interparfums, inc.

ANNUAL REPORT 2018

ABERCROMBIE & FITCH

ANNA SUI

BOUCHERON

COACH

DUNHILL

GRAFF

GUESS

HOLLISTER

JIMMY CHOO

KARL LAGERFELD

LANVIN

LILY ALDRIDGE

MONTBLANC

OSCAR DE LA RENTA

PAUL SMITH

REPETTO

ROCHAS

S.T. DUPONT

VAN CLEEF & ARPELS

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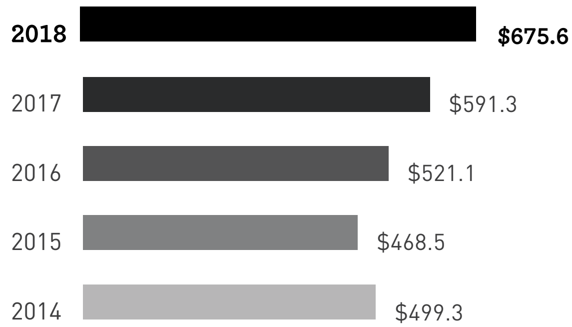
Financial Highlights

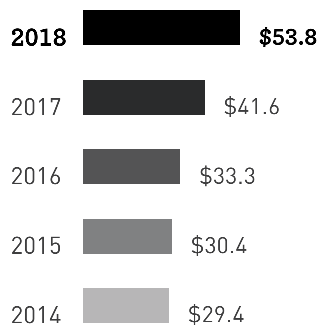
NET SALES

(in millions)



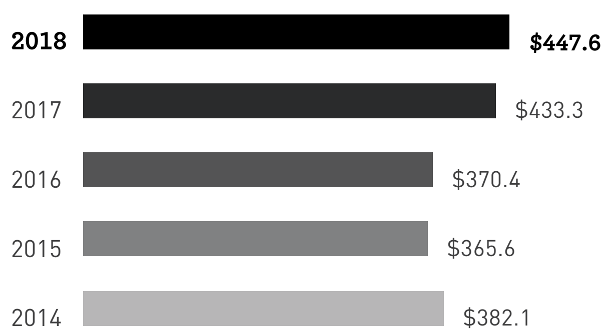
NET INCOME ATTRIBUTABLE TO INTER PARFUMS, INC.

(in millions)



INTER PARFUMS, INC. SHAREHOLDERS' EQUITY

(in millions)



SELECTED FINANCIAL DATA

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

(In thousands, except per share data)

Years Ended December 31,	2018	2017	2016	2015	2014
INCOME STATEMENT DATA:					
Net Sales	**$675,574**	$591,251	$521,072	$468,540	$499,261
Cost of Sales	**248,012**	214,965	194,601	179,069	212,224
Selling, General and Administrative					
Expenses	**332,831**	295,540	258,787	228,268	233,634
Operating Income	**94,731**	78,623	66,678	61,203	53,403
Income Before Taxes	**95,859**	78,065	67,074	60,496	56,715
Net Income Attributable to the					
Noncontrolling Interest	**15,922**	13,659	9,917	8,532	7,909
Net Income Attributable to Inter Parfums, Inc.	**53,793**	41,594	33,331	30,437	29,436
Net Income Attributable to Inter Parfums, Inc.					
Common Shareholders' per Share:					
Basic	**$1.72**	$1.33	$1.07	$0.98	$0.95
Diluted	**$1.71**	$1.33	$1.07	$0.98	$0.95
Weighted Average Common Shares Outstanding:					
Basic	**31,308**	31,172	31,072	30,996	30,931
Diluted	**31,522**	31,305	31,176	31,100	31,060
Depreciation and Amortization	**$11,031**	$11,914	$15,341	$9,078	$10,166
BALANCE SHEET AND OTHER DATA:					
Cash and Cash Equivalents	**$193,136**	$208,343	$161,828	$176,967	$90,138
Short-Term Investments	**67,870**	69,899	94,202	82,847	190,152
Working Capital	**382,425**	382,171	337,977	337,674	382,935
Total Assets	**799,167**	777,772	682,409	687,659	604,506
Short-Term Bank Debt	**–0–**	-0-	-0-	-0-	298
Long-Term Debt (including current portion)	**46,061**	60,579	74,562	98,606	-0-
Inter Parfums, Inc. Shareholders' Equity	**447,607**	433,298	370,391	365,587	382,065
Dividends Declared per Share	**$0.905**	$0.72	$0.62	$0.52	$0.48

2018
Letter to our Shareholders

DEAR FELLOW SHAREHOLDERS,

2018 was one of the best years in the history of Inter Parfums.

Jean Madar and *Philippe Benacin*

Among the year's highlights are:

- Record net sales
- Growth in all the regions where we operate
- Market share expansion
- The addition of three new brands to our portfolio
- Our official entry into the direct-to-consumer e-commerce arena via a partnership with a premier modeling management company

YEAR-OVER-YEAR FINANCIAL OVERVIEW

- Net sales increased 14.3% to $675.6 million as compared to $591.3 million. At comparable foreign currency exchange rates, net sales increased 12.8%.
- Sales by European based operations rose 12.8% to $537.6 million from $476.5 million, at comparable foreign currency exchange rates net sales for European based operations were up 16%.
- U.S. based operations generated net sales of $138.0 million, up 20.2 % from $114.8 million in 2017.
- Gross margin was 63.3% compared to 63.6%.
- S, G & A expense as a percentage of sales was 49.3% compared to 49.9%.
- Our effective tax rate was 27.3% compared to 29.2%.
- Net income attributable to Inter Parfums, Inc. increased 29.3% to $53.8 million from $41.6 million.
- On a per diluted share basis, net income attributable to Inter Parfums, Inc. rose 28.6% to $1.71 from $1.33.

OTHER 2018 FINANCIAL HIGHLIGHTS

- Our business generated cash flow from operating activities of approximately $63 million.
- We closed the year with working capital of $382 million including approximately $261 million in cash, cash equivalents and short-term investments, resulting in a working capital ratio of over 3 to 1.
- At year-end, long-term debt including current maturities aggregated $46.1 million.
- Our capital expenditures approximated $4 million.
- Based upon a full-time staff of approximately 300 worlwide, we generated nearly $2.25 million in net sales per employee.

GROWING OUR MARKETS AND OUR MARKET SHARE

For the second consecutive year, North America was our largest market. In 2018, our North American sales were 19% ahead of 2017 building upon the 18% growth over 2016. Our business in Western Europe and Asia, our next two largest markets, were also strong, coming in 9% and 24% ahead of 2017, respectively. Gains were also achieved in the Middle East and Eastern Europe with sales up 17% and 7%, respectively. Even sales in Central and South America were slightly ahead of 2017.

Based upon available data, Inter Parfums has been gaining market share. According to market research, in 2018 the global fragrance industry grew 6.5% to $52.7 billion while our sales rose 14.3%, or more than twice the rate of growth of our industry. These analysts estimated that the five-year compound annual growth rate for fragrance market was 5.2% while our rate was 7.4%.

OUR EUROPEAN BASED OPERATIONS

While Montblanc and Jimmy Choo brand sales held their place as our first and second largest brands, Coach overtook Lanvin for third place. Year-over-year sales growth was achieved by all four brands. This growth was primarily due to continuing sales of established scents supplemented by brand extensions and flankers that expand and/or refresh existing pillars rather than major new product launches. Compared to 2017, brand sales by Montblanc rose 1.4%, Jimmy Choo by 8.5%, Coach by 73% and Lanvin by 7%. A short discussion of Coach is warranted in light of the its extraordinary and rapid growth. We took over the Coach license in 2015, discontinued its preexisting fragrance portfolio, and then in 2016, launched our first women's scent, followed in the fall of 2017 with our first men's signature collection. Then in 2018, we filled the channels with a flanker for each, Coach *Floral* and Coach *Platinum*. Going from zero to just under $100 million in brand sales in two years is a very exciting first for us.

In 2019, we have several major initiatives for our largest brands underway. For Montblanc, an entirely new pillar, called *Montblanc Explorer,* was launched early in the year and all indicators point to this being a megahit and a catalyst for a meaningful increase in brand sales. For Jimmy Choo, a new men's scent is scheduled to debut in the second half of the year. For women, *A Girl in Capri*, is coming to market under the Lanvin label later this year. Flankers continue to make up an important part of our marketing strategy, and in 2019, we have one debuting for Coach, called *Floral Blush*, one for Rochas, called *Mademoiselle Rochas Couture* and several for the Jimmy Choo fragrance family. We continue to enrich and refresh our smaller brands with brand extensions. For example, Boucheron's *Collection* will add two new members, as will *La Collection Extraordinaire* by Van Cleef & Arpels. In addition, a third fragrance duo for *Les Parfums Matières* by Karl Lagerfeld will debut in 2019.

U.S. BASED OPERATIONS

The three new brands added to our portfolio in 2018 all fall under our U.S. based operations. In February 2018, we entered into a 15-year exclusive worldwide license with the legendary fashion company, GUESS, whose fashions are sold through its more than 1,000 retail stores and another 650 more retail partnerships. Since its founding in 1980, this iconic American brand has become a global marque, generating sales in 100 countries. In fact, 69% of its fiscal 2018 sales came from beyond U.S. shores. GUESS leadership has ambitious plans to expand its retail network further. Capitalizing upon GUESS's global reach is at the heart of our brand strategy as we distribute GUESS fragrances throughout the world at GUESS stores, as well as better department stores, specialty stores and travel retail. Shortly after signing the license agreement, we began producing and selling many of the brand's legacy scents, and that effort alone placed GUESS fragrances among our best-selling U.S. based brands. For 2019, we have flankers unveiling for the *1981* and *Seductive* pillars, and then in 2020, the global launch of a women's blockbuster fragrance should knock it out of the park for this fragrance brand.

In April 2018, we partnered with London-based Graff by entering into an exclusive, worldwide license agreement under which we are creating and developing, and will distribute fragrances under the Graff brand. The House of Graff has earned its reputation as the premier source for many of the world's most rarefied and superb gemstones. To meet our responsibility to this aspirational brand, we are creating exceptional and distinctive fragrances along with exquisite packaging. These products will be sold at a higher price point in select distribution including Graff stores, exclusive department and specialty stores and upscale travel retail. We are far along in developing a multi-scent collection, with the first entrant or two scheduled to debut late in 2019 or early 2020. We also see this brand as a natural for travel amenities for five star hotels and for airlines' first and business class passengers, and this is an area we are pursuing.

Finally, our third new business opportunity is quite different from our traditional model, but definitely within our wheelhouse. In September 2018, we established a strategic partnership with IMG Worldwide Models to develop direct-to-consumer e-commerce fragrance and beauty businesses for its diverse and dynamic client base. We believe this partnership is a first in our industry. The first such collaboration is with supermodel Lily Aldridge. Ms. Aldridge, best known for her work with Bulgari, Ralph Lauren, Levi's and Victoria's Secret, has been working closely with us to develop a unique, namesake fragrance line and e-commerce site that will be connected directly to Ms. Aldridge's social channels and large and passionate fan base. Not only is she a beautiful model, Ms. Aldridge is also an exemplary role model, as a wife, mother and business woman. She has been fully engaged in the creative and product development decisions of her brand and her initial collection is scheduled to begin rolling out toward the close of 2019. Ms. Aldridge will also help fast track the launch and continued sale of her fragrances through interaction with her growing social media following. Over time, we plan to expand our IMG collaboration, by partnering with other high profile IMG clients as they create their own direct-to-consumer fragrance and beauty lines, as well as explore the myriad crossover opportunities.

