the proposed settlement had been approved by the Court, it would have resulted in the dismissal, with prejudice, of all claims in the litigation against Lionbridge and against any other of the issuer defendants who elected to participate in the proposed settlement, together with the current or former officers and directors of participating issuers who were named as individual defendants. This proposed settlement was conditioned on, among other things, a ruling by the District Court that the claims against Lionbridge and against the other issuers

## LIONBRIDGE TECHNOLOGIES, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

who had agreed to the settlement would be certified for class action treatment for purposes of the proposed settlement, such that all investors included in the proposed classes in these cases would be bound by the terms of the settlement unless an investor opted to be excluded from the settlement.

On December 5, 2006, the U.S. Court of Appeals for the Second Circuit issued a decision in *In re Initial Public Offering Securities Litigation* that six purported class action lawsuits containing allegations substantially similar to those asserted against the Company may not be certified as class actions due, in part, to the Appeals Court's determination that individual issues of reliance and knowledge would predominate over issues common to the proposed classes. On January 8, 2007, the plaintiffs filed a petition seeking rehearing *en banc* of the Second Circuit Court of Appeals' decision. On April 6, 2007 the Court of Appeals denied the plaintiffs' petition for rehearing of the Court's December 5, 2006 ruling but noted that the plaintiffs remained free to ask the District Court to certify classes different from the ones originally proposed which might meet the standards for class certification that the Court of Appeals articulated in its December 5, 2006 decision. In light of the Court of Appeals' December 5, 2006 decision regarding certification of the plaintiffs' claims, the District Court entered an order on June 25, 2007 terminating the proposed settlement between the plaintiffs and the issuers, including Lionbridge.

On August 14, 2007, the plaintiffs filed amended complaints in the six focus cases. The issuer defendants and the underwriter defendants separately moved to dismiss the claims against them in the amended complaints in the six focus cases. On March 26, 2008, the District Court issued an order in which it denied in substantial part the motions to dismiss the amended complaints in the six focus cases.

On February 25, 2009, the parties advised the District Court that they had reached an agreement-in-principle to settle the litigation in its entirety. A stipulation of settlement was filed with the District Court on April 2, 2009. On June 9, 2009, the District Court preliminarily approved the proposed global settlement. Notice was provided to the class, and a settlement fairness hearing, at which members of the class had an opportunity to object to the proposed settlement, was held on September 10, 2009. On October 6, 2009, the District Court issued an order granting final approval to the settlement. Ten appeals were filed objecting to the definition of the settlement class and fairness of the settlement. Five of those appeals were dismissed with prejudice on October 6, 2010. On May 17, 2011, the Court of Appeals dismissed four of the remaining appeals. On January 10, 2012, the last remaining appeal was dismissed with prejudice, as a result of which the settlement became final, by its terms. The Company's financial contribution to the settlement is fully covered by insurance.

#### **7. Stockholders' Equity and Stock-Based Compensation:**

##### *Stock Repurchase*

In 2011, the Company repurchased 210,353 shares of the Company's common stock from employees to cover the cost and tax withholding obligation for options exercised.

##### *Stock Option Plans*

On May 3, 2011, the stockholders of Lionbridge Technologies, Inc. approved the Lionbridge 2011 Stock Incentive Plan (the "2011 Plan"), which had been previously adopted by the Lionbridge Board of Directors on January 27, 2011 and replaces the Lionbridge 2005 Stock Incentive Plan (the "2005 Plan"). The 2011 Plan provides for the issuance of 4,500,000 shares of common stock to officers, employees, non-employee directors and other key persons of Lionbridge and its subsidiaries in the form of stock options, shares of restricted stock, restricted stock units and other forms of equity. Options to purchase common stock under the 2011 Plan are granted at the discretion of the Board of Directors and the Nominating and Compensation Committee. Generally,

**LIONBRIDGE TECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

stock options granted under the 2011 Plan vest over a four-year period: 25% of the option shares vest one year from the date of grant and the remaining option shares vest at the rate of 12.5% each six month period thereafter. Stock options generally expire five to seven years from the date of grant under the 2011 Plan. Under the terms of the 2011 Plan, the exercise price of incentive and non-qualified stock option grants must not be less than 100% of the fair market value of the common stock on the date of grant. Options granted under the 2011 Plan are amortized using a straight-line basis over the option vesting period. At December 31, 2011, there were 4,264,924 shares available for future grant under the 2011 Plan.

Lionbridge's 2005 Stock Incentive Plan (the "2005 Plan") provided for the issuance of incentive and nonqualified stock options. The maximum number of shares of common stock available for issuance under the 2005 Plan is 8,500,000 shares and the 2005 Plan expired on May 3, 2011. There are no options available for future grant under the 2005 Plan. Options to purchase common stock are granted at the discretion of the Board of Directors and the Nominating and Compensation Committee. Generally, stock options vest over a four-year period: 25% of the option shares vest one year from the date of grant and the remaining option shares vest at the rate of 12.5% each six month period thereafter. Stock options generally expire five to seven years from the date of grant under the 2005 Plan. Under the terms of the 2005 Plan, the exercise price of incentive and non-qualified stock option grants must not be less than 100% of the fair market value of the common stock on the date of grant. Options are amortized using a straight line basis over the option vesting period.

Lionbridge's 1998 Stock Option Plan (the "1998 Plan") provided for the issuance of incentive and nonqualified stock options. The maximum number of shares of common stock available for issuance under the Plan is 11,722,032 shares and the 1998 Plan expired on January 26, 2008. There are no future options available for future grant under the 1998 Plan. Options to purchase common stock are granted at the discretion of the Board of Directors and the Nominating and Compensation Committee. Generally, stock options vest over a four-year period: 25% of the option shares vest one year from the date of grant and the remaining option shares vest at the rate of 12.5% each six month period thereafter. Stock options generally expire ten years (five years in certain cases) from the date of grant under the 1998 Plan. Under the terms of the 1998 Plan, the exercise price of incentive stock options granted must not be less than 100% (110% in certain cases) of the fair market value of the common stock on the date of grant, as determined by the Board of Directors. The exercise price of nonqualified stock options may be less than the fair market value of the common stock on the date of grant, as determined by the Board of Directors, but in no case may the exercise price be less than the statutory minimum, the par value per share of Lionbridge's common stock.

*Stock Option Activity*

The following table summarizes stock option activity for the year ended December 31, 2011:

	<u>Number of Options</u>	<u>Weighted Avg. Exercise Price</u>	<u>Weighted Avg. Remaining Contractual Life (years)</u>	<u>Aggregate Intrinsic Value (in thousands)</u>
Outstanding as of December 31, 2010 . . . . .	4,456,723	\$5.02		
Granted . . . . .	424,500	\$3.72		
Exercised . . . . .	(336,480)	\$1.58		\$ 512
Canceled (forfeited and expired) . . . . .	<u>(773,610)</u>	\$6.66		
Outstanding as of December 31, 2011 . . . . .	<u>3,771,133</u>	\$4.85	2.6	\$1,267
Vested or expected to vest as of				
December 31, 2011 . . . . .	<u>2,509,258</u>	\$5.40	1.6	\$ 667
Exercisable as of December 31, 2011 . . . . .	<u>2,811,249</u>	\$5.07	1.9	\$1,003

**LIONBRIDGE TECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The aggregate intrinsic value in the table above represents the total intrinsic value, based on the Company's common stock closing price of \$2.29 as of December 31, 2011, which would have been received by the option holders had all in-the-money option holders exercised their options as of that date. The total number of options outstanding representing aggregate intrinsic value as of December 31, 2011 was 710,257. The total number of options exercisable representing aggregate intrinsic value as of December 31, 2011 was 603,818.

The weighted average grant date fair value of options, as determined under ASC 718 granted during the years ended December 31, 2011, 2010 and 2009 was \$2.19, \$1.83 and \$0.90 per share respectively. The total intrinsic value of options exercised during the years ended December 31, 2011, 2010 and 2009 was approximately \$512,000, \$403,000 and \$3,000, respectively. The total cash received from employees as a result of employee stock option exercises during the years ended December 31, 2011, 2010 and 2009 was approximately \$104,000, \$701,000 and \$5,000, respectively. The total fair value of shares vested during the year ended December 31, 2011, 2010 and 2009 was \$1.6 million, \$2.0 million and \$1.9 million, respectively. Total compensation expense related to stock options was \$718,000, \$905,000 and \$1.3 million for the years ended December 31, 2011, 2010 and 2009, respectively.

