Abercrombie & Fitch

Anna Sui

Boucheron

Coach

Dunhill

Guess

Graff

Hollister

Jimmy Choo

Karl Lagerfeld

Kate Spade

Lanvin

Mcm

Monblanc

Oscar de la Renta

Paul Smith

Repetto

Rochas

S.T. Dupont

Van Cleef & Arpels

interparfums, inc.

Annual Report 2019

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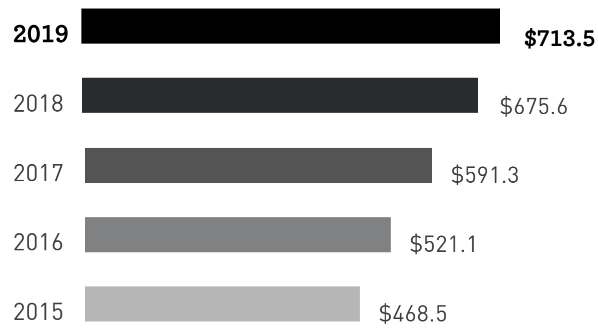
Financial Highlights

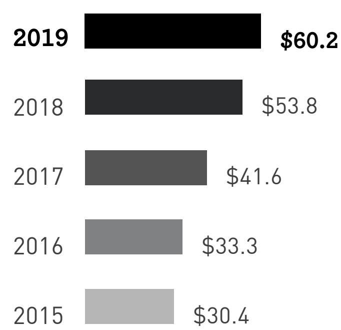
NET SALES

(in millions)



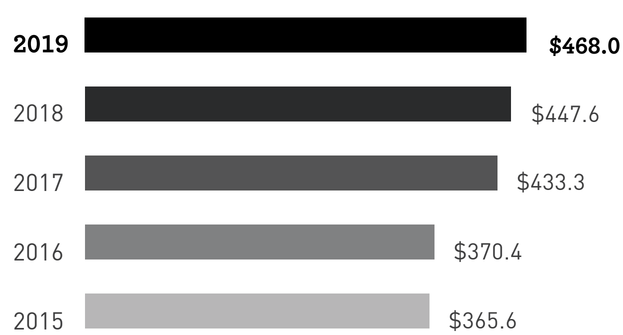
NET INCOME ATTRIBUTABLE TO INTER PARFUMS, INC.

(in millions)



INTER PARFUMS, INC. SHAREHOLDERS' EQUITY

(in millions)



SELECTED FINANCIAL DATA

The following selected financial data have been derived from our financial statements and should be read in conjunction with those financial statements, including the related footnotes.

(In thousands, except per share data)

Years Ended December 31,	2019	2018	2017	2016	2015
INCOME STATEMENT DATA:					
Net Sales	**$713,514**	$675,574	$591,251	$521,072	$468,540
Cost of Sales	**267,578**	248,012	214,965	194,601	179,069
Expenses	**341,209**	332,831	295,540	258,787	228,268
Operating Income	**104,727**	94,731	78,623	66,678	61,203
Income Before Taxes	**105,146**	95,859	78,065	67,074	60,496
Net Income Attributable to the Noncontrolling Interest	**15,821**	15,922	13,659	9,917	8,532
Net Income Attributable to Inter Parfums, Inc.	**60,249**	53,793	41,594	33,331	30,437
Net Income Attributable to Inter Parfums, Inc. Common Shareholders' per Share:					
Basic	**$1.92**	$1.72	$1.33	$1.07	$0.98
Diluted	**$1.90**	$1.71	$1.33	$1.07	$0.98
Weighted Average Common Shares Outstanding:					
Basic	**31,451**	31,308	31,172	31,072	30,996
Diluted	**31,689**	31,522	31,305	31,176	31,100
Depreciation and Amortization	**$8,729**	$11,031	$11,914	$15,341	$9,078
BALANCE SHEET AND OTHER DATA:					
Cash and Cash Equivalents	**$192,417**	$193,136	$208,343	$161,828	$176,967
Short-Term Investments	**60,714**	67,870	69,899	94,202	82,847
Working Capital	**388,831**	382,425	382,171	337,977	337,674
Total Assets	**828,832**	797,829	777,772	682,409	687,659
Short-Term Bank Debt	**–0–**	-0-	-0-	-0-	-0-
Long-Term Debt (including current portion)	**23,060**	46,061	60,579	74,562	98,606
Lease liabilities (including current portion)	**29,991**	N/A	N/A	N/A	N/A
Inter Parfums, Inc. Shareholders' Equity	**468,004**	447,607	433,298	370,391	365,587
Dividends Declared per Share	**$1.155**	$0.905	$0.72	$0.62	$0.52

2019 Letter to our Shareholders

Jean Madar and *Philippe Benacin*

DEAR FELLOW SHAREHOLDERS,

As we write this letter, the COVID-19 coronavirus pandemic has been raging throughout the world, particularly hitting hard in New York City and Paris, the headquarters of our U.S. and European operations. Our hearts go out to all those who have lost friends and family members and those who have been sickened by the virus.

Before discussing recent and near-term business conditions along with actions being taken and plans in the works related to the COVID-19 environment, we will review the events and accomplishments of 2019.

YEAR-OVER-YEAR FINANCIAL OVERVIEW

- Net sales increased 5.6% to a record $713.5 million from $675.6 million. At comparable foreign currency exchange rates, net sales increased 7.6%.
- Sales by European based operations rose 0.8% to $542.1 million from $537.6 million; in comparable foreign currency exchange rates, net sales for European based operations were up 4%.
- U.S. based operations generated net sales of $171.4 million, an increase of 24.2% from $138.0 million.
- Gross margin was 62.5% compared to 63.3%.
- S, G & A expense as a percentage of sales was 47.8% compared to 49.3%.
- Operating income rose 10.6% to $104.7 million from $94.7 million.
- Operating margin increased by 70 basis points to 14.7% from 14.0%.
- Our effective tax rate was 27.7% compared to 27.3%.
- Net income attributable to Inter Parfums, Inc. increased 12% to $60.2 million from $53.8 million.
- Diluted net income per share was $1.90, an increase of 11.1% compared to $1.71.
- The annual dividend rate increased 20% to $1.32 from $1.10.

Of note, for the full years ended December 31, 2019 and 2018, the average dollar/euro exchange rates were 1.12 and 1.18, respectively. The strong U.S. dollar throughout 2019 had a negative impact on our 2019 net sales but favorably affected earnings, because over 45% of net sales of our European operations were denominated in U.S. dollars, while almost all costs of those operations were incurred in euro.

OTHER 2019 FINANCIAL HIGHLIGHTS

- Our business generated cash flow from operating activities of approximately $76.5 million.
- We closed the year with working capital of $389 million including approximately $253 million in cash, cash equivalents and short-term investments, resulting in a working capital ratio of over 3 to 1.
- At year-end, long-term debt aggregated $10.7 million.
- We added two new brands to our portfolio.
- We extended the duration of our license agreements with three brands.

CONTINUING TO GROW OUR MARKETS

For the third year in a row, North America was our largest market where 2019 sales were 11% ahead of 2018, which were 19% ahead of 2017. Similarly, sales growth in Western Europe of 2.5% in 2019 comes on the heels of 9% sales gains in 2018. In Eastern Europe, net sales rose nearly 5% layering upon the 7% gain in the preceding year. The biggest percentage gainer was the Middle East where 2019 sales surged 22% over 2018, which were 17% ahead of 2017. Sales in Asia, our third largest market, were down nominally in actual dollars in 2019, but ahead in constant dollars, which we consider quite respectable in light of trade tariffs on goods coming in and out of China from the United States. Also keep in mind our sales in Asia climbed 24% in 2018, setting a high bar for 2019. Our smallest market, Central and South America, continued to decline, not surprisingly in light of the region's political, economic and social turmoil.

2019 EUROPEAN BASED OPERATIONS

Montblanc, Jimmy Choo and Coach continued to place first, second and third among our brands by sales. Montblanc grew full year sales by 22.7% with the excellent performance of the new Montblanc *Explorer* scent as well as the continued strength of the brand's *Legend* fragrance family. In constant dollars, Jimmy Choo brand sales were up slightly, however, due to the strength of the dollar, brand sales were down nominally in actual dollars. In addition to several brand extensions, Jimmy Choo ended the year with the launch of an entirely new men's scent, *Urban Hero* with a 2020 rollout ongoing. Similarly, Coach brand sales were also down slightly in 2019 in actual dollars but ahead of 2018 in constant dollars. It is also worth mentioning that Coach brand sales were 73.3% greater in 2018 compared to 2017. Two of our mid-sized brands, Karl Lagerfeld and Van Cleef & Arpels, achieved year-over-year sales growth of 5.0% and 6.8%, respectively.

The big news within European operations was the addition of a new brand, Kate Spade New York, for which an exclusive, 11-year worldwide license was signed in June 2019. Under the agreement, we are creating and producing new perfumes and fragrance-related products and distributing them globally to department and specialty stores and duty-free shops, as well as in Kate Spade New York retail stores. Since its launch in 1993 Kate Spade New York is a global life and style house with handbags, ready-to-wear, jewelry, footwear, gifts, and home décor and more. Kate Spade New York's founding principles, polished ease, thoughtful details and a modern, sophisticated use of color, celebrates confident women with a youthful spirit. Kate Spade New York is part of the Tapestry house of brands, as is Coach, our third largest brand. We are assuming distribution of two of the brand's most popular scents, and currently plan to launch our first new scent under the brand.

U.S. BASED OPERATIONS

The surge in sales by U.S. operations was primarily due to the GUESS brand. In fact, GUESS has emerged as our fourth largest brand across our entire portfolio in its first full year under license with us. Of note, the increase in GUESS brand sales was attributable to legacy scents and brand extensions, rather than major product launches. GUESS is a major brand in the Middle East, which also happened to be our fastest growing market in 2019.

Also contributing to the more than 24% top line growth by U.S. operations in 2019 were Abercrombie & Fitch and Hollister, both of which achieved significant sales growth spurred by the launch of the *Authentic* fragrance duo for Abercrombie & Fitch and brand extensions for the *Wave* and *Festival* fragrance families for Hollister. Oscar de la Renta fragrance sales rose slightly, supported by legacy scents and our growing *Bella* fragrance family.

For U.S. operations, a catalyst for future incremental sales took place in November 2019 with the signing of an exclusive, 10-year worldwide license agreement with German luxury fashion house MCM. Since 1976, MCM has been pushing fashion boundaries and redefining luxury leather goods on a global scale through innovation, cutting-edge technology, exceptional creativity and superior quality. Work has begun on developing extraordinary fragrances for women and men that capture the creative spirit of MCM, with launches targeted for next year. Our distribution strategy will include MCM stores, high-end department stores and prestige beauty retailers, with a geographic focus on Asia, the Americas and Europe.

During 2019, we extended our licensing arrangement with the Oscar de la Renta brand through the end of 2031, with an additional five-year option. In addition, we extended our license for both the Abercrombie & Fitch and Hollister brands until December 31, 2022 and added automatic renewals unless terminated with three years advance notice.

2020 AN OPTIMISTIC START AND THEN ...

We began 2020 full of optimism for the new year. We had a vibrant new product pipeline which included initial products for our newer brands. We had issued sales guidance of $742 million and built up inventory and developed advertising and promotion programs to support our sales goals. Our first major launch of the year, *Coach Dreams* was doing very well, and the early returns for *Byzance* by Rochas and *L'Homme Rochas* looked promising. Just under the wire, our six-scent collection for Graff unveiled exclusively in London's Harrod's in March. Our sales for January and February were pretty good, except in China. But in March, as the COVID-19 infection spread, brick and mortar stores shuttered, air travel halted, stay-at-home directives were implemented, and many businesses, including ours, slowed beyond recognition. Since that time, there has been a severe economic downturn characterized by unprecedented layoffs in many of the markets where we do business. As a result, our April and May sales have been minimal.

As the COVID-19 infection spread, we took immediate action and developed plans for the balance of the year. To keep our staff safe and productive, our people set up home offices interfacing with each other via video conferences. While we implemented a hiring freeze and cut bonuses, no one was laid off, because the last thing we want to do is to lose the great talent that brought us to 2019's record sales and who will be responsible for reenergizing our business once the worst of the pandemic is behind us. Nonetheless, we have taken several actions to minimize expenses and protect our cash flows during this crisis. Most of the major product launches scheduled for 2020 have been postponed until 2021, along with their related advertising and promotional programs. We've cut travel, internal company events and nearly all other non-essential expenses. In addition, we temporarily suspended the quarterly dividend, reduced our already nominal capex budget from 2019 levels and in March 2020 budgeted fixed expenses for the remainder of the year at under $25 million per quarter.

Our strong balance sheet and conservative financial tradition have put us in an advantageous position relative to some of our peers. We closed the first quarter of 2020 with working capital of $386 million, including approximately $204 million in cash, cash equivalents and short-term investments, a working capital ratio of over 3.7 to 1 and only $9.8 million of long-term debt. We also have $47 million available in untapped credit facilities.

As noted, most of our major launches and corresponding advertising and promotion have been postponed until 2021. The line-up for the coming year now includes a women's signature scent for Montblanc, and other women's scents including Anna Sui *Sky*, GUESS *Bella Vita*, Jimmy Choo *I Want Choo*, and our first ever Kate Spade New York scent. For our Hollister, we have a new pillar called *Canyon Escape* which again features a men's and women's scent. Also in the works for 2021, are our first men's and women's scents for the newest brand in our portfolio, MCM and a new pillar for Oscar de la Renta, called *Alibi*. We also have a men's grooming and fragrance collection under development for the GUESS brand.

Operationally, we are prepared for increased demand in the post-COVID-19 environment, with inventory levels of components and finished goods, based upon our original 2020 sales projections. As we write this letter, parts of Asia have already showed signs of a comeback, with internet sales especially strong. Other markets in North America, Europe and the Middle East are likewise opening, but slowly and with restrictions. We recognize that the challenges will be many, even in the aftermath of the pandemic. The economic downturn, vast unemployment, slow to start up air travel and the related travel retail business, and the pressures social distancing places on ordinary shopping at department and specialty stores count among them. The duration, scale, and spread of the COVID-19 pandemic are beyond our control. But our strengths in the best of times, namely our diverse portfolio of brands, financial strength, global distribution network, and dedicated staff and partners throughout the world, will, we are confident, be immeasurably important as we emerge from these difficult and often heartbreaking days.

Sincerely yours,

Jean Madar
Chairman of the Board
Chief Executive Officer

Philippe Benacin
Vice Chairman of the Board
President

Montblanc Explorer

The Company

Jimmy Choo Urban Hero

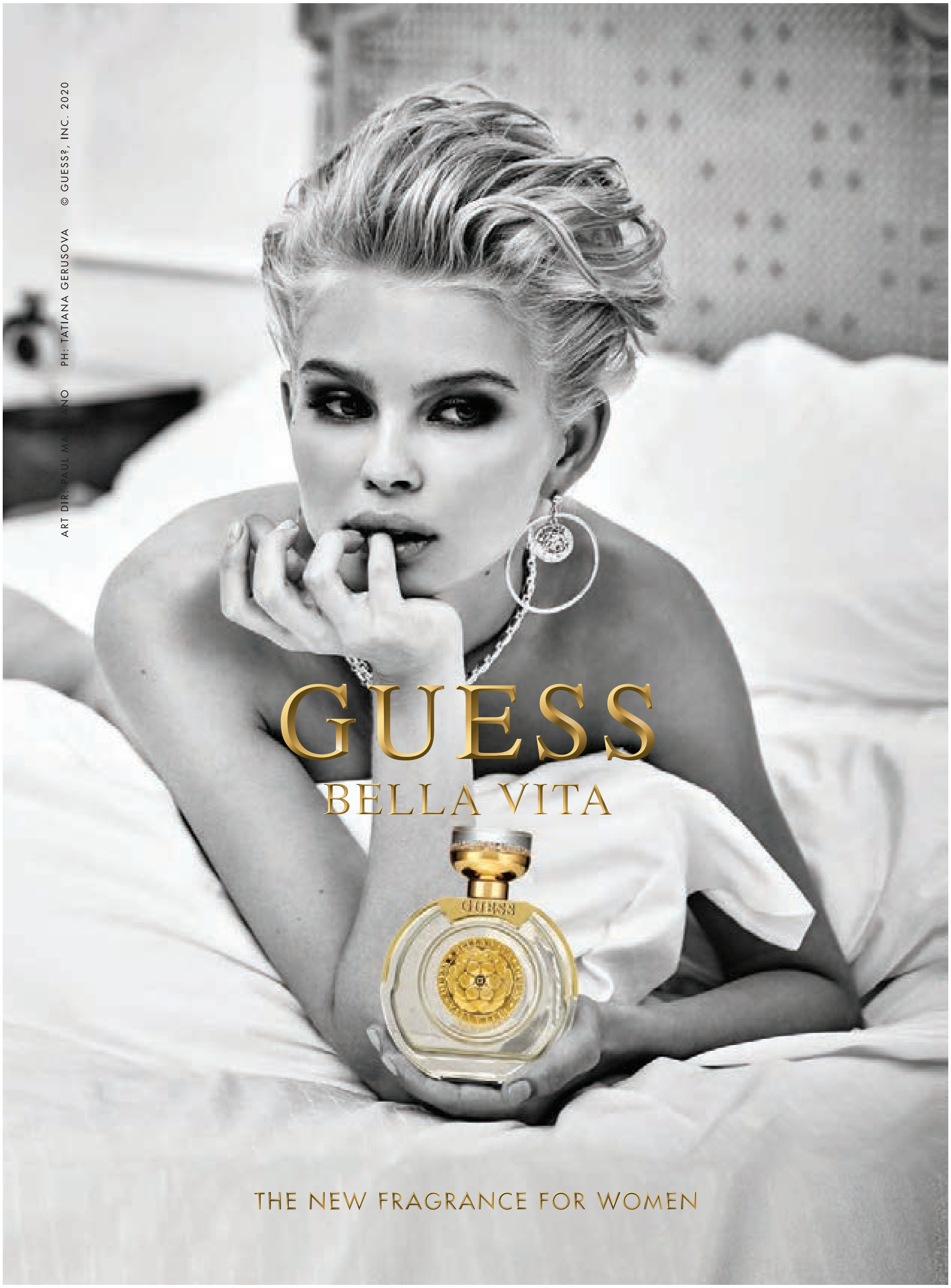
FOUNDED IN 1982, WE OPERATE IN THE FRAGRANCE BUSINESS, AND MANUFACTURE, MARKET AND DISTRIBUTE A WIDE ARRAY OF PRESTIGE FRAGRANCE, AND FRAGRANCE RELATED PRODUCTS.

Our worldwide headquarters and the office of our four (4) wholly-owned United States subsidiaries, Jean Philippe Fragrances, LLC, Inter Parfums USA, LLC and Interstellar Brands LLC, all New York limited liability companies, and IP Beauty, Inc., a Delaware corporation, are located at 551 Fifth Avenue, New York, New York 10176, and our telephone number is 212.983.2640. We also own 100% of Inter Parfums USA Hong Kong Limited indirectly through our wholly-owned subsidiary, Inter Parfums USA, LLC.

Our consolidated wholly-owned subsidiary, Inter Parfums Holdings, S.A., and its majority-owned subsidiary, Interparfums SA, maintain executive offices at 4 Rond Point des Champs Elysees, 75008 Paris, France. Our telephone number in Paris is 331.5377.0000. Interparfums SA is the sole owner of three (3) distribution subsidiaries: Inter Parfums srl for Italy, Inter España Parfums et Cosmetiques, SL, for Spain and Interparfums Luxury Brands, Inc., a Delaware corporation, for distribution of prestige brands in the United States. Interparfums SA is also the majority owner of Parfums Rochas Spain, SL, a Spanish limited liability company, which specializes in the distribution of Rochas fragrances. In addition, Interparfums SA is also the sole owner of Interparfums (Suisse) SARL, a company formed to hold and manage certain brand names, and Interparfums Asia Pacific Pte., Ltd., an Asian sales and marketing office.

Our common stock is listed on The Nasdaq Global Select Market under the trading symbol "IPAR". The common shares of our subsidiary, Interparfums SA, are traded on the Euronext Exchange.

The Securities and Exchange Commission ("SEC") maintains an internet site at http://www.sec.gov that contains financial reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. We maintain our internet website at www.interparfumsinc.com, which is linked to the SEC internet site. You can obtain through our website, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, interactive data files, current reports on Form 8-K, beneficial ownership reports (Forms 3, 4 and 5) and amendments to those reports filed or furnished pursuant to Section 13(a) of the Securities Exchange Act of 1934 as soon as reasonably practicable after they have been electronically filed with or furnished to the SEC.



***Guess** Bella Vita*

We operate in the fragrance business and manufacture, market and distribute a wide array of fragrance and fragrance related products. We manage our business in two segments, European based operations and United States based operations. Certain prestige fragrance products are produced and marketed by our European operations through our 73% owned subsidiary in Paris, Interparfums SA, which is also a publicly traded company as 27% of Interparfums SA shares trade on the NYSE Euronext.

Our business is not capital intensive, and it is important to note that we do not own manufacturing facilities. We act as a general contractor and source our needed components from our suppliers. These components are received at one of our distribution centers and then, based upon production needs, the components are sent to one of several third party fillers which manufacture the finished product for us and deliver them to one of our distribution centers.

Our fragrance products focus on prestige brands, each with a devoted following. By concentrating in markets where the brands are best known, we have had many successful product launches. We typically launch new fragrance families for our brands every year or two, and more frequently seasonal and limited edition fragrances are introduced as well.

