interparfums, inc.

ANNUAL REPORT two thousand fourteen 2014

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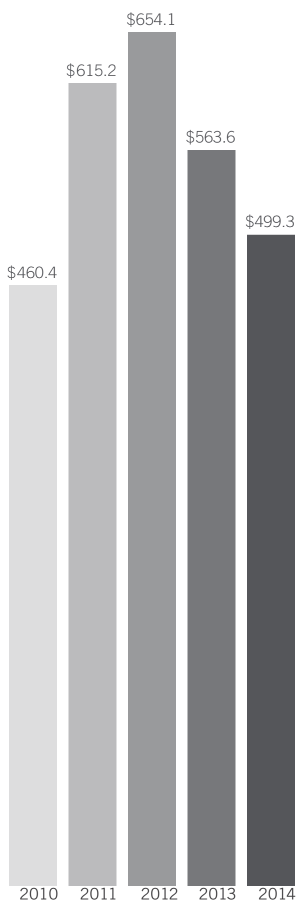
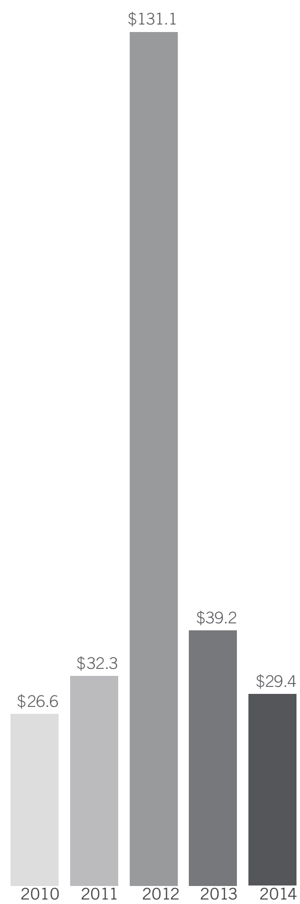
financial Highlights



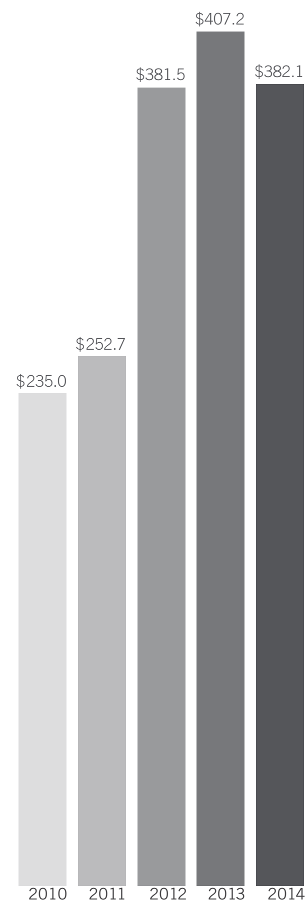
NET SALES

(In millions)



NET INCOME ATTRIBUTABLE TO
INTER PARFUMS, INC.

(In millions)



INTER PARFUMS, INC.
STOCKHOLDERS' 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,*
	2014	2013	2012	2011	2010
INCOME STATEMENT DATA:					
Net Sales	$499,261	$563,579	$654,117	$615,220	$460,411
Cost of Sales	212,224	234,800	246,931	231,746	187,501
Selling, General and Administrative Expenses	233,634	250,025	325,799	315,698	216,474
Operating Income	53,403	78,754	278,414	66,939	56,436
Income Before Taxes	56,715	80,646	274,765	67,393	53,840
Net Income Attributable to the Noncontrolling Interest	7,909	11,755	45,754	10,646	9,082
Net Income Attributable to Inter Parfums, Inc.	29,436	39,211	131,136	32,303	26,593
Net Income Attributable to Inter Parfums, Inc. Common Shareholders' per Share:					
Basic	0.95	1.27	4.29	1.06	0.88
Diluted	0.95	1.27	4.26	1.05	0.87
Average Common Shares Outstanding:					
Basic	30,931	30,764	30,575	30,515	30,361
Diluted	31,060	30,954	30,716	30,678	30,482
Depreciation and Amortization	10,166	11,110	15,554	13,073	9,188
BALANCE SHEET AND OTHER DATA:					
Cash and Cash Equivalents	90,138	125,650	307,335	35,856	37,548
Short-Term Investments	190,152	181,677	–	–	–
Working Capital	382,935	399,344	366,680	205,730	183,594
Total Assets	604,506	664,058	759,920	516,034	438,105
Short-Term Bank Debt	298	6,104	27,776	11,826	5,250
Long-Term Debt (including current portion)	–	–	–	4,480	16,129
Inter Parfums, Inc. Shareholders' Equity	382,065	407,211	381,476	252,674	234,976
Dividends Declared per Share	0.48	0.96	0.32	0.32	0.26

2014 *letter to our* Shareholders

DEAR FELLOW SHAREHOLDERS,

2014 was a highly successful and productive year for Inter Parfums as exemplified by:

- Our ongoing brands delivering excellent growth;
- Achieving top line growth in all the geographic markets we serve;
- Enlarging our portfolio of brands with two very promising new names, Abercrombie & Fitch and Hollister;
- The launch of our first new fragrances for the Karl Lagerfeld and Agent Provocateur brands; and,
- Bringing to market new scents for the Montblanc, Lanvin, Jimmy Choo, Paul Smith, S.T. Dupont, Balmain, Anna Sui, Dunhill and bebe brands.

FINANCIAL OVERVIEW

Prefacing our financial review with a little history is once again in order. In the 2012 fourth quarter, we agreed to terminate our license with Burberry, and Burberry paid us a $240 million early termination fee. We also entered into a transition agreement to operate certain aspects of the business during the first quarter of 2013, which resulted in unusually high 2013 first quarter sales, gross margin, operating margin and net margin. Then, in the 2013 second quarter, our sale to Burberry of the remaining Burberry inventory depressed gross margins for that period. So please keep that in mind in the following comparative review and again, note that ongoing brand sales exclude Burberry brand sales from 2013. Starting in the second half of 2013 and for all of 2014, our net sales were exclusively ongoing brand sales.

2014 COMPARED TO 2013

- Net sales increased 15.3% to $499.3 million compared to 2013's net sales of ongoing brands of $433.3 million. In 2013, reported net sales of $563.6 million included $130.3 million of Burberry brand sales recorded in the first half of the year. At comparable foreign currency exchange rates, net sales increased 16% in 2014, compared to 2013's ongoing brand sales.
- Sales by European-based operations were $394.0 million in 2014, up 18% from of ongoing brand sales of $334.0 million in 2013.

Philippe Benacin and Jean Madar

- U.S.-based operations generated net sales of $105.3 million, up 6% from $99.3 million.
- Gross margin was 57.5% compared to 58.3% in 2013.
- S, G & A expense as a percentage of sales was 46.8% compared to 44.4% in 2013.
- Net income attributable to Inter Parfums, Inc. was $29.4 million or $0.95 per diluted share as compared to $39.2 million or $1.27 per diluted share in 2013.
- Our business generated cash flows from operating activities of approximately $36.6 million in 2014. We closed the year with no long-term debt and $383 million in working capital including $280 million in cash, cash equivalents and short-term investments resulting in a working capital ratio of 4.7 to 1.

One final point in this financial overview; our strong balance sheet and consistent cash flows were among the reasons why in early 2015, our Board of Directors increased our regular quarterly cash dividend by 8% to $0.13 per share, or $0.52 per share annually.

BUSINESS OVERVIEW
EUROPEAN-BASED OPERATIONS

A combination of new product launches and the enduring appeal of our several star performers produced stellar sales growth for our European-based operations. The Montblanc brand exemplified both drivers with steady gains from *Legend* fragrances which debuted in 2011 along with the 2014 launch of *Emblem*. Once again, Montblanc brand sales continued to outperform expectations and became our best selling brand with 2014 brand sales rising 33% in 2014 to $110 million.

2014 was a year of “firsts”. Our first creation for Karl Lagerfeld, featuring a fragrance duo for men and women, launched in the spring of 2014. Another new initiative was our first product for men under the Jimmy Choo brand, aptly named Jimmy Choo *Man*. Among the other firsts was the collaboration between the S.T. Dupont brand and the very popular Paris Saint-Germain football team. Other 2014 new product launches for European-operations include *Extatic, a women’s scent* for the Balmain brand; S.T. Dupont *So Dupont*, one each for men and women, and Paul Smith *Extreme Sport* for men.

The new fragrance line-up is rich in 2015 and has already begun with a men’s and women’s fragrance, Boucheron *Quatre*. There will also be a women’s version of *Emblem* by Montblanc, a new Jimmy Choo women’s scent, and still another for Van Cleef & Arpels. New entrants for men are also in the works. We will be unveiling one for Balmain, the first new men’s scent created by Inter Parfums, and one each for men and women for Lanvin, our second largest brand.

The big news for our European-based operations is our pending acquisition of the Rochas brand and trademarks, which we announced in the first quarter of 2015. Founded as a luxury fashion house by Marcel Rochas in 1925, the brand expanded into fragrance in the 1950s, which remains the largest part of the Rochas business, with, among others, the enduring *Eau de Rochas* fragrance line. In addition to the fragrance business, we will be acquiring the fashion and accessory business operating through a portfolio of license agreements.

For the first time for our company, the Rochas acquisition will integrate both fragrances and fashion, opening new opportunities in terms of creativity as well as aesthetic design and marketing choices. It will also allow us to apply a global approach to managing a fragrance brand. This acquisition has generated enormous enthusiasm within our ranks along with the motivation to reawaken the sleeping beauty within the Rochas brand, much as we’ve done with the Lanvin name since 2004. Before year end, we intend to develop a business plan on which to build the Rochas business, without the demands of third party brand owners.

This acquisition will be payable in cash on the closing date for US $108 million, financed through a medium term loan, to take advantage of low interest rates. This transaction should be completed within the first half of 2015, subject to customary closing conditions.

Still another major event took place in April 2015, when we announced an 11-year exclusive worldwide fragrance license agreement with Coach, Inc., a leading New York design house of modern luxury accessories and lifestyle collections. Under this agreement, we will create and produce new Coach perfumes and related products for men and women, which we will distribute globally to department and specialty stores and duty free shops, as well as in Coach retail stores. Based upon our track record of cultivating and growing fragrance lines for fashion and luxury goods brands, Coach entrusted us with its fragrance enterprise with confidence in our ability to leverage this category into a much larger global opportunity. We look forward to developing new fragrances that capture the spirit of the Coach brand, and taking the portfolio to a larger audience by expanding the distribution globally and capitalizing on the growing recognition of the brand in international markets. We contemplate new fragrance launches for the Coach brand in the fall of 2016.

U.S.-BASED OPERATIONS

Our U.S.-based operations have become an increasingly prominent contributor to our success, thanks in great part to many of the newer prestige brands in the portfolio. For example, Dunhill legacy scents added $16.2 million to 2014 sales, up 25% from 2013, while sales of Oscar de la Renta legacy products, which began in 2014, aggregated $15.8 million. In addition, the spring 2014 launches of *Fatale* and *Fatale Pink* for Agent Provocateur added $5.3 million in incremental sales. That said, we faced a difficult market in Asia which is where the Anna Sui brand is most popular, that resulted in a 16% year over year decline in brand sales to $21.5 million in 2014. As noted, prestige product sales represent a larger piece of our U.S.-based operations. While we are looking to partner with additional specialty retailers, our model is evolving by the realization that certain specialty retail names are in fact prestige brands. Naturally, this is dependant upon the brand, its geographic reach, and demographic appeal, as was the case with the latest additions to our U.S.-based operations fragrance operations, the Abercrombie & Fitch and Hollister brands.

In December we entered into a 7-year agreement to create, produce and distribute new perfumes and fragrance related products under the Abercrombie & Fitch and Hollister brand names. Abercrombie & Fitch Co. is a leading global specialty retailer of high-quality, casual apparel for men, women and kids with an active, youthful lifestyle under its Abercrombie & Fitch and Hollister brands, among others.

Initially, we will distribute the fragrances we develop and produce for these brands internationally in high-end department stores and duty free shops. With our global distribution network, we plan to build this fragrance enterprise by capitalizing on the popularity of the brands in international markets. Work has begun on developing new scents that capture the essence and energy of both the Abercrombie & Fitch and Hollister brands, with new men's and women's fragrances planned for both brands in 2016.

Longer term, we hope that the Abercrombie & Fitch and Hollister fragrance business will evolve into one where Inter Parfums becomes the development arm for fragrances that will also be sold in their North American stores.

2015 is gearing up to be a year of great promise for our U.S.-based operations. Already unveiled at Harrod's in London, *Icon*, Dunhill's new men's scent, is generating strong sales right out of the gate. A new women's fragrance for which we have high expectations is Oscar de la Renta's *Extraordinary*, which debuts domestically this spring. Among the other highlights of 2015 are new women's scents for Anna Sui and bebe, along with the rollout of the Shanghai Tang *Silk Road Collection*.

CONCLUSION

We are extremely enthusiastic about the future of our Company. We are growing our business with creative discipline, planting new roots on which to extend our reach, while nurturing the continued growth of our well-established names. At the same time, we remain on the lookout for additional suitable brands and related opportunities.

Finally, our deepest thanks go out to the nearly 300 members of the Inter Parfums team. We are very fortunate to have such a talented, hardworking group of people committed to the success of our company and to our growth in the years to come.

Sincerely yours,

Jean Madar
Chairman of the Board
Chief Executive Officer

Philippe Benacin
Vice Chairman of the Board
& President

Montblanc *Emblem for Men*

the Company

Oscar de la Renta *Extraordinary*

WE ARE INTER PARFUMS, INC. WE OPERATE IN THE FRAGRANCE BUSINESS, AND MANUFACTURE, MARKET AND DISTRIBUTE A WIDE ARRAY OF FRAGRANCES AND FRAGRANCE RELATED PRODUCTS. ORGANIZED UNDER THE LAWS OF THE STATE OF DELAWARE IN MAY 1985 AS JEAN PHILIPPE FRAGRANCES, INC., WE CHANGED OUR NAME TO INTER PARFUMS, INC. IN JULY 1999. WE HAVE ALSO RETAINED OUR BRAND NAME, JEAN PHILIPPE FRAGRANCES, FOR SOME OF OUR MASS MARKET PRODUCTS.

Our worldwide headquarters and the office of our three (3) wholly-owned United States subsidiaries, Jean Philippe Fragrances, LLC and Inter Parfums USA, LLC, both New York limited liability companies, and IP Beauty, Inc. (formerly Nickel USA, 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 100% 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 majority owner of one (1) distribution subsidiary, Interparfums Deutschland Gmbh, covering territory in Germany, and is the sole owner of three (3) distribution subsidiaries, Interparfums srl, covering the territory of Italy, Inter España Parfums et Cosmetiques, SL, covering the territory of Spain and Interparfums Luxury Brands, Inc., a Delaware corporation, for distribution of prestige brands in the United States. Interparfums SA is also the sole owner of Interparfums (Suisse) SARL, a company formed to hold and manage certain brand names, and Interparfums Singapore 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 NYSE Euronext.

Dunhill *ICON*

We maintain our internet website at www.interparfumsinc.com, which is linked to the Securities and Exchange Commission Edgar database. 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.

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.

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 prestige products focus on niche brands, each with a devoted following. By concentrating in markets where the brands are best known, we have had many successful launches. We typically launch new fragrance families for our brands every year or two, with some frequent "seasonal" fragrances 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 discuss in greater detail risk factors relating to our business in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, and the reports that we file from time to time with the Securities and Exchange Commission.

EUROPEAN OPERATIONS

We produce and distribute prestige fragrance products primarily under license agreements with brand owners, and prestige product sales through our European operations represented approximately 79% of net sales for 2014. We have built a portfolio of prestige brands, which include *Balmain, Boucheron, Jimmy Choo, Karl Lagerfeld, Lanvin, Montblanc, Paul Smith, S.T. Dupont, Repetto* and *Van Cleef & Arpels,* whose products are distributed in over 100 countries around the world.

Burberry was our most significant license, and net sales of Burberry products represented 0%, 23% and 46% of net sales for the years ended December 31, 2014, 2013 and 2012, respectively. As discussed below, Burberry exercised its option to buy-out the license rights effective December 31, 2012 and we entered into a transition agreement that provided for certain license rights and obligations to continue through March 31, 2013. In addition, we own the Lanvin brand name for our class of trade, and license the Montblanc and Jimmy Choo brand names; for the year ended December 31, 2014, sales of product for these brands represented 18%, 22% and 16% of net sales, respectively.

UNITED STATES OPERATIONS

Prestige brand and specialty retail fragrance and fragrance related products are marketed through our United States operations and represented 21% of sales for the year ended December 31, 2014. These fragrance products are sold under trademarks owned by us or pursuant to license or other agreements with the owners of brands, which include *Abercrombie & Fitch, Agent Provocateur, Anna Sui, Banana Republic, bebe, Dunhill, Gap, Hollister, Oscar de la Renta,* and *Shanghai Tang* brands.