As of December 31, 2011, future compensation cost related to non-vested stock options, less estimated forfeitures, is approximately \$945,000 and will be recognized over an estimated weighted average period of approximately 2.5 years.

The Company settles employee stock option exercises with newly issued shares of common stock.

*Valuation Assumptions for Stock Options*

For the years ended December 31, 2011, 2010 and 2009, 424,500, 470,500 and 314,125 stock options were granted, respectively. The fair value of each option (excluding market-based awards discussed below) was estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

	<b>For the Year Ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2009</b>
Risk-free interest rate . . . . .	0.89 to 2.11%	1.27 to 2.55%	1.71 to 2.13%
Expected volatility . . . . .	78.8 to 81.7%	74.9 to 79.4%	68.9 to 76.2%
Expected life (years) . . . . .	4.0 to 4.1	4.1	3.9 to 4.2
Dividend yield . . . . .	0%	0%	0%

The expected life represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and the Company's historical exercise patterns. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option.

*Restricted Stock Awards*

Lionbridge issued 2,134,826 and 2,065,511 shares of restricted common stock and restricted stock units with a fair market value of \$7.9 million and \$6.3 million in 2011 and 2010, respectively. Of the total 2,134,826 shares of restricted common stock and restricted stock units issued in 2011, 1,738,750 have restrictions on disposition which lapse over four years from the date of grant, 56,076 have restrictions on disposition which lapse over thirteen months from the date of grant, and 340,000 restricted shares were granted to certain employees through the long-term incentive plan (the "LTIP") as long-term performance based stock incentive

**LIONBRIDGE TECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

awards under the Corporation's 2005 Stock Incentive Plan. Pursuant to the terms of the LTIP, restrictions with respect to the stock will lapse upon the achievement of revenue and/or profitability targets within the two calendar years from and including the year of grant. The grant date fair value of the shares is recognized over the requisite period of performance once achievement of criteria is deemed probable. On a quarterly basis, the Company estimates the likelihood of achieving performance goals. Actual results, and future changes in estimates, may differ substantially from the Company's current estimates. If the targets are not achieved, the shares will be forfeited by the employee.

Total compensation expense related to all restricted stock awards was \$4.8 million, \$3.1 million and \$2.3 million for the years ended December 31, 2011, 2010 and 2009, respectively. The weighted average grant date fair value of restricted stock awards granted during the years ended December 31, 2011, 2010 and 2009 was \$3.72, \$3.05 and \$1.69 per share respectively. The total fair value of restricted stock awards vested during the year ended December 31, 2011, 2010 and 2009 was \$3.0 million, \$2.7 million and \$1.5 million, respectively.

The following table summarizes non-vested restricted stock awards activity for the year ended December 31, 2011:

	<b>Non-vested Number of Restricted Share Awards</b>	<b>Grant Date Fair Value</b>
Non-vested balance at December 31, 2010 .....	3,289,539	\$2.22
Granted at fair market value .....	2,134,826	\$3.72
Vested .....	(831,602)	\$3.56
Forfeited .....	<u>(243,938)</u>	<u>\$3.11</u>
Non-vested balance at December 31, 2011 .....	<u>4,348,825</u>	<u>\$3.44</u>

Lionbridge currently expects to amortize \$7.2 million of unamortized compensation in connection with restricted stock awards outstanding as of December 31, 2011 over an estimated weighted average period of approximately 2.4 years.

**8. Income Taxes:**

The components of the provision (benefit) for income taxes are as follows for the years ended December 31:

	<b>2011</b>	<b>2010</b>	<b>2009</b>
Current:			
Federal .....	\$ 85,000	\$ 160,000	\$ (8,000)
State .....	276,000	304,000	255,000
Foreign .....	<u>(735,000)</u>	<u>1,691,000</u>	<u>2,004,000</u>
Total current provision (benefit) .....	<u>\$(374,000)</u>	<u>\$2,155,000</u>	<u>\$ 2,251,000</u>
Deferred:			
Foreign .....	\$ 303,000	\$ (753,000)	\$(2,435,000)
Domestic .....	<u>—</u>	<u>—</u>	<u>—</u>
Total deferred provision (benefit) .....	<u>\$ 303,000</u>	<u>\$ (753,000)</u>	<u>\$(2,435,000)</u>
Total provision (benefit) for income taxes .....	<u>\$ (71,000)</u>	<u>\$1,402,000</u>	<u>\$ (184,000)</u>

**LIONBRIDGE TECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The components of the income (loss) before income taxes were as follows for the years ended December 31:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
United States .....	\$(2,324,000)	\$ 342,000	\$(2,369,000)
Foreign .....	3,981,000	(230,000)	(1,823,000)
Income (loss) before income taxes .....	<u>\$ 1,657,000</u>	<u>\$ 112,000</u>	<u>\$(4,192,000)</u>

The differences between the income tax provision and income taxes computed using the applicable U.S. federal statutory tax rate are as follows for the years ended December 31:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Statutory tax .....	\$ 563,000	\$ 38,000	\$(1,425,000)
State income taxes .....	628,000	553,000	365,000
Foreign rate differential .....	(2,090,000)	(720,000)	(453,000)
Foreign taxes .....	90,000	74,000	423,000
Valuation allowance .....	(1,286,000)	(1,041,000)	1,178,000
Stock-based compensation .....	(4,000)	(74,000)	189,000
Permanent differences .....	3,345,000	2,660,000	(687,000)
Changes in reserves for uncertain tax positions .....	(1,883,000)	478,000	301,000
Other .....	566,000	(566,000)	(75,000)
Effective tax .....	<u>\$ (71,000)</u>	<u>\$ 1,402,000</u>	<u>\$ (184,000)</u>

The consolidated deferred tax assets (liabilities) of the Company were as follows at December 31:

	<u>2011</u>	<u>2010</u>
U.S. net operating loss carryforwards .....	\$ 35,462,000	\$ 41,990,000
Foreign net operating loss carryforwards .....	47,656,000	46,150,000
Amortization and depreciation of long-lived assets .....	309,000	758,000
Goodwill amortization .....	5,707,000	6,749,000
Reserves and accruals .....	1,899,000	2,032,000
Tax credits carryforwards .....	2,057,000	2,486,000
Stock-based compensation .....	7,005,000	5,971,000
Deferred revenue .....	217,000	365,000
Unrealized foreign exchange loss .....	2,710,000	2,574,000
Other .....	588,000	405,000
Valuation allowance .....	(102,455,000)	(107,957,000)
Net deferred tax asset (liability) .....	<u>\$ 1,155,000</u>	<u>\$ 1,523,000</u>

The net deferred tax assets at December 31, 2011 and December 31, 2010 both relate primarily to net operating loss and tax credit carryforwards in foreign jurisdictions.

## LIONBRIDGE TECHNOLOGIES, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

Lionbridge's management has evaluated the positive and negative evidence bearing upon the realizability of its deferred tax assets. Under the applicable accounting standards, management has considered Lionbridge's history of losses and concluded that, with the exception of certain foreign tax jurisdictions, it is more-likely-than-not that Lionbridge will not generate sufficient future taxable income to benefit from the tax assets prior to their expiration. Accordingly, full valuation allowances have been maintained against those tax assets resulting in a net decrease to the valuation allowance of \$5.5 million in 2011. Management has determined that the likelihood of realizing the deferred tax assets of certain tax jurisdictions is more-likely-than-not and, accordingly, has recorded a net deferred tax asset of \$1.2 million as of December 31, 2011. Management reevaluates the positive and negative evidence periodically.

At December 31, 2011, Lionbridge had net operating loss carryforwards for U.S. federal income tax purposes of \$89 million that may be used to offset future taxable income, which begin to expire in 2020. Of this amount, \$16.2 million relates to deductions from the exercise of stock options of which approximately \$8.7 million is tracked separately and not included in the Company's deferred tax asset (in accordance with ASC 718). The future benefit from these deductions will be recorded as a credit to additional paid-in capital when realized. The Company has federal research and development tax credits which may be used to offset future income tax of \$148,000, which begin to expire in 2019. The Company has federal foreign tax credits which may be used to offset future income tax of \$312,000, which begin to expire in 2012. Additionally, Lionbridge has non-U.S. net operating loss carryforwards of \$174 million which begin to expire in 2012.