The creation and marketing of each product family is intimately linked with the brand's name, its past and present positioning, customer base and, more generally, the prevailing market atmosphere. Accordingly, we generally study the market for each proposed family of fragrance products for almost a full year before we introduce any new product into the market. This study is intended to define the general position of the fragrance family and more particularly its scent, bottle, packaging and appeal to the buyer. In our opinion, the unity of these four elements of the marketing mix makes for a successful product.

As with any business, many aspects of our operations are subject to influences outside our control. We believe we have a strong brand portfolio with global reach and potential. As part of our strategy, we plan to continue to make investments behind fast-growing markets and channels to grow market share. We discuss in greater detail risk factors relating to our business in Item 1A of this Annual Report on Form 10-K for the fiscal year ended December 31, 2019, and the reports that we file from time to time with the SEC.

European Operations

We produce and distribute our fragrance products primarily under license agreements with brand owners, and fragrance product sales through our European operations represented approximately 76% of net sales for 2019. We have built a portfolio of prestige brands, which include *Boucheron, Coach, Jimmy Choo, Karl Lagerfeld, Kate Spade New York, Lanvin, Montblanc, Paul Smith, Repetto, Rochas, S.T. Dupont* and *Van Cleef & Arpels*, whose products are distributed in over 120 countries around the world.

United States Operations

Prestige brand fragrance products are also marketed through our United States operations, and represented 24% of sales for the year ended December 31, 2019. These fragrance products are sold under trademarks owned by us or pursuant to license or other agreements with the owners of brands, which include A*bercrombie & Fitch, Agent Provocateur, Anna Sui, bebe, Dunhill, French Connection, Graff, GUESS?, Hollister, Lily Aldridge, MCM* and *Oscar de la Renta*.

BUSINESS STRATEGY

Focus On Prestige Beauty Brands

Prestige beauty brands are expected to contribute significantly to our growth. We focus on developing and launching quality fragrances utilizing internationally renowned brand names. By identifying and concentrating in the most receptive market segments and territories where our brands are known, and executing highly targeted launches that capture the essence of the brand, we have had a history of successful launches. Certain fashion designers and other licensors choose us as a partner, because our Company's size enables us to work more closely with them in the product development process as well as our successful track record.

Grow Portfolio Brands Through New Product Development And Marketing

We grow through the creation of fragrance family extensions within the existing brands in our portfolio. Every year or two, we create a new family of fragrances for each brand in our portfolio. We frequently introduce seasonal and limited edition fragrances as well. With new introductions, we leverage our ability and experience to gauge trends in the market and further leverage the brand name into different product families in order to maximize sales and profit potential. We have had success in introducing new fragrance families (sub-brands, flanker brands or flankers) within our brand franchises. Furthermore, we promote the performance of our prestige fragrance operations through knowledge of the market, detailed analysis of the image and potential of each brand name, and a highly professional approach to international distribution channels.

Continue To Add New Brands To Our Portfolio Through New Licenses Or Acquisitions

Prestige brands are the core of our business and we intend to add new prestige beauty brands to our portfolio. Over the past 25 years, we have built our portfolio of well-known prestige brands through acquisitions and new license agreements. We intend to further build on our success in prestige fragrances and pursue new licenses and acquire new brands to strengthen our position in the prestige beauty market. To that end, in 2017, we extended our *Jimmy Choo* license through December 31, 2031 and our *Paul Smith* license until December 2021. In 2018, we signed new license agreements with *GUESS? Inc.*, *Graff* and *Lily Aldridge* and extended our license with *Van Cleef & Arpels.* In 2019, we extended our license agreements for *Abercrombie & Fitch, Hollister* and *Oscar de la Renta*, and signed new licenses for *Kate Spade New York* and *MCM*. As of December 31, 2019, we had cash, cash equivalents and short-term investments of approximately $253 million, which we believe should assist us in entering new brand licenses or out-right acquisitions. We identify prestige brands that can be developed and marketed into a full and varied product families and, with our technical knowledge and practical experience gained over time, take licensed brand names through all phases of concept, development, manufacturing, marketing and distribution.

Expand Existing Portfolio Into New Categories

We selectively broaden our product offering beyond the fragrance category and offer other fragrance related products and personal care products under some of our existing brands. We believe such product offerings meet customer needs and further strengthen customer loyalty.

Continue To Build Global Distribution Footprint

Our business is a global business and we intend to continue to build our global distribution footprint. In order to adapt to changes in the environment and our business, in addition to our arrangements with third party distributors globally, we are operating distribution subsidiaries or divisions in the major markets of the United States, France and Spain for distribution of prestige fragrances. We may look into future joint arrangements or acquire distribution companies within other key markets to distribute certain of our prestige brands. While building a global distribution footprint is part of our long-term strategy, we may need to make certain decisions based on the short-term needs of the business. We believe that in certain markets, vertical integration of our distribution network may be one of the keys to future growth of our Company, and ownership of such distribution should enable us to better serve our customers' needs in local markets and adapt more quickly as situations may determine.

RECENT DEVELOPMENTS

Abercrombie & Fitch and Hollister

In November 2019, we extended our license for both the Abercrombie & Fitch and Hollister brands until December 31, 2022, and added automatic renewals unless terminated on 3 years notice.

MCM

In September 2019, we entered into an exclusive, 10-year worldwide license agreement with German luxury fashion house MCM for the creation, development and distribution of fragrances under the MCM brand. Our rights under such license are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry.

Oscar de la Renta

In September 2019, we extended our license through December 31, 2031, and added an additional five-year extension option through December 31, 2036. The original license agreement, signed in October 2013, would have expired on December 31, 2025.

Kate Spade New York

In June 2019, we entered into an exclusive 11-year worldwide license agreement with Kate Spade New York for the creation, development and distribution under the Kate Spade brand. Our rights under such license are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry.

PRODUCTION AND SUPPLY

The stages of the development and production process for all fragrances are as follows:

- Simultaneous discussions with perfume designers and creators (includes analysis of esthetic and olfactory trends, target clientele and market communication approach)
- Concept choice
- Produce mock-ups for final acceptance of bottles and packaging
- Receive bids from component suppliers (glass makers, plastic processors, printers, etc.) and packaging companies
- Choose suppliers
- Schedule production and packaging
- Issue component purchase orders
- Follow quality control procedures for incoming components; and
- Follow packaging and inventory control procedures

Suppliers who assist us with product development include:

- Independent perfumery design companies (Aesthete, Carré Basset, PI Design, Cent Degres)
- Perfumers (IFF, Givaudan, Firmenich, Robertet, Takasago, Mane) which create a fragrance consistent with our expectations and, that of the fragrance designers and creators
- Bottle manufacturers (Pochet du Courval, Verescence, Verreries Brosse, Bormioli Luigi, Stoelzle Masnières), caps (Qualipac, ALBEA, RPC, Codiplas, LF Beauty, Texen Group) or boxes (Autajon , MMPP, Nortier, Draeger)
- Production specialists who carry out packaging (CCI, Edipar, Jacomo, SDPP, MF Productions,Biopack) or logis tics (Bolloré Logistics for storage, order preparation and shipment)

Suppliers' accounts for our European operations are primarily settled in euro and for our United States operations, suppliers' accounts are primarily settled in U.S. dollars. For our European operations components for our prestige fragrances are purchased from many suppliers around the world and are primarily manufactured in France. For United States operations, components for our prestige fragrances are sourced from many suppliers around the world and are primarily manufactured in the United States.

MARKETING AND DISTRIBUTION

Our products are distributed in over 120 countries around the world through a selective distribution network. For our international distribution, we either contract with independent distribution companies specializing in luxury goods or distribute prestige products through our distribution subsidiaries. In each country, we designate anywhere from one to three distributors on an exclusive basis for one or more of our name brands. We also distribute our products through a variety of duty free operators, such as airports and airlines and select vacation destinations.

As our business is a global one, we intend to continue to build our global distribution footprint. For distribution of brands within our European based operations we operate through our distribution subsidiaries or divisions in the major markets of the United States, France, Italy and Spain, in addition to our arrangements with third party distributors globally. Our third party distributors vary in size depending on the number of competing brands they represent. This extensive and diverse network together with our own distribution subsidiaries provides us with a significant presence in over 100 countries around the world.

Over 45% of our European based prestige fragrance net sales are denominated in U.S. dollars. We address certain financial exposures through a controlled program of risk management that includes the use of derivative financial instruments. We primarily enter into foreign currency forward exchange contracts to reduce the effects of fluctuating foreign currency exchange rates.

The business of our European operations has become increasingly seasonal due to the timing of shipments by our distribution subsidiaries and divisions to their customers, which are weighted to the second half of the year.

For our United States operations, we distribute product to retailers and distributors in the United States as well as internationally, including duty free and other travel-related retailers. We utilize our in-house sales team to reach our third party distributors and customers outside the United States. In addition, the business of our United States operations has become increasingly seasonal as shipments are weighted toward the second half of the year.

Coach *Coach Dreams*

The Products

We are the owner of the Rochas brand, and the Lanvin brand name and trademark for our class of trade. In addition, we have built a portfolio of licensed prestige brands whereby we produce and distribute our prestige fragrance products under license agreements with brand owners. Under license agreements, we obtain the right to use the brand name, create new fragrances and packaging, determine positioning and distribution, and market and sell the licensed products, in exchange for the payment of royalties. Our rights under license agreements are also generally subject to certain minimum sales requirements and advertising expenditures as are customary in our industry.

Our licenses for these brands expire on the following dates:

Brand Name	Expiration Date
Abercrombie & Fitch	Extends until either party terminates on 3 years notice
Anna Sui	December 31, 2021, plus two 5-year optional terms if certain conditions are met
bebe Stores	June 30, 2023
Boucheron	December 31, 2025, plus a 5-year optional term if certain sales targets are met
Coach	June 30, 2026
Dunhill	September 30, 2023
French Connection	December 31, 2027, plus a 10-year optional term if certain sales targets are met
Graff	December 31, 2026, plus 3 optional 3-year terms if certain sales targets are met
GUESS	December 31, 2033
Hollister	Extends until either party terminates on 3 years notice
Kate Spade New York	June 30, 2030
Jimmy Choo	December 31, 2031
Karl Lagerfeld	October 31, 2032
Lily Aldridge	December 31, 2023
MCM	December 31, 2030, plus 4 option years
Montblanc	December 31, 2025
Oscar de la Renta	December 31, 2031, plus a 5-year optional term if certain sales targets are met
Paul Smith	December 31, 2021
Repetto	December 31, 2024
S.T. Dupont	December 31, 2020, plus automatic annual renewals, unless terminated on 6 months' notice by either party
Van Cleef & Arpels	December 31, 2024

In connection with the acquisition of the Lanvin brand names and trademarks for our class of trade, we granted the seller the right to repurchase the brand names and trademarks in 2025 for the greater of €70 million (approximately $79 million) or one times the average of the annual sales for the years ending December 31, 2023 and 2024.

Fragrance Portfolio

Abercrombie & Fitch

In 2014, we entered into a worldwide license to create, produce and distribute new fragrances and fragrance related products under the Abercrombie & Fitch brand name. We distribute these fragrances internationally in specialty stores, high-end department stores and duty free shops, and in the U.S., in duty free shops and in select Abercrombie & Fitch retail stores. Our initial men's scent, *First Instinct* was launched in 2016 followed by a women's version in 2017. During 2018 and early 2019, we introduced several *First Instinct* brand extensions. In the spring of 2019, we unveiled a new fragrance family for Abercrombie & Fitch, *Authentic*, for men and women, and for 2020, we have a brand extension duo planned.

Abercrombie & Fitch believes that every day should feel as exceptional as the start of the long weekend. Since 1892, the brand has been a specialty retailer of quality apparel, outerwear and fragrance – designed to inspire our global customers to feel confident, be comfortable and face their *Fierce*.

Abercrombie & Fitch *Authentic Night*

ANNA SUI

In 2011, we entered into an exclusive worldwide fragrance license to create, produce and distribute fragrances and fragrance related products under the Anna Sui brand. We work in partnership with American designer, Anna Sui, and her creative team to build upon the brand's growing customer appeal, and develop new fragrances that capture the brand's very sweet feminine girly aspect, combined with touch of nostalgia, hipness and rock-and-roll. Anna Sui's devoted customer base, which spans the world, is concentrated in Asia.

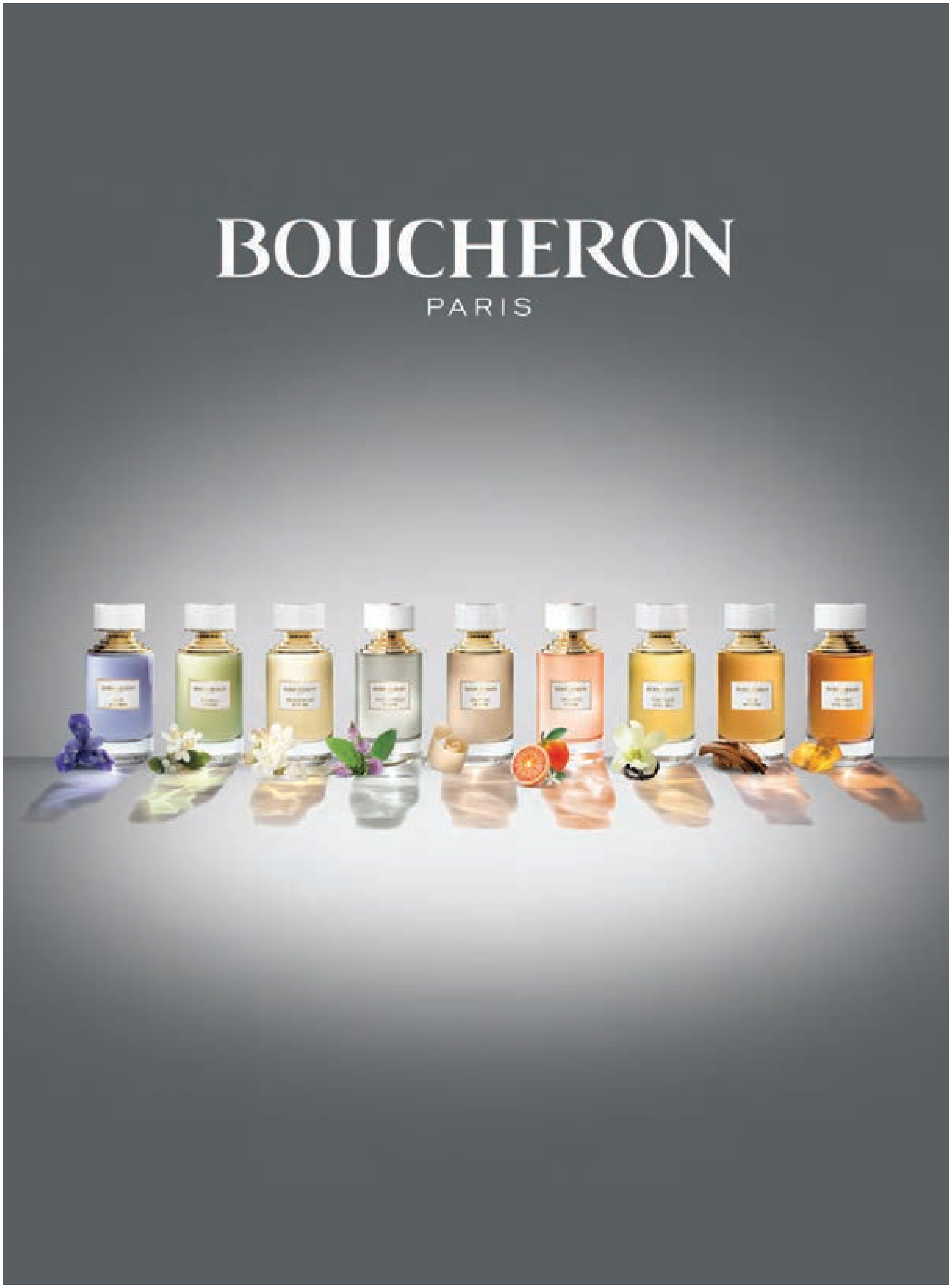
After a period of weaker sales, due primarily to a decline in China's economy, the 2017 successful launch of *Fantasia* by Anna Sui and the benefit that accrued from our continued commitment to advertising and marketing commitment, produced a significant increase in 2018 brand sales. However, brand sales declined modestly 2019, as the 2018 and 2019 product launches were primarily brand extensions. We look to *Sky* by Anna Sui to reinvigorate brand sales when it debuts in 2021.

Anna Sui *Fantasia Mermaid*

BOUCHERON
PARIS

In 2010, we entered into an exclusive 15-year worldwide license agreement for the creation, development and distribution of fragrances under the Boucheron brand. Boucheron is the French jeweler "par excellence". Founded by Frederic Boucheron in 1858, the House has produced some of the world's most beautiful and precious creations. Today, Boucheron creates jewelry and timepieces and, under license from global brand leaders, fragrances and sunglasses. Currently Boucheron operates through over 40 boutiques worldwide as well as an e-commerce site.

Boucheron brand sales continue to be driven by legacy scents *Boucheron Femme* and *Boucheron Homme* as well as its legendary *Jaipur* lines. A six scent collection was launched under the Boucheron brand in 2017, and additional scents were added in 2018. In 2019, two new fragrances, *Boucheron Fleurs* and *Boucheron Quatre en Rouge*, were added to the Boucheron collection.



Boucheron *Collection Boucheron*

COACH
NEW YORK

In 2015, we entered into an exclusive 11-year worldwide license to create, produce and distribute new men's and women's fragrances and fragrance related products under the Coach brand name. We distribute these fragrances globally to department stores, specialty stores and duty free shops, as well as in Coach retail stores.

Coach, established in New York City in 1941, is a leading design house of modern luxury accessories and lifestyle collections with a rich heritage of pairing exceptional leathers and materials with innovative design. Coach branded products are sold worldwide through Coach stores, select department stores and specialty stores, and through Coach's website.

In 2016, we launched our first Coach fragrance, a women's scent, and in 2017, a men's scent, both of which have quickly become top selling prestige fragrances. In 2018, the Coach brand achieved remarkable sales growth and quickly become one of the largest brands in our portfolio. Coach sales were driven by the continued popularity of the Coach signature lines, as well as the success of flankers, *Coach Floral* and *Coach Platinum*, which rolled out in 2018. For 2019 we added *Coach Floral Blush*, and we have a new Coach women's scent *Coach Dreams* debuting in early 2020. Coach is part of the Tapestry house of brands.

Coach *Coach Dreams*

In 2012, we entered into an exclusive 10-year worldwide fragrance license to create, produce and distribute fragrances and fragrance related products under the Dunhill brand.

The house of Dunhill was established in 1893 and since that time has been dedicated to providing high quality men's luxury products, with core collections offered in menswear, leather goods and accessories. The brand has global reach through a premium mix of self-managed retail outlets, high-level department stores and specialty stores. Known for its commitment to elegance and innovation and being a leader of British men's style, the brand continues to blend innovation and creativity with traditional craftsmanship.

Beginning in 2015, we rolled out a new Dunhill scent, Icon, the success of which has made the Dunhill brand one of the stars within our United States based operations. Building upon the established success of the *Icon* fragrance family, we launched several product extensions including *Icon Absolute, Icon Elite* and *Icon Racing*. In 2018 we introduced a new Dunhill scent for men called *Century*, and in 2019 *Century Blue*. Also in 2019 the *Dunhill Signature Collection* debuted exclusively at Harrod's followed by a global rollout. Brand extensions dominate our plans for Dunhill in 2020 with a new pillar, *Drive*, launching in 2021.

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***Dunhill** Signature Collection*

G R A F F

In 2018, the Company entered into an exclusive, 8-year worldwide license agreement with London-based Graff for the creation, development and distribution of fragrances under the Graff brand. The 8-year agreement has three 3-year automatic renewal options, potentially extending the license until December 31, 2035.

Since Laurence Graff OBE founded the company in 1960, Graff has been dedicated to sourcing and crafting diamonds and gemstones of untold beauty and rarity, and transforming them into spectacular pieces of jewelry that move the heart and stir the soul. Throughout its rich history, Graff has become the world leader for diamonds of rarity, magnitude and distinction. Most notably, it has dominated the list of historical and important rough diamonds discovered, cut and polished this century. Each jewelry creation is designed and manufactured in Graff's London atelier, where master craftsman employ stone-led design techniques to emphasize the beauty of each individual stone. The company remains a family business, overseen by Francois Graff, Chief Executive Officer.

For Graff, a six-scent collection for women debuted exclusively at Harrods in March 2020. The global rollout will begin with selective luxury travel retail in 2021. Additionally, we are exploring opportunities for luxury travel amenities, including five star hotels.