BUSINESS STRATEGY

FOCUS ON PRESTIGE BEAUTY BRANDS

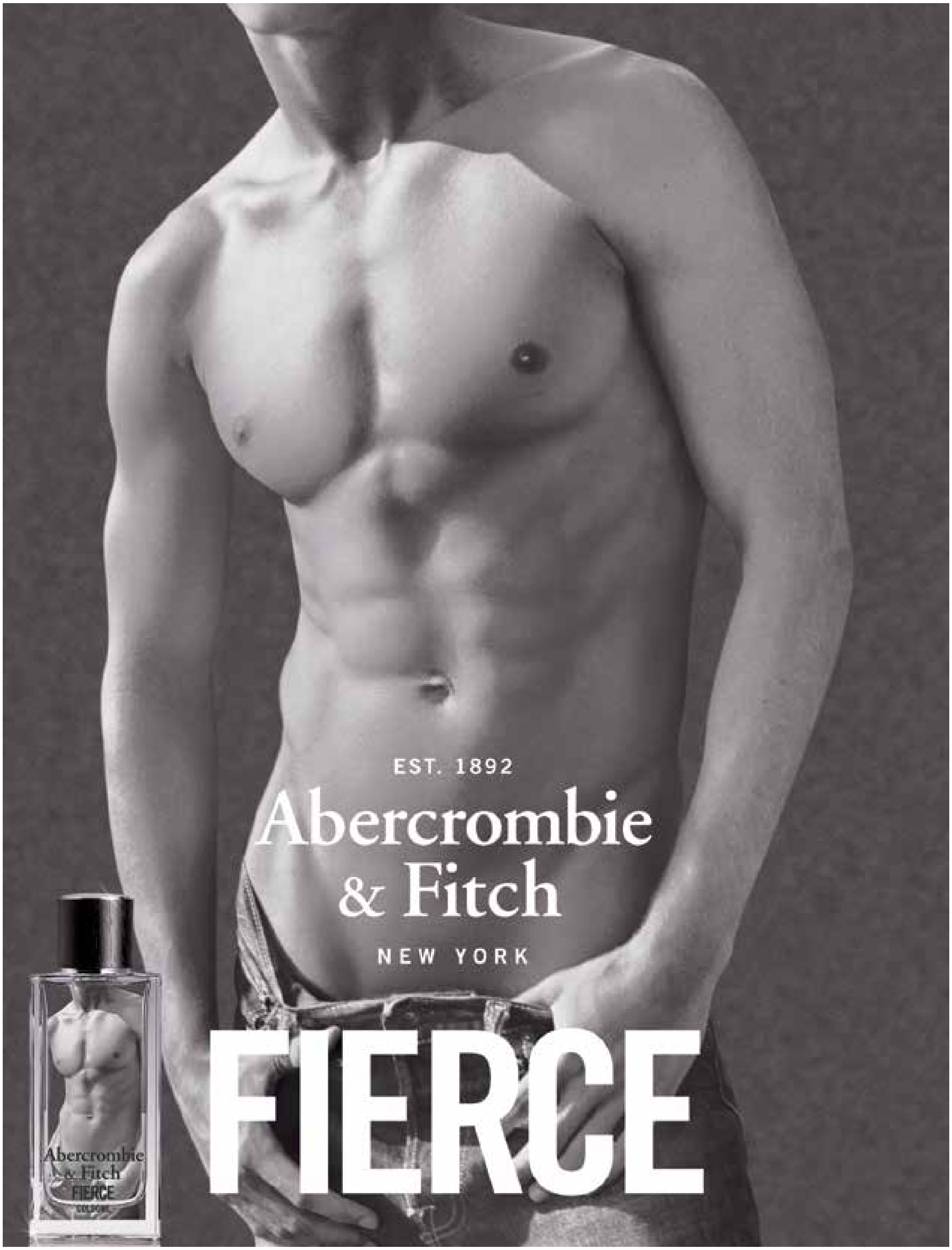
Prestige beauty brands are expected to contribute significantly to our growth. We focus on developing and launching quality fragrances utilizing internationally renowned brand names. By identifying and concentrating in the most receptive market segments and territories where our brands are known, and 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" 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, or flanker brands) within our brand franchises. Furthermore, we promote the smooth and consistent performance of our prestige perfume operations through knowledge of the market, detailed analysis of the image and potential of each brand name, a "good dose" of creativity 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 twenty 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, as of December 31, 2014, we had cash, cash equivalents and short-term investments of approximately $280 million, which we believe should assist us in entering new brand licenses or outright acquisitions. However, we cannot assure you that we will be able to enter into any future agreements, or acquire brands or assets on terms favorable to us, or if we do, that any such transaction will be successful. 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.



Abercrombie & Fitch *FIERCE*

EXPAND EXISTING PORTFOLIO INTO NEW CATEGORIES

We intend to continue to 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, we have modified our distribution model and have formed and are operating joint ventures or distribution subsidiaries in the major markets of the United States, Italy, Spain and Germany for distribution of prestige fragrances. We may look into future joint ventures 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.

BUILD SPECIALTY RETAIL BUSINESS

We believe that certain specialty retailers are growing their beauty business by partnering with companies like Inter Parfums. This partnership enables specialty retailers to have a continuous pipeline of new fragrance products developed for sale in their stores, while benefitting from worldwide advertising and distribution of such products bearing their brand names primarily outside the United States.

RECENT DEVELOPMENTS

ABERCROMBIE & FITCH AND HOLLISTER

In December 2014, the Company entered into a 7-year exclusive worldwide license to create, produce and distribute new perfumes and fragrance related products under the Abercrombie & Fitch and Hollister brand names. The Company will distribute these fragrances internationally in specialty retailers, high-end department stores and duty free shops, and in the U.S., in duty free shops and potentially in Abercrombie & Fitch and Hollister retail stores. The agreement is subject to certain minimum sales, advertising expenditures and royalty payments as is customary in our industry. New men's and women's scents are planned for both Abercrombie & Fitch and Hollister for 2016.

BURBERRY

Burberry exercised its option to buy-out the license rights effective December 31, 2012. In October 2012, the Company and Burberry entered into a transition agreement that provided for certain license rights and obligations to continue through March 31, 2013. The Company continued to operate certain aspects of the business for the brand including product development, testing, and distribution. The transition agreement provided for non-exclusivity for manufacturing, a cap on sales of Burberry products, a reduced advertising requirement and no minimum royalty amounts.

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, SGD, Verreries Brosse, Bormioli Luigi, Stoelzle Masnières), caps (Qualipac, ALBEA, RPC, Codiplas, Jackel, CMSI) or boxes (Edelmann, Autajon, Alliora, Nortier, Draeger);
- Production specialists who carry out packaging (CCI, Edipar, Jacomo, SDPP, MF Productions, Biopack) or logistics (SAGA for storage, order preparation and shipment).

For our prestige products, component and contract filling needs are purchased from many different suppliers located around the world. The 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. The components for our specialty retail products are sourced and our specialty retail products are primarily produced and filled in the United States, and our mass market products are primarily manufactured, produced or filled in the United States or China.

MARKETING AND DISTRIBUTION

PRESTIGE PRODUCTS

Our prestige products are distributed in over 100 countries around the world through a selective distribution network. For the majority of our international distribution of prestige products, we contract with independent distribution companies specializing in luxury goods. 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 prestige 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 prestige brands of our European operations we presently operate through our distribution subsidiaries in the major markets of Italy, Spain and Germany for distribution of prestige fragrances. In addition we formed Interparfums Luxury Brands, Inc., a Delaware corporation and subsidiary of our French subsidiary Interparfums SA, for distribution of European-based prestige brands in the United States. It has also entered into an agreement with Clarins Fragrance Group US (a Division of Clarins Group) effective January 1, 2011 to share sales and distribution personnel and facilities.

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.

Approximately 40% 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 majority-owned distribution subsidiaries to their customers, which are weighted to the second half of the year.

SPECIALTY RETAIL AND MASS MARKET PRODUCTS

For products sold to specialty retailers for sale in their stores in the United States, we do not typically incur any marketing and distribution expenses. Such expenses are the responsibility of the specialty retailer. We do not presently market and distribute Banana Republic products to third parties in the United States although we do market and distribute Banana Republic product internationally, including duty free and other travel-related retailers. With respect to the Abercrombie & Fitch, Hollister and bebe brands, we have the right to distribute product to their stores as well as to approved retailers and distributors in the United States and 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 to our specialty retail customers are weighted toward the second half of the year.

the Products

WE PRODUCE AND DISTRIBUTE OUR PRESTIGE FRAGRANCE PRODUCTS PRIMARILY 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.

We are the owner of the Lanvin brand name and trademark for our class of trade and we have built a portfolio of licensed prestige brands. Our exclusive worldwide licenses for these brands expire on the following dates:

Brand Name	Expiration Date
Agent Provocateur	December 31, 2023
Anna Sui	December 31, 2021, plus two 5-year optional terms if certain conditions are met
Balmain	December 31, 2023
Boucheron	December 31, 2025, plus a 5-year optional term if certain sales targets are met
Dunhill	September 30, 2023, subject to earlier termination on September 30, 2019, if certain minimum sales are not met
Jimmy Choo	December 31, 2021
Karl Lagerfeld	October 31, 2032
Montblanc	December 31, 2020
Oscar de la Renta	December 31, 2025, plus a 5-year optional term if certain sales targets are met
Paul Smith	December 31, 2017
Repetto	December 31, 2024
Shanghai Tang	December 31, 2025, subject to earlier termination on December 31, 2019, if certain minimum sales are not met; subject to 2-year extensions unless 1-year advance notice not to renew is provided
S.T. Dupont	December 31, 2016
Van Cleef & Arpels	December 31, 2018, plus a 5-year optional term if certain sales targets are met

In connection with the acquisition of the Lanvin brand names and trademarks, we granted Lanvin the right to repurchase the brand names and trademarks in 2025 for the greater of €70 million (approximately $85 million) or one times the average of the annual sales for the years ending December 31, 2023 and 2024.

prestige Fragrances

Agent Provocateur *Fatale Intense*

Agent Provocateur

AGENT PROVOCATEUR

In July 2013, we entered into a 10.5-year exclusive worldwide license to create, produce and distribute perfumes and related products under London-based luxury lingerie brand, Agent Provocateur. The agreement commenced on August 1, 2013 and is subject to certain minimum advertising expenditures as is customary in our industry and we have taken over distribution of selected fragrances within the brand's current perfume portfolio. Agent Provocateur contributed to our sales in 2014 with the spring launches of *Fatale* and *Fatale Pink* in international markets followed by an exclusive U.S. launch at Saks Fifth Avenue.

Founded in 1994 by Joseph Corré, and Serena Rees and acquired by the private equity firm, 3i Group plc in 2007, Agent Provocateur is an iconic, globally-recognized brand, breaking new ground with every collection and rightfully earning its place as a benchmark brand in the world of lingerie. It is a brand that is confident, sensual and irreverent. Agent Provocateur celebrates and empowers women with a unique brand image renowned for being provocative and yet always leaving something to the imagination.

In recent years, Agent Provocateur has been opening doors at a steady growth and plans to continue to grow its door count, especially in Asia. Currently, its products which extend into swimwear, bridal and accessories, are sold globally, at 96 of its own boutiques and shop-in-shops within the finest department stores, as well as specialty retailers and on-line.

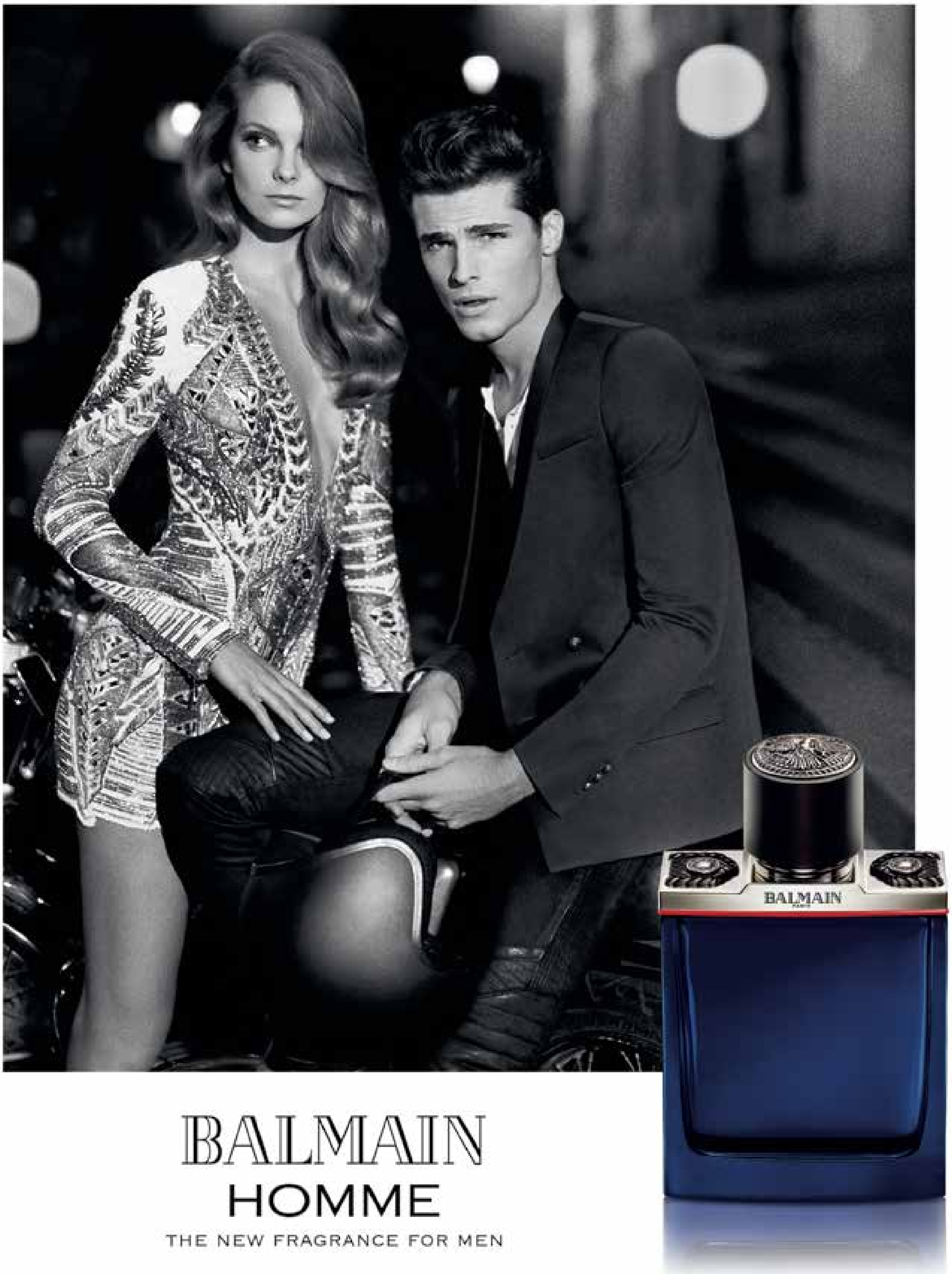
ANNA SUI

In June 2011, we entered into a 10-year exclusive worldwide fragrance license agreement to produce and distribute perfumes and fragrance related products under the Anna Sui brand. Our rights under the agreement commenced on January 1, 2012 when we took over production and distribution of the existing Anna Sui fragrance collections.

We are working 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 a touch of nostalgia, hipness and rock-and-roll. Anna Sui's devoted customer base, which spans the world, is especially strong in Asia.

We have high expectations for growing the Anna Sui fragrance franchise by developing new products and expanding the brand's fragrance presence in North America, Europe and the Middle East. With help from the Fall 2013 launch of *La Vie de Bohème*, sales of Anna Sui products were up 29% in 2013, reaching approximately $25.8 million. Without a major new product launch and a difficult Asian market, Anna Sui brand sales declined 16% to approximately $21.5 million in 2014. A new Anna Sui fragrance, *Romantica*, is in the works for 2015.

Anna Sui *Romantica*



Balmain *Homme*

BALMAIN PARIS

BALMAIN

In July 2011, we entered into a 12-year exclusive worldwide license agreement to create, produce and distribute perfumes and ancillary products under the Balmain brand. Our rights under the agreement commenced on January 1, 2012 when we took over the production and distribution of existing Balmain fragrances for men and women.

The Balmain couture house was founded in 1945 by Pierre Balmain. In recent years, Balmain has undergone a significant transformation. With the redefinition of its image in ready-to-wear, the brand has become a reference for style, while retaining its distinctive design codes from the haute couture universe. In doing so, the brand has become a major trend-setter. Our first new Balmain women's fragrance, *Extatic*, made its debut in 2014 in selective distribution. We also have a men's scent launching for Balmain in 2015.

BOUCHERON
PARIS

BOUCHERON

In December 2010, we entered into an exclusive worldwide license agreement for the creation, development and distribution of fragrance and related bath and body products 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.

Our first new fragrance under the Boucheron brand, *Jaïpur Bracelet*, debuted in 2012, and Boucheron *Place Vendôme*, which has a beautiful glasswork bottle with a cabochon, the emblematic stone of House Boucheron, was released in Fall 2013. Boucheron fragrance sales increased 10% to $23.1 million in 2013, driven in particular by the launch of the Boucheron *Place Vendôme* line. With a difficult comparison and no major product launch, brand sales declined 20% in 2014. For 2015, we are launching a new fragrance duo for the Boucheron brand around its iconic *Quatre* ring.

Boucheron *Quatre*

Dunhill *ICON*

DUNHILL

In December 2012, we entered into a 10-year exclusive worldwide fragrance license to create, produce and distribute perfumes and fragrance related products under the Dunhill brand, which commenced on April 3, 2013.

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 retailers. 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.

We took over production and distribution of Dunhill legacy fragrances beginning in April 2013, and we introduced a legacy scent flanker, *Desire Black*, which launched in the Spring of 2014. We have supported the new men's scent with a distribution strategy that recognizes and utilizes Dunhill's luxury positioning, along with brand appropriate marketing materials and a media campaign. Dunhill legacy scents added $16.2 million to 2014 sales, up 25% from $13.0 million in 2013. For 2015, we are rolling out the new Dunhill scent, *Icon*.

JIMMY CHOO

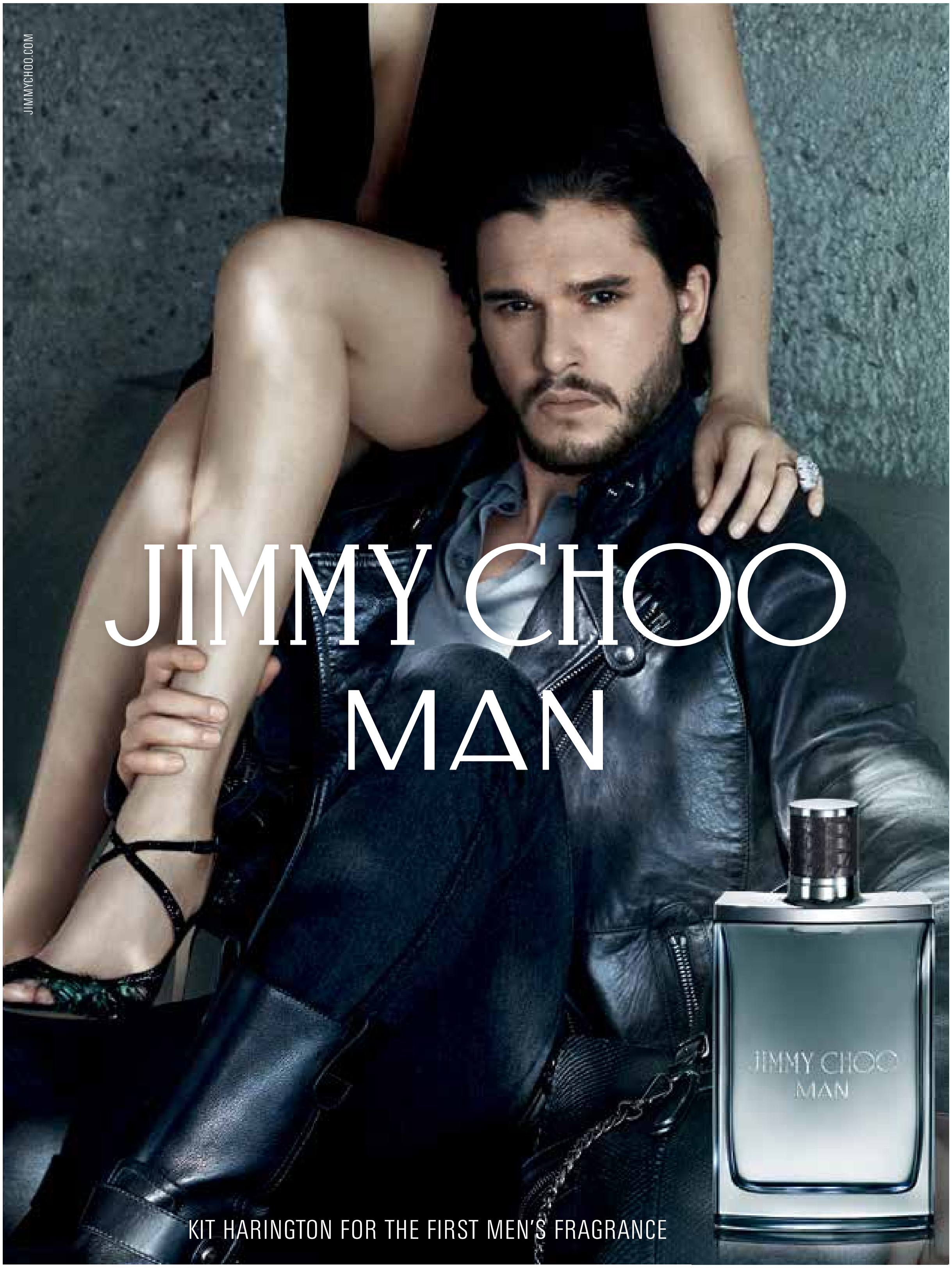
JIMMY CHOO

In October 2009, we entered into an exclusive worldwide license agreement for the creation, development and distribution of fragrances under the Jimmy Choo brand.