At December 31, 2011, unrepatriated earnings of non-U.S. subsidiaries totaled \$53.6 million. No provision for U.S. income and foreign withholding taxes has been made for unrepatriated foreign earnings because it is expected that such earnings will be reinvested indefinitely or the distribution of any remaining amount would be principally offset by foreign tax credits. Determination of the potential deferred income tax liability on these unrepatriated earnings if not practicable.

Lionbridge's Indian subsidiary had its tax holiday expire on its March 31, 2011 tax year end. Now that the tax holiday has ended, the taxable profit is taxed at the full statutory rate, currently at 32.45%. At March 31, 2011, Lionbridge India has an Indian Minimum Alternative Tax ("MAT") credit carryforward of \$1.2 million, which is available to certain future Indian income tax liabilities, and which expires at various dates through 2018. This tax holding resulted in estimated income tax savings of \$290,000, \$974,000, and \$1.5 million for the Indian subsidiary for December 31, 2011, 2010, and 2009, respectively.

Under the provisions of the Internal Revenue Code, certain substantial changes in Lionbridge's ownership may limit in the future the amount of net operating loss carryforwards that could be used annually to offset future taxable income and income tax liability.

In connection with the acquisition of BGS, Bowne agreed to indemnify the Company for any tax liabilities accruing on or prior to the acquisition date of September 1, 2005. As of December 31, 2011, the unrecognized tax benefits related to the acquisition of BGS and subject to indemnification were none.

**LIONBRIDGE TECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

	<u>Total</u>	<u>Lionbridge</u>	<u>Indemnification</u>
Balance at January 1, 2009 . . . . .	\$ 5,612,000	\$2,859,000	\$ 2,753,000
Additions based on tax positions related to the current year . . . . .	829,000	829,000	—
Additions for tax positions of prior years . . . . .	1,042,000	1,042,000	—
Reductions for tax positions of prior years . . . . .	(205,000)	(205,000)	—
Settlements . . . . .	(932,000)	—	(932,000)
Reductions due to lapse of applicable statute of limitations . . . . .	<u>(461,000)</u>	<u>(300,000)</u>	<u>(161,000)</u>
Balance at December 31, 2009 . . . . .	\$ 5,885,000	\$4,225,000	\$ 1,660,000
Additions based on tax positions related to the current year . . . . .	466,000	466,000	—
Additions for tax positions of prior years . . . . .	—	—	—
Reductions for tax positions of prior years . . . . .	(25,000)	(25,000)	—
Settlements . . . . .	—	—	—
Reductions due to lapse of applicable statute of limitations . . . . .	<u>(369,000)</u>	<u>(197,000)</u>	<u>(172,000)</u>
Balance at December 31, 2010 . . . . .	\$ 5,957,000	\$4,469,000	\$ 1,488,000
Additions based on tax positions related to the current year . . . . .	391,000	391,000	—
Reductions for tax positions of prior years . . . . .	—	—	—
Settlements . . . . .	(1,424,000)	—	(1,424,000)
Reductions due to lapse of applicable statute of limitations . . . . .	<u>(431,000)</u>	<u>(367,000)</u>	<u>(64,000)</u>
Balance at December 31, 2011 . . . . .	<u>\$ 4,493,000</u>	<u>\$4,493,000</u>	<u>\$ —</u>

As of December 31, 2011 and 2010, the total amount of unrecognized tax benefits was \$4.5 million and \$6.0 million, respectively, which, if recognized, would favorably affect the effective income tax rate in future periods. Lionbridge accrues interest and penalties related to unrecognized tax benefits as a component of its provision for income taxes. The total amount of accrued interest and penalties related to the Company's unrecognized tax benefits was \$1.7 million and \$2.2 million as of December 31, 2011 and 2010, respectively. The Company believes that it is reasonably possible that approximately \$628,000 of its unrecognized tax positions, consisting of several items in various jurisdictions, may be recognized by the end of 2012 as a result of a lapse of the statute of limitations. The Company or one of its subsidiaries files income tax returns in the U.S. and various states and foreign jurisdictions. The Company is subject to U.S. federal, state and local income tax examinations by tax authorities for years 2008 through present. The tax years which remain subject to examination by tax authorities in foreign jurisdictions, as of December 31, 2011 include years 2003 through present. Examinations are currently underway in certain jurisdictions, including Canada, Finland, Germany, India, and Poland as of December 31, 2011.

**9. Restructuring Charges:**

Lionbridge recorded \$3.4 million of restructuring charges in the year ended December 31, 2011. The \$3.4 million included \$2.8 million for workforce reductions in Europe, the Americas and Asia consisting of 53 technical staff, 7 administrative staff and 1 sales staff, \$178,000 recorded for vacated facilities and associated site closure costs, \$345,000 of additional costs recorded for a previously vacated facility in order to reflect changes in initial estimates of a sublease arrangement due to current economic conditions, recorded pursuant to the guidance

**LIONBRIDGE TECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

of ASC 420, “Exit or Disposal Cost Obligations” (“ASC 420”) and ASC 712, “Compensation—Nonretirement Postemployment Benefits” (“ASC 712”), and related literature. Of these charges, \$3.4 million related to the Company’s Global Language and Content (“GLC”) segment and \$9,000 related to the Interpretation segment. The Company made \$7.1 million of cash payments related to restructuring in 2011, \$7.1 million, \$8,000 and \$9,000 related to the GLC, GDT and Interpretation segments, respectively.

Lionbridge recorded \$7.8 million of restructuring charges in the year ended December 31, 2010. The \$7.8 million included \$5.7 million for workforce reductions in Europe, the Americas and Asia consisting of 70 technical staff, 8 administrative staff and 6 sales staff, \$1.2 million recorded for vacated facilities and associated site closure costs, \$673,000 of additional costs recorded for a previously vacated facility in order to reflect changes in initial estimates of a sublease arrangement due to current economic conditions and \$270,000 for the accelerated amortization of long-lived assets in connection with vacated facilities, recorded pursuant to the guidance of ASC 420 and ASC 712, and related literature. Of these charges, \$7.7 million related to the Company’s GLC segment and \$133,000 related to the GDT segment. Of the \$4.0 million of cash payments related to restructuring in 2010, \$3.9 million and \$89,000 related to the GLC and GDT segments, respectively.

Lionbridge recorded \$6.8 million of restructuring charges in the year ended December 31, 2009. The \$6.8 million included \$4.4 million for workforce reductions in Europe, the Americas and Asia consisting of 179 technical staff, 25 administrative staff and 18 sales staff, and \$2.4 million recorded for vacated facilities, recorded pursuant to the guidance of ASC 420 and ASC 712, and related literature. Of the \$2.4 million recorded for vacated facilities, \$1.5 million was a revision of estimated liability recorded on a certain vacated facility. Of these charges, \$6.5 million related to the Company’s GLC segment, \$260,000 related to the GDT segment, \$32,000 related to Corporate and Other and \$20,000 related to the Interpretation segment. Of the \$4.5 million of cash payments related to restructuring in 2009, \$4.1 million, \$292,000, \$32,000 and \$20,000 related to the GLC, GDT, Corporate and Other and Interpretation segments, respectively.

The following table summarizes the merger and restructuring reserve activity (excluding the \$270,000 long-lived asset accelerated amortization in 2010) for the years ended December 31, 2011, 2010 and 2009, respectively:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Beginning balance, January 1 . . . . .	\$ 6,607,000	\$ 3,261,000	\$ 933,000
Employee severance:			
Restructuring charges recorded . . . . .	2,834,000	5,721,000	4,410,000
Cash payments related to liabilities recorded on exit or disposal activities . . . . .	<u>(6,395,000)</u>	<u>(2,977,000)</u>	<u>(3,436,000)</u>
	<u>(3,561,000)</u>	<u>2,744,000</u>	<u>974,000</u>
Vacated facility/lease termination:			
Restructuring charges recorded . . . . .	178,000	1,001,000	879,000
Revisions of estimated liabilities . . . . .	345,000	673,000	1,492,000
Cash payments related to liabilities assumed and recorded on business combinations . . . . .	—	(57,000)	(220,000)
Cash payments related to liabilities recorded on exit or disposal activities . . . . .	<u>(702,000)</u>	<u>(1,015,000)</u>	<u>(797,000)</u>
	<u>(179,000)</u>	<u>602,000</u>	<u>1,354,000</u>
Ending balance, December 31 . . . . .	<u>\$ 2,867,000</u>	<u>\$ 6,607,000</u>	<u>\$ 3,261,000</u>

## LIONBRIDGE TECHNOLOGIES, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

At December 31, 2011, the consolidated balance sheet includes accruals totaling \$2.9 million primarily related to employee termination costs and vacated facilities. Lionbridge currently anticipates that \$1.3 million of this will be fully utilized in 2012. The remaining \$1.6 million relates to lease obligations on unused facilities expiring through 2026 and is included in long-term liabilities.