***Graff** Lesedi La Rona Fragrances*

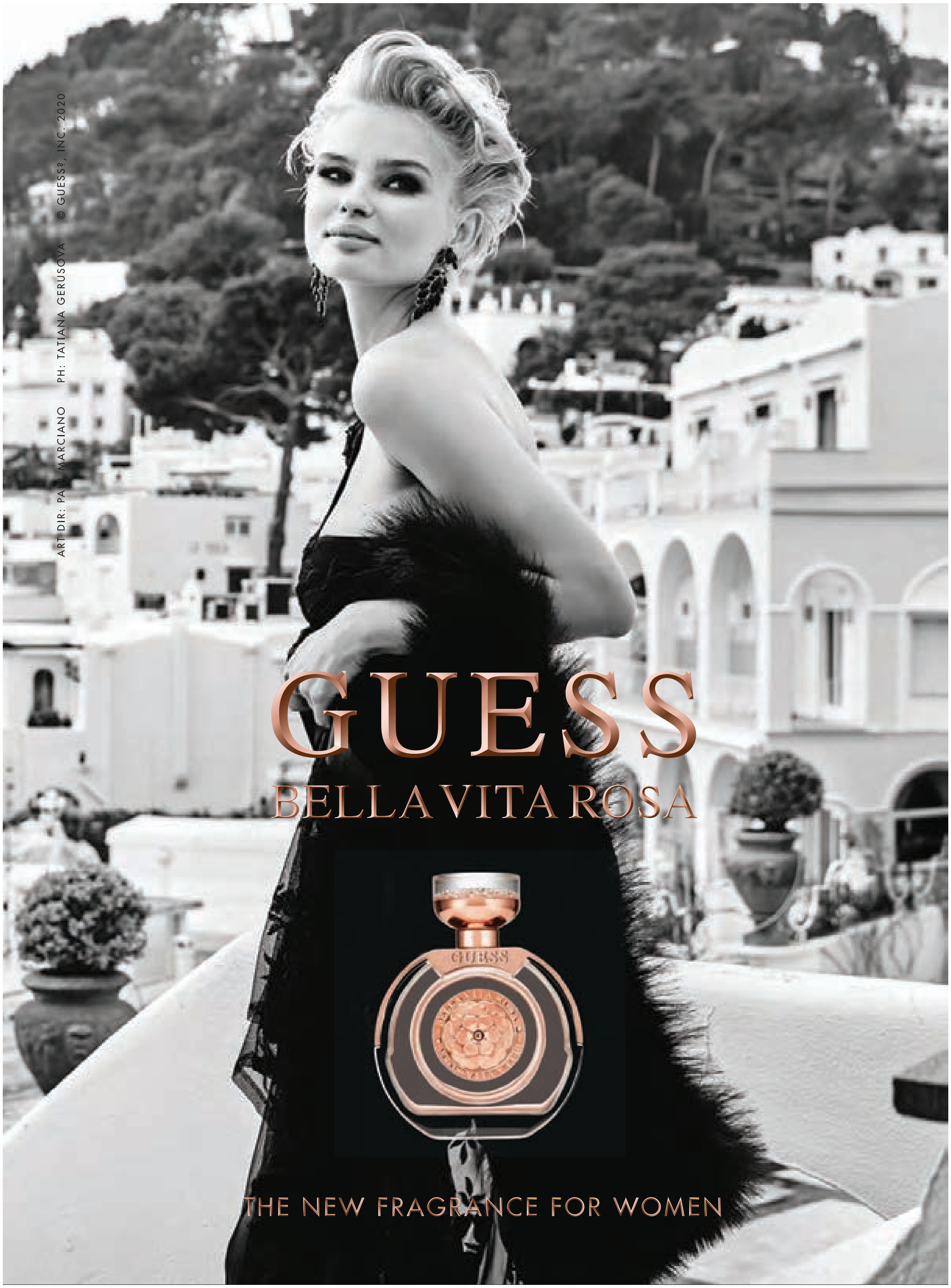
GUESS

In 2018, the Company entered into an exclusive, 15-year worldwide license agreement with GUESS?, Inc. for the creation, development and distribution of fragrances under the GUESS brand.

Established in 1981, GUESS began as a jeans company and has since successfully grown into a global lifestyle brand. GUESS?, Inc. designs, markets, distributes and licenses a lifestyle collection of contemporary apparel, denim, handbags, watches, footwear and other related consumer products. GUESS products are distributed through branded GUESS stores as well as better department and specialty stores around the world.

This license took effect on April 1, 2018 and we began selling GUESS legacy scents in 2018. In 2019 the GUESS brand became the largest within our U.S. operations, with legacy fragrances dominating the sales mix. In the 2019 third quarter, we began shipments of *1981 Los Angeles* and *Seductive Noir,* both flankers of established scents, which accelerated brand growth further.

Nearly two years in the making, our first new blockbuster scent, *Bella Vita*, will debut for the GUESS brand domestically in 2021, followed in the fall by an international rollout. In addition, a new men's grooming and fragrance collection is being readied for a 2021 launch. In its first full year of sales, GUESS has become the fourth largest brand in our portfolio.



Guess *Bella Vita Rosa*

We have a worldwide license to create, produce and distribute new fragrances and fragrance related products under the Hollister brand name. The Company distributes these fragrances internationally in specialty stores, high-end department stores and duty free shops, and in the U.S., in duty free shops as well as select Hollister retail stores. In 2016 we launched a men's and women's scent, *Wave*, for Hollister. In 2017, we introduced a fragrance duo, *Wave 2*, to complement the *Wave* franchise by Hollister. During 2018 we debuted an entirely new fragrance family for Hollister, *Festival Vibes*, as well as *Free Wave*, both for men and women. In 2019, we launched the *Wave limited edition* duo, plus our first *Festival* brand extension, *Festival Nite*. For 2021, we have a duo in the works, *Canyon Escape* for men and women scheduled.

The quintessential retail brand of the global teen consumer, Hollister Co. believes in liberating the spirit of an endless summer inside everyone. At Hollister, summer isn't just a season; it's a state of mind. Hollister creates carefree style designed to make all teens feel celebrated and comfortable in their own skin, so they can live in a summer mindset all year long, whatever the season.

***Hollister** Festival Party*

JIMMY CHOO

In 2009, we entered into an exclusive 12-year worldwide license agreement for the creation, development and distribution of fragrances under the Jimmy Choo brand, and in 2017, we extended the license agreement which now runs through December 31, 2031.

Jimmy Choo encompasses a complete luxury accessories brand. Women's shoes remain the core of the product offering, alongside handbags, small leather goods, scarves, eyewear, belts, fragrance and men's shoes. Management at Jimmy Choo share a vision to create one of the world's most treasured luxury brands. Jimmy Choo has a global store network encompassing more than 150 stores and is present in the most prestigious department and specialty stores worldwide. Jimmy Choo is part of the Capri Holdings Limited luxury fashion group.

Our first fragrance under the Jimmy Choo brand, a women's signature scent, rolled out globally in 2011. In 2013, we launched our second Jimmy Choo line, *Flash*, and in 2014, we debuted *Jimmy Choo Man*, our first men's scent. In 2015, the launch of *Jimmy Choo Illicit*, our third women's fragrance under that label hit the market. In 2017, building on the very strong fragrance family trees of the women's signature scent and *Jimmy Choo Man*, we successfully launched *Jimmy Choo L'Eau for women* and *Jimmy Choo Man Ice*. In 2018 we released another men's flanker, *Jimmy Choo Man Blue*, and the brand's women's signature scent added *Jimmy Choo Fever*. During 2019, we introduced a *Jimmy Choo Floral line*, and an entirely new scent for men, *Jimmy Choo Urban Hero*, launched late in the year. For 2021, we are expanding our product line to include a lipstick and nail polish line, and our new women's fragrance, *I Want Choo* should be ready towards the end of the year with much of the sell-in continuing into 2021.

Jimmy Choo *Urban Hero*

In 2012, we entered into a 20-year worldwide license agreement with Karl Lagerfeld B.V., the internationally renowned haute couture fashion house, to create, produce and distribute fragrances under the Karl Lagerfeld brand.

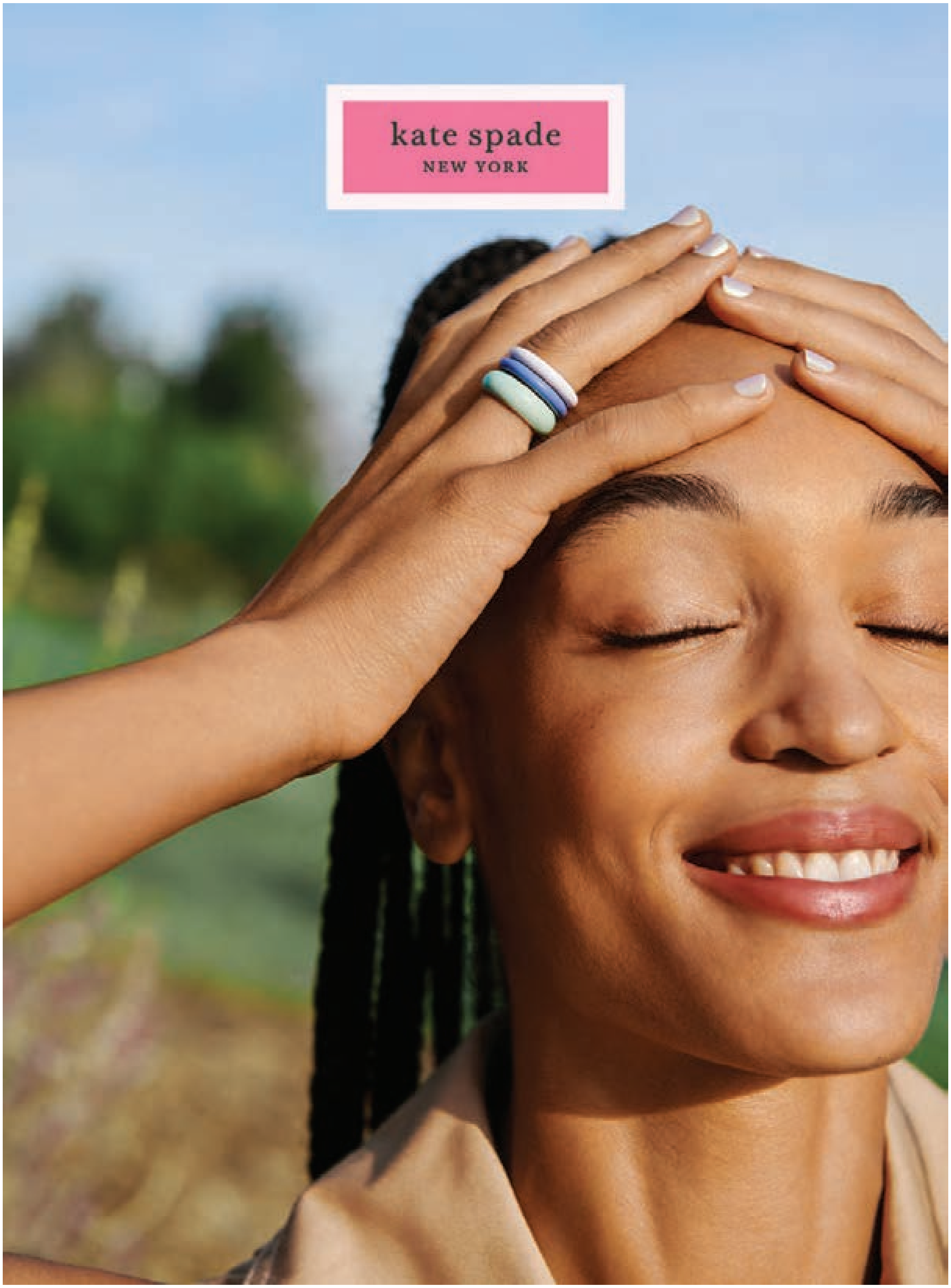
Under the creative direction of the late Karl Lagerfeld, one of the world's most influential and iconic designers, the Lagerfeld Portfolio represents a modern approach to distribution, an innovative digital strategy and a global 360 degree vision that reflects the designer's own style and soul. In 2017, we changed the strategic positioning and instituted new pricing with the launch of a new duo called *Les Parfums Matières*. Building on excellent sales results of the initial scents, in the second half of 2018, we expanded the *Les Parfums Matières* line with another fragrance duo, and in 2019, we added new scents to the brand's expanding multi-scent collection.

Karl Lagerfeld *Les Parfums Matières*

kate spade
NEW YORK

In 2019, we entered into an exclusive, 11-year worldwide license agreement with Kate Spade New York to create, produce and distribute new perfumes and fragrance-related products under the Kate Spade brand. We will distribute these fragrances globally to department and specialty stores and duty-free shops, as well as in Kate Spade New York retail stores beginning with our first new scent in 2021. We also took over distribution of the Kate Spade's existing fragrance portfolio.

Since its launch in 1993 with a collection of six essential handbags, Kate Spade New York has always stood for optimistic femininity. Today, the brand is a global life and style house with handbags, ready-to-wear, jewelry, footwear, gifts, home décor and more. Polished ease, thoughtful details and a modern, sophisticated use of color—Kate Spade New York's founding principles define a unique style synonymous with joy. Under the vision of its creative director, the brand continues to celebrate confident women with a youthful spirit. Kate Spade New York is part of the Tapestry house of brands.



Kate Spade

LANVIN
PARIS

In 2007, we acquired the worldwide rights to the Lanvin brand names and international trademarks listed in Class 3, our class of trade. A synonym of luxury and elegance, the Lanvin fashion house, founded in 1889 by Jeanne Lanvin, expanded into fragrances in the 1920s.

Lanvin fragrances occupy an important position in the selective distribution market in France, Eastern Europe and Asia, and we have several lines currently in distribution, including: *Arpège, Lanvin L'Homme, Éclat d'Arpège, Rumeur 2 Rose, Jeanne Lanvin, Marry Me, Modern Princess* and *A Girl in Capri*. Our *Éclat d'Arpège* line accounts for almost 50% of brand sales. To capitalize on the success of our *Éclat d'Arpège* line, in 2015 we launched *Éclat d'Arpège Homme* as well as *Éclat de Fleurs*. In late 2016, we released a new women's line, *Modern Princess* which rolled out to broader international distribution in 2017. We added two flankers, *Modern Princess Eau Sensuelle* and *Éclat de Nuit* in 2018, and we debuted a new scent called *A Girl in Capri* in 2019.

Lanvin *A Girl in Capri*

In 2019, we entered into an exclusive, 10-year worldwide license agreement with German luxury fashion house MCM for the creation, development and distribution of fragrances under the MCM brand. The agreement has a 4-year automatic renewal option, potentially extending the license until December 31, 2034.

Fusing modern German craftsmanship and the traditional art of French perfumery, Inter Parfums will develop exceptional fragrances for women and men that will celebrate the boldness, attitude and essence of MCM which defined the brand since its birth in Munich. The long-term collaboration will thrive on innovation with a passionate, tailor-made approach built on a mastery of fragrance expertise. Positioned in the prestige fine fragrance arena, MCM fragrances will fuse luxury with an expressive spirit of originality and optimism. Every detail will enhance MCM's identity, transcending perfumery with elegance and excellence.

Our plan is to develop extraordinary fragrances for women and men that capture the creative spirit of MCM, with the first launch targeted for the first quarter of 2021. We expect our distribution strategy to include MCM stores, high-end department stores and prestige beauty retailers, with a geographic focus on Asia, the Americas and Europe.

MCM

In 2010, we entered into an exclusive license agreement to create, develop and distribute fragrances and fragrance related products under the Montblanc brand. In 2015, we extended the agreement which now runs through December 31, 2025.

Montblanc has achieved a world-renowned position in the luxury segment and has become a purveyor of exclusive products, which reflect today's exacting demands for timeless design, tradition and master craftsmanship. Through its leadership positions in writing instruments, watches and leather goods, promising growth outlook in women's jewelry, active presence in more than 70 countries, network of more than 350 boutiques worldwide and high standards of product design and quality, Montblanc has grown to be our largest fragrance brand.

In 2011, we launched our first new Montblanc fragrance, *Legend*, which quickly became our best-selling men's line. In 2012, we launched our first women's fragrance under the Montblanc brand, and our second men's line, *Emblem*, was launched in 2014. The *Emblem* line was expanded in 2015 to include *Montblanc Emblem Intense* and a new women's scent, *Lady Emblem*. In 2016, we further extended our successful *Montblanc Legend* line with another men's scent, *Montblanc Legend Spirit*. For 2017, we continued the rollout of the highly successful launch of *Montblanc Legend Spirit* and launched *Montblanc Legend Night*. In 2019, we unveiled *Montblanc Explorer*, a new men's scent, with distribution in all geographic markets around the globe. For 2021, the Montblanc brand will introduce a new women's scent.

Montblanc *Explorer*

In 2013, we entered into an exclusive worldwide license to create, produce and distribute fragrances and fragrance related products under the Oscar de la Renta brand. In 2019, the agreement was extended through December 31, 2031, with an additional five-year option potentially extending the agreement through December 31, 2036. In 2014, we took over distribution of fragrances within the brand's legacy fragrance portfolio, and our first new women's fragrance under the Oscar de la Renta brand, *Extraordinary*, was launched in 2015. *Oscar de la Renta Bella Blanca*, a new Oscar de la Renta scent, debuted in early 2018, and the *Bella Rosa* flanker was introduced in 2019. In 2020, the *Oscar de la Renta Bella* pillar will add *Bella Essence* to the family tree.

Oscar de la Renta is one of the world's leading luxury goods firms. The New York-based company was established in 1965, and encompasses a full line of women's accessories, bridal, children's wear, fragrance, beauty and home goods, in addition to its internationally renowned signature women's ready to wear collection. Oscar de la Renta products are sold globally in fine department and specialty stores, www.oscardelarenta.com and through wholesale channels. The Oscar de la Renta brand has a loyal following in the United States, Canada and Latin America.

Oscar de la Renta Bella Essence

Paul Smith

In 2017, the Company renewed its license agreement for an additional four years with Paul Smith for the creation, development, and distribution of fragrance products through December 2021, without any material changes in terms and conditions. Our initial 12-year license agreement with Paul Smith was signed in 1998, and had previously been extended through December 31, 2017.

Paul Smith is an internationally renowned British designer who creates fashion with a clear identity. Paul Smith has a modern style which combines elegance, inventiveness and a sense of humor and enjoys a loyal following, especially in the UK and Japan. Fragrances include: *Paul Smith, Paul Smith Extrême, Paul Smith Rose Hello You*, and *Paul Smith Essential*.

Paul Smith London

In 2011, we entered into a 13-year exclusive worldwide license agreement to create, produce and distribute fragrances under the Repetto brand.

Created in 1947 by Rose Repetto at the request of her son, dancer and choreographer Roland Petit, Repetto is today a legendary name in the world of dance. For a number of years, it has developed timeless and must-have collections with a fully modernized signature style ranging from dance shoes, ballet slippers, flat shoes, and sandals to more recently handbags and high-end accessories.

With Repetto boutiques in several countries throughout the world, the brand has branched out into Asia, notably China, Hong Kong, Singapore, Thailand, South Korea and Japan with a mix of cross-generational appeal and French chic. Our first Repetto fragrance line was launched in 2013 and a floral scent was added in 2015. Despite this brand's success with footwear, handbags and high-end accessories, fragrance sales have been modest. Repetto's most recent new scent, *Dance with Repetto*, debuted in 2018.

Repetto *So Repetto*

ROCHAS
PARIS

In 2015, we acquired the Rochas brand from The Procter & Gamble Company. Founded by Marcel Rochas in 1925, the brand began as a fashion house and expanded into perfumery in the 1950s under Hélène Rochas' direction. This transaction included all brand names and registered trademarks for Rochas (*Femme, Madame, Eau de Rochas*, etc.), mainly for fragrance, cosmetics and fashion.

This acquisition opened a new page in the Company's history by integrating for the first time both fragrances and fashion, allowing us to apply a global approach to managing a fragrance brand with complete freedom in terms of creativity and aesthetic choices. At the same time, we enjoy a very high degree of visibility establishing a position of even greater preeminence for Rochas in the luxury goods universe. Rochas brand sales currently include approximately $2.2 million of royalties generated by the fashion and accessory business via its portfolio of license agreements. Our first new fragrance for Rochas, *Mademoiselle Rochas*, had a successful launch that began in the first quarter of 2017 in its traditional markets of France and Spain. In 2018, we debuted flankers for *Eau de Rochas* and *Mademoiselle Rochas* and in late 2018, we launched our first new men's line, *Rochas Moustache*. In 2019, a seasonal limited edition called *Escapade Exotique* came to market, as well as the debut of *Mademoiselle Rochas Couture*. A new men's line, *L'Homme Rochas* and a new women's line, *Byzance*, debuted in early 2020.

Rochas *Byzance*

In 1997, we signed an exclusive worldwide license agreement with S.T. Dupont for the creation, manufacture and distribution of S.T. Dupont fragrances. The license agreement had been renewed several times and is now renewed annually, without any material changes in terms and conditions. S.T. Dupont is a French luxury goods house founded in 1872, which is known for its fine writing instruments, lighters and leather goods. S.T. Dupont fragrances include: *S.T. Dupont Classic*, *S.T. Dupont Essence Pure*, *S.T. Dupont Collection* and *Be Exceptional*.

***S.T. Dupont** Golden Wood*

Van Cleef & Arpels

In 2018, the Company renewed its license agreement for an additional six years with Van Cleef & Arpels for the creation, development, and distribution of fragrance products through December 2024. Our initial 12-year license agreement with Van Cleef & Arpels was signed in 2006.

Van Cleef & Arpels fragrances in current distribution include: *First* and *Collection Extraordinaire*. Sales of the *Collection Extraordinaire* line have experienced continued growth since its debut. We continue to introduce new additions to the Van Cleef & Arpels *Collection Extraordinaire* assortment annually.