With a heritage in luxury footwear, Jimmy Choo today encompasses a complete luxury lifestyle accessory brand with women's shoes, handbags, small leather goods, sunglasses and eyewear. Its products are available in the growing network of Jimmy Choo freestanding stores as well as in the most prestigious department, specialty and duty free stores worldwide.

We believe that this relationship with Jimmy Choo offers a perfect fit with our strategy of expanding our brand portfolio to include new universes and represents an important milestone in our development. This brand possesses the quintessential qualities to ensure the ambitious development of fragrance lines that will be supported by significant advertising commitments over the coming years.

Our first fragrance under the Jimmy Choo brand, a signature scent, rolled out globally in 2011. Jimmy Choo product sales exceeded our expectations and sales topped $40 million in that first year. Sales growth has continued, reaching $51.5 million in 2012 and $72.4 million in 2013, a year marked by the launch by our second Jimmy Choo line, *Flash*, in February. The successful 2014 launch of Jimmy Choo *Man* enabled Jimmy Choo brand sales to maintain its positive sales momentum resulting in 2014 brand sales of $78.5 million, up 8% as compared to 2013.



***Jimmy Choo** Man*

***Karl Lagerfeld** Private Klub*

KARL LAGERFELD

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

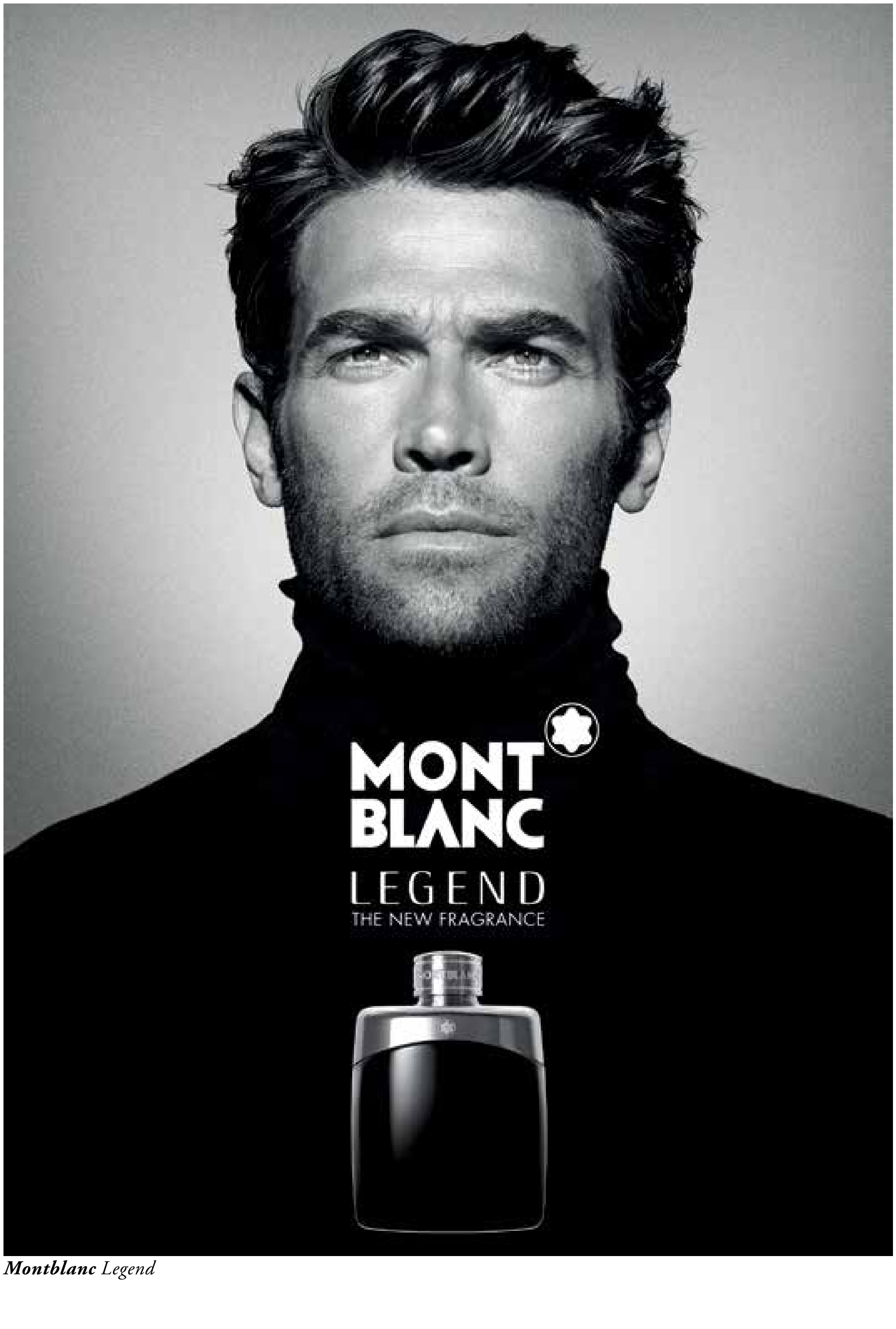
Under the creative direction of Karl Lagerfeld, one of the world's most influential and iconic designers, the Lagerfeld Portfolio represents a modern approach to distribution, an innovative digital strategy and a global 360 degree vision that reflects the designer's own style and soul. Our first new line, a premium namesake duo scent for both men and women, launched in the Spring of 2014 and yielded $24.2 million in sales in 2014.

LANVIN

In July 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.

With Lanvin brand sales of $90.3 million in 2014, Lanvin now is our second largest brand. Lanvin fragrances occupy an important position in the selective distribution market in France, Europe and Asia. Current lines in distribution include: *Arpège* (1927), *Lanvin L'Homme* (1997), *Eclat d'Arpège* (2002), *Rumeur 2 Rose* (2007), *Jeanne Lanvin* (2008), *Marry Me!* (2010), *Jeanne Lanvin Couture* (2012), *Lanvin Me* (2013), which was designed by Lanvin designer, Alber Elbaz, and *Me L'Eau* (2014). Our *Eclat d'Arpège* line accounts for approximately 50% of this brand's sales.

***Lanvin** Me L'Eau*



Montblanc *Legend*

MONTBLANC

In January 2010, we entered into an exclusive worldwide license agreement for the creation, development and distribution of fragrances and fragrance related products under the Montblanc brand.

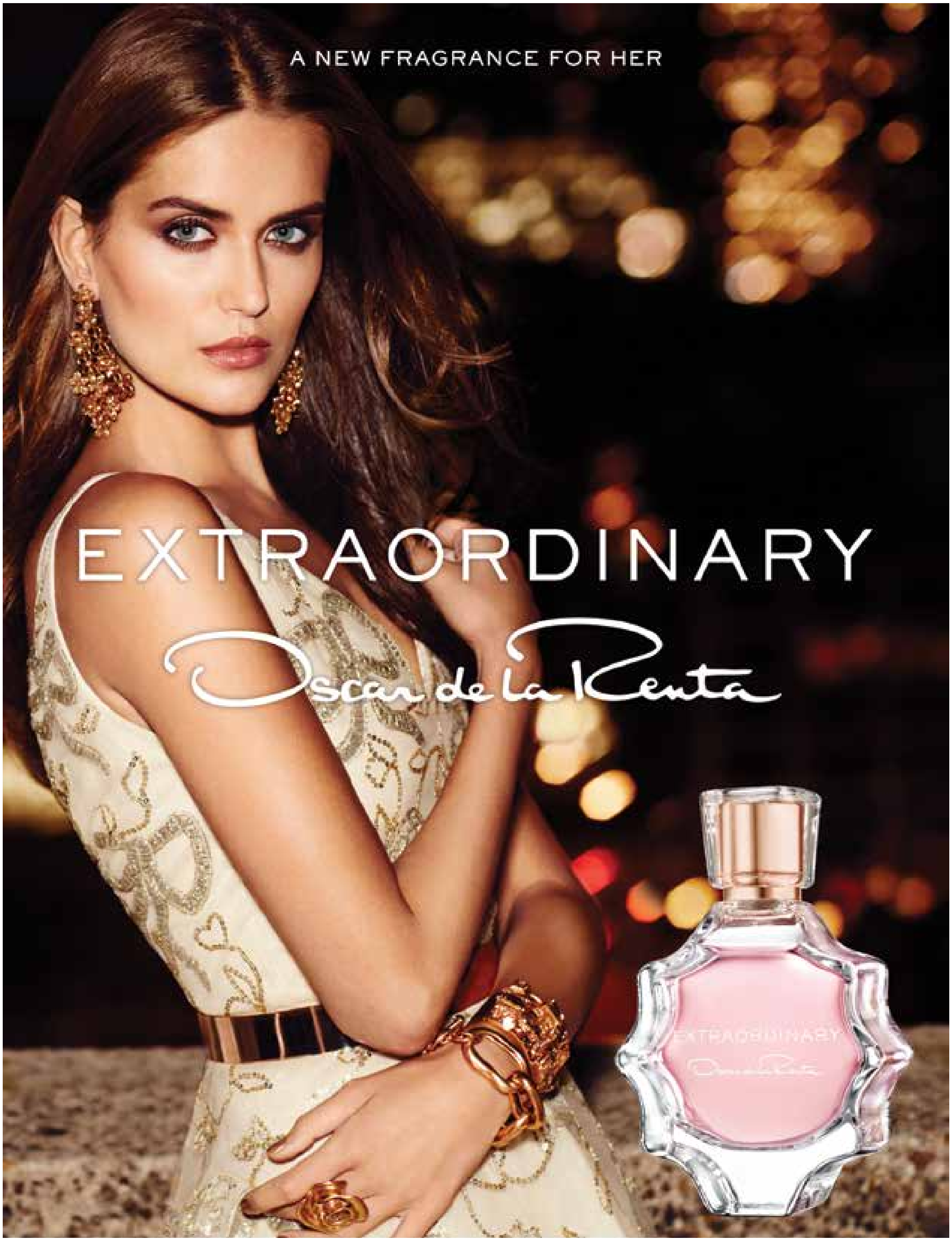
Montblanc has achieved a world-renowned position in the luxury segment and has become a purveyor of exclusive products, which reflect today's exacting demands for timeless design, tradition and master craftsmanship. Through its leadership positions in writing instruments, watches and leather goods, promising 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 quickly grown to be our largest and fastest growing 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. Montblanc product sales increased 40% in 2013 to $83.2 million and in 2014 sales of Montblanc fragrances topped $110 million, a 33% increase from 2013. Montblanc has now become our top selling brand.

OSCAR DE LA RENTA

In October 2013, we entered into a 12-year exclusive worldwide license to create, produce and distribute perfumes and related products under the Oscar de la Renta brand, which closed in December 2013. In 2014, we took over distribution of fragrances within the brand's current perfume portfolio generating $15.8 million in sales. Our first new women's fragrance under the Oscar de la Renta brand, *Extraordinary*, is planned for an early 2015 launch.

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, childrenswear, 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, oscardelarenta.com and through wholesale channels.



Oscar de la Renta *Extraordinary*

***Paul Smith** Extreme Sport*

PAUL SMITH

We signed an exclusive worldwide license agreement with Paul Smith in December 1998 for the creation, development and distribution of Paul Smith perfumes. In 2008, we extended this license for an additional seven years through December 31, 2017.

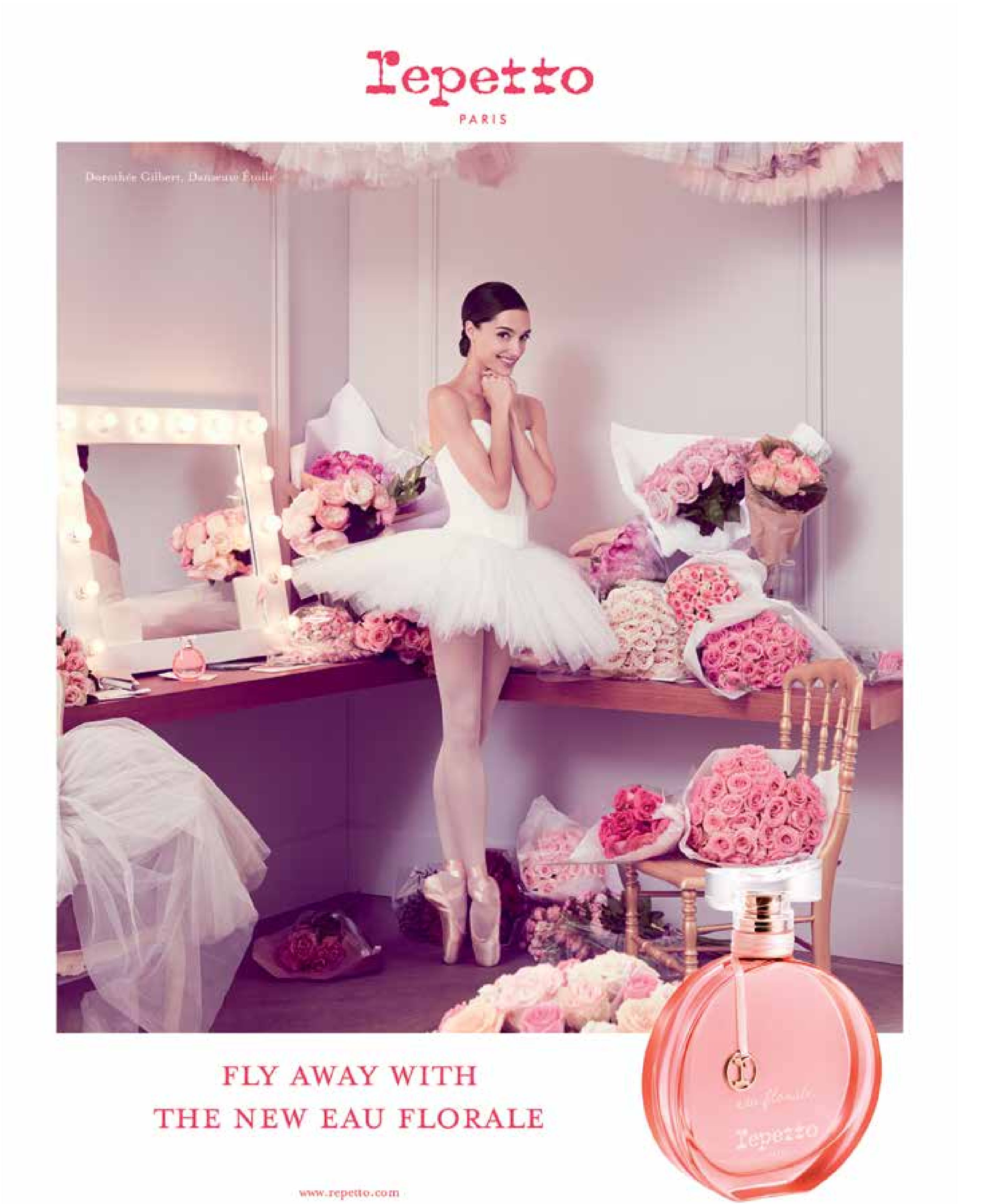
Paul Smith is an internationally renowned British designer who creates fashion with a clear identity. Paul Smith has a modern style which combines elegance, inventiveness and a sense of humor and enjoys a loyal following, especially in the UK and Japan. Fragrances include: *Paul Smith* (2000), *Paul Smith Extrême* (2002), *Paul Smith Rose* (2007), *Paul Smith Man 2* (2010) and *Optimistic* (2011). A new men's and women's line, *Portrait*, was released in Spring 2013 and *Extreme Sport* for men was introduced in 2014.

REPETTO

In December 2011, we entered into a 13-year exclusive worldwide license agreement to create, produce and distribute perfumes and ancillary products 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 an ambitious plan of international expansion focusing mainly on Europe, the brand is now branching out into Asia, notably South Korea and Japan where its mix of cross-generational appeal and French chic has been met with unprecedented enthusiasm. Our first fragrance line was launched in 2013 generating first year sales of $12 million. Sales reached $12.4 million in 2014 as our Repetto fragrances experienced gradual sales penetration in France, and slower acceptance internationally.



***Repetto** Eau Florale*

***Shanghai Tang** Gold Lily*

SHANGHAI TANG

灘 海 上

SHANGHAI TANG

In July 2013, we created a wholly-owned Hong Kong subsidiary, Inter Parfums USA Hong Kong Limited, which entered into a 12-year exclusive worldwide license to create, produce and distribute perfumes and related products under China's leading luxury brand, Shanghai Tang. The agreement commenced on July 1, 2013 and is subject to certain minimum sales, advertising expenditures and royalty payments as are customary in our industry. Our first Shanghai Tang fragrance collection for men and women is set for a 2015 rollout.

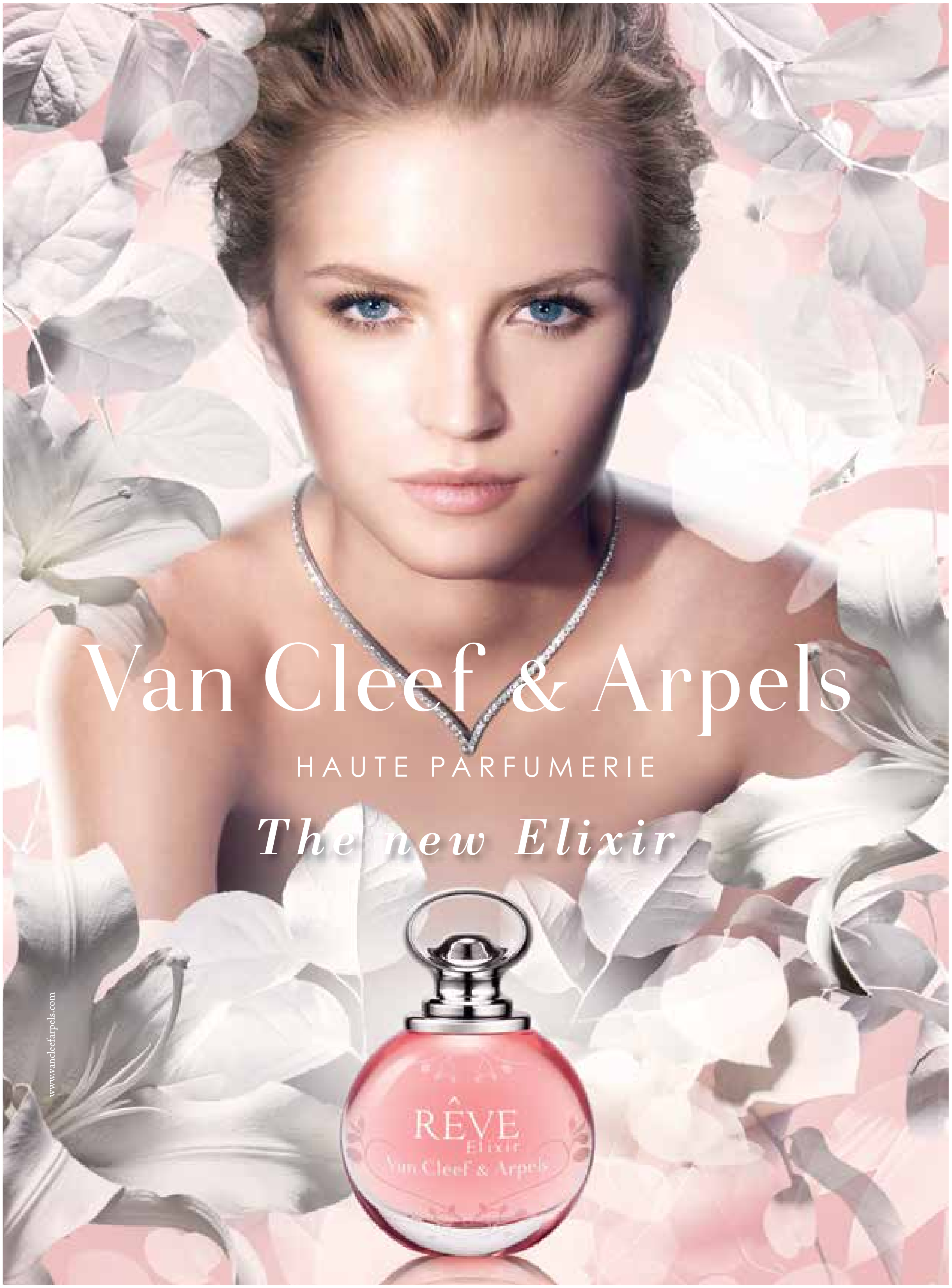
Founded in 1994, Shanghai Tang is the leading Chinese luxury brand with international recognition and distribution. As the global curator of modern Chinese chic, Shanghai Tang champions the richness and beauty of the Chinese culture through its contemporary lifestyle offer of apparel and accessories for men, women and children, as well as home collections. Shanghai Tang supports an international network of 45 boutiques, including the world's largest lifestyle flagship–The Shanghai Tang Mansion in Hong Kong, and its largest flagship Boutique, The Cathay Mansion in Shanghai, China and on-line.

S.T. DUPONT

In June 1997, we signed an exclusive worldwide license agreement with S.T. Dupont for the creation, manufacture and distribution of S.T. Dupont perfumes. In 2011, the agreement was renewed and now runs through December 31, 2016. 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* (1998), *S.T. Dupont Essence Pure* (2002), *S.T. Dupont Noir* (2006), *S.T. Dupont Blanc* (2007), *S.T. Dupont Passenger* (2008), *S.T. Dupont Intense* (2009), *S.T. Dupont Passenger Cruise* (2011), and *58 avenue Montaigne* (2012). In 2014, we launched our *So Dupont* duo, as well as a new men's line, *Paris Saint Germain*.

***S.T. Dupont** So Dupont*



***Van Cleef & Arpels** RÊVE Elixir*

Van Cleef & Arpels

VAN CLEEF & ARPELS

In September 2006, we entered into an exclusive worldwide license agreement for the creation, development and distribution of fragrance and related bath and body products under the Van Cleef & Arpels brand and related trademarks.

Van Cleef & Arpels fragrances in current distribution include: *First* (1976), *Van Cleef pour Homme* (1978), *Tsar* (1989), *Van Cleef* (1994), *First 1er Bouquet* (2008), *Féerie* (2008), *Collection Extraordinaire* (2009), *Oriens* (2010), *Midnight in Paris* (2010).

In 2013, sales increased 11% to $25.5 million due to the launch of the new *Rêve* line and steady performances by the *First* and *Collection Extraordinaire*. Although overall brand sales declined 7% in 2014, certain lines like *Collection Extraordinaire*, performed exceptionally well. We have a new women's scent for Van Cleef & Arpels prepared for a 2015 debut.

Specialty Retail

Banana Republic *Modern Man*

SPECIALTY RETAIL PRODUCTS

In connection with our specialty retail agreements in our United States operations, we design, produce and manufacture fragrance and fragrance related products for brand name specialty retailers. These agreements are very similar to our prestige license agreements, as they include a licensing component for worldwide sales to select third party retailers and distributors in return for royalty payments and required advertising expenditures as are customary in our industry, in addition to the possibility of selling product we create to the specialty retailer for sale in its retail stores. Our exclusive agreements for specialty retail brands and their expiration dates are as follows:

Brand Name	Expiration Date
Abercrombie & Fitch and Hollister	December 31, 2021
The Gap	August 31, 2015 for 1969 Fragrances only
Banana Republic	December 31, 2016
bebe Stores	June 30, 2017, plus three, 3-year optional terms, if certain sales targets are met

ABERCROMBIE & FITCH AND HOLLISTER

In December 2014, the Company entered into a 7-year exclusive worldwide license to create, produce and distribute new perfumes and fragrance related products under the Abercrombie & Fitch and Hollister brand names. The Company will distribute these fragrances internationally in specialty retailers, high-end department stores and duty free shops, and in the U.S., in duty free shops and potentially in Abercrombie & Fitch and Hollister retail stores. New men's and women's scents are planned for both Abercrombie & Fitch and Hollister for 2016.

GAP AND BANANA REPUBLIC

In July 2005, we entered into an exclusive agreement with The Gap, Inc. to develop, produce, manufacture and distribute fragrance and fragrance related products for Gap and Banana Republic brand names to be sold in Gap and Banana Republic retail stores in the United States and Canada. In March 2006, the agreement was amended to include fragrance and fragrance related products for Gap Outlet and Banana Republic Factory Stores in the United States and Canada. In 2008, we expanded our relationship with Gap Inc. to include a licensing agreement for international distribution of personal care products created for the Gap and Banana Republic brands.

After several renewals, our rights to develop, produce, manufacture and distribute fragrances for Gap brand names to be sold in Gap retail stores in the United States and Canada expired in December 2014, and we have a verbal agreement to retain the right to sell certain products internationally until August 31, 2015.

In 2015, we reached a verbal agreement to renew our rights to develop, produce, manufacture and distribute fragrances for Banana Republic brand names to be sold in Banana Republic retail stores in the United States and Canada and our license agreement for international distribution of fragrances of Banana Republic stores as well as select specialty and department stores outside the United States, including duty free and other travel related retailers. Banana Republic products currently available include: *Classic* (1995), *W* (1995), *Alabaster* (2006), *Rosewood* (2006), *Slate* (2006), *Black Walnut* (2006), *Cordovan* (2007), *Malachite* (2007), and *Wildbloom* (2011). To complement the women's scent *Wildbloom*, we launched several brand extensions, *Wildbloom Vert* and *Wildblue* in 2012 followed in 2013, with *Wildbloom Rouge* and *Wildblue Noir*. In 2014, we launched *Modern*, a new collection for men and women.

Abercrombie & Fitch *FIERCE*

bebe STORES

In July 2008, we entered into an exclusive 6-year worldwide agreement with bebe Stores, Inc., under which we design, manufacture and supply fragrance, bath and body products and color cosmetics for company-owned bebe stores in the United States and Canada, as well as select specialty and department stores worldwide. We have incorporated bebe's signature look into fragrance and cosmetics for the brand's strong, hip, sexy, and sophisticated clientele.

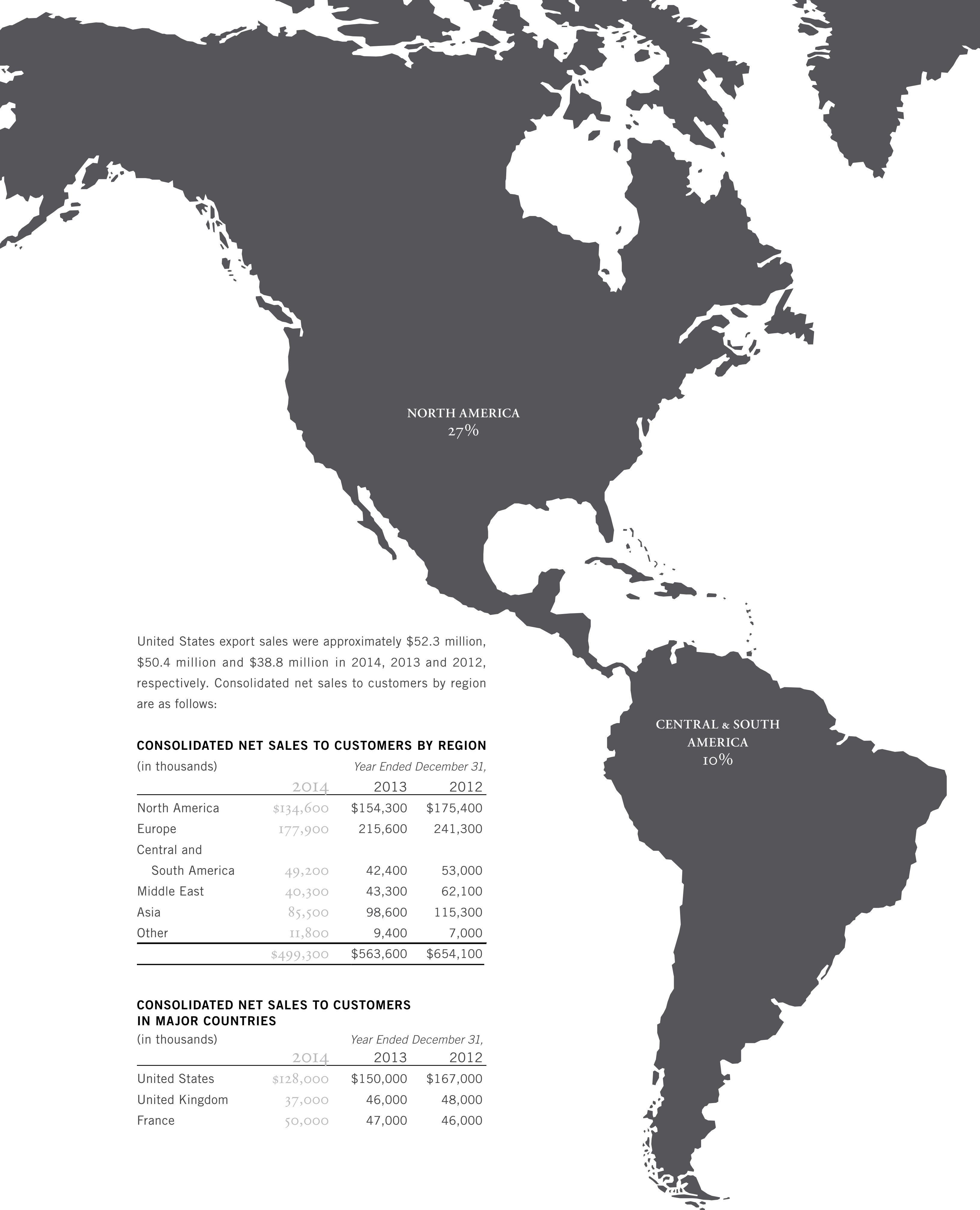
Our bebe signature fragrance was unveiled at more than 200 bebe stores in the U.S. in August 2009, which was followed by worldwide distribution shortly thereafter. Scents currently available for domestic and international markets include: *bebe* (2009), *bebe sheer* (2010) and *bebe gold* (2011). In 2012, we introduced a new bebe scent, *Wishes & Dreams* and we introduced two other scents, *bebe Desire* and *bebe Nouveau* in 2013. In 2014, we introduced *bebe Nouveau Chic* and a new fragrance family is planned for later in 2015.

QUARTERLY FINANCIAL DATA: (UNAUDITED)

(In thousands, except per share data)

2014	Q1	Q2	Q3	Q4	Full Year
Net Sales	$121,730	$118,192	$134,206	$125,133	$499,261
Gross Margin	69,230	68,116	75,328	74,363	287,037
Net Income	12,150	7,667	13,764	3,764	37,345
Net Income Attributable to					
Inter Parfums, Inc.	8,894	6,109	11,113	3,320	29,436
Net Income Attributable to					
Inter Parfums, Inc. per Share:					
Basic	$0.29	$0.20	$0.36	$0.11	$0.95
Diluted	$0.29	$0.20	$0.36	$0.11	$0.95
Average Common Shares Outstanding:					
Basic	30,900	30,938	30,941	30,945	30,931
Diluted	31,058	31,069	31,054	31,061	31,060

2013	Q1	Q2	Q3	Q4	Full Year
Net Sales	$213,810	$117,485	$126,753	$105,531	$563,579
Gross Margin	134,643	63,607	70,007	60,522	328,779
Net Income (Loss)	42,942	4,521	9,903	(6,400)	50,966
Net Income (Loss) Attributable to					
Inter Parfums, Inc.	31,696	3,815	7,854	(4,154)	39,211
Net Income (Loss) Attributable to					
Inter Parfums, Inc. per Share:					
Basic	$1.03	$0.12	$0.26	$(0.13)	$1.27
Diluted	$1.03	$0.12	$0.25	$(0.13)	$1.27
Average Common Shares Outstanding:					
Basic	30,687	30,748	30,796	30,826	30,764
Diluted	30,847	30,953	30,986	30,826	30,954



United States export sales were approximately $52.3 million, $50.4 million and $38.8 million in 2014, 2013 and 2012, respectively. Consolidated net sales to customers by region are as follows:

CONSOLIDATED NET SALES TO CUSTOMERS BY REGION

(in thousands) *Year Ended December 31,*

	2014	2013	2012
North America	$134,600	$154,300	$175,400
Europe	177,900	215,600	241,300
Central and South America	49,200	42,400	53,000
Middle East	40,300	43,300	62,100
Asia	85,500	98,600	115,300
Other	11,800	9,400	7,000
	$499,300	$563,600	$654,100

CONSOLIDATED NET SALES TO CUSTOMERS IN MAJOR COUNTRIES

(in thousands) *Year Ended December 31,*

	2014	2013	2012
United States	$128,000	$150,000	$167,000
United Kingdom	37,000	46,000	48,000
France	50,000	47,000	46,000


EUROPE
36%
MIDDLE EAST
8%
ASIA
17%

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:

Henry B. Clarke and Alex Canavan 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:

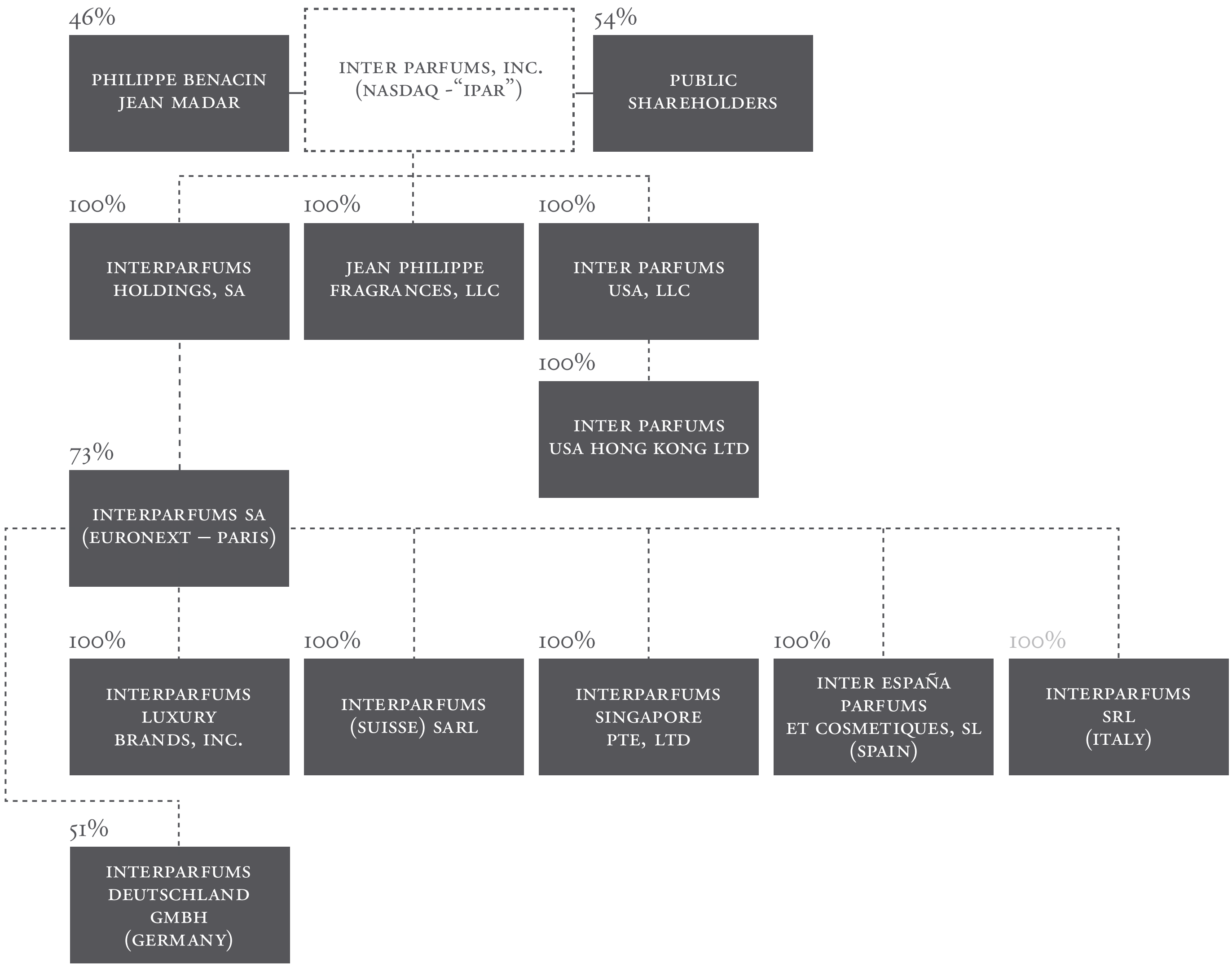
- International development strategy;
- Establishment of distributor networks and negotiation of contracts;
- Monitoring of profit margins and advertising expenditures.

DOMESTIC (HOME COUNTRY) SALES:

Michel Bes 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



CONTENTS

management's discussion and analysis of financial condition and Results of Operations

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

REGULATION S-K ITEM 10(e)

Regulation S-K, Item 10(e), "Use of Non-GAAP Financial Measures in Commission Filings," prescribes the conditions for use of non-GAAP financial information in filings with the Securities and Exchange Commission.

In July 2012, Burberry exercised its option to buy-out our license rights effective December 31, 2012. Due to the significance of this transaction as well as its non-recurring nature, exclusion of such gain in the non-GAAP financial measures provides a more complete disclosure and facilitates a more accurate comparison of current results to historic results. In addition, providing comparable sales information excluding sales relating to a terminated license provides investors with a more accurate picture of current sales trends. Based upon the foregoing, we believe that our presentation of the non-GAAP financial information is an important supplemental measure of operating performance to investors.

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 prestige products primarily under license agreements with brand owners, and European-based prestige product sales represented approximately 79%, 82% and 87% of net sales for 2014, 2013 and 2012, respectively. We have built a portfolio of prestige brands, which include *Balmain, Boucheron, Jimmy Choo, Karl Lagerfeld, Lanvin, Montblanc, Paul Smith, S.T. Dupont, Repetto* and *Van Cleef & Arpels,* whose products are distributed in over 100 countries around the world.

Burberry was our most significant license, and net sales of Burberry products represented 0%, 23% and 46% of net sales for the years ended December 31, 2014, 2013 and 2012, respectively. (See Note 2 "Termination of Burberry License" in notes to consolidated financial statements on page 77 of this Annual Report). In addition, we own the Lanvin brand name for our class of trade, and license the Montblanc and Jimmy Choo brand names; for the year ended December 31, 2014, sales of product for these brands represented 18%, 22% and 16% of net sales, respectively.

Through our United States operations we also market prestige brands as well as specialty retail fragrance and fragrance related products. United States operations represented 21%, 18% and 13% of net sales in 2014, 2013 and 2012, respectively. These fragrance products are sold or to be sold under trademarks owned by us or pursuant to license or other agreements with the owners of the *Abercrombie & Fitch, Agent Provocateur, Anna Sui, Banana Republic, bebe, Dunhill, Gap, Hollister, Oscar de la Renta,* and *Shanghai Tang* brands.

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 has been more evident in the past few years. We operate distribution subsidiaries in Italy, Germany, Spain, and the United States. In addition, our specialty retail product lines sold to U.S. retailers are also concentrated in the second half of the year.

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 supporting new and established products through advertising, merchandising and sampling as well as phasing out existing products that no longer meet the needs of our consumers. 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.

During 2014, the economic and political uncertainty and financial market volatility taking place in certain European countries and the Middle East did not have a significant impact on our business, and at this time we do not believe it will have a significant impact on our business for the foreseeable future. However, if the degree of uncertainty or volatility worsens or is prolonged, then there will likely be a negative effect on ongoing consumer confidence, demand and spending and as a result, our business. Currently, we believe general economic, political and other uncertainties still exist in select markets in which we do business and we continue to monitor global economic and political uncertainties and other risks that may affect our business.

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 approximately 40% 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. Our Company addresses 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.

RECENT IMPORTANT EVENTS

BURBERRY

Burberry exercised its option to buy-out the license rights effective December 31, 2012. In October 2012, the Company and Burberry entered into a transition agreement that provided for certain license rights and obligations to continue through March 31, 2013. The Company continued to operate certain aspects of the business for the brand including product development, testing, and distribution. The transition agreement provided for non-exclusivity for manufacturing, a cap on sales of Burberry products, a reduced advertising requirement and no minimum royalty amounts.

ABERCROMBIE & FITCH AND HOLLISTER

In December 2014, the Company entered into a 7-year exclusive worldwide license to create, produce and distribute new perfumes and fragrance related products under the Abercrombie & Fitch and Hollister brand names. The Company will distribute these fragrances internationally in specialty retailers, high-end department stores and duty free shops, and in the U.S., in duty free shops and potentially in Abercrombie & Fitch and Hollister retail stores. The agreement is subject to certain minimum sales, advertising expenditures and royalty payments as are customary in our industry. New men's and women's scents are planned for both Abercrombie & Fitch and Hollister for 2016.

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.

REVENUE RECOGNITION

We sell our products to department stores, perfumeries, specialty retailers, mass market retailers, supermarkets and domestic and international wholesalers and distributors. 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. We recognize revenues when merchandise is shipped and the risk of loss passes to the customer. Net sales are comprised of gross revenues less returns, trade discounts and allowances.

ACCOUNTS RECEIVABLE

Accounts receivable represent payments due to the Company for previously recognized net sales, reduced by allowances for sales returns and doubtful accounts. 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.

SALES RETURNS

Generally, we do not permit customers to return their unsold products. However, for U.S. distribution of our prestige products, 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 have considered, and will continue to 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 estimated reserves for sales returns as a reduction of sales, cost of sales and accounts receivable. Returned products are recorded as inventories and are valued based upon 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.

INVENTORIES

Inventories are stated at the lower of cost or market value. Cost is principally determined by the first-in, first-out method. We record adjustments to the cost of inventories based upon our sales forecast and the physical condition of the inventories. These adjustments are estimates, which could vary significantly, either favorably or unfavorably, from actual requirements if future economic conditions or competitive conditions differ from our expectations.

EQUIPMENT AND OTHER LONG-LIVED ASSETS

Equipment, which includes tools and molds, is recorded at cost and is depreciated on a straight-line basis over the estimated useful lives of such assets. Changes in circumstances such as technological advances, changes to our business model or changes in our capital spending strategy can result in the actual useful lives differing from our estimates. In those cases where we determine that the useful life of equipment should be shortened, we would depreciate the net book value in excess of the salvage value, over its revised remaining useful life, thereby increasing depreciation expense. Factors such as changes in the planned use of equipment, or market acceptance of products, could result in shortened useful lives.

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 6.7%. 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 and currently no impairment indicators exist for our indefinite-lived intangible assets. 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. The following table presents the impact a change in the following significant assumptions would have had on the calculated fair value in 2014 assuming all other assumptions remained constant:

(In millions)	**Change**	**Increase (decrease) to fair value**
Weighted average cost of capital	+10%	$(1.0)
Weighted average cost of capital	-10%	$ 1.3
Future sales levels	+10%	$ 1.0
Future sales levels	-10%	$(1.0)

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. We believe that the assumptions we have made in projecting future cash flows for the evaluations described above are reasonable and currently no impairment indicators exist for our intangible assets subject to amortization. In those cases where we determine that the useful life of long-lived assets should be shortened, we would depreciate 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.

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.

DERIVATIVES

We account for derivative financial instruments in accordance with ASC topic 815, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. This topic also requires the recognition of all derivative instruments as either assets or liabilities on the balance sheet and that they are measured at fair value.

We currently use derivative financial instruments to hedge certain anticipated transactions and interest rates, as well as receivables denominated in foreign currencies. We do not utilize derivatives for trading or speculative purposes. Hedge effectiveness is documented, assessed and monitored by employees who are qualified to make such assessments and monitor the instruments. Variables that are external to us such as social, political and economic risks may have an impact on our hedging program and the results thereof.

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 anticipated 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 income at that time. In addition, the Company follows the provisions of uncertain tax positions as addressed in ASC topic 740-10-65-1.

QUANTITATIVE ANALYSIS

During the 3-year period ended December 31, 2014, 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 2014, 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 $0.02 million. The collective impact of these changes on operating income, net income attributable to Inter Parfums, Inc., and net income attributable to Inter Parfums, Inc. per diluted common share would be an increase or decrease of approximately $0.5 million, $0.26 million and $0.01 million, respectively.

RESULTS OF OPERATIONS

See information regarding Regulation S-K Item 10(e), "Use of Non-GAAP Financial Measures in Commission Filings," on page 55 of this Annual Report.

As a result of the termination of the Burberry license, after declining 14% in 2013, net sales in 2014 declined 11% to $499.3 million, as compared to $563.6 million in 2013. However, with respect to the Company's ongoing brands (excluding Burberry brand sales), after increasing 23% in 2013, net sales in 2014 increased 15% to $499.3 million, as compared to $433.3 million in 2013.

NET SALES

(In millions) *Years Ended December 31,*

	2014	% Change	2013	% Change	2012
European-based ongoing brand product sales	$394.0	18%	$334.0	23%	$270.4
United States-based product sales	105.3	6%	99.3	21%	82.3
Total ongoing brand net sales	499.3	15%	$433.3	23%	$352.7
Burberry brand net sales	–	n/a	130.3	n/a	301.4
Total net sales	$499.3	(11)%	$563.6	(14)%	$654.1

At comparable foreign currency exchange rates, ongoing brand net sales increased 16% in 2014, as there was no discernible effect of currency rates on net sales in 2013. The average U.S. dollar/euro exchange rates were 1.33 in both 2014 and 2013 and 1.28 in 2012.

Ongoing European-based prestige product sales increased 18% in 2014 to $394.0 million, as compared to 2013. New product launches were the primary catalyst for sales growth in 2014. Karl Lagerfeld's signature scents for both men and women yielded $24.2 million in incremental sales in 2014. Steady gains from *Legend* fragrances along with the 2014 launch of *Emblem*, enabled Montblanc brand sales to continue to outperform expectations with sales reaching $110.8 million in 2014, up 33% as compared to 2013. Montblanc has now become our top selling brand. The successful summer launch of Jimmy Choo *Man* enabled Jimmy Choo brand sales to resume positive sales momentum resulting in 2014 brand sales of $78.5 million, up 8% as compared to 2013. Lanvin brand sales faced a difficult comparison against the launch of *Lanvin Me* in 2013; however, a strong performance by *Eclat d'Arpège* and the launch of Lanvin *Me L'Eau* resulted in brand sales increasing 5% to $90.3 million in 2014 as compared to 2013.

These 2014 results for ongoing European-based prestige product sales are even more gratifying as they come on the heels of a very strong 2013 where overall ongoing European-based prestige product sales increased 23% as compared to 2012. Sales of Montblanc *Legend* fragrances performed exceptionally well with brand sales increasing 40% in 2013. For Jimmy Choo, the introduction of its second fragrance line, Jimmy Choo *Flash*, contributed to the 41% increase in brand sales for 2013. With the continued growth of *Eclat d'Arpège* along with the launch of *Lanvin Me* and the steady performance of the *Jeanne Lanvin* line, Lanvin product sales increased 11% in 2013, as compared to 2012. In addition, the launches of the Repetto signature scent, along with *Place Vendôme* from Boucheron had exceeded our expectations and were meaningful contributors to the growth in sales of ongoing brands in 2013.

As expected, sales within our European operations have been affected as a result of the termination of the Burberry license. In addition, 2015 is expected to be a very challenging year from a currency perspective. As mentioned above, the average U.S. dollar/euro exchange rate for 2014 and 2013 was 1.33. However, first quarter 2015 exchange rates have averaged approximately 1.15 or 14% below that of 2014. This is expected to have a significant negative impact on 2015 reported sales. Despite the severe and anticipated continuing change in such currency exchange rates, we maintain confidence in our future as we have strengthened advertising and promotional investments supporting all portfolio brands and accelerated brand development. Our expectations reflect plans to continue to build upon the strength of our brands and our worldwide distribution network. For 2015, we expect continued strong performances from the existing scents within our major European-based prestige brands. In addition, our plans in 2015 call for a number of new product launches including new scents for Montblanc, Jimmy Choo, Boucheron, Lanvin, Balmain and Van Cleef & Arpels. Lastly, the Company hopes to benefit from its substantial resources to potentially acquire one or more brands, either on a proprietary basis or as a licensee.

United States prestige and specialty retail product sales increased 6% in 2014 to $105.3 million as compared to $99.3 million in 2013. Recently licensed prestige brands within our U.S.-based operations were the stars of 2014. Dunhill legacy scents added $16.2 million to 2014 sales, up 25% from $13.0 million in 2013. Sales of Oscar de la Renta legacy products began in 2014 and aggregated $15.8 million for the year. In addition, the spring launches, *Fatale* and *Fatale Pink* for Agent Provocateur, have been well received in international markets, generating $5.3 million in 2014 sales. Declines in our specialty retail and mass market product lines mitigated some of these gains. In addition, a difficult Asian market resulted in a 16% decline in Anna Sui brand sales aggregating $21.5 million in 2014, as compared to $25.8 million in 2013.

United States prestige brand and specialty retail products, sales increased 21% in 2013 and benefited from strong consumer demand and expanded retail distribution for Anna Sui fragrances. Initial sales of Anna Sui fragrances began in 2012 and gained further momentum following the launch of *La Vie de Bohème* in 2013. Anna Sui fragrance sales increased 29% to $25.8 million in 2013, as compared to $20.0 million in 2012. In April 2013, our U.S.-based operations took over the manufacture and distribution of legacy Dunhill fragrances, and brand sales aggregated $13.0 million, providing an incremental contribution to 2013 growth for our U.S. business.

Future growth within our United States-based operations is expected to come from our prestige fragrance licenses. We plan to grow our brands by launching new products and pursuing expanded distribution. In that regard, we began shipping our first all new Dunhill fragrance, *Icon*, in January 2015, which will be in selective distribution until spring 2015. We have also recently launched our inaugural fragrance collection for Shanghai Tang in certain duty free markets, which will be followed by a select international roll-out throughout 2015. In addition, our plans in 2015 call for a number of other product launches including new scents for Oscar de la Renta, Anna Sui and bebe. Finally, we will continue the development process for the new Abercrombie & Fitch and Hollister fragrance lines planned for international distribution in 2016.

ONGOING BRAND NET SALES TO CUSTOMERS BY REGION

(In millions)

	Years Ended December 31,		
	2014	2013	2012
North America	$134.6	$118.4	$96.0
Western Europe	130.9	114.4	90.6
Eastern Europe	47.0	46.3	38.0
Central & South America	49.2	33.2	29.4
Middle East	40.3	34.1	29.7
Asia	85.5	78.2	63.9
Other	11.8	8.7	5.1
	$499.3	$433.3	$352.7

In 2014, ongoing brand sales were ahead in all regions. Our three largest markets Western Europe, North America and Asia had sales growth of 14.4%, 13.6% and 9.2%, respectively. Eastern Europe, which has been a difficult market all year as a result of political and economic turmoil in the area, was up 1.4% in 2014. In 2013, ongoing brand sales were also ahead in all regions, and our three largest markets Western Europe, North America and Asia had sales growth of 26.3%, 23.3% and 22.5%, respectively.

GROSS MARGINS

(In millions)

	Years Ended December 31,		
	2014	2013	2012
Net sales	$499.3	$563.6	$654.1
Cost of sales	212.3	234.8	246.9
Gross margin	$287.0	$328.8	$407.2
Gross margin as a percent of net sales	57.5%	58.3%	62.2%

As a percentage of net sales, gross profit margins were 57.5%, 58.3%, and 62.2% in 2014, 2013 and 2012, respectively. For European operations, gross profit margin was 60%, 61% and 64% in 2014, 2013 and 2012, respectively. The gross margin decline in 2014 and 2013 was directly related to the resolution of the Burberry inventory and the termination of the Burberry license. Although reserves were established in 2012 and used in 2013 to cover losses on the disposition of inventory, the sale of certain inventory to Burberry at cost, resulted in a lower gross margin. In addition, the discontinuance of Burberry product sales, which were sold at higher margins than ongoing brand sales, had a negative effect on margins. For U.S. operations, gross profit margin was 48% in 2014 and 46% for both 2013 and 2012. Sales growth for our U.S. operations has primarily come from higher margin prestige product licenses while sales of lower margin specialty retail and mass market products have been in a decline.

We carefully watch movements in foreign currency exchange rates as approximately 40% of our European-based operations net sales are denominated in U.S. dollars, while our costs are incurred in euro. From a profit standpoint, a stronger U.S. dollar has a positive effect on our gross margin while a weak dollar has a negative effect. The average dollar/euro exchange rate was 1.33 in both 2014 and 2013. As such, there was no discernable effect on gross margin in 2014 from changes in currency exchange rates. However, first quarter 2015 dollar/euro exchange rates have averaged approximately 1.15 or 14% below that of 2014. Although this is expected to have a significant negative impact on 2015 reported sales, we expect to see an increase in our gross margin as over 40% 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.

Costs relating to purchase with purchase and gift with purchase promotions are reflected in cost of sales and aggregated $24.4 million, $25.7 million and $46.5 million in 2014, 2013 and 2012, respectively, and represented 4.9%, 4.6% and 7.1% of net sales, respectively. The decline in 2014 and 2013 is the result of the discontinuance of Burberry product sales.

Generally, we do not bill customers for shipping and handling costs and such costs, which aggregated $5.2 million, $6.1 million and $8.4 million in 2014, 2013 and 2012, 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,		
	2014	2013	2012
Selling, general & administrative expenses	$233.6	$250.0	$325.8
Selling, general & administrative expenses as a percent of net sales	47%	44%	50%

Selling, general and administrative expenses decreased 7% in 2014 as compared to 2013 and decreased 23% in 2013 as compared to 2012. As a percentage of sales, selling, general and administrative expenses were 47%, 44% and 50% in 2014, 2013 and 2012, respectively. For European operations, selling, general and administrative expenses decreased 9% in 2014, as compared to 2013 and represented 50% of sales in 2014 as compared to 47% in 2013. A significant portion of the expenses associated with the Burberry brand were variable in nature. However, with only limited reorganization measures employed, the Company is attempting to absorb its fixed costs through increased sales of other brands in our prestige fragrance portfolio as well as with the sale of products of recently licensed new brands. For U.S. operations, selling, general and administrative expenses increased 11% in 2014 and represented 36% of sales, as compared to 34% in 2013.

Promotion and advertising included in selling, general and administrative expenses aggregated $86.7 million, $94.0 million and $132.7 million in 2014, 2013 and 2012, respectively. Promotion and advertising as a percentage of sales represented 17.4%, 16.7% and 20.3% of net sales in 2014, 2013 and 2012, respectively. In 2013, pursuant to the requirements of the transition agreement with Burberry, advertising requirements were reduced. Almost all promotional spending in 2013 was for continuing brands and represented approximately 22% of continuing brand sales. As planned, we invested heavily in promotional spending in the latter part of 2013 to support new product launches and continued worldwide building of brand awareness of our brand portfolio.

Royalty expense included in selling, general and administrative expenses aggregated $35.6 million, $40.5 million and $58.8 million in 2014, 2013 and 2012, respectively. Royalty expense as a percentage of sales represented 7.1%, 7.2% and 9.0% of net sales in 2014, 2013 and 2012, respectively. Royalty expense in 2014 includes a $2.3 million increase to the estimated royalty liability due to Burberry. Without this adjustment, royalty expense would have represented 6.7% of net sales in 2014, with the decline directly related to the termination of the Burberry license. In addition, service fees, which are fees paid to third parties relating to the activities of our distribution subsidiaries, aggregated $11.1 million, $15.1 million and $26.3 million in 2014, 2013 and 2012, respectively. The declines in both 2014 and 2013 are directly related to the termination of the Burberry license and related discontinuation of our United Kingdom distribution subsidiary.

The impairment loss in 2012 related to our Nickel business. In December 2013, we sold our Nickel brand and trademarks for $3.5 million, which was approximately equal to the then current book value of the goodwill and trademark; therefore, there was no material gain or loss as a result of the sale.

See information regarding Regulation S-K Item 10(e), "Use of Non-GAAP Financial Measures in Commission Filings", on page 55 of this Annual Report. As a result of the termination of the Burberry license, the Company recognized a gain of $198.8 million as of December 31, 2012. On an after tax basis and after allocation to the noncontrolling interests on an after tax basis, the net gain on termination of license attributable to Inter Parfums, Inc. common shareholders' aggregated $93.0 million.

The following analysis excludes the 2012 net gain on termination of license.

Income from operations decreased 32% to $53.4 million in 2014 as compared to 2013, and decreased 1% to $78.8 million in 2013 as compared to $79.6 million in 2012. Operating margins aggregated 10.7%, 14.0% and 12.2% for the years ended December 31, 2014, 2013 and 2012, respectively. Results for 2013 were influenced by an exceptional first quarter, whereby operating pursuant to the termination agreement with Burberry, profits were extraordinarily strong due to a substantial increase in sales, coupled with low promotional expenses. The remainder of the 2013 year was influenced by lower sales and profitability relating to the termination of the Burberry license. Lower gross margins were partially offset by lower promotional spending. In 2014, we experienced a slight decline in gross margin; however, and more importantly, we still need higher sales levels to appropriately leverage our selling, general and administrative expenses.

With only limited reorganization measures employed, the Company's business model is expected to continue to demonstrate effectiveness. A significant portion of the expenses associated with the Burberry brand were variable in nature. The Company plans to continue to absorb substantially all of its fixed costs through increased sales of other brands in our prestige fragrance portfolio as well as with the sale of products of recently licensed new brands. Our goal is to reach an operating margin of at least 14% in the next several years.

OTHER INCOME AND EXPENSES

Interest expense aggregated $1.5 million, $1.4 million and $1.7 million in 2014, 2013 and 2012, respectively. We use the credit lines available to us, as needed, to finance our working capital needs as well as our financing needs for acquisitions. Loans payable – banks and long-term debt including current maturities aggregated $0.3 million, $6.1 million and $27.8 million as of December 31, 2014, 2013 and 2012, respectively. In October 2012, the Company entered into a 1-year, €20 million credit facility to finance payments required pursuant to the Karl Lagerfeld license. This credit facility was repaid in full in 2013 and we had no long-term debt as of December 31, 2014 and 2013.

Foreign currency gains or (losses) aggregated $0.9 million ($1.2) million and ($3.1) million in 2014, 2013 and 2012, respectively. We enter into foreign currency forward exchange contracts to manage exposure related to receivables denominated in a foreign currency as over 40% of net sales of our European operations are denominated in U.S. dollars. However, as coverage is never one hundred percent, gains and losses are incurred.

Interest income aggregated $3.9 million, $4.4 million and $1.1 million in 2014, 2013 and 2012, respectively. Cash and cash equivalents and short-term investments are primarily invested in certificates of deposit.

INCOME TAXES

Our effective income tax rate was 34.2%, 36.8% and 35.6% in 2014, 2013 and 2012, respectively. Our effective tax rates differ from statutory rates due to the effect of state and local taxes and tax rates in foreign jurisdictions. In 2013, the Company incurred a new tax levied by the French Government equal to 3% on any dividend paid by a French company to its shareholders. This tax aggregated approximately $0.8 million in 2014 and $1.6 million in 2013. Excluding this tax, our effective tax rate of European operations was 31.7%, 34.0% and 35.4% in 2014, 2013 and 2012, respectively. Profits in lower tax rate foreign jurisdictions are the primary factor in the continued decline in the effective tax rate of our European operations. In addition, changes in allocation percentages related to state and local taxes of our U.S. operations reduced our U.S. operations effective tax rate to 36.5% in 2014 as compared to 39.8% in 2013. We expect our effective tax rate to continue to decline as a result of our business interests in lower tax rate jurisdictions. Other than as discussed above, we did not experience any significant changes in tax rates, and none were expected in jurisdictions where we operate.

See information regarding Regulation S-K Item 10(e), "Use of Non-GAAP Financial Measures in Commission Filings", on page 55 of this Annual Report.

NET INCOME AND EARNINGS PER SHARE (AS REPORTED)

(In thousands, except share and per share data) *Year Ended December 31,*

	2014	2013	2012
Net income attributable to European operations	$29,276	$44,147	$171,799
Net income attributable to United States operations	8,069	6,819	5,091
Net income	$37,345	$50,966	$176,890
Less: Net income attributable to the noncontrolling interest	7,909	11,755	45,754
Net income attributable to Inter Parfums, Inc.	$29,436	$39,211	$131,136
Net income attributable to Inter Parfums, Inc. common shareholders:			
Basic	$0.95	$1.27	$4.29
Diluted	0.95	1.27	4.26
Weighted average number of shares outstanding:			
Basic	30,931,308	30,763,955	30,574,772
Diluted	31,060,326	30,953,882	30,715,684

ON AN AFTER TAX BASIS (THE TAX RATE OF INTERPARFUMS SA WAS 36.1% IN 2012) AND AFTER ALLOCATION TO THE NONCONTROLLING INTEREST (26.8%) OF THE AFTER TAX GAIN, THE 2012 NET GAIN ON TERMINATION OF LICENSE ATTRIBUTABLE TO INTER PARFUMS, INC. COMMON SHAREHOLDERS AGGREGATED $93.0 MILLION. THEREFORE, HAD THIS TRANSACTION NOT OCCURRED, NET INCOME AND EARNINGS PER SHARE IN 2012 WOULD HAVE BEEN AS FOLLOWS:

(In thousands, except share and per share data)			*Year Ended December 31,*
	2014	2013	2012
Net income attributable to European operations	$29,276	$44,147	$44,742
Net income attributable to United States operations	8,069	6,819	5,091
Net income	$37,345	$50,966	$49,833
Less: Net income attributable to the noncontrolling interest	7,909	11,755	11,741
Net income attributable to Inter Parfums, Inc.	$29,436	$39,211	$38,092
Net income attributable to Inter Parfums, Inc. common shareholders:			
Basic	$0.95	$1.27	$1.25
Diluted	0.95	1.27	1.24

Excluding the 2012 net gain on termination of license, on a consolidated basis, and after its allocation to the noncontrolling interests on an after tax basis, net income was $37.3 million, $51.0 million and $49.8 million in 2014, 2013 and 2012, respectively. Net income attributable to European operations was $29.3 million, $44.1 million and $44.7 million in 2014, 2013 and 2012, respectively, while net income attributable to United States operations was $8.1 million, $6.8 million and $5.1 million in 2014, 2013 and 2012, respectively. The reasons for significant fluctuations in net income for both European operations and United States operations are directly related to the previous discussions relating to changes in sales, gross margin and selling, general and administrative expenses. In summary, for European operations in 2014, the absence of Burberry brand sales and related decline in gross margin as a percentage of sales were partially mitigated by the decline in Burberry related selling, general and administrative expenses. However, we need higher sales levels to appropriately leverage our selling, general and administrative expenses. For United States operations in 2014, higher gross margins combined with a lower effective tax rate mitigated an 11% increase in selling, general and administrative expenses resulting in net income growth.

The noncontrolling interest arises 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 directly related to the profitability of our European operations, and aggregated 27.0%, 26.6% and 26.4% of European operations net income in 2014, 2013 and 2012, respectively. Net income attributable to Inter Parfums, Inc. aggregated $29.4 million, $39.2 million and $38.1 million in 2014, 2013 and 2012, respectively. Net margins attributable to Inter Parfums, Inc. aggregated 5.9%, 7.0% and 5.8% in 2014, 2013 and 2012, respectively.

LIQUIDITY AND CAPITAL RESOURCES

The Company's financial position remains strong. At December 31, 2014, working capital aggregated $383 million and we had a working capital ratio of 4.7 to 1. Cash and cash equivalents and short-term investments aggregated $280 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 88% of the Company's total assets are held by European operations. In addition to the cash and cash equivalents and short-term investments referred to above, approximately $87 million of trademarks, licenses and other intangible assets are held by European operations.

The Company hopes to benefit from its substantial resources 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 $36.6 million, $49.2 million and $60.6 million in 2014, 2013 and 2012, respectively. In 2014, working capital items used $11 million in cash from operating activities, as compared to $18 million in 2013 and $72 million being provided by working capital items in 2012. The 2014 increase in accounts receivable is consistent with the 2014 increase in sales and the accounts receivable balances in 2014, 2013 and 2012 reflect favorable collection activity as day's sales outstanding declined to 66 days in 2014 as compared to 73 days in 2013 and 90 days in 2012. Inventory day's on hand has also shown improvement and aggregated 198 in 2014, down from 199 in 2013 and 225 in 2012. As noted above, in 2013, working capital items used $18 million in cash from operating activities. The primary factor contributing to this use is the payment of taxes relating to the gain on termination of license. The decline in accounts receivable, inventories and payables reflects the wind down associated with the termination of the Burberry license.

Cash flows used in investing activities reflect the purchase and sales of short-term investments by our European operations. These investments are primarily certificates of deposit with maturities greater than three months. At December 31, 2014, approximately $79 million of such certificates of deposit contain penalties where we would forfeit a portion of the interest earned in the event of early withdrawal.

Purchases of equipment and leasehold improvements aggregated $3.3 million, $5.0 million and $9.5 million in 2014, 2013 and 2012, respectively. In 2012, the amounts include the purchase of stands and counters for the Burberry cosmetic lines, some of which were sold for $2.8 million in 2013. Investing activities in 2012 reflect the proceeds from the termination of the Burberry license received in December 2012. Our business is not capital intensive as we do not own any manufacturing facilities. However, on a full year basis, we spend approximately $3 million to $4 million on tools and molds, depending on 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 intangible assets aggregated $0.9 million, $7.8 million and $19.7 million in 2014, 2013 and 2012, respectively. When acquiring new licenses for brands that have current distribution, we may pay an entry fee in connection with securing the license rights.

In December 2013, the Company sold its Nickel brand and trademarks for $3.5 million, which was approximately equal to the then current book value of the goodwill and trademark; therefore, there was no material gain or loss as a result of the sale.

Our short-term financing requirements are expected to be met by available cash on hand at December 31, 2014, cash generated by operations and a short-term credit lines provided by domestic and foreign banks. The principal credit facilities for 2015 consist of a $20.0 million unsecured revolving line of credit provided by a domestic commercial bank and approximately $30.0 million in credit lines provided by a consortium of international financial institutions. Short-term borrowings aggregated $0.3 million and $6.1 million as of December 31, 2014 and 2013, respectively. Proceeds from sale of stock of subsidiary reflect the proceeds from shares issued by our French subsidiary, Interparfums SA, pursuant to options exercised.

In January 2013, the Board of Directors authorized a 50% increase in the annual dividend to $0.48 per share. In November 2013, our Board of Directors authorized a special cash dividend of $0.48 per share, payable in one lump sum on December 16, 2013 to shareholders of record on December 2, 2013. In January 2014, the Board of Directors authorized the continuation of the $0.48 per share dividend for 2014 and in January 2015, the Board of Directors authorized an 8% increase in the annual dividend to $0.52 per share. The next quarterly cash dividend of $0.13 per share is payable on April 15, 2015 to shareholders of record on March 31, 2015. Dividends paid, including dividends paid once per year to noncontrolling stockholders of Interparfums SA, aggregated $19.5 million, $36.7 million and $13.1 million for the years ended December 31, 2014, 2013 and 2012, respectively. The cash dividends to be paid in 2015 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, 2014.

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			
		Less than	Years	Years	More than
Contractual Obligations	Total	1-year	2-3	4-5	5-years
Long-Term Debt	—	—	—	—	—
Capital Lease Obligations	—	—	—	—	—
Operating Leases	$34,901	$5,306	$10,410	$8,884	$10,301
Purchase Obligations (1)	$984,309	$102,752	$210,181	$217,308	$454,068
Other Long-Term Liabilities Reflected on the Registrant’s Balance Sheet under GAAP	—	—	—	—	—
Total	$1,019,210	$108,058	$220,591	$226,192	$464,369

(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, 2014, without consideration for potential renewal periods and do not reflect the fact that our distributors share our advertising obligations.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

GENERAL

We address certain financial exposures through a controlled program of risk management that primarily consists of the use of derivative financial instruments. We primarily enter into foreign currency forward exchange contracts in order to reduce the effects of fluctuating foreign currency exchange rates. We do not engage in the trading of foreign currency forward exchange contracts or interest rate swaps.

FOREIGN EXCHANGE RISK MANAGEMENT

We periodically enter into foreign currency forward exchange contracts to hedge exposure related to receivables denominated in a foreign currency and to manage risks related to future sales expected to be denominated in a currency other than our functional currency. We enter into these exchange contracts for periods consistent with our identified exposures. The purpose of the hedging activities is to minimize the effect of foreign exchange rate movements on the receivables and cash flows of Interparfums SA, our French subsidiary, whose functional currency is the euro. All foreign currency contracts are denominated in currencies of major industrial countries and are with large financial institutions, which are rated as strong investment grade.

All derivative instruments are required to be reflected as either assets or liabilities in the balance sheet measured at fair value. Generally, increases or decreases in fair value of derivative instruments will be recognized as gains or losses in earnings in the period of change. If the derivative is designated and qualifies as a cash flow hedge, then the changes in fair value of the derivative instrument will be recorded in other comprehensive income.

Before entering into a derivative transaction for hedging purposes, we determine that the change in the value of the derivative will effectively offset the change in the fair value of the hedged item from a movement in foreign currency rates. Then, we measure the effectiveness of each hedge throughout the hedged period. Any hedge ineffectiveness is recognized in the income statement.

At December 31, 2014, we had foreign currency contracts in the form of forward exchange contracts in the amount of approximately U.S. $14.8 million, GB £2.6 million and JPY ¥75.0 million which all have maturities of less than one year. We believe that our risk of loss as the result of nonperformance by any of such financial institutions is remote.

INTEREST RATE RISK MANAGEMENT

We mitigate interest rate risk by monitoring interest rates, and then determining whether fixed interest rates should be swapped for floating rate debt, or if floating rate debt should be swapped for fixed rate debt.

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* (1992), 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, 2014.

Our independent auditor, WeiserMazars LLP, a registered public accounting firm, has issued its report on its audit of our internal control over financial reporting. This report appears below.

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 ON INTERNAL CONTROL OVER FINANCIAL REPORTING

TO THE BOARD OF DIRECTORS AND STOCKHOLDERS OF INTER PARFUMS, INC.

We have audited Inter Parfums, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in *Internal Control – Integrated Framework* (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Inter Parfums, Inc.'s management is responsible 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 internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. 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 audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (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 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 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 the changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Inter Parfums, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Inter Parfums, Inc. as of December 31, 2014 and the related consolidated statements of income, changes in shareholders' equity, comprehensive income and cash flows for the year ended December

31, 2014 and our report dated March 11, 2015 expressed an unqualified opinion thereon.

WeiserMazars LLP

New York, New York
March 11, 2015

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

BOARD OF DIRECTORS AND SHAREHOLDERS
INTER PARFUMS, INC.
NEW YORK, NEW YORK

We have audited the accompanying consolidated balance sheets of Inter Parfums, Inc. and subsidiaries (the "Company") as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income (loss), changes in shareholders' equity and cash flows for each of the years in the 3-year period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Inter Parfums, Inc. and subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the 3-year period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Inter Parfums, Inc.'s internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 11, 2015 expressed an unqualified opinion thereon.

WeiserMazars LLP

New York, New York
March 11, 2015

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)		*December 31,*
	2014	2013
ASSETS		
Current assets:		
Cash and cash equivalents	$90,138	$125,650
Short-term investments	190,152	181,677
Accounts receivable, net	90,124	79,932
Inventories	102,326	117,347
Receivables, other	1,542	2,418
Other current assets	4,504	4,775
Income taxes receivable	929	6,435
Deferred tax assets	6,848	7,257
Total current assets	486,563	525,491
Equipment and leasehold improvements, net	9,187	10,444
Trademarks, licenses and other intangible assets, net	98,531	116,243
Other assets	10,225	11,880
Total assets	$604,506	$664,058
LIABILITIES AND EQUITY		
Current liabilities:		
Loans payable – banks	$298	$6,104
Accounts payable – trade	46,646	56,736
Accrued expenses	49,194	58,333
Income taxes payable	3,773	1,270
Dividends payable	3,717	3,704
Total current liabilities	103,628	126,147
Deferred tax liability	2,154	2,555
Commitments and contingencies		
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, 30,977,293 and 30,863,421 shares, at December 31, 2014 and 2013, respectively	31	31
Additional paid-in capital	60,200	57,877
Retained earnings	374,121	359,459
Accumulated other comprehensive income (loss)	(15,823)	25,860
Treasury stock, at cost, 9,987,995 and 9,940,977 common shares at December 31, 2014 and 2013	(36,464)	(36,016)
Total Inter Parfums, Inc. shareholders' equity	382,065	407,211
Noncontrolling interest	116,659	128,145
Total equity	498,724	535,356
Total liabilities and equity	$604,506	$664,058

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except share and per share data) *Years Ended December 31*

	2014	2013	2012
Net sales	$499,261	$563,579	$654,117
Cost of sales	212,224	234,800	246,931
Gross margin	287,037	328,779	407,186
Selling, general, and administrative expenses	233,634	250,025	325,799
Gain on termination of license	–	–	(198,838)
Impairment of goodwill	–	–	1,811
Total operating expenses	233,634	250,025	128,772
Income from operations	53,403	78,754	278,414
Other expenses (income):			
Interest expense	1,478	1,380	1,654
(Gain) loss on foreign currency	(902)	1,168	3,128
Interest and dividend income	(3,888)	(4,440)	(1,133)
	(3,312)	(1,892)	3,649
Income before income taxes	56,715	80,646	274,765
Income taxes	19,370	29,680	97,875
Net income	37,345	50,966	176,890
Less: Net income attributable to the noncontrolling interest	7,909	11,755	45,754
Net income attributable to Inter Parfums, Inc.	$29,436	$39,211	$131,136
Net income attributable to Inter Parfums, Inc. common shareholders:			
Basic	$0.95	$1.27	$4.29
Diluted	0.95	1.27	4.26
Weighted average number of shares outstanding:			
Basic	30,931,308	30,763,955	30,574,772
Diluted	30,060,326	30,953,882	30,715,684
Dividends declared per share	$0.48	$0.96	$0.32

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(In thousands, except share and per share data *Years Ended December 31,*

	2014	2013	2012
Net income	$37,345	$50,966	$176,890
Other comprehensive income (loss):			
Net derivative instrument gain, net of tax	–	–	22
Transfer from OCI into earnings	–	(327)	–
Translation adjustments, net of tax	(57,806)	19,027	6,419
	(57,806)	18,700	6,441
Comprehensive income (loss)	(20,461)	69,666	183,331
Comprehensive income (loss) attributable to noncontrolling interests:			
Net income	7,909	11,755	45,754
Net derivative instrument gain, net of tax	–	–	6
Transfer from OCI into earnings	–	(87)	–
Translation adjustments, net of tax	(16,123)	5,425	1,684
	(8,214)	17,093	47,444
Comprehensive income (loss) attributable to Inter Parfums, Inc.	$(12,247)	$52,573	$135,887

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(In thousands except share and per share data)

	Years Ended December 31,		
	2014	2013	2012
Common stock, beginning and end of period	$31	$31	$31
Additional paid-in capital, beginning of period	57,877	54,679	50,883
Shares issued upon exercise of stock options	1,981	2,882	2,568
Sale of subsidiary shares to noncontrolling interests	(335)	(173)	737
Stock compensation	677	489	491
Additional paid-in capital, end of period	60,200	57,877	54,679
Retained earnings, beginning of period	359,459	349,672	228,164
Net income	29,436	39,211	131,136
Dividends	(14,855)	(29,582)	(9,789)
Stock compensation	81	158	161
Retained earnings, end of period	374,121	359,459	349,672
Accumulated other comprehensive income, beginning of period	25,860	12,498	7,747
Foreign currency translation adjustment	(41,683)	13,602	4,735
Transfer from OCI into earnings	–	(240)	–
Net derivative instrument gain, net of tax	–	–	16
Accumulated other comprehensive income (loss), end of period	(15,823)	25,860	12,498
Treasury stock, beginning of period	(36,016)	(35,404)	(34,151)
Shares issued upon exercise of stock options	219	203	409
Shares received as proceeds of option exercises	(667)	(815)	(1,662)
Treasury stock, end of period	(36,464)	(36,016)	(35,404)
Noncontrolling interest, beginning of period	128,145	118,505	71,676
Net income	7,909	11,755	45,754
Foreign currency translation adjustment	(16, 123)	5,425	1,684
Net derivative instrument gain, net of tax	–	–	6
Transfer from OCI into earnings	–	(87)	–
Sale of subsidiary shares to noncontrolling interest	1,365	830	2,659
Dividends	(4,667)	(8,341)	(3,333)
Stock-based compensation	30	58	59
Noncontrolling interest, end of period	116,659	128,145	118,505
Total equity	$498,724	$535,356	$499,981

(See accompanying notes to consolidated financial statements.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

		Years Ended December 31,	
	2014	2013	2012
Cash flows from operating activities:			
Net income	$37,345	$50,966	$176,890
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	10,166	11,110	15,554
Impairment of goodwill	–	–	1,811
Provision for doubtful accounts	412	574	914
Noncash stock compensation	856	838	832
Gain on termination of license	–	–	(198,838)
Excess tax benefits from stock-based compensation arrangements	(670)	(700)	(100)
Deferred tax expense (benefit)	(557)	4,844	(7,903)
Change in fair value of derivatives	–	–	(68)
Changes in:			
Accounts receivable	(19,607)	71,776	27,302
Inventories	4,344	29,240	13,568
Other assets	780	426	(9,611)
Accounts payable and accrued expenses	(4,996)	(33,156)	(40,773)
Income taxes, net	8,540	(86,724)	81,063
Net cash provided by operating activities	36,613	49,194	60,641
Cash flows from investing activities:			
Purchases of short-term investments	(245,810)	(381,843)	–
Proceeds from sale of short-term investments	212,762	207,082	–
Proceeds from termination of license, net of transaction fees and other settlements	–	–	235,650
Purchase of equipment and leasehold improvements	(3,302)	(5,015)	(9,474)
Payment for intangible assets acquired	(922)	(7,769)	(19,717)
Proceeds from sale of equipment	–	2,801	–
Proceeds from sale of trademark	–	3,481	–
Net cash provided by (used in) investing activities	(37,272)	(181,263)	206,459
Cash flows from financing activities:			
Proceeds from (repayments of) loans payable – banks	(5,765)	(21,835)	15,300
Repayment of long-term debt	–	–	(4,379)
Purchase of treasury stock	(90)	(98)	(90)
Proceeds from exercise of options	953	1,668	1,305
Excess tax benefits from stock-based compensation arrangements	670	700	100
Proceeds from sale of stock of subsidiary	1,030	657	3,396
Dividends paid	(14,841)	(28,331)	(9,780)
Dividends paid to noncontrolling interests	(4,667)	(8,341)	(3,333)
Net cash provided by (used in) financing activities	(22,710)	(55,580)	2,519
Effect of exchange rate changes on cash	(12,143)	5,964	1,860
Net increase (decrease) in cash and cash equivalents	(35,512)	(181,685)	271,479
Cash and cash equivalents – beginning of year	125,650	307,335	35,856
Cash and cash equivalents – end of year	$90,138	$125,650	$307,335
Supplemental disclosures of cash flow information:			
Cash paid for:			
Interest	$1,508	$1,524	$1,799
Income taxes	10,430	104,992	20,584

(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. Burberry was our most significant license and net sales of Burberry products represented 0%, 23% and 46% of net sales in 2014, 2013 and 2012, respectively (see Note (2) "Termination of Burberry License"). In addition, the Company owns the Lanvin brand name for its class of trade, and licenses the Montblanc and Jimmy Choo brand names among others. As a percentage of net sales, product sales for the Company's largest brands were as follows:

	Year Ended December 31,		
	2014	2013	2012
Montblanc	22%	15%	9%
Lanvin	18%	15%	12%
Jimmy Choo	16%	13%	8%

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 ("IPSA"), a subsidiary whose stock is publicly traded in France. 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 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 sales returns and doubtful accounts or balances which are estimated to be uncollectible, which aggregated $6.9 million and $6.4 million as of December 31, 2014 and 2013, 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 is stated at the lower of cost or market, with cost being determined on the first-in, first-out method. Cost components include raw materials, components, 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. Overhead included in inventory aggregated $3.3 million, $3.6 million and $4.0 million as of December 31, 2014, 2013 and 2012, 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 $6.0 million and $6.8 million as of December 31, 2014 and 2013, respectively.

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 6.7%. 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.

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.

CONCENTRATION OF CREDIT RISK

The Company is a worldwide manufacturer, marketer and distributor of fragrance and fragrance related products, and sells its products to department stores, perfumeries, specialty retailers, mass market retailers, supermarkets and domestic and international wholesalers and distributors. 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 2014, 2013 or 2012.

REVENUE RECOGNITION

The Company sells its products to department stores, perfumeries, specialty retailers, mass market retailers, supermarkets and domestic and international wholesalers and distributors. 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 merchandise is shipped and the risk of loss passes to the customer. 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 $5.2 million, $6.1 million and $8.4 million in 2014, 2013 and 2012, respectively, are included in selling, general and administrative expenses in the consolidated statements of income.

SALES RETURNS

Generally, the Company does not permit customers to return their unsold products. However, for United States-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 estimated reserves for sales returns as a reduction of sales, cost of sales and accounts receivable. Returned products are recorded as inventories and are valued based upon 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.

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 $86.7 million, $94.0 million and $132.7 million for 2014, 2013 and 2012, respectively. Costs relating to purchase with purchase and gift with purchase promotions that are reflected in cost of sales aggregated $24.4 million, $25.7 million and $46.5 million in 2014, 2013 and 2012, respectively. Accrued expenses include approximately $16.5 million and $22.4 million in advertising liabilities as of December 31, 2014 and 2013, 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 recognizes rent expense from operating leases with various step rent provisions, rent concessions and escalation clauses on a straight-line basis over the applicable lease term. The Company considers lease renewals in the useful life of its leasehold improvements when such renewals are reasonably assured. In the event the Company receives capital improvement funding from its landlord, these amounts are recorded as deferred liabilities and amortized over the remaining lease term as a reduction of rent expense.

LICENSE AGREEMENTS

The Company's license agreements 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 years to 15 years, and are potentially renewable subject to the Company's compliance with the license agreement provisions. The remaining terms, including the potential renewal periods, range from approximately 1 year 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. 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.

(in thousands except share and per share data)

LOSS CONTINGENCY

The Company has accrued a loss contingency based on best estimates relating to a dispute with a former licensor. It is possible, that when the loss contingency is resolved, actual costs could exceed amounts in reserve. However, the potential impact of such exposure, if any, is deemed to be immaterial to the overall financial statements.

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 anticipated 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.

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 May 2014, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update which supersedes the most current revenue recognition requirements. The new revenue recognition standard requires entities to recognize revenue in a way that depicts the transfer of goods or services to customers in an amount that reflects the consideration which the entity expects to be entitled to in exchange for those goods or services. This guidance is effective for annual and interim reporting periods beginning after December 15, 2016, with early adoption not permitted. We are currently evaluating the standard to determine the impact of its adoption on our consolidated financial statements.

In July 2013, new accounting guidance was issued regarding financial statement presentation of an unrecognized tax benefit when a net operating loss carry-forward, a similar tax loss, or a tax credit exists. This guidance is effective for interim and annual periods beginning after December 15, 2014. The adoption of this new guidance did not have a material effect on the Company's financial position, results of operations or 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.

(2) Termination of Burberry License

Burberry exercised its option to buy-out the license rights effective December 31, 2012. In October 2012, the Company and Burberry entered into a transition agreement that provided for certain license rights and obligations to continue through March 31, 2013. The Company continued to operate certain aspects of the business for the brand including product development, testing, and distribution. The transition agreement provided for non-exclusivity for manufacturing, a cap on sales of Burberry products, a reduced advertising requirement and no minimum royalty amounts.

The Company had determined that the transaction was substantially completed as of December 31, 2012. The following table sets forth a summary of the gain on termination of license which is included in income from operations on the accompanying statement of income for the year ended December 31, 2012:

Exit payment	
(received December 21, 2012)	$239,075
Expenses of termination:	
Inventory reserves	10,037
Wages including $13.8 million in	
Interparfums SA profit sharing requirements	14,391
Write-off of intangible assets	7,675
Writedown of fixed assets	3,483
Write-off of unused modeling rights	1,226
Legal, professional and other agreed settlements	3,425
	40,237
Gain on termination of license	$198,838

(3) Recent Agreements

ABERCROMBIE & FITCH AND HOLLISTER

In December 2014, the Company entered into a 7-year exclusive worldwide license to create, produce and distribute new perfumes and fragrance related products under the Abercrombie & Fitch and Hollister brand names. The Company will distribute these fragrances internationally in specialty retailers, high-end department stores and duty free shops, and in the U.S., in duty free shops and potentially in Abercrombie & Fitch and Hollister retail stores. The agreement is subject to certain minimum sales, advertising expenditures and royalty payments as are customary in our industry. New men's and women's scents are planned for both Abercrombie & Fitch and Hollister for 2016.

OSCAR DE LA RENTA

In October 2013, the Company entered into a 12-year exclusive worldwide license to create, produce and distribute perfumes and related products under the Oscar de la Renta brand. The agreement closed on December 2, 2013 and is subject to certain minimum advertising expenditures as is customary in our industry. The Company purchased certain inventories and paid an up-front entry fee of $5.0 million. Upon closing, the Company took over distribution of fragrances within the brand's existing perfume portfolio and is launching its first fragrance under the Oscar de la Renta brand in 2015.

AGENT PROVOCATEUR

In July 2013, the Company entered into a 10.5-year exclusive worldwide license to create, produce and distribute perfumes and related products under London-based luxury lingerie brand, Agent Provocateur. The agreement commenced on August 1, 2013 and is subject to certain minimum advertising expenditures as is customary in our industry. The Company took over distribution of selected fragrances within the brand's existing perfume portfolio and launched its first fragrances under the Agent Provocateur brand in 2014.

SHANGHAI TANG

In July 2013, the Company created a wholly-owned Hong Kong subsidiary, Inter Parfums USA Hong Kong Limited, which entered into a 12-year exclusive worldwide license to create, produce and distribute perfumes and related products under China's leading luxury brand, Shanghai Tang. The agreement commenced on July 1, 2013 and is subject to certain minimum sales, advertising expenditures and royalty payments as are customary in our industry. The Company is in the process of launching its initial fragrance collection under the Shanghai Tang brand.

DUNHILL

In December 2012, we entered into a 10-year exclusive worldwide license to create, produce and distribute perfumes and fragrance-related products under the Alfred Dunhill Limited ("Dunhill") brand. Our rights under the agreement commenced on April 3, 2013 when we took over production and distribution of the existing Dunhill fragrance collections. The agreement is subject to certain minimum sales, advertising expenditures and royalty payments as are customary in our industry. The Company paid an upfront entry fee of $0.9 million. The Company is launching a new men's scent for Dunhill in 2015.

KARL LAGERFELD

In October 2012, we entered into a 20-year exclusive worldwide license agreement to create, produce and distribute perfumes under the Karl Lagerfeld brand. Our rights under such license agreement are subject to certain minimum sales, advertising expenditures and royalty payments as are customary in our industry. In connection with our entry into this license, the Company paid a license entry fee to the licensor of €9.6 million, (approximately $12.5 million). In addition, the Company has made an advance royalty payment to the licensor of €9.6 million, (approximately $12.5 million). This advance royalty payment is to be credited against future royalty payments as follows: every year in which the royalties due are higher than €0.5 million, the amount of royalties exceeding €0.5 million will be credited up to €0.5 million in each such year.

The advance royalty has been discounted to its net present value which is included in other assets on the accompanying balance sheet and the resulting discount of approximately $4.4 million has been added to intangible assets and will be amortized together with the license entry fee, over the initial term of the license.

(4) Inventories

		December 31,
	2014	2013
Raw materials and component parts	$36,383	$47,800
Finished goods	65,943	69,547
	$102,326	$117,347

(in thousands except share and per share data)

(5) 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, 2014

	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	$190,152	–	$190,152	–
Liabilities:				
Foreign currency forward exchange contracts not accounted for using hedge accounting	355	–	355	–

FAIR VALUE MEASUREMENTS AT DECEMBER 31, 2013

	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	$181,677	–	$181,677	–
Foreign currency forward exchange contracts not accounted for using hedge accounting	157	–	157	–
	$181,834	–	$181,834	–

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 interest rates on the Company's indebtedness approximate current market rates.

Foreign currency forward exchange contracts are valued based on quotations from financial institutions.

(6) 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. The Company did not enter into any cash flow hedges during the 3-year period ended December 31, 2014. Gains and losses in derivatives not designated as hedges are included in (gain) loss on foreign currency on the accompanying income statement and were immaterial in each of the years in the 3-year period ended December 31, 2014.

All derivative instruments are reported as either assets or liabilities on the balance sheet measured at fair value. The valuation of foreign currency forward exchange contracts not accounted for using hedge accounting in 2014 resulted in a liability that is included in accrued expenses and in 2013 resulted in an asset that is included in other current assets on the accompanying balance sheets. Generally, increases or decreases in the fair value of derivative instruments will be recognized as gains or losses in earnings in the period of change. If the derivative instrument is designated and qualifies as a cash flow hedge, the changes in fair value of the derivative instrument will be recorded as a separate component of shareholders' equity.

At December 31, 2014, the Company had foreign currency contracts in the form of forward exchange contracts in the amount of approximately U.S. $14.8 million, GB £2.6 million and JPY ¥75.0 million, which all have maturities of less than one year.

(7) Equipment and Leasehold Improvements

		December 31,
	2014	2013
Equipment	$26,006	$25,597
Leasehold Improvements	1,581	2,952
	27,587	28,549
Less accumulated		
depreciation and amortization	18,400	18,105
	$9,187	$10,444

Depreciation and amortization expense was $3.6 million, $4.9 million and $8.6 million for 2014, 2013 and 2012, respectively.

(8) Trademarks, Licenses and Other Intangible Assets

2014

	Gross Amount	Accumulated Amortization	Net Book Value
Trademarks			
(indefinite lives)	$4,252	$–	$4,252
Trademarks			
(finite lives)	46,889	53	46,836
Licenses			
(finite lives)	72,171	26,976	45,195
Other intagible assets			
(finite lives)	11,572	9,324	2,248
Subtotal	130,632	36,353	94,279
Total	$134,884	$36,353	$98,531

2013

	Gross Amount	Accumulated Amortization	Net Book Value
Trademarks			
(indefinite lives)	$4,257	$–	$4,257
Trademarks			
(finite lives)	53,319	102	53,217
Licenses			
(finite lives)	80,842	24,747	56,095
Other intagible assets			
(finite lives)	11,964	9,290	2,674
Subtotal	146,125	34,139	111,986
Total	$150,382	$34,139	$116,243

Amortization expense was $6.6 million, $6.2 million and $7.0 million for 2014, 2013 and 2012, respectively. Amortization expense is expected to approximate $6.2 million in 2015 and 2016, and $5.4 million in 2017, 2018 and 2019. The weighted average amortization period for trademarks, licenses and other intangible assets with finite lives are 18 years, 14 years and 2 years, respectively, and 15 years in the aggregate.

There were no impairment charges for trademarks with indefinite useful lives in 2014, 2013 and 2012. The fair values used in our evaluations are estimated based upon discounted future cash flow projections using a weighted average cost of capital of 6.7%. 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 the Company has made in projecting future cash flows for the evaluations described above are reasonable and currently no 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 $85 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 amortized.

(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 prime rate minus 0.5% (the prime rate was 3.25% as of December 31, 2014). The line of credit which has a maturity date of May 1, 2015 is expected to be renewed on an annual basis. Borrowings outstanding pursuant to this line of credit were zero as of December 31, 2014 and $5.8 million as of December 31, 2013.

(in thousands except share and per share data)

The Company's foreign subsidiaries have available credit lines, including several bank overdraft facilities totaling approximately $30 million. These credit lines bear interest at EURIBOR plus between 0.5% and 0.8% (EURIBOR was 0.2% at December 31, 2014). Outstanding amounts were $0.3 million as of both December 31, 2014 and December 31, 2013.

The weighted average interest rate on short-term borrowings was 0.8% and 2.8% as of December 31, 2014 and 2013, respectively.

(10) Commitments

LEASES

The Company leases its office and warehouse facilities under operating leases which are subject to various step rent provisions, rent concessions and escalation clauses expiring at various dates through 2023. Escalation clauses are not material and have been excluded from minimum future annual rental payments. Rental expense, which is calculated on a straight-line basis, amounted to $10.1 million, $10.8 million and $11.8 million in 2014, 2013 and 2012, respectively. Minimum future annual rental payments are as follows:

2015	$5,306
2016	$5,343
2017	$5,067
2018	$4,663
2019	$4,221
Thereafter	$10,301
	$34,901

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 2032. 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:

2015	$102,752
2016	$103,899
2017	$106,282
2018	$110,639
2019	$106,669
Thereafter	$454,068
	$984,309

Future advertising commitments are estimated based on planned future sales for the license terms that were in effect at December 31, 2014, 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 $35.6 million, $40.5 million and $58.8 million, in 2014, 2013 and 2012, respectively, and represented 7.1%, 7.2% and 9.0% of net sales for the years ended December 31, 2014, 2013 and 2012.

(11) 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 6-year term and vest over a four to five-year period. The fair value of shares vested in 2014 and 2013 aggregated $0.7 million and $0.5 million, respectively. Compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. 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 2014:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested options – beginning of year	367,470	$6.68
Nonvested options granted	139,250	7.42
Nonvested options vested or forfeited	(121,215)	6.06
Nonvested options – end of year	385,505	$7.14

Share-based payment expenses decreased income before income taxes by $0.9 million in 2014 and $0.8 million in 2013 and 2012, decreased net income attributable to Inter Parfums, Inc. by $0.5 million in 2014, 2013 and 2012 and, reduced diluted earnings per share attributable to Inter Parfums, Inc. by $0.01 in 2014, 2013 and 2012.

The following table summarizes stock option activity and related information for the years ended December 31, 2014, 2013 and 2012:

2014	Options	Year Ended December 31, Weighted Average Exercise Price
Shares under option-beginning of year	643,595	$19.58
Options granted	139,250	27.93
Options exercised	(136,640)	11.19
Options cancelled	(6,710)	19.37
Shares under option-end of year	639,495	$23.19

2013	Options	Year Ended December 31, Weighted Average Exercise Price
Shares under option-beginning of year	716,235	$14.41
Options granted	136,350	34.84
Options exercised	(204,240)	11.68
Options cancelled	(4,750)	17.47
Shares under option-end of year	643,595	$19.58

2012	Options	Year Ended December 31, Weighted Average Exercise Price
Shares under option-beginning of year	823,275	$13.20
Options granted	128,850	19.25
Options exercised	(226,160)	12.72
Options cancelled	(9,730)	15.37
Shares under option-end of year	716,235	$14.41

At December 31, 2014, options for 329,535 shares were available for future grant under the plans. The aggregate intrinsic value of options outstanding is $3.8 million as of December 31, 2014 and unrecognized compensation cost related to stock options outstanding aggregated $2.6 million, which will be recognized over the next five years.

The weighted average fair values of options granted by Inter Parfums, Inc. during 2014, 2013 and 2012 were $7.42, $9.20 and $5.54 per share, respectively, on the date of grant using the Black-Scholes option pricing model to calculate the fair value. The assumptions used in the Black-Scholes pricing model are set forth in the following table:

	Year Ended December 31, 2014	2013	2012
Weighted average expected stock-price volatility	34%	37%	38%
Weighted average expected option life	5.0 yrs	5.0 yrs	5.0 yrs
Weighted average risk-free interest rate	1.7%	1.7%	0.7%
Weighted average dividend yield	1.8%	2.7%	1.7%

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, 2014	2013	2012
Proceeds from stock options exercised	$1,529	$1,668	$1,305
Tax benefits	670	700	100
Intinsic value of stock options exercised	$2,733	4,088	1,359

The following table summarizes additional stock option information as of December 31, 2014:

Exercise Prices	Number Outstanding	Options Outstanding Weighted Average Remaining Contractual Life	Options Exercisable
$12.14	57,440	1.00 Years	57,440
13.45	250	0.08 Years	250
15.59 - 15.62	100,370	2.98 Years	55,810
17.07 - 17.94	4,375	1.71 Years	2,000
19.03 - 19.33	203,410	3.13 Years	111,410
21.76	4,000	3.09 Years	1,000
22.20	4,000	4.09 Years	800
27.80	133,750	6.00 Years	—
29.36	2,000	4.69 Years	—
32.12	3,500	4.09 Years	—
35.75	126,400	5.00 Years	25,280
Totals	639,495	3.89 Years	253,990

(in thousands except share and per share data)

As of December 31, 2014, the weighted average exercise price of options exercisable was $18.43 and the weighted average remaining contractual life of options exercisable is 2.64 years. The aggregate intrinsic value of options exercisable at December 31, 2014 is $2.5 million.

The Chief Executive Officer and the President each exercised 32,875, 28,500 and 60,000 outstanding stock options of the Company's common stock in 2014, 2013 and 2012, respectively. The aggregate exercise prices of $0.6 million in 2014, $0.7 million in 2013 and $1.6 million in 2012 were paid by them tendering to the Company in 2014, 2013 and 2012, an aggregate of 19,656, 18,880 and 82,322 shares, respectively, of the Company's common stock, previously owned by them, valued at fair market value on the dates of exercise. All shares issued pursuant to these option exercises were issued from treasury stock of the Company. In addition, the Chief Executive Officer tendered in 2014, 2013 and 2012 an additional 3,112, 2,573 and 4,710 shares, respectively, for payment of certain withholding taxes resulting from his option exercises.

DIVIDENDS:

The quarterly dividend of $3.7 million ($0.12 per share) declared in December 2013 was paid in January 2014. Furthermore, in January 2015, the Board of Directors of the Company authorized an 8% increase in the annual dividend to $0.52 per share. The next quarterly dividend of $0.13 per share will be paid on April 15, 2015 to shareholders of record on March 31, 2015.

(12) 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 and warrants 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,		
	2014	2013	2012
Numerator:			
Net income attributable to Inter Parfums, Inc.	$29,436	$39,211	$131,136
Effect of dilutive securities of consolidated subsidiary	–	–	(168)
Numerator for diluted earnings per share	29,436	39,211	130,968
Denominator:			
Weighted average shares	30,931,308	30,763,955	30,574,772
Effect of dilutive securities: Stock options	129,018	189,927	140,912
Denominator for diluted earnings per share	31,060,326	30,953,882	30,715,684
Earnings per share:			
Net income attributable to Inter Parfums, Inc. common shareholders:			
Basic	$0.95	$1.27	$4.29
Diluted	0.95	1.27	4.26

Not included in the above computations is the effect of anti dilutive potential common shares, which consist of outstanding options to purchase 130,000, 32,000, and 230,000 shares of common stock for 2014, 2013, and 2012, respectively.

(13) Segments and Geographic 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. European operations primarily represent the sale of the prestige brand name fragrances, and United States operations represent the sale of prestige brand name and specialty retail fragrances. Information on the Company's operations by segments is as follows:

SEGMENTS AND GEOGRAPHICAL AREAS

			Year Ended December 31,
	2014	2013	2012
Net sales:			
United States	$105,270	$99,158	$83,106
Europe	394,164	464,562	571,877
Eliminations of intercompany sales	(173)	(141)	(866)
	$499,261	$563,579	$654,117
Net income attributable to Inter Parfums, Inc.:			
United States	$8,069	$6,806	$5,078
Europe	$21,367	32,392	126,045
Eliminations	–	13	13
	$29,436	$39,211	$131,136
Depreciation and amortization expense:			
United States	$1,554	$1,216	$958
Europe	8,612	9,894	14,596
	$10,166	$11,110	$15,554
Interest and dividend income:			
United States	$3	$16	$7
Europe	3,885	4,424	1,126
	$3,888	$4,440	$1,133
Interest expense:			
United States	$73	$13	$38
Europe	1,405	1,367	1,616
	$1,478	$1,380	$1,654
Income tax expense:			
United States	$4,643	$4,512	$3,804
Europe	14,727	25,159	94,063
Eliminations	–	9	8
	$19,370	$29,680	$97,875
Total assets:			
United States	$78,740	$76,980	$64,278
Europe	535,049	596,153	704,464
Eliminations of investment in subsidiary	(9,283)	(9,075)	(8,822)
	$604,506	$664,058	$759,920
Additions to long-lived assets:			
United States	$1,165	$7,629	$3,131
Europe	3,059	5,155	26,060
	$4,224	$12,784	$29,191
Total long-lived assets:			
United States	$13,433	$13,823	$7,572
Europe	94,285	112,864	118,712
	$107,718	$126,687	$126,284
Deferred tax assets:			
United States	$396	$341	$762
Europe	6,452	6,916	12,361
Eliminations	–	–	9
	$6,848	$7,257	$13,132

(in thousands except share and per share data)

SEGMENTS AND GEOGRAPHICAL AREAS *continued*

United States export sales were approximately $52.3 million, $50.4 million and $38.8 million in 2014, 2013 and 2012, respectively. Consolidated net sales to customers by region are as follows:

	Year Ended December 31,		
	2014	2013	2012
North America	$134,600	$154,300	$175,400
Europe	177,900	215,600	241,300
Central and South America	49,200	42,400	53,000
Middle East	40,300	43,300	62,100
Asia	85,500	98,600	115,300
Other	11,800	9,400	7,000
	$499,300	$563,600	$654,100

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

	Year Ended December 31,		
	2014	2013	2012
United States	$128,000	$150,000	$167,000
United Kingdom	$37,000	$46,000	$48,000
France	$50,000	$47,000	$46,000

(14) Income Taxes

The Company or its subsidiaries file income tax returns in the U.S. federal, and various states and foreign jurisdictions. 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 2011.

The Company follows the provisions of uncertain tax positions as addressed in FASB Accounting Standards Codification 740-10-65-1. The Company did not recognize any increase in the liability for unrecognized tax benefits and has no uncertain tax position at December 31, 2014. The Company recognizes interest accrued related to unrecognized tax benefits in interest expense and penalties as a component of the provision for income taxes. No interest or penalties were recognized during the periods presented and there is no accrual for interest and penalties at December 31, 2014.

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

	Year Ended December 31,		
	2014	2013	2012
U.S. operations	$12,712	$11,340	$8,904
Foreign operations	44,003	69,306	265,861
	$56,715	$80,646	$274,765

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

	Year Ended December 31,		
	2014	2013	2012
Current:			
Federal	$4,374	$3,638	$2,511
State and local	323	454	558
Foreign	15,229	20,744	102,717
	19,926	24,836	105,786
Deferred:			
Federal	(84)	370	703
State and local	30	59	40
Foreign	(502)	4,415	(8,654)
	(556)	4,844	(7,911)
Total income tax expense	$19,370	$29,680	$97,875

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, 2014	2013
Deferred tax assets:		
Foreign net operating loss carry-forwards	419	707
Inventory and accounts receivable	2,655	626
Profit sharing	2,570	4,805
Stock option compensation	545	526
Effect of inventory profit elimination	1,757	1,710
Other	(679)	(410)
Total gross deferred tax assets	7,267	7,964
Valuation allowance	(419)	(707)
Net deferred tax assets	6,848	7,257
Deferred tax liabilities (long-term):		
Trademarks and licenses	(2,154)	(2,555)
Other	–	–
Total deferred tax liabilities	(2,154)	(2,555)
Net deferred tax assets	$4,694	$4,702

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. In 2014, as a result of a tax examination in a foreign jurisdiction, foreign net operating loss carry-forwards were reduced.

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.

The Company has not provided for U.S. deferred income taxes on $339 million of undistributed earnings of its non-U.S. subsidiaries as of December 31, 2014 since the Company intends to reinvest most of these earnings in its foreign operations indefinitely and the Company believes it has sufficient foreign tax credits available to offset any potential tax on amounts that have been and are planned to be repatriated.

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

	Year Ended December 31, 2014	2013	2012
Statutory rates	34.0%	34.0%	34.0%
State and local taxes, net of Federal benefit	0.1	0.4	0.1
Effect of foreign taxes greater than U.S. statutory rates	0.4	2.0	1.4
Other	(0.3)	0.4	0.1
Effective rates	34.2%	36.8%	35.6%

(15) Accumulated Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income (loss) consists of the following:

	Year Ended December 31, 2014	2013	2012
Net derivative instruments, beginning of year	–	$240	$224
Transfer from OCI into earnings	–	(240)	–
Gain on derivative instruments	–	–	16
Net derivative instruments, end of year	–	–	240
Cumulative translation adjustments, beginning of year	25,860	12,258	7,523
Translation adjustments	(41,683)	13,602	4,735
Cumulative translation adjustments, end of year	(15,823)	25,860	12,258
Accumulated other comprehensive income (loss)	$(15,823)	$25,860	$12,498

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

	Year Ended December 31, 2014	2013	2012
Net income attributable to Inter Parfums, Inc.	$29,436	$39,211	$131,136
Increase (decrease) in Inter Parfums, Inc.'s additional paid-in capital for subsidiary share transactions	(335)	(173)	737
Change from net income attributable to Inter Parfums, Inc. and transfers from noncontrolling interest	$29,101	$39,038	$131,873

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

Jean Levy
Business Consultant - Former President
and Chief Executive Officer, Cosmair
Former President and Chief Executive
Officer, Sanofi Beauté (France)

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.

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.

Henry B. Clarke
President,
Inter Parfums USA, LLC

Philippe Santi
Executive Vice President
Director General Delegue
Interparfums SA

Frédéric Garcia-Pelayo
Director of Export Sales
Interparfums SA

Axel Marot
Director of Production & Logistics
Interparfums SA

CORPORATE INFORMATION:

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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 2014	High Closing Price	Low Closing Price
Fourth Quarter	29.98	24.81
Third Quarter	31.39	25.62
Second Quarter	36.78	27.59
First Quarter	37.74	30.38

Fiscal 2013	High Closing Price	Low Closing Price
Fourth Quarter	38.94	28.94
Third Quarter	34.96	26.02
Second Quarter	33.19	24.43
First Quarter	25.71	19.55

As of February 20, 2015, the number of record holders, which include brokers and broker's nominees, *etc.*, of our common stock was 47. We believe there are approximately 6,500 beneficial owners of our common stock.

DIVIDENDS

In January 2013, our Board of Directors authorized a 50% increase in the cash dividend to $0.48 per share on an annual basis. In November 2013, our Board of Directors declared a special cash dividend of $0.48 per share, which was payable in one lump sum on December 16, 2013 to shareholders of record on December 2, 2013.

In January 2014, our Board of Directors determined to maintain the quarterly dividend of $0.12 per share, or $0.48 on an annual basis and in January 2015, our Board of Directors authorized an 8% increase in the annual dividend to $0.52 per share. The next quarterly cash dividend of $0.13 per share is payable on April 15, 2015 to shareholders of record on March 31, 2015.

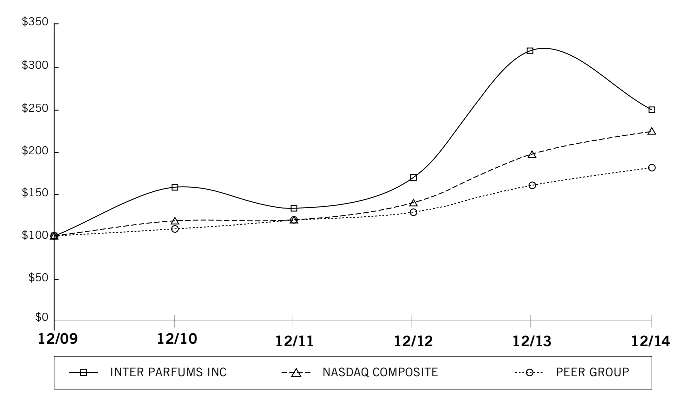
FORM 10K

A copy of the company's 2014 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, is available without charge to shareholders upon request (except for exhibits) To: Inter Parfums, Inc. 551 Fifth Avenue New York, NY 10176 Attention: Corporate Secretary.

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., Blyth Inc., CCA Industries, Inc., Colgate-Palmolive Co., Elizabeth Arden, Inc., Estee Lauder Cosmetics, Inc., Inter Parfums, Inc., Kimberly Clark Corp., Natural Health Trends Corp., Revlon, Inc., Spectrum Brands, Inc., Stephan Company, Summer Infant, Inc., The Procter & Gamble Company 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



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

	12/09	12/10	12/11	12/12	12/13	12/14
Inter Parfums, Inc.	100.00	157.33	132.30	168.51	319.38	248.79
NASDAQ Composite	100.00	117.61	118.70	139.00	196.83	223.74
Peer Group	100.00	107.99	117.98	127.68	159.90	180.24

interparfums, inc.

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