SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

Filing Date: **1999-03-26** | Period of Report: **1998-12-31**
SEC Accession No. 0000950142-99-000234

(HTML Version on secdatabase.com)

FILER

BERLITZ INTERNATIONAL INC

CIK:**856529**| IRS No.: **133550016** | State of Incorp.:**NY** | Fiscal Year End: **1231**
Type: **10-K** | Act: **34** | File No.: **001-10390** | Film No.: **99574520**
SIC: **8200** Educational services

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

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For fiscal year ended December 31, 1998

OR

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

Commission File Number 1-10390

BERLITZ INTERNATIONAL, INC.
(Exact name of issuer as specified in its charter)

New York	13-3550016
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
400 Alexander Park, Princeton, New Jersey	08540
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (609) 514-9650

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

Title of each class	Name of each exchange on which registered:
Common Stock, $.10 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None
(Title and class)

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 than the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.
YES X 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 the 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. [X]

Based on the average bid and ask price at March 16, 1999, the aggregate market value of the voting stock held by non-affiliates of the registrant was $60,748,744.

The number of shares of the Registrant's common stock outstanding as of March 29, 1999 was 9,529,788.

DOCUMENTS INCORPORATED BY REFERENCE : None

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PART I

ITEM 1. Business

Introduction

Berlitz International, Inc. (the "Company" or "Berlitz") is the world's premier language services firm, with market leading positions in language instruction and translation services. The Company also publishes the well-known Berlitz

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travel guides, foreign language phrase books, dictionaries and a variety of other related products. Since its founding, the Company has established a highly recognized brand name and superior reputation throughout the world as a result of the Company's tradition of teaching excellence.

The Company, through its predecessors, was founded over 120 years ago and completed its initial public offering in 1989. Since February 1993, Benesse Corporation (formerly Fukutake Publishing Co., Ltd.) ("Benesse") has beneficially owned a majority of the Company's common stock and it currently holds approximately 7.0 million shares, or 73.3% of the shares outstanding. Public shareholders of the Company hold the remaining outstanding common stock. Since 1990, Benesse has also owned a 20% interest in Berlitz Japan, Inc., ("Berlitz Japan"), the Company's Japanese subsidiary.

Berlitz is the only company to operate a language services business on a worldwide basis. This worldwide presence enables Berlitz to provide a full range of language services to multi-national customers and to take advantage of new business opportunities. Through December 31, 1998, its operations were conducted through three major business segments (Language Instruction, Translation Services, and Publishing), each of which were organized geographically into five operating divisions: North America, Western Europe, Central/Eastern Europe, Asia and Latin America. Country and division managers determine pricing, teacher/translator and administrative salaries, leasing of facilities, local advertising and sales promotions, and other administrative matters, within guidelines established at the Company's corporate headquarters. The country managers are evaluated and provided incentives based on profit performance of their particular areas while division managers are provided incentives based on profit performance of both their particular areas and the Company as a whole. Business segment and geographic area information is incorporated herein in the Notes to Consolidated Financial Statements within Item 8, Financial Statements and Supplementary Data, under Note 16.

As of January 1, 1999 the Company reorganized into two separate autonomous business segments: Language Services, including Language Instruction and Publishing, and Berlitz GlobalNET (formerly Translation Services). Language Services will be organized geographically into four operating divisions (North America, Asia, Latin America and Europe) while Berlitz GlobalNET will be consolidated into three geographic divisions: Americas (North and Latin Americas), Asia and Europe. The lines of business orientation will allow global integration of the 21 Translation production centers, in 19 countries, to increase operational efficiency on a global basis.

Language Instruction

General. As of December 31, 1998, the Company owned and operated 332 Berlitz language centers in 40 countries and Puerto Rico using the Berlitz Method(R), hereinafter described, and the Company's proprietary instruction material, to provide instruction in virtually all spoken languages. All of these centers were wholly-owned, except for joint venture operations in Korea and Taiwan. Approximately 5.8 million language lessons were given by these Berlitz language centers in 1998, the most frequently taught languages being English, Spanish, French and German. A lesson consists of a single 45-minute session (regardless of the number of students).

In addition to lessons given at Berlitz language centers, the Company provides intensive English language instruction programs at 40 additional locations through ELS Educational Services, Inc. ("ELS"), a wholly-owned subsidiary acquired in August 1997, and through the Company's Berlitz on Campus ("BOC") division. Together with an additional 79 franchised Berlitz and ELS language center locations, the Company has a presence in 54 countries.

The following table sets forth, by geographic division, the number of language facilities in each of the countries in which the Company and its subsidiaries or franchisees operated centers as of December 31, 1998:

<TABLE>
<CAPTION>

	Berlitz Language Centers (Company owned)	Berlitz Franchises	ELS and BOC facilities (Company owned)	ELS Franchises	Total
<S>	<C>	<C>	<C>	<C>	<C>
North America					
United States	63	4	37	-	104
Canada	8	-	1	1	10
Subtotal	71	4	38	1	114

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Asia					
Australia	-	-	-	2	2
China	1	-	-	1	2
Hong Kong	1	-	-	-	1
Indonesia	-	1	-	2	3
Japan	46	3	1	2	52
Korea	1	-	-	5	6
Malaysia	1	-	-	4	5
Singapore	1	-	-	-	1
Taiwan	1	-	-	12	13
Thailand	2	-	-	2	4
Subtotal	54	4	1	30	89
Latin America					
Argentina	5	1	-	2	8
Brazil	17	1	-	1	19
Chile	5	1	-	1	7
Colombia	7	-	-	4	11
Costa Rica	-	1	-	1	2
Dominican Republic	-	1	-	-	1
Guatemala	-	1	-	-	1
Mexico	19	2	-	-	21
Panama	-	-	-	1	1
Peru	1	-	-	-	1
Puerto Rico	4	-	-	-	4
Uruguay	1	-	-	-	1
Venezuela	8	-	-	-	8
Subtotal	67	8	-	10	85

	Berlitz Language Centers (Company owned)	Berlitz Franchises	ELS and BOC facilities (Company owned)	ELS Franchises	Total
Western Europe					
Belgium	10	-	-	-	10
Denmark	2	-	-	-	2
Finland	1	-	-	-	1
France	16	1	-	-	17
Holland	2	-	-	-	2
Ireland	1	-	-	-	1
Italy	6	-	-	-	6
Norway	1	-	-	-	1
Portugal	1	-	-	-	1
Spain	10	-	-	-	10
Sweden	1	-	-	-	1
United Kingdom	5	1	1	-	7
Subtotal	56	2	1	-	59
Central/Eastern Europe					
Austria	7	2	-	-	9
Croatia	-	1	-	-	1
Czech Republic	5	-	-	-	5
Egypt	-	1	-	1	2
Germany	47	2	-	-	49
Greece	1	-	-	-	1
Hungary	3	-	-	-	3
Israel	4	-	-	-	4
Kuwait	-	1	-	1	2
Malta	-	1	-	-	1
Poland	7	-	-	-	7
Qatar	-	-	-	1	1
Saudi Arabia	-	-	-	2	2
Slovak Republic	1	1	-	-	2
Slovenia	1	-	-	-	1
Switzerland	8	-	-	-	8
Turkey	-	1	-	-	1
United Arab Emirates	-	2	-	3	5
Subtotal	84	12	-	8	104
Total	332	30	40	49	451

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</TABLE>

The following tables set forth, by geographic division, the number of Company-owned and operated Berlitz language centers and the number of lessons given by these centers over the last five years:

	Number of Centers at December 31,				
	1998	1997	1996	1995	1994
North America	71	71	70	72	72
Western Europe	56	57	57	55	56
Central/Eastern Europe	84	87	86	84	81
Asia	54	53	52	52	53
Latin America	67	66	60	60	58
Total	332	334	325	323	320

	Number of Lessons (in thousands)				
	1998	1997	1996	1995	1994
North America	1,157	1,150	1,095	1,050	1,064
Western Europe	981	924	896	897	835
Central/Eastern Europe	1,347	1,251	1,160	1,084	1,017
Asia	1,040	1,040	939	935	946
Latin America	1,301	1,183	1,049	981	911
Total	5,826	5,548	5,139	4,947	4,773

In 1998, the United States, Japan, and Germany accounted for approximately 17%, 16% and 11% of lessons given and 34%, 17% and 11% of Language Instruction sales, respectively. Revenues from Language Instruction accounted for approximately 77%, 75% and 75% of total Company revenues in 1998, 1997 and 1996, respectively.

Berlitz Method(R). At the heart of Language Instruction is the Berlitz Method(R), a proven technique that enables students to acquire a working knowledge of a foreign language in a short period of time. Through the exclusive use of the target language in the classroom, students learn to think and speak naturally in the new language, without translation. With its primary objective to develop conversational comprehension and speaking skills, the Berlitz Method(R) combines the use of live instruction with proprietary written, audio-visual, and CD-ROM support materials to ensure a fast, effective, and enjoyable learning experience.

Berlitz instructors generally teach in their national language and are required to complete a seven to ten-day initial training course in the Berlitz Method(R), followed by periodic refresher courses. Upon successful completion of the initial training course, instructors work either full-time or part-time. The Berlitz Method(R) does not require that an instructor be proficient in any language other than the language being taught. This feature of the Berlitz Method(R) greatly increases the number of potential instructors and tends to lower instructor costs.

The Company's centralized management and ownership of the majority of its language centers permits standardization of instructional method and materials. This standardization also allows a client to begin a Berlitz course in one location and complete it anywhere in the worldwide network of Berlitz language centers. Through application of uniform standards to instructor training, development and usage of materials, and classroom instruction, the Company seeks to achieve consistent and predictable performance results.

Language Instruction Programs. The Company offers several types of language instruction programs, which vary in cost, length and intensity of study. Approximately 41% of all tuition revenues in 1998 were from private lessons (excluding Total Immersion(R)). Private instruction is typically provided in blocks of three or more 45-minute lessons, with a short break after each lesson. Total Immersion(R) courses, an intensive form of private instruction, accounted for approximately 4% of tuition revenues in 1998. Total Immersion(R) programs last a full day and generally continue for two to six weeks. The Company also

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offers semi-private lessons designed for two to three clients, as well as group instruction, where classes include four or more students. Group classes generally meet over a period of weeks. Semi-private and group programs, together represented 55% of tuition revenues in 1998.

A majority of the Company's clients are from the corporate segment of the market and are enrolled for business or professional reasons. Consequently, the Company's business is influenced by the level of international trade and economic activity. In addition to individuals seeking work-related language skills, Berlitz clients also include travelers and high school and university students developing course-related language skills.

Included in the Language Instruction business are specialty areas that in the aggregate accounted for approximately 17% of the Company's revenues in 1998. Three such businesses, ELS, Berlitz on Campus(R) - Language Institute For English and Berlitz Study Abroad(R), combine intensive language instruction with first-hand exposure to the cultural environment of the country where the target language is spoken. A fourth specialty program, Berlitz Jr.(R), provides complete language instruction programs to children in public and private schools throughout the world. A fifth business, Berlitz Cross Cultural, which typically provides cross-cultural training on a fee basis to

corporate employees, complements language study by providing expatriates with detailed practical and cultural information about the countries to which they are relocating.

Marketing and Pricing Policy. The Company directs its marketing efforts toward individuals, businesses and governments. The Company utilizes newspaper, magazine and yellow page advertising in addition to direct contacts. Local marketing efforts are coordinated on a divisional and country-by-country basis. Center directors, district managers and regional managers are responsible for sales development with existing and new clients. In addition, sales forces are maintained in the Company's major markets to supplement other marketing methods.

Tuition, which is payable in advance by most individual clients and some corporate clients, includes a registration fee, a charge for printed and recorded course materials, and a per lesson fee. The per lesson fee varies depending on the language being taught, type and quantity of lessons, and country. Total Immersion(R) courses are more expensive than standard individual instruction, while semi-private and group instruction are less expensive.

The Company generally negotiates fees with its corporate clients based on anticipated volume. Concentration on the intensive, individualized segment of the market has enabled the Company to maintain a pricing structure consistent with a premium service.

Competition. The language instruction industry is fragmented, varying significantly among different geographic locations. In addition to the Company, providers of language instruction generally include individual tutors, small language schools operated by individuals and public institutions, and franchisees of large language instruction companies. The smaller operations typically offer large group instruction and self-teaching materials for home study. Rather than compete with these smaller operators, the Company concentrates on its leading position in the higher-priced, business-oriented segment of the language instruction market through its offering of intensive and individualized instruction. No competitors in this market offer language instruction through wholly-owned operations on a worldwide basis. However, the Company does have a number of competitors organized on a franchise basis which, although not as geographically diverse as the Company, compete with it internationally.
The Company also faces significant competition in a number of local markets.

Translation Services

Berlitz Translations Services helps customers prepare their products for the world market faster and at less cost. Translations provides language-related document management services, including project management, high quality technical documentation translation, software localization (i.e. the translation of software-related products), software quality assurance ("SQA") testing and electronic publishing, and interpretation services. Translations Services represented approximately 19%, 21% and 21% of total Company revenues in 1998, 1997 and 1996, respectively. Translations' contribution to corporate revenues is expected to increase over the next few years through expansion of services, a continued focus on key customer accounts, and as a result of growing demand for software related services and technical documentation translation. In addition, Translations plans to deploy the latest telecommunication technology, including use of the Internet, to optimize internal operational efficiency and provide real-time customer information.

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Berlitz Translations' sales focus is on large, complex projects in multiple languages for global markets. Translations Services' customer base is primarily in the following sectors: information technology, automotive / manufacturing, telecommunications, and medical technology / pharmaceutical.

The Company has an international network of full-scale production and technology centers. Materials are electronically transferred between locations to utilize specialized in-country translations and production facilities in order to produce the highest quality products and reduce costs. The Company has developed an international network of contract translators who provide a broad range of technical and linguistic resources, with an internal qualification program to assure a high level of linguistic expertise. The Company has also developed a production process that incorporates several editing phases designed to maximize the accuracy of its translations. The staff at dedicated production facilities generally consist of production managers, project managers, translators, editors, desktop publishing ("DTP") specialists, software engineers, and software testers. Managers and editors are generally full-time staff members, while the translator and DTP staffs are comprised of both full-time employees and freelance workers. Freelance translators provide the specialized skills that are necessary for technical translations at a more cost effective rate than that of full-time employees.

Competition. In the translation services market, providers compete on the basis of expertise, quality, price and job turnaround time. Although currently fragmented, the market is consolidating and the Company believes that in the near future, there will be fewer, but larger, competitors. The Company does not believe that any one competitor accounts for a significant portion of the entire commercial translation market.

Publishing

The Company publishes pocket-size travel guides, language phrase books, bilingual dictionaries, children's language products, self-teaching language audio and language reference products. It is also involved in several licensing arrangements for products that use Berlitz content and trademarks and for which the Company receives royalties. The Publishing business accounted for approximately 3%, 3% and 4% of total Company revenues in 1998, 1997 and 1996, respectively. Approximately 41%, 35% and 43% of Publishing segment sales in 1998, 1997 and 1996, respectively, were in Europe.

Berlitz Books and Guides. Pocket-size, smaller format travel guides include full-color pictures, maps, brief histories, points of interest, food and shopping information and a practical A to Z section. There are a total of 92 titles in this format published in English, plus more than 175 titles in other language editions. For titles published in multiple-languages, the Company reduces manufacturing costs by employing techniques that use the same graphics and layouts.

The Company's phrase books include common expressions, words, and phrases most often used by travelers. These appear in color-coded sections covering such topics as accommodations, eating, sightseeing, shopping, transportation and medical reference. There are a total of 72 phrase books published in 5 languages, of which 36 are for English-speaking travelers. Additional travel-related

language products include Cassette Packs and Compact Disc Packs, which consist of a 90-minute cassette tape or a 75-minute compact disc ("CD") and phrase book packaged and sold together. Retail distribution for the books and audio products is generally handled by distributors appointed by Berlitz; by independent sales representatives; and, increasingly, by direct selling efforts, including e-commerce.

Berlitz Self-Teaching. The audio cassette and CD products produced by the Company are intended for the self-instruction language market and draw on the experience gained through operating language centers. In addition to a general language instruction curriculum, these products include products for children and courses for business people.

In addition to the audio cassette and CD products, the Company is presently involved in several licensing arrangements for products that use published Berlitz materials as the basis of electronic or software products (such as hand-held electronic reference products and CD-ROM computer software) for which the Company receives royalties.

The Company's Publishing segment plan includes the relaunching of existing

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product lines and the creation of new products that will compete in today's market place. For example, Berlitz publishes illustrated book and audiotape language learning products for children under the brand name BERLITZ KIDS(TM). In 1998, Berlitz began distribution of a new self-teaching language instruction product that superceded the Company's THINK & TALK(R) series, under the names BERLITZ TODAY and BERLITZ THINK & TALK(R).

Competition. The market for the Company's publications and self-teaching language products is sensitive to factors that influence the level of international travel, tourism and business. There is intense competition in nearly all markets in which the Company sells its published products. The Company's market share and Berlitz brand name recognition levels vary considerably depending on market and product line.

Franchising Activities

In 1996, the Company began selling Berlitz language center franchises to independent franchisees in certain countries to expand the reach of its language services business.

Franchisees are granted franchises to operate Berlitz language centers in a specific territory, the size of which depends on demographic and geographic factors. Such sites are selected to improve the Company's geographic reach beyond areas in which the Company and other franchisees operate. Franchisees initially pay Berlitz an application fee of $5,000, and a franchise fee of $25,000 ($45,000 in Asia). Thereafter, franchisees pay Berlitz 10% (7.5% in Europe) of the language center's gross revenues in royalties, and 2% of gross revenues for advertising participation.

The Company actively monitors the operations and lesson quality of its franchisees, and has developed an extensive confidential operations manual, which together with the Company's Berlitz Method(R), forms the core of the Berlitz franchise system. All franchisees are required to complete a two-week training program at the Company's Princeton headquarters and the Company also offers

two additional weeks of on-site teacher training. Franchisees participate in the Berlitz Language Center Management System ("LCMS"), a management information system tied to Berlitz's headquarters, and are subject to periodic financial audit and quality inspection.

Employees

As of December 31, 1998, the Company employed 5,309 full-time employee and employee equivalents. Due to the nature of its businesses, the Company retains a large number of teachers and translators on a part-time or freelance basis. Full-time employee equivalents are calculated by aggregating all part-time hours (excluding freelance translators) and dividing these by the average number of hours worked by a full-time employee.

The Company is party to collective bargaining agreements in Canada, Denmark, France, Austria, Germany, Italy and Japan. The Company believes it has satisfactory employee relations in the countries in which it operates. Certain countries in which the Company operates impose obligations on the Company with respect to employee benefits. None of these obligations materially inhibit the Company's ability to operate its business.

Trademarks and Tradenames

The material trademarks used by the Company and its subsidiaries are BERLITZ(R), TOTAL IMMERSION(R) (including foreign language variations used in certain foreign markets), BERLITZ METHOD(R), BERLITZ JR.(R), BERLITZ STUDY ABROAD(R), BERLITZ ON CAMPUS(R), L.I.F.E.(R), BERLITZ KIDS(TM), ELS(R), ELS LANGUAGE CENTERS(R), ELS INTERNATIONAL(R), and WE TEACH ENGLISH TO THE WORLD(R). The Company or its subsidiaries hold registrations for these trademarks, where possible, in all countries in which (i) material use is made of the trademarks by the Company or its subsidiaries, and (ii) failure to hold such a registration is reasonably likely to have a material adverse effect on the Company or its subsidiaries. The duration of the registrations varies from country to country. However, all registrations are renewable upon a showing of use. The effect of the registrations is to enhance the Company's ability to prevent certain uses of the trademarks by competitors and other third parties. In certain countries, the registrations create a presumption of exclusive ownership of the trademarks.

Regulatory Issues

Although the Company is not generally regulated as an educational institution in the jurisdictions in which it does business, it is subject to general business regulation and taxation. The Company's foreign operations are subject to the effects of changes in the economic and regulatory environments of the countries

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in which the Company operates. In certain countries and states of the U.S., laws and regulations restrict the operation of language schools.

The Uniform Offering Circular ("UFOC") of Berlitz Franchising Corporation and ELS Educational Services, Inc., each a wholly owned subsidiary of the Company, have been registered with various states as required. An "internationalized" version of the UFOC has been prepared and has been modified to comply with foreign law requirements where applicable.

ITEM 2. Properties

The Company has its headquarters in Princeton, New Jersey and maintains facilities throughout the world. The majority of the Company's facilities are leased. Total annual rental expense for the twelve months ended December 31, 1998, principally for leased facilities, was $32.3 million. No one facility is material to the operation of the Company. A typical Berlitz language center has private classrooms designed for individual instruction, as well as some larger rooms suitable for group instruction. ELS and Berlitz on Campus locations typically consist of classroom and administrative space that is rented at various colleges and universities.

The following tables set forth, as of December 31, 1998, by geographic region, the number of facilities maintained in each region, the primary use of the Company's facility, whether owned or leased, and the aggregate square footage. No properties are subject to material encumbrances.

<TABLE>
<CAPTION>

OWNED FACILITIES

	Language Instruction		Translation Services		Other (principally headquarters and administrative)		Total	
	Number of facilities	Square footage	Number of facilities	Square footage	Number of facilities	Square footage	Number of facilities	Square footage
Region								
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Western Europe	2	3,401	-	-	-	-	2	3,401
Central/Eastern Europe	2	4,392	1	3,638	-	-	3	8,030
Latin America	5	19,396	-	-	-	-	5	19,396
Total	9	27,189	1	3,638	-	-	10	30,827

LEASED FACILITIES

	Language Instruction		Translation Services		Other (principally headquarters and administrative)		Total	
	Number of facilities	Square footage	Number of facilities	Square footage	Number of facilities	Square footage	Number of facilities	Square footage
Region								
North America	110	488,200	4	20,965	6	113,192	120	622,357
Western Europe	54	169,952	10	67,503	6	17,340	70	254,795
Central/Eastern Europe	82	230,300	1	6,673	4	9,031	87	246,004
Asia	54	144,699	2	14,559	4	5,952	60	165,210
Latin America	62	246,185	1	3,229	4	12,994	67	262,408
Total	362	1,279,336	18	112,929	24	158,509	404	1,550,774

</TABLE>

ITEM 3. Legal Proceedings

The Company is party to several actions arising out of the ordinary course of

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its business. Management believes that none of these actions, individually or in the aggregate, will have a material adverse effect on the financial condition or results of operations of the Company.

ITEM 4. Submission of Matters to a Vote of Security Holders
No matters have been submitted to a vote of security holders during the fourth quarter of 1998.

Pursuant to Instruction 3 to Item 401(b) of Regulation S-K and General Instruction G(3) to Form 10-K, the following information is included in Part I of this Form 10-K.

Executive Officers and Directors of the Registrant

The following table sets forth certain information concerning the Executive Officers and Directors of the Company as of March 1, 1999.

Name, Age, Position with Registrant	Business Experience
Soichiro Fukutake, 53 Chairman of the Board; Director (A) (E)	Mr. Fukutake has served as Chairman of the Board of the Company since February 1993. Mr. Fukutake joined Benesse in 1973, and since May 1986 has served as its President and Representative Director. He also serves on the Board of Directors of a number of companies, private foundations and associations in Japan. Mr. Fukutake became a Director of the Company in February 1993. His term will expire in 1999.
Hiromasa Yokoi, 59 Vice Chairman of the Board, Chief Executive Officer and President; Director (A) (E)	Mr. Yokoi was elected Vice Chairman of the Board and Chief Executive Officer of the Company in February 1993 and additionally was elected President effective on August 31, 1993. Mr. Yokoi has served as a director of Benesse since June 1992 and Director for Berlitz and North American Sector since April 1994. Prior to that, he served as General Manager of the Overseas Operations Division (formerly the International Division) of Benesse from October 1990 to March 1994 and as General Manager of the President's Office of Benesse from July 1990 to September 1990. Mr. Yokoi currently is also a Director of La Petite Academy and serves on its compensation committee. Mr. Yokoi has served as a Director of the Company since January 1991. His term will expire in 2000.

Name, Age, Position with Registrant	Business Experience
Susumu Kojima, 56 Vice President, Asia Language Services;	Since 1993, Mr. Kojima has served in several positions with Berlitz, including: Vice President, Asia Language Services (since March 2, 1999); Executive Vice President, Asia Division (January 1, 1996 to March 1, 1999); Executive Vice President, Corporate Planning, (September 1993 to December 1995); and Senior Vice President, Corporate Planning (February 1993 to September 1993). Mr. Kojima also served as a Director of Benesse from March 1993 until June 1998. Prior to March 1993, he was Joint General Manager of the Business Development Department of The Industrial Bank of Japan, Limited ("I.B.J.") from June 1991 to February 1993. Between November 1987 and June 1991, he

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served as Senior Deputy General Manager, Industrial Research Department of I.B.J. after having served as Chief Representative of I.B.J.'s Washington Representative Office from September 1983. Mr. Kojima has served as a Director of the Company from February 1993 until his retirement from the Board on March 2, 1999.

Robert Minsky, 54 Executive Vice President, Corporate Planning and Marketing; Director (A)	Mr. Minsky has served as Executive Vice President, Corporate Planning and Marketing of the Company since August 1, 1997. Prior thereto, he served as Executive Vice President and Chief Operating Officer, Translations and Publishing of the Company from January 1, 1995 to December 31, 1997, as Executive Vice President, Translations of the Company from October 1, 1993 to January 1995, and as Chief Financial Officer of the Company from November 1990 to January 1995. From November 1990 to October 1993, he also served as Vice President. Mr. Minsky has served as a Director of the Company since April 1991. His term will expire in 1999.
Manuel Fernandez, 62 Executive Vice President and Chief Operating Officer, Worldwide Language Instruction; Director	Mr. Fernandez has served as Executive Vice President and Chief Operating Officer-Worldwide Language Instruction of the Company since January 1, 1995. Prior thereto, he was Executive Vice President, Language Services of the Company from September 1993 to January 1995. He previously served as Vice President, European Operations of the Company and its predecessor, Berlitz Languages, from January 1983 to September 1993. Mr. Fernandez was first employed by Berlitz Languages in 1963 and served in various positions until becoming Vice President in 1983. Mr. Fernandez served as a Director of the Company from July 1993 until his retirement from the Board on March 2,

1999. Mr. Fernandez will retire from the Company effective March 31, 1999, and his successor will be Mr. Mako Obara.

Mako Obara, 55 Executive Vice President	Mr. Obara joined Berlitz International, Inc. as Executive Vice President on January 1, 1999, and was elected Chief Operating Officer, Worldwide Language Services (as successor to Mr. Fernandez) effective March 31, 1999. From March 1998 to January 1999, Mr. Obara served as President and Chief Executive Officer of Benesse Holdings International, Inc. From 1985 to February 1998, Mr. Obara served as Vice President of Citibank/Citicorp, Private Banking (1992 to 1998); Vice President and Senior Banker, Citicorp Venture Capital (1989 to 1991); Vice President and Senior Banker, World Corporation Group of Citibank/Citicorp (1987 to 1989); and Vice President and Executive Director, Citibank/Citicorp Mexico (1985 to 1987). From 1978 to 1985,

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Mr. Obara held positions of Section Manager and Deputy General Manager with the Mitsubishi Corporation. He currently serves on the Board of Directors of Technology Educational Network, and Benesse Holdings International, Inc. On March 2, 1999, Mr. Obara was elected to the Company's Board of Directors as the successor to Mr. Fernandez. His term will expire in 1999.

Henry D. James, 61
Executive Vice President and
Chief Financial Officer;
Director

Mr. James has served as Executive Vice President and Chief Financial Officer of the Company since November 21, 1995, and as its Vice President and Chief Financial Officer from January 1, 1995 to November 1995. He previously served as Vice President and Controller of the Company and its predecessor, Berlitz Languages, since 1981. Mr. James joined Berlitz Languages in 1977 and served as Controller with that company prior to 1981. Mr. James has served as a Director of the Company since November 21, 1995. His term will expire in 2000.

James Lewis, 41
Executive Vice President and Chief
Operating Officer, Worldwide
Translation Services

Mr. Lewis has served as Executive Vice President and Chief Operating Officer, Worldwide Translation Services, since January 1, 1999, prior to which he was Vice President, Worldwide Translations since September 1, 1997. Previously, Mr. Lewis most recently served in a number of executive level positions with Globalink, Inc., including President and Director (1995 to 1997) and Vice President, Worldwide Sales and Marketing (1995); Vice President, Marketing of MAXM Systems Corporation (1994 to 1995); and Vice President, International Operations, Landmark Systems Corporation (1992 to 1994). During the period of 1983 to 1992, Mr. Lewis held a

number of management positions with Ashton-Tate Corporation, and Peter Norton Computing. On March 2, 1999, Mr. Lewis was elected to the Company's Board of Directors as the successor to Mr. Kojima. His term will expire in 1999.

Takuro Isoda, 63
Director
(B)(C)(D)

Mr. Isoda has served as a Senior Advisor for Nippon Investment & Finance Co. Ltd. since July 1998, and previously served as its Chairman from June 1994 and its President from January 1990 to May 1994. Prior to that, Mr. Isoda served in various positions with Daiwa Securities since first joining the company in 1959, including, most recently, Chairman & CEO of Daiwa Securities of America, Inc., New York (January 1985 to January 1990), and Senior Managing Director of Daiwa Securities Co., Ltd., Tokyo (December 1988 to January 1990). Mr. Isoda currently serves on the boards of the New Business Conference, Tokyo (as Director); Webster Communications Corporation Plc., Wiltshire, UK (as an Advisor); and Americans for Indian Opportunity,

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New Mexico (as an International Advisor). Mr. Isoda has served as a Director of the Company since June 1998. His term will expire in 2000.

Edward G. Nelson, 67 Director (B)(C)(D)(E)	Since January 1985, Mr. Nelson has served as Chairman and President of Nelson Capital Corporation. From 1983 to 1985, he was Chairman and Chief Executive Officer of Commerce Union Corporation. He also serves on the Board of Directors of ClinTrials Research, Inc., Central Parking System and Advocat, Inc. He is a trustee of Vanderbilt University. Mr. Nelson became a Director of the Company in February 1993. His term will expire in 2000.
Robert L. Purdum, 63 Director (B)(C)(D)(E)	Mr. Purdum is the retired Chairman of the Board of Armco, Inc. and currently is an independent consultant and partner with American Industrial Partners, a private investment company located in New York and San Francisco. During his Armco career, he served in various positions since first joining Armco in 1962, including Chairman and Chief Executive Officer (November 1990 to December 1993), President and Chief Executive Officer (April 1990 to November 1990), President (October 1986 to April 1990), Chief Operating Officer (February 1985 to October 1986) and Chief Executive Officer - Steel Group (November 1982 to February 1985). Mr. Purdum has also served on the Board of Directors of Holophane Corporation since 1994.

	In addition, he is a member of the Board of Trustees of Kettering University. Mr. Purdum has served as a Director of the Company since August 1994. His term will expire in 2000.
Kazuo Yamakawa, 59 Director	Mr. Yamakawa has served as Director of Benesse Corporation and has supervised its General Administration and Accounting Departments since June 1995. He also has served as General Manager of Benesse's Accounting Department since January 1996. Since joining Benesse in April 1995, he served as Counselor until June 1995. Prior to that, Mr. Yamakawa served in various positions with The Shokochukin Bank, including Director (April 1993 to March 1995), General Manager of its Tokyo Branch (April 1993 to March 1995), General Manager of the International Department (October 1991 to March 1993) and General Manager of its New York branch (April 1988 to September 1991). Mr. Yamakawa became a Director of the Company in May 1996. Mr. Yamakawa will retire from the Board effective upon the election of his successor at the Annual Meeting of Shareholders to be held on June 8, 1999.
Robert C. Hendon, Jr., 61	Mr. Hendon has served as Vice

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Vice President, General Counsel and Secretary	President, Legal Department of the Company since January 1, 1995 and as Secretary and General Counsel of the Company since April 1992. Prior thereto, he was first an associate then a partner at the law firm of Waller Lansden Dortch & Davis from 1964 until April 1992.
Anthony Tedesco, 56 Senior Vice President, Worldwide Language Services	Mr. Tedesco has served as Senior Vice President, Worldwide Language Services, since January 1, 1999, prior to which he was Senior Vice President, Worldwide Language Instruction of the Company since October 1, 1997. Prior thereto, he served as Vice-President, North American Division, from October 1994 to October 1997, as Vice President, East Asian Division of the Company, from July 1993 to October 1994, and as Vice President, North American Division of the Company from October 1989 to July 1993. Prior thereto, Mr. Tedesco served as Vice President, North American Division of Berlitz Languages from his initial employment in 1983.
Ellen Adler, 43 Vice President, Worldwide Publishing	Ms. Adler has served as Vice President, Worldwide Publishing of the Company since October 1, 1997. Prior thereto, she served in various positions with the Company

	including Managing Director, North America Publishing (January 1996 to September 1997), Publisher, North and south America (January 1994 to December 1995), Director of Berlitz Publishing, Inc. (July 1989 to December 1993), and Director of Operations, USA (November 1988 to July 1989)
Jose Alvarino, 59 Vice President	Mr. Alvarino has been Vice President, Latin America Languages Services, since January 1, 1999, prior to which he was Vice President, Latin American Division of the Company since October 1989. Prior thereto, he served in the same capacity with Berlitz Languages from 1985 until October 1989. Mr. Alvarino was first employed by Berlitz Languages in 1970 and served in various positions from that time until being appointed Vice President in 1985.
Mark Harris, 45 Vice President	Mr. Harris has served as Vice President, North America Language Services, since January 1, 1999, prior to which he was Vice President, North America Division of the Company since October 1, 1997. Prior thereto, he served in various positions with the Company, including Managing Director of Berlitz on Campus (September 1993 to September 1997) and Berlitz Regional Manager, New Business Development, Far East (May 1987 through August 1993). Mr. Harris was first employed by Berlitz Languages in 1978.
Brian Kelly, 51 Vice President	Mr. Kelly has served as Vice President, Europe Translations Services since January 1, 1999 and

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as Vice President, Western Europe Division of the Company from January 1996 until January 1, 1999 and as General Manager, Translations Services Europe since January 1993. Prior to that he was Managing Director of Softrans International Ltd., of which the Company acquired a 51% ownership interest in December 1991 and the remaining 49% in 1994. Mr. Kelly founded Softrans in 1984 and prior to that held senior management positions with Apple Computer and Data General.

Wolfgang Wiedeler, 53 Vice President	Mr. Wiedeler has been Vice President, Europe Language Services, since January 1, 1999, prior to which he was Vice President, Central/Eastern Europe Division of Company since January 1, 1995, and Vice President, Language Instruction, European Division of the Company from September 1993 to December 1995. From May 1992 to September 1993 he was Vice President, Central/Eastern European Operations. Prior thereto, he served as Divisional Manager of German-speaking countries since October 1989. Prior thereto he served in the same capacity for Berlitz Languages from his initial employment in 1984.

(A) member of the Executive Committee of the Board of Directors
(B) member of the Audit Committee
(C) member of the Compensation Committee
(D) member of the Disinterested Directors Committee
(E) member of the Nominating Committee

The Company's Disinterested Directors Committee evaluates all significant transactions between the Company and Benesse. There is no family relationship between any of the Directors or Executive Officers of the Company.

Berlitz has expanded its Board of Directors on March 11, 1999 in connection with the issuance of convertible debentures to two affiliates of Apollo Advisors, L.P. ("Apollo"), and has selected Mr. Antony P. Ressler and Mr. Laurence M. Berg, both partners of Apollo, to join the Company's Board.

Mr. Ressler, 38, is a senior partner at Apollo (and one of its founding principals in 1990). Apollo, together with its affiliates (including Apollo Management IV, L.P.), act as managing general partner of Apollo Investment Fund, L.P., AIF II, L.P., Apollo Investment Fund III, L.P. and Apollo Investment Fund IV, L.P., which are private securities investment funds, and of Lim Advisors, L.P., which acts as financial advisor to and representative for certain institutional investors with respect to securities investments. Prior to 1990, Mr. Ressler served as a Senior Vice President in the Investment Banking Division of Drexel Burnham Lambert Incorporated. Mr. Ressler serves on several boards of directors including: Allied Waste Industries, Inc.; Koo Koo Roo Enterprises, Inc.; United International Holdings, Inc.; and Vail Resorts, Inc. Mr. Ressler is also the Vice Chairman of LEARN (the Los Angeles Education Alliance for Reform Now), the largest public school reform movement in the United States, and a member of the Executive Committee of the board of directors of the Jonsson Comprehensive Cancer Center at the UCLA Medical Center. Mr. Ressler has also served on the board of the Los Angeles Chapter of Cities in Schools, a national organization focused on dropout prevention and the Capital Campaign Committee for the Los Angeles Child Guidance Clinic, a clinic for emotionally disturbed children aged 18 months to 21 years. Mr. Ressler received his B.S.F.S. from Georgetown University's School of Foreign Service and received his MBA from Columbia University Graduate School of Business.

Mr. Berg, 32, has been associated with Apollo since 1992 and a partner since 1995. Prior thereto, Mr. Berg was a member of the Mergers and Acquisitions Department of Drexel Burnham Lambert Incorporated. Mr. Berg is a director of Continental Graphics Holdings, Inc.; Mariner Post Acute Network, Inc.; and Rent-A-Center, Inc. Mr. Berg received his MBA from the Harvard Business School and received his BS in economics from the University of Pennsylvania's Wharton School of Business.

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Significant Employees of the Registrant

The following table sets forth certain information concerning certain significant employees of the Company as of March 1, 1999.

Frank Garton, 52 Vice President	Mr. Garton has served as Vice President, Franchising of the Company since March 1995. Prior to that, he was Director of Worldwide Franchise Sales and Corporate Development for King Bear Enterprises from 1987 to 1995. From 1978 to 1987, Mr. Garton was President and Chief Executive Officer of Regeneration, Inc., an automotive components manufacturing company with internationally franchised manufacturing processes.

PART II

ITEM 5. Market for Registrant's Common Equity and Related Stockholder Matters

The Company's common stock ("Common Stock") is traded on the New York Stock Exchange ("NYSE") under the symbol BTZ. Holders of shares of Common Stock are entitled to receive such dividends as may from time to time be declared by the Board of Directors; however, such dividends were subject to restrictions set forth in the Company's August 28, 1997 credit agreement (the "Bank Facility"). As a result, the Company has not paid dividends during the term of such debt facilities. On March 11, 1999, the Company terminated the Bank Facility in connection with the issuance of convertible debentures both to Benesse Holdings, Inc. ("BHI"), a wholly owned subsidiary of Benesse Corporation ("Benesse"), and to Apollo Management IV, L.P. (See "Management's Discussion and Analysis - Liquidity and Capital Resources"). The Company does not have any present intention to commence paying dividends following this issuance of convertible debentures. See Item 7, Management's Discussion and Analysis, Liquidity and Capital Resources, for further discussion. Holders of Common Stock are entitled to one vote per share on all matters submitted to the vote of such holders, including the election of directors. There were [ ] holders of record of Common Stock as of March 17, 1999.

The sales prices per share of Common Stock as reported by the NYSE for each quarter during the period from January 1, 1997 until December 31, 1998 ranged as follows:

	Price per Share	
	High	Low
First Quarter 1998	$27 3/8	$25 1/2
Second Quarter 1998	$28 7/16	$27
Third Quarter 1998	$28 1/8	$26 5/16
Fourth Quarter 1998	$30 5/8	$25 1/2
First Quarter 1997	$22 3/8	$18 5/8
Second Quarter 1997	$25 1/4	$22 3/8
Third Quarter 1997	$26 3/4	$24 9/16
Fourth Quarter 1997	$27 5/16	$25 1/2

No Common Stock dividends were declared or paid for 1997 or 1998.

On April 29, 1997, the Company and BHI (formerly Fukutake Holdings (America), Inc), signed a definitive contract whereby the Company agreed to sell to BHI 250,000 shares of the Company's Common Stock for $6,110,000, or $24.44 per share, the average market price for the ten days ended on April 29, 1997. This transaction, which was approved by the Disinterested Directors Committee of the Company's Board of Directors, was closed on May 12, 1997. The Company used 250,000 of its treasury shares to complete this transaction. Since this offering was made to a single shareholder who is the majority shareholder of the Company, the transaction was deemed to be a private placement exempt from registration under Section 4(2) of the Securities Act of 1933. The proceeds of the sale were used for general corporate purposes. Following this private placement, Benesse beneficially owned 6,985,338 shares, which represented 73.3%, of the 9,529,788 shares of Common Stock outstanding at December 31, 1997 and 1998.

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ITEM 6. Selected Financial Data

BERLITZ INTERNATIONAL, INC.
FIVE-YEAR FINANCIAL SUMMARY
(Dollars in thousands, except per share amounts)

<TABLE>
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	Year Ended December 31,				
	1998	1997	1996	1995	1994
Income Statement Data:					
Sales of services and products sold	$ 436,303	$ 397,209	$ 369,622	$ 354,509	$ 303,287
Cost and expenses:					
Cost of services and products sold	258,903	236,521	222,313	216,443	182,922
Selling, general and administrative	137,086	123,444	113,695	105,039	91,703
Amortization of publishing rights, excess of cost over net assets acquired and other intangibles	17,265	14,183	12,746	13,425	12,750
Other (income) expense, net	15,370	10,008	8,054	8,826	8,070
Total costs and expenses	428,624	384,156	356,808	343,733	295,445
Income (loss) before income taxes, minority interest, and extraordinary item	$ 7,679	$ 13,053	$ 12,814	$ 10,776	$ 7,842
Minority interest-income/(expense)	$ 68	$ (613)	$ (1,503)	$ (1,106)	$ (738)
Extraordinary loss(1)	$ -	$ (6,285)	$ -	$ -	$ -
Net income (loss)	$ 2,082	$ (934)	$ 3,803	$ 2,270	$ 909
Earnings (loss) per share (both basic and diluted):					
Income (loss) before extraordinary item and cumulative effect of change in accounting principle	$ 0.22	$ 0.56	$ 0.40	$ 0.23	$ 0.09
Extraordinary loss	-	(0.66)	-	-	-
Earnings (loss) per share	$ 0.22	$ (0.10)	$ 0.40	$ 0.23	$ 0.09
Average number of shares (000)	9,530	9,550	9,569	10,033	10,033
Balance sheet data (at year end):					
Total assets(1)	$ 663,461	$ 661,515	$ 561,245	$ 576,930	$ 582,005
Long-term debt(1)	$ 129,387	$ 142,369	$ 56,353	$ 67,081	$ 78,420
Shareholders' equity	$ 354,986	$ 346,978	$ 357,407	$ 370,416	$ 367,235
Other data:					
Dividends declared	$ -	$ -	$ -	$ -	$ -
Language lessons given during year (000)	5,826	5,548	5,139	4,947	4,773
Company-operated language centers at year end	332	334	325	323	320
Growth (decline) in same center sales from year to year(2)	4.8%	7.5%	6.0%	3.0%	6.3%

</TABLE>

(1) On August 28, 1997 (the "Closing Date"), the Company completed its acquisition of ELS Educational Services, Inc. ("ELS"), a privately held provider of intensive English language instruction, in a stock acquisition for a cash purchase price of $95.0 million (the "ELS Acquisition"), subject to certain post-closing adjustments specified in the related stock purchase agreement. Such post-closing adjustments aggregated $1.3 million and were

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paid to the sellers in January 1998. The Company also incurred various transaction-related expenditures. Consequently, included in the increase in total assets from December 31, 1996 to December 31, 1997 was $103 million in intangibles related to the ELS acquisition.

Financing for the transaction, and simultaneous refinancing of the Company's existing Senior Notes, Term Loan, and related prepayment penalties and costs, was provided through a bank loan facility (the "Bank Facility") consisting of term loans and a revolving credit facility, as amended, aggregating $190 million. In connection with this refinancing, the Company incurred an extraordinary charge, net of taxes, of $6.3 million, consisting of prepayment penalties on the Senior Notes and the write-off of unamortized deferred financing costs. Long-term debt increased from 1996 to 1997 due to the inclusion at December 31, 1997 of $160 million, including $17.7 million in current maturities, outstanding under the Bank Facility.

(2) Indicates year-over-year increase (decrease), excluding the impact of foreign currency rate fluctuations, in sales by language centers which were operating during the entirety of both years being compared.

ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operation

The following discussion should be read in conjunction with the Selected Financial Data and the Consolidated Financial Statements and Notes thereto contained elsewhere in this Annual Report on Form 10-K. Certain statements contained within this discussion constitute forward looking statements. See "Special Note Regarding Forward Looking Statements."

General Overview

The Company's operations are conducted primarily through the following business segments: Language Instruction, Translation Services, and Publishing. The Company's sales grew from $369.6 million in 1996 to $436.3 million in 1998, a compound annual growth rate of 8.6%. Its earnings per share (both basic and diluted), before extraordinary items, dropped from $0.40 to $0.22 in the same three-year period, favorably impacted by higher operating profits, but hurt by additional interest expense associated with the financing of the Company's August 1997 acquisition of ELS Educational Services, Inc., and by net foreign exchange losses.

The following table shows the Company's income and expense data as a percentage of sales:

<TABLE>
<CAPTION>

	Year Ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Sales of Services and Products	100.0%	100.0%	100.0%
Costs of services and products sold (1)	59.3	59.5	60.1
Selling, general and administrative (2)	31.4	31.1	30.8
Amortization of publishing rights excess of cost over net assets acquired, and other intangibles	4.0	3.6	3.4
Interest expense on long-term debt	2.5	2.1	2.1
Interest expense to affiliate	0.5	0.5	0.5
Other (income), net	0.5	(0.1)	(0.3)
Total costs and expenses	98.2	96.7	96.6
Income before income taxes, minority interest in earnings of subsidiary, and extraordinary item	1.8	3.3	3.4
Income tax expense	1.3	1.8	2.0
Minority interest	--	0.2	0.4
Income before extraordinary item	0.5	1.3	1.0
Extraordinary loss from early extinguishment of debt, net of tax benefit	--	(1.6)	--

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Net (loss) income	0.5%	(0.3)%	1.0%

</TABLE>

(1) Consists primarily of teachers', translators', and certain administrative salaries, as well as cost of materials, rent, maintenance, depreciation and other center operating expenses.
(2) Consists primarily of administrative salaries, marketing and advertising expenses, and other headquarters related expenses.

The Company's recent growth is attributable to a number of factors, including the purchase of a significant new subsidiary. On August 28, 1997 (the "Closing Date"), the Company completed its acquisition of ELS Educational Services, Inc. ("ELS"), a privately held provider of intensive English language instruction, in a stock acquisition for a cash purchase price of $95.0 million (the "ELS Acquisition"), subject to certain post-closing adjustments specified in the related stock purchase agreement. Such post-closing adjustments aggregated $1.3 million and were paid to the sellers in January 1998. The Company also incurred various transaction-related expenditures. Financing for the transaction, and simultaneous refinancing of the Company's existing Senior Notes, Term Loan, and related prepayment penalties and costs, was provided through a bank loan facility (the "Bank Facility") consisting of term loans and a revolving credit facility aggregating $165 million at the Closing Date. ELS contributed $53.4 million and $19.9 million, respectively, in post acquisition revenues for the years ended December 31, 1998 and 1997.

The Company's operations have also benefited in recent years from a number of global trends which have increased the demand for the Company's services. For example, the opening of Central and Eastern Europe to capitalism and the economic growth experienced in Latin America have contributed to increased international business activity and the use of English worldwide as a business language. Another example is the market for software localization and technical translations services, an area in which the Company's Translations segment is a global leader. This market has increased rapidly as software programs have proliferated and have been translated into numerous language versions, and as the Company's customers have increasingly outsourced the software localization process.

Internal actions have also helped the Company grow. For example, in Language Instruction, the Company continued to expand several niche programs, including cross-cultural services, Berlitz Jr(R), Berlitz on Campus(R) and Berlitz Study Abroad(R), enabling it to operate even more effectively as a "one-stop" language service provider. To complement its live instruction, the Company has increasingly used technology, such as CD-ROM, video and audio tools, to enhance its traditional teaching programs while reducing teaching costs. The Company has also increased its emphasis on more profitable semi-private and group lessons, and has increased the number of Company-owned language center locations, adding 27 new Berlitz language centers and deleting 13 over the three-year period ended December 31, 1998. To further increase its market presence, the Company has utilized franchising and joint ventures in emerging and secondary markets. From commencement of its operations through December 31, 1998, the Company's franchising business segment has granted 50 Berlitz franchises, 30 of which have opened as of December 1998.

In the Translations segment, there has been a continued focus on large corporate accounts, development of new customers, superior customer satisfaction, and the expansion of services, including a continuing commitment to the information technology industry, software localization,

and software testing services. As Translations Services grows, the Company will seek to continue improving the profitability of the segment through (i) the deployment of latest telecommunication technology, including the use of the Internet, to optimize internal operational efficiency and provide real time customer information; (ii) increasing productivity through the use of more advanced computer-aided translation tools; (iii) continuing to centralize certain non-linguistic functions, such as software engineering, software quality assurance and desktop publishing; and (iv) hiring, training and retaining the highest quality industry talent available in the industry.

The publishing segment's recent performance has been disappointing, having been hurt in 1996 and 1997 by a number of factors. These included: significant transition problems related to the move of editorial and production functions from the United Kingdom to the United States; the absence of new products and out-of-stock situations for certain products; a challenging competitive environment; and limitations of inventory management systems. However, certain positive events beginning toward the end of 1997 have set the stage for a turnaround. For example, a new Publishing organization structure has been

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established with new executive and senior management. An integrated inventory control and accounting system is now in place and new analytical tools are being developed. Having articulated a new business plan to customers and partners in all key markets, 1998 results show strong growth in traditional markets.

Geographically, the majority of the Company's subsidiaries are located outside the United States, with operations conducted in their respective local currencies. For the three years ended December 31, 1998, the percentage of total revenues denominated in currencies other than U.S. dollars averaged 68%, in foreign currencies including the Japanese yen, German mark, Irish punt, Brazilian real, Mexican peso, British pound and French and Swiss francs. As a result, changes in exchange rates affected the comparisons of the Company's earnings from period to period, adversely affecting 1996's, 1997's, and 1998's financial results when the dollar generally strengthened. The following table shows the impact of foreign currency rate fluctuations on the annual growth rate of sales and EBITA(1) during the periods presented:

	Percentage Growth (Decline) Year Ended December 31,		
	1998	1997	1996
Sales:			
Operations (2)	14.2%	14.0%	9.0%
Exchange	(4.4)	(6.5)	(4.7)
Total	9.8%	7.5%	4.3%
EBITA:			
Operations (2)	14.9%	17.8	7.8%
Exchange	(7.2)	(7.0)	(6.0)
Total	7.7%	10.8%	1.8%

(1) EBITA as used herein is defined as sales less cost of services and products sold, and selling, general and administrative expenses. It is calculated using amounts determined in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"). EBITA is not a defined term under U.S. GAAP and is not indicative of operating income or cash flows from operations as determined under U.S. GAAP.

(2) Adjusted to eliminate fluctuations in foreign currency from year-to-year by assuming a constant exchange rate over two years, using as the base the first year of the periods being compared.

For the year ended December 31, 1998, Japan contributed $58.3 million, or 13.4%, toward total Company revenues, while the rest of the Asia division contributed $5.2 million, or 1.2%, towards sales. Furthermore, in the North America division, approximately 40% of ELS/Berlitz on Campus' annual enrollments for the year ended December 31, 1998 originated from the Far East. Due to this geographic presence in Asia, the Company is exposed to the economic turmoil affecting the Asian region, and management therefore continues to focus on action steps designed to mitigate any future impact. These include implementing cost control measures, maximizing economies of scale, and intensifying emphasis on revenues generation from the Company's other geographic divisions.

The year to year comparison of the results of operations are discussed in further detail in the sections which follow.

Year Ended December 31, 1998 vs. Year Ended December 31, 1997

Sales for the twelve months ended December 31, 1998 were $436.3 million, 9.8% above the same period in the prior year. This improvement was due to increases from operating activity in all business segments, as well as a full year of results for ELS, which was purchased on August 28, 1997. Such increases were partially offset by unfavorable exchange rate fluctuations of $17.5 million, which resulted from a strengthened dollar against virtually all foreign currencies (most significantly the Japanese yen, Mexican peso, Irish punt, Brazilian real, Colombian peso and German mark). Excluding the results of ELS and the effects of exchange rate fluctuations, sales increased from the prior year by 6.1%.

Language Instruction sales for the year ended December 31, 1998 were $335.5 million, 12.5% above 1997. The year-to-date fluctuations primarily resulted from increase volume and average revenue per lesson ("ARPL") and a full year of ELS' results, partly offset by reduced intensive English program revenues originating from Asia and unfavorable exchange rate fluctuations of $14.1 million. Excluding the results of ELS and the effects of unfavorable exchange rate fluctuations, revenues increased 6.4% from the prior year.

On a geographic basis, Language Instruction revenue increased in all divisions except Asia. The increase in Latin American revenues ($3.3 million, or 6.7%) was

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primarily attributable to volume and ARPL increases in Mexico, Brazil, Venezuela and Colombia, partially offset by unfavorable exchange rate fluctuations of $5.5 million. Central/Eastern Europe's increase ($5.3 million, or 9.1%) primarily reflects volume and ARPL increases in most countries, in particular Germany, Poland, and Israel, partially offset by unfavorable exchange rate fluctuations ($2.0 million, principally versus the German mark, Polish zloty and Israeli shekel). Western Europe sales increased by $1.7 million due mainly to volume growth in France and Italy, which was partially offset by unfavorable exchange rate fluctuations of $0.9 million, and volume decreases in England and Belgium. Asia's revenues declined $4.3 million due to unfavorable exchange rate fluctuations of $5.6 million. Revenues in North America in 1998 included twelve months of ELS results totaling $53.4 million, as compared to only post-acquisition revenues of $19.9 million for ELS in 1997. Excluding the results of ELS, North America's sales declined by $2.6 million, primarily due to reductions in business originating from the Far East, principally Korea and Japan.

During the twelve-month period ended December 31, 1998, the number of lessons given at

language centers (exclusive of ELS/BOC programs) was approximately 5.8 million, up 5.0% from 1997, reflecting increases in most divisions. Lesson volume in North America increased 0.6% from the prior year, reflecting [ ].. Despite the current economic recession, in Asia lesson volume remained flat with 1997, [primarily reflecting the positive effects of special sales campaigns in Japan and expansion in new Asian markets.] Lesson volume in Latin America increased by 9.9% from prior year, primarily reflecting strong growth in Mexico, Peru and Venezuela. [ADD DISCUSSION ON THE ECONOMIC CONDITIONS IN BRAZIL] Lesson volume in Central/Eastern Europe increased 7.7% over the prior year, primarily reflecting growth in Germany, Poland and Israel. Lesson volume in Western Europe rose 6.2% from 1997, primarily due to increases in lessons given to corporate clients in France and Italy. The increase is partially offset by a 24.1% decrease in lesson volume in England due [in part to a decline in activity from overseas students applying for the Berlitz Study Abroad program.]

For the year ended December 31, 1998, ARPL was $40.87, as compared to $41.71 in 1997. The decline reflected the effects of unfavorable exchange rate fluctuations of $2.17, [and was negatively affected by changes in the client and lesson product mix in France and Spain [ALSO DISCUSS ASIA]. Excluding the effects of exchange rate fluctuations the ARPL increased 3.2% over prior year. ARPL ranged from a high of approximately $58.89 in Brazil to a low of $13.77 in Thailand, reflecting effects of foreign exchange rates and differences in the economic value of the service.

During the twelve months ended December 31, 1998, the Company opened a branch in China and six Company-owned language centers in Italy, Japan, Malaysia, Mexico and the United States. Same center sales (i.e. sales by centers which were operating during the entirety of both years being compared) grew by 4.8% over 1997, excluding the impact of foreign currency rate fluctuations.

Translation segment sales were $84.8 million for the twelve-month period ended December 31, 1998, an increase of $0.6 million, or 0.7%, from 1997. Excluding the unfavorable effects of exchange rate fluctuations of $3.3 million, sales grew $3.9 million, or 4.6%. The Asia crisis impacted revenue on certain key accounts as customers changed product release decisions away from the Asian languages. This shortfall, estimated at approximately $10.0 million, was offset by increased volume from new accounts in the U.S., new business in certain emerging markets and increased volume as a result of an acquisition in France consummated in June 1998.

Publishing segment sales were $14.8 million for the twelve months ended December 31, 1998, compared with $13.6 million in 1997. The increase is due to a large sale of German market versions of Think and Talk(R). Additionally, strong increases in trade bookstore sales in several key markets were offset by a decline in the direct response business in North America. Exchange rate fluctuations were not significant.

Other sales, consisting of franchising activity, were $1.3 million in 1998 compared with $1.0 million in the prior year. The Company opened 16 Berlitz franchises during 1998 in Austria, Chile, Croatia, Egypt, France, Germany, Guatemala, Kuwait, Malta, Mexico, Slovakia, Turkey, the United Arab Emirate, and the U.S., and two ELS franchises in Costa Rica and Panama.

The Company's cost of service and products sold as a percentage of sales for the twelve months ended December 31, 1998 was 59.3%, compared to 59.5% for 1997. The change reflects the effect of improved margins in the Translations and Publishing segments. Selling, general and administrative expenses as a

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percentage of sales were 31.4% in 1998, compared with 31.0% in the comparable prior year period. The increase reflects higher administrative salary percentages.

EBITA for the twelve months ended December 31, 1998 was $40.3 million, or 9.2% of sales, compared to $37.2 million, or 9.4% of sales, in the same prior year period. A discussion by business segment follows.

Instruction segment EBITA for the twelve months ended December 31, 1998 was $62.3 million, or 18.6% of segment sales, compared to $60.8 million, or 20.4% of segment sales, in the comparable prior year period. The comparison to prior year was impacted by unfavorable exchange rate fluctuations of $3.3 million, caused mainly by Latin America and Japan. EBITA in 1998 included twelve months of ELS results totaling $4.9 million, as compared to only post-acquisition EBITA of $1.8 million for 1997. Excluding the results of ELS, the Instruction segment's EBITA margin was 20.4% in 1998, compared with 21.2% in 1997.

Within the Instruction segment's North America division, both ELS and Berlitz on Campus ("BOC") have experienced reduced enrollments in 1998 of approximately 27%, primarily due to the economic turmoil in Asia. Consequently, the Company reported EBITA for BOC in 1998 which was $1.8 million lower than in 1997. The Company has implemented certain restructuring and cost control measures designed to position ELS/BOC for improved margins. The Asian economy has also created challenges for the Asia division, which despite flat lesson volume and a relatively flat fourth quarter, exhibited a 1998 full year EBITA decline of $1.7 million (exclusive of unfavorable exchange rate fluctuations of $0.8 million). This decline was largely due to higher administrative salaries and rent expense in Japan. The Company continues to focus on measures designed to protect Asia's Instruction EBITA.

Excluding the effects of exchange fluctuations, Latin America and Central/Eastern Europe divisions had EBITA increases of $3.4 million and $3.3 million, respectively, over prior year. The increases are mainly attributable to lesson and price increases in Germany, Mexico, Brazil and Venezuela. Excluding exchange rate fluctuations, Western Europe's EBITA was $0.7 million higher than prior year, primarily due to sale increases in Italy and France.

Translation segment EBITA for the twelve months ended December 31, 1998 was $10.2 million, or 12.0% of segment sales, compared to $7.7 million, or 9.1% of segment sales, in the prior year; this represented an increase of 31.6% over 1997. Despite the Asian economic situation, a significant portion of the EBITA improvement was recognized in the Asian countries due to reorganization efforts and improved production efficiencies. In addition, Germany, the U.S. and certain western European countries experienced improved operating margins. These positive results were partially offset by lower margins and sales volume in Ireland.

As a result of the recent economic turmoil in Asia, the Translations segment's North America division has experienced lower sales backorder on Asian projects as existing clients delay and/or cancel production of certain Asian projects until the uncertainty of the market is stabilized. Japan

Translations also faces a weak market which has resulted in lower sales volume. However, previous reorganization efforts have positioned Japan and Singapore for growth and, despite the challenging economies, have improved the Asia division's Translations segment EBITA over the prior year.

Publishing segment EBITA for 1998 was $1.3 million, compared to $0.6 million in the prior year. The EBITA margin increased to 9.0% from 4.4% in the prior year. The increase is due in part to the volume increase in the German market.

EBITA for franchising activity was breakeven in 1998, compared with an EBITA loss of $0.7 million in the prior year. These results still reflect the start-up nature of this operation, as the Company is not yet collecting significant royalty income.

Non-segment related corporate expenses included in EBITA were $33.5 million for the 1998 full year, compared with $31.1 million in the same prior year period. This change was primarily due to increases in administrative salaries.

Amortization of intangibles increased $3.1 million, or 21.7%, over 1997, as a result of higher intangible assets arising from the acquisition of ELS. Additionally, interest expense on long-term debt in 1998 rose $2.4 million, or 28.5%, from 1997, due to higher borrowings outstanding under the Company's refinanced August 1997 credit facility. Other expense, net for the twelve months ended December 31, 1998 increased by $2.7 million over the prior year, due largely to higher foreign exchange losses, losses on disposal of fixed assets, and non-operating taxes.

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The Company recorded an income tax expense of $5.7 million, or an effective rate of 73.8%, during the current period. This compared to an income tax expense of $7.1 million, or an effective rate of 54.3%, in the prior year. The effective tax rates in both 1998 and 1997 were above the U.S. Federal statutory tax rate primarily as a result of nondeductible amortization charges.

Year ended December 31, 1997 vs. Year ended December 31, 1996

Sales for the twelve months ended December 31, 1997 were $397.2 million, 7.5% above the same period in the prior year. This improvement was due to increases from operating activity in the Instruction and Translation business segments, including the post acquisition results of an acquired business, partially offset by unfavorable exchange rate fluctuations of $24.4 million (largely the result of a strengthened dollar against the Japanese yen, the German mark, and almost all other European currencies.) Excluding the effect of exchange rate fluctuations and new business acquisitions, revenues increased from the prior year by 8.7%.

Language Instruction sales for the twelve months ended December 31, 1997 were $298.3 million, 8.0% above the same period in 1996. This improvement was primarily due to volume and ARPL increases in most countries and $19.9 million in post-acquisition results for ELS, partially offset by unfavorable exchange rate fluctuations of $20.7 million. Excluding the unfavorable exchange rate fluctuations and ELS acquisition, revenues increased 8.3% from the prior year.

On a geographic basis, Language Instruction revenue increases in Latin America and North America were partially offset by decreases in the other geographic divisions. North America's sales growth, excluding ELS post-acquisition results of $19.9 million, was $5.1 million, or 8.1%, and primarily resulted from volume and ARPL improvements and the performance of Berlitz on Campus. The increase in Latin American revenues ($6.9 million, or 16.7%) was primarily attributable to volume increases in all countries and ARPL improvements in Mexico. Asia's sales decline ($5.1 million, or 7.3%) reflected unfavorable exchange rate fluctuations ($6.9 million), partially offset by the positive effects of special sales campaigns in Japan, the startup of operations in Singapore, and volume increases in Hong Kong. Central/Eastern Europe's decrease ($2.9 million, or 4.7%) was also due to unfavorable exchange rate fluctuations ($9.0 million, principally versus the German mark, the Swiss franc, the Austrian schilling and Polish zloty). This was partially offset by lesson volume increases in Germany and Poland, by ARPL increases in most countries within the division, and by particularly strong growth in Poland. The sales decline in Western Europe ($1.8 million, or 4.2%) was attributable to unfavorable exchange fluctuations ($4.7 million), primarily for France, Belgium and Spain, partially offset by volume improvements in most countries within the division, particularly France, whose improvements reflected increased volume from corporate clients.

During the twelve-month period ended December 31, 1997, the number of lessons given was approximately 5.5 million, 7.9% above the same period in the prior year, reflecting increases in all divisions. Lesson volume in North America increased 5.0% from the prior year, resulting from improving economic conditions and aggressive sales strategies. Lesson volume in Asia rose 10.7% from 1996, mainly reflecting a 9.1% improvement in Japan due to special sales and advertising campaigns, as well as the startup of operations in Singapore. Lesson volume in Latin America increased by 12.7% from prior year, primarily reflecting growth in all countries due to expanding economic conditions in most countries, as well as the startup of operations in Peru. Lesson volume in Central/Eastern Europe increased 7.8% over the prior year, primarily reflecting an increase in Poland due to the opening of two new language centers toward the latter part of 1996, and a recovery by Germany from its 1997 first quarter lesson volume shortfall. Lesson volume in Western Europe improved by 3.1% from 1996, primarily due to increases in most countries, in particular France, which has shown an increase in sales to certain corporate clients. These increases have more than offset decreased volume in certain other countries within the division, such as in Italy due to a stagnant economy.

In 1997, ARPL was $41.71 as compared to $44.91 in the comparable prior-year period. The decline reflected the effect of unfavorable exchange rate fluctuations of $3.33, as well as reduced pricing under special sales campaigns in Japan. ARPL ranged from a high of approximately $60.86 in Brazil to a low of $17.03 in Hungary, reflecting effects of foreign exchange rates and differences in the economic value of the service.

During the twelve months ended December 31, 1997, the Company opened a center in Taiwan and eleven wholly-owned Berlitz language centers in Brazil, Chile, Colombia, France, Ireland, Israel, Mexico, Peru, Poland, the United States and Uruguay. Additionally, twelve Berlitz franchises were opened in 1997 in Austria, Brazil, Costa Rica, Indonesia, Japan (3), Mexico, the United Kingdom and the United States (3). Same center sales (i.e. sales by centers which were operating

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during the entirety of both years being compared) grew by 7.5% over 1996, excluding the impact of foreign currency rate fluctuations.

Translation segment sales were $84.2 million for the twelve-month period ended December 31, 1997, an increase of $7.2 million, or 9.4%, from the same period in 1996. Excluding the unfavorable effects of exchange rate fluctuations of $3.9 million, sales grew $11.1 million, or 14.4%. The operations growth was primarily due to increases in Ireland, the U.S., Canada and Singapore. Ireland's sales increase is the result of continued growing demand for software-related services. The North America (U.S. and Canada) revenue increase resulted from the continued expansion of business from the existing client base, the continued development of documentation and translation and interpretation services, and the acquisition of new accounts. Singapore's revenue increase is a direct result of the expanding demand for Asian language services. These increases were partially offset by a decrease in revenue in Germany and Japan resulting from reorganization efforts, and by decreases in certain Western European countries due to the cyclical effects of projects from a major customer.

Publishing segment sales were $13.6 million for the twelve months ended December 31, 1997, $1.8 million or 11.8% below 1996, primarily reflecting a decrease in volume and a delay in the release of certain titles. Exchange rate fluctuations were not significant.

The Company's cost of services and products sold as a percentage of sales was 59.5% for the year ended December 31, 1997, compared to 60.1% in the same prior year period. This change from the prior year primarily reflected lower salary expenses as a percentage of sales. Selling, general and administrative expenses as a percentage of sales were 31.1% for the twelve months ended December 31, 1997, compared with 30.8% for 1996. This increase was affected primarily by higher administrative salary percentages, due in part to changes in allocations of responsibilities under matrix management, partially offset by lower advertising expenses.

EBITA for the twelve month period ended December 31, 1997 was $37.2 million, or 9.4% of sales, compared to $33.6 million, or 9.1% of sales, in the same prior year period, primarily reflecting EBITA improvements in the Instruction and Translation business segments, partially offset by an increase in non-segment related corporate expenses.

Instruction segment EBITA, excluding franchising activity, for the twelve months ended December 31, 1997 was $60.8 million, or 20.4% of segment sales, compared to $54.3 million, or 19.7% of segment sales, in the same prior year period. This improvement was largely due to increased lesson volume, improvements in ARPL, and general efforts to reduce expenses.

Translation segment EBITA for the twelve months ended December 31, 1997 was $7.7 million, or 9.2% of segment sales, compared to $5.1 million, or 6.6% of segment sales, in the prior year. The 1997 EBITA results reflect the positive effects of a favorable product mix, expansion of software-related services, continued growth in traditional documentation translation and interpretation services, and by the reduction of certain general office and administrative expenses. These positive results were partially offset by weaknesses in certain Western European countries and Japan. Thailand results were negatively impacted by certain one-time charges. In addition, 1996 results were negatively impacted by certain low margin contracts and non-recurring costs, primarily in Germany.

Publishing segment EBITA for the twelve months ended December 31, 1997 was $0.6 million,

or 4.4% of segment sales, compared with $1.4 million, or 9.1% of segment sales, in the prior year. The EBITA margin decline was due primarily to a decrease in volume.

An EBITA loss of $0.7 million was recorded for franchising activity for the twelve months ended December 31, 1997, compared with an EBITA loss of $0.8 million in the prior year. These results reflect the start-up nature of this operation.

Non-segment related corporate expenses included in EBITA were $31.1 million for the twelve months ended December 31, 1997, compared with $26.3 million in the same prior year period. This increase was primarily due to higher expenses in 1997 for administrative salaries and related costs, including expenses associated with the Company's New Long-Term Executive Incentive Compensation Plan (the "New LTIP").

Amortization of intangibles increased $1.4 million, or 11.3%, over 1996, as a result of higher intangible assets arising out of the acquisition of ELS.

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Additionally, interest expense on long-term debt rose $0.9 million, or 11.5%, due to higher borrowings outstanding under the Company's refinanced August 1997 credit facility. Other income, net for the twelve months ended December 31, 1997 decreased $0.8 million, or 57.3%, from the prior year due primarily to lower foreign exchange gains and the absence of gains from the termination of a currency coupon swap agreement that provided income in 1996.

The Company recorded an income tax expense of $7.1 million, or an effective rate of 54.3%, during the current period. This compared to an income tax expense of $7.5 million, or an effective rate of 58.6%, in the comparable prior year period. The effective tax rates in both 1997 and 1996 were above the U.S. Federal statutory tax rate largely as a result of nondeductible amortization charges. In addition, 1997's tax provision benefited from a restructuring of the Company's German subsidiaries.

Due to the early extinguishment of debt outstanding prior to the ELS acquisition, the Company incurred an extraordinary charge, net of taxes, of $6.3 million for the twelve months ended December 31, 1997, consisting of prepayment penalties on its Senior Notes and the write-off of unamortized deferred financing costs. The Company's refinanced debt had an effective interest rate of approximately 7.0% at December 31, 1997, compared with an effective interest rate of 9.79% on the Senior Notes.

Liquidity and Capital Resources

Historically, the primary source of the Company's liquidity has been the cash provided by operations, and capital expenditures, working capital requirements and acquisitions (except ELS) have been funded from internally generated cash. Although each geographic area exhibits different patterns of lesson volume over the course of the year, the Company's sales are generally not seasonal in the aggregate.

Net cash provided by operating activities was $34.4 million, $13.5 million and $25.4 million for the years ended December 31, 1998, 1997 and 1996, respectively. In comparing 1998 with 1997, the increase of $20.9 million [primarily resulted from increased receivable collections, offset by higher inventory expenditures, and higher payment of year-end bonuses. In addition, cash-flow in 1997

had been reduced by a $5.8 million prepayment penalty on the Company's Senior Notes]. In comparing 1997 with 1996, the decline of $11.9 million was due to a number of factors, including a $5.8 million prepayment penalty on the Company's Senior Notes, higher accounts receivable primarily related to two Translations segment major customers subject to special contractual arrangements, higher income tax payments, including $2.5 million tax payment associated with the October 1996 Internal Revenue Service ("IRS") deficiency notice, hereinafter discussed, and higher interest payments on long-term debt. The decrease was partially offset by the timing of payments for certain accrued liabilities, most notably payrolls and commissions.

Net cash used in investing activities totaled $22.9 million, $105.5 million and $13.1 million in 1998, 1997 and 1996, respectively. Included in 1997 were ELS acquisition-related payments of $90.9 million, including various transaction costs and net of cash acquired of $6.1 million. The balance of net cash used largely consisted of capital expenditures, aggregating $18.9 million, $14.6 million and $13.0 million in 1998, 1997 and 1996, respectively. Such capital expenditures were primarily for the opening of new facilities and the refurbishing of existing facilities. Capital expenditures have increased over the three-year period due to growth related expansion in the Instruction and Translations segments.

Net cash used in financing activities totaled $13.6 million and $11.0 million, respectively, in 1998 and 1996, compared with net cash provided by financing activities of $94.9 million in 1997. 1997's results primarily reflected net proceeds from the Company's refinancing of its long-term debt in conjunction with the ELS acquisition, while the other years' activity primarily reflected repayments of long-term debt.

Other items impacting the Company's liquidity and capital resources are as follows:

o In October 1996, the Internal Revenue Service ("IRS") issued a deficiency notice to the Company relating to its 1989, 1990, 1992 and 1993 Federal tax returns. Such notice proposed adjustments of approximately $9.3 million, plus accrued interest. The Company reached a final settlement of $2.1 million plus interest with the IRS in August 1998. Such settlement had been fully paid by the Company at the time of settlement. The Company made a payment of $2.5 million to the IRS during the 1997 second quarter, and a payment of $0.7 million during the 1998 second quarter.

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- Reported within accrued expenses at December 31, 1998 were $1.9 million related to the ELS acquisition.

- The Company's SERP provides retirement income / disability retirement benefits, retiree medical benefits and death benefits to certain designated executives and their designated beneficiaries. The Company intends to fund the SERP through a combination of funds generated from operations and life insurance policies on the participants.

- Pursuant to a covenant under the Bank Facility, the Company is party to currency coupon swap agreements with a financial institution to hedge the Company's net investments in certain foreign subsidiaries and to help manage the effect of foreign currency fluctuations on the Company's ability to repay its U.S. dollar debt. These agreements require the Company, in

exchange for U.S. dollar receipts, to make semi-annual foreign currency payments, denominated in the Japanese yen, the Swiss franc, the Canadian dollar, the British pound, and the German mark. Credit loss from counterparty nonperformance is not anticipated. The estimated fair value of these swap agreements at December 31, 1998, representing the amount that could be settled based on estimates obtained from a dealer, was a net liability of approximately $3.1 million.

- In connection with another covenant under the Bank Facility, the Company was party to a five-year interest rate swap agreement at December 31, 1998. This agreement provided for quarterly exchanges of interest on an amortizing "notional" (theoretical) amount, originally set at $66.0 million and amortized to $55.3 million at December 31, 1998. This notional amount amortizes proportionately with the scheduled principal payments under the Bank Facility. In exchange for U.S. dollar denominated interest receipts based on variable LIBOR, the Company must make U.S. dollar denominated interest payments based on a fixed rate of 6.30%. Credit loss from counterparty non-performance was not anticipated. The estimated fair value of this interest rate swap at December 31, 1998, representing the amount that could be settled based on estimates obtained from a dealer, was a net liability of approximately $1.7 million.

- On March 11, 1999, after receiving approval from its shareholders, the Company issued $155 million aggregate principal amount of 12-year convertible debentures (the "Convertible Debentures") in a private placement with Apollo Management IV, L.P and Benesse Holdings International, Inc. ("BHI"). These issuances were made pursuant to definitive agreements entered into as of October 2, 1998. The Convertible Debentures bear interest at 5% per annum, payable semi-annually. Principal amounts outstanding under such debentures are not due until 2011, and the Company is not required to establish a bond sinking fund for repayment of this principal. The Convertible Debentures are convertible at any time into shares of the Company's common stock at a conversion price of $33.05 per share, subject to anti-dilution related adjustments.

- In a separate transaction also completed on March 11, 1999, BHI has loaned $50 million to the Company, evidenced by a 12-year fixed rate subordinated promissory note (the "BHI Note"). Such note bears interest for the first five years at 5.2% per annum, and, thereafter, at a renegotiated fixed rate approximating LIBOR plus a margin based on the Company's then existing leverage. Interest is payable semiannually in cash while principal repayment is deferred until maturity.

- The Company used the proceeds from the sale of the Convertible Debentures, as well as the proceeds from the BHI Note issuance, to repay in full all outstanding indebtedness pursuant to the Company's existing Bank Facility and existing notes payable to Benesse, to terminate the related interest rate swap agreement for a cash payment by the Company of $1.1 million, and for general corporate purposes. However, the Company does not expect to currently terminate its currency coupon swap agreements. Berlitz anticipates incurring approximately $3.5 million in transaction costs in connection with the issuance of the Convertible Debentures and BHI Note.

- The Company does not have any present intention to commence paying dividends following the repayment of the Bank Facility.

At December 31, 1998, the Company's liquid assets of $25.3 million consisted of cash and temporary investments. The Company does not currently have any material commitments for capital expenditures, except as disclosed below under "The Year 2000 Issue". In the future, the Company anticipates capital expenditures to continue to be in line with recent historical trends due to the refurbishment of

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the Company's language centers, the expansion of the Company's Translations segment, and technological expansion. The Company plans to meet its debt service requirements and future working capital needs through funds generated from operations.

The Year 2000 Issue

Introduction
The Year 2000 issue is the result of certain computerized systems' use of a two rather than four digit year, e.g., 95 vs. 1995. As a result of the ambiguous century in such systems, the introduction of twenty-first century dates may cause systems to function abnormally or not at all.

Recognizing the need to ensure operations will not be adversely affected by Year 2000 failures, the Company established a committee to address any possible exposure. This committee is responsible for carrying out the Company's awareness program, assessing key financial and operational systems, for assessing external relationships with customers and vendors, and for developing and implementing detailed divisional action plans.

The Company has divided the Year 2000 issue into three areas: (i) Infrastructure; (ii) Internal Use Financial and Operational Software; and (iii) Key Third Party Customer and Vendor Relationships. For each area, the committee is responsible for carrying out the following steps: Inventory, Assessment, Remediation and Testing, and Contingency Plan Development and Implementation.

The infrastructure area contains all hardware, embedded systems, and software, excepting financial and operational software. Non-compliant internal use financial software is currently being replaced in conjunction with the global deployment of PeopleSoft systems. Such PeopleSoft systems are warranted to be Year 2000 compliant and have been successfully tested as such. Key third party relationships include external interfaces between the Company and its suppliers, service providers, and customers that are deemed material to the continued operation of the Company.

State of Readiness
Overall, the Company's Year 2000 project is currently proceeding on schedule and is expected to be fully completed according to the original schedule by September 29, 1999.

As of April 1998, the committee had completed a worldwide systems inventory and assessment for the infrastructure and internal use financial and operational systems areas. To minimize complicating factors, the Company chose to replace rather than upgrade most non-compliant systems without commercially available remediation paths at the time of assessment. The Company is employing both internal and external resources in its remediation efforts.

Remediation and testing of systems began in July 1998 and is scheduled to continue through September 30, 1999. Testing is scheduled to occur in line with remediation efforts; as systems are

upgraded or replaced, compliance testing of the system will begin. Based on current progress, the Company reasonably expects that all internal remediation efforts in this area will be completed on or before the scheduled completion date. Further, the Company believes it is unlikely that its efforts to remediate non-compliant financial and operational software would extend beyond the scheduled completion date.

The Company has conducted a formal communications program with all key vendors and customers to identify and assess their states of readiness. Based on the results of this process, the committee is assessing the likelihood of a failure in a third party's own Year 2000 remediation program and the resulting impact to the Company. Communications with key third parties are continuing to minimize the exposure to the Company and its ability to conduct normal business. The Company completed its initial assessment of external vendor relationships in November 1998.

Due to the fact that many third parties' programs are not yet fully completed, the Company expects communications to continue through September 1999. Third parties that do not provide convincing evidence that they will successfully achieve compliance by September 1999 will be subject to replacement.

Risk
The Company expects to achieve internal compliance and does not believe that any reasonably likely risk of failure exists. Based on management estimates and the uncertainty surrounding the Company's ability to guarantee the compliance of third parties, the Company expects that the most likely worst case is that some third parties fail to successfully and completely remediate all Year 2000 issues. Third party failures could range from the loss of a utility or service such as electricity or telecommunications to a loss of revenue due to a

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customer's inability to conduct normal business based on the failure of the customer's or vendor's own systems or those of its own critical third party relationships.

Third parties deemed material to the Company fall primarily into the following categories: banks, accounting bureaus, telecommunications providers, utilities, and customers. Although management estimates that it is reasonably likely that some third parties may experience failures, the Company does not believe that the aggregate effect of such failures will have a material effect on the Company's consolidated future results. This estimate is based on the nature of the Company's services, its widespread geographic dispersion, and the diversity of its customer base.

Although third party failures are beyond the reasonable control of the Company, the Company is making every effort to reduce any negative effect by closely communicating with third parties to follow the progress of their remediation programs and minimize the risks associated with a third party's failure to achieve compliance.

Contingency Plans
To further minimize any risk associated with any internal or third party failure to achieve compliance, the Company is currently in the process of developing contingency plans for those critical systems and third party relationships that have the potential to materially interrupt the Company's ability to conduct normal business. Decisions regarding the implementation of specific

contingency plans are expected to be made by the end of the first quarter of 1999 and, if deemed necessary, are expected to be fully implemented by the end of the third quarter of 1999.

Costs to Address the Year 2000 Issue
The Company currently estimates the cost for Year 2000 compliance with respect to its information and production systems to be approximately $4.9 million, consisting of: $3.6 million for replacements of financial accounting and operational systems with the remainder dedicated to infrastructure and third party relationship remediation.

Recent Accounting Pronouncements
During June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). The new standard requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. The accounting for gains or losses resulting from changes in the values of those derivatives would depend on the use of the derivative and whether it qualifies for hedge accounting. The new standard is not expected to have a material impact on the Company's financial position or results of operations. SFAS 133 will be effective for the calendar year beginning January 1, 2000.

On September 28, 1998, the Securities and Exchange Commission ("SEC") issued a press release stating that it "will formulate and augment new and existing accounting rules and interpretations covering revenue recognition, restructuring reserves, materiality and disclosure" for all publicly-traded companies. Until such time as the SEC staff issues such interpretative guidelines, it is unclear what, if any, impact such interpretative guidelines will have on the Company's current accounting policy. However, the potential changes in accounting practice being considered by the SEC staff could have a material impact on the manner in which the Company recognizes revenue.

Special Note Regarding Forward Looking Statements

Certain statements in this Annual Report on Form 10-K, including information appearing under the captions "Business", "Legal Proceedings", and "Management's Discussion and Analysis of Financial Conditions and Results of Operations" constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). The Company desires to take advantage of certain "Safe Harbor" provisions of the Reform Act and is including this special note to enable the Company to do so. Forward-Looking Statements involve known and unknown risks, uncertainties, and other factors which could cause the Company's actual results, performance (financial or operating) or achievements to differ materially from the future results, performance (financial or operating) or achievements expressed or implied by such Forward-Looking Statements. Such risks, uncertainties and other factors include, among others: the Company's success in selling new franchises; the economic conditions in the Asian region; the Year 2000 issues, including the success with which the Company's customers and suppliers address their Year 2000 exposures; as well as more general factors affecting future cashflows and their effects on the Company's ability to meet its debt service requirements and future working capital needs, including fluctuations in foreign currency exchange rates; demand for the Company's products and services; the impact of

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competition; the effect of changing economic and political conditions; the level of success and timing in implementing corporate strategies and new technologies; changes in governmental and tax laws and regulations, tax audits and other

factors (known or unknown) which may affect the Company. As a result, no assurance can be given as to future results, levels of activity and achievements.

Inflation

Historically, inflation has not had a material effect on the Company's overall business. Management believes this is due to the fact that the Company's business is a service business which is not capital intensive. The Company has historically adjusted prices to compensate for inflation.

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

The Company's major market risk exposure is foreign currency fluctuations. Geographically, the majority of the Company's subsidiaries are located outside the United States, with operations conducted in their respective local currencies. For example, for the three years ended December 31, 1998, the percentage of total revenues denominated in currencies other than U.S. dollars averaged 68%, in foreign currencies including the Japanese yen, German mark, Irish punt, Brazilian real, Mexican peso, British pound and French and Swiss francs. As discussed under "Management's Discussion and Analysis - Liquidity and Capital Resources", the Company maintains currency coupon swap agreements with a financial institution to hedge the Company's net investments in certain foreign subsidiaries and to help manage the effect of foreign currency fluctuations on the Company's ability to repay its U.S. dollar debt. These agreements require the Company to exchange foreign currency-denominated interest payments for U.S. dollar-denominated interest receipts on a semi-annual basis. Significant terms of currency swap agreements continuing to remain outstanding after December 31, 1998 were as follows:

		Interest Payment to Financial Institution			Interest Receipts from Financial Institution		
Effective Date	Maturity	Notional Amount (000's)		Interest Rate	Notional Amount (000's)	Interest Rate	Fair Value at 12/31/98 (000's)
1/1/99	12/30/02	Japanese Yen	12,311,005	5.50%	$ 95,694	6.27%	$ (1,887)
1/1/99	12/31/02	German Mark	99,546	6.12%	$ 55,821	6.27%	$ (1,063)
1/4/99	12/31/02	Swiss Franc	16,131	5.72%	$ 11,164	6.27%	$ (64)
1/4/99	12/31/02	British Pound	4,841	6.56%	$ 7,974	6.27%	$ (84)

The fair values of the coupon swap agreements represent the amounts that could be settled based on estimates obtained from a dealer. The value of these swaps will be affected by future interest rates and exchange rates.

Throughout fiscal 1998 and until March 11, 1999, another major market risk exposure of the Company was the impact of changing interest rates on its variable rate Bank Facility, which at its August 28, 1997 inception, consisted of term loans of $120 million and a revolving credit facility, as amended, of $70 million. The term loans provided for quarterly amortization, beginning December 31, 1997 and ending September 30, 2002, and matured as follows: Year 1, $17,000; Year 2, $19,000; Year 3, $20,000; Year 4, $22,000; Year 5, $22,000, plus a balloon at maturity of $20,000. There were no scheduled repayments required under the revolving credit facility prior to its expiration on September 30, 2002, at which time all outstanding balances were due.

Outstanding borrowings under the Bank Facility bore interest at variable rates based on, at the option of the Company, (i) NationsBank's alternate base rate (essentially equivalent to the prime

rate) or (ii) the rate offered by certain reference banks to prime banks in the interbank Eurodollar market, fully adjusted for reserves plus a margin ranging from .375% to .875%; such margin was dependent on a specified leverage ratio of the Company. In addition, a commitment fee ranging from .125% to .25% was charged on the available but unused amounts under the revolving credit facility, depending on a specified leverage ratio. Pursuant to a covenant under the Bank Facility, the Company entered into an interest rate swap agreement which fixed the base interest rate for a portion of the Bank Facility at 6.30% (see Management's Discussion and Analysis - Liquidity and Capital Resources). The average interest rate on outstanding borrowings under the Bank Facility for the

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period ending December 31, 1998 was 6.72%. The carrying value of the Bank Facility approximated its estimated fair value, based on interest rates currently available for borrowings with similar terms and maturities.

On March 11, 1999, in connection with the Company's issuance of convertible debentures (see Management's Discussion and Analysis - Liquidity and Capital Resources), the Company terminated the Bank Facility and repaid all outstanding amounts in full. The Company also terminated the related interest rate swap agreement through a cash payment by the Company of $1.1 million, representing the swap agreement's fair value at the time of termination based on quotes obtained from a dealer.

For additional information relating to the financial instruments, see Note 10 to the Consolidated Financial Statements.

The Company's derivatives are for non-trading purposes. The Company historically has only entered into derivative contracts as required by its lenders and it has no present intentions to change this policy. Furthermore, the Company employed the following procedures to monitor and minimize the market and credit risk associated with its current derivative contracts entered into pursuant to its Bank Facility:

a) bids and proposals were obtained from only major financial institutions;
b) prior to entering into its derivative contracts, the Company conferred with independent advisors to assess the reasonableness of the contracts and obtained Board of Director approval;
c) the Company entered into simple agreements; and
d) the Company provides status updates regarding its derivatives, including market value updates, to its Board of Directors on a regular basis.

ITEM 8. Financial Statements and Supplementary Data

The following Consolidated Financial Statements, Supplementary Data and Financial Statement Schedule are filed as part of this Annual Report on Form 10-K:

	Page
Report of Independent Auditors	[ ]
Statement of Management's Responsibility for Consolidated Financial Statements	[ ]
Consolidated Financial Statements:	
Consolidated Statements of Operations, years ended December 31, 1998, 1997 and 1996	[ ]
Consolidated Balance Sheets, December 31, 1998 and 1997	[ ]
Consolidated Statements of Comprehensive Income (Loss), years ended December 31, 1998, 1997, and 1996	[ ]
Consolidated Statements of Shareholders' Equity, years ended December 31, 1998, 1997 and 1996	[ ]
Consolidated Statements of Cash Flows, years ended December 31, 1998, 1997 and 1996	[ ]
Notes to Consolidated Financial Statements	[ ]
Financial Statement Schedule:	
Schedule II. Valuation and Qualifying Accounts	[ ]

All other schedules are omitted because they are not applicable or the required information is shown in the Consolidated Financial Statements or the Notes thereto.

REPORT OF INDEPENDENT AUDITORS

To the Shareholders and Board of Directors
of Berlitz International, Inc.:

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We have audited the accompanying consolidated balance sheets of Berlitz International, Inc. and its subsidiaries as of December 31, 1998 and 1997 and the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows for the years ended December 31, 1998, 1997 and 1996. Our audits also included the financial statement schedule listed in the Index at Item 8 for the years ended December 31, 1998, 1997 and 1996. These financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Berlitz International, Inc. and its subsidiaries as of December 31, 1998 and 1997 and the results of their operations and their cash flows for the years ended December 31, 1998, 1997 and 1996, in conformity with generally accepted accounting principles. Also, in our opinion, the financial statement schedule for the years ended December 31, 1998, 1997 and 1996, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

New York, New York
February 26, 1999

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Berlitz International, Inc.:

Management of Berlitz International, Inc. has prepared and is responsible for the accompanying Consolidated Financial Statements and related information. These financial statements, which include amounts based on judgments of management, have been prepared in conformity with generally accepted accounting principles. Financial data included in other sections of this Annual Report on Form 10-K are consistent with that in the Consolidated Financial Statements.

Management believes that the Company's internal control systems are designed to provide reasonable assurance, at reasonable cost, that the financial records are reliable for preparing financial statements and maintaining accountability for assets and that, in all material respects, assets are safeguarded against loss from unauthorized use or disposition. These systems are augmented by written policies, an organizational structure providing division of responsibilities, qualified personnel throughout the organization, and a program of internal audits.

The Board of Directors, through its Audit Committee consisting of outside Directors of the Company, is responsible for reviewing and monitoring the Company's financial reporting and accounting practices. Deloitte & Touche LLP and the Company's internal auditors each have full and free access to the Audit Committee, and meet with it regularly, with and without management.

/s/ HENRY D. JAMES

Henry D. James
Executive Vice President and Chief Financial Officer

BERLITZ INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

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(Dollars in thousands, except per share amounts)

<TABLE>
<CAPTION>

<S>	Year Ended December 31, 1998 <C>	1997 <C>	1996 <C>
Sales of services and products	$ 436,303	$ 397,209	$ 369,622
Costs and expenses:			
Cost of services and products sold	258,903	236,521	222,313
Selling, general and administrative	137,086	123,444	113,695
Amortization of publishing rights, excess of cost over net assets acquired, and other intangibles	17,265	14,183	12,746
Interest expense on long-term debt	10,956	8,523	7,647
Interest expense to affiliates	2,226	2,100	1,848
Other expense (income), net	2,188	(615)	(1,441)
Total costs and expenses	428,624	384,156	356,808
Income before income taxes, minority interest in earnings of subsidiary, and extraordinary item	7,679	13,053	12,814
Income tax expense	5,665	7,089	7,508
Minority interest in (loss) earnings of subsidiary	(68)	613	1,503
Income before extraordinary item	2,082	5,351	3,803
Extraordinary loss from early extinguishment of debt, net of income tax benefit of $1,949	-	6,285	-
Net income (loss)	$ 2,082	$ (934)	$ 3,803
Earnings (loss) per share - basic and diluted:			
Income before extraordinary item	$ 0.22	$ 0.56	$ 0.40
Extraordinary loss	-	(0.66)	-
Earnings (loss) per share	$ 0.22	$ (0.10)	$ 0.40
Average number of shares (000)	9,530	9,550	9,569

</TABLE>

See accompanying notes to the consolidated financial statements.

BERLITZ INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share amounts)

<TABLE>
<CAPTION>

<S>	December 31, 1998 <C>	1997 <C>
Assets		
Current assets:		
Cash and temporary investments	$ 25,327	$ 26,665
Accounts receivable, less allowance for doubtful accounts of $2,295 and $2,415	46,650	50,622
Unbilled receivables	6,873	3,538
Inventories, net	11,606	9,159
Prepaid expenses and other current assets	7,965	8,323
Total current assets	98,421	98,307
Property and equipment, net	41,144	32,098
Publishing rights, net of accumulated amortization of $5,203 and $4,324	16,782	17,661
Excess of cost over net assets acquired and other intangibles, net of		

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accumulated amortization of $75,573 and $57,893	486,232	498,506
Other assets	20,882	14,943
Total assets	$ 663,461	$ 661,515
Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	$ 20,135	$ 17,712
Accounts payable	11,280	9,990
Deferred revenues	41,603	36,071
Payrolls and commissions	15,079	17,988
Income taxes payable	365	573
Accrued expenses and other current liabilities	17,255	15,505
Total current liabilities	105,717	97,839
Long-term debt	129,387	142,369
Notes payable to affiliates	42,755	39,423
Deferred taxes and other liabilities	20,333	24,964
Minority interest	10,283	9,942
Total liabilities	308,475	314,537
Shareholders' Equity:		
Common stock		
$.10 par value - 40,000,000 shares authorized;		
10,033,013 shares issued	1,003	1,003
Additional paid-in capital	372,518	372,518
Retained earnings	4,574	2,492
Accumulated other comprehensive loss:		
Cumulative translation adjustment	(16,748)	(22,674)
Treasury stock at cost; 503,225 and 503,225 shares	(6,361)	(6,361)
Total shareholders' equity	354,986	346,978
Total liabilities and shareholders' equity	$ 663,461	$ 661,515

</TABLE>

See accompanying notes to the consolidated financial statements.

BERLITZ INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Dollars in thousands)

<TABLE>
<CAPTION>

	Year Ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Net income (loss)	$ 2,082	$ (934)	$ 3,803
Other comprehensive income (loss), net of tax:			
Foreign currency items, including translation adjustments, and the effects of certain hedges and intercompany transactions	5,926	(12,637)	(11,159)
Comprehensive income (loss)	$ 8,008	$(13,571)	$ (7,366)
The tax (benefit) expense allocated to each component of other comprehensive income (loss) is as follows:			
Foreign currency items	$ (889)	$ 273	$ 559

</TABLE>

See accompanying Notes to the Consolidated Financial Statements.

BERLITZ INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(Dollars in thousands)

<TABLE>
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	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Cumulative Translation Adjustment	Treasury Stock	Total Shareholders' Equity
Balance at January 1, 1996	$ 1,003	$ 368,658	$ (377)	$ 1,132	$ -	$ 370,416
Net income			3,803			3,803
Translation adjustment and other, including the effects of certain hedges and intercompany transactions				(10,266)		(10,266)
Allocated income taxes				(559)		(559)
Transfers from CTA related to liquidation of foreign subsidiaries				(344)		(344)
Purchase of treasury stock					(5,643)	(5,643)
Balance at December 31, 1996	1,003	368,658	3,426	(10,037)	(5,643)	357,407
Net loss			(934)			(934)
Translation adjustment and other, including the effects of certain hedges and intercompany transactions				(12,364)		(12,364)
Allocated income taxes				(273)		(273)
Sale of treasury stock		3,860			2,250	6,110
Purchase of treasury stock					(2,968)	(2,968)
Balance at December 31, 1997	1,003	372,518	2,492	(22,674)	(6,361)	346,978
Net income			2,082			2,082
Translation adjustment and other, including the effects of certain hedges and intercompany transactions				5,037		5,037
Allocated income taxes				889		889
Balance at December 31, 1998	$ 1,003	$ 372,518	$ 4,574	$ (16,748)	$ (6,361)	$ 354,986

</TABLE>

See accompanying notes to the consolidated financial statements.

BERLITZ INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

<TABLE>
<CAPTION>

	Year ended December 31,		
	1998	1997	1996
Cash flows from operating activities:			
Net (loss) income	$ 2,082	$ (934)	$ 3,803
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	9,791	8,564	7,972
Amortization of publishing rights, excess of cost over net assets acquired, and other intangibles	17,265	14,183	12,746
Minority interest in (loss) earnings of subsidiary	(68)	613	1,503
Deferred income tax provision (benefits)	739	(442)	(172)
Deferred tax benefit on extraordinary item	-	(1,785)	-
Provision for bad debts	728	1,129	1,168
Foreign exchange (gains) losses, net	1,101	(27)	(1,005)
Gains on currency coupon swap agreements	-	-	(399)
Equity in losses (gains) of joint ventures	136	50	187
Losses on disposal of fixed assets	578	100	70
Changes in operating assets and liabilities:			
(Increase) in accounts and unbilled receivables	2,258	(15,570)	(3,900)
(Increase) decrease in inventories	(2,449)	444	(1,039)
(Increase) decrease in prepaid expenses and other assets	(5,598)	97	(1,130)
Increase (decrease) in deferred revenues	2,829	2,225	1,732
Increase (decrease) in accounts payable and			

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other current liabilities	(2,246)	3,567	(772)
Increase in due to affiliates	2,177	2,102	1,862
Increase (decrease) in income taxes payable	(210)	(3,555)	2,178
Increase (decrease) in other liabilities	5,298	2,787	630
Net cash provided by operating activities	34,411	13,548	25,434
Cash flows from investing activities:			
Capital expenditures	(18,949)	(14,617)	(13,034)
Acquisitions of businesses, net of cash acquired	(3,905)	(90,868)	-
Refunds from (investments in) joint ventures	-	-	(72)
Net cash used in investing activities	(22,854)	(105,485)	(13,106)
Cash flows from financing activities:			
Proceeds of notes payable to affiliates	-	-	6,000
Proceeds from bank long-term debt	-	120,000	-
Payment of long-term debt	(17,713)	(70,978)	(11,366)
Payments to acquire treasury stock	-	(2,968)	(5,643)
Proceeds from sale of treasury stock	-	6,110	-
Net borrowings under revolving credit facility	4,000	44,000	-
Proceeds from minority shareholder in joint venture	361	-	-
Payment of deferred financing costs	(233)	(1,272)	-
Net cash provided by (used in) financing activities	(13,585)	94,892	(11,009)
Effect of exchange rate changes on cash and temporary investments	690	(2,071)	(940)
Net increase (decrease) in cash and temporary investments	(1,338)	884	379
Cash and temporary investments at beginning of period	26,665	25,781	25,402
Cash and temporary investments at end of period	$ 25,327	$ 26,665	$ 25,781
Supplemental disclosures of cash flow information:			
Cash payments for:			
Interest	$ 10,525	$ 7,877	$ 6,835
Income taxes	$ 8,345	$ 10,834	$ 6,640
Cash refunds of income taxes	$ 842	$ 493	$ 1,298
Noncash activities:			
Installment agreement payable for internal use software:			
Operating activity (prepaid maintenance contract)	$ 1,455	$ -	$ -
Investing activity (capitalized software)	$ 1,014	$ -	$ -
Obligation under capital lease (investing activity)	$ 127	$ -	$ -

</TABLE>

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollars in thousands, except share and per share amounts)

1. Nature of Operations and Summary of Significant Accounting Policies

a) Nature of Operations - Berlitz International, Inc. (the "Company" or "Berlitz") is a New York corporation organized in 1989. Its operations are conducted on a worldwide basis through three business segments: Language Instruction, Translation Services and Publishing. Approximately 63% of its 1998 revenues are denominated in currencies other than the U.S. dollar.

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In February 1993, Benesse Corporation (formerly Fukutake Publishing Co., Ltd.) ("Benesse") acquired, through a merger of the Company with an indirect wholly-owned U.S. subsidiary of Benesse (the "Merger"), approximately 6.7 million shares of the common stock, par value $.10 per share ("Common") of the Company. Benesse, through its wholly owned subsidiary Benesse Holdings International, Inc. ("BHI") currently holds approximately 7.0 million shares, or 73.3%, of the outstanding Common. Public shareholders of the Company hold the remaining outstanding Common.

Since 1990, Benesse has also owned a 20% minority interest in the equity of the Company's Japanese subsidiary, Berlitz Japan, Inc. ("Berlitz-Japan").

b) Principles of Consolidation - The Consolidated Financial Statements include those of the Company and its subsidiaries. The effects of all significant intercompany transactions have been eliminated.

c) Foreign Currency Translation - Generally, balance sheet amounts have been translated using exchange rates in effect at the balance sheet dates and the translation adjustment has been included in the cumulative translation adjustment, a separate component of shareholders' equity, with the exception of hyperinflationary countries. Income statement amounts have been translated using the average exchange rates in effect for each period. Revaluation gains and losses on certain intercompany accounts in all countries and translation gains and losses in hyperinflationary countries have been included in "Other income, net". Revaluation gains and losses on intercompany balances for which settlement is not anticipated in the foreseeable future are included in the cumulative translation adjustment.

d) Revenue Recognition and Unbilled Receivables - Revenues are recognized in the Instruction and Publishing business segments when services are rendered to the customer or when products are shipped, as applicable. Translation Services contracts are accounted for under the percentage of completion method of accounting, whereby sales and costs are recognized as work on contracts progresses. Changes in estimates for sales, costs and profits are recognized in the period in which they are determinable. Unbilled receivables represent the difference between revenue recognized for financial reporting purposes and amounts contractually permitted to be billed to customers.

Unbilled amounts will be invoiced in subsequent periods upon reaching certain milestones.

e) Inventories - Inventories, which consist primarily of finished goods, are valued at the lower of average cost or market.

f) Deferred Financing Costs - Direct costs relating to the indebtedness incurred in connection with the Merger, the Benesse borrowings, and the Bank Facility (see Notes 8 and 11) have been capitalized and are being amortized by the interest method over the terms of the related debt.

g) Long-lived assets - In accordance with Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-lived Assets and for Long-lived Assets to be Disposed Of" ("SFAS 121"), long-lived assets and certain identifiable intangibles (excluding financial instruments and deferred tax assets) to be held and used are reviewed by the Company for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Such circumstances include, but are not limited to, a significant decrease in the market value of an asset, a significant change in the extent or manner in which an asset is used or a significant physical change in an asset, a significant adverse change in legal factors or in the business climate that could affect the value of an asset or an adverse action or assessment by a regulator, and the impact of expected future revision dates on publishing rights. Along with other long-lived assets, the Company applies the standards of SFAS 121 to its publishing rights, excess of cost over net assets acquired, and other intangibles.

If a review for recoverability is necessary, the Company estimates the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. Otherwise, an impairment loss is not recognized. Any impairment loss recognized is

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measured as excess of carrying amount of the asset over the fair value of the asset. The fair value of an asset is the amount at which the asset could be bought or sold in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

g) Property and Equipment - Property and equipment is stated at cost and depreciated over its estimated useful life or the life of any applicable leases (whichever is shorter), using principally straight-line methods.

h) Publishing Rights - Publishing rights are associated with the Company's proprietary language instruction print materials and travel related titles. They are being amortized on a straight-line basis over 25 years.

i) Excess of Cost Over Net Assets Acquired and Other Intangibles - Except as

disclosed in Note 2, the excess of cost over net assets acquired is being amortized on a straight-line basis over 40 years, while other intangibles are being amortized primarily on a straight-line basis over 40 years.

j) Deferred Revenues - Deferred revenues primarily arise from the prepayment of fees for classroom instruction and are recognized as income as lessons are given. The Company recognizes in income deferred revenues for lessons paid for and not expected to be taken based upon historical experience by country; refunds subsequently issued against such amounts are not material.

k) Income Taxes - The Company has adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" ("SFAS 109"). SFAS 109 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates expected to apply to taxable income in the periods in which the differences are expected to reverse.

l) Cash and Temporary Investments - The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be temporary investments.

m) Investment in Joint Ventures - Investments in joint ventures are carried on the equity basis of accounting and the Company's share of the net profits and losses of such investments is reflected in "Other income, net" in the Consolidated Statements of Operations.

n) Financial Instruments - The fair values of the Company's long-term debt and notes payable to affiliates are estimated based on the interest rates currently available for borrowings with similar terms and maturities. The fair values of the Company's currency coupon swap agreements represent the amounts that could be settled based on estimates obtained from a dealer.

The carrying amounts reported in the balance sheets for cash and temporary investments, accounts receivable and payable, accrued expenses and other current liabilities, accrued income taxes and short-term borrowings approximate fair value due to the short-term nature of these instruments.

o) Derivative Financial Instruments - Those currency coupon swap agreements which have been designated by the Company as hedges of its investments in certain foreign subsidiaries are considered effective as hedges to the extent that quarterly changes in the fair value of the agreements offset, but do not exceed, the quarterly effect of exchange rate changes on the underlying net investment. When these agreements are effective, realized and unrealized gains and losses (including realized gains and losses on terminations of effective hedges) are excluded from the Company's Consolidated Statements

of Operations, and included, net of deferred taxes, in the cumulative translation adjustment of shareholders' equity. If the change in any fiscal quarter in an agreement's fair value exceeds the exchange rate fluctuation's effect on the underlying investment, such excess is

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recognized in the Consolidated Statement of Operations within "Foreign exchange (gains) losses, net". If, as a result of the Company's periodic evaluation, it can no longer be established that an agreement will prospectively be effective, the hedge accounting described above is discontinued and all subsequent changes in the agreement's fair value (as well as realized gains and losses on subsequent terminations of such ineffective hedges) are recognized within the Consolidated Statement of Operations.

During June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). The new standard requires companies to record derivatives on the balance sheet as assets or liabilities, measured at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The new standard not expected to have a material impact on the Company's financial position or results of operations. SFAS 133 will be effective for the calendar year beginning January 1, 2000.

p) Internal-Use Software - On March 4, 1998, the American Institute of Certified Public Accountants issued its Statement of Position ("SOP") 98-1, which provides guidance on accounting for the costs of computer software developed or obtained for internal use. The SOP is effective for financial statements for fiscal years beginning after December 15, 1998, with earlier application encouraged in fiscal years for which financial statements have not been issued. The Company has elected to apply this SOP to all costs incurred on and after January 1, 1998. Consequently, $330 of incremental internal-use software costs had been capitalized for the twelve months ended December 31, 1998.

q) Franchises - Revenue from sales of franchises is recognized when all material services and conditions relating to the sale have been substantially performed, which may occur prior to commencement of operations. Payments received on franchise sales that have not been recognized as revenue are treated as deferred. Direct (incremental) costs related to such deferred revenues are deferred until the revenue is recognized.

r) 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 and 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.

s) Reclassifications - Certain reclassifications have been made in prior years' financial statements and notes to conform with the 1998 presentation.

2. Acquisition of Businesses

In January 1998, in connection with its August 1997 acquisition of ELS Educational Services, Inc. ("ELS"), hereinafter discussed, the Company paid $1,340 related to certain post-closing purchase price adjustments. In June 1998, the Company paid $2,007 to purchase the assets of a major corporation's translations division in France, and recorded $1,519 in excess cost over net assets acquired. In October 1998, the Company purchased DeltaSoft, a software translations company in Poland, for $558 (net of cash acquired), plus future payments (not to exceed $500) that are contingent upon achieving certain revenue targets. In connection with its acquisition of DeltaSoft, the Company recorded $780 in excess cost over net assets acquired.

On August 28, 1997 (the "Closing Date"), the Company completed its acquisition of ELS Educational Services, Inc. ("ELS"), a privately held provider of intensive English language instruction, in a stock acquisition for a cash purchase price of $95,000 (the "ELS Acquisition"), subject to certain post-closing adjustments specified in the related stock purchase agreement. The Company also incurred various transaction-related expenditures and accrued expenses.

The ELS Acquisition was accounted for by the purchase method of accounting, which contemplates an allocation of the acquisition cost to the acquired company's assets and liabilities based upon their fair value. A summary of the purchase price allocation as of December 31, 1998 follows:

Acquisition cost (including post-closing cash

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adjustment of $1,340 paid in January 1998, and transaction expenditures)		$ 98,200
Net assets and liabilities acquired:		
Cash	6,099	
Intangible asset - tradenames	3,000	
Intangible asset - sales agent network	31,700	
Other net assets and liabilities	(9,402)	
Total net assets acquired		31,397
Excess of cost over net assets acquired		$ 66,803

The ELS tradename and sales-agent-network intangible assets are being amortized on a straight-line basis over their estimated useful lives of 5 years and 14 years, respectively. The excess of ELS purchase price over net assets acquired is being amortized on a straight-line basis over 30 years.

The results of operations of ELS subsequent to the Closing Date are included in the Company's Consolidated Statement of Operations. The following table presents selected unaudited pro forma information assuming that the ELS Acquisition (and the simultaneous refinancing of the Company's long-term debt; see Note 8) had occurred on January 1 of each period presented, and is not indicative of the results of operations which would actually have occurred had the transaction taken place on the dates indicated or of the results which may occur in the future.

<TABLE>
<CAPTION>

<S>	Pro forma Twelve Months ended Dec. 31,1997 <C>	Pro forma Twelve months ended Dec. 31, 1996 <C>
Sales of services and products	$ 446,373	$ 432,260
Income before income taxes, minority interest in earnings of subsidiary, and extraordinary item	11,846	9,694
Income before extraordinary item	4,566	1,775
Extraordinary loss	(6,721)	(7,510)
Net loss	$ (2,155)	$ (5,735)
Basic and Diluted earnings (loss) per share:		
Income before extraordinary loss	$ 0.48	$ 0.18
Extraordinary loss	(0.70)	(0.78)
Loss per share	$ (0.22)	$ (0.60)

The primary differences between the unaudited pro forma income statement data and the amounts as reported are as follows:

	Pro forma Twelve Months ended Dec. 31,1997	Pro forma Twelve months ended Dec. 31, 1996
Pre-acquisition ELS revenues	$ 49,164	$ 62,638
Pre-acquisition ELS income before taxes	2,524	2,567
Decrease in ELS administrative expenses not recurring after Berlitz acquisition	2,413	3,000
Increase in amortization of intangibles and excess of cost over net assets acquired	(3,333)	(5,000)
Increase in interest expense on long-term debt	(2,811)	(3,687)
Decrease in income tax expense	422	1,092
Increase in extraordinary loss, net of tax	$ (436)	$ (7,510)

</TABLE>

3. Earnings Per Share

The Company has adopted provisions of Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("SFAS 128"), which simplifies the standards for computing earnings per share ("EPS"). SFAS 128 replaces the standards for computing and presenting EPS found in Accounting Principles Board Opinion No. 15, "Earnings Per Share" ("APB 15"). SFAS 128 requires dual presentation of Basic (which replaces APB 15's Primary EPS) and

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Diluted EPS on the face of the income statement for all entities with complex capital structures, and provides guidance on other computational changes. SFAS 128 is effective for financial statements for the year ended December 31, 1997, including interim periods to be presented therein.

A reconciliation between Basic and Diluted EPS computations for "income before extraordinary item" as of December 31, 1998 and 1997 is as follows:

	Income	Weighted average number of shares outstanding	Per-share amount
Year ended December 31, 1998:			
Basic EPS:			
Income before extraordinary item	$ 2,082	9,530	$ 0.22
Effect of dilutive securities:			
Stock options		32	
Diluted EPS:			
Income before extraordinary item	$ 2,082	9,562	$ 0.22
Year ended December 31, 1997:			
Basic EPS:			
Income before extraordinary item	$ 5,351	9,550	$ 0.56
Effect of dilutive securities:			
Stock options		14	
Diluted EPS:			
Income before extraordinary item	$ 5,351	9,564	$ 0.56

There is no difference between Basic and Diluted EPS computations for the year ended December 31, 1996 since no dilutive securities were outstanding prior to June 30, 1997.

4. Property and Equipment, net

	December 31, 1998	December 31, 1997
Buildings and leasehold improvements	$ 26,727	$ 19,063
Furniture, fixtures and equipment	35,494	28,347
Internal use software	3,101	689
Land	1,352	1,364
	66,674	49,463
Less: accumulated depreciation and amortization	(25,530)	(17,365)
Total	$ 41,144	$ 32,098

5. Excess of Cost over Net Assets Acquired, and Other Intangibles

	December 31, 1998	December 31, 1997
Excess of cost over net assets acquired	$ 225,315	$ 220,310
Tradenames and trademarks	299,998	299,998
ELS sales agent network	31,700	31,700
Other	4,792	4,391

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	561,805	556,399
Less: accumulated amortization	(75,573)	(57,893)
Total	$ 486,232	$ 498,506

6. Other Expense (Income), net

<TABLE>
<CAPTION>

	Year Ended December 31,		
	1998	1997	1996
<S>	<C>	<C>	<C>
Interest income on temporary investments	$ (750)	$ (875)	$ (728)
Foreign exchange (gains) losses, net	1,101	(27)	(1,005)
Gains on currency coupon swap agreement	-	-	(399)
Equity in (gains) losses of joint ventures	136	50	187
Other non-operating taxes	794	415	586
Term Loan administration fee	35	83	150
Losses and other costs of disposal of fixed assets	826	100	70
Other interest income, net	(173)	(235)	(67)
Other expense (income), net	219	(126)	(235)
Total other expense (income), net	$ 2,188	$ (615)	$ (1,441)

</TABLE>

7. Income Taxes

The components of the deferred tax asset (liability) at December 31, 1998 and 1997 were as follows:

<TABLE>
<CAPTION>

	1998	1997
<S>	<C>	<C>
Deferred tax assets:		
Inventory	$ -	$ 67
Property and equipment depreciation	262	-
Deferred revenue	2,206	1,702
Unrealized hedging losses	1,084	142
Accrued expenses	1,665	1,970
Foreign tax credits	3,105	4,193
Other tax credits	1,216	-
Net operating losses	3,634	6,000
Total deferred tax assets	13,172	14,074
Deferred tax liabilities:		
Inventory	(564)	-
Joint ventures	(244)	(320)
Property and equipment depreciation	-	(44)
Unrealized hedging gains	-	(252)
Publishing rights amortization	(5,624)	(5,882)
Other intangibles amortization	(975)	(46)
Total deferred tax liabilities	(7,407)	(6,544)
Net deferred tax assets	5,766	7,530
Valuation allowance	(4,444)	(8,141)
Net deferred tax asset (liability)	$ 1,322	$ (611)

</TABLE>

As a result of the Merger, $1,712 of the valuation allowance will be allocated to reduce goodwill and other intangibles in future periods if realization of net operating losses or foreign tax credits becomes more likely than not.

The Company's effective tax rate for 1998 was 73.8%, compared with 54.3% and 58.6% in 1997 and 1996, respectively.

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The provision (benefit) for income taxes is as follows:

<TABLE>
<CAPTION>

<S>	U.S. Federal <C>	Foreign* <C>	U.S. State and Local <C>	Total <C>
Year ended December 31, 1998:				
Current	$(1,594)	$ 5,833	$ 687	$ 4,926
Deferred	495	145	99	739
Total	$(1,099)	$ 5,978	$ 786	$ 5,665
Year ended December 31, 1997:				
Current	$ 1,016	$ 6,123	$ 392	$ 7,531
Deferred	(57)	(512)	127	(442)
Total	$ 959	$ 5,611	$ 519	$ 7,089
Year ended December 31, 1996:				
Current	$ 1,945	$ 5,364	$ 371	$ 7,680
Deferred	(182)	(7)	17	(172)
Total	$ 1,763	$ 5,357	$ 388	$ 7,508

</TABLE>

* Pre-tax income from foreign operations of the Company was $17,451, $17,730, and $22,429 for the twelve months ended December 31, 1998, 1997 and 1996, respectively.

The provision (benefit) for deferred taxes is summarized as follows:

<TABLE>
<CAPTION>

	Year Ended December 31,		
<S>	1998 <C>	1997 <C>	1996 <C>
Accrued liabilities	$ 1,340	$ 1,002	$ 88
Foreign exchange	(351)	(46)	232
Benefit of net operating loss	(672)	(248)	(313)
Amortization of intangibles	717	(1,971)	(199)
Inventory	631	760	69
Tax credits	(546)	-	-
Fixed assets	(305)	-	-
Other, net	(75)	61	(49)
Total	$ 739	$ (442)	$ (172)

</TABLE>

The difference between the effective income tax and the U.S. Federal statutory tax rate is explained as follows:

<TABLE>
<CAPTION>

	Year Ended December 31,		
<S>	1998 <C>	1997 <C>	1996 <C>
U.S. Federal statutory tax rate	35.0%	35.0%	35.0%
Foreign income taxes, net of Federal income tax benefits	(9.7)	(17.6)	(34.5)
U.S. state and local income taxes, net of Federal income taxes	6.6	2.6	2.0
Net domestic and foreign losses	9.3	7.5	12.4
Amortization and writeoff of intangibles	54.9	33.6	34.8
Takedown of reserves	(22.7)	-	-
Other, net	0.4	(6.8)	8.9

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Total	73.8%	54.3%	58.6 %

</TABLE>

The Company has net operating loss carryforwards that relate to a number of foreign and state jurisdictions that will expire on various dates.

At December 31, 1998, accumulated earnings of foreign subsidiaries of $47,297 are intended to be permanently reinvested outside the U.S. and no tax has been provided for the remittance of these earnings. However, it is estimated that foreign withholding taxes of $3,092 may be payable if such earnings were distributed. These taxes, if ultimately paid, may be recoverable as foreign tax credits in the U.S. The determination of deferred U.S. tax liability for the undistributed earnings of international subsidiaries is not practicable.

8 Long-Term Debt

Long-Term Debt consists of the following:

	December 31, 1998	December 31, 1997
Term Loan	$ 98,250	$ 115,750
Revolving credit facility	48,000	44,000
Other	3,272	331
Total debt	149,522	160,081
Less current maturities	20,135	17,712
Long-term debt	$ 129,387	$ 142,369

Annual maturities of long-term debt outstanding as of December 31, 1998, other than the Term Loan and revolving credit facility, are as follows: 1999, $885; 2000, $1,262; 2001, $1,125. As discussed in Note 15 (Subsequent Event), on March 11, 1999, after approval by its shareholders, the Company issued convertible debentures, as well as a note to BHI, and used the proceeds from the issuance of Convertible Debentures, as well as proceeds from the BHI Note issuance, to repay in full, among other things, all outstanding indebtedness under the Term Loan and revolving credit facility.

On August 28, 1997, in connection with the ELS Acquisition, the Company refinanced its then existing indebtedness through borrowings under a new bank facility (the "Bank Facility"), consisting of term loans of $120 million and a revolving credit facility, as amended, of $70 million. The term loans provided for quarterly amortization, beginning December 31, 1997 and ending September 30, 2002, and matured as follows: Year 1, $17,000; Year 2, $19,000; Year 3, $20,000; Year 4, $22,000; Year 5, $22,000, plus a balloon at maturity of $20,000. There were no scheduled repayments required under the revolving credit facility prior to its expiration on September 30, 2002, at which time all outstanding balances were due. The Bank Facility was secured by the capital stock of certain Company subsidiaries, and was subject to mandatory prepayment equal to a portion of the proceeds from certain asset sales or equity offerings in excess of specified amounts.

Outstanding borrowings under the Bank Facility bore interest at variable rates based on, at the option of the Company, (i) NationsBank's alternate base rate (essentially equivalent to

the prime rate) or (ii) the rate offered by certain reference banks to prime banks in the interbank Eurodollar market, fully adjusted for reserves plus a margin ranging from .375% to .875%; such margin was dependent on a specified leverage ratio of the Company. In addition, a commitment fee ranging from .125% to .25% was charged on the available but unused amounts under the revolving credit facility, depending on a specified leverage ratio. The average interest rate on outstanding borrowings under the Bank Facility for the period ending December 31, 1998 was 6.72%.

The Bank Facility contained certain covenants, including (i) limitations on the ability of the Company and its subsidiaries to incur indebtedness and guarantee obligations, to prepay indebtedness, to redeem or repurchase capital stock or subordinated debt, to enter into, grant or suffer to exist liens or sale-leaseback transactions, to make loans or investments, to enter into mergers, acquisitions or sales of assets, to change the nature

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of the business conducted, to amend material agreements, to enter into agreements restricting the ability of the Company and its subsidiaries to grant or to suffer to exist liens, to enter into transactions with affiliates or to limit the ability of subsidiaries to pay dividends or make loans to the Company, (ii) limitations on the payment of dividends by the Company on its capital stock, (iii) a requirement that the Company maintain foreign currency hedge agreements to fix the rate of exchange between the U.S. dollar and such foreign currencies, and (iv) a requirement that the Company maintain interest rate hedge agreements covering at least 25% of the outstanding borrowings. The Bank Facility also contained financial covenants requiring the Company to maintain certain levels of liquidity and net worth and imposes limitations on capital expenditures, cash flow and total debt. As of December 31, 1998, the Company was in compliance with all Bank Facility covenants.

The Company used a portion of the proceeds from the Bank Facility to repay its pre-existing Term Loan and Senior Notes. As a result of this early extinguishment of debt, the Company incurred an extraordinary charge, net of taxes, of $6.3 million, consisting of prepayment penalties on the Senior Notes and the write-off of unamortized deferred financing costs.

9. Commitments and Contingencies

Lease Commitments

The Company's operations are primarily conducted from leased facilities, many of which are less than 2,500 square feet, which are under operating leases that generally expire within five years.

Rent expense, principally for language centers, amounted to $32,324, $27,066 and $26,020, for the years ended December 31, 1998, 1997 and 1996, respectively. Certain leases are subject to escalation clauses and/or renewal options.

The minimum rental commitments under noncancellable operating leases with a remaining term of more than one year at December 31, 1998 are as follows: 1999-$13,521; 2000-$11,365; 2001-$9,641; 2002-$7,677; 2003-$6,010; and an aggregate of $24,097 thereafter.

Legal Proceedings

The Company is party to several actions arising out of the ordinary course of its business. Management believes that none of these actions, individually or in the aggregate, will have a material adverse effect on the financial condition or results of operations of the Company.

IRS Deficiency Notice

In October 1996, the Internal Revenue Service ("IRS") issued a deficiency notice to the Company relating to its 1989, 1990, 1992 and 1993 U.S. Federal tax returns. The Company reached a final settlement with the IRS in August 1998 for $2,150 plus interest. Such settlement had been adequately provided for, and was fully paid by the Company through a payment of $2,500 during the 1997 second quarter and a payment of $680 during the 1998 second quarter.

Severance agreements

The Company has severance agreements with five key employees which generally provide for termination payments of one times annual base salary, plus a portion of the Company's bonus plan awards. The agreements also provide for the continuation of certain benefits. The maximum contingent liability under such agreements is approximately $2,000.

10. Financial Instruments and Related Disclosures

a) Currency coupon swap agreements

Pursuant to covenants in its various long-term debt agreements, the Company maintains currency coupon swap agreements with a financial institution to hedge the Company's net investments in certain foreign subsidiaries and to help manage the effect of foreign currency fluctuations on the Company's ability to repay its U.S. dollar debt. These agreements require the Company to periodically exchange foreign currency-denominated interest payments for U.S. dollar-denominated interest receipts. Credit loss from counterparty nonperformance is not anticipated.

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Significant terms of agreements outstanding during 1998 were as follows:

<TABLE>
<CAPTION>

		Interest Payments to Financial Institution			Interest Receipts from Financial Institution	
Effective Date	Maturity	Notional Amount (000's)		Interest Rate	Notional Amount (000's)	Interest Rate
<S> <C>	<C>	<C>	<C>	<C>	<C>	<C>
12/31/93	12/31/98	Japanese Yen	2,335,500	9.71%	$ 22,500	9.79%
12/31/93	12/31/98	Swiss Franc	11,475	9.89%	$ 7,500	9.79%
12/31/93	12/31/98	British Pound	5,133	10.43%	$ 7,550	9.79%
12/31/93	12/31/98	Canadian Dollar	5,596	10.43%	$ 4,300	9.79%
3/29/96	12/31/98	German Mark	60,165	4.78%	$ 35,000	5.31%
12/15/97	12/31/98	Japanese Yen	7,796,967	5.50%	$ 60,606	6.27%
12/15/97	12/31/98	German Mark	45,507	6.12%	$ 25,518	6.27%
1/1/99	12/30/02	Japanese Yen	12,311,005	5.50%	$ 95,694	6.27%
1/1/99	12/31/02	German Mark	99,546	6.12%	$ 55,821	6.27%
1/4/99	12/31/02	Swiss Franc	16,131	5.72%	$ 11,164	6.27%
1/4/99	12/31/02	British Pound	4,841	6.56%	$ 7,974	6.27%

</TABLE>

The Company marks coupon swaps to fair value. When these agreements are effective as hedges, realized and unrealized gains and losses are excluded from the Company's Consolidated Statements of Operations, and included, net of deferred taxes, in the cumulative translation adjustment of shareholders' equity.

During the second half of 1995, a German mark floating rate coupon swap agreement became ineffective as a hedge of the Company's net investment in its German subsidiaries. On January 23, 1996, the Company exchanged this swap for a fixed interest rate coupon-only currency swap of equal fair value. The Company recognized a gain of $399 during the first quarter of 1996 in its Consolidated Statement of Operations within "Other income, net", representing the change in fair value of the original swap from December 31, 1995 to the date of the exchange.

b) Interest rate swap agreement

Pursuant to a covenant requirement under the Bank Facility, the Company entered into a five-year interest rate swap agreement which provides for quarterly exchanges of interest on an amortizing "notional" (i.e. theoretical) amount, originally set at $66,000 and currently at $55,300 at December 31, 1998. In exchange for U.S. dollar denominated interest receipts based on variable LIBOR, the Company must make U.S. dollar denominated interest payments based on a fixed rate of 6.30%. The notional amount amortizes proportionately with the scheduled principal payments under the Bank Facility. Credit loss from counterparty non-performance is not anticipated. The Company accounts for these interest rate swap transactions under the accrual method of accounting, whereby: a) each net receipt/payment is recognized in earnings during the period to which the receipt/payment relates, as a yield adjustment to "Interest expense on long-term debt"; b) gains and losses on terminated agreements are amortized over the underlying debt obligations' remaining life as a yield adjustment; and c) there is no recognition on the balance sheet for the derivative's fair value.

c) Concentration of credit risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and temporary investments and accounts receivable.

The Company maintains cash and temporary investments with various high credit qualified financial institutions. The majority of these financial institutions are located outside of the U.S. and the Company's policy is designed to limit exposure to any one of these foreign institutions. The Company maintains U.S. concentration accounts, consisting of overnight investments, with up to three major U.S. banks. During 1998 and 1997, balances in these accounts averaged 35% and 40% of worldwide cash. As part of its cash management process, the Company performs periodic evaluations of the relative credit standing of all financial institutions in which it maintains cash and temporary investments.

Credit risk with respect to Language Instruction accounts receivable is

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generally diversified due to the large number of entities comprising the Company's customer base and their dispersion across many different industries and countries. In the Translations segment, receivables are generally spread among a diversified client base, except for a concentration of receivables with two major customers subject to special contractual arrangements. One of these is a U.S. governmental agency and the other a corporation with whom the Company has been doing business for over 10 years. Receivables from these two major customers aggregated $[ ] million and $13.8 million at December 31, 1998 and 1997, respectively. Subsequent collections of these December 1997 balances have aggregated $8.1 million through March 24, 1998. The Publishing segment also sells to a substantial client base, although several of its larger receivables are from its distributors. Such receivables from Publishing's distributors comprised approximately [ ]% and 5% of the Company's total accounts receivable balance before allowances at December 31, 1998 and 1997, respectively.

d) Fair values of financial instruments

The carrying amounts and estimated fair values of the Company's financial instruments at December 31, 1998 and 1997 were as follows:

<TABLE>
<CAPTION>

	1998		1997	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Cash and temporary investments	$ 25,327	$ 25,327	$ 26,665	$ 26,665
Currency coupon swap agreements	-	-	719	719
Liabilities:				
Long-term debt, including current maturities	149,522	149,522	160,081	160,081
Notes payable to affiliates	42,755	35,623	39,423	34,101
Currency coupon swap agreements	3,098	3,098	406	406
Interest rate swap agreement	-	1,713	-	680

</TABLE>

For cash and temporary investments and short-term borrowings, the carrying amount approximates fair value due to their short maturities. The fair values of long-term debt and notes payable to affiliates are estimated based on the interest rates currently available for borrowings with similar terms and maturities. The fair values of the coupon swap agreements and the interest rate swap agreement represent the amounts that could be settled based on estimates obtained from a dealer. The value of these swaps will be affected by future interest rates and exchange rates.

11. Related Party Transactions

a) Treasury shares

On April 29, 1997, the Company and Benesse Holdings International, Inc. (formerly Fukutake Holdings (America), Inc.) ("BHI"), a wholly owned subsidiary of Benesse Corporation ("Benesse"), signed a definitive contract whereby the Company agreed to sell to BHI 250,000 shares of the Company's Common for $6,110, or $24.44 per share, the average market price for the ten days ended on April 29, 1997. This transaction, which was approved by the Disinterested Directors Committee of the Company's Board of Directors, was closed on May 12, 1997. The Company used 250,000 of its treasury shares to complete this transaction, which was a private placement exempt from registration under Section 4(2) of the Securities Act of 1933. The proceeds of the sale were used for general corporate purposes. Following this private placement, Benesse beneficially owned 6,985,338 shares, which represented 73.3%, of the 9,529,788 shares of Common outstanding at December 31, 1997 and 1998.

The issuance of the treasury shares under this private placement was accounted for using the cost method, whereby the excess sale price per share over the $9 cost per share was allocated to additional paid-in-capital.

b) Long-term borrowings

In September 1994, the Company borrowed $20,000 from a U.S. subsidiary of Benesse, as evidenced by a subordinated promissory note (the "U.S. Note") bearing interest at a rate of 6.93% per annum. Berlitz-Japan also borrowed (Y)1.0 billion (approximately $10,145 at inception) from Benesse as

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evidenced by an interest-free subordinated promissory note (the "Japan Note"). A portion of the proceeds of these notes were used to settle certain long-term debt obligations arising from the Merger. In March 1996, the Company received the proceeds of an additional $6,000 subordinated promissory note payable to a U.S. subsidiary of Benesse and bearing interest at a rate of the six-month LIBOR plus 1% per annum, adjusted semi-annually; the effective rate on this note was 6.81% at December 31, 1997. These notes are collectively referred to as the Benesse Notes.

The Benesse Notes rank pari passu with one another and are subordinate in rights of payment to debt under the Bank Facility, including the currency coupon swap agreements. They mature on the earlier of June 30, 2003 or twelve months from the date that all payment

obligations under the Bank Facility have been satisfied. To the extent that interest payments are not permitted while any amounts remain outstanding under the Bank Facility, such accrued interest will roll over semi-annually into the note principal.

Payment obligations under the U.S. Note are guaranteed by the Company and its significant U.S. subsidiaries, subject to senior guarantees of the Bank Facility. The Company and its significant U.S. subsidiaries have also executed a guarantee of payment obligations under the Japan Note, effective as of the day following the date upon which all payment obligations under the Bank Facility are satisfied.

The Benesse Notes contain certain covenants, including prohibitions on the incurrence of other debt, liens, loans, mergers or consolidations and amendments to the Bank Facility without consent.

As discussed in Note 15 (Subsequent Event), the Benesse Notes were repaid in full on March 11, 1999, in connection with the issuance of convertible debentures and a new promissory note to BHI.

c) Other

The Company and Benesse maintain a joint Directors and Officers ("D&O") insurance policy covering acts by directors and officers of both Benesse and the Company. The premiums on the D&O policy are allocated 60% to Benesse and 40% to the Company. However, for 1997, the premium for entity coverage benefited Berlitz only and was allocated 100% to Berlitz, resulting in a total D&O allocation of 57% to Benesse and 43% to the Company. Since May 1995, the Company has maintained a stand-alone Employment Practices Liability ("EPL") insurance policy covering the Company, its officers and directors (including the Benesse directors who are also directors of the Company). Consequently, the premium on the EPL policy is allocated 30% to Benesse and 70% to the Company.

The Company and Benesse participated in certain other joint business arrangements in the ordinary course of business, none of which had a material effect on the financial statements.

Management believes that the Company has entered into all such agreements on terms no less favorable than it would have received in arms-length transactions with independent third parties. Each of the transactions with Benesse entered into after the Merger was approved by the Disinterested Directors Committee.

12. Stock Option and Incentive Plans

The Company's 1993 Short-Term Executive Incentive Compensation Plan (the "Short-Term Plan"), provides for potential cash awards to officers and other key employees if certain financial goals and individual discretionary performance measures are met for the applicable calendar year. Approximately $1,590, $1,417 and $811 was paid for 1998, 1997 and 1996, respectively, pursuant to the Short-Term Plan.

ELS' Executive Incentive Plan provides for cash awards to officers and key employees of ELS if certain financial goals are met. In addition, in 1997, this plan provided for a special bonus upon successful sale of ELS. Approximately $0 and $2,010 were paid for 1998 and 1997 in connection with the ELS Executive Incentive Plan.

In September 1996, the Company adopted the New Long-Term Executive Incentive Compensation Plan (the "New LTIP") and, subject to shareholder approval which was received in 1997, the 1996 Stock Option Plan (the "1996 Stock Option Plan") (collectively, the "Plans"). The Plans replaced the

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Company's then existing Long Term Executive Incentive Compensation Plan (the "Old LTIP"), which was initially adopted in 1994.

The New LTIP provides for potential cash awards in 1999 to key executive employees and the Chairman of the Board of the Company if certain financial goals are met for the year ended December 31, 1998. Such awards may not exceed $5,000 in the aggregate. The Company is not required to establish any fund or segregate any assets for payments under the New LTIP. For the twelve months ended December 31, 1998, 1997 and 1996, the Company recorded expenses of $1,193, $1,289 and $318, respectively, related to the New LTIP. In March 1999, the Company paid $2,855 in awards under the New LTIP.

The 1996 Stock Option Plan, as amended (the "Plan") authorizes the issuance of options to directors and key employees of the Company. The total number of shares for which options may be granted is 503,225. The Company has reserved 503,225 of its treasury shares for use under the Plan.

Stock option activity is as follows:

<TABLE>
<CAPTION>

<S>	Number of shares <C>	Exercise price <C>
Options outstanding at December 31, 1996	-	-
Granted:		
June 30, 1997 (the "June 1997 Options")	327,200	$24.9375
December 9, 1997	46,190	$26.5625
Exercised	-	-
Options outstanding at December 31, 1997	373,390	$24.9375 - $26.5625
Granted:	25,740	$30.00
December 4, 1998		
Exercised	-	-
Options outstanding at December 31, 1998	399,130	$24.9375 - $26.5625
Options exercisable at December 31, 1998	-	-
Options exercisable at December 31, 1997	-	-

</TABLE>

In general, options granted under the Plan expire on the seventh anniversary of the grant date and may not be exercised prior to the third anniversary of the grant date, at which time they become fully exercisable. Unexercised options, for a majority of the grants, expire earlier upon the grantee's termination of service with the Company, unless a grantee's service terminates by reason of death, disability, retirement after age 60, or termination by the Company other than for cause.

Included within the June 1997 Options are 100,250 options for Soichiro Fukutake, Chairman of the Board of Directors, of which 50,000 have been granted (the

"Relinquishment Options") in exchange for the complete relinquishment by Mr. Fukutake of all benefits under the Company's Supplemental Executive Retirement Plan ("SERP"). The June 1997 Options may not be exercised prior to January 1, 1999. On such date, they become fully exercisable until their normal expiration on June 29, 2004, except for the Relinquishment Options, which expire on December 31, 1999.

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation", ("SFAS 123"), issued in October 1995, establishes financial accounting and reporting standards for stock-based employee compensation plans. As permitted by SFAS 123, the Company continues to apply APB Opinion No. 25, "Accounting for Stock Issued to Employees", and related Interpretations in accounting for its stock-based employee compensation plans. Accordingly, no compensation expense has been recognized for the grants under the Plan since their exercise prices have been equal to the closing price of the Company's common stock on the New York Stock Exchange on the date of grant. Had compensation expense been determined based on the fair value of awards at their grant date, as contemplated by SFAS 123, the pro forma effects on net income for the year-to-date periods ended December 31, 1998 and 1997 would have been decreases of $1,032 and $554, respectively. This would have resulted in pro forma decreases in earnings per share for the year-to-date periods ended December 31, 1998 and 1997 of $0.11 and $0.06, respectively.

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The fair value of each option grant during 1998 and 1997, as set forth in the following table, is estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions:

	June 1997 Grant - Relinquishment Options	June 1997 Grant - All other options	December 1997 Grant	December 1998 Grant
Weighted average assumptions used to estimate fair value:				
Dividend yield	0.00%	0.00%	0.00%	0.00%
Expected volatility	22.00%	22.00%	21.00%	20.00%
Risk free interest rate	5.79%	6.08%	5.88%	4.31%
Expected lives in years	1.5	4.25	5.0	5.0
Fair value of each option granted	$3.71	$7.37	$8.43	$8.29

The Company has two other stock plans: the 1989 Stock Option and Incentive Plan (the "1989 Plan") and the Non-Employee Directors' Stock Plan (the "Directors' Plan"). The 1989 Plan authorizes the issuance of various stock incentives to officers and key employees and the related issuance of up to 2,000,000 shares of common stock. The Directors' Plan provides non-employee Directors of the Company the opportunity to elect to receive a portion of their annual retainer fees in the form of common stock of the Company, or to defer receipt of a portion of such fees and have the deferred amounts treated as if invested in common stock. There has been no activity related to these plans during 1996, 1997 or 1998, and there are no related incentives or shares outstanding at December 31, 1998.

13. Thrift and Retirement Plans

The Berlitz International, Inc. Retirement Savings Plan (the "Berlitz Plan") is a defined contribution benefit plan covering substantially all of the Company's full-time domestic employees (except ELS employees). The retirement portion of the Berlitz Plan provides for the Company to make regular contributions based on salaries of eligible employees. The thrift portion of the Berlitz Plan, in which employee participation is elective, provides for Company matching contributions of up to 3% of salary. Payments upon retirement or termination of employment are based on vested amounts credited to individual accounts. In addition, certain foreign operations have other defined contribution benefit plans.

ELS maintains a separate retirement savings plan (which includes a Contributory 401(k) provision). All full-time ELS employees are eligible to participate in this plan on January 1 or July 1 upon attainment of age 21 and completion of 500 hours of service within a six-month period. Contributions to the profit sharing portion of this plan are made in such amounts, if any, as determined by executive management of ELS. The Contributory 401(k) provision for ELS employees is in an amount equal to the lesser of (a) 50% of the employee's salary reduction contributions or (b) 3% of the employee's annual compensation.

Total expense with respect to all benefit plans, excluding the SERP, was $2,231, $1,399 and $1,632 for the years ended December 31, 1998, 1997, and 1996, respectively.

Effective January 1, 1996, the Company established the SERP, a defined benefit plan which provides retirement income / disability retirement benefits, retiree medical benefits and death benefits to certain designated executives and their designated beneficiaries. As previously discussed (see Note 12), the Chairman of the Board of Directors relinquished rights to all benefits under the SERP in exchange for the Relinquishment Options. Monthly benefits will be available to any participant who retires at age 60 or above, with at least 5 years of service with the Company.

The retirement income/disability retirement benefits ("Pension Benefits") are based on a percentage of an average monthly salary (calculated on the base salary and short-term bonuses paid over the last 36 months of employment) and will be paid to the retired participant for life, with 50% of such benefit paid to the participant's surviving spouse for life upon the retired participant's death. Such percentage for initial participants as of January 1, 1996 is 30%. For future participants, such percentage will be 2% (or such other percentage as the Board of Directors may determine) multiplied by years of service, not to exceed 30%. The Company will also provide each retired participant and their surviving spouse with medical coverage ("Medical Benefits") for both of their lives. If a participant

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with at least 5 years of service dies before retirement, the participant's designated beneficiary will receive, in lieu of the above-mentioned benefits, a one-time payment equal to the participant's base salary projected to age 65 at a 4% annual increase.

Awards under the SERP are not subject to deduction for Social Security or other offset amounts, except to the extent of any disability benefits payable under the Company's long-

term disability insurance policy. In the case of Chairman of the Board, who does not receive a salary from the Company, the SERP benefits had been based on an imputed salary determined by the Company's Board of Directors. The Company intends to fund the SERP through a combination of funds generated from operations and life insurance policies on the participants.

In 1998, the Company established an irrevocable grantor trust (the "Trust"), within the meaning of the Internal Revenue Code of 1986, and contributed life insurance policies and annuity contracts on the SERP participants to the Trust. Subject to the claims of the Company's general creditors in the event of the Company's insolvency, the Trust's principal and income shall be held therein until paid to the SERP participants in such manner and at such times as specified in the SERP. It is the intention of the Company that the Trust constitutes an unfunded arrangement and does not affect the status of the SERP as an unfunded plan. Included within "Other assets" at December 31, 1998 is $2,502 held in the Trust.

The following tables set forth certain information for the SERP:

<TABLE>
<CAPTION>

	Pension Benefits			Medical Benefits		
	1998	1997	1996	1998	1997	1996
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Benefit obligation at beginning of year	$ 3,575	$ 3,188	$ 2,682	$ 1,205	$ 1,435	$ 1,158
Service cost	506	415	407	75	107	196
Interest cost	290	220	188	57	72	81
Net benefit payments	-	-	-	(16)	(13)	-
Actuarial loss (gain)	698	(248)	(89)	(315)	(396)	-
Benefit obligation at end of year	5,069	3,575	3,188	$ 1,006	1,205	1,435
Plan asset at fair value	-	-	-	-	-	-
Funded status	(5,069)	(3,575)	(3,188)	(1,006)	(1,205)	(1,435)
Unrecognized prior service cost	2,146	2,324	2,503	681	840	999
Unrecognized actuarial loss (gain)	360	(337)	(89)	(610)	(361)	-
Net amount recognized	$(2,563)	$(1,588)	$ (774)	$ (935)	$ (726)	$ (436)
Amounts recognized in the statement of financial position consist of:						
Accrued benefit liability	$(4,177)	$(2,791)	$(2,370)	$ (935)	$ (726)	$ (436)
Intangible asset	1,614	1,203	1,596	-	-	-
Net amount recognized	$(2,563)	$(1,588)	$ (774)	$ (935)	$ (726)	$ (436)
Weighted average assumptions as of December 31:						
Discount rate	6.5%	7.0%	7.0%	6.5%	7.0%	7.0%
Rate of compensation increases	4.0%	4.0%	4.0%	n/a	n/a	n/a
Assumed health care cost trend used in measuring the accumulated postretirement benefit obligation:						
Beginning rate:	n/a	n/a	n/a	12.9%	13.8%	14.0%
Leveling to an ultimate rate of:	n/a	n/a	n/a	5.0%	5.0%	6.0%
Over:	n/a	n/a	n/a	10 years	10 years	15 years

</TABLE>

The components of net periodic benefit costs recognized for the years ended December 31, 1998, 1997 and 1996 are as follows:

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	Pension Benefits			Medical Benefits		
	1998	1997	1996	1998	1997	1996
Service cost	$ 506	$ 415	$ 407	$ 75	$ 107	$ 196
Interest cost	290	220	188	57	72	81
Amortization of prior service cost	179	179	179	159	159	159
Actuarial gains	-	-	-	(66)	(35)	-
Net periodic postretirement benefit cost	$ 975	$ 814	$ 774	$ 225	$ 303	$ 436

Assumed health care cost trends rates can have a significant effect on amounts reported for the Medical Plan. A one-percentage-point change in the assumed health care cost trend rates would have the following effects:

	1% Point Increase	1% Point Decrease
Effect on total of service and interest cost components for the period ending December 31, 1998	$25	$(20)
Effect on accumulated postretirement benefit obligation as of December 31, 1998	151	(131)

14. Treasury Stock

On November 14, 1997, the Company acquired 126,225 shares of its Common from MCC Proceeds, Inc., as Trustee for the Maxwell Macmillan Realization Trust. The negotiated purchase price was $23.5125 per share, or $3.0 million, which was below the market price at the date of negotiation. The transaction was funded from cash generated by operations. The repurchased shares were placed into treasury and reserved for future uses permitted under the Bank Facility.

On April 4, 1996, the Company consummated the purchase of 627,000 shares of its common stock from Maxwell Communication Corporation plc (In Administration) at a price of $9 per share. Such shares were placed into treasury. As previously discussed, 250,000 of these shares were subsequently sold to BHI, 377,000 shares were subsequently reserved for use under the 1996 Stock Option Plan, and the balance are reserved for future uses.

15. Subsequent Event

On March 11, 1999 (the "Issue Date"), the Company's shareholders approved the issuance of, and the Company issued, $155,000 aggregate principal amount of 12-year convertible debentures (the "Convertible Debentures") in a private placement, pursuant to definitive investment agreements (the "Investment Agreements") dated as of October 2, 1998. Such debentures were issued as follows: a) $100,000 aggregate principal (the "Apollo Debentures") to two affiliates of Apollo Management IV, L.P. ("Apollo"), a

private investment firm; and b) $55,000 aggregate principal (the "Benesse Debentures") to BHI, the Company's majority shareholder. The Convertible Debentures bear interest at 5% per annum, payable semi-annually. Principal amounts outstanding under such debentures are not due until March 2011, and the Company is not required to establish a bond sinking fund for repayment of this principal.

The Convertible Debentures are convertible at any time into shares of the Company's common stock at a conversion price of $33.05 per share, subject to anti-dilution related adjustments to offset the effects of stock dividends and other changes in equity. The Company will, at all times, reserve out of its authorized but unissued common stock the full number of shares then issuable upon conversion of all outstanding Convertible Debentures.

The Apollo and Benesse Debentures each independently provide for optional redemption by the Company, in whole but not in part, anytime after 3 years

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and 2 months. If the average closing price of the Company's common stock for the 30 trading days following the third anniversary of the Issue Date exceeds $39.66 per share, the Company may redeem at par. Otherwise, if the Convertible Debentures are redeemed, the Company shall pay a redemption premium, expressed as a percentage of outstanding principal, as follows: a) 4% for redemptions occurring in the fourth year after issue; b) 2% for redemptions occurring in the fifth year after issue; and c) 0% for redemptions occurring thereafter. All such redemptions are subject to the holders' rights to first convert into common stock of the Company.

The Convertible Debentures also allow Apollo and BHI to elect to exchange their convertible debentures, in whole, into non-convertible, 7-year fixed rate debt (the "Fixed Rate Debentures"). Such election may only be made if the average closing price of the Company's common stock during the 30 trading days immediately preceding the third anniversary of the Issue Date does not exceed $33.05. Furthermore, BHI may only effect an exchange if Apollo does so. Upon the determination, by an independent financial institution, of fixed interest rates that accurately price the Fixed Rate Debentures at par under specified circumstances at the time of the exchange, Apollo and BHI shall irrevocably decide whether to proceed with their exchanges. If only Apollo proceeds with such an exchange, the Company, no later than 150 days from the third anniversary of the Issue Date, must either a) redeem all of the Apollo Debentures at par, or b) deliver the Fixed Rate Debentures to Apollo. If both Apollo and BHI proceed with their exchanges, the Company, within the same 150 day period, shall either a) redeem both the Apollo and Benesse Debentures, or b) deliver the Fixed Rate Debentures to both Apollo and BHI.

Principal amounts outstanding under the Fixed Rate Debentures would not be payable until maturity, while interest payments would be made semi-annually. The Fixed Rate Debentures interest rate is subject to a cap of a) the applicable U.S. treasury rate + 5% (not to exceed 13%) if only Apollo receives Fixed Rate Debentures, or b) the applicable U.S. treasury rate + 7% (not to exceed 14%) if both Apollo and BHI receives Fixed Rate Debentures. The Fixed Rate Debentures may be redeemed by the Company after the third anniversary of their issue upon payment of principal amounts of the Fixed Rate Debentures and the following redemption premiums, expressed as a percentage of the outstanding principal amount: a) one half of the per annum interest rate for redemptions

occurring in the fourth year after issue; b) one quarter of the per annum interest rate for redemptions occurring in the fifth year after issue; and c) no premium for redemptions occurring thereafter.

Prior to the third anniversary of the Issue Date, if Benesse sells 80% or more of the shares of Berlitz common stock owned directly or indirectly by it on the Issue Date, the Company shall be required to make an offer to repurchase for cash: i) the Apollo Debentures at a value equal to 110% of the principal amount then outstanding; and ii) the Benesse Debentures at a value equal to 101% of the principal amount then outstanding. In addition, if at any time on or after the Issue Date a change of control, as defined in the Investment Agreements, occurs but Benesse sells less than 80% of its shares, or if Benesse sells 80% of its shares on or after the third anniversary of the Issue Date, the Company shall be required to make an offer to repurchase for cash the Convertible Debentures (but not the Fixed Rate Debentures) at a value equal to 101% of the principal amount of the Convertible Debentures.

The Convertible Debentures are subject to standard affirmative covenants, including financial and other informational reporting, compliance with laws, maintenance of insurance, maintenance of properties, payment of taxes, and preservation of corporate existence. Negative covenants that the Convertible Debentures are subject to include: prohibitions on certain mergers, consolidations and asset transfers; forbearance from restrictions on rights of holders to convert or exchange the Convertible Debentures; and, in the case of the Apollo Debentures, forbearance from amending certain understandings between the Company, Berlitz Japan, Inc. and Benesse.

The Investment Agreements include a number of other provisions, including: a) the granting of certain demand and piggyback registration rights to the holders of the Convertible Debentures; b) the granting of a certain number of board seats to Apollo on the Company's Board of Directors; c) the granting of approval rights to Apollo, at the Company's Board level, over certain transactions; and d) certain restrictions on the transferability of the Apollo Debentures.

In a separate transaction, on March 11, 1999, BHI loaned $50,000 to the Company, evidenced by a 12-year fixed rate subordinated promissory note (the "BHI Note"). Such note bears interest for the first five years at 5.2%

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per annum, and, thereafter, at a renegotiated fixed rate approximating LIBOR plus a margin based on the Company's then existing leverage. Interest would be payable semiannually in cash while principal repayment would be deferred until maturity. The BHI Note includes standard covenants similar to those included in the Benesse Debentures. In the event of a change in control, the BHI Note provides for redemption by the Company, at the option of BHI, at a price equal to 101% of the note's principal amount.

The Company has used the proceeds from the sale of the Convertible Debentures, as well as proceeds from the BHI Note issuance, to repay in full all outstanding indebtedness pursuant to the Company's existing bank credit agreement (see Note 8) and existing notes payable to affiliates (see Note 11(b)), and for general corporate purposes. The Company has also terminated its interest rate swap agreement, which hedged the floating rate bank indebtedness (see Note 10(b)), for a cash payment of approximately $1,100. In the 1999

first quarter, the Company will record an extraordinary loss, net of tax, of $[ ], consisting of the interest rate swap's fair market value and any unamortized deferred finance costs at the time of extinguishment of the underlying debt.

The Company anticipates incurring approximately $3,500 in transaction costs in connection with the issuance of the Convertible Debentures and BHI Note. Such costs will be amortized over the 12-year life of the Convertible Debentures and BHI Note.

16. Operating Segments

The Company's operations are principally conducted through four reportable segments: Instruction, Translations, Publishing and Franchising. These are strategic business units that offer different products and services and that are managed separately by senior management due to different technology and marketing strategies. Through the use of proprietary methods and materials, the Instruction segment provides predominantly live language education in virtually all spoken languages, as well as cross-cultural training. The Translations segment provides high quality technical documentation translation, software localization (i.e. the translation of software-related products), software quality assurance testing, interpretation services, electronic publishing services, and other foreign language-related services. The Publishing segment offers a wide range of publishing products such as dictionaries, phrase books, travel guides and self-study language materials, including CD-ROMs and audiocassettes. The Franchising segment sells Berlitz language center franchises to independent franchisees in certain locations.

The Company evaluates operating segment performance based on EBITA, defined as sales of services and products, less costs of services and products sold and selling, general and administrative expenses. EBITA includes depreciation and similar non-cash charges, but excludes amortization of publishing rights, excess of cost over net assets acquired, and other intangibles.

The following tables present information about reported segment profit or loss and segment assets, and reconcile reportable segment revenues, profit or loss, and assets to the Company's consolidated totals:

<TABLE>
<CAPTION>

	Twelve Months ended December. 31,		
	1998	1997	1996
Revenues:			
Revenues from external customers:			
Instruction	$ 335,452	$ 298,300	$ 276,167
Translation	84,794	84,192	76,991
Publishing	14,787	13,634	15,451
Franchising	1,270	1,039	559
Total external revenues	436,303	397,165	369,168
Intersegment revenues:			
Franchising	516	908	-
Total intersegment revenues	516	908	-

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Total revenues for reportable segments	436,819	398,073	369,168
Other revenues and elimination of intersegment revenues	(516)	(864)	454
Total consolidated revenues	$ 436,303	$ 397,209	$ 369,622

</TABLE>

<TABLE>
<CAPTION>

<S>	<C> Twelve Months ended December. 31, 1998	<C> 1997	<C> 1996
Income before taxes and minority interest:			
Operating Profit:			
Segment EBITA:			
Instruction	$ 62,297	$ 60,752	$ 54,257
Translation	10,141	7,704	5,089
Publishing	1,334	600	1,409
Franchising	37	(725)	(834)
Total EBITA for reportable segments	73,809	68,331	59,921
General corporate and nonsegment expenses	(33,495)	(31,087)	(26,307)
Total EBITA	40,314	37,244	33,614
Amortization of publishing rights, excess of cost over net assets acquired, and other intangibles:			
Instruction	(15,531)	(12,235)	(10,771)
Translation	(1,336)	(1,546)	(1,581)
Publishing	(398)	(402)	(394)
Total intangible amortization	(17,265)	(14,183)	(12,746)
Total operating profit	23,049	23,061	20,868
Interest expense on long-term debt	(10,956)	(8,523)	(7,647)
Interest expense to affiliates	(2,226)	(2,100)	(1,848)
Other income (expense), net	(2,188)	615	1,441
Total consolidated income before taxes and minority interest	$ 7,679	$ 13,053	$ 12,814

Assets:	December 31, 1998	1997	1996
Segment assets:			
Instruction	$ 539,078	$ 544,179	$ 450,703
Translation	84,804	82,420	78,030
Publishing	23,982	21,410	22,374
Franchising	6,633	4,649	2,668
Total assets for reportable segments	654,497	652,658	553,775
General corporate and nonsegment assets	13,454	9,845	7,776
Eliminations of intersegment receivables	(4,490)	(988)	(306)
Total consolidated assets	$ 663,461	$ 661,515	$ 561,245

	Twelve Months ended December. 31, 1998	1997	1996
Depreciation:			
Segment depreciation:			
Instruction	$ 5,403	$ 4,615	$ 4,610
Translation	2,148	2,049	1,810
Publishing	1,244	722	1,056
Franchising	11	8	14

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Total depreciation for reportable segments	8,806	7,394	7,490
General corporate and divisional	985	1,170	483
Total consolidated depreciation	$ 9,791	$ 8,564	$ 7,973

	Twelve Months ended December. 31,		
	1998	1997	1996
Capital expenditures:			
Segment capital expenditures:			
Instruction	$ 11,396	$ 9,095	$ 5.693
Translation	3,125	2,167	3,903
Publishing	2,472	2,771	1,289
Franchising	4	3	-
Total capital expenditures for reportable segments	16,997	14,036	10,885
General corporate and divisional	1,952	581	2,149
Total consolidated capital expenditures	$ 18,949	$ 14,617	$ 13,034

The following tables present certain information about the geographic areas in which the Company operates:

	Twelve Months ended December. 31,		
	1998	1997	1996
Revenues from external customers:			
United States	$ 158,763	$ 126,056	$ 98,566
Japan	58,289	61,892	68,764
Germany	41,497	37,324	41,673
Ireland	23,186	28,066	20,305
Brazil	21,007	20,823	19,139
Other foreign countries	133,561	123,048	121,175
Total	$ 436,303	$ 397,209	$ 369,622
Operating profit:			
EBITA :			
United States	$ 20,733	$ 18,398	$ 14,905
Japan	6,113	9,125	9,655
Germany	5,195	2,894	1,834
Ireland	2,068	3,321	3,040
Brazil	3,205	3,118	2,921
Other foreign countries	20,049	17,116	15,463
General corporate expenses	(17,049)	(16,728)	(14,204)
Total EBITA	40,314	37,244	33,614
Amortization of publishing rights, excess of cost over net assets acquired, and other intangibles:			
United States	(14,352)	(10,891)	(9,223)
Japan	(1,196)	(1,294)	(1,443)
Germany	(259)	(269)	(307)
Ireland	(74)	(347)	(364)
Brazil	(64)	(64)	(63)
Other foreign countries	(1,320)	(1,318)	(1,346)
Total intangible amortization	(17,265)	(14,183)	(12,746)
Intercompany royalties:			
United States	17,280	17,449	11,841
Japan	(4,248)	(5,684)	-
Germany	(1,508)	(1,386)	(1,578)
Ireland	(1,148)	(1,399)	(1,056)
Other foreign countries	(10,376)	(8,980)	(9,207)
Total intercompany royalties	-	-	-

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Total operating profit	$ 23,049	$ 23,061	$ 20,868

</TABLE>

<TABLE>
<CAPTION>

Long lived assets:	Property & Equipment net	Other Assets	Intangible Assets	Total
December 31, 1998:				
United States	$ 8,414	$ 7,335	$ 402,507	$ 418,256
Japan	8,685	97	49,165	57,947
Germany	3,008	-	9,443	12,451
Brazil	3,250	-	2,145	5,395
Ireland	1,562	151	1,793	3,506
Other foreign countries	12,316	192	36,365	48,873
General corporate	3,909	2,557	1,596	8,062
Total	$ 41,144	$ 10,332	$ 503,014	$ 554,490
December 31, 1997:				
United States	$ 6,363	$ 5,250	$ 421,766	$ 433,379
Japan	5,806	-	43,925	49,731
Germany	2,823	-	9,020	11,843
Brazil	2,219	-	2,208	4,427
Ireland	2,003	33	1,796	3,832
Other foreign countries	10,988	216	35,856	47,060
General corporate	1,896	1,727	1,596	5,219
Total	$ 32,098	$ 7,226	$ 516,167	$ 555,491
December 31, 1996:				
United States	$ 4,568	$ 1,584	$ 325,285	$ 331,437
Japan	7,090	41	48,741	55,872
Germany	2,869	29	10,833	13,731
Brazil	1,536	-	2,271	3,807
Ireland	1,793	-	2,452	4,245
Other foreign countries	12,182	1,361	45,297	58,840
General corporate	2,060	3,578	1,596	7,234
Total	$ 32,098	$ 6,593	$ 436,475	$ 475,166

</TABLE>

17. Quarterly Financial Data (unaudited)

<TABLE>
<CAPTION>

	Three Months Ended				
	March 31	June 30	Sept 30	Dec 31	Year
1998:					
Sales of services and products	$ 104,656	$ 107,509	$ 114,396	$ 109,742	$ 436,303
Operating profit	3,250	6,322	8,246	5,231	23,049
Income before income taxes, and minority interest	297	2,216	4,461	705	7,679
Net income	23	700	923	436	2,082
Basic and diluted earnings per share	$ 0.00	$ 0.07	$ 0.10	$ 0.05	$ 0.22
1997:					
Sales of services and products	$ 89,252	$ 95,894	$ 104,436	$ 107,627	$ 397,209
Operating profit	3,073	7,702	6,816	5,470	23,061
Income before income taxes, minority interest and extraordinary					

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item	565	5,847	4,310	2,331	13,053
Net income before extraordinary item	168	1,949	828	2,406	5,351
Net income (loss)	168	1,949	(5,457)	2,406	(934)
Basic and diluted earnings (loss) per share	$ 0.02	$ 0.20	$ (0.57)	$ 0.25	$ (0.10)

</TABLE>

BERLITZ INTERNATIONAL, INC.
VALUATION AND QUALIFYING ACCOUNTS
(in thousands)

Schedule II

	Balance at Beginning of Year	Charged to Cost and Expenses	Deductions (1)	Other (2)	Balance at End of Year
Allowances for doubtful accounts:					
Year Ended December 31, 1998	$2,415	$ 728	$ (899)	$ 51	$2,295
Year Ended December 31, 1997	$1,914	$1,129	$ (465)	$ (163)	$2,415
Year Ended December 31, 1996	$1,468	$1,168	$ (698)	$ (24)	$1,914

(1) Principally represents net losses incurred in the ordinary course of business and chargeable against the allowance.

(2) Principally represents foreign currency translation.

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

Not applicable.

PART III

ITEM 10. Directors and Executive Officers of the Registrant

The information required by Item 401 of Regulation S-K with respect to Directors and Executive Officers of the Company is set forth in Part I of this Form 10-K. The information required by Item 405 of Regulation S-K with respect to Directors and Executive Officers of the Company is set forth in Item 12 to this Form 10-K.

ITEM 11. Executive Compensation

Summary of Cash and Certain Other Compensation

The following Summary Compensation Table sets forth the compensation awarded to, earned by or paid to the Chief Executive Officer ("CEO") and certain executive officers (collectively, the "Named Executive Officers") during the fiscal years ended December 31, 1998, 1997 and 1996 for services rendered in all capacities to the Company and its subsidiaries.

SUMMARY COMPENSATION TABLE

		Annual Compensation			Long-Term Compensation (3)		
Name and Principal Position	Year	Salary ($)	Bonus ($)	Other Annual Compensation ($)(2)	Awards of Options/ SARs (#)	LTIP Payouts ($)	All Other Compensation ($)(4)

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	----	---	---	------	---	---	------
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Hiromasa Yokoi	1998	523,912	186,700	65,724	None	530,000	10,400
Vice Chairman of the Board,	1997	499,052	202,200	65,730	46,220	None	10,390
CEO and President	1996	480,000	84,000	60,469	None	None	9,750
Manuel Fernandez	1998	259,512	55,500	1,165	None	200,000	10,400
Executive Vice President and	1997	251,908	65,000	23,671	20,300	None	10,400
Chief Operating Officer,	1996	240,000	40,900	990	None	None	9,750
Worldwide Language Instruction							
Robert Minsky	1998	247,117	52,800	979	None	200,000	10,400
Executive Vice President,	1997	240,000	35,000	926	20,300	None	10,400
Corporate Planning and	1996	240,000	10,000	874	None	None	9,750
Marketing							
Henry D. James	1998	234,809	69,800	894	None	186,000	10,400
Executive Vice President and	1997	218,335	75,300	826	20,300	None	10,334
Chief Financial Officer	1996	210,000	32,000	771	None	None	9,750
James Lewis (1)	1998	229,449	82,600	9,677	10,000	None	4,281
Vice President,	1997	72,692	33,800	124,911	5,120	None	None
Worldwide Translations	1996	-	-	-	-	-	-

</TABLE>

(1) Mr. Lewis' employment with the Company commenced on September 2, 1997.

(2) Other Annual Compensation for Mr. Yokoi primarily represents monthly housing allowances. For Mr. Fernandez, this column includes relocation expense reimbursements of $22,600 in 1997. For Mr. Lewis, this column represents relocation expense reimbursements.

(3) The column designated by the SEC to report Restricted Stock Awards has been excluded because the Company made no awards of restricted stock to the Named Executive Officers during any portion of fiscal years 1996, 1997 or 1998. There were no Common restricted shares outstanding at December 31, 1998.

(4) The amounts reported in this column for the fiscal year 1998 include a contribution of up to $4,800 made by the Company for the account of each Named Executive Officer pursuant to the thrift portion (the "401(k) Plan") of the Berlitz Retirement Savings Plan (the "Retirement Savings Plan"). The amounts reported also include a contribution of up to $5,600 made by the Company for the account of each Named Executive Officer pursuant to the retirement portion (the "Pension Plan") of the Retirement Savings Plan.

Pension Plan Table

The Company's Supplemental Executive Retirement Plan ("SERP"), effective January 1, 1996, is a defined benefit plan which provides retirement income/disability retirement benefits, retiree medical benefits and death benefits to the Chairman of the Board(1), certain designated executives and their designated beneficiaries. The following table shows the estimated annual retirement income/disability retirement benefits (assuming payments made on the normal life annuity) payable upon retirement at age 60 to a participant in specified compensation and years of service classifications.

	Years of Service			
	Initial Participant (hereinafter defined)	All Other Participants		
Compensation	5 or more	5	10	15 or more
$100,000	$ 30,000	$ 10,000	$ 20,000	$ 30,000
150,000	45,000	15,000	30,000	45,000
200,000	60,000	20,000	40,000	60,000
250,000	75,000	25,000	50,000	75,000
300,000	90,000	30,000	60,000	90,000
400,000	120,000	40,000	80,000	120,000
550,000	165,000	55,000	110,000	165,000
750,000	225,000	75,000	150,000	225,000

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Under the SERP, monthly benefits are available to any participant who retires at age 60 or above, with at least 5 years of service with the Company. The retirement income/disability retirement benefits are based on a percentage of an average monthly salary (calculated on the base salary and short-term bonuses paid over the last 36 months of employment(2)) and will be paid to the retired participant for life, with 50% of such benefit paid to the participant's surviving spouse for life upon the retired participant's death. Such percentage for participants designated as of January 1, 1996 ("Initial Participants") is 30%. For future participants, such percentage will be 2% (or such other percentage as the Board of Directors may determine) multiplied by years of service, not to exceed 30%. The Company will also provide each retired participant and their surviving spouse with medical coverage for both of their lives. If a participant with at least 5 years of service dies before retirement, the participant's designated beneficiary will receive, in lieu of the above-mentioned benefits, a one-time payment equal to the participant's base salary projected to age 65 at a 4% annual increase. Awards under the SERP are not subject to deduction for Social Security or other offset amounts, except to the extent of any disability benefits payable under the Company's long-term disability insurance policy. The Company intends to fund the SERP through a combination of funds generated from operations and life insurance policies on the participants.

----

1 The Chairman relinquished all benefits under the SERP in exchange for the grant of 50,000 options on June 30, 1997 under the Company's 1996 Stock Option Plan.

2 In the case of the Chairman of the Board, who does not receive a salary from the Company, the SERP benefits were based on an imputed salary determined by the Company's Board of Directors.

In 1998, the Company established an irrevocable grantor trust (the "Trust"), within the meaning of the Internal Revenue Code of 1986, and contributed life insurance policies and annuity contracts on the SERP participants to the Trust. Subject to the claims of the Company's general creditors in the event of the Company's insolvency, the Trust's principal and income shall be held therein until paid to the SERP participants in such manner and at such times as specified in the SERP. It is the intention of the Company that the Trust constitutes an unfunded arrangement and does not affect the status of the SERP as an unfunded plan. Included within "Other assets" at December 31, 1998 is $2,502 held in the Trust.

The Named Executive Officers, all of whom are Initial Participants except for Mr. Lewis, will each have at least 5 years of service at age 60. The compensation covered under the SERP for each of the Named Executive Officers is shown under the "Salary" and "Bonus" columns of the Summary Compensation Table.

Option/SAR Grants in Fiscal Year 1998

The following awards were made pursuant to the 1996 Stock Option Plan (hereinafter defined). See the "Compensation Committee Report" for a further description.

<TABLE>
<CAPTION>

Name	Grant Date	Number of Securities Underlying Options Granted (#)	% of Total Options granted to Employees in Fiscal Year	Exercise Price ($/Sh)	Expiration Date	Grant Date Present Value ($) (1)
<S>	<C> <C>	<C>	<C>	<C>	<C> <C>	<C>
James Lewis	12/4/98	10,000	38.85%	$30.00	12/3/05	$82,900

</TABLE>

(1) The fair value of each option grant during 1998, as set forth in the following table, is estimated on the date of grant using the Black-Scholes option pricing model, with the following assumptions:

Weighted average assumptions used to estimate fair value:	
Dividend yield	0.00%
Expected volatility	20.00%
Risk free interest rate	4.31%
Expected lives in years	5.00
Fair value of each option	$8.29

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granted

1998 Board of Directors Meetings, Committees and Fees

During 1998, the Board of Directors of the Company met in person three times, participated in one telephonic meeting and took action by unanimous consent once.

In 1998, the Board of Directors had standing Executive, Audit, Disinterested Directors, Compensation, and Nominating Committees.

The Executive Committee, during the intervals between meetings of the Board of Directors, may, with certain exceptions, exercise the powers of the Board of Directors. The Executive Committee did not meet during 1998.

The Audit Committee recommends to the Board of Directors the engagement of the independent auditors of the Company and reviews with the independent auditors the scope and results of the Company's audits. The Audit Committee reviews the terms of all agreements between the Company and its affiliates. The Audit Committee meets with management and with the Company's internal auditors and independent auditors to review matters relating to the quality of financial reporting and internal accounting control, including the nature, extent and results of their audits, and otherwise maintains communications between the Company's independent auditors and the Board of Directors. The Audit Committee met three times during 1998.

The Disinterested Directors Committee reviews and monitors all matters affecting the relationship between the Company and Benesse Corporation ("Benesse") and its affiliates During 1998, the Disinterested Directors Committee met in person once, and participated in two telephonic meeting and acted by unanimous consent twice.

The Compensation Committee reviews performance of corporate officers, establishes overall employee compensation policies and recommends to the Board of Directors major compensation programs. The Compensation Committee also reviews and approves salary arrangements and other remuneration for executive officers of the Company and is responsible for review of certain employee benefit plans. The Compensation Committee oversees and approves grants of stock options and other stock-based awards pursuant to the 1989 and 1996 Stock Option Plans (individually, the "1989 Stock Option Plan" and the "1996 Stock Option Plan", and collectively, the "Stock Option Plans") and the Company's Non-Employee Directors Stock Plan (the "Directors' Stock Plan"). The Committee also administers the 1993 Short-Term Executive Incentive Compensation Plan (the "Short-Term Incentive Plan"), and the 1996 New Long-Term Executive Incentive Compensation Plan (the " New LTIP"), which replaced the 1993 Long-Term Executive Incentive Compensation Plan (the "Old LTIP"), and approves awards and discretionary bonuses under these plans. No member of the Compensation Committee is eligible to participate in the Stock Option Plans or the Short-Term Incentive Plan, except for a special grant on December 9, 1997 of 500 options to each Director. During 1998, the Compensation Committee met two times.

The Nominating Committee nominates Directors and considers possible successors to senior executives. During 1998, the Nominating Committee met once, and took action by unanimous consent twice.

The Company's standard retainer payable to each director who is not an employee of the Company or any of its affiliates is $35,000 per annum, plus expenses, with an additional $2,000 for each Committee meeting attended in person and $1,000 for each meeting participated in by telephone. No fees are paid for actions taken by unanimous written consent. Only those directors who are also

full-time employees of the Company or any of its affiliates are eligible to participate in the health benefit plan maintained by the Company. Directors employed by the Company or any of its affiliates receive no compensation in consideration of their duties as directors. The outside directors earned an aggregate of approximately $155,000 as cash compensation for their services during 1998.

The Company has entered into indemnification agreements with each director pursuant to which the Company agreed to pay any amount such director becomes obligated to pay as a result of any claims made against such director because of any alleged act, omission, neglect or breach of duty which he commits while acting in his capacity as a director and solely because of his being a director, subject to limitations imposed by the New York Business Corporation Law ("NYBCL").

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Employment Contracts and Termination of Employment and Change of Control Arrangements

The Company has a severance agreement with Robert Minsky which provides that if Mr. Minsky is terminated other than for cause, he is to be paid one year's severance at his then current annual base salary plus a prorated amount of the award under the Company's Short-Term Incentive Plan to which he would have been entitled for such year and the continuation of certain other benefits.

The Company also has a severance agreement with James Lewis which provides that if Mr. Lewis is terminated other than for cause, he is to be paid 15 months of severance at his then current annual base salary plus a prorated amount of the award under the Company's Short-Term Incentive Plan to which he would have been entitled for such year. He also would receive a one-time relocation payment equal to that which he received when joining the Company, which was approximately $135,000.

The Company is a party to indemnification agreements with each director and executive officer pursuant to which the Company agrees to pay, subject to limitations imposed by the NYBCL, any amount such director or executive officer becomes obligated to pay as a result of any claims made against such director or executive officer because of any alleged act or omission or neglect or breach of duty which he commits while acting in his capacity as a director or executive officer, as the case may be.

COMPENSATION COMMITTEE REPORT FOR FISCAL YEAR 1998

The Compensation Committee of the Board of Directors reviews and determines the compensation of the Company's executive officers. It also reviews and approves any employment, severance or similar agreements for executive officers. The Committee determines the amount, if any, of the Company's contributions pursuant to the Retirement Savings Plan, and oversees and approves grants of stock options and other stock-based awards pursuant to the Stock Option Plans and the Directors' Stock Plan. The Committee also administers the Short-Term Incentive Plan and the New LTIP (which has replaced the Old LTIP) and approves awards and discretionary bonuses under each of such plans.

The Company seeks to compensate executive officers at levels competitive with other companies with similar annual revenues and to provide incentives for superior individual and corporate

performance. Salaries are set to correspond to the mid-range of salaries paid by competitive companies. In setting compensation, the Company compares itself with companies with similar annual revenues rather than with industry peers because the Company is the only publicly-held language instruction company.

The key components of executive officer compensation are base salary, cash bonuses, and awards pursuant to incentive-based plans. The Committee attempts to combine these components in such a way to attract, motivate and retain key executives critical to the long-term success of the Company. A discussion of the various components of executive compensation for the fiscal year 1998 follows.

Base Salary
Each executive officer receives a base salary, with the potential for annual salary increases based largely on merit from prior annual performance.

The proposed annual compensation of Company employees for the 1998 and 1999 calendar years was discussed at Compensation Committee meetings held in 1997 and 1998. Base salary recommendations were made by management of the Company for the Committee to approve. After review and consideration by the Committee of management's recommendations, the Committee approved base salary adjustments for executive officers considering individual and Company performance. Such adjustments averaged 1.8% and 3.3% for 1999 and 1998, respectively. The criteria used to evaluate Company performance were sales and earnings figures, and return on equity. The Committee believes that all such criteria were accorded equal weight.

Bonuses
In 1993, the Committee approved the Short-Term Incentive Plan, commencing with the 1993 calendar year, pursuant to which each executive officer is eligible for an annual bonus based upon the officer's present employment position, individual performance, and, through 1994, the total Company's performance compared to earnings goals. In 1995, the Committee amended the Short-Term Incentive Plan so that Division Vice Presidents would receive 1995 and subsequent years' awards based on 60% of divisional performance and 40% of total Company performance. The Committee believes that individual performance and Company performance are given approximately equal weight. The Short-Term Incentive Plan also permits the Committee to award discretionary cash awards to employees, who may or may not be participants under the Short-Term Incentive Plan, subject to those terms and conditions as the Committee shall determine in its sole discretion.

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At its March 1999 meeting, the Committee approved, after discussion, 1998 bonuses for executive officers under the Short-Term Incentive Plan. Such bonuses that accrued for 1998 ranged up to 42% (and averaged 24%) of each executive officer's base salary. The Committee also approved a discretionary special bonus proposal for certain executive officers, recommended by management based upon exceptional individual performance. Such special bonuses that accrued for 1998 were not material.

Stock Options and Restricted Stock

The 1989 Stock Option Plan provides for the award of stock options, restricted stock and other stock-based awards to senior management of the Company. Grants under this plan are intended to provide executives with the promise of longer-term rewards which appreciate in value with favorable

future performance of the Company. In determining grants of stock options and restricted stock, the Compensation Committee reviews individual performance and Company performance. The criteria used to evaluate Company performance include sales and earnings figures, and return on equity. The Committee believes that all such criteria are accorded equal weight. The Committee did not approve, and the Company did not make, any grants of stock options, restricted stock, or any other stock-based award under the 1989 Stock Option Plan in 1996, and there are no outstanding option grants under this plan.

In September 1996, the Company adopted, subject to shareholder approval which was obtained in 1997, the 1996 Stock Option Plan, which, together with the New LTIP (hereinafter discussed), replaced the Company's then existing Old LTIP. The 1996 Stock Option Plan, as amended, authorizes the issuance of a maximum of 503,225 options to directors and key executive employees of the Company. The Company granted 327,200 of these options on June 30, 1997 at an exercise price of $24.9375, 46,190 options on December 9, 1997 at an exercise price of $26.5625, and 25,740 options on December 4, 1998 at an exercise price of $30.00. Such exercise prices were based on the closing market price of the Company's Common on the New York Stock Exchange on the date of grant.

Long-Term Executive Incentive Compensation Plans

In 1993, the Committee approved the Old LTIP, effective January 1, 1994, pursuant to which the Chairman of the Board, officers and certain key employees were eligible to receive, for each performance unit granted to the individual by the Committee, cash awards based on Company performance and common stock price results over a five year period ending on December 31, 1998. The plan was instituted to, among other things, provide executives with a direct economic interest in meeting long-term business objectives. Performance units were granted by the Committee to each participant in its discretion. Criteria used to evaluate Company performance were earnings and sales figures. For each performance unit granted by the Committee, each participant was to receive a cash award based on Company performance during 1998 and the Company's common stock price on December 31, 1998. The Old LTIP also contained provisions governing such awards in the event of a change of control of the Company or a "going private" transaction with Benesse or its affiliates.

In September 1996, the Committee adopted the New LTIP, which together with the 1996 Stock Option Plan, replaced the Old LTIP. The New LTIP provided for potential cash awards in 1999 to key executive employees and the Chairman of the Board of the Company if certain sales and earnings goals were met for the year ended December 31, 1998. Common stock price did not impact potential awards, which could not exceed $5.0 million in the aggregate. While the New LTIP's minimum threshold for potential awards was lower than under the Old LTIP, the Old LTIP did not contain a limitation on maximum awards.

At its March 1999 meeting, the Committee approved, after discussion, the issuance of $2.9 million in awards under the New LTIP.

Other Compensation

The executive officers also are eligible to participate in the Pension Plan. The Pension Plan provides for the Company to make regular contributions based on salaries of eligible employees. During 1998, pursuant to the plan documents, the Company continued to contribute 3.5% of eligible

employees' respective base salary to the Pension Plan. During 1998, the Company also continued to provide matching contributions under the 401(k) Plan to all domestic employees up to a maximum of 3% of the employee's salary.

Chief Executive Officer Compensation

Mr. Hiromasa Yokoi's base salary for 1998 was approximately $524,000, and he also earned a bonus of $186,700 for 1998 under the Short-Term Incentive Plan. The Compensation Committee approved and ratified the compensation paid to Mr.

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Yokoi for fiscal year 1998 based on Mr. Yokoi's business experience and familiarity with the Company, and his responsibilities to guide, among other things, the Company's daily affairs and the Company's long-term strategic plan in a global marketplace. The Company's 1998 performance was taken into consideration in determining Mr. Yokoi's 1998 compensation package. The Committee believes that Mr. Yokoi's 1998 compensation package was in line with compensation packages of chief executive officers of other companies with similar annual revenues.

Tax Legislation

The Committee has reviewed regulations issued by the U.S. Internal Revenue Service which limit deductions for certain compensation in excess of $1 million annually paid to executive officers of public companies. Based on present levels of compensation, the Company does not anticipate the loss of deductibility for any compensation paid over the next year.

Compensation Committee Membership

During 1998, the Compensation Committee consisted of Edward G. Nelson, Robert L. Purdum and, from June 2, 1998, Takuro Isoda. Mr. Isoda's predecessor, Aritoshi Soejima, retired on June 2, 1998. All of the views expressed by the Compensation Committee in 1998 may not have been the views of each member of the Compensation Committee individually. However, all decisions affecting compensation were approved by all of the members of the Compensation Committee.

Compensation Committee for Fiscal Year 1998

Edward G. Nelson
Robert L. Purdum
Takuro Isoda

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

As discussed above, during 1998, the Compensation Committee consisted of Edward G. Nelson, Robert L. Purdum and, from June 2, 1998, Takuro Isoda. Mr. Isoda's predecessor, Aritoshi Soejima, retired on June 2, 1998. None of these committee members were officers of the Company or any of its subsidiaries during 1998 or any previous year.

Aritoshi Soejima previously served as an advisor to Benesse. He resigned such position prior to his appointment as a Disinterested Director and a member of the Compensation Committee.

PERFORMANCE GRAPHS

The following graphs set forth the Company's total shareholder return as compared to the S&P 400 Industrial Index and a peer group index (described below) over a five-year period, beginning on December 31, 1993, and ending on December 31, 1998. The total shareholder return assumes $100 invested at the beginning of the period in the Company's common stock, the S&P 400 Industrial Index and the peer group index. It also assumes reinvestment of all dividends.

As the Company is the only publicly-held language instruction company, there are no directly comparable companies. Therefore, the Company has created a peer group index of selected publicly-held companies in the educational services and educational publishing industries. The companies included in this peer group are: ITT Educational Services, Inc. (a leading proprietary provider of technical post secondary degree programs in the U.S.); Education Management Corporation (among the largest providers of proprietary post-secondary education in the U.S. offering degree and non-degree programs in the areas of design, media arts, culinary arts, fashion and paralegal studies); and three educational publishing companies: Houghton Mifflin, John Wiley & Sons and McGraw-Hill, Inc. While none of these companies are directly comparable to the Company, the Company believes they come under either the same broad rubric of education-related activities as the Company.

ITT Educational Services, Inc. has been publicly traded since December 1994, and Education Management Corporation has been publicly traded since October 1996. For purposes of creating the peer group index, these two companies have been given a market capitalization weighting of zero for those periods prior to their initial public trading dates.

ITT Educational Services, Inc. and Education Management Corporation replace Flightsafety International and National Education Corporation, two companies which were formerly included in the Company's peer group, but which were no longer publicly traded beginning in 1997.

COMPARISON OF STOCK PRICES

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BERLITZ INTERNATIONAL, INC., THE S&P 400 INDUSTRIAL INDEX
AND PEER GROUP INDEX

[Graphic Omitted]

	1993	1994	1995	1996	1997	1998
Berlitz	$ 100	$ 95	$ 120	$ 149	$ 194	$ 211
S & P 400 Index	$ 100	$ 101	$ 134	$ 161	$ 208	$ 274
Peer Group Index	$ 100	$ 107	$ 128	$ 221	$ 273	$ 406

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

SECURITY OWNERSHIP OF MANAGEMENT
The following table sets forth the number and percentage of shares of Common Stock beneficially owned as of March 12, 1999 by each director, nominee, the Named Executive Officers, and all officers and directors as a group. If not mentioned by name, no individual in the categories described above beneficially owned any shares of Common as of March 12, 1999. No security set forth in the third column of the following table reflects an amount as to which the beneficial owner has joint voting or investment power.

TITLE OF CLASS	NAME OF BENEFICIAL OWNER	AMOUNT AND NATURE OF BENEFICIAL OWNERSHIP	PERCENT OF CLASS
Common	Soichiro Fukutake	8,749,733 (1)	60.15%(8)
Common	Hiromasa Yokoi	46,220 (2)	*
Common	Manuel Fernandez	28,545 (3)	*
Common	Robert Minsky	22,657 (4)	*
Common	Henry D. James	25,492 (5)	*
Common	James Lewis	1,200	*
Common	Edward G. Nelson	1,500 (6)	*
Common	Robert L. Purdum	2,000	*
Common	Antony Ressler	- (7)	*
Common	Laurence Berg	- (7)	*
Common	All Officers and Directors as a Group (21 in number)	8,983,546	61.76% (8)

------

(1) This amount includes: a) 6,985,338 shares of outstanding Common Stock beneficially owned by Benesse and its subsidiary, Benesse Holdings International ("BHI"); b) 1,664,145 shares of Common Stock which would be issuable upon conversion of $55 million in convertible debentures (the "Benesse Debentures") held by BHI; and c) 100,250 shares of Common Stock which would be issuable under currently exercisable stock options held by Mr. Fukutake. Mr. Fukutake is the President, Representative Director and principal shareholder of Benesse. Consequently, he could be deemed to be in ultimate control of Benesse and the beneficial owner of shares that it beneficially owns. See "Security Ownership of Certain Beneficial Owners."
(2) Includes options to purchase 45,270 shares which are currently exercisable.
(3) Includes options to purchase 19,800 shares which are currently exercisable.
(4) Includes options to purchase 19,800 shares which are currently exercisable.
(5) Includes options to purchase 17,820 shares which are currently exercisable.
(6) An additional 1,000 shares of Common, for which Mr. Nelson has disclaimed ownership, are owned by Mr. Nelson's wife.
(7) Does not include 3,025,718 shares of Common Stock which would be issuable upon conversion of $100 million in convertible debentures (the "Apollo Debentures") held by two affiliates of Apollo Advisors, L.P. ("Apollo"),. The beneficial ownership of these shares is disclaimed by each of Mr. Ressler and Mr. Berg, whose relationships with Apollo are described under "Executive Officers and Directors of the Registrant".

(8) Assumes conversion of all convertible debentures held by Apollo and Benesse. In the event that Apollo converted all of the Apollo Debentures

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but Benesse did not convert any Benesse Debentures, Apollo would own approximately 24% of the total Common Stock then outstanding. Alternatively, in the event that Benesse converted all Benesse Debentures but Apollo did not convert any Apollo Debentures, Benesse would own approximately 77% of the total Common Stock then outstanding.

* Less than 1%

To the best of the Company's knowledge, there are no events of delinquent filing requiring disclosure under Item 405 of Regulation S-K, except that Benesse Holdings International, Inc. ("BHI") did not timely file a Form 4 with respect to its acquisition of 250,000 shares of common stock in April 1997 (BHI has since filed a Form 4 with respect to the acquisition of such shares.)

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS

The following table sets forth the ownership by each person or group known by the Company to own beneficially more than 5% of Common:

TITLE OF CLASS	NAME AND ADDRESS OF BENEFICIAL OWNER	OWNERSHIP	PERCENT OF CLASS
Common	Benesse Corporation (1) 3-17-17 Minamigata Okayama-shi 700, Japan	8,749,733	60.15% (3)
Common	Apollo Advisors, L.P. (2) 1999 Avenue of the Stars Los Angeles, CA 90067	3,025,718	20.80% (3)

(1) Fukutake Publishing Co., Ltd. changed its name to Benesse Corporation on April 1, 1995. As of March 12, 1999, 6,972,138 shares of outstanding Common Stock are held by a BHI, a wholly owned subsidiary of Benesse, and 13,200 shares of outstanding Common Stock are held directly by Benesse. In addition, 1,664,145 shares of Common Stock would be issuable upon conversion of $55 million in convertible debentures (the "Benesse Debentures") held by BHI. An additional 100,250 shares of Common Stock would be issuable under upon exercise of currently exercisable stock options held by Mr. Fukutake. Soichiro Fukutake is the President, Representative Director and principal shareholder of Benesse.

(2) Represents 3,025,718 shares of Common Stock which would be issuable upon conversion of $100 million in convertible debentures (the "Apollo Debentures") held by two affiliates of Apollo Advisors, L.P. ("Apollo").

(3) Assumes conversion of all convertible debentures held by Apollo and Benesse. In the event that Apollo converted all of the Apollo Debentures but Benesse did not convert any Benesse Debentures, Apollo would own approximately 24% of the total Common Stock then outstanding. Alternatively, in the event that Benesse converted all Benesse Debentures but Apollo did not convert any Apollo Debentures, Benesse would own approximately [77%] of the total Common Stock then outstanding.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Mr. Kazuo Yamakawa currently serves as the Benesse nominee on the Board of Directors of the Company pursuant to the acquisition by Benesse in January 1991 of a 20% interest in Berlitz Japan, Inc. ("Berlitz-Japan"), a subsidiary of the Company.

On December 9, 1992, the Company and Benesse entered into a merger agreement pursuant to which Benesse agreed to acquire, through a merger of the Company with an indirect wholly owned U.S. subsidiary of Benesse (the "Merger"), approximately 6.7 million shares of the Common. Additionally, on April 29, 1997, the Company agreed to sell to BHI (formerly Fukutake Holdings (America), Inc.) ("BHI"), a wholly owned subsidiary of Benesse, 250,000 shares of the Company's Common at $24.44 per share, the average market price for the ten days ended on April 29, 1997. This private placement exempt from registration under the Securities Act of 1933 was closed on May 12, 1997. Following this private placement, Benesse beneficially owned 6,985,338 shares, which represents 73.3%, of the 9,529,788 shares of Common outstanding at December 31, 1998. Public shareholders of the Company held the remaining outstanding Common. Mr. Soichiro Fukutake is the President, Representative Director and principal shareholder of Benesse.

In September 1994, the Company borrowed $20.0 million from a U.S. subsidiary of Benesse, as evidenced by a subordinated promissory note (the "U.S. Note") bearing interest at a rate of 6.93% per annum. Berlitz-Japan also borrowed

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(Y)1.0 billion (approximately $10.1 million) from Benesse as evidenced by an interest-free subordinated promissory note (the "Japan Note"). In March 1996, the Company received the proceeds of an additional $6.0 million subordinated promissory note payable to a U.S. subsidiary of Benesse (the "FHAI Note"), bearing interest at a rate of the six month LIBOR plus 1% per annum, reset semi-annually. Such notes, (collectively, the "Benesse Notes") provided for maturity on the earlier of June 30, 2003 or twelve months from the date that all payment obligations under the Company's August 28, 1997 credit agreement (the "Bank Facility") had been satisfied. To the extent that interest payments on the U.S. or FHAI Notes were not permitted while any amounts remained outstanding under the Bank Facility, such accrued interest rolled over semiannually into the note principal. The Company recorded $2.2 million in interest expense on the Benesse Notes in 1998.

The Benesse Notes ranked PARI PASSU with one another and were subordinate in rights of payment to debt under the Bank Facility, including the currency coupon swap agreements. Payment obligations under the U.S. Note were guaranteed by the Company and its significant U.S. subsidiaries, subject to senior guarantees of the Bank Facility. The Company and its significant U.S. subsidiaries also executed a guarantee of payment obligations under the Japan Note, effective as of the day following the date upon which all payment obligations under the Bank Facility are satisfied.

On March 11, 1999 (the "Issue Date"), the Company's shareholders approved the issuance of, and the Company issued, $155 million aggregate principal amount of 12-year convertible debentures (the "Convertible Debentures") in a private placement, pursuant to definitive investment agreements (the "Investment Agreements") dated as of October 2, 1998. Such debentures were issued as follows: a) $100 million aggregate principal (the "Apollo Debentures") to two affiliates of Apollo Management IV, L.P. ("Apollo"), a private investment firm; and b) $55 million aggregate principal (the "Benesse Debentures") to BHI. In a separate transaction, on March 11, 1999, BHI loaned $50 million to the Company, evidenced by a 12-year fixed rate subordinated promissory note (the "BHI Note"). The Company has used the proceeds from the sale of the Convertible Debentures, as well as proceeds from the BHI Note issuance, to repay in full all outstanding indebtedness pursuant to the Company's existing Bank

Facility and Benesse Notes, and for general corporate purposes. Assuming conversion of all of the debentures issued in the transaction, Apollo will own approximately 20% of the outstanding common stock of Berlitz and BHI will own approximately 60%.

The Convertible Debentures bear interest at 5% per annum, payable semi-annually. Principal amounts outstanding under such debentures are not due until March 2011, and the Company is not required to establish a bond sinking fund for repayment of this principal.

The Convertible Debentures are convertible at any time into shares of the Company's common stock at a conversion price of $33.05 per share, subject to anti-dilution related adjustments to offset the effects of stock dividends and other changes in equity. The Company will, at all times, reserve out of its authorized but unissued common stock the full number of shares then issuable upon conversion of all outstanding Convertible Debentures.

The Apollo and Benesse Debentures each independently provide for optional redemption by the Company, in whole but not in part, anytime after 3 years and 2 months. If the average closing price of the Company's common stock for the 30 trading days following the third anniversary of the Issue Date exceeds $39.66 per share, the Company may redeem at par. Otherwise, if the Convertible Debentures are redeemed, the Company shall pay a redemption premium, expressed as a percentage of outstanding principal, as follows: a) 4% for redemptions occurring in the fourth year after issue; b) 2% for redemptions occurring in the fifth year after issue; and c) 0% for redemptions occurring thereafter. All such redemptions are subject to the holders' rights to first convert into common stock of the Company.

The Convertible Debentures also allow Apollo and BHI to elect to exchange their convertible debentures, in whole, into non-convertible, 7-year fixed rate debt (the "Fixed Rate Debentures"). Such election may only be made if the average closing price of the Company's common stock during the 30 trading days immediately preceding the third anniversary of the Issue Date does not exceed $33.05. Furthermore, BHI may only effect an exchange if Apollo does so. Upon the determination, by an independent financial institution, of fixed interest rates that accurately price the Fixed Rate Debentures at par under specified circumstances at the time of the exchange, Apollo and BHI shall irrevocably decide whether to proceed with their exchanges. If only Apollo proceeds with such an exchange, the Company, no later than 150 days from the third anniversary of the Issue Date, must either a) redeem all of the Apollo Debentures at par, or b) deliver the Fixed Rate Debentures to Apollo. If both Apollo and BHI proceed with their exchanges, the Company, within the same 150 day period, shall either

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a) redeem both the Apollo and Benesse Debentures, or b) deliver the Fixed Rate Debentures to both Apollo and BHI.

Principal amounts outstanding under the Fixed Rate Debentures would not be payable until maturity, while interest payments would be made semi-annually. The Fixed Rate Debentures interest rate is subject to a cap of a) the applicable U.S. treasury rate + 5% (not to exceed 13%) if only Apollo receives Fixed Rate Debentures, or b) the applicable U.S. treasury rate + 7% (not to exceed 14%) if both Apollo and BHI receives Fixed Rate Debentures. The Fixed Rate Debentures may be redeemed by the Company after the third anniversary of their issue upon payment of principal amounts of the Fixed Rate Debentures and the following redemption premiums, expressed as a percentage of the outstanding principal amount: a) one half of the per annum interest rate for redemptions occurring in the fourth year after issue; b) one quarter of the

per annum interest rate for redemptions occurring in the fifth year after issue; and c) no premium for redemptions occurring thereafter.

Prior to the third anniversary of the Issue Date, if Benesse sells 80% or more of the shares of Berlitz common stock owned directly or indirectly by it on the Issue Date, the Company shall be required to make an offer to repurchase for cash: i) the Apollo Debentures at a value equal to 110% of the principal amount then outstanding; and ii) the Benesse Debentures at a value equal to 101% of the principal amount then outstanding. In addition, if at any time on or after the Issue Date a change of control, as defined in the Investment Agreements, occurs but Benesse sells less than 80% of its shares, or if Benesse sells 80% of its shares on or after the third anniversary of the Issue Date, the Company shall be required to make an offer to repurchase for cash the Convertible Debentures (but not the Fixed Rate Debentures) at a value equal to 101% of the principal amount of the Convertible Debentures.

The Convertible Debentures are subject to standard affirmative covenants, including financial and other informational reporting, compliance with laws, maintenance of insurance, maintenance of properties, payment of taxes, and preservation of corporate existence. Negative covenants that the Convertible Debentures are subject to include: prohibitions on certain mergers, consolidations and asset transfers; forbearance from restrictions on rights of holders to convert or exchange the Convertible Debentures; and, in the case of the Apollo Debentures, forbearance from amending certain understandings between the Company, Berlitz Japan, Inc. and Benesse.

The Investment Agreements include a number of other provisions, including: a) the granting of certain demand and piggyback registration rights to the holders of the Convertible Debentures; b) the granting of a certain number of board seats to Apollo on the Company's Board of Directors; c) the granting of approval rights to Apollo, at the Company's Board level, over certain transactions; and d) certain restrictions on the transferability of the Apollo Debentures.

The BHI Note bears interest for the first five years at 5.2% per annum, and, thereafter, at a renegotiated fixed rate approximating LIBOR plus a margin based on the Company's then existing leverage. Interest would be payable semiannually in cash while principal repayment would be deferred until maturity. The BHI Note includes standard covenants similar to those included in the Benesse Debentures. In the event of a change in control, the BHI Note provides for redemption by the Company, at the option of BHI, at a price equal to 101% of the note's principal amount.

The Company and Benesse maintain a joint Directors and Officers ("D&O") insurance policy covering acts by directors and officers of both Benesse and the Company. Consequently, the premium on the D&O policy is allocated 60% to Benesse and 40% to the Company, except for, in 1997, the premium for entity coverage which benefited the Company only and was allocated 100% to the Company, resulting in a total D&O allocation of 57% to Benesse and 43% to the Company for 1997. Since May 1995, the Company has also maintained a stand-alone Employment Practices Liability ("EPL") insurance policy covering the Company, its officers and directors (including the Benesse directors who are also directors of the Company). The premium on the EPL policy is allocated 30% to Benesse and 70% to the Company.

The Company and Benesse participated in certain other joint business arrangements during 1998, in

the ordinary course of business, including the following:

o Pursuant to extended industrial block contracts dated [July 24, 1997 and August 6, 1996], Berlitz-Japan provided lessons to Benesse at its standard rate for prepaid industrial lessons which was approximately 20% below the rate charged for individual instruction. Revenues under these contracts

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aggregated [ ] Yen (approximately $[ ] at an average 1997 exchange rate of (Y)121.13).

- The Company's subsidiary, Berlitz Franchising Corporation, entered into a standard franchise agreement dated July 30, 1997 with the Okayama Language Center, Inc., a corporation formed by Benesse and the Okayama Institute of Languages, the latter being controlled by Mr. Fukutake's sister-in-law.

- On June 30, 1997, the Company granted 100,250 stock options to Mr. Fukutake at an exercise price of $24.9375, equal to the closing price of the Company's common stock on the New York Stock Exchange on the date of grant. 50,000 of these options had been granted in exchange for the complete relinquishment by Mr. Fukutake of all benefits under the Company's Supplemental Executive Retirement Plan ("SERP").

- Pursuant to a services agreement, Benesse periodically offered its customers language and homestay programs arranged and operated by the Company's specialty instruction program, Berlitz Study Abroad(R). Benesse also periodically offered its customers language study and homestay programs arranged and operated by Berlitz on Campus(TM), another of the Company's specialty instruction programs. The Company and Benesse also participated in certain other joint business arrangements in the ordinary course of business, none of which had a material effect on the financial statements.

Management believes that the Company has entered into all such agreements on terms no less favorable than it would have received in an arms-length transaction with independent third parties. Each of the transactions with Benesse entered into after the Merger was approved by the Disinterested Directors Committee.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

A. Index to Financial Statements and Financial Statement Schedules

1. FINANCIAL STATEMENTS

2. FINANCIAL STATEMENT SCHEDULES

   The Financial Statements and the Financial Statement Schedules included in the Annual Report on Form 10-K are listed in Item 8 on page 35.

3. EXHIBITS

   All Exhibits listed below are filed with this Annual Report on Form 10-K unless specifically stated to be incorporated by reference to other documents previously filed with the Commission.

EXHIBIT NO.

2.1 Amended and Restated Agreement and Plan of Merger, dated as of December 9, 1992, among the registrant, Benesse Corporation (formerly Fukutake Publishing Co., Ltd.) and BAC, Inc. Exhibit 1 to the registrant's Form 8-K, dated December 9, 1992, is incorporated by reference herein.

3.1 Restated Certificate of Incorporation of the registrant filed with the State of New York on December 11, 1989. Exhibit 3.4 to Registration Statement No. 33-31589 is incorporated by reference herein.

3.2 Certificate of Merger of BAC, Inc. into the registrant (including amendments to the registrant's Certificate of Incorporation), filed with the State of New York on February 8, 1993. Exhibit 3.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992 is incorporated by reference herein.

4.1 Specimen Certificate of Old Common Stock with Legend. Exhibit 4.3 to the Company's Form 10-K for the fiscal year ended December 31, 1991 is incorporated by reference herein.

4.2 Specimen Certificate of Common Stock. Exhibit 4.1 to Registration Statement No. 33-56566 is incorporated by reference herein.

10.1 Credit Agreement, dated as of January 29, 1993, among the registrant, the several lenders from time to time party thereto and Chemical Bank as Agent. Exhibit 10.1 to the Company's Annual Report on Form 10-K for the fiscal

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year ended December 31, 1992

is incorporated by reference herein.

10.2 First Amendment, dated as of September 21, 1994, to the Credit Agreement, dated as of January 29, 1993, among the registrant, the several lenders from time to time parties thereto and Chemical Bank as Agent. Exhibit 99.6 to the Company's Form 8-K, dated September 21, 1994, is incorporated by reference herein.

10.3 Second Amendment and Consent, dated as of September 21, 1994, to the Credit Agreement, dated as of January 29, 1993, among the registrant, the lenders from time to time parties thereto and Chemical Bank. Exhibit 99.7 to the Company's Form 8-K, dated September 21, 1994, is incorporated by reference herein.

10.4 Form of Third Amendment, dated as of April 28, 1995, to the Credit Agreement, dated as of January 29, 1993, among the registrant, the lenders from time to time parties thereto and Chemical Bank. Exhibit 10.4 to the Company's Form 10-K for the fiscal year ended December 31, 1995 is incorporated by reference herein.

10.5 Form of Consent, dated as of April 28, 1995, to the Credit Agreement, dated as of January 29, 1993, among the registrant, the lenders from time to time parties thereto and Chemical Bank. Exhibit 10.5 to the Company's Form 10-K for the fiscal year ended December 31, 1995 is incorporated by reference herein.

10.6 Form of Fourth Amendment, dated as of March 18, 1996, to the Credit Agreement, dated as of January 29, 1993, among the registrant, the lenders from time to time parties thereto and Chemical Bank. Exhibit 10.6 to the Company's Form 10-K for the fiscal year ended December 31, 1995 is incorporated by reference herein.

10.7 Form of Senior Note Agreement, dated as of January 29, 1993, among the registrant and each institutional lender party thereto. Exhibit 10.2 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992 is incorporated by reference herein.

10.8 Second Amendment, dated as of September 21, 1994, to the Senior Note Agreements, dated as of January 29, 1993, among the registrant and each institutional lender party thereto. Exhibit 99.10 to the Company's Form 8-K, dated September 21, 1994, is incorporated by reference herein.

10.9 Third Amendment, dated as of September 21, 1994, to the Senior Note Agreements, dated as of January 29, 1993 among the registrant and each institutional lender party thereto. Exhibit 99.11 to the Company's Form 8-K, dated September 21, 1994, is incorporated by reference herein.

10.10 Form of Fourth Amendment, dated as of April 28, 1995, to the Senior Note Agreements, dated as of January 29, 1993 among the registrant and each institutional lender party thereto. Exhibit 10.10 to the Company's Form 10-K for the fiscal year ended December 31, 1995 is incorporated by reference herein.

10.11 Form of Consent, dated as of April 28, 1995, to the Senior Note Agreements, dated as of January 29, 1993 among the registrant and each institutional lender party thereto. Exhibit 10.11 to the Company's Form 10-K for the fiscal year ended December 31, 1995 is incorporated by reference herein.

10.12 Form of Fifth Amendment, dated as of March 18, 1996, to the Senior Note Agreements, dated as of January 29, 1993, among the registrant and each institutional lender party thereto. Exhibit 10.12 to the Company's Form 10-K for the fiscal year ended December 31, 1995 is incorporated by reference herein.

10.13 (Y)1 billion (Japanese yen) Subordinated Non-Negotiable Promissory Note, dated as of September 21, 1994, between the Berlitz Schools of Languages (Japan), Inc. (as Borrower) and Benesse Corporation (formerly Fukutake Publishing Co., Ltd.) (as Lender). Exhibit 99.2 to the Company's Form 8-K, dated September 21, 1994, is incorporated by reference herein.

10.14 US$20,000,000 Subordinated Non-Negotiable Promissory Note, dated as of September 21, 1994, among the registrant (as Borrower) and Fukutake Holdings (America) (as Lender). Exhibit 99.3 to the Company's Form 8-K, dated September 21, 1994, is incorporated by reference herein.

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10.15 Spring Guaranty Letter, dated as of September 21, 1994, from the registrant to Benesse Corporation (formerly Fukutake Publishing Co., Ltd). Exhibit 99.4 to the Company's Form 8-K, dated September 21, 1994, is incorporated by reference herein.

10.16 Subsidiaries Guaranty, dated as of September 21, 1994, by Berlitz Financial Corporation, Berlitz Investment Corporation, Berlitz Languages, Inc. and Berlitz Publishing Company, Inc. in favor of Fukutake Holdings (America), Inc. Exhibit 99.5 to the Company's Form 8-K, dated September 21, 1994, is incorporated by reference herein.

10.17 Subordination Agreement, dated as of September 21, 1994, among Benesse Corporation (formerly Fukutake Publishing Co., Ltd.), The Berlitz Schools of Languages (Japan), Inc. and Chemical Bank. Exhibit 99.8 to the Company's Form 8-K, dated September 21, 1994, is incorporated by reference herein.

10.18 First Amendment, dated as of September 21, 1994, to the Subordination Agreement, dated as of January 29, 1993, among Benesse Corporation (formerly Fukutake Publishing Co., Ltd.), Fukutake Holdings (America), Inc., the registrant and Chemical Bank pursuant to the Master Collateral and Intercreditor Agreement, dated as of January 29, 1993. Exhibit 99.9 to the Company's Form 8-K, dated September 21, 1994, is incorporated by reference herein.

10.19 Form of US$6,000,000 Subordinated Non-Negotiable Promissory Note, dated as of March 25, 1996, among the registrant (as Borrower) and Fukutake Holdings (America),

Inc. (as Lender). Exhibit 10.19 to the Company's Form 10-K for the fiscal year ended December 31, 1995 is incorporated by reference herein.

10.20 Agreement among the registrant, Berlitz Financial Corporation, The Berlitz School of Language (Japan) Inc., The Berlitz Schools of Languages Limited and Maxwell Communication Corporation plc, dated January 8, 1993. Exhibit 1 to the Company's Form, 8-K, dated January 7, 1993, is incorporated by reference herein.

10.21 Agreement among the registrant, Berlitz Financial Corporation, Macmillan, Inc. and Macmillan School Publishing Holding Company, Inc., dated January 8,1993. Exhibit 2 to the Company's Form 8-K, dated January 7, 1993 is incorporated by reference herein.

10.22 1989 Stock Option and Incentive Plan. Exhibit 10.13 to Registration Statement No. 33-31589 is incorporated by reference herein.

10.23 Berlitz International, Inc. Non-Employee Directors' Stock Plan. Exhibit 10.17 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990 is incorporated by reference herein.

10.24 Form of Berlitz International, Inc. 1996 Stock Option Plan. Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the nine months ended September 30, 1996 is incorporated by reference herein.

10.25 Berlitz International, Inc., Retirement Savings Plan, effective as of January 1, 1992. Exhibit 10.31 to Registration Statement No. 33-56566 is incorporated by reference herein.

10.26 1996 New Long-Term Executive Incentive Compensation Plan. Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the nine months ended September 30, 1996 is incorporated by reference herein.

10.27 1993 Short-Term Executive Incentive Compensation Plan. Exhibit 2 to the Company's Form 8-K, dated December 2, 1993 is incorporated by reference herein.

10.28 Supplemental Executive Retirement Plan, effective as of January 1, 1996. Exhibit 10.33 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 is incorporated by reference herein.

10.29 Form of Indemnity Agreement between the Registrant and Macmillan, Inc. dated October 11, 1989. Exhibit 10.16 to Registration Statement No. 33-31589 is incorporated by reference herein.

10.30 Shareholders' Agreement among Berlitz Languages, Inc., Benesse Corporation (formerly Fukutake Publishing Co., Ltd.) and the registrant, dated as of November 8, 1990. Exhibit 10.18 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990 is incorporated by reference herein.

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10.31 Amendment No. 1 to Shareholders' Agreement among Berlitz Languages, Inc., Benesse Corporation (formerly Fukutake Publishing Co., Ltd.) and the registrant, dated as of November 8, 1990. Exhibit 10.18 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990 is incorporated by reference herein. Exhibit 10.21 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992 is incorporated by reference herein.

10.32 Stock Purchase Agreement, dated as of November 8, 1990, between Berlitz Languages, Inc., the registrant and Benesse Corporation (formerly Fukutake Publishing Co., Ltd.) Exhibit 10.19 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990 is incorporated by reference herein.

10.33 Form of Indemnification Agreement between the registrant and each of Robert Maxwell, Kevin Maxwell, Martin E. Maleska and David H. Shaffer. Exhibit 10.20 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990 is incorporated by reference herein.

10.34 Form of Amended and Restated Indemnification Agreement between the registrant and each of Elio Boccitto, John Brademas, Rozanne L. Ridgway, Joe M. Rodgers, Robert Minsky and Rudy G. Perpich. Exhibit 10.24 to Registration Statement No. 33-56566 is incorporated by reference herein.

10.35 Amended and Restated Indemnification Agreement between the registrant and Hiromasa Yokoi. Exhibit 10.25 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992 is incorporated by reference herein.

10.36 Form of Indemnification Agreement between the registrant and each of Soichiro Fukutake, Owen Bradford Butler, Susumu Kojima, Saburo Nagai, Edward G. Nelson, Makoto Sato and Aritoshi Soejima. Exhibit 10.26 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1992 is incorporated by reference herein.

10.37 Form of Indemnification Agreement between the registrant and each of Jose Alvarino, Manuel Fernandez, Paul Gendler, Robert C. Hendon, Jr., Henry James, Jacques Meon, Michael Mulligan, Kim Sonne, Anthony Tedesco and Wolfgang Wiedeler. Exhibit 10.24 to Registration Statement No. 33-56566 is incorporated by reference herein.

10.38 Indemnification Agreement between the Company and each of Ellen Adler, Perry Akins, Mark Harris, Brian Kelly, James Lewis, Lionel Mellet and Kazuo Yamakawa. Exhibit 10.38 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1997 is incorporated by reference herein.

10.39 Employment Agreement dated April 1, 1992 between the registrant and Robert C. Hendon, Jr. Exhibit 10.30 to Registration Statement No. 33-56566 is incorporated by reference herein.

10.40 Employment Agreement, dated October 1, 1993, between the registrant and Robert

Minsky. Exhibit 10.21 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993 is incorporated by reference herein.

10.41* Employment Agreement, dated March 13, 1995, between the Company and Frank Garton. Exhibit 10.41 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 is incorporated by reference herein.

10.42* Employment Agreement, dated June 25, 1997, between the Company and James Lewis. Exhibit 10.42 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 is incorporated by reference herein.

10.43* Amended and Restated Employment Agreement, dated November 1, 1986, and Amendment No. 1 thereto, dated October 1, 1988, between the Company (as successor to ELS Educational Services, Inc.) and Perry S. Akins. Exhibit 10.43 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 is incorporated by reference herein.

10.44 Stock Purchase Agreement between Fukutake Holdings (America), Inc. and Berlitz International, Inc., dated April 29, 1997. Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997 is incorporated by reference herein.

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10.45 1996 Stock Option Plan, as amended. Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997 is incorporated by reference herein.

10.46 Credit Agreement, dated as of August 28, 1997, among Berlitz International, Inc., NationsBank N.A. (as Agent and as Lender) and the Lenders party thereto from time to time. Exhibit 2 to the Company's Current Report on Form 8-K dated August 28, 1997 is incorporated by reference herein.

10.47 Amendment No. 1, dated September 12, 1997, to Credit Agreement, dated as of August 28, 1997 among Berlitz, NationsBank N.A. (as Agent and as Lender) and the Lenders party thereto from time to time. Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997 is incorporated by reference herein.

10.48 Amendment No. 2, dated October 28, 1997, to Credit Agreement, dated as of August 28, 1997 among Berlitz, NationsBank N.A. (as Agent and as Lender) and the Lenders party thereto from time to time. Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997 is incorporated by reference herein.

10.49 Amendment No. 3, dated March 23, 1998, to Credit Agreement, dated as of August 28, 1997 among Berlitz, NationsBank N.A. (as Agent and as Lender) and the Lenders party thereto from time to time. Exhibit 10.49 to the Company's Annual Report on Form 10-K for the year ended December 31, 1997 is incorporated by reference herein.

10.50 Stock Purchase Agreement, dated November 14, 1997, between MCC Proceeds, Inc. and Berlitz International, Inc. Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997 is incorporated by reference herein.

10.51 Stock Purchase Agreement, dated as of July 23, 1997, between ELS Educational

Services, Inc., Roger O. Walther S.P. Trust, Wendy Walther, Christine Walther Tripp, Edward Walther, Anne Dunning, John Dunning, and Berlitz International, Inc. Exhibit 1 to the Company's Current Report on Form 8-K dated July 23, 1997 is incorporated by reference herein.

10.52 Form of Purchase Agreement (for $100 million 5% Convertible Exchangeable Subordinated Debentures due 2010, Series A), dated as of October 2, 1998, between Berlitz International, Inc., Apollo Investment Fund IV, L.P. and Apollo Overseas Partners, IV, L.P.. Exhibit 1 of the Company's Form 8-K dated October 6, 1998 is incorporated by reference herein.

10.53 Form of Purchase Agreement (for $55 million 5% Convertible Exchangeable Subordinated Debentures due 2010, Series B), dated as of October 2, 1998, between Berlitz International, Inc., and Benesse Holdings International, Inc. Exhibit 2 of the Company's Form 8-K dated October 6, 1998 is incorporated by reference herein.

10.54 Form of Registration Rights Agreement, dated as of October 2, 1998, between Berlitz International, Inc., and Apollo Management IV, L.P. on behalf of Apollo Investment Fund IV, L.P. and Apollo Overseas Partners, IV, L.P. Exhibit 3 of the Company's Form 8-K dated October 6, 1998 is incorporated by reference herein.

10.55 Form of Registration Rights Agreement, dated as of October 2, 1998, between Berlitz International, Inc., and Benesse Holdings International, Inc. Exhibit 4 of the Company's Form 8-K dated October 6, 1998 is incorporated by reference herein.

10.56 Form of Investors Agreement between Berlitz International, Inc., and Apollo Management IV, L.P. on behalf of Apollo Investment Fund IV, L.P. and Apollo Overseas Partners, IV, L.P. Exhibit 5 of the Company's Form 8-K dated October 6, 1998 is incorporated by reference herein.

10.57 Form of Voting Agreement, dated as of October 2, 1998, between Benesse Corporation, and Apollo Management IV, L.P. on behalf of Apollo Investment Fund IV, L.P. and Apollo Overseas Partners, IV, L.P. Exhibit 6 of the Company's Form 8-K dated October 6, 1998 is incorporated by reference herein.

10.58 Form of $50 million Subordinated Promissory Note from Berlitz International, Inc. to Benesse Holdings International, Inc. Exhibit 8 of the Company's Form 8-K dated October 6, 1998 is incorporated by reference herein, except that initial interest rate, as defined in that Exhibit, has changed to 5.2% per annum from 5.9% per annum.

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10.59* Form of Indemnification Agreement between the Company and each of Laurence Berg, Takuro Isoda, Mako Obara, and Antony Ressler.

21* List of subsidiaries of the registrant.

27* Financial Data Schedule.

*Filed herewith.

B. Reports on Form 8-K:

A Form 8-K was filed on October 6, 1998, to announce the Company's signing of definitive documents for the issuance of $155 million aggregate amount of convertible debentures to Benesse Holdings International and two affiliates of Apollo Advisors, L.P.

SUPPLEMENTAL INFORMATION TO BE FURNISHED WITH REPORTS FILED PURSUANT TO SECTION 15(D) OF THE ACT BY REGISTRANTS WHICH HAVE NOT REGISTERED SECURITIES PURSUANT TO SECTION 12 OF THE ACT.

As of the date of the filing of this Annual Report on Form 10-K no proxy materials have been furnished to security holders. Copies of all proxy materials will be sent to the Commission in compliance with its rules.

SIGNATURES

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

BERLITZ INTERNATIONAL, INC.

By: /s/ HIROMASA YOKOI

Hiromasa Yokoi
Vice Chairman of the Board,
Chief Executive Officer and President

Dated: March 31, 1999

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

/s/ SOICHIRO FUKUTAKE ------------------------ Soichiro Fukutake	Chairman of the Board	March 31, 1999
/s/ HIROMASA YOKOI ------------------------ Hiromasa Yokoi	Vice Chairman of the Board, Chief Executive Officer, and President (Principal Executive Officer)	March 31, 1999
/s/ JAMES LEWIS ------------------------ James Lewis	Executive Vice President, Chief Operating Officer, Worldwide Translations, and Director	March 31, 1999
/s/ ROBERT MINSKY ------------------------ Robert Minsky	Executive Vice President, Corporate Planning and Marketing, and Director	March 31, 1999
/s/ MAKO OBARA ------------------------ Mako Obara	Executive Vice President, and Director	March 31, 1999
/s/ HENRY D. JAMES ------------------------ Henry D. James	Executive Vice President, Chief Financial Officer, and Director (Principal Financial Officer)	March 31, 1999
/s/ LAURENCE BERG ------------------------	Director	March 31, 1999

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Laurence Berg

/s/ TAKURO ISODA ------------------------ Takuro Isoda	Director	March 31, 1999
/s/ EDWARD G. NELSON ------------------------ Edward G. Nelson	Director	March 31, 1999
/s/ ROBERT L. PURDUM ------------------------ Robert L. Purdum	Director	March 31, 1999
/s/ ANTONY RESSLER ------------------------ Antony Ressler	Director	March 31, 1999
/s/ KAZUO YAMAKAWA ------------------------ Kazuo Yamakawa	Director	March 31, 1999

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Exhibit 21

List of Subsidiaries of the Registrant

Country	Subsidiary Name	Jurisdiction of Incorporation
United States	Berlitz Investment Corp.	Delaware
	Berlitz Languages, Inc.	New York
	Berlitz Publishing Company, Inc.	Delaware
	ELS Educational Services, Inc.	Delaware
	Berlitz Franchising Corporation	Delawre
Canada	Berlitz Canada, Inc.	Canada
Argentina	The Berlitz Schools of Languages de Argentina, S.A.	Argentina
Brazil	Berlitz Centro de Idiomas, S.A.	Brazil
Chile	Berlitz Escuelas de Idiomas S.A.	Chile
Colombia	Berlitz Colombia, SA	Colombia
Mexico	Berlitz de Mexico, S.A. de C.V.	Mexico
Peru	Berlitz Centers Del Peru S. A.	Peru
Uruguay	Berlitz Uruguay S.A.	Uruguay
Venezuela	Centro de Idiomas Berlitz de Venezuela, C.A.	Venezuela
Hong Kong	Berlitz Languages Limited	Hong Kong
Japan	Berlitz Japan, Inc.	Japan
	ELS Japan, Inc.	Japan
Korea	Berlitz Korea Co., Ltd.	Korea
Malaysia	Berlitz (Malaysia) Sdn. Bhd.	Malaysia
Singapore	Berlitz Singapore Pte Ltd.	Singapore
Taiwan	Berlitz International (Taiwan) Co., Ltd.	Taiwan
Thailand	Berlitz Thailand Limited	Thailand
	Princeton Holding Limited	Thailand
	Berlitz Bangkok Limited	Thailand
Belgium	The Berlitz Schools of Languages of Benelux, SA	Belgium
Denmark	Berlitz International Danmark A/S	Denmark
	Berlitz International Scandanavia A/S	Denmark
Finland	Oy Berlitz Ab	Finland
France	Berlitz France, S.A.S.	France
Netherlands	Berlitz Schools of Languages B.V.	Netherlands
Ireland	Berlitz (Ireland) Limited	Ireland
Italy	Berlitz Translations, S.r.l.	Italy
	Berlitz Language Centers, S.r.l.	Italy
Norway	Berlitz A/S	Norway
Spain	Escuelas de Idiomas Berlitz de Espana, S.A.	Spain
Sweden	Berlitz International Sweden Aktiebolag	Sweden
United Kingdom	Berlitz (U.K.) Limited	United Kingdom
	Berlitz Publishing Company Limited	U.K.
Austria	Berlitz Austria GmhH	Austria

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Czech Republic	Berlitz Schools of Languages, spol. sr.o.	Czech Republic
Germany	Berlitz Deutschland GmbH	Germany
Greece	Berlitz Hellas, E.P.E.	Greece
Hungary	Berlitz Nyelviskola Korla Felelossegu Tarsasag	Hungary
Israel	Berlitz (Israel) Ltd.	Israel
Poland	Berlitz Poland Sp. zo.o	Poland
Slovakia	Berlitz Jazykova Skola, spol. sr.o.	Slovakia
Slovenia	Berlitz tujijeziki d.o.o. Ljubljana	Slovenia
Switzerland	Editions Berlitz, S.A.	Switzerland
	The Berlitz Schools of Languages, A.G.	Switzerland

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