#### 10. Fair Value Measurements

ASC 820 provides a framework for measuring fair value and requires expanded disclosures regarding fair value measurements. ASC 820 defines fair value as the price that would be received for an asset or the exit price that would be paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs, where available. The following summarizes the three levels of inputs required by the standard that Lionbridge uses to measure fair value, as well as the assets and liabilities that the Company values using those levels of inputs.

- Level 1: Quoted prices in active markets for identical assets or liabilities. Lionbridge does not have any financial assets and liabilities as of December 31, 2011 or 2010 designated as Level 1.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the related assets or liabilities. Lionbridge's Level 2 assets and liabilities have historically been an interest rate swap and foreign exchange forward contracts whose fair value were determined using pricing models predicated upon observable market spot and forward rates. Changes in the fair value of foreign exchange forward contracts are recorded in the Company's earnings as other (income) expense. The Company did not have any foreign exchange forward contracts outstanding at either December 31, 2011 or 2010. Lionbridge does not have any financial assets and liabilities as of December 31, 2011 or 2010 designated as Level 2.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Lionbridge does not have any financial assets and liabilities as of December 31, 2011 or 2010 designated as Level 3.

#### 11. Employee Benefit Plans:

Lionbridge maintains an employee benefit plan qualified under Section 401(k) of the Internal Revenue Code. All U.S. employees may participate in the 401(k) plan subject to certain eligibility requirements. Under the 401(k) plan, a participant may contribute a maximum of 50% of his or her pre-tax salary, commissions and bonuses through payroll deductions (up to the statutorily prescribed annual limit, or \$17,000 in 2011) to the 401(k) plan. The percentage elected by more highly compensated participants may be required to be lower. In addition, at the discretion of the Board of Directors, Lionbridge may make discretionary profit-sharing contributions into the 401(k) plan for all eligible employees. For the years ended December 31, 2011, 2010 and 2009, discretionary contributions totaled \$938,000, \$807,000, and \$345,000, respectively. In addition, as of December 31, 2011, the Company maintained defined benefit pension plans for employees in The Netherlands, China and Norway, a defined contribution plan for employees in France, Ireland, the United Kingdom, Canada, Slovakia, Poland, Belgium, Denmark, Finland, Sweden and India, and benefit retirement plans in Japan and Korea resulting in contributions charged to operations of \$3.8 million, \$4.2 million and \$5.0 million in 2011, 2010 and 2009, respectively. In total, Lionbridge's consolidated results of operations include employee benefit contribution charges of \$4.7 million, \$5.0 million and \$5.3 million for the years ended December 31, 2011, 2010 and 2009.

## LIONBRIDGE TECHNOLOGIES, INC.

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)

The Company has not provided the disclosures required under ASC 715, “Compensation—Retirement Benefits” (“ASC 715”), for the defined benefit pension plans as the amounts involved are immaterial to the years presented.

#### **12. Operating Segments and Geographical Information:**

Lionbridge has determined that its operating segments are those that are based on its method of internal reporting, which separately presents its business based on the service performed by individual geographical location. The Company is reporting its results among the following three business segments:

Global Language and Content (“GLC”)—this segment includes solutions that enable the translation, localization and worldwide multilingual release of clients’ products, content and related technical support, training materials, and sales and marketing information. Lionbridge GLC solutions involve translating, localizing and adapting content and products to meet the language and cultural requirements of users throughout the world. As part of its GLC solutions, Lionbridge also develops eLearning content and technical documentation. Lionbridge GLC solutions are based on the Company’s SaaS-based language technology platforms and applications, and its global service delivery model which make the translation and localization processes more efficient for Lionbridge clients and subscribers.

Global Development and Testing (“GDT”)—this segment includes Lionbridge’s development, engineering and testing services for software, hardware, websites, search engines and content. Specifically, through its GDT solutions, Lionbridge develops, optimizes and maintains IT applications and performs testing to ensure the quality, interoperability, usability and performance of clients’ software, search engines, consumer technology products, web sites, and content. Lionbridge’s testing services, which are offered under the VeriTest brand, also include product certification and competitive analysis. Lionbridge has deep domain experience developing, testing and maintaining applications in a cost-efficient, blended on-site and offshore model. Lionbridge also provides specialized search relevance testing, keyword optimization and related services for clients with global search engines and online marketing initiatives.

Interpretation—this segment includes interpretation services for government and business organizations that require experienced linguists to facilitate communication. Lionbridge provides interpretation communication services in more than 360 languages and dialects, including onsite interpretation, over-the-phone interpretation and interpreter testing, training, and assessment services.

The Company’s internal reporting does not include the allocation of certain expenses to the operating segments but instead includes those other expenses in unallocated other expense. Unallocated expenses consist of depreciation and amortization, interest expense and income tax. Other unallocated items primarily include corporate expenses, such as merger and restructuring, foreign exchange gains and losses and governance expenses, as well as finance, information technology, human resources, legal, treasury and marketing expenses. The Company determines whether a cost is charged to a particular business segment or is retained as an unallocated cost based on whether the cost relates to a corporate function or to a direct expense associated with the particular business segment. For example, corporate finance, corporate information technology and corporate human resource expenses are unallocated, whereas operating segment finance, information technology and human resource expenses are charged to the applicable operating segment.

**LIONBRIDGE TECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The table below presents information about the reported net income (loss) of the Company for the years ended December 31, 2011, 2010 and 2009. The Company has reclassified prior year data due to the changes made in its reportable segments. Asset information, other than goodwill, by reportable segment is not reported, since the Company does not produce such information internally.

	<u>GLC</u>	<u>GDT</u>	<u>Interpretation</u>	<u>Corporate and Other</u>	<u>Total</u>
<b>2011</b>					
External revenue .....	\$295,337,000	\$109,536,000	\$22,983,000	\$ —	\$427,856,000
Cost of revenue (exclusive of depreciation and amortization) ....	199,857,000	76,601,000	19,763,000	—	296,221,000
Depreciation and amortization .....	4,074,000	1,238,000	90,000	2,886,000	8,288,000
Other operating expenses .....	73,925,000	14,605,000	2,105,000	—	90,635,000
Segment contribution .....	17,481,000	17,092,000	1,025,000	(2,886,000)	32,712,000
Interest expense and other unallocated items .....	—	—	—	(31,055,000)	(31,055,000)
Income (loss) before income taxes ...	17,481,000	17,092,000	1,025,000	(33,941,000)	1,657,000
Benefit from income taxes .....	—	—	—	71,000	71,000
Net income (loss) .....	<u>17,481,000</u>	<u>17,092,000</u>	<u>1,025,000</u>	<u>(33,870,000)</u>	<u>1,728,000</u>
<b>2010</b>					
External revenue .....	\$289,588,000	\$ 95,929,000	\$19,721,000	\$ —	\$405,238,000
Cost of revenue (exclusive of depreciation and amortization) ....	193,848,000	64,620,000	17,006,000	—	275,474,000
Depreciation and amortization .....	3,445,000	864,000	130,000	5,354,000	9,793,000
Other operating expenses .....	72,511,000	12,336,000	2,326,000	—	87,173,000
Segment contribution .....	19,784,000	18,109,000	259,000	(5,354,000)	32,798,000
Interest expense and other unallocated items .....	—	—	—	(32,686,000)	(32,686,000)
Income (loss) before income taxes ...	19,784,000	18,109,000	259,000	(38,040,000)	112,000
Provision for income taxes .....	—	—	—	(1,402,000)	(1,402,000)
Net income (loss) .....	<u>19,784,000</u>	<u>18,109,000</u>	<u>259,000</u>	<u>(39,442,000)</u>	<u>(1,290,000)</u>
<b>2009</b>					
External revenue .....	\$281,734,000	\$ 84,203,000	\$23,313,000	\$ —	\$389,250,000
Cost of revenue (exclusive of depreciation and amortization) ....	190,719,000	54,688,000	18,631,000	—	264,038,000
Depreciation and amortization .....	2,993,000	993,000	143,000	6,010,000	10,139,000
Other operating expenses .....	70,863,000	12,013,000	2,532,000	—	85,408,000
Segment contribution .....	17,159,000	16,509,000	2,007,000	(6,010,000)	29,665,000
Interest expense and other unallocated items .....	—	—	—	(33,857,000)	(33,857,000)
Income (loss) before income taxes .....	17,159,000	16,509,000	2,007,000	(39,867,000)	(4,192,000)
Benefit from income taxes .....	—	—	—	184,000	184,000
Net income (loss) .....	<u>17,159,000</u>	<u>16,509,000</u>	<u>2,007,000</u>	<u>(39,683,000)</u>	<u>(4,008,000)</u>

**LIONBRIDGE TECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

In 2011, 2010 and 2009, Microsoft accounted for 17%, 20% and 21% of total revenue, respectively. In 2011 and 2010, Google accounted for 12% and 11% of total revenue, respectively. No other client accounted for greater than 10% of total revenue in 2011, 2010 or 2009. Revenue from Microsoft and Google is included in the revenue of both the GLC and GDT segments.

