LIONBRIDGE

2002 Annual Report

fluency

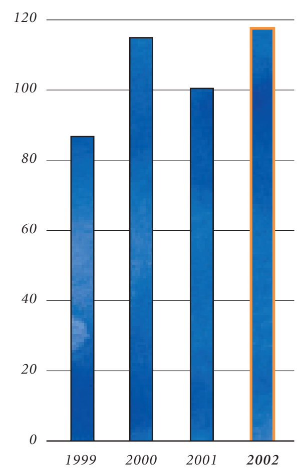
value ◆ *velocity* ◆ *integrity* ◆ *efficiency*

THE LIONBRIDGE FOOTPRINT

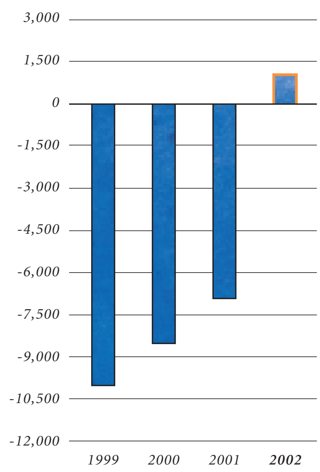
18 solution centers in 9 countries

With a global infrastructure supported by proven methodologies, systems, and technologies, Lionbridge delivers the highest value globalization and testing services for clients worldwide.

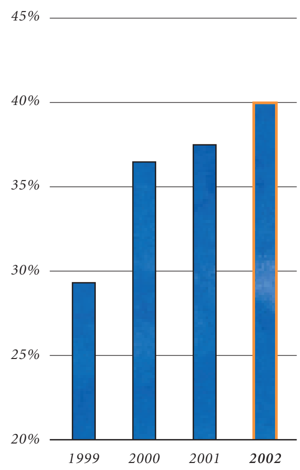
Lionbridge Financial Highlights



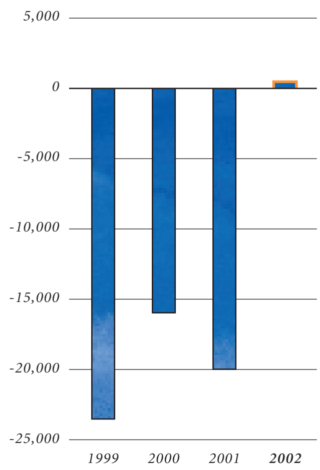
Revenue in millions
Delivering strong year-on-year growth



Cash Flow from Operations in thousands
Achieving positive cash flow



Gross Margin
Leveraging a global infrastructure



Operating Income (loss) in thousands
Driving bottom-line performance

Dear Shareholders:

2002 was a breakout year for Lionbridge. We reached the critical milestone of operating profitability and achieved double-digit revenue growth against a challenging economic environment. In addition to these financial achievements, we broadened our customer base into new industries and maintained strong recurring revenue.

These accomplishments underscore increasing demand for Lionbridge global outsourcing services, the strength of our worldwide operations, the maturity and stability of our team, and the proven value we deliver to clients worldwide.

Financial highlights We delivered revenue of $118 million in 2002—an impressive increase of 17% year-over-year in a decidedly lackluster economy. This growth, coupled with strict cost control, led to our first year of operating profitability, and a $20 million positive swing on our bottom line. This positions us well to meet our goal of positive net income in 2003. I'm also pleased to report that our gross margin continued to grow for the fourth consecutive year. This year we increased our gross margin by another 200 basis points, yet again demonstrating the ongoing scalability of our business model.

Rory J. Cowan

Chairman, President and CEO
Lionbridge Technologies, Inc.

In our 2001 report we discussed our intention to diversify our client base into industries beyond our traditional technology product sector. We have executed on that plan. We won new contracts with customers in the consumer, life sciences, industrial and manufacturing sectors. We also increased our revenue from existing clients. The demand for our outsourced services in all end markets continues to strengthen each year, proving once again that language and technology are the drivers that enable global business—in any economy.

Our 2002 financial performance would be remarkable in any market environment. These milestones, in the midst of a soft economy and a technology downturn, underscore the quality of our worldwide leadership team, the resilience of our business model and the loyalty of our clients.

The Three C's In 2002 we focused on the "three C's"—customers, cost and clarity. These three themes enabled us to continually exceed our clients' expectations, while delivering strong financial performance.

Customers Worldwide demand for our customers' technology products and applications drove Lionbridge in its early years. Our globalization business continues to grow, underscoring our leadership in this area. Last year, we began to integrate our application development and maintenance solutions into our globalization business. As a result, clients are relying on Lionbridge to develop, support and maintain their multilingual technology applications, to optimize their existing resources and to reduce their costs.

Building on these global *product* capabilities, we've now become the industry experts in managing multilingual *content* for organizations across all industries. Our most significant new contracts in 2002 reflected this demand. From a global ERP deployment, to a billion dollar petrochemical plant, language is core to all global business.

In our VeriTest testing business, we also expanded our service offerings and enhanced our onshore, near shore and offshore operations. These refined global capabilities address our clients' economic and geographic needs and enable us to provide a wider range of testing services that increase reliability and

→ A study by Common Sense Advisory revealed that top U.S.-based businesses derived an average of **46 percent of their worldwide revenue from outside the United States.**

ROI of clients' global end user applications.

Our global operations share a fluency of language and technology and a dedication to customer value. Organizations in all industries depend on Lionbridge as their trusted partner to develop, release, support and maintain their global technology applications and content.

Cost We demonstrated our ability to control costs in 2002 by simultaneously achieving double-digit revenue growth and reducing fixed costs. Even after the acquisition of eTesting Labs, we reduced our G&A costs by 6% year-on-year while maintaining constant sales and marketing expenses—another example of the strength of our cost-conscious team. And, our advanced language technologies enabled us to deliver higher quality and lower costs for customers, while increasing our margins.

We delivered positive cash flow from operations for the year. We also made a cash-based acquisition and paid down subordinated debt. And our Days Sales Outstanding remained at an industry low, confirming our high client satisfaction and consistent operational execution.

This commitment to cost control and bottom-line performance is integral to our culture and will continue in 2003.

Clarity There is clear economic leverage in having a global infrastructure that supports two related businesses: globalization and testing. We enhanced these businesses by further integrating our development, globalization, testing and maintenance capabilities. As a result, we are adding new value throughout our clients' product and content lifecycles. The synergies among our services and the common client benefits—increased velocity and reduced costs—are evident.

Clarity also reflects the maturity of our web-based global methodologies. We are now able to provide anywhere, anytime access to global processes and best practices which assure the highest levels of client quality across our worldwide solution centers.

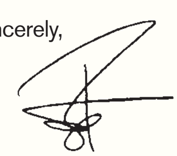
With a proven global business model and a continued commitment to the "three C's" we are expanding and strengthening our existing client relationships, attracting new clients in varied industries and seizing a wealth of new growth opportunities.

Our fluency in language, technology and global business is driving growth and delivering **value for our clients.**

A word of thanks It is gratifying to see our work of the past few years come to fruition in 2002. Strategic visions are becoming working realities. Operational goals are becoming proven accomplishments. Our 2002 results demonstrate that we are building a remarkably powerful and enduring global culture at Lionbridge—all through the tireless efforts of our worldwide Lionbridge team.

Finally, I'd like to thank our shareholders for your support. We will continue to drive value, opportunity and growth and look forward to exceeding expectations in 2003.

Sincerely,



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

Fluency: The Lionbridge **Strategy**

Global 2000 organizations increasingly are faced with the twin challenges of satisfying international customers and managing a global workforce. Today's economy drives additional pressures as companies seek to achieve greater efficiencies, increased international market penetration and reduced costs through offshore development.

Meeting these challenges requires fluency—not only of language and technology but also of global business. And it requires an outsourcing partner that has industry leadership, scale and expertise to address these global imperatives. That's Lionbridge.

→ According to industry analyst IDC, spending on IT outsourcing worldwide is expected to rise to **$41 billion by 2006.**

With integrated and highly-specialized globalization and testing services, Lionbridge is the partner of choice for organizations that are speeding adoption, increasing utilization and reducing costs of global technology and information.

Lionbridge has a longstanding history of delivering globalization services for organizations in all industries. Clients rely on our localization, internationalization, translation and **offshore development** solutions to develop, release and maintain their global technology applications and to deliver multilingual content to their customers, partners and employees throughout the world.

Powered by our methodology and advanced language technologies, clients gain increased quality and cost efficiency as their programs grow with us. As a result, we have a strong recurring customer base. This deep integration with our customers' technology and publishing environments reinforces our model as a business process outsourcing—or **BPO**—services organization.

Through our VeriTest testing division, we help customers ensure quality, reliability, and usability of applications and products across complex, global IT environments. Software vendors and global enterprises alike rely on VeriTest's comprehensive **IT services**—including testing, certification and competitive analysis—to assure and promote the quality, usability and reliability of their applications while reducing downstream support costs.

Our blend of offshore development, business process outsourcing and IT services has opened new doors of opportunity for Lionbridge. It also gives Lionbridge the unique ability to serve the needs of clients throughout the entire lifecycle of their technology applications and enterprise content—from development, to globalization, to testing, to maintenance.

Today, clients in all industries are leveraging our mature global infrastructure and fluency of language and technology to simplify global business; to increase the velocity of products and content worldwide; to lower their support costs; to be more responsive to their customers; and to gain a competitive edge.

We deliver ROI in any language.

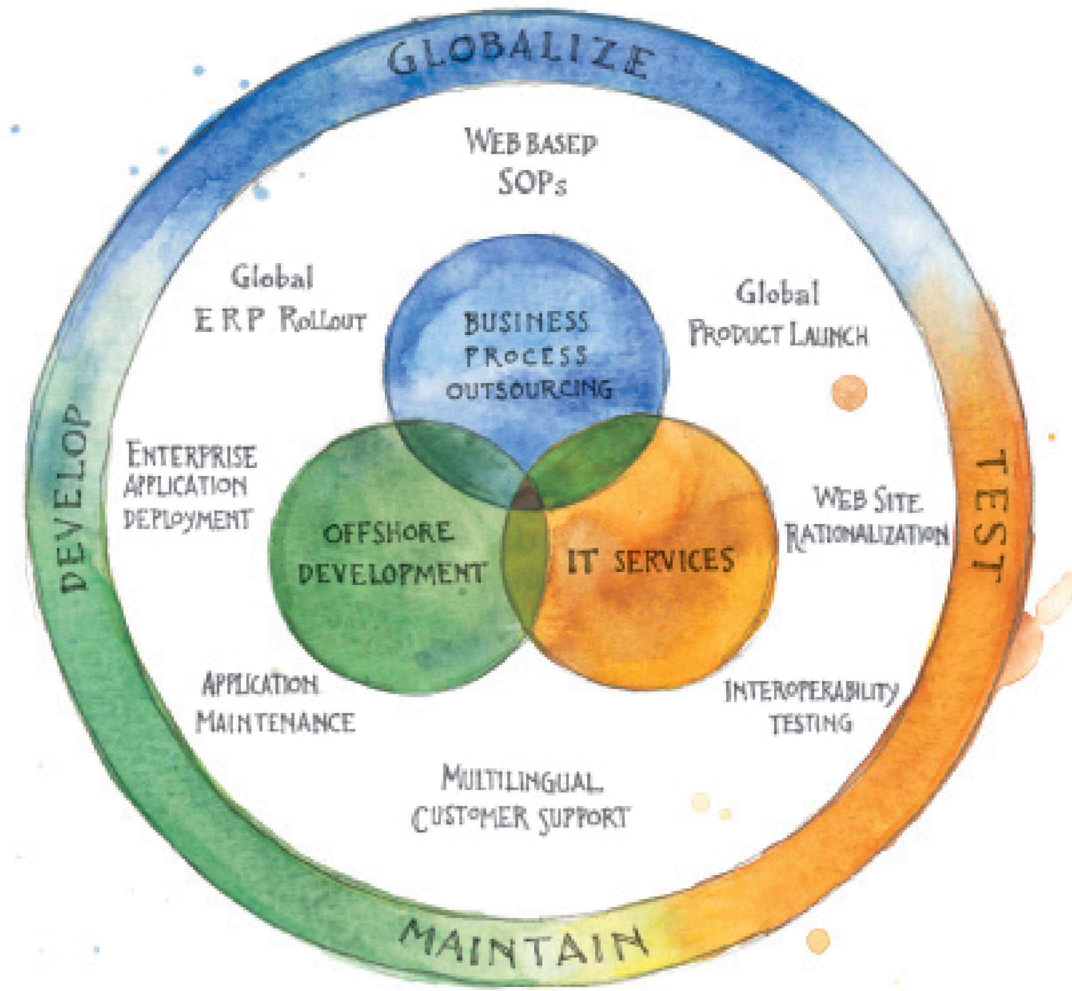


FIG 1:

Lionbridge serves as an outsourcing partner throughout our clients' product and content lifecycles. Our services enable clients to increase ROI for their enterprise systems, unify global business processes, reduce costs, and speed "time-to-profit" for global products and content.

Delivering powerful **globalization services**
for enterprise content and technology products.

Language and technology pervade all global business as organizations embrace the Internet to manage mission-critical content and applications, and to reduce costs.

Lionbridge clients rely on our globalization services to develop, release, manage and maintain their enterprise content and technology products worldwide—and save millions of dollars in the process.

We enable clients to effectively manage their content across geographies. Using our translation and multilingual content management solutions, clients are increasing global utilization of multimillion dollar ERP systems; speeding adoption of global work processes; minimizing customer support costs; and developing effective web-based communications with their employees, partners, and customers worldwide. And that's just the beginning.

Combining advanced language technologies and in-depth technical expertise, Lionbridge helps clients establish effective processes for managing multilingual content throughout their organization. We integrate our technology with clients' processes and systems to automate translation and to manage vast amounts of complex, frequently-changing content. And, as a strategic partner with our clients, we provide resources, systems and workflow that enable organizations to enjoy the benefits of high-quality, in-country translation, *and* efficient, centrally-controlled processes.

To support clients' global product lifecycles, Lionbridge provides unified solutions for developing, releasing and maintaining multilingual technology products.

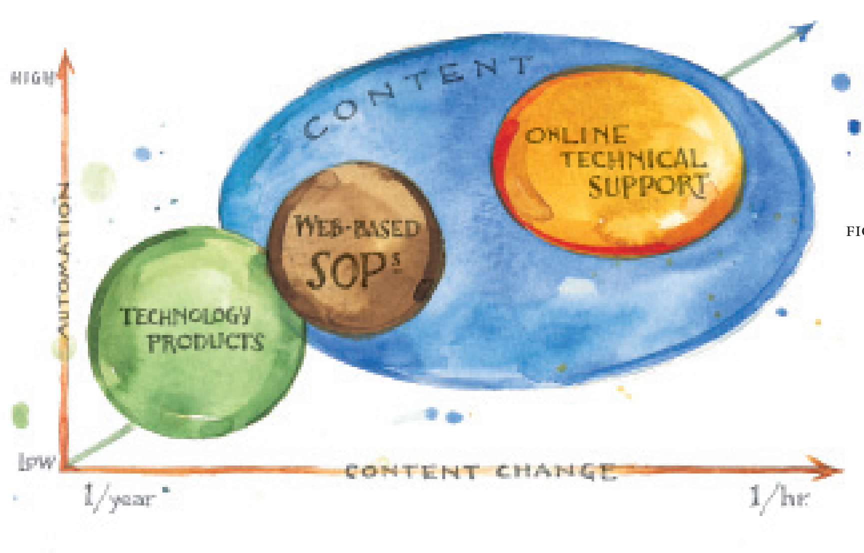


FIG 2: *Lionbridge technology automates the translation process and manages vast amounts of complex, frequently-changing content. Our flexible technology approach increases quality, maximizes efficiency and reduces translation costs as client programs grow in scope and duration.*

→ According to Allied Business Intelligence, Web Site localization—the business of translating Web Sites into multiple languages—will grow to a **$1.7 billion market** by year end 2007.

Our localization, internationalization and technical translation solutions enable clients to accelerate global product releases, enhance brand integrity and increase customer satisfaction in all geographies.

Lionbridge's Application Development and Maintenance (ADM) solution integrates onsite program managers and skilled near shore or offshore development teams through Lionbridge solution centers worldwide. Lionbridge clients realize both the cost efficiency of offshore development and the integrity and assurance of onsite program management.

For all globalization solutions, we leverage our global network of language and technology experts to provide clients with the right combination of language, technology, domain expertise and local country presence.

Our skilled project managers simplify and manage clients' content globalization, product localization and ADM processes, while our proven global methodology ensures consistency, efficiency and quality across all geographies.

As a result, Lionbridge clients are reducing the costs of developing, releasing and supporting customer applications and information in international markets while accelerating time-to-profit and optimizing existing resources.

The bottom line: Language and technology are fundamental to all global business and Lionbridge globalization services are fundamental to our clients' success.

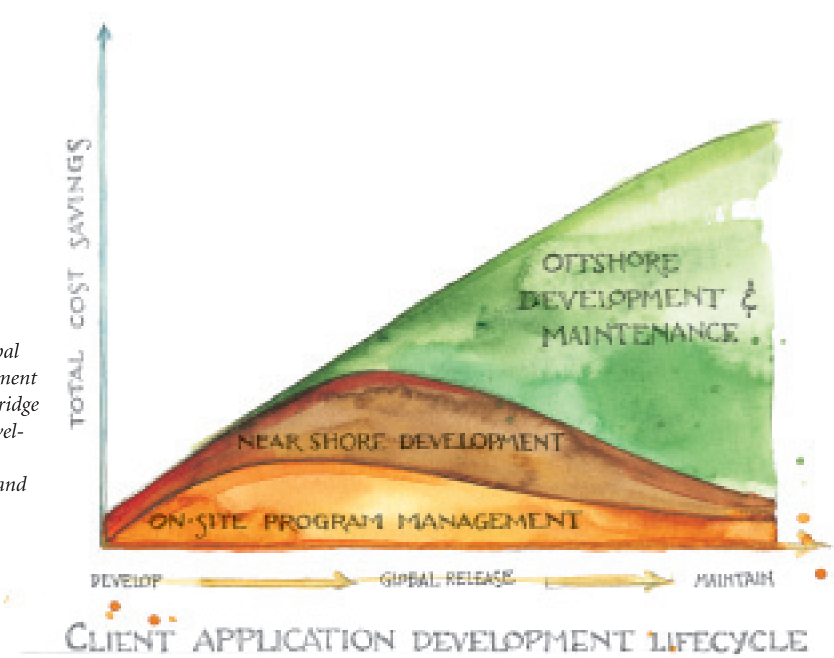


FIG 3: *By integrating language skills, global resources and application development and maintenance expertise, Lionbridge provides a unified approach to developing, releasing and maintaining multilingual technology products and offers a high-return solution for worldwide product support.*

→ According to a study from the National Institute of Standards and Technology, "bugs" cost Independent Software Vendors almost **$30 billion annually.**

Setting new standards for quality, usability and reliability, with high value **testing solutions** from VeriTest

IT systems have become the primary interface to all end users, whether they're transferring funds at an ATM, shopping at an e-commerce storefront, or accessing a global ERP system. It's not enough to ensure that these technology applications and web-based communications are available in the languages of global users. Users now expect products that perform flawlessly across global platforms, web sites that are usable under heavy load and stress levels, and back-end systems that ensure uptime and enhance customer service across departments. And they are quick to make decisions based on the quality of those user experiences.

The negative impact of poor quality and inadequate testing has never been more visible or more far-reaching—from software product functionality, to web site usability, to reliability and scalability of enterprise applications. That's why clients rely on VeriTest, the industry's most trusted brand for high-quality, cost-effective outsourced testing, benchmarking and certification services.

VeriTest provides a range of testing services that enable clients to ensure quality, usability, interoperability and performance of all applications and products. In addition, VeriTest provides certification and competitive analysis services that give customers assurance that the products and systems they are buying meet strict, industry-defined standards for quality and deliver measurable performance against industry standards and competitive offerings.

The power of VeriTest is the ability to provide high value testing solutions that meet each client's technical, budgetary and geographic needs—from onsite test engineers to onshore or near shore technology labs to low-cost offshore testing. VeriTest leverages a global network of skilled test engineers, full-scale technology labs, and geographical flexibility to provide the right testing solution for each program. For clients, that means the unprecedented ability to release proven enterprise-scale applications and web sites on a worldwide basis while increasing customer satisfaction and reducing costs.

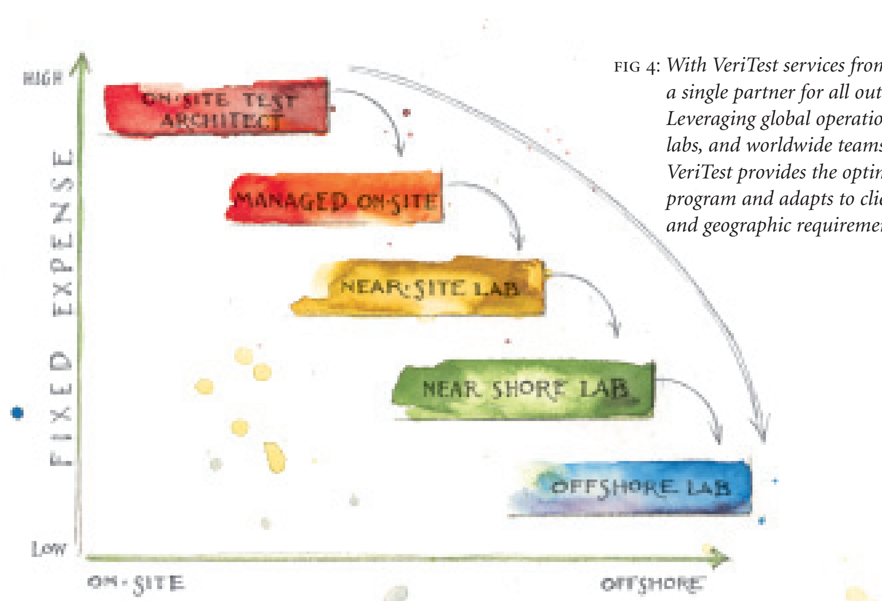


FIG 4: *With VeriTest services from Lionbridge, clients have a single partner for all outsourced testing services. Leveraging global operations, full-scale technology labs, and worldwide teams of testing experts, VeriTest provides the optimal testing model for each program and adapts to clients' changing budgetary and geographic requirements.*

FIG 5: *Lionbridge methodologies provide anywhere, anytime access to processes and best practices to assure the highest levels of quality, reliability and efficiency around the globe.*

Tightly integrated, highly responsive Lionbridge teams work seamlessly and efficiently across **worldwide solution centers.**

Lionbridge understands the importance of mastering the complexities of global business. We realized that for us to deliver global technology and content solutions for our clients, we first had to optimize our own worldwide operations, technology and people. That's why we've spent years developing and refining a global Lionbridge culture.

A "global culture" means much more than simply opening offices in different countries and hiring local staff. It means being not just familiar, but fully *fluent,* in every aspect of doing business on a worldwide basis.

For example, we have a *global resource management team* in Amsterdam that maintains relations with thousands of pre-qualified, third-party translators with specific language and domain expertise so we always have the right resources for any client program.

Because strong financial control is core to our organization, our *staff accountants* in our Asian, European and South American solution centers are fluent in both U.S. Generally Accepted Accounting Principles (GAAP) reporting and the financial operations of their local businesses.

And we have *hundreds of engineers, project managers and competency leaders* with the worldliness and flexibility to deploy across the Lionbridge global infrastructure—a month in Massachusetts, a week in Germany, three days in China and two months in France—on a regular basis. This global commitment ensures that we continue to exceed client expectations for quality and efficiency.

We've built the methodologies, systems, and supporting technologies necessary for us to work as an integrated team and to enable effective and efficient global operations.

The result is an organization that's as diverse and geographically-distributed as it is tightly integrated, highly responsive, and extremely flexible.

→ **From building value into a global infrastructure,** to increasing velocity of international product releases, to ensuring the integrity of retail brands worldwide, to creating efficiencies in multilingual content management—the opportunities are far reaching. Our team has the fluency of language, technology and global business to address them.

fluency: **value**

Language is pervasive when building a GLOBAL INFRASTRUCTURE

- *Multi-billion dollar petrochemical plant*
- *20,000 non-English speaking employees*
- *2.5 million pieces of content over three years*
- *Complex legal, financial and health & safety compliance requirements*

For people in the petrochemical and engineering industries, business has always been global. But unlike the past, when industrial companies used expatriates exclusively to handle the construction and operation of offshore facilities, today's infrastructure projects typically involve partnerships between global companies and local partners.

In these costly, complex projects, there is no room for error or miscommunication. Quality is critical. The regulatory requirements are extensive. Training needs are high. And the cost of failure is enormous. It is not simply a matter of overcoming language barriers, but ensuring that the entire project workflow is comprehensible and accessible to everyone involved in the project.

Consider a joint venture of three multinational engineering and construction firms to build a $4 billion petrochemical complex in Southeast Asia. The content and globalization challenges are staggering, including more than 20,000 non-English speaking local employees on the construction site and more than 2.5 million pieces of content expected to be generated over the lifetime of the project.

For global organizations with mission-critical initiatives, Lionbridge provides a total outsourcing framework that spans strategy, technology, and content—including globalization and Web delivery of work processes, strategic integration and optimization of content management systems, and development and maintenance of custom applications.

This framework enables organizations to accelerate the adoption of global work processes and standard operating and safety procedures and increase utilization of content and systems while reducing maintenance costs. We streamline the process of creating and disseminating content to enable all personnel throughout a complex engagement to work together seamlessly. We automate processes and establish accountabilities to assure quality management and to reduce costs.

For global complex initiatives this can mean millions of dollars of savings. It can also mean the difference between project delays, inefficiency and administrative headaches and swift completion of an advanced facility that meets the highest standards of quality and regulatory compliance.

Speeding **time-to-profit** for GLOBAL PRODUCT RELEASES

The digital imaging industry releases hundreds of new products in more than 20 countries each year.

It's been said that today's typical kitchen appliance offers more processing power than the onboard computer that guided the Apollo missions to the moon. Because greater intelligence, sophistication, and complexity are engineered into so many modern technology products and applications, it's easy for consumers and professionals to take them for granted.

But the manufacturers of these products are well aware of their complexity—as well as the ever-growing need to shorten product cycle times and reduce costs, while increasing customer satisfaction in all global markets.

The language and technology requirements of complex consumer and professional products are extensive. Customers, suppliers, employees and partners have to be provided with information in local languages. Products that integrate with other products—such as printers, digital cameras, and computers—have to provide optimal performance and integration. Software applications need to be tested and certified for interoperability, usability and reliability across multiple technology platforms. User interfaces and instruction manuals have to be localized. Web sites need to be fully usable and updated with the latest marketing and technical support information. Sales and service representatives have to be trained on product use and advanced support.

This complex language and technology ecosystem is why many of the world's top manufacturers of consumer and professional technology products work with Lionbridge. Combining years of language and technology expertise with global resources, Lionbridge offers a scalable, proven solution for managing complex product releases across the globe.

With some clients releasing dozens of new digital cameras and printers in more than 20 countries every year, having an outsourcing partner with global scale, proven processes and superior project management capabilities is critical.

We not only increase velocity, or time-to-profit, of global technology products, we also assure quality and customer satisfaction—factors increasingly critical in today's competitive business environment.

fluency: integrity

Creating and maintaining

THE GLOBAL BRAND **from manufacture to sale**

Eight of the world's top ten retail brands originate in the US.

When brands "go global," it involves much more than printing packaging in multiple languages. Language touches every facet of this complex process.

Consider the implications when a retailer of specialty beverages and food expands into new international markets. Its reputation and brand equity are put on the line every time a new store opens or a new employee takes a job. Maintaining the same high-quality, cost-efficient delivery of products and services while operating thousands of locations in dozens of markets around the world is a highly complex process. And multilingual content is central to making any global operation hum.

Product information has to be in consumers' local languages. Employees have to be trained in the proper methods of serving and supporting customers. The point-of-sale systems that manage inventory must be localized so local employees can manage supply and demand. Even the warehouse employee in the Malaysian plant that produces products for the store has to be able to understand and use the corporate ERP system that runs the global operation.

As the language and technology outsourcing partner for hundreds of organizations, Lionbridge provides global resources, content management expertise, and in-country experts to unify our clients' essential business processes and enhance their brand equity in global markets.

To simplify and manage complex global content processes, we leverage technology that connects to organizations' content management repositories and automates the translation process. We leverage language management technology that captures and reuses previous translations. This technology reduces the time and cost translation and ensures the highest levels of quality.

Managing multilingual, multiplatform technology and content for global organizations is our business—and we're good at it. We speed adoption, increase utilization and reduce costs of global products and content. That's why organizations in a variety of industries—from global manufacturers of consumer goods, to specialty retailers, to providers of retail technology systems–rely on Lionbridge.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€ 2,40

Dispensing CRITICAL INFORMATION through global communications channels

Lionbridge clients in all industries are improving efficiencies with consistent, well-defined, content management processes across all geographies.

For many content-intensive industries, the traditional lines that once separated content, business processes, and applications from each other no longer exist in any meaningful way. For example, the operations of pharmaceutical and biotechnology companies are driven as much by content requirements and supporting applications as they are by product development.

No drug can reach the market without thousands of pages of regulatory filings and supporting documentation, educational literature, marketing materials, and patient information. Multiply that by the number of drugs in a pharmaceutical or company's portfolio and the number of markets in which its drugs are sold and you get a sense of the sheer volume of content.

But that's only the beginning. As more companies leverage the Internet as not only an information-sharing channel but also a portal for web-based applications, they need a way to manage it all efficiently—content, web infrastructure, and applications.

That's why more of them are turning to Lionbridge. For these customers, Lionbridge is becoming the preferred partner for a broad range of interrelated needs, from the development of applications, to integration and optimization of multilingual content management systems, to web site usability testing, to ongoing application maintenance.

For these organizations, our proven global infrastructure and in-depth knowledge of global business processes make Lionbridge the logical choice for expert, cost-effective globalization and testing services.

By providing a total outsourced solution that spans content, business processes, and applications, Lionbridge enables our clients to speed the adoption of—and increase the utilization of—core business applications and content, while reducing costs.

Report of Independent Accountants

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheets of Lionbridge Technologies, Inc. and its subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2002 (not presented herein) appearing in the Company's 2002 Annual Report on Form 10-K; and in our report dated January 30, 2003, except as to Note 17 which is as of March 28, 2003, we expressed an unqualified opinion on those consolidated financial statements. Our report indicated that the Company changed its method of accounting for goodwill and other intangible assets effective January 1, 2002.

In our opinion, the information set forth in the accompanying condensed consolidated financial statements is fairly stated, in all material respects, in relation to the consolidated financial statements from which it has been derived.

PricewaterhouseCoopers LLP

Boston, Massachusetts
January 30, 2003, except as to Note 17 which is as of March 28, 2003

Lionbridge Technologies, Inc.

Condensed Consolidated Balance Sheets

(Amounts in thousands)

	December 31, 2002	December 31, 2001
Current assets:		
Cash and cash equivalents	$ 10,916	$ 11,711
Restricted cash	352	539
Accounts receivable, net	17,303	16,791
Work in process	6,062	4,286
Other current assets	2,054	1,336
Total current assets	36,687	34,663
Property and equipment, net	5,013	4,463
Goodwill	15,142	13,620
Other intangible assets, net	551	1,349
Other assets	771	652
Total assets	$ 58,164	$ 54,747
Current liabilities:		
Short-term debt and current portion of long-term debt	$ 3,215	$ 9,600
Accounts payable	8,570	7,121
Accrued expenses and other current liabilities	14,415	12,641
Deferred revenue	3,753	3,053
Total current liabilities	29,953	32,415
Long-term debt, less current portion and discounts of $2,288 and $2,898 at December 31, 2002 and 2001, respectively	24,728	17,318
Other long-term liabilities	1,769	1,566
Stockholders' equity:		
Accumulated deficit	(108,561)	(103,776)
Other stockholders' equity	110,275	107,224
Total stockholders' equity	1,714	3,448
Total liabilities and stockholders' equity	$ 58,164	$ 54,747

See accompanying Notes to Condensed Consolidated Financial Statements.

Lionbridge Technologies, Inc.

Condensed Consolidated Statements of Operations

(Amounts in thousands, except per share amounts)

	For the Years Ended December 31,		
	2002	2001	2000
Revenue	$ 118,319	$ 101,204	$ 115,149
Cost of revenue	71,272	63,123	72,746
Gross profit	47,047	38,081	42,403
Operating expenses:			
Sales and marketing	11,600	11,342	11,384
General and administrative	32,423	34,382	33,143
Research and development	1,194	2,297	2,518
Amortization of acquisition-related intangible assets	528	6,651	6,503
Merger, restructuring and other charges	—	2,853	4,266
Stock-based compensation	851	565	799
Total operating expenses	46,596	58,090	58,613
Income (loss) from operations	451	(20,009)	(16,210)
Interest expense:			
Interest on outstanding debt	3,154	2,326	2,523
Accretion of discount on debt	610	839	212
Other expense, net	1,534	838	714
Loss before income taxes	(4,847)	(24,012)	(19,659)
Provision for (benefit from) income taxes	(62)	439	616
Net loss	(4,785)	(24,451)	(20,275)
Accrued dividends on preferred stock	—	—	3,574
Net loss attributable to common stockholders	$ (4,785)	$ (24,451)	$ (23,849)
Basic and diluted net loss per share attributable to common stockholders	$ (0.15)	$ (0.83)	$ (0.96)
Shares used in computing basic and diluted net loss per share attributable to common stockholders	31,632	29,528	24,871

See accompanying Notes to Condensed Consolidated Financial Statements.

Lionbridge Technologies, Inc.

Condensed Consolidated Statements of Cash Flows

(Amounts in thousands)

	For the Years Ended December 31, 2002	2001	2000
Cash flows from operating activities:			
Net loss	$ (4,785)	$ (24,451)	$ (20,275)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Amortization of acquisition-related intangible assets	528	6,651	6,503
Stock-based compensation	851	565	799
Accretion of discount on debt	610	839	212
Impairment of long-lived assets	—	336	886
Depreciation and amortization of property and equipment	3,027	3,861	3,725
Provision for doubtful accounts	(229)	520	(404)
Other	(7)	51	269
Changes in operating assets and liabilities, net of effects of acquisitions:			
Accounts receivable	1,379	2,409	(1,641)
Work in process	(1,306)	3,463	318
Prepaid expenses and other assets	103	6,370	(694)
Accounts payable	1,245	981	(2,369)
Accrued expenses	(50)	(7,794)	4,084
Deferred revenue	(151)	(520)	5
Net cash provided by (used in) operating activities	1,215	(6,719)	(8,582)
Cash flows from investing activities:			
Purchases of property and equipment	(1,449)	(1,402)	(3,147)
Proceeds from sale of property and equipment	98	—	—
Payments for businesses acquired, net of cash acquired	(2,167)	718	(2,876)
Net cash used in investing activities	(3,518)	(684)	(6,023)
Cash flows from financing activities:			
Net increase in short-term debt	400	3,278	5,688
Proceeds from issuance of long-term debt	—	—	1,109
Payments of long-term debt	—	(1,063)	(261)
Proceeds from issuance of common stock	—	253	12,630
Proceeds from issuance of common stock under option and employee stock purchase plans	248	260	731
Other	(8)	(223)	(879)
Net cash provided by financing activities	640	2,505	19,018
Net increase (decrease) in cash and cash equivalents	(1,663)	(4,898)	4,413
Effects of exchange rate changes on cash and cash equivalents	868	(132)	(22)
Cash and cash equivalents at beginning of year	11,711	16,741	12,350
Cash and cash equivalents at end of year	$ 10,916	$ 11,711	$ 16,741

See accompanying Notes to Condensed Consolidated Financial Statements.

Notes to Condensed Consolidated Financial Statements

The accompanying condensed consolidated financial statements as of December 31, 2002 and 2001, and for each of the three years in the period ended December 31, 2002, are derived from the consolidated financial statements of the Company, which are included in the Company's Annual Report on Form 10-K. The accompanying condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the accompanying notes included in the Company's Annual Report on Form 10-K.

Corporate Information

Stock Symbol: NASDAQ:LIOX

Reports
Lionbridge quarterly and annual reports, including Forms 10-Q and 10-K, are available at www.lionbridge.com.

Annual Meeting
The annual meeting is May 27, 2003, at Lionbridge headquarters located at 950 Winter Street, Suite 2410, Waltham, MA, at 10:00 a.m.

Investor Relations
Lionbridge Technologies, Inc.
Phone: 718.434.6190
Fax: 781.434.6034

Registrar and Transfer Agent
American Stock Transfer & Trust Company
250 Broadway, 14th Floor
New York, NY 10007
212.659.2200

Independent Accountants
PricewaterhouseCoopers LLP
One Post Office Square
Boston, MA 02109
617.478.5000

Corporate Counsel
Testa, Hurwitz & Thibeault, LLP
125 High Street
Boston, MA 02110
617.248.7000

Worldwide Locations

Corporate Headquarters
950 Winter Street,
Suite 2410
Waltham, MA 02451
Phone: 781.434.6000
Fax: 781.434.6034

Asia
Beijing, China
Tokyo, Japan
Seoul, Korea

Europe
Paris, France
Sophia Antipolis, France
Rendsburg, Germany
Ballina, Ireland
Dublin, Ireland
Galway, Ireland
Amsterdam, The Netherlands

North America
Los Angeles, CA
San Francisco, CA
Boulder, CO
Boise, ID
Framingham, MA
Morrisville, NC
Bellevue, WA

South America
São Paulo, Brazil

Corporate Officers

Rory J. Cowan*
Chairman, President & CEO

Stephen J. Lifshatz*
Chief Financial Officer, Senior Vice President

Myriam Martin-Kail*
Chief Operating Officer

Paula Shannon*
Senior Vice President, Worldwide Sales

Henri Broekmate
Senior Vice President, Localization Operations, North America

Jonathan Clark
Chief Technology Officer

Michele Erwin
Vice President, Human Resources

Robin Lloyd
Vice President, Marketing and Channel Management, Globalization

Al Ramirez
Vice President, Application Development and Maintenance

Margaret A. Shukur
General Counsel & Secretary

Katrina Teague
Vice President, Marketing and Channel Management, VeriTest

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

Board of Directors

Rory J. Cowan
Chairman, President & CEO, Lionbridge Technologies, Inc.

Edward A. Blechschmidt
Former Chairman and Chief Executive, Gentiva Health Services, Former CFO, Unisys Corp.

Guy L. de Chazal
Managing Director, Morgan Stanley and Co., Incorporated

Roger O. Jeanty
Former President, INT'L.com

Paul A. Kavanagh
European Industry Consultant

Claude P. Sheer
Partner, Barn Ventures, LLC, Former President, Ziff Davis Media

Publications of interest to current and potential Lionbridge investors are available without charge. These include this Annual Report as well as Lionbridge's Annual Report on Form 10-K, 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. 950 Winter Street, Suite 2410, Waltham, Massachusetts, 02451; e-mail: Investor_Relations@lionbridge.com. General company information is also available on our Web site at www.lionbridge.com.

Design: www.LaborDayCreative.com Illustration: www.StanFellows.com

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www.lionbridge.com