Van Cleef & Arpels *Collection Extraordinaire, Santal Blanc*

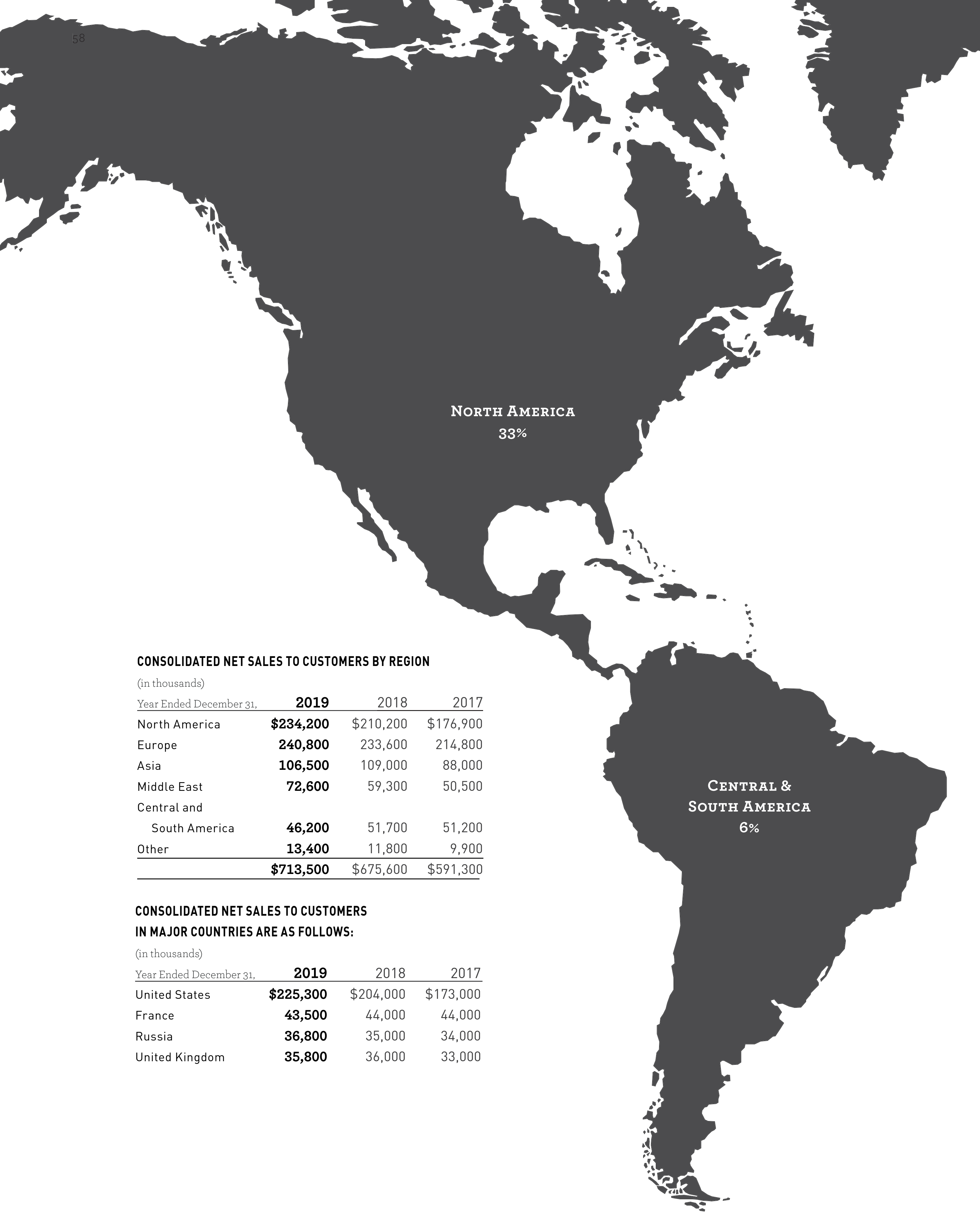
Abercrombie & Fitch *First Instinct Together*

QUARTERLY DATA: (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2019

(In thousands, except per share data)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Net Sales	**$178,242**	**$166,242**	**$191,227**	**$177,803**	**$713,514**
Gross Margin	**109,841**	**106,974**	**114,437**	**114,684**	**445,936**
Net Income	**24,978**	**15,600**	**26,658**	**8,834**	**76,070**
Net Income Attributable to					
Inter Parfums, Inc.	**18,894**	**12,318**	**20,848**	**8,189**	**60,249**
Net Income Attributable to					
Inter Parfums, Inc. per Share:					
Basic	**$0.60**	**$0.39**	**$0.66**	**$0.26**	**$1.92**
Diluted	**$0.60**	**$0.39**	**$0.66**	**$0.26**	**$1.90**
Weighted Average Common Shares					
Outstanding:					
Basic	**31,431**	**31,449**	**31,452**	**31,473**	**31,451**
Diluted	**31,679**	**31,687**	**31,676**	**31,713**	**31,689**

QUARTERLY DATA: (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2018

(In thousands, except per share data)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Net Sales	$171,767	$149,367	$177,213	$177,227	$675,574
Gross Margin	105,629	95,654	109,147	117,132	427,562
Net Income	21,862	14,259	24,426	9,168	69,715
Net Income Attributable to					
Inter Parfums, Inc.	15,909	10,899	18,938	8,047	53,793
Net Income Attributable to					
Inter Parfums, Inc. per Share:					
Basic	$0.51	$0.35	$0.60	$0.26	$1.72
Diluted	$0.51	$0.35	$0.60	$0.26	$1.71
Weighted Average Common Shares					
Outstanding:					
Basic	31,267	31,299	31,326	31,340	31,308
Diluted	31,429	31,490	31,587	31,584	31,522



CONSOLIDATED NET SALES TO CUSTOMERS BY REGION

(in thousands)

Year Ended December 31,	2019	2018	2017
North America	**$234,200**	$210,200	$176,900
Europe	**240,800**	233,600	214,800
Asia	**106,500**	109,000	88,000
Middle East	**72,600**	59,300	50,500
Central and South America	**46,200**	51,700	51,200
Other	**13,400**	11,800	9,900
	$713,500	$675,600	$591,300

CONSOLIDATED NET SALES TO CUSTOMERS IN MAJOR COUNTRIES ARE AS FOLLOWS:

(in thousands)

Year Ended December 31,	2019	2018	2017
United States	**$225,300**	$204,000	$173,000
France	**43,500**	44,000	44,000
Russia	**36,800**	35,000	34,000
United Kingdom	**35,800**	36,000	33,000


Europe
34%
Middle East
10%
Asia
15%

The Organization

All Corporate Functions:

Including product analysis and development, production and sales, and finance are coordinated at the Company's corporate headquarters in New York and at the corporate offices of Interparfums SA in Paris. Each company is organized into two operational units that report directly to general management, and European operations ultimately report to Mr. Benacin and United States operations ultimately report to Mr. Madar.

Finance, Investor Relations And Administration:

Russell Greenberg in the United States and Philippe Santi in France:

- Financial policy and communication, investor relations;
- Financial accounting, cost accounting, budgeting and cash flow management;
- Disclosure requirements of the Securities and Exchange Commission and Commission des Operations de Bourse;
- Labor relations, tax and legal matters and management information systems.

Operations:

Brian Gibbons in the United States and Axel Marot in France:

- Product development;
- Logistics and transportation;
- Purchasing and industrial relations;
- Quality control and inventory cost supervision.

Export Sales:

Herve Bouillonnec in the United States and Frédéric Garcia-Pelayo in France:

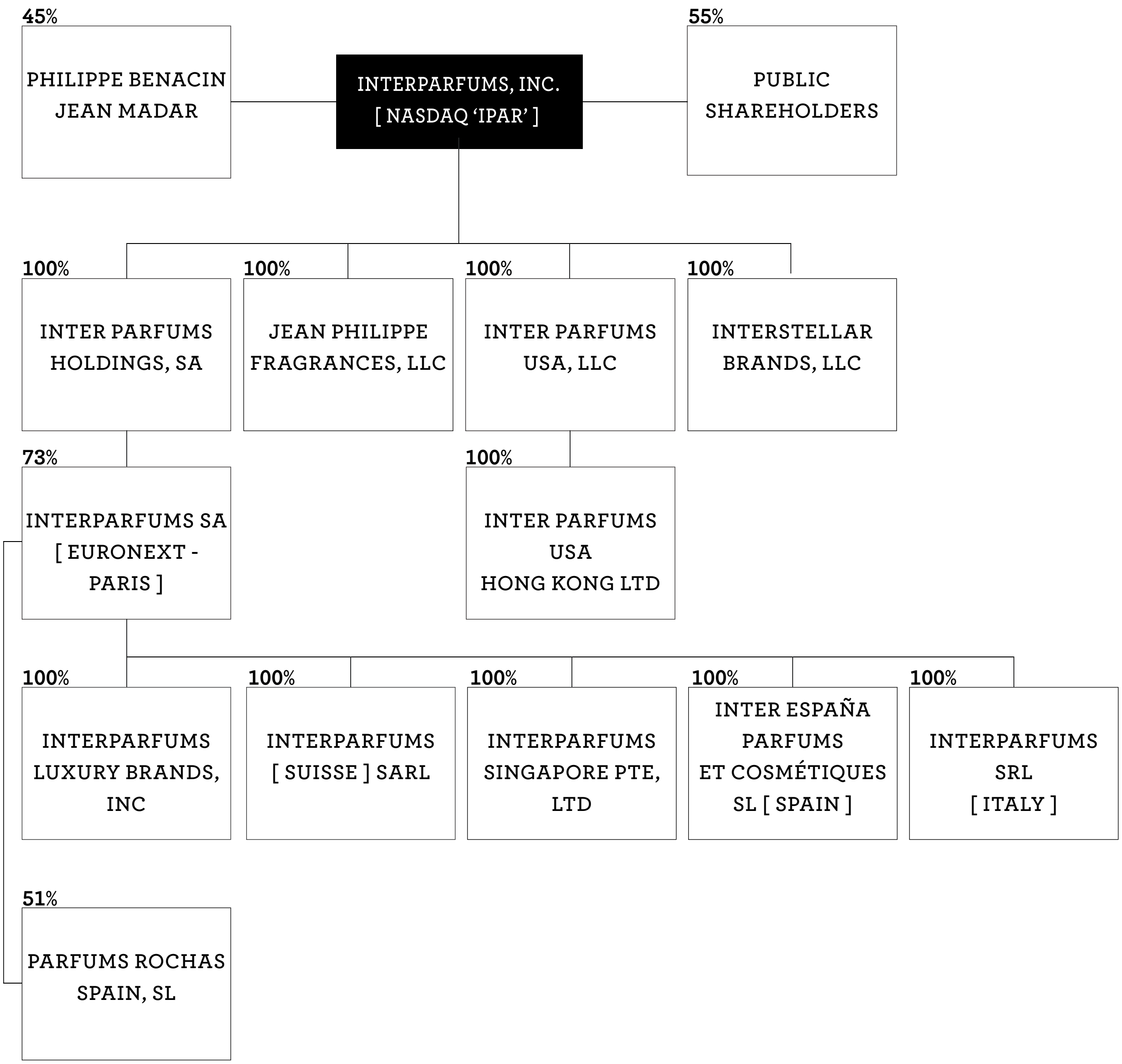
- International development strategy;
- Establishment of distributor networks and negotiation of contracts;
- Monitoring of profit margins and advertising expenditures.

Domestic (Home Country) Sales:

Jean-Claude Sanchez in the United States and Jérôme Thermoz in France:

- Establish and apply domestic sales strategy and distribution policy;
- Sales team management and development;
- Monitoring of profit margins and advertising expenditures.

SIMPLIFIED CHART OF THE ORGANIZATION



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Management's Discussion And Analysis Of Financial Condition And Results Of Operations

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

We operate in the fragrance business, and manufacture, market and distribute a wide array of fragrances and fragrance related products. We manage our business in two segments, European based operations and United States based operations. Certain prestige fragrance products are produced and marketed by our European operations through our 73% owned subsidiary in Paris, Interparfums SA, which is also a publicly traded company as 27% of Interparfums SA shares trade on the NYSE Euronext.

We produce and distribute our European based fragrance products primarily under license agreements with brand owners, and European based fragrance product sales represented approximately 76%, 80% and 81% of net sales for 2019, 2018 and 2017, respectively. We have built a portfolio of prestige brands, which include *Boucheron, Coach, Jimmy Choo, Karl Lagerfeld, Kate Spade New York, Lanvin, Montblanc, Paul Smith, Repetto, Rochas, S.T. Dupont* and *Van Cleef & Arpels*, whose products are distributed in over 120 countries around the world.

Through our United States operations, we also market fragrance and fragrance related products. United States operations represented 24%, 20% and 19% of net sales in 2019, 2018 and 2017, respectively. These fragrance products are sold or to be sold primarily pursuant to license or other agreements with the owners of the *Abercrombie & Fitch, Anna Sui, bebe, Dunhill, French Connection, Graff, GUESS, Hollister, MCM* and *Oscar de la Renta* brands.

With respect to the Company's largest brands, we own the *Lanvin* brand name for our class of trade, and license the *Montblanc, Jimmy Choo, Coach* and *GUESS* brand names. As a percentage of net sales, product sales for the Company's largest brands were as follows:

Years ended December 31,	**2019**	2018	2017
Montblanc	**22%**	19%	21%
Jimmy Choo	**16%**	17%	18%
Coach	**14%**	15%	10%
GUESS (license commenced April 1, 2018)	**10%**	n/a	n/a
Lanvin	**8%**	10%	11%

Quarterly sales fluctuations are influenced by the timing of new product launches as well as the third and fourth quarter holiday season. In certain markets where we sell directly to retailers, seasonality is more evident. We sell directly to retailers in France as well as through our own distribution subsidiaries in Italy, Spain and the United States.

We grow our business in two distinct ways. First, we grow by adding new brands to our portfolio, either through new licenses or other arrangements or out-right acquisitions of brands. Second, we grow through the introduction of new products and by supporting new and established products through advertising, merchandising and sampling as well as by phasing out underperforming products so we can devote greater resources to those products with greater potential. The economics of developing, producing, launching and supporting products influence our sales and operating performance each year. Our introduction of new products may have some cannibalizing effect on sales of existing products, which we take into account in our business planning.

Our business is not capital intensive, and it is important to note that we do not own manufacturing facilities. We act as a general contractor and source our needed components from our suppliers. These components are received at one of our distribution centers and then, based upon production needs, the components are sent to one of several third party fillers, which manufacture the finished product for us and then deliver them to one of our distribution centers.

As with any global business, many aspects of our operations are subject to influences outside our control. We believe we have a strong brand portfolio with global reach and potential. As part of our strategy, we plan to continue to make investments behind fast-growing markets and channels to grow market share.

Our reported net sales are impacted by changes in foreign currency exchange rates. A strong U.S. dollar has a negative impact on our net sales. However, earnings are positively affected by a strong dollar, because over 45% of net sales of our European operations are denominated in U.S. dollars, while almost all costs of our European operations are incurred in euro. Conversely, a weak U.S. dollar has a favorable impact on our net sales while gross margins are negatively affected. We address certain financial exposures through a controlled program of risk management that includes the use of derivative financial instruments, and primarily enter into foreign currency forward exchange contracts to reduce the effects of fluctuating foreign currency exchange rates. We are also carefully monitoring currency trends in the United Kingdom as a result of the volatility created from the United Kingdom's exit from the European Union. We have evaluated our pricing models and we do not expect any significant pricing changes. However, if the devaluation of the British Pound worsens, it may affect future gross profit margins from sales in the territory.

RECENT IMPORTANT EVENTS

Abercrombie & Fitch and Hollister

In November 2019, we extended our license for both the Abercrombie & Fitch and Hollister brands until December 31, 2022, and added automatic renewals unless terminated on 3 years' notice.

MCM

In September 2019, we entered into an exclusive, 10-year worldwide license agreement with German luxury fashion house MCM for the creation, development and distribution of fragrances under the MCM brand. Our rights under such license are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry.

Oscar de la Renta

In September 2019, we extended our license through December 31, 2031, and added an additional five-year extension option through December 31, 2036. The original license agreement, signed in October 2013, would have expired on December 31, 2025.

Kate Spade New York

In June 2019, we entered into an exclusive 11-year worldwide license agreement with Kate Spade New York for the creation, development and distribution of fragrances under the Kate Spade brand. Our rights under such license are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry.

DISCUSSION OF CRITICAL ACCOUNTING POLICIES

We make estimates and assumptions in the preparation of our financial statements in conformity with accounting principles generally accepted in the United States of America. Actual results could differ significantly from those estimates under different assumptions and conditions. We believe the following discussion addresses our most critical accounting policies, which are those that are most important to the portrayal of our financial condition and results of operations. These accounting policies generally require our management's most difficult and subjective judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Management of the Company has discussed the selection of significant accounting policies and the effect of estimates with the Audit Committee of the Board of Directors.

Sales Returns

Generally, we do not permit customers to return their unsold products. However, for U.S. based customers, we allow returns if properly requested, authorized and approved. We regularly review and revise, as deemed necessary, our estimate of reserves for future sales returns based primarily upon historic trends and relevant current data, including information provided by retailers regarding their inventory levels. In addition, as necessary, specific accruals may be established for significant future known or anticipated events. The types of known or anticipated events that we consider include, but are not limited to, the financial condition of our customers, store closings by retailers, changes in the retail environment and our decision to continue to support new and existing products. We record our estimate of potential sales returns as a reduction of sales and cost of sales with corresponding entries to accrued expenses, to record the refund liability, and inventory, for the right to recover goods from the customer. Returned products are valued based upon their estimated realizable value. The physical condition and marketability of returned products are the major factors we consider in estimating realizable value. Actual returns, as well as estimated realizable values of returned products, may differ significantly, either favorably or unfavorably, from our estimates, if factors such as economic conditions, inventory levels or competitive conditions differ from our expectations.

Long-Lived Assets

We evaluate indefinite-lived intangible assets for impairment at least annually during the fourth quarter, or more frequently when events occur or circumstances change, such as an unexpected decline in sales, that would more likely than not indicate that the carrying value of an indefinite-lived intangible asset may not be recoverable. When testing indefinite-lived intangible assets for impairment, the evaluation requires a comparison of the estimated fair value of the asset to the carrying value of the asset. The fair values used in our evaluations are estimated based upon discounted future cash flow projections using a weighted average cost of capital of 7.94%. The cash flow projections are based upon a number of assumptions, including, future sales levels and future cost of goods and operating expense levels, as well as economic conditions, changes to our business model or changes in consumer acceptance of our products which are more subjective in nature. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, an impairment charge is recorded.

We believe that the assumptions we have made in projecting future cash flows for the evaluations described above are reasonable. However, if future actual results do not meet our expectations, we may be required to record an impairment charge, the amount of which could be material to our results of operations.

At December 31, 2019 indefinite-lived intangible assets aggregated $121.0 million. The following table presents the impact a change in the following significant assumptions would have had on the calculated fair value in 2019 assuming all other assumptions remained constant:

Increase (decrease) $ in millions	Change	to fair value
Weighted average cost of capital	**+10%**	**$(14.9)**
Weighted average cost of capital	**−10%**	**$15.0**
Future sales levels	**+10%**	**$13.3**
Future sales levels	**−10%**	**$(13.3)**

Intangible assets subject to amortization are evaluated for impairment testing whenever events or changes in circumstances indicate that the carrying amount of an amortizable intangible asset may not be recoverable. If impairment indicators exist for an amortizable intangible asset, the undiscounted future cash flows associated with the expected service potential of the asset are compared to the carrying value of the asset. If our projection of undiscounted future cash flows is in excess of the carrying value of the intangible asset, no impairment charge is recorded. If our projection of undiscounted future cash flows is less than the carrying value of the intangible asset, an impairment charge would be recorded to reduce the intangible asset to its fair value. The cash flow projections are based upon a number of assumptions, including future sales levels and future cost of goods and operating expense levels, as well as economic conditions, changes to our business model or changes in consumer acceptance of our products which are more subjective in nature. In those cases where we determine that the useful life of long-lived assets should be shortened, we would amortize the net book value in excess of the salvage value (after testing for impairment as described above), over the revised remaining useful life of such asset thereby increasing amortization expense. We believe that the assumptions we have made in projecting future cash flows for the evaluations described above are reasonable.

In determining the useful life of our Lanvin brand names and trademarks, we applied the provisions of ASC topic 350-30-35-3. The only factor that prevented us from determining that the Lanvin brand names and trademarks were indefinite life intangible assets was Item c. "Any legal, regulatory, or contractual provisions that may limit the useful life." The existence of a repurchase option in 2025 may limit the useful life of the Lanvin brand names and trademarks to the Company. However, this limitation would only take effect if the repurchase option were to be exercised and the repurchase price was paid. If the repurchase option is not exercised, then the Lanvin brand names and trademarks are expected to continue to contribute directly to the future cash flows of our Company and their useful life would be considered to be indefinite.

With respect to the application of ASC topic 350-30-35-8, the Lanvin brand names and trademarks would only have a finite life to our Company if the repurchase option were exercised, and in applying ASC topic 350-30-35-8, we assumed that the repurchase option is exercised. When exercised, Lanvin has an obligation to pay the exercise price and the Company would be required to convey the Lanvin brand names and trademarks back to Lanvin. The exercise price to be received (Residual Value) is well in excess of the carrying value of the Lanvin brand names and trademarks, therefore no amortization is required.

Quantitative Analysis

During the three-year period ended December 31, 2019, we have not made any material changes in our assumptions underlying these critical accounting policies or to the related significant estimates. The results of our business underlying these assumptions have not differed significantly from our expectations.

While we believe the estimates we have made are proper and the related results of operations for the period are presented fairly in all material respects, other assumptions could reasonably be justified that would change the amount of reported net sales, cost of sales, and selling, general and administrative expenses as they relate to the provisions for anticipated sales returns, allowance for doubtful accounts and inventory obsolescence reserves. For 2019, had these estimates been changed simultaneously by 5% in either direction, our reported gross profit would have increased or decreased by approximately $0.5 million and selling, general and administrative expenses would have changed by approximately $0.1 million. The collective impact of these changes on 2019 operating income, net income attributable to Inter Parfums, Inc., and net income attributable to Inter Parfums, Inc. per diluted share would be an increase or decrease of approximately $0.5 million, $0.2 million and $0.01, respectively.

RESULTS OF OPERATIONS

Net Sales

(in millions)

Years Ended December 31,	**2019**	**% Change**	2018	% Change	2017
European-based product sales	**$542.1**	**1%**	$537.6	13%	$476.5
United States-based product sales	**171.4**	**24%**	138.0	20%	114.8
Total net sales	**$713.5**	**6%**	$675.6	14%	$591.3

Net sales increased 6% in 2019 to $713.5 million, as compared to $675.6 million in 2018. At comparable foreign currency exchange rates, net sales increased 8%. Net sales increased 14% in 2018 to $675.6 million, as compared to $591.3 million in 2017. At comparable foreign currency exchange rates, net sales increased 13%. The average U.S. dollar/euro exchange rates were 1.12 in 2019 and 1.18 in 2018 and 1.13 in 2017.

European based product sales increased 1% in 2019 to $542.1 million, as compared to $537.6 million in 2018. At comparable foreign currency exchange rates, European based product sales increased 4% in 2019. European based product sales increased 13% in 2018 to $537.6 million, as compared to $476.5 million in 2017. At comparable foreign currency exchange rates, European based product sales increased 11% in 2018.

European based product sales came in as expected in 2019 despite fighting a stronger dollar throughout the year. Our largest brand, Montblanc, grew full year sales by 23% with the excellent performance of the new Montblanc Explorer scent as well as the continued strength of the brand's Legend fragrance family. In constant dollars, Jimmy Choo brand sales were up slightly. However, due to the strengthening of the dollar brand sales for our second largest brand were down nominally in actual dollars. Coach brand sales were also down slightly in 2019 in actual dollars but ahead of 2018 in constant dollars. Of note, Coach brand sales in 2018 were 73.3% ahead of the prior year. Two of our mid-sized brands, Karl Lagerfeld and Van Cleef & Arpels, achieved year-over-year sales growth of 5.0% and 6.8%, respectively.

European based product sales in 2018 were stronger than our original expectations even though no new fragrance families were launched that year. Top line growth was primarily attributed to established scents and brand extensions for our largest brands. Coach brand sales accounted for much of the 2018 upside surprise with brand sales increasing 73.3% in 2018 to $99.7 million, as compared to $57.5 million in 2017, making it our portfolio's third largest brand. The other largest brands in our European operations portfolio performed as expected with Montblanc, Jimmy Choo and Lanvin, achieving year-over-year sales growth of 1%, 8%, and 7%, respectively.

United States based product sales increased 24% in 2019 to $171.4 million, as compared to $138.0 million in 2018. GUESS brand fragrances had an extraordinary year due to the addition of two brand extensions, 1981 Los Angeles and Seductive Noir, the continued popularity of legacy scents, and the success of our international distribution and marketing programs. Also contributing to the top line growth by U.S. operations were Abercrombie & Fitch and Hollister, both of which achieved significant sales growth spurred by the launch of the Authentic fragrance duo for Abercrombie & Fitch, and brand extensions for the Wave and Festival fragrance families for Hollister. Oscar de la Renta fragrance sales rose slightly, supported by legacy scents and our growing *Bella* fragrance family.

United States based product sales increased 20% in 2018 to $138.0 million, as compared to $114.8 million in 2017. The inclusion of legacy GUESS fragrances, which began in the second quarter of 2018, was a major contributor to the increase in net sales. Also factoring into the 2018 increase was the successful launch of brand extensions for Abercrombie & Fitch and Hollister. With the popularity of Anna Sui fragrances throughout Asia, we enjoyed dramatic increases in Anna Sui brand sales in that region in 2018.

We maintain confidence in our future as we continue to strengthen advertising and promotional investments supporting all portfolio brands, accelerate brand development and build upon the strength of our worldwide distribution network. We have a more robust launch schedule in 2020 on both sides of the Atlantic. For U.S. operations, the most important launch will be our first blockbuster scent for women under the GUESS brand unveiling this spring, domestically, followed in the fall by an international rollout. A new fragrance duo for Hollister, *Canyon Escape*, is scheduled for a spring launch. We look to *Sky* by Anna Sui to reinvigorate brand sales when it debuts in the fall of 2020. Our first fragrance collection under the Graff label debuts in Harrod's for a six-month exclusive starting in the spring, followed by select international luxury distribution. For European operations, our new Coach scent for women, *Coach Dreams*, came to market this winter. We have new women's scents for the Montblanc brand debuting in the spring, and for *Kate Spade New York* our first scent is coming to market this summer. For Jimmy Choo our new women's fragrance launch should be close to year-end, with much of the sell-in continuing into 2021. In addition, as always, we will strengthen fragrance families with brand extensions as well as limited edition and holiday programs throughout the year.

Lastly, we hope to benefit from our strong financial position to potentially acquire one or more brands, either on a proprietary basis or as a licensee. However, we cannot assure you that any new license or acquisition agreements will be consummated.

Net Sales to Customers by Region

(in millions)

Years ended December 31,	**2019**	2018	2017
North America	**$234.2**	$210.1	$176.9
Western Europe	**185.5**	180.9	165.4
Asia	**106.3**	109.0	88.0
Middle East	**72.6**	59.3	50.5
Eastern Europe	**55.3**	52.8	49.4
Central & South America	**46.2**	51.7	51.2
Other	**13.4**	11.8	9.9
	$713.5	$675.6	$591.3

Virtually all regions registered growth for the year ended December 31, 2019, as compared to 2018 with Central and South America being the only decline. Even Asia, which appears to be down slightly in 2019, is actually up in constant dollars. The strongest gains were achieved by the Middle East, North America and Eastern Europe, which increased sales by 22%, 11% and 5%, respectively. For the year ended December 31, 2018, as compared to 2017, the strongest gains were achieved by Asia, North America and the Middle East, which increased sales by 24%, 19% and 17%, respectively.

Gross Margins

(in millions)

Years ended December 31,	**2019**	2018	2017
Net sales	**$713.5**	$675.6	$591.3
Cost of sales	**267.6**	248.0	215.0
Gross margin	**$445.9**	$427.6	$376.3
Gross margin as a percent of net sales	**62.5%**	63.3%	63.6%

As a percentage of net sales, gross profit margin was 62.5%, 63.3%, and 63.6% in 2019, 2018 and 2017, respectively. For European based operations, gross profit margin as a percentage of net sales was 65.7%, 66.3% and 67.1% in 2019, 2018 and 2017, respectively. We carefully monitor movements in foreign currency exchange rates as over 45% of our European based operations net sales is denominated in U.S. dollars, while most of our costs are incurred in euro. From a margin standpoint, a strong U.S. dollar has a positive effect on our gross margin while a weak U.S. dollar has a negative effect. The average dollar/euro exchange rate was 1.12 in 2019, as compared to 1.18 in 2018. The stronger dollar in 2019 resulted in a benefit to our gross margin in 2019, however, our new Montblanc Explorer product line has a greater than typical cost of sales, which more than offset the benefit of the stronger dollar.

The small fluctuation in gross margin as a percentage of sales for our European operations in 2018, as compared to 2017, is primarily the effect of exchange rate changes as the average dollar/euro exchange rate was 1.18 in 2018, as compared to 1.13 in 2017.

For United States operations, gross profit margin was 52.5%, 51.4% and 49.3% in 2019, 2018 and 2017, respectively. Sales growth for our United States operations has primarily come from increased sales of higher margin prestige products under licenses.

Costs relating to purchase with purchase and gift with purchase promotions are reflected in cost of sales, and aggregated $38.9 million, $36.4 million and $33.8 million in 2019, 2018 and 2017, respectively, and represented 5.5%, 5.4% and 5.7% of net sales, respectively.

Generally, we do not bill customers for shipping and handling costs and such costs, which aggregated $7.7 million, $7.1 million and $5.9 million in 2019, 2018 and 2017, respectively, are included in selling, general and administrative expenses in the consolidated statements of income. As such, our Company's gross margins may not be comparable to other companies, which may include these expenses as a component of cost of goods sold.

Selling, General & Administrative Expenses

(in millions)

Years ended December 31,	**2019**	2018	2017
Selling, general & administrative expenses	**$341.2**	$332.8	$295.5
Selling, general & administrative expenses as a percent of net sales	**47.8%**	49.3%	50.0%

Although selling, general and administrative expenses increased 2.5% in 2019 as compared to 2018 and increased 12.6% in 2018 as compared to 2017, as a percentage of sales, selling, general and administrative expenses exhibited a steady decrease, and were 47.8%, 49.3% and 50.0% in 2019, 2018 and 2017, respectively. For European operations, selling, general and administrative expenses declined 1.0% in 2019 and increased 10.5% in 2018, as compared to the corresponding prior year period and represented 50.8%, 51.7% and 52.8% of sales in 2019, 2018 and 2017, respectively. As discussed in more detail below, the fluctuations which are in line with the fluctuations in sales for European operations, are primarily from variations in promotion and advertising expenditures.

For United States operations, selling, general and administrative expenses increased 20.2% in 2019 and 25.0% in 2018, as compared to the corresponding prior year period and represented 38.5%, 39.8% and 38.2% of sales in 2019, 2018 and 2017, respectively. The increase, which is also in line with the increase in sales, is the result of royalties and promotional and advertising expenses required under our license agreements.

Promotion and advertising included in selling, general and administrative expenses aggregated $144.6 million, $139.7 million and $123.7 million in 2019, 2018 and 2017, respectively. Promotion and advertising as a percentage of sales represented 20.3%, 20.7% and 20.9% of net sales in 2019, 2018 and 2017, respectively. We continue to invest heavily in promotional spending to support new product launches and to build brand awareness. We anticipated that on a full year basis, promotion and advertising expenditure would aggregate approximately 21% of 2019 net sales, which was in line with prior year's annual promotion and advertising expenditures as a percentage of sales. The slight decline in promotion and advertising expense as a percentage of sales in 2019 is the result of minor fluctuations in launch schedules.

Royalty expense included in selling, general and administrative expenses aggregated $53.0 million, $48.9 million and $39.6 million in 2019, 2018 and 2017, respectively. Royalty expense as a percentage of sales represented 7.4%, 7.2% and 6.7% of net sales in 2019, 2018 and 2017, respectively. The increase in 2019 and 2018, as a percentage of sales, is directly related to new licenses and increased royalty based product sales.

Service fees, which are fees paid within our European operations to third parties relating to the activities of our distribution subsidiaries, aggregated $7.5 million, $9.7 million and $11.7 million in 2019, 2018 and 2017, respectively. The 2019 and 2018 decrease is primarily the result of the discontinuation of certain European distribution subsidiaries, and a return to a third party distribution model in those territories.

Impairment Loss

The Company reviews intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Product sales of some of our mass market product lines have been declining for many years. In 2017, the Company set in motion a plan to discontinue several of these product lines over the next few years. As a result, the Company recorded an impairment loss of $2.1 million in 2017.

Income from Operations

As a result of the above analysis regarding net sales, gross profit margins, selling, general and administrative expenses and impairment loss, income from operations increased 10.6% to $104.7 million in 2019 as compared to $94.7 million in 2018, which was an increase of 20.5% from $78.6 million in 2017. Operating margins aggregated 14.7%, 14.0% and 13.3% for the years ended December 31, 2019, 2018 and 2017, respectively. In summary, small fluctuations in gross margin were mitigated by small fluctuations in selling, general and administrative expenses, primarily promotion and advertising expenditures. Overall the Company has been able to increase sales with a steady increase in its operating margin.

Other Income and Expenses

Interest expense aggregated $2.1 million, $2.6 million and $2.0 million in 2019, 2018 and 2017, respectively. Interest expense is primarily related to the financing of brand and licensing acquisitions. We use the credit lines available to us, as needed, to finance our working capital needs as well as our financing needs for acquisitions. Long-term debt including current maturities aggregated $23.1 million, $46.1 million and $60.6 million as of December 31, 2019, 2018 and 2017, respectively.

Foreign currency losses aggregated $1.1 million, $0.3 million and $1.5 million in 2019, 2018 and 2017, respectively. We typically enter into foreign currency forward exchange contracts to manage exposure related to receivables from unaffiliated third parties denominated in a foreign currency and occasionally to manage risks related to future sales expected to be denominated in a foreign currency. Over 45% of 2019 net sales of our European operations were denominated in U.S. dollars.

Interest and dividend income aggregated $3.7 million, $4.0 million and $3.0 million in 2019, 2018 and 2017, respectively. Cash and cash equivalents and short-term investments are primarily invested in certificates of deposit with varying maturities.

Income Taxes

In December 2017, the U.S. government passed the Tax Cuts and Jobs Act ("the Tax Act"). The Tax Act made broad and complex changes to the U.S. tax code, including, but not limited to reducing the U.S. federal corporate tax rate from 35% to 21% beginning in 2018, and requiring companies to pay a one-time transition tax on certain unremitted earnings of foreign subsidiaries.

The Tax Act also established new tax laws that took effect in 2018, including, but not limited to: (i) the reduction of the U.S. federal corporate tax rate discussed above; (ii) a general elimination of U.S. federal income taxes on dividends from foreign subsidiaries; (iii) a provision designed to tax global intangible low-taxed income ("GILTI"); and (iv) a provision that allows a domestic corporation an immediate deduction for a portion of its foreign derived intangible income ("FDII").

The Securities and Exchange Commission staff issued Staff Accounting Bulletin ("SAB") 118, which provides a measurement period that was not to extend beyond one year from the Tax Act enactment date for companies to complete the related accounting under ASC 740, Accounting for Income Taxes. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for a certain income tax effect of the Tax Act was incomplete, but it was able to determine a reasonable estimate, it was required to record a provisional estimate in the financial statements.

In connection with its initial analysis of the impact of the Tax Act, the Company recorded a tax expense of $1.1 million for the year ended December 31, 2017. This estimate consists of no expense for the one-time transition tax, and an expense of $1.1 million related to revaluation of deferred tax assets and liabilities caused by the lower corporate tax rate. There were no material differences between the Company's 2017 estimates and the final calculated amounts.

The Company has estimated of the effect of GILTI and has determined that it has no tax liability related to GILTI as of December 31, 2019 and 2018.

The Tax Act also contains a provision that allows a domestic corporation an immediate deduction for a portion of its foreign derived intangible income ("FDII"). The Company estimated the effect of FDII and recorded a tax benefit of $0.9 million and $0.6 million as of December 31, 2019 and 2018, respectively.

Our effective income tax rate was 27.7%, 27.3% and 29.2% in 2019, 2018 and 2017, respectively. The French government had introduced a 3% tax on dividends or deemed dividends for entities subject to French corporate income tax in 2012. In 2017, the French Constitutional Court released a decision declaring that the 3% tax on dividends or deemed dividends is unconstitutional. As a result of that decision, the Company filed a claim for refund of approximately $3.9 million for these taxes paid since 2015 including accrued interest of approximately $0.4 million. The Company recorded the refund claim as of December 31, 2017 and received the entire refund in 2018.

Excluding the 2017 adjustment to deferred tax benefit as a result of the Tax Act and the 2017 claim for refund, our effective tax rate for 2017 was 32.4%.

The French authorities are considering that the existence of IP Suisse, a wholly-owned subsidiary of Interparfums SA, does not, in and of itself, constitute a permanent establishment and therefore Interparfums, SA should pay French taxes on all or part of the profits of that entity. The French Tax Authority recently notified the Company that IP Suisse will be the subject of a tax audit covering the period January 1, 2010 through December 31, 2018. No claim or assessment for any taxes or penalties has been made at this time. The Company disagrees and is prepared to vigorously defend its position. Consequently, no provision has been made in the accompanying financial statements as we believe it is more likely than not that our position will be sustained based on its technical merits. Although we believe that we have sufficient arguments to support our position, there exists a risk that the French authorities may prevail. The Company's exposure in connection with this matter is approximately $5.8 million, net of recover taxes already paid to the Swiss authorities, and excluding interest.

Lastly, pursuant to an action plan released by the French Prime Minister, the French corporate income tax rate is expected to be cut from approximately 33% to 25% over a three-year period which began in 2020. Other than as discussed above, we did not experience any significant changes in tax rates, and none were expected in jurisdictions where we operate.

Net Income and Earnings per Share

(In thousands, except share and per share data)

Years ended December, 31	**2019**	2018	2017
Net income attributable to European operations	**$56,343**	$56,469	$48,236
Net income attributable to United States operations	**19,727**	13,246	7,017
Net income	**76,070**	69,715	55,253
Less: Net income attributable to the noncontolling interest	**15,821**	15,922	13,659
Net income attributable to Inter Parfums, Inc.	**$60,249**	$53,793	$41,594
Net income attributable to Inter Parfums, Inc. common shareholders:			
Basic	**$1.92**	$1.72	$1.33
Diluted	**1.90**	1.71	1.33
Weighted average number of shares outstanding:			
Basic	**31,451,093**	31,307,991	31,172,285
Diluted	**31,688,700**	31,522,371	31,305,101

Net income has continued to increase over the past three years, and aggregated $76.1 million, $69.7 million and $55.3 million in 2019, 2018 and 2017, respectively. Net income attributable to European operations was $56.3 million, $56.5 million and $48.2 million in 2019, 2018 and 2017, respectively, while net income attributable to United States operations was $19.7 million, $13.2 million and $7.0 million in 2019, 2018 and 2017, respectively. The fluctuations in net income for European operations are directly related to the previous discussions relating to changes in sales, gross profit margins, selling, general and administrative expenses and the French tax refund.

For United States operations the significant fluctuations in net income are also directly related to the previous discussions relating to changes in sales, gross profit margins and selling, general and administrative expenses. In addition, results for 2017 include the effect of the $2.1 million impairment loss.

The noncontrolling interest arises primarily from our 73% owned subsidiary in Paris, Interparfums SA, which is also a publicly traded company as 27% of Interparfums SA shares trade on the NYSE Euronext. Net income attributable to the noncontrolling interest is related to the profitability of our European operations, and aggregated 28.1%, 28.2% and 28.3% of European operations net income in 2019, 2018 and 2017, respectively. Net income attributable to Inter Parfums, Inc. aggregated $60.2 million, $53.8 million and $41.6 million in 2019, 2018 and 2017, respectively. Net margins attributable to Inter Parfums, Inc. aggregated 8.4%, 8.0% and 7.0% in 2019, 2018 and 2017, respectively.

Liquidity and Capital Resources

The Company's financial position remains strong. At December 31, 2019, working capital aggregated $389 million, and we had a working capital ratio of over 3 to 1. Cash and cash equivalents and short-term investments aggregated $253 million most of which is held in euro by our European operations and is readily convertible into U.S. dollars. We have not had any liquidity issues to date, and do not expect any liquidity issues relating to such cash and cash equivalents and short-term investments held by our European operations. Approximately 81% of the Company's total assets are held by European operations including approximately $176 million of trademarks, licenses and other intangible assets.

The Company hopes to benefit from its strong financial position to potentially acquire one or more brands, either on a proprietary basis or as a licensee. Opportunities for external growth continue to be examined, with the priority of maintaining the quality and homogeneous nature of our portfolio. However, we cannot assure you that any new license or acquisition agreements will be consummated.

Cash provided by operating activities aggregated $76.5 million, $63.0 million and $35.9 million in 2019, 2018 and 2017, respectively. In 2019, working capital items used $11.7 million in cash from operating activities, as compared to $20.9 million in 2018 and $32.5 million in 2017. Although accounts receivable is up slightly from that of the prior year, day's sales outstanding improved to 68 days in 2019, as compared to 71 days and 67 days in 2018 and 2017, respectively. Inventory days on hand aggregated 225 days in 2019, as compared to 223 days in 2018 and 189 days in 2017, respectively. The increase in 2018 was primarily the result of the required buildup of inventory for new licenses entered into in 2018 where we do not have a full year of sales. At year-end 2019, higher inventory levels were needed to support our robust new product launch schedule for 2020. In terms of cash flow, inventory levels at December 31, 2019 are up only 3.7% from that date of the prior year.

Cash flows used in investing activities reflect the purchase and sales of short-term investments. These investments are primarily certificates of deposit with maturities greater than three months. At December 31, 2019, approximately $65 million of certificates of deposit contain penalties where we would forfeit a portion of the interest earned in the event of early withdrawal.

Our business is not capital intensive as we do not own any manufacturing facilities. On a full year basis, we spent approximately $5.4 million on capital expenditures including tools and molds needed to support our new product development calendar. Capital expenditures also include amounts for office fixtures, computer equipment and industrial equipment needed at our distribution centers. Payments for licenses, trademarks and other intangible assets primarily represent upfront entry fees incurred in connection with new license agreements. In December 2016, the Company agreed to a buyout of one of its licenses, effective December 31, 2016, for a payment aggregating approximately $5.9 million. The Company received the buyout payment in May 2017.

In 2018, in connection with a new license agreement, we agreed to pay $15.0 million in equal annual installments of $1.1 million including interest imputed at 4.1%. In 2015, in connection with a brand acquisition, we entered into a 5-year term loan payable in equal quarterly installments of Đ5.0 million (approximately $5.6 million) plus interest. In order to reduce exposure to rising variable interest rates, we entered into a swap transaction effectively exchanging the variable interest rate to a fixed rate of approximately 1.2%.

Our short-term financing requirements are expected to be met by available cash on hand at December 31, 2019, cash generated by operations and short-term credit lines provided by domestic and foreign banks. The principal credit facilities for 2020 consist of a $20.0 million unsecured revolving line of credit provided by a domestic commercial bank and approximately $28.1 million in credit lines provided by a consortium of international financial institutions. There were no balances due from short-term borrowings as of December 31, 2019 and 2018.

Purchase of subsidiary shares from noncontrolling interest primarily represents the purchase of treasury shares of Interparfums SA, which are expected to be issued to Interparfums SA employees pursuant to its Free Share Plan.

In October 2017, our Board authorized a 24% increase in the annual dividend to $0.84 per share. In October 2018, our Board authorized a 31% increase in the annual dividend to $1.10 per share and in October 2019, our Board authorized a further 20% increase in the annual dividend to $1.32 per share. The next quarterly cash dividend of $0.33 per share is payable on April 15, 2020 to shareholders of record on March 31, 2020. Dividends paid, including dividends paid once per year to noncontrolling stockholders of Interparfums SA, aggregated $44.2

million, $35.0 million and $27.2 million for the years ended December 31, 2019, 2018 and 2017, respectively. The cash dividends to be paid in 2020 are not expected to have any significant impact on our financial position.

We believe that funds provided by or used in operations can be supplemented by our present cash position and available credit facilities, so that they will provide us with sufficient resources to meet all present and reasonably foreseeable future operating needs.

Inflation rates in the U.S. and foreign countries in which we operate did not have a significant impact on operating results for the year ended December 31, 2019.

Contractual Obligations

The following table summarizes our contractual obligations over the periods indicated, as well as our total contractual obligations ($ in thousands):

		Payments Due by Period			
Contractual Obligations	Total	Less than 1-year	Years 2-3	Year 4-5	More than 5-years
Long-Term Debt	$23,060	$12,326	$2,142	$2,142	$6,450
Lease Liabilities	$29,991	$5,871	$9,772	$7,759	$6,589
Purchase Obligations(1)	$1,665,369	$173,159	$350,386	$344,796	$797,028
Total	$1,718,420	$191,356	$362,300	$354,697	$810,067

(1) Consists of purchase commitments for advertising and promotional items, minimum royalty guarantees, including fixed or minimum obligations, and estimates of such obligations subject to variable price provisions. Future advertising commitments were estimated based on planned future sales for the license terms that were in effect at December 31, 2019, without consideration for potential renewal periods and do not reflect the fact that our distributors share our advertising obligations.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Inter Parfums, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13(a)-15(f) under the Securities Exchange Act of 1934. With the participation of the Chief Executive Officer and the Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2019.

Our independent auditor, Mazars USA LLP, a registered public accounting firm, has issued its report on its audit of our internal control over financial reporting. This report appears on the following page.

Jean Madar
Chief Executive Officer,
Chairman of the
Board of Directors

Russell Greenberg
Executive Vice President
and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To Shareholders and the Board of Directors of Inter Parfums, Inc.

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Inter Parfums, Inc. (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2019, and the related notes and the schedule listed in the Index in Item 15(a)(2) (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2019, based on criteria established in Internal Control - Integrated Framework: (2013) issued by COSO.

Basis for Opinion

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the consolidated financial statements.

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

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

As described in Notes 1 and 7 to the consolidated financial statements, the Company's consolidated indefinite and finite —life intangible assets balance was $202 million at December 31, 2019. Indefinite lived intangible assets principally consist of trademarks and finite-lived intangible assets represent fees to acquire, or enter into a license.

Those intangible assets are tested for impairment as follows:

• Indefinite – life intangible assets are tested for impairment at least annually at the reporting unit level or more frequently when events occur or circumstances change. The evaluation requires a comparison of the estimated fair value of the asset to the carrying value of the asset. The fair value is estimated based upon discounted future cash flow projections. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, an impairment charge is recorded.

• Finite – life intangible assets are tested for impairment testing whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. If impairment indicators exist, the undiscounted future cash flows associated with the expected service potential of the asset are compared to the carrying value of the asset. If the projection of undiscounted cash flows is less than the carrying value of a finite-lived intangible asset, an impairment charge would be recorded.

The determination of the future cash flows of the intangible assets requires management to make significant estimates and assumptions related to forecasts of future revenues, operating margins and discount rates. As disclosed by management, changes in these assumptions could have a significant impact on either the future cash flows and therefore, on the amount of any impairment charge. The determination of an impairment indicator on the finite – life intangible assets requires management judgments and involves assumptions.

We identified the impairment assessment of intangible assets as a critical audit matter. Auditing management's judgments regarding the evaluation of impairment indicators, forecasts of future revenue and operating margin, and the discount rate to be applied involve a high degree of subjectivity.

The primary procedures we performed to address this critical audit matter included:

• Reviewing the analysis of the identification of impairment evidence for each indefinite and finite-life asset based on three indicators (sales analysis, new products launches, payment of minimum guarantees), and then corroborate that analysis with external information and evidence obtained in other areas of the audit.

• Testing the effectiveness of controls relating to management's impairment tests, including controls over the impairment indi- cators and determination of the future cash flows.

• In testing management's process for determining the future cash flows we evaluated the reasonableness of management's forecasts of future revenue and operating margin by performing a retrospective review in comparing these forecasts to historical operating results and evaluating whether the assumptions used were reasonable considering current information as well as future expectations as well as using additional evidence obtained in other areas of the audit.

• Utilizing a valuation specialist to assist in auditing the discount rate. It includes evaluating whether the assumptions used were reasonable by comparing with third party market data.

Mazars USA LLP

We have served as the Company's auditor since 2004.
New York, New York
March 2, 2020

INTER PARFUMS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

Years Ended December 31,	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	$192,417	$193,136
Short-term investments	60,714	67,870
Accounts receivable, net	133,010	133,320
Inventories	167,809	161,778
Receivables, other	2,054	2,112
Other current assets	17,123	12,576
Income taxes receivable	169	810
Total current assets	573,296	571,602
Equipment and leasehold improvements, net	11,107	9,839
Rights of use assets, net	28,359	-
Trademarks, licenses and other intangible assets, net	201,983	204,325
Deferred tax assets	8,004	5,761
Other assets	6,083	6,302
Total assets	$828,832	$797,829
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	12,326	23,155
Current portion of lease liabilities	5,356	-
Accounts payable - trade	54,098	58,328
Accrued expenses	96,421	94,668
Income taxes payable	5,865	4,396
Dividends payable	10,399	8,630
Total current liabilities	184,465	189,177
Long-term debt, less current portion	10,734	22,906
Lease liabilities, less current portion	24,635	-
Equity:		
Inter Parfums, Inc. shareholders' equity:		
Preferred stock, $0.001 par value. Authorized 1,000,000 shares; none issued	–	-
Common stock, $0.001 par value. Authorized 100,000,000 shares; outstanding, 31,513,018 and 31,382,127 shares at December 31, 2019 and 2018, respectively	31	31
Additional paid-in capital	70,664	69,970
Retained earnings	474,637	448,731
Accumulated other comprehensive loss	(39,853)	(33,650)
Treasury stock, at cost, 9,864,805 common shares at December 31, 2019 and 2018	(37,475)	(37,475)
Total Inter Parfums, Inc. shareholders' equity	468,004	447,607
Noncontrolling interest	140,994	138,139
Total equity	608,998	585,746
Total liabilities and equity	$828,832	$797,829

(See accompanying notes to consolidated financial statements.)

INTER PARFUMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except share and per share data)

Years Ended December 31,	2019	2018	2017
Net sales	**$713,514**	$675,574	$591,251
Cost of sales	**267,578**	248,012	214,965
Gross margin	**445,936**	427,562	376,286
Selling, general, and administrative expenses	**341,209**	332,831	295,540
Impairment loss	**–**	–	2,123
Income from operations	**104,727**	94,731	78,623
Other expenses (income):			
Interest expense	**2,146**	2,578	1,992
Loss on foreign currency	**1,128**	251	1,549
Interest and dividend income	**(3,693)**	(3,957)	(2,983)
	(419)	(1,128)	558
Income before income taxes	**105,146**	95,859	78,065
Income taxes	**29,076**	26,144	22,812
Net income	**76,070**	69,715	55,253
Less: Net income attributable to the noncontrolling interest	**15,821**	15,922	13,659
Net income attributable to Inter Parfums, Inc.	**$60,249**	$53,793	$41,594
Net income attributable to Inter Parfums, Inc. common shareholders:			
Basic	**$1.92**	$1.72	$1.33
Diluted	**1.90**	1.71	1.33
Weighted average number of shares outstanding:			
Basic	**31,451,093**	31,307,991	31,172,285
Diluted	**31,688,700**	31,522,371	31,305,101
Dividends declared per share	**$1.16**	$0.91	$0.72

(See accompanying notes to consolidated financial statements.)

INTER PARFUMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands, except share and per share data)

Years Ended December 31,	2019	2018	2017
Net income	**$76,070**	$69,715	$55,253
Other comprehensive income:			
Net derivative instrument, net of tax	**22**	175	54
Transfer of OCI into earnings	**(136)**	(37)	22
Translation adjustments, net of tax	**(8,712)**	(22,555)	55,995
	(8,826)	(22,417)	56,071
Comprehensive income	**67,244**	47,298	111,324
Comprehensive income attributable to noncontrolling interests:			
Net income	**15,821**	15,922	13,659
Net derivative instrument income (loss), net of tax	**(30)**	39	17
Transfer of OCI into earnings	**–**	–	5
Translation adjustments, net of tax	**(2,593)**	(6,638)	15,899
	13,198	9,323	29,580
Comprehensive income attributable to Inter Parfums, Inc.	**$54,046**	$37,975	$81,744

(See accompanying notes to consolidated financial statements.)

INTER PARFUMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands, except share and per share data)

Years Ended December 31,	2019	2018	2017
Common stock, beginning and end of year	$31	$31	$31
Additional paid-in capital, beginning of year	69,970	66,004	63,103
Shares issued upon exercise of stock options	4,458	3,406	1,963
Purchase of subsidiary shares from noncontrolling interests	(5,167)	(572)	-
Stock-based compensation	1,403	1,132	938
Additional paid-in capital, end of year	$70,664	$69,970	$66,004
Retained earnings, beginning of year	448,731	422,570	402,714
Net income	60,249	(53,793)	41,594
Dividends	(36,349)	(28,356)	(22,460)
Stock-based compensation	2,006	724	722
Retained earnings, end of year	474,637	448,731	422,570
Accumulated other comprehensive loss, beginning of year	(33,650)	(17,832)	(57,982)
Foreign currency translation adjustment, net of tax	(6,119)	(15,917)	40,096
Transfer from other comprehensive income into earnings	(136)	(37)	17
Net derivative instrument gain, net of tax	52	136	37
Accumulated other comprehensive loss, end of year	(39,853)	(33,650)	(17,832)
Treasury stock, beginning and end of year	(37,475)	(37,475)	(37,475)
Noncontrolling interest, beginning of year	138,139	137,339	113,267
Net income	15,821	15,922	13,659
Foreign currency translation adjustment, net of tax	(2,593)	(6,638)	15,899
Transfer from other comprehensive income into earnings4	–	-	5
Net derivative instrument gain (loss), net of tax	(30)	39	17
Purchase of subsidiary shares from noncontrolling interest	(920)	(236)	-
Dividends	(9,654)	(8,706)	(6,039)
Stock-based compensation	231	419	531
Noncontrolling interest, end of year	140,994	138,139	137,339
Total equity	$608,998	$585,746	$570,637

(See accompanying notes to consolidated financial statements.)

INTER PARFUMS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

Years ended December, 31	2019	2018	2017
Cash flows from operating activities:			
Net income	**$76,070**	$69,715	$55,253
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization including impairment loss	**8,729**	11,031	11,914
Provision for doubtful accounts	**1,380**	1,442	939
Noncash stock compensation	**3,394**	2,205	2,093
Lease expense	**1,068**	-	-
Deferred tax benefit	**(2,330)**	(158)	(591)
Change in fair value of derivatives	**(169)**	(302)	(1,254)
Changes in:			
Accounts receivable	**1,124**	(21,532)	(4,116)
Inventories	**(5,925)**	(29,341)	(28,518)
Other assets	**(4,945)**	(1,016)	(1,173)
Accounts payable and accrued expenses	**(4,960)**	25,592	5,696
Income taxes, net	**3,016**	5,405	(4,352)
Net cash provided by operating activities	**76,452**	63,041	35,891
Cash flows from investing activities:			
Purchases of short-term investments	**(38,958)**	(10,030)	(31,874)
Proceeds from sale of short-term investments	**44,814**	8,859	66,981
Purchase of equipment and leasehold improvements	**(5,427)**	(3,956)	(3,023)
Payment for intangible assets acquired	**(6,067)**	(8,509)	(1,046)
Proceeds from sale of trademark	**–**	-	5,886
Net cash provided by (used in) investing activities	**(5,638)**	(13,636)	36,924
Cash flows from financing activities:			
Repayment of long-term debt	**(22,321)**	(23,487)	(22,362)
Proceeds from exercise of options	**4,458**	3,406	1,963
Dividends paid	**(34,579)**	(26,287)	(21,192)
Dividends paid to noncontrolling interests	**(9,654)**	(8,706)	(6,039)
Purchase of subsidiary shares from noncontrolling interests	**(6,087)**	(808)	-
Net cash used in financing activities	**(68,183)**	(55,882)	(47,630)
Effect of exchange rate changes on cash	**(3,350)**	(8,730)	21,330
Net increase (decrease) in cash and cash equivalents	**(719)**	(15,207)	46,515
Cash and cash equivalents – beginning of year	**193,136**	208,343	161,828
Cash and cash equivalents – end of year	**$192,417**	$193,136	$208,343
Supplemental disclosures of cash flow information:			
Cash paid for:			
Interest	**$1,764**	$1,745	$1,813
Income taxes	**26,332**	24,995	24,337

(See accompanying notes to consolidated financial statements.)

(in thousands, except share and per share data)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) The Company and its Significant Accounting Policies

Business Of The Company

Inter Parfums, Inc. and its subsidiaries (the "Company") are in the fragrance business and manufacture and distribute a wide array of fragrances and fragrance related products.

Substantially all of our prestige fragrance brands are licensed from unaffiliated third parties, and our business is dependent upon the continuation and renewal of such licenses. With respect to the Company's largest brands, we own the Lanvin brand name for our class of trade, and license the Montblanc, Jimmy Choo, Coach, and GUESS brand names. As a percentage of net sales, product sales for the Company's largest brands were as follows:

Year Ended December 31,	**2019**	2018	2017
Montblanc	**22%**	19%	21%
Jimmy Choo	**16%**	17%	18%
Coach	**14%**	15%	10%
GUESS (license commenced April 1, 2018)	**10%**	n/a	n/a
Lanvin	**8%**	10%	11%

No other brand represented 10% or more of consolidated net sales.

Basis Of Preparation

The consolidated financial statements include the accounts of the Company, including 73% owned Interparfums SA, a subsidiary whose stock is publicly traded in France. In 2018, the Company formed Interstellar Brands, LLC, ("Interstellar"), a wholly owned subsidiary in the United States. Interstellar's partnership with IMG Models allows for the two groups to collaborate on exploring and developing compelling e-commerce businesses for clients of IMG Models. All material intercompany balances and transactions have been eliminated.

Management Estimates

Management makes assumptions and estimates to prepare financial statements in conformity with accounting principles generally accepted in the United States of America. Those assumptions and estimates directly affect the amounts reported and disclosures included in the consolidated financial statements. Actual results could differ from those assumptions and estimates. Significant estimates for which changes in the near term are considered reasonably possible and that may have a material impact on the financial statements are disclosed in these notes to the consolidated financial statements.

Foreign Currency Translation

For foreign subsidiaries with operations denominated in a foreign currency, assets and liabilities are translated to U.S. dollars at year end exchange rates. Income and expense items are translated at average rates of exchange prevailing during the year. Gains and losses from translation adjustments are accumulated in a separate component of shareholders' equity.

Cash And Cash Equivalents And Short-Term Investments

All highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents. From time to time, the Company has short-term investments which consist of certificates of deposit with maturities greater than three months. The Company monitors concentrations of credit risk associated with financial institutions with which the Company conducts significant business. The Company believes its credit risk is minimal, as the Company primarily conducts business with large, well-established financial institutions. Substantially all cash and cash equivalents are primarily held at financial institutions outside the United States and are readily convertible into U.S. dollars.

Accounts Receivable

Accounts receivable represent payments due to the Company for previously recognized net sales, reduced by allowances for doubtful accounts or balances which are estimated to be uncollectible, which aggregated $2.5 million and $2.6 million as of December 31, 2019 and 2018, respectively. Accounts receivable balances are written-off against the allowance for doubtful accounts when they become uncollectible. Recoveries of accounts receivable previously recorded against the allowance are recorded in the consolidated statement of income when received. We generally grant credit based upon our analysis of the customer's financial position, as well as previously established buying patterns.

Inventories

Inventories, including promotional merchandise, only include inventory considered saleable or usable in future periods, and are stated at the lower of cost and net realizable value, with cost being determined on the first-in, first-out method. Cost components include raw materials, direct labor and overhead (e.g., indirect labor, utilities, depreciation, purchasing, receiving, inspection and warehousing) as well as inbound freight. Promotional merchandise is charged to cost of sales at the time the merchandise is shipped to the Company's customers.

Derivatives

All derivative instruments are recorded as either assets or liabilities and measured at fair value. The Company uses derivative instruments to principally manage a variety of market risks. For derivatives designated as hedges of the exposure to changes in fair value of the recognized asset or liability or a firm commitment (referred to as fair value hedges), the gain or loss is recognized in earnings in the period of change together with the offsetting loss or gain on the hedged item attributable to the risk being hedged. The effect of that accounting is to include in earnings the extent to which the hedge is not effective in achieving offsetting changes in fair value. For cash flow hedges, the effective portion of the derivative's gain or loss is initially reported in equity (as a component of accumulated other comprehensive income) and is subsequently reclassified into earnings in the same period or periods during which the hedged forecasted transaction affects earnings. The ineffective portion of the gain or loss of a cash flow hedge is reported in earnings immediately. The Company also holds certain instruments for economic purposes that are not designated for hedge accounting treatment. For these derivative instruments, changes in their fair value are recorded in earnings immediately.

Equipment And Leasehold Improvements

Equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight line method over the estimated useful lives for equipment, which range between three and ten years and the shorter of the lease term or estimated useful asset lives for leasehold improvements. Depreciation provided on equipment used to produce inventory, such as tools and molds, is included in cost of sales.

Long-Lived Assets

Indefinite-lived intangible assets principally consist of trademarks which are not amortized. The Company evaluates indefinite-lived intangible assets for impairment at least annually during the fourth quarter, or more frequently when events occur or circumstances change, such as an unexpected decline in sales, that would more-likely-than-not indicate that the carrying value of an indefinite-lived intangible asset may not be recoverable. When testing indefinite-lived intangible assets for impairment, the evaluation requires a comparison of the estimated fair value of the asset to the carrying value of the asset. The fair values used in our evaluations are estimated based upon discounted future cash flow projections using a weighted average cost of capital of 7.94% and 6.21% in 2019 and 2018, respectively. The cash flow projections are based upon a number of assumptions, including future sales levels, future cost of goods and operating expense levels, as well as economic conditions, changes to our business model or changes in consumer acceptance of our products which are more subjective in nature. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, an impairment charge is recorded.

Intangible assets subject to amortization are evaluated for impairment testing whenever events or changes in circumstances indicate that the carrying amount of an amortizable intangible asset may not be recoverable. If impairment indicators exist for an amortizable intangible asset, the undiscounted future cash flows associated with the expected service potential of the asset are compared to the carrying value of the asset. If our projection of undiscounted future cash flows is in excess of the carrying value of the intangible asset, no impairment charge is recorded. If our projection of undiscounted future cash flows is less than the carrying value of the intangible asset, an impairment charge would be recorded to reduce the intangible asset to its fair value.

Revenue Recognition

The Company sells its products to department stores, perfumeries, specialty stores and domestic and international wholesalers and distributors. Our revenue contracts represent single performance obligations to sell our products to customers. Sales of such products by our domestic subsidiaries are denominated in U.S. dollars, and sales of such products by our foreign subsidiaries are primarily denominated in either euro or U.S. dollars. The Company recognizes revenues when contract terms are met, the price is fixed and determinable, collectability is reasonably assured and control of the assets has passed to the customer based on the agreed upon shipping terms. Net sales are comprised of gross revenues less returns, trade discounts and allowances. The Company does not bill its customers' freight and handling charges. All shipping and handling costs, which aggregated $7.7 million, $7.1 million and $5.9 million in 2019, 2018 and 2017, respectively, are included in selling, general and administrative expenses in the consolidated statements of income. The Company grants credit to all qualified customers and does not believe it is exposed significantly to any undue concentration of credit risk. No one customer represented 10% or more of net sales in 2019, 2018 or 2017.

Sales Returns

Generally, the Company does not permit customers to return their unsold products. However, for U.S. based customers, we allow returns if properly requested, authorized and approved. The Company regularly reviews and revises, as deemed necessary, its estimate of reserves for future sales returns based primarily upon historic trends and relevant current data including information provided by retailers regarding their inventory levels. In addition, as necessary, specific accruals may be established for significant future known or anticipated events. The types of known or anticipated events that we consider include, but are not limited to, the financial condition of our customers, store closings by retailers, changes in the retail environment and our decision to continue to support new and existing products. The Company records its estimate of potential sales returns as a reduction of sales and cost of sales with corresponding entries to accrued expenses, to record the refund liability, and inventory, for the right to recover goods from the customer. The refund liability associated with estimated returns was $4.1 million and $2.2 million at December 31, 2019 and 2018, respectively, and the amounts recognized for the rights to recover products was $1.6 million and $0.8 million at December 31, 2019 and 2018, respectively. The physical condition and marketability of returned products are the major factors we consider in estimating realizable value. Actual returns, as well as estimated realizable values of returned products, may differ significantly, either favorably or unfavorably, from our estimates, if factors such as economic conditions, inventory levels or competitive conditions differ from our expectations.

Payments to Customers

The Company records revenues generated from purchase with purchase and gift with purchase promotions as sales and the costs of its purchase with purchase and gift with purchase promotions as cost of sales. Certain other incentive arrangements require the payment of a fee to customers based on their attainment of pre-established sales levels. These fees have been recorded as a reduction of net sales.

Advertising and Promotion

Advertising and promotional costs are expensed as incurred and recorded as a component of cost of goods sold (in the case of free goods given to customers) or selling, general and administrative expenses. Advertising and promotional costs included in selling, general and administrative expenses were $144.6 million, $139.7 million and $123.7 million for 2019, 2018 and 2017, respectively. Costs relating to purchase with purchase and gift with purchase promotions that are reflected in cost of sales aggregated $38.9 million, $36.4 million and $33.8 million in 2019, 2018 and 2017, respectively.

Package Development Costs

Package development costs associated with new products and redesigns of existing product packaging are expensed as incurred.

Operating Leases

The Company leases its offices and warehouses, vehicles, and certain office equipment, substantially all of which are classified as operating leases. The Company currently has no material financing leases. The Company determines if an arrangement is a lease at inception. Operating lease assets and obligations are recognized at the lease commencement date based on the present value of lease payments over the lease term.

License Agreements

The Company's license agreements generally provide the Company with worldwide rights to manufacture, market and sell fragrance and fragrance related products using the licensors' trademarks. The licenses typically have an initial term of approximately 5 to 15 years, and are potentially renewable subject to the Company's compliance with the license agreement provisions. The remaining terms, excluding potential renewal periods, range from approximately 1 to 14 years. Under each license, the Company is required to pay royalties in the range of 5% to 10% to the licensor, at least annually, based on net sales to third parties.

In certain cases, the Company may pay an entry fee to acquire, or enter into, a license where the licensor or another licensee was operating a pre-existing fragrance business. In those cases, the entry fee is capitalized as an intangible asset and amortized over its useful life.

Most license agreements require minimum royalty payments, incremental royalties based on net sales levels and minimum spending on advertising and promotional activities. Royalty expenses are accrued in the period in which net sales are recognized while advertising and promotional expenses are accrued at the time these costs are incurred.

In addition, the Company is exposed to certain concentration risk. Most of our prestige fragrance brands are licensed from unaffiliated third parties, and our business is dependent upon the continuation and renewal of such licenses.

Income Taxes

The Company accounts for income taxes using an asset and liability approach that requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been recognized in its financial statements or tax returns. The net deferred tax assets assume sufficient future earnings for their realization, as well as the continued application of currently enacted tax rates. Included in net deferred tax assets is a valuation allowance for deferred tax assets, where management believes it is more-likely-than-not that the deferred tax assets will not be realized in the relevant jurisdiction. If the Company determines that a deferred tax asset will not be realizable, an adjustment to the deferred tax asset will result in a reduction of net earnings at that time. Accrued interest and penalties are included within the related tax asset or liability in the accompanying financial statements.

Issuance of Common Stock by Consolidated Subsidiary

The difference between the Company's share of the proceeds received by the subsidiary and the carrying amount of the portion of the Company's investment deemed sold, is reflected as an equity adjustment in the consolidated balance sheets.

Treasury Stock

The Board of Directors may authorize share repurchases of the Company's common stock (Share Repurchase Authorizations). Share repurchases under Share Repurchase Authorizations may be made through open market transactions, negotiated purchase or otherwise, at times and in such amounts within the parameters authorized by the Board. Shares repurchased under Share Repurchase Authorizations are held in treasury for general corporate purposes, including issuances under various employee stock option plans. Treasury shares are accounted for under the cost method and reported as a reduction of equity. Share Repurchase Authorizations may be suspended, limited or terminated at any time without notice.

Recent Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") to improve accounting for hedging activities. The objective of the ASU is to improve the financial reporting of hedging relationships in order to better portray the economic results of an entity's risk management activities in its financial statements and to make certain targeted improvements to simplify the application of hedge accounting guidance. This ASU is effective for annual and interim periods beginning after December 15, 2018 and early adoption is permitted. We have evaluated the standard and determined that there has been no material impact on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", as updated in 2019 and 2020, which require a financial asset measured at amortized cost basis to be presented at the net amount expected to be collected. The new rules eliminate the probable initial recognition threshold and, instead, reflect an entity's current estimate of all expected credit losses. The new rules will be effective for the Company in the first quarter of 2020. The Company expects the new rules to apply to its trade receivables, but does not expect the adoption to have a material impact on our consolidated financial statements.

In February 2016, the FASB issued an ASU which requires lessees to recognize lease assets and lease liabilities arising from operating leases on the balance sheet. This ASU is effective for annual and interim reporting periods beginning after December 15, 2018. The standard requires entities to recognize a lease liability to cover lease payments and a lease asset representing its right to use the underlying asset for the lease term. The Company has adopted the standard on January 1, 2019 using the modified retrospective method in the year of adoption with certain transition practical expedients with no restatement of prior period amounts. Upon adoption, the Company recognized right-of-use assets of $31.8 million and lease liabilities of $32.4 million and made no adjustments to retained earnings. Adoption of the new standard did not materially impact our consolidated net income and cash flows.

There are no other recent accounting pronouncements issued but not yet adopted that would have a material effect on our consolidated financial statements.

Reclassifications

Certain prior year's amounts in the accompanying consolidated balance sheet and statements of cash flows have been reclassified to conform to current period presentation.

(2) Recent Agreements

Abercrombie & Fitch and Hollister

In November 2019, we extended our license for both the Abercrombie & Fitch and Hollister brands until December 31, 2022, and added automatic renewals unless terminated on 3 years' notice.

MCM

In September 2019, the Company entered into an exclusive, 10-year worldwide license agreement with German luxury fashion house MCM for the creation, development and distribution of fragrances under the MCM brand. Our rights under such license are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry.

Oscar de la Renta

In September 2019, the Company and Oscar de la Renta entered into an amended license agreement extending their partnership through December 31, 2031, and added an additional five-year extension option through December 31, 2036. The original license agreement, signed in October 2013, would have expired on December 31, 2025.

Kate Spade New York

In June 2019, the Company entered into an exclusive, 11-year worldwide license agreement with Kate Spade New York for the creation, development and distribution of fragrances under the Kate Spade brand. This license took effect on January 1, 2020, and our rights under such license are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry.

(3) Inventories

Year Ended December 31,	**2019**	2018
Raw materials and component parts	**$71,895**	$67,508
Finished goods	**95,914**	94,270
	$167,809	$161,778

Overhead included in inventory aggregated $4.3 million and $4.2 million as of December 31, 2019 and 2018, respectively. Included in inventories is an inventory reserve, which represents the difference between the cost of the inventory and its estimated realizable value, based upon sales forecasts and the physical condition of the inventories. In addition, and as necessary, specific reserves for future known or anticipated events may be established. Inventory reserves aggregated $4.9 million as of December 31, 2019 and 2018.

(in thousands, except share and per share data)

(4) Fair Value of Financial Instruments

The following tables present our financial assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value.

FAIR VALUE MEASUREMENTS AT DECEMBER 31, 2019

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Short-term investments	**$60,714**	**$–**	**$60,714**	**$–**
Foreign currency forward exchange contracts accounted for using hedge accounting	**16**	**–**	**16**	**–**
Foreign currency forward exchange contracts not accounted for using hedge accounting	**112**	**–**	**112**	**–**
	$60,842	**–**	**$60,842**	**–**
Liabilities:				
Interest rate swap	**$30**	**$–**	**$30**	**$–**

FAIR VALUE MEASUREMENTS AT DECEMBER 31, 2018

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Short-term investments	$67,870	$-	$67,870	$-
Foreign currency forward exchange contracts accounted for using hedge accounting	179	-	179	-
	$68,049	-	$68,049	-
Liabilities:				
Foreign currency forward exchange contracts not accounted for using hedge accounting	45	-	45	-
Interest rate swap	$207	$-	$207	$-
	$252	$-	$252	$-

The carrying amount of cash and cash equivalents including money market funds, short-term investments, accounts receivable, other receivables, accounts payable and accrued expenses approximates fair value due to the short terms to maturity of these instruments. The carrying amount of loans payable approximates fair value as the variable interest rates on the Company's indebtedness approximate current market rates.

Foreign currency forward exchange contracts are valued based on quotations from financial institutions and the value of interest rate swaps are the discounted net present value of the swaps using third party quotes from financial institutions.

(5) Derivative Financial Instruments

The Company enters into foreign currency forward exchange contracts to hedge exposure related to receivables denominated in a foreign currency and occasionally to manage risks related to future sales expected to be denominated in a foreign currency. Before entering into a derivative transaction for hedging purposes, it is determined that a high degree of initial effectiveness exists between the change in value of the hedged item and the change in the value of the derivative instrument from movement in exchange rates. High effectiveness means that the change in the cash flows of the derivative instrument will effectively offset the change in the cash flows of the hedged item. The effectiveness of each hedged item is measured throughout the hedged period and is based on the dollar offset methodology and excludes the portion of the fair value of the foreign currency forward exchange contract attributable to the change in spot-forward difference which is reported in current period earnings. Any hedge ineffectiveness is also recognized as a gain or loss on foreign currency in the income statement. For hedge contracts that are no longer deemed highly effective, hedge accounting is discontinued and gains and losses accumulated in other comprehensive income are reclassified to earnings. If it is probable that the forecasted transaction will no longer occur, then any gains or losses accumulated in other comprehensive income are reclassified to current-period earnings.

In connection with a 2015 brand acquisition, $108 million of the purchase price was paid in cash on the closing date and was financed entirely through a 5-year term loan. As the payment at closing was due in dollars and we had planned to finance it with debt in euro, the Company entered into foreign currency forward contracts to secure the exchange rate for the $108 million purchase price at $1.067 per 1 euro. This derivative was designated and qualified as a cash flow hedge.

Gains and losses in derivatives designated as hedges are accumulated in other comprehensive income (loss) and gains and losses in derivatives not designated as hedges are included in (gain) loss on foreign currency on the accompanying income statements. Such gains and losses were immaterial in each of the years in the three-year period ended December 31, 2019. For the years ended December 31, 2019 and 2018, interest expense includes a gain of $0.2 million and $0.3 million, respectively, relating to an interest rate swap.

All derivative instruments are reported as either assets or liabilities on the balance sheet measured at fair value. The valuation of interest rate swaps resulted in a liability which is included in long-term debt on the accompanying balance sheets. The valuation of foreign currency forward exchange contracts at December 31, 2019 and December 31, 2018, resulted in an asset and is included in other current assets on the accompanying balance sheets.

At December 31, 2019, the Company had foreign currency contracts in the form of forward exchange contracts with notional amounts of approximately U.S. $18.5 million, GB £2.7 million and JPY ¥105.0 million, which all have maturities of less than one year.

6) Equipment and Leasehold Improvements

Year Ended December 31,	2019	2018
Equipment	**$37,743**	$36,465
Leasehold Improvements	**1,760**	1,639
	39,503	38,104
Less accumulated depreciation and amortization	**28,396**	28,265
	$11,107	$9,839

Depreciation and amortization expense was $3.7 million, $4.1 million and $3.8 million in 2019, 2018, and 2017, respectively.

(7) Trademarks, Licenses and Other Intangible Assets

2019	Gross Amount	Accumulated Amortization	Net Book Value
Trademarks (indefinite lives)	**$121,001**	**$–**	**$121,001**
Trademarks (finite lives)	**43,464**	**67**	**43,397**
Licenses (finite lives)	**88,008**	**53,714**	**34,294**
Other intangible assets (finite lives)	**15,436**	**12,145**	**3,291**
Subtotal	**146,908**	**65,926**	**80,982**
Total	**$267,909**	**$65,926**	**$201,983**

(in thousands, except share and per share data) 87

2018	Gross Amount	Accumulated Amortization	Net Book Value
Trademarks			
(indefinite lives)	$123,287	$-	$123,287
Trademarks			
(finite lives)	44,300	69	44,231
Licenses			
(finite lives)	85,100	50,539	34,561
Other intangible assets			
(finite lives)	13,619	11,373	2,246
Subtotal	143,019	61,981	81,038
Total	$266,306	$61,981	$204,325

Amortization expense was $5.0 million, $7.0 million and $6.0 million in 2019, 2018 and 2017, respectively. Amortization expense is expected to approximate $5.3 million in 2020 and 2021, $3.8 million in 2022 and 2023 and $3.6 million in 2024. The weighted average amortization period for trademarks, licenses and other intangible assets with finite lives are 18 years, 15 years and 2 years, respectively, and 14 years on average.

The Company reviews intangible assets with indefinite lives for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In 2017, the Company set in motion a plan to discontinue some of its mass market product lines. As a result, the Company recorded an impairment loss of $2.1 million as of December 31, 2017. There were no impairment charges for trademarks with indefinite useful lives in 2019 and 2018. The fair values used in our evaluations are estimated based upon discounted future cash flow projections using a weighted average cost of capital of 7.94%, 6.21%, 6.22% as of December 31, 2019, 2018 and 2017, respectively. The cash flow projections are based upon a number of assumptions, including, future sales levels and future cost of goods and operating expense levels, as well as economic conditions, changes to our business model or changes in consumer acceptance of our products which are more subjective in nature. The Company believes that the assumptions it has made in projecting future cash flows for the evaluations described above are reasonable and currently no other impairment indicators exist for our indefinite-lived assets. However, if future actual results do not meet our expectations, the Company may be required to record an impairment charge, the amount of which could be material to our results of operations.

The cost of trademarks, licenses and other intangible assets with finite lives is being amortized by the straight line method over the term of the respective license or the intangible assets estimated useful life which range from three to twenty years. If the residual value of a finite life intangible asset exceeds its carrying value, then the asset is not amortized. The Company reviews intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Trademarks (finite lives) primarily represent Lanvin brand names and trademarks and in connection with their purchase, Lanvin was granted the right to repurchase the brand names and trademarks in 2025 for the greater of €70 million (approximately $79 million) or one times the average of the annual sales for the years ending December 31, 2023 and 2024 (residual value). Because the residual value of the intangible asset exceeds its carrying value, the asset is not being amortized.

(8) Accrued Expenses

Accrued expenses consist of the following:

Year Ended December 31,	2019	2018
Advertising liabilities	$25,713	$14,868
Salary (including bonus		
and related taxes)	16,173	19,939
Royalties	16,646	14,533
Due vendors (not yet invoiced)	19,196	29,790
Retirement reserves	9,907	9,616
Refund (return) liability	4,131	2,200
Other	4,655	3,722
	$96,421	$94,668

(9) Loans Payable – Banks

Loans payable – banks consist of the following:

The Company and its domestic subsidiaries have available a $20 million unsecured revolving line of credit due on demand, which bears interest at the daily one-month LIBOR plus 2% (the one-month LIBOR was 1.76% as of December 31, 2019). The line of credit which has a maturity date of December 18, 2020 is expected to be renewed on an annual basis. Borrowings outstanding pursuant to lines of credit were zero as of December 31, 2019 and 2018.

The Company's foreign subsidiaries have available credit lines, including several bank overdraft facilities totaling approximately $28 million. These credit lines bear interest at EURIBOR plus between 0.5% and 0.8% (EURIBOR was minus 0.379% at December 31, 2019). Outstanding amounts were zero as of December 31, 2019 and 2018.

As there were no borrowings outstanding as of December 31, 2019 and 2018, there is no weighted average interest rate on short-term borrowings as of December 31, 2019 and 2018.

(10) Long-term Debt

Long-term debt consists of the following:

Year Ended December 31	**2019**	2018
$15.0 million payable in 14 equal annual installments of $1.1 million beginning in January 2020 including interest imputed at 4.1% per annum	**$11,806**	$11,291
$111.0 million 5-year term loan payable in 20 equal quarterly installments plus interest at 1.2% per annum	**11,254**	34,350
Other	**–**	420
	23,060	46,061
Less current maturities	**12,326**	23,155
Total	**$10,734**	$22,906

The $111.0 million 5-year term loan requires the maintenance of certain financial covenants, tested semi-annually, including a maximum leverage ratio and a minimum interest coverage ratio. The facility also contains new debt restrictions among other standard provisions. The Company is in compliance with all of the covenants and other restrictions of the debt agreements. In order to reduce exposure to rising variable interest rates, the Company entered into a swap transaction effectively exchanging the variable interest rate to a fixed rate of approximately 1.2%. The swap is a derivative instrument and is therefore recorded at fair value and changes in fair value are reflected in the accompanying consolidated statements of income. Maturities of long-term debt subsequent to December 31, 2019 are approximately $12.3 million in 2020 and $1.1 million per year thereafter through 2033.

(11) Commitments

Leases

The Company leases its offices and warehouses, vehicles, and certain office equipment, substantially all of which are classified as operating leases. The Company currently has no material financing leases. The Company determines if an arrangement is a lease at inception. Operating lease assets and obligations are recognized at the lease commencement date based on the present value of lease payments over the lease term.

(in thousands, except share and per share data)

In determining lease asset value, the Company considers fixed or variable payment terms, prepayments, incentives, and options to extend or terminate, depending on the lease. Renewal, termination or purchase options affect the lease term used for determining lease asset value only if the option is reasonably certain to be exercised. The Company generally uses its incremental borrowing rate based on information available at the lease commencement date for the location in which the lease is held in determining the present value of lease payments.

As of December 31, 2019, the weighted average remaining lease term was 6.6 years and the weighted average discount rate used to determine the operating lease liability was 2.8%. Rental expense related to operating leases was $7.5 million, $7.0 million, and $6.5 million for the years ended December 31, 2019, 2018 and 2017, respectively. Operating lease payments included in operating cash flows totaled $6.0 million and noncash additions to operating lease assets totaled $34.9 million.

Maturities of lease liabilities subsequent to December 31, 2019 are as follows:

2020	$5,871
2021	5,159
2022	4,613
2023	3,968
2024	3,790
Thereafter	9,692
	33,093
Less imputed interest (based on 2,8% weighted-average discount rate)	(3,102)
	$29,991

License Agreements

The Company is party to a number of license and other agreements for the use of trademarks and rights in connection with the manufacture and sale of its products expiring at various dates through 2033. In connection with certain of these license agreements, the Company is subject to minimum annual advertising commitments, minimum annual royalties and other commitments as follows:

2020	$173,159
2021	178,951
2022	171,435
2023	177,442
2024	167,355
Thereafter	797,028
	$1,665,370

Future advertising commitments are estimated based on planned future sales for the license terms that were in effect at December 31, 2019, without consideration for potential renewal periods. The above figures do not reflect the fact that our distributors share our advertising obligations. Royalty expense included in selling, general, and administrative expenses, aggregated $53.0 million, $48.9 million and $39.6 million, in 2019, 2018 and 2017, respectively, and represented 7.4%, 7.2% and 6.7% of net sales for the years ended December 31, 2019, 2018 and 2017, respectively.

(12) Equity

Share-Based Payments:

The Company maintains a stock option program for key employees, executives and directors. The plans, all of which have been approved by shareholder vote, provide for the granting of both nonqualified and incentive options. Options granted under the plans typically have a six-year term and vest over a four to five-year period. The fair value of shares vested aggregated $1.4 million and $1.1 million in 2019 and 2018, respectively. Compensation cost, net of estimated forfeitures, is recognized on a straight-line basis over the requisite service period for the entire award. Forfeitures are estimated based on historic trends. It is generally the Company's policy to issue new shares upon exercise of stock options.

The following table sets forth information with respect to nonvested options for 2019:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested options – beginning of year	**485,360**	**$10.72**
Nonvested options granted	**194,050**	**$14.14**
Nonvested options vested or forfeited	**(165,200)**	**$9.65**
Nonvested options-end of year	**514,210**	**$12.36**

The effect of share-based payment expenses decreased income statement line items as follows:

Year Ended December 31,	**2019**	2018	2017
Income before income taxes	**$3,390**	$2,200	$2,100
Net Income attributable to Inter Parfums, Inc.	**2,060**	1,390	1,150
Diluted earnings per share attributable to Inter Parfums, Inc	**0.07**	0.04	0.04

The following table summarizes stock option activity and related information for the years ended December 31, 2019, 2018 and 2017:

Year Ended December 31,	**2019**		2018		2017	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Shares under option-beginning of year	**776,171**	**$41.33**	730,980	$31.92	684,540	$26.94
Options granted	**194,050**	**72.89**	196,350	63.91	174,600	43.48
Options exercised	**(130,891)**	**34.06**	(140,579)	24.21	(103,230)	19.03
Options forfeited	**(23,530)**	**45.48**	(10,580)	37.64	(24,930)	29.49
Shares under option-end of year	**815,800**	**49.89**	776,171	41.33	730,980	31.92

At December 31, 2019, options for 573,695 shares were available for future grant under the plans. The aggregate intrinsic value of options outstanding is $18.7 million as of December 31, 2019 and unrecognized compensation cost related to stock options outstanding aggregated $6.0 million, which will be recognized over the next five years.

The weighted average fair values of options granted by Inter Parfums, Inc. during 2019, 2018 and 2017 were $14.14, $14.31 and $9.82 per share, respectively, on the date of grant using the Black-Scholes option pricing model to calculate the fair value.

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The assumptions used in the Black-Scholes pricing model are set forth in the following table:

Year Ended December 31,	**2019**	2018	2017
Weighted average expected stock-price volatility	**25%**	27%	28%
Weighted average expected option life	**5.0 yrs**	5.0 yrs	5.0 yrs
Weighted average risk-free interest rate	**1.7%**	2.5%	2.2%
Weighted average dividend yield	**2.0%**	2.0%	2.0%

Expected volatility is estimated based on historic volatility of the Company's common stock. The expected term of the option is estimated based on historic data. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of the grant of the option and the dividend yield reflects the assumption that the dividend payout as authorized by the Board of Directors would maintain its current payout ratio as a percentage of earnings.

Proceeds, tax benefits and intrinsic value related to stock options exercised were as follows:

Year Ended December 31,	**2019**	2018	2017
Proceeds from stock options exercised	**$4,458**	$3,406	$1,963
Tax benefits	**$690**	$807	$600
Intrinsic value of stock options exercised	**$4,520**	$4,310	$2,258

The following table summarizes additional stock option information as of December 31, 2019:

Exercice Price	Options Outstanding	Contractual Life	Options Exercisable
$23.61 – $27.80	**179,740**	**1.52 years**	**153,820**
$32.83 – $33.95	**108,280**	**2.97 years**	**57,180**
$40.15 – $46.90	**158,380**	**3.96 years**	**55,520**
$65.25–$66.46	**181,350**	**4.97 years**	**35,070**
$73.09	**188,050**	**6.00 years**	**–**
Totals	**815,800**	**3.99 years**	**301,590**

As of December 31, 2019, the weighted average exercise price of options exercisable was $35.05 and the weighted average remaining contractual life of options exercisable is 2.62 years. The aggregate intrinsic value of options exercisable at December 31, 2019 is $11.4 million.

In September 2016, Interparfums SA, our 73% owned French subsidiary, approved a plan to grant an aggregate of 15,100 shares of its stock to employees with no performance condition requirement, and an aggregate of 133,000 shares to officers and managers, subject to certain corporate performance conditions. The corporate performance conditions were met and therefore in September 2019, 172,851 shares, adjusted for stock splits, were distributed. The aggregate cost of the grant of approximately $3.9 million was recognized as compensation cost on a straight-line basis over the requisite three-year service period.

In December 2018, Interparfums SA approved an additional plan to grant an aggregate of 26,600 shares of its stock to employees with no performance condition requirement, and an aggregate of 133,000 shares to officers and managers, subject to certain corporate performance conditions. The shares, subject to adjustment for stock splits, will be distributed in June 2022 and will follow the same guidelines as the September 2016 plan.

The fair value of the grant has been determined based on the quoted stock price of Interparfums SA shares as reported by the NYSE Euronext on the date of grant. The estimated number of shares to be distributed of 142,379 has been determined taking into account employee turnover. The aggregate cost of the grant of approximately $4.4 million will be recognized as compensation cost on a straight-line basis over the requisite three and a half year service period.

Similar to the September 2016 plan, in order to avoid dilution of the Company's ownership of Interparfums SA, all shares distributed or to be distributed pursuant to these plans will be pre-existing shares of Interparfums SA, purchased in the open market by Interparfums SA. During the year ended December 31, 2019, the Company acquired 131,613 shares at an aggregate cost of $5.8 million.

All share purchases and issuances have been classified as equity transactions on the accompanying balance sheet.

Dividends

In October 2019, the Board of Directors of the Company authorized a 20% increase in the annual dividend to $1.32 per share. The quarterly dividend aggregating approximately $10.4 million ($0.33 per share) declared in December 2019 was paid in January 2020. The next quarterly dividend of $0.33 per share will be paid on April 15, 2020 to shareholders of record on March 31, 2020.

(14) Net Income Attributable to Inter Parfums, Inc. Common Shareholders

Net income attributable to Inter Parfums, Inc. per common share ("basic EPS") is computed by dividing net income attributable to Inter Parfums, Inc. by the weighted average number of shares outstanding. Net income attributable to Inter Parfums, Inc. per share assuming dilution ("diluted EPS"), is computed using the weighted average number of shares outstanding, plus the incremental shares outstanding assuming the exercise of dilutive stock options using the treasury stock method.

The reconciliation between the numerators and denominators of the basic and diluted EPS computations is as follows:

Year Ended December 31,	**2019**	2018	2017
Numerator for diluted earnings per share	**$60,249**	$53,793	$41,594
Denominator:			
Weighted average shares	**31,451,093**	31,307,991	31,172,285
Effect of dilutive securities: stock options	**237,607**	214,380	132,816
Denominator for diluted earnings per share	**31,688,700**	31,522,371	31,305,101
Earnings per share:			
Net income attributable to Inter Parfums,			
Inc. common shareholders:			
Basic	**$1.92**	$1.72	$1.33
Diluted	**$1.90**	$1.71	$1.33

Not included in the above computations is the effect of anti dilutive potential common shares, which consist of outstanding options to purchase 183,000, 89,000, and 165,000 shares of common stock for 2019, 2018, and 2017, respectively.

(in thousands, except share and per share data) 93

(15) Segments and Geographical Areas

The Company manufactures and distributes one product line, fragrances and fragrance related products. The Company manages its business in two segments, European based operations and United States based operations. The European assets are located, and operations are primarily conducted, in France. Both European and United States operations primarily represent the sale of prestige brand name fragrances.

Information on the Company's operations by segments is as follows:

Year Ended December 31,	2019	2018	2017
Net sales:			
United States	**$173,522**	$140,768	$116,244
Europe	**542,226**	537,805	476,660
Eliminations of intercompany sales	**(2,234)**	(2,999)	(1,653)
	$713,514	$675,574	$591,251
Net income attributable to Inter Parfums, Inc.:			
United States	**$19,365**	$13,071	$7,051
Europe	**40,840**	40,877	34,577
Eliminations	**44**	(155)	(34)
	$60,249	$53,793	$41,594
Depreciation and amortization expense including impairment loss:			
United States	**$3,088**	$2,711	$3,943
Europe	**5,641**	8,320	7,971
	$8,729	$11,031	$11,914
Interest income:			
United States	**$345**	$137	$58
Europe	**3,501**	3,820	2,925
Eliminations	**(153)**	-	-
	$3,693	$3,957	$2,983
Interest expense:			
United States	**$673**	$419	$-
Europe	**1,626**	2,159	1,992
Eliminations	**(153)**	-	-
	$2,146	$2,578	$1,992
Income tax expense:			
United States	**$3,945**	$2,264	$3,764
Europe	**25,101**	23,898	19,069
Eliminations	**30**	(18)	(21)
	29,076	26,144	22,812

Segments and Geographical Areas continued

Year Ended December 31,	2019	2018	2017
Total assets:			
United States	**$166,180**	$133,706	$92,909
Europe	**670,657**	684,485	694,385
Eliminations	**(8,005)**	(20,362)	(9,522)
	$828,832	$797,829	$777,772
Additions to long-lived assets:			
United States	**$5,851**	$19,181	$980
Europe	**5,643**	4,188	3,089
	$11,494	$23,369	$4,069
Total long-lived assets:			
United States	**$44,473**	$25,753	$9,284
Europe	**196,976**	188,411	201,541
	$241,449	$214,164	$210,825
Deferred tax assets:			
United States	**$705**	$650	$781
Europe	**7,241**	5,023	4,987
Eliminations	**58**	88	69
	$8,004	$5,761	$5,837

United States export sales were approximately $113.2 million, $95.5 million and $71.4 million in 2019, 2018 and 2017, respectively. Consolidated net sales to customers by region are as follows:

Year Ended December 31,	2019	2018	2017
North America	**$234,000**	$210,200	$176,900
Europe	**240,800**	233,600	214,800
Asia	**106,500**	109,000	88,000
Middle East	**72,600**	59,300	50,500
Central and South America	**46,200**	51,700	51,200
Other	**13,400**	11,800	9,900
	$713,500	$675,600	$591,300

Consolidated net sales to customers in major countries are as follows:

Year Ended December 31,	2019	2018	2017
United States	**$225,300**	$204,000	$173,000
France	**$43,500**	$44,000	$44,000
Russia	**$36,800**	$35,000	$34,000
United Kingdom	**$35,800**	$36,000	$33,000

(16) Income Taxes

The Company and its subsidiaries file income tax returns in the U.S. federal, and various states and foreign jurisdictions. The Company assessed its uncertain tax positions and determined that it has no uncertain tax position at December 31, 2019.

(in thousands, except share and per share data)

The components of income before income taxes consist of the following:

Year Ended December 31,	2019	2018	2017
U.S. operations	**$23,384**	$15,162	$10,761
Foreign operations	**81,762**	80,697	67,304
	$105,146	$95,859	$78,065

The provision for current and deferred income tax expense (benefit) consists of the following:

Year Ended December 31,	2019	2018	2017
Current:			
Federal	**$3,280**	$1,629	$4,050
State and local	**713**	497	302
Foreign	**27,412**	24,175	19,051
	31,405	26,301	23,403
Deferred:			
Federal	**(3)**	113	(554)
State and local	**(22)**	-	(55)
Foreign	**(2,304)**	(270)	18
	(2,329)	(157)	(591)
Total income tax expense	**$29,076**	$26,144	$22,812

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

December 31,	2019	2018
Net deferred tax assets:		
Foreign net operating loss carry-forwards	**$362**	$468
Inventory and accounts receivable	**1,231**	658
Profit sharing	**4,812**	4,561
Stock option compensation	**588**	626
Effect of inventory profit elimination	**4,630**	3,267
Other	**214**	(23)
Total gross deferred tax assets, net	**11,837**	9,557
Valuation allowance	**(361)**	(258)
Net deferred tax assets	**11,476**	9,299
Deferred tax liabilities (long-term):		
Trademarks and licenses	**(3,472)**	(3,538)
Net deferred tax assets	**$8,004**	$5,761

Valuation allowances are provided for foreign net operating loss carry-forwards, as future profitable operations from certain foreign subsidiaries might not be sufficient to realize the full amount of net operating loss carry-forwards.

No other valuation allowances have been provided as management believes that it is more likely than not that the asset will be realized in the reduction of future taxable income.

Tax Cuts and Jobs Act

In December 2017, the U.S. government passed the Tax Cuts and Jobs Act ("the Tax Act"). The Tax Act made broad and complex changes to the U.S. tax code, including, but not limited to reducing the future U.S. federal corporate tax rate from 35% to 21% beginning in 2018, and requiring companies to pay a one-time transition tax on certain unremitted earnings of foreign subsidiaries.

The Tax Act also established new tax laws that took effect in 2018, including, but not limited to: (i) the reduction of the U.S. federal corporate tax rate discussed above; (ii) a general elimination of U.S. federal income taxes on dividends from foreign subsidiaries; (iii) a provision designed to tax global intangible low-taxed income ("GILTI"); and (iv) a provision that allows a domestic corporation an immediate deduction for a portion of its foreign derived intangible income ("FDII").

The Securities and Exchange Commission staff issued Staff Accounting Bulletin ("SAB") 118, which provides a measurement period that was not to extend beyond one year from the Tax Act enactment date for companies to complete the related accounting under ASC 740, Accounting for Income Taxes. In accordance with SAB 118, a company must reflect the income tax effects of those aspects of the Tax Act for which the accounting under ASC 740 is complete. To the extent that a company's accounting for a certain income tax effect of the Tax Act was incomplete, but it was able to determine a reasonable estimate, it was required to record a provisional estimate in the financial statements.

In connection with its initial analysis of the impact of the Tax Act, the Company recorded a tax expense of $1.1 million for the year ended December 31, 2017. This estimate consists of no expense for the one-time transition tax, and an expense of $1.1 million related to revaluation of deferred tax assets and liabilities caused by the lower corporate tax rate. There were no material differences between the Company's 2017 estimates and the final calculated amounts.

The Company has estimated of the effect of GILTI and has determined that it has no tax liability related to GILTI as of December 31, 2019 and 2018.

The Tax Act also contains a provision that allows a domestic corporation an immediate deduction for a portion of its foreign derived intangible income ("FDII"). The Company estimated the effect of FDII and recorded a tax benefit of approximately $0.9 million and $0.6 million as of December 31, 2019 and 2018, respectively.

Income Tax Recovery

The French government had introduced a 3% tax on dividends or deemed dividends for entities subject to French corporate income tax in 2012. In 2017, the French Constitutional Court released a decision declaring that the 3% tax on dividends or deemed dividends is unconstitutional. As a result of that decision, the Company filed a claim for refund of approximately $3.9 million for these taxes paid since 2015 including accrued interest of approximately $0.4 million. The Company recorded the refund claim as of December 31, 2017 and has received the entire refund in 2018.

Other Tax Matters

The French authorities are considering that the existence of IP Suisse, a wholly-owned subsidiary of Interparfums SA, does not, in and of itself, constitute a permanent establishment and therefore Interparfums, SA should pay French taxes on all or part of the profits of that entity. The French Tax Authority recently notified the Company that IP Suisse will be the subject of a tax audit covering the period January 1, 2010 through December 31, 2018. No claim or assessment for any taxes or penalties has been made at this time. The Company disagrees and is prepared to vigorously defend its position. Consequently, no provision has been made in the accompanying financial statements as we believe it is more-likely-than-not that our position will be sustained based on its technical merits. Although we believe that we have sufficient arguments to support our position, there exists a risk that the French authorities may prevail. The Company's exposure in connection with this matter is approximately $5.8 million, net of recovery taxes already paid to the Swiss authorities, and excluding interest.

The Company is no longer subject to U.S. federal, state, and local or non-U.S. income tax examinations by tax authorities for years before 2016.

Differences between the United States federal statutory income tax rate and the effective income tax rate were as follows:

Year Ended December 31,	2019	2018	2017
Statutory rates	**21.0%**	21.0%	34.0%
State and local taxes, net of Federal benefit	**0.6**	0.4	0.2
Benefit of Foreign Derived Intangible Income	**(0.9)**	(0.6)	–
Deferred tax effect of statutory tax rate changes	–	-	1.4
Foreign income tax recovery	–	-	(4.6)
Effect of foreign taxes greater than			
(less than) U.S. statutory rates	**7.5**	7.3	(1.0)
Other	**(0.6)**	(0.8)	[0.8]
Effective rates	**27.6%**	27.3%	29.2%

(in thousands, except share and per share data)

(16) Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive loss consist of the following:

Year Ended December 31,	2019	2018	2017
Net derivative instruments,beginning of year	**$136**	$37	$(17)
Net derivative instrument gain (loss), net of tax	**(84)**	99	54
Net derivative instruments end of year	**52**	136	37
Cumulative translation adjustments,beginning of year	**(33,786)**	(17,869)	(57,965)
Translation adjustments	**(6,119)**	(15,917)	40,096
Cumulative translation adjustments, end of year	**(39,905)**	(33,786)	(17,869)
Accumulated other comprehensive loss	**$(39,853)**	$(33,650)	$(17,832)

(17) Net Income Attributable to Inter Parfums, Inc. and Transfers from the Noncontrolling Interest

Year Ended December 31,	2019	2018	2017
Net income attributable to Inter Parfums, Inc.	**$60,249**	$53,793	$41,594
Decrease in Inter Parfums, Inc.'s additional paid-in capital for subsidiary share transactions	**(5,167)**	(572)	-
Change from net income attributable to Inter Parfums, Inc. and transfers from noncontrolling interest	**$55,082**	$53,221	$41,594

DIRECTORS AND EXECUTIVE OFFICERS

Directors

Jean Madar
Chief Executive Officer,
and Chairman of the Board of Directors
Inter Parfums, Inc.

Philippe Benacin
President, and Vice Chairman of the
Board of Directors, Inter Parfums, Inc.
Chief Executive Officer,
Interparfums SA

Russell Greenberg
Executive Vice President,
and Chief Financial Officer
Inter Parfums, Inc.

Philippe Santi
Executive Vice President
Director General Delegue
Interparfums SA

Francois Heilbronn
Managing Partner M.M. Friedrich,
Heilbronn & Fiszer

Robert Bensoussan-Torres
Co-founder of Sirius Equity,
a retail and branded luxury goods
investment company

Patrick Choël
Business Consultant and Former
President and Chief Executive Officer
Parfums Christian Dior
and the LVMH Perfume and
Cosmetics Division

Michel Dyens
Chairman, and Chief Executive Officer,
Michel Dyens & Co.

Véronique Gabai-Pinsky
President of Startup Specialty
Fragrance Company and Former
President, Vera Wang Group

Gilbert Harrison
Chairman, Harrison Group, Inc.
Founder and Chairman Emeritus
Financo LLC

Executive Officers

Jean Madar
Chief Executive Officer,
and Chairman of the Board of Directors
Inter Parfums, Inc.

Philippe Benacin
President, and Vice Chairman of the
Board of Directors, Inter Parfums, Inc.
Chief Executive Officer,
Interparfums SA

Russell Greenberg
Executive Vice President,
and Chief Financial Officer
Inter Parfums, Inc.

Philippe Santi
Executive Vice President
Director General Delegue
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Frédéric Garcia-Pelayo
Director of Export Sales
Interparfums SA

Corporate Information

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New York, NY 10020

Transfer Agent
American Stock Transfer
and Trust Company
6201 15th Avenue
Brooklyn, NY 11219

THE MARKET FOR OUR COMMON STOCK

Our Company's common stock, $.001 par value per share, is traded on The Nasdaq Global Select Market under the symbol "IPAR". The following table sets forth in dollars, the range of high and low closing prices for the past two fiscal years for our common stock.

Fiscal 2019	High Closing Price	Low Closing Price
Fourth Quarter	**81.40**	**66.65**
Third Quarter	**71.58**	**62.38**
Second Quarter	**77.34**	**63.53**
First Quarter	**80.99**	**58.50**

Fiscal 2018	High Closing Price	Low Closing Price
Fourth Quarter	**66.48**	**55.88**
Third Quarter	**66.25**	**53.75**
Second Quarter	**54.75**	**46.25**
First Quarter	**49.15**	**42.00**

As of February 10, 2020, the number of record holders, which include brokers and broker nominees, etc., of our common stock was 37. We believe there are approximately 16,100 beneficial owners of our common stock.

DIVIDENDS

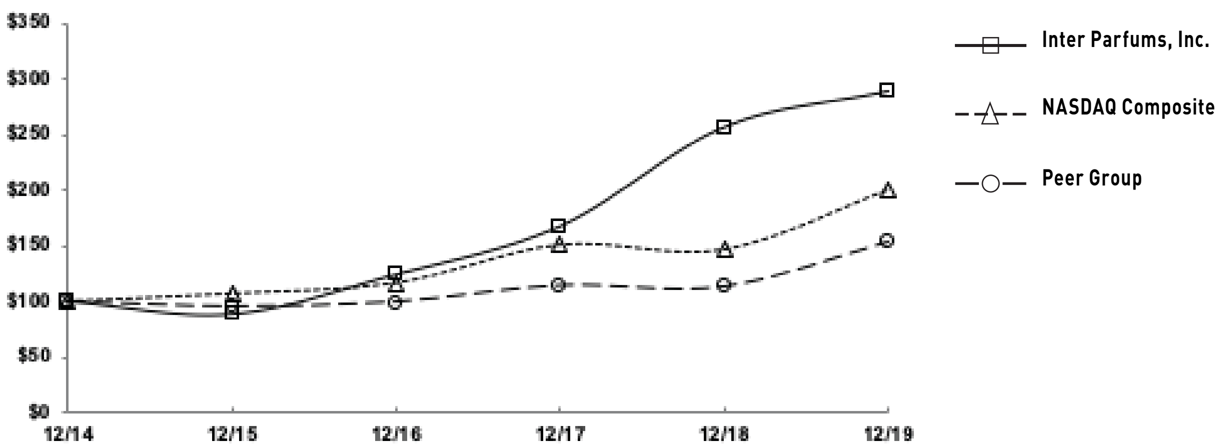
In October 2018, our Board of Directors authorized a 31% increase in the annual dividend to $1.10 per share on an annual basis. In October 2019, our Board of Directors authorized a 20% increase in the annual dividend to $1.32 per share on an annual basis. The first quarterly cash dividend of $0.33 per share was payable on April 15, 2020 to shareholders of record on March 31, 2020. In April 2020, due to the effect of the Covid-19 global pandemic, our Board of Directors authorized a temporary suspension of our quarterly cash dividend.

CORPORATE PERFORMANCE GRAPH

The following graph compares the performance for the periods indicated in the graph of our common stock with the performance of the Nasdaq Market Index and the average performance of a group of the Company's peer corporations consisting of: Avon Products Inc., CCA Industries, Inc., Colgate-Palmolive Co., Estée Lauder Companies, Inc., Inter Parfums, Inc., Kimberly Clark Corp., Natural Health Trends Corp., Procter & Gamble Co., Revlon, Inc., Spectrum Brands Holdings, Inc., Stephan Co., Summer Infant, Inc. and United Guardian, Inc. The graph assumes that the value of the investment in our common stock and each index was $100 at the beginning of the period indicated in the graph, and that all dividends were reinvested.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Inter Parfums, Inc., The NASDAQ Composite Index, and a Peer Group



**$100 invested on 12/31/14 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.*

Below is the list of the data points for each year that corresponds to the lines on the above graph.

	12/14	12/15	12/16	12/17	12/18	**12/19**
Inter Parfums, Inc.	100.00	88.41	124.00	167.48	256.80	**289.48**
NASDAQ Composite	100.00	106.96	116.45	150.96	146.67	**200.49**
Peer Group	100.00	94.92	99.10	114.27	113.19	**154.63**

interparfums, inc.

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