A summary of Lionbridge's revenue and long-lived assets by geographical region is as follows:

	Year Ended December 31,		
	2011	2010	2009
Revenue:			
United States . . . . .	\$189,273,000	\$165,437,000	\$142,420,000
Ireland . . . . .	66,963,000	60,074,000	58,683,000
India . . . . .	33,015,000	35,165,000	36,966,000
Finland . . . . .	25,060,000	20,610,000	24,202,000
Spain . . . . .	22,949,000	23,916,000	28,255,000
Japan . . . . .	21,875,000	23,936,000	26,568,000
Poland . . . . .	21,131,000	19,104,000	15,036,000
Germany . . . . .	17,948,000	19,533,000	18,907,000
China . . . . .	16,318,000	18,043,000	16,585,000
United Kingdom . . . . .	15,117,000	13,315,000	13,186,000
Canada . . . . .	10,200,000	11,198,000	11,457,000
The Netherlands . . . . .	9,976,000	8,899,000	5,901,000
Sweden . . . . .	7,421,000	7,640,000	8,097,000
Korea . . . . .	7,373,000	7,230,000	5,991,000
Slovakia . . . . .	5,857,000	5,793,000	5,968,000
Belgium . . . . .	5,524,000	5,248,000	5,638,000
Denmark . . . . .	5,237,000	4,998,000	5,301,000
Italy . . . . .	5,082,000	4,923,000	5,496,000
Singapore . . . . .	4,914,000	5,230,000	4,680,000
France . . . . .	4,373,000	10,478,000	11,952,000
Other . . . . .	11,521,000	10,405,000	11,754,000
Eliminations . . . . .	(79,271,000)	(75,937,000)	(73,793,000)
	<u>\$427,856,000</u>	<u>\$405,238,000</u>	<u>\$389,250,000</u>

**LIONBRIDGE TECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

Foreign revenue is presented based on the country in which projects are managed.

	December 31,		
	2011	2010	2009
Long-lived assets:			
United States .....	\$15,347,000	\$12,229,000	\$ 7,717,000
Ireland .....	4,306,000	4,366,000	4,101,000
India .....	2,292,000	2,820,000	2,705,000
Germany .....	1,076,000	1,097,000	1,290,000
Japan .....	1,037,000	1,069,000	646,000
United Kingdom .....	630,000	533,000	636,000
China .....	620,000	721,000	618,000
Spain .....	453,000	535,000	306,000
The Netherlands .....	261,000	69,000	110,000
Poland .....	259,000	222,000	394,000
Denmark .....	215,000	128,000	142,000
Korea .....	205,000	150,000	130,000
Finland .....	204,000	150,000	311,000
France .....	104,000	111,000	365,000
Singapore .....	88,000	109,000	111,000
Italy .....	82,000	96,000	118,000
Other .....	220,000	285,000	395,000
	<u>\$27,399,000</u>	<u>\$24,690,000</u>	<u>\$20,095,000</u>

**13. Supplemental Disclosure of Cash Flow Information:**

	Year Ended December 31,		
	2011	2010	2009
Interest paid .....	<u>\$ 660,000</u>	<u>\$ 946,000</u>	<u>\$1,699,000</u>
Income taxes paid, net .....	<u>\$1,410,000</u>	<u>\$2,627,000</u>	<u>\$3,830,000</u>

**14. Valuation and Qualifying Accounts:**

The following table sets forth activity in Lionbridge's accounts receivable reserve:

<u>Year Ended:</u>	<u>Balance at Beginning of Year</u>	<u>Charges to Operations</u>	<u>(Deductions)/ Recoveries</u>	<u>Balance at End of Year</u>
December 31, 2009 .....	685,000	41,000	(226,000)	500,000
December 31, 2010 .....	500,000	81,000	(81,000)	500,000
December 31, 2011 .....	500,000	200,000	(200,000)	500,000

**LIONBRIDGE TECHNOLOGIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)**

The following table sets forth activity in Lionbridge's deferred tax asset valuation allowance:

<u>Year Ended:</u>	<u>Balance at Beginning of Year</u>	<u>Additions</u>	<u>(Deductions)</u>	<u>Balance at End of Year</u>
December 31, 2009 .....	\$ 87,839,000	\$31,705,000	\$(2,552,000)	\$116,992,000
December 31, 2010 .....	116,992,000	845,000	(9,880,000)	107,957,000
December 31, 2011 .....	107,957,000	2,089,000	(7,591,000)	102,455,000

**15. Net Income (Loss) per Share:**

Options, unvested restricted stock and warrants outstanding to purchase 4,646,000, 7,292,000 and 7,260,000 shares of common stock for the years ended December 31, 2011, 2010 and 2009, respectively, were not included in the calculations of diluted net income (loss) per share, as their effect would be anti-dilutive.

## SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: March 14, 2012

LIONBRIDGE TECHNOLOGIES, INC.  
(Registrant)

By:                     /s/ DONALD M. MUIR                      
**Donald M. Muir**  
**Chief Financial Officer**  
**(Duly Authorized Officer and**  
**Principal Financial Officer)**

## POWER OF ATTORNEY AND SIGNATURES

We, the undersigned officers and directors of Lionbridge Technologies, Inc., hereby severally constitute and appoint Donald M. Muir, our true and lawful attorney, with full power to him singly, to sign for us and in our names in the capacities indicated below, any amendments to this Annual Report on Form 10-K, and generally to do all things in our names and on our behalf in such capacities to enable Lionbridge Technologies, Inc. to comply with the provisions of the Securities Exchange Act of 1934, as amended, and all the requirements of the Securities Exchange Commission.

Pursuant to the requirements of the Securities and Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Name</u>	<u>Title</u>	<u>Date</u>
<u>                    /s/ RORY J. COWAN                    </u> <b>Rory J. Cowan</b>	President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	March 14, 2012
<u>                    /s/ DONALD M. MUIR                    </u> <b>Donald M. Muir</b>	Chief Financial Officer (Principal Financial and Accounting Officer)	March 14, 2012
<u>                    /s/ GUY L. DE CHAZAL                    </u> <b>Guy L. de Chazal</b>	Director	March 14, 2012
<u>                    /s/ CLAUDE P. SHEER                    </u> <b>Claude P. Sheer</b>	Director	March 14, 2012
<u>                    /s/ PAUL KAVANAGH                    </u> <b>Paul Kavanagh</b>	Director	March 14, 2012
<u>                    /s/ EDWARD A. BLECHSCHMIDT                    </u> <b>Edward A. Blechschmidt</b>	Director	March 14, 2012
<u>                    /s/ STEVEN R. FISHER                    </u> <b>Steven R. Fisher</b>	Director	March 14, 2012
<u>                    /s/ JACK NOONAN                    </u> <b>Jack Noonan</b>	Director	March 14, 2012

**EXHIBIT INDEX TO ANNUAL REPORT ON FORM 10-K  
FOR FISCAL YEAR ENDED DECEMBER 31, 2011**

<u>Exhibit No.</u>	<u>Exhibit</u>
3.1, 4.1	Second Amended and Restated Certificate of Incorporation of Lionbridge (filed as Exhibit 3.2 to the Registration Statement on Form S-1 (File No. 333-81233) and incorporated herein by reference).
3.2, 4.2	Amended and Restated By-laws of Lionbridge Technologies, Inc. (filed as Exhibit 3.1 to the Current Report on Form 8-K (File No. 000-26933) filed on October 30, 2008, and incorporated herein by reference).
4.3	Specimen Certificate for shares of Lionbridge's Common Stock (filed as Exhibit 4.3 to the Registration Statement on Form S-1 (File No. 333-81233) and incorporated herein by reference).
10.1**	1998 Stock Plan, as amended and restated (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended June 30, 2004, and incorporated herein by reference).
10.2**	Form of Restricted Stock Agreement under the 1998 Stock Plan (filed as Exhibit 10.4 to the Annual Report on Form 10-K (File No. 000-26933) for the fiscal year ended December 31, 2003, and incorporated herein by reference).
10.3**	Amended and Restated Lionbridge 2005 Stock Incentive Plan (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-26933) filed on May 5, 2009, and incorporated herein by reference).
10.4**	Form of Restricted Stock Agreement under the Lionbridge 2005 Stock Incentive Plan (filed as Exhibit 10.5 to the Current Report on Form 8-K (File No. 000-26933) filed on November 14, 2005, and incorporated herein by reference).
10.5**	Form of Incentive Stock Option Agreement under the Lionbridge 2005 Stock Incentive Plan (filed as Exhibit 10.2 to the Current Report on Form 8-K (File No. 000-26933) filed on November 14, 2005, and incorporated herein by reference).
10.6**	Form of Non-Qualified Stock Option Agreement For Officers and Employees under the Lionbridge 2005 Stock Incentive Plan (filed as Exhibit 10.3 to the Current Report on Form 8-K (File No. 000-26933) filed on November 14, 2005, and incorporated herein by reference).
10.7**	Lionbridge Deferred Compensation Plan for Independent Directors (filed as Exhibit 10.3 to the Current Report on Form 8-K (File No. 000-26933) filed on May 25, 2007, and incorporated herein by reference).
10.8**	Independent Director Compensation Plan, Amended and Restated as of April 4, 2008 (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-26933) filed on April 7, 2008, and incorporated herein by reference).
10.9**	Independent Directors' Compensation Policy Amended and Restated as of March 10, 2009 (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-26933) filed on March 13, 2009, and incorporated herein by reference).
10.10**	Form of Restricted Stock Unit Agreement for Independent Directors (filed as Exhibit 10.4 to the Current Report on Form 8-K (File No. 000-26933) filed on May 25, 2007, and incorporated herein by reference).

<u>Exhibit No.</u>	<u>Exhibit</u>
10.11**	Form of Non-Qualified Stock Option Agreement for Independent Directors (filed as Exhibit 10.5 to the Current Report on Form 8-K (File No. 000-26933) filed on May 25, 2007, and incorporated herein by reference).
10.12	Lease dated as of July 10, 2006 between Abaco Urbanizacao E Empreendimentos Limitada and Lionbridge Participações, Ltda. (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2006, and incorporated herein by reference).
10.13	Lease dated as of July 11, 2006, between Taifun Real sp. zo.o and Lionbridge Poland sp. zo.o (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2006, and incorporated herein by reference).
10.14	Third Amendment to Lease dated October 31, 2006, between 492 OCP LLC and Lionbridge Technologies, Inc. (filed as Exhibit 10.26 to the Annual Report on Form 10-K (File No. 000-26933) for the year ended December 31, 2006, and incorporated herein by reference).
10.15	Lease dated as of March 14, 2007, between TCAM Core Property Fund Operating LP and Lionbridge US, Inc. (filed as Exhibit 10.5 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended March 31, 2007, and incorporated herein by reference).
10.16	Lease amendment dated as of May 1, 2007, between Société Civile Immobilière Core Sophia and Lionbridge Technologies SARL (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No: 000-26933) for the quarter ended June 30, 2007, and incorporated herein by reference).
10.17	Lease amendment dated as of June 4, 2007, between IEF Vastgoad Pluto B.V. and Lionbridge Technologies B.V. (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No: 000-26933) for the quarter ended June 30, 2007, and incorporated herein by reference).
10.18	First Amendment to the Lease Agreement dated as of June 5, 2008 between iAnywhere Solutions, Inc. and Lionbridge Technologies, Inc. (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2008, and incorporated herein by reference.)
10.19	Fifth Amendment to Office Lease dated as of July 3, 2008 between BCCC Property LLC and Lionbridge Technologies, Inc. (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2008, and incorporated herein by reference).
10.20	Seventh Amendment to the Lease Agreement dated as of July 10, 2008 between Sterling Realty Organization Co. and Lionbridge Technologies, Inc. (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2008, and incorporated herein by reference).
10.21	Lease dated July 28, 2008 between Lionbridge (Thailand) Ltd and Silom Building and Service Co., Ltd. (filed as Exhibit 10.21 to the Annual Report on Form 10-K (File No. 000-26933) for the year ended December 31, 2010, and incorporated herein by reference).
10.22	Lease Agreement dated as of December 23, 2008 between Horizon West Property Management, Inc. and Lionbridge US, Inc. (filed as Exhibit 10.30 to the Annual Report on Form 10-K (File No. 000-26933) for the year ended December 31, 2008, and incorporated herein by reference).
10.23	Lease dated as of January 28, 2009, between Virgo Chanin Business Centers LLC and Lionbridge Technologies, Inc. (filed as Exhibit 10.38 to the Annual Report on Form 10-K (File No. 000-26933) for the year period ending December 31, 2009, and incorporated herein by reference.)

<u>Exhibit No.</u>	<u>Exhibit</u>
10.24	Lease dated as of February 25, 2009, between Bernardo Summit LLC and Lionbridge Technologies, Inc. (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter period ending March 31, 2009, and incorporated herein by reference.)
10.25	First Amendment to Lease dated June 2, 2009, between Horizon West Property Management, Inc. and Lionbridge US, Inc. (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended June 30, 2009, and incorporated herein by reference).
10.26	Termino de Contrato, Finiquito y Contrato de Arrendamiento (Lease) dated July 27, 2009, between Union Investment Chile V S.A. and Lionbridge Chile Traducciones Limitada (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2009, and incorporated herein by reference).
10.27	Lease dated August 6, 2009 between Technopolis Plc and Lionbridge Testing Services Oy (filed as Exhibit 10.27 to the Annual Report on Form 10-K (File No. 000-26933) for the year ended December 31, 2010, and incorporated herein by reference).
10.28	Lease dated August 18, 2009, between Lambhar Singh Rai and Sukhjot Kaur Rai and Cosmic Concepts Limited and Lionbridge (UK) Limited (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2009, and incorporated herein by reference).
10.29	Underlease dated August 19, 2009, between The Secretary of State for Environment Food and Rural Affairs, Lionbridge (UK) Limited, and Lionbridge Technologies, Inc. (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2009, and incorporated herein by reference).
10.30	Lease dated November 19, 2009 between National IT Industry Promotion Agency and Lionbridge Korea Co. Ltd. (filed as Exhibit 10.30 to the Annual Report on Form 10-K (File No. 000-26933) for the year ended December 31, 2010, and incorporated herein by reference).
10.31	Lease dated January 17, 2010 between Huan-Yi Enterprises Co., Ltd, Liao-Su-Jen and Lionbridge of Europe B.V. Taiwan Branch (filed as Exhibit 10.31 to the Annual Report on Form 10-K (File No. 000-26933) for the year ended December 31, 2010, and incorporated herein by reference).
10.32	Lease dated April 1, 2010 between Mitsubishi Estate Co., Ltd. and Lionbridge Japan K.K (filed as Exhibit 10.32 to the Annual Report on Form 10-K (File No. 000-26933) for the year ended December 31, 2010, and incorporated herein by reference).
10.33	Lease dated April 23, 2010 between Fata Assicurazioni Danni SpA and Lionbridge Italy Srl (filed as Exhibit 10.33 to the Annual Report on Form 10-K (File No. 000-26933) for the year ended December 31, 2010, and incorporated herein by reference).
10.34	Lease dated as of April 26, 2010 between ADF Properties LLC and Lionbridge Technologies, Inc. (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended June 30, 2010, and incorporated herein by reference).
10.35	Lease dated as of May 12, 2010 between Promociones Inmobiliarias Capital 7, SL and Lionbridge Espana SL (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended June 30, 2010, and incorporated herein by reference).
10.36	Lease dated as of May 31, 2010 between Beijing Tongshun Real Estate Development Co., Ltd. and Beijing Lionbridge Global Solutions Technologies, Inc. (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended June 30, 2010, and incorporated herein by reference).

<u>Exhibit No.</u>	<u>Exhibit</u>
10.37	Lease dated as of June 22, 2010 between Dominion Corporate Trustees Limited and Dominion Trust Limited and Lionbridge (UK) Limited (filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended June 30, 2010, and incorporated herein by reference).
10.38	Lease dated as of September 16, 2010 between British and Malayan Trustees Limited in its capacity as trustee of Frasers Commercial Trust, Orrick Investments Pte. Limited and Lionbridge Singapore Pte. Ltd. (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2010, and incorporated herein by reference).
10.39	Lease dated as of October 12, 2010 between Beijing Oriental Plaza Co., Ltd. and Huanqui Tonglian WFOE (Lionbridge (Beijing) Technologies, Inc. (filed as Exhibit 10.39 to the Annual Report on Form 10-K (File No. 000-26933) for the year ended December 31, 2010, and incorporated herein by reference).
10.40	Lease dated as of October 12, 2010 between Beijing Oriental Plaza Co, Ltd. and Beijing Global Solutions Technologies, Inc. (filed as Exhibit 10.40 to the Annual Report on Form 10-K (File No. 000-26933) for the year ended December 31, 2010, and incorporated herein by reference).
10.41	Lease and license agreement dated December 20, 2010 between Lake View Developers and Lionbridge Technologies Private Limited (filed as Exhibit 10.41 to the Annual Report on Form 10-K (File No. 000-26933) for the year ended December 31, 2010, and incorporated herein by reference).
10.42	Deed of Lease effective January 26, 2011 between Ascendas IT Park (Chennai) Limited and Lionbridge Technologies Private Limited (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended March 31, 2011, and incorporated herein by reference).
10.43	Agreement for Services effective January 26, 2011 between Ascendas IT Park (Chennai) Limited and Lionbridge Technologies Private Limited (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended March 31, 2011, and incorporated herein by reference).
10.44	Lease Agreement dated February 1, 2011 between Taifun Real Sp.zo.o. and Lionbridge Poland Sp.zo.o (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended March 31, 2011, and incorporated herein by reference).
10.45	Sub-lease dated February 4, 2011 between Frontline the International Foundation for the Protection of Human Rights Defenders Trust and Lionbridge International (filed as Exhibit 10.4 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended March 31, 2011, and incorporated herein by reference).
10.46	Office Lease dated February 24, 2011 between Columbia Tech Center LLC and Lionbridge Technologies, Inc. (filed as Exhibit 10.5 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended March 31, 2011, and incorporated herein by reference).
10.47	Office Lease Agreement No. Chor Or 2554/008 dated March 1, 2011 between Silom Building and Service Co., Ltd. and Lionbridge (Thailand) Limited (filed as Exhibit 10.6 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended March 31, 2011, and incorporated herein by reference).
10.48	Service Agreement No. Chor Or (Bor) 2554/008 dated March 1, 2011 between Silom Building and Service Co., Ltd. and Lionbridge (Thailand) Limited (filed as Exhibit 10.7 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended March 31, 2011, and incorporated herein by reference).

<u>Exhibit No.</u>	<u>Exhibit</u>
10.49	Lease executed June 28, 2011 between Margot og Thorvald Dreyers Fond (the Margot and Thorvald Dreyer Foundation), Charlotte Dreyer and Susan Dreyer and Lionbridge Denmark A/S (filed as Exhibit 10.8 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended June 30, 2011, and incorporated herein by reference).
10.50	Lease executed September 15, 2011 between IEF Capital Vastgoed Rietveld (Amsterdam Overschiestraat ) B.V. and Lionbridge Technologies B.V. (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2011, and incorporated herein by reference).
10.51	Lease executed July 21, 2011 between UCM/MDC-1010 Wayne LLC and Lionbridge Global Solutions II, Inc. (filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2011, and incorporated herein by reference).
10.52	Lease effective September 1, 2011 between Coventry University Enterprises Limited and Lionbridge (UK) Limited (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2011, and incorporated herein by reference).
10.53*	Amendment to Lease between Marite Oy and Lionbridge Oy executed September 15, 2011.
10.54*	Lease Agreement for Office Space between National IT Industry Promotion Agency and L10nbridge Korea Co. Ltd. effective November 21, 2011.
10.55*	Sixth Amendment to Lease dated December 21, 2011 between BP Bay Colony LLC (successor-in-interest to BCCC Property LLC) and Lionbridge Technologies, Inc.
10.56*	Commercial Lease Agreement between WH2005/NIAM III East Holding Ltd and Lionbridge Testing Services Oy executed October 28, 2011.
10.57**	Form of Indemnification Agreement between Lionbridge Technologies, Inc. and its Officers and Directors (filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended March 31, 2003, and incorporated herein by reference).
10.58**	Non-competition Agreement between the Lionbridge Technologies, Inc. and Henri Broekmate dated March 24, 2004, (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended March 31, 2004, and incorporated herein by reference).
10.59**	Form of Restricted Stock Unit Agreement under the Lionbridge 1998 Stock Plan (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended September 30, 2004, and incorporated herein by reference).
10.60**	Form of Restricted Stock Unit Award Agreement under the Lionbridge 2005 Stock Incentive Plan (filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q (File No. 000-26933) for the quarter ended March 31, 2006, and incorporated herein by reference).
10.61**	Rory Cowan Performance-Based Restricted Stock Award Agreement (filed as Exhibit 10.2 to the Current Report on Form 8-K (File No. 000-26933) filed on September 20, 2006, and incorporated herein by reference).
10.62**	Rory Cowan Performance-Based Stock Option Agreement (filed as Exhibit 10.3 to the Current Report on Form 8-K (File No. 000-26933) filed on September 20, 2006, and incorporated herein by reference).
10.63**	Employment and Business Protection Agreement, effective as of September 17, 2007, between Donald M. Muir and Lionbridge Technologies, Inc. (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-26933) filed on September 11, 2007, and incorporated herein by reference).

<u>Exhibit No.</u>	<u>Exhibit</u>
10.64**	Amended and Restated Lionbridge Change of Control Plan (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-26933) filed on November 5, 2008, and incorporated herein by reference).
10.65**	Amended and Restated Change of Control Agreement between Lionbridge and Executive Officers (filed as Exhibit 10.2 to the Current Report on Form 8-K (File No. 000-26933) filed on November 5, 2008, and incorporated herein by reference).
10.66**	Amended and Restated Employment Agreement dated October 31, 2008 between Rory J. Cowan and Lionbridge Technologies, Inc. (filed as Exhibit 10.49 to the Annual Report on Form 10-K (File No. 000-26933) for the period ended December 31, 2010, and incorporated herein by reference).
10.67**	Form of Management Incentive Plan Agreement for Executive Officers (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 0000-26933) filed on February 10, 2010, and incorporated herein by reference).
10.68**	Form of Long-Term Performance-Based Award Agreement for Executive Officers (filed as Exhibit 10.2 to the Current Report on Form 8-K (File No. 000-26933) filed on February 10, 2010, and incorporated herein by reference).
10.69**	Form of Long-Term Performance-Based Restricted Stock Award Agreement (filed as Exhibit 10.1 to the Current Report on Form 8-K/A (File No. 000-26933) filed on June 18, 2010, as amended, and incorporated herein by reference).
10.70**	Form of Management Incentive Plan Agreement (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-26933) filed on February 1, 2011, and incorporated herein by reference).
10.71**	Form of 2011 Long-Term Performance-based Stock Incentive Award Agreement (LTIP) (filed as Exhibit 10.2 to the Current Report on Form 8-K (File No. 000-26933) filed on February 1, 2011, and incorporated herein by reference).
10.72**	Amended and Restated Non-Employee Director Compensation Plan (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-26933) filed on May 6, 2011, and incorporated herein by reference).
10.73**	Lionbridge Technologies, Inc. 2011 Stock Incentive Plan (the “2011 Plan”) (filed as Exhibit 10.1 to the Registration Statement on Form S-8 (File No. 000-26933) filed on May 16, 2011, and incorporated herein by reference).
10.74**	Form of Non-Qualified Stock Option Agreement (For Officers and Employees) under the 2011 Plan (filed as Exhibit 10.2 to the Registration Statement on Form S-8 (File No. 000-26933) filed on May 16, 2011, and incorporated herein by reference).
10.75**	Form of Non-Qualified Stock Option Agreement (For Non-Employee Directors) under the 2011 Plan (filed as Exhibit 10.3 to the Registration Statement on Form S-8 (File No. 000-26933) filed on May 16, 2011, and incorporated herein by reference).
10.76**	Form of Restricted Stock Agreement under the 2011 Plan (filed as Exhibit 10.4 to the Registration Statement on Form S-8 (File No. 000-26933) filed on May 16, 2011, and incorporated herein by reference).
10.77**	Form of Restricted Stock Unit Agreement under the 2011 Plan (filed as Exhibit 10.5 to the Registration Statement on Form S-8 (File No. 000-26933) filed on May 16, 2011, and incorporated herein by reference).

<u>Exhibit No.</u>	<u>Exhibit</u>
10.78**	Form of Restricted Stock Unit Agreement for Non-Employee Directors under the 2011 Plan (filed as Exhibit 10.6 to the Registration Statement on Form S-8 (File No. 000-26933) filed on May 16, 2011, and incorporated herein by reference).
10.79**	Amended and Restated Lionbridge Technologies, Inc. 2011 Stock Incentive Plan (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-26933) filed on November 2, 2011, and incorporated herein by reference).
10.80	Credit Agreement dated as of December 21, 2006, by and among Lionbridge Technologies, Inc., VeriTest, Inc., Lionbridge US, Inc., Lionbridge Global Solutions Federal, Inc., the several banks and financial institutions named therein, and HSBC Bank USA, National Association, as administrative agent (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-26933) filed on December 26, 2006, and incorporated herein by reference).
10.81	Pledge Agreement dated as of December 21, 2006, by and among Lionbridge Technologies, Inc., VeriTest, Inc., Lionbridge US, Inc., Lionbridge Global Solutions Federal, Inc., the several banks and financial institutions named therein, and HSBC Bank USA, National Association, as administrative agent (filed as Exhibit 10.2 to the Current Report on Form 8-K (File No. 000-26933) filed on December 26, 2006, and incorporated herein by reference).
10.82	Security Agreement dated as of December 21, 2006, by and among Lionbridge Technologies, Inc., VeriTest, Inc., Lionbridge US, Inc., Lionbridge Global Solutions Federal, Inc., the several banks and financial institutions named therein, and HSBC Bank USA, National Association, as administrative agent (filed as Exhibit 10.3 to the Current Report on Form 8-K (File No. 000-26933) filed on December 26, 2006, and incorporated herein by reference).
10.83	Joinder Agreement dated as of October 30, 2009, by and among Lionbridge Global Sourcing Solutions, Inc., Lionbridge Technologies, Inc., HSBC Bank USA, National Association, as administrative agent for the benefit of the Lenders (filed as Exhibit 10.1 to the Current Report Form 8-K (File No. 000-26933) filed on November 5, 2009, and incorporated herein by reference).
10.84	Amendment and Joinder Agreement dated as of January 22, 2007, among Lionbridge Technologies, Inc., HSBC Bank USA, NA and the parties named therein (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-26933) filed on January 25, 2007, and incorporated herein by reference).
10.85	Charge on Shares of Lionbridge International (filed as Exhibit 10.2 to the Current Report on Form 8-K (File No. 000-26933) filed on January 25, 2007, and incorporated herein by reference).
10.86	Charge on Shares of Lionbridge International Finance Limited (filed as Exhibit 10.3 to the Current Report on Form 8-K (File No. 000-26933) filed on January 25, 2007, and incorporated herein by reference).
10.87	Notes issued by Lionbridge International Finance Limited to the Lenders under the Credit Agreement (filed as Exhibit 10.4 to the Current Report on Form 8-K (File No. 000-26933) filed on January 25, 2007, and incorporated herein by reference).
10.88	Amendment No. 3 to Credit Agreement dated as of September 30, 2010 by and among Lionbridge Technologies, Inc., Lionbridge International Finance Limited, the Foreign Guarantors, the US Guarantors, and HSBC Bank USA, N.A. (filed as Exhibit 10.1 to the Current Report on Form 8-K (File No. 000-26933) filed on October 5, 2010, and incorporated herein by reference).
14	Lionbridge Technologies, Inc. Code of Conduct (filed as Exhibit 14 to the Form 10-K (File No. 000-26933) for the period ending December 31, 2007, and incorporated herein by reference).

<u>Exhibit No.</u>	<u>Exhibit</u>
21.1*	Subsidiaries of Lionbridge
23.1*	Consent of PricewaterhouseCoopers LLP
31.1*	Certification of Rory J. Cowan, the Company's principal executive officer as required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Donald M. Muir, the Company's principal financial officer as required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*†	Certifications of Rory J. Cowan, the Company's principal executive officer, and Donald M. Muir, the Company's principal financial officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101††	The following financial information from Lionbridge Technologies, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011, as filed with the SEC on March 14, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Cash Flows, (iv) Condensed Consolidated Statements of Stockholders' Equity, and (v) the Notes to Condensed Consolidated Financial Statements, tagged in summary and detail.

\* Filed herewith.

\*\* Indicates a management contract or any compensatory plan, contract or arrangement required to be filed as an exhibit pursuant to Item 15(b) of Form 10-K.

† Furnished herewith.

†† As provided in Rule 406T of Regulation S-T, this information is furnished and not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities and Exchange Act of 1934.

## Corporate Information

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**Stock Symbol:** NASDAQ:LIOX

**Corporate Headquarters**

1050 Winter Street, Suite 2300  
Waltham, MA 02451  
Telephone: 781.434.6000  
Fax: 781.434.6034

**Reports**

Lionbridge quarterly and annual reports, including Forms 10-Q and 10-K, are available at [www.lionbridge.com](http://www.lionbridge.com).

**Annual Meeting**

The annual meeting is May 1, 2012, at Lionbridge headquarters located at 1050 Winter Street, Suite 2300, Waltham, MA, at 10:00 a.m.

**Investor Relations**

Lionbridge Technologies, Inc.  
Phone: 781.434.6190  
Fax: 781.434.6034

**Registrar and Transfer Agent**

American Stock Transfer & Trust Company  
59 Maiden Lane, Plaza Level  
New York, NY 10038  
212.936.5100

**Independent Registered Public Accounting Firm**

PricewaterhouseCoopers LLP  
125 High Street  
Boston, MA 02110  
617.530.5000

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## Corporate Leadership

Rory J. Cowan\*  
*Chairman and CEO*

Don Muir\*  
*Chief Financial Officer*

Paula Shannon\*  
*Senior Vice President,  
Chief Sales Officer*

Henri Broekmate\*  
*Senior Vice President,  
Worldwide Operations*

Martha Crow\*  
*Senior Vice President,  
Global Development and Testing*

Marc Osofsky\*  
*Senior Vice President,  
Marketing*

Michele Erwin  
*Senior Vice President,  
Human Resources*

Mark Nesline  
*Senior Vice President,  
Engineering*

Peggy Shukur  
*Senior Vice President,  
General Counsel and Secretary*

Sara Buda  
*Vice President,  
Investor Relations and  
Corporate Development*

**\*\*Executive Officer\*\* under Section 16 of the Securities Exchange Act of 1934**

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## Board of Directors

Rory J. Cowan  
*Chairman and CEO,  
Lionbridge Technologies, Inc.*

Edward A. Blechschmidt  
*Former CEO, Novelis Corp., Gentiva  
Health Services, Inc., Olsten Corp.*

Guy L. de Chazal  
*Former Managing Director,  
Morgan Stanley & Co. Incorporated*

Steven Fisher  
*Senior Vice President and CFO,  
Novelis Inc.*

Paul A. Kavanagh  
*European Industry Consultant*

Jack Noonan  
*Former President, CEO and Chairman,  
SPSS, Inc.*

Claude P. Sheer  
*Digital Media Consultant*

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*Publications of interest to current and potential Lionbridge investors are available without charge. These include this Annual Report as well as Quarterly Reports on Form 10-Q, and other filings with the Securities and Exchange Commission. Requests should be made to: Investor Relations, Lionbridge Technologies, Inc., 1050 Winter Street, Suite 2300, Waltham, Massachusetts 02451; e-mail: [Investor.Relations@lionbridge.com](mailto:Investor.Relations@lionbridge.com). General company information is also available on our Website at [www.lionbridge.com](http://www.lionbridge.com).*

*Lionbridge, the Lionbridge logo, Translation Workspace, the Translation Workspace logo, GeoFluent and the GeoFluent logo are trademarks of Lionbridge Technologies, Inc. Other companies, products and services mentioned in the Annual Report are trademarks or service marks of the respective owners.*



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|| **Lionbridge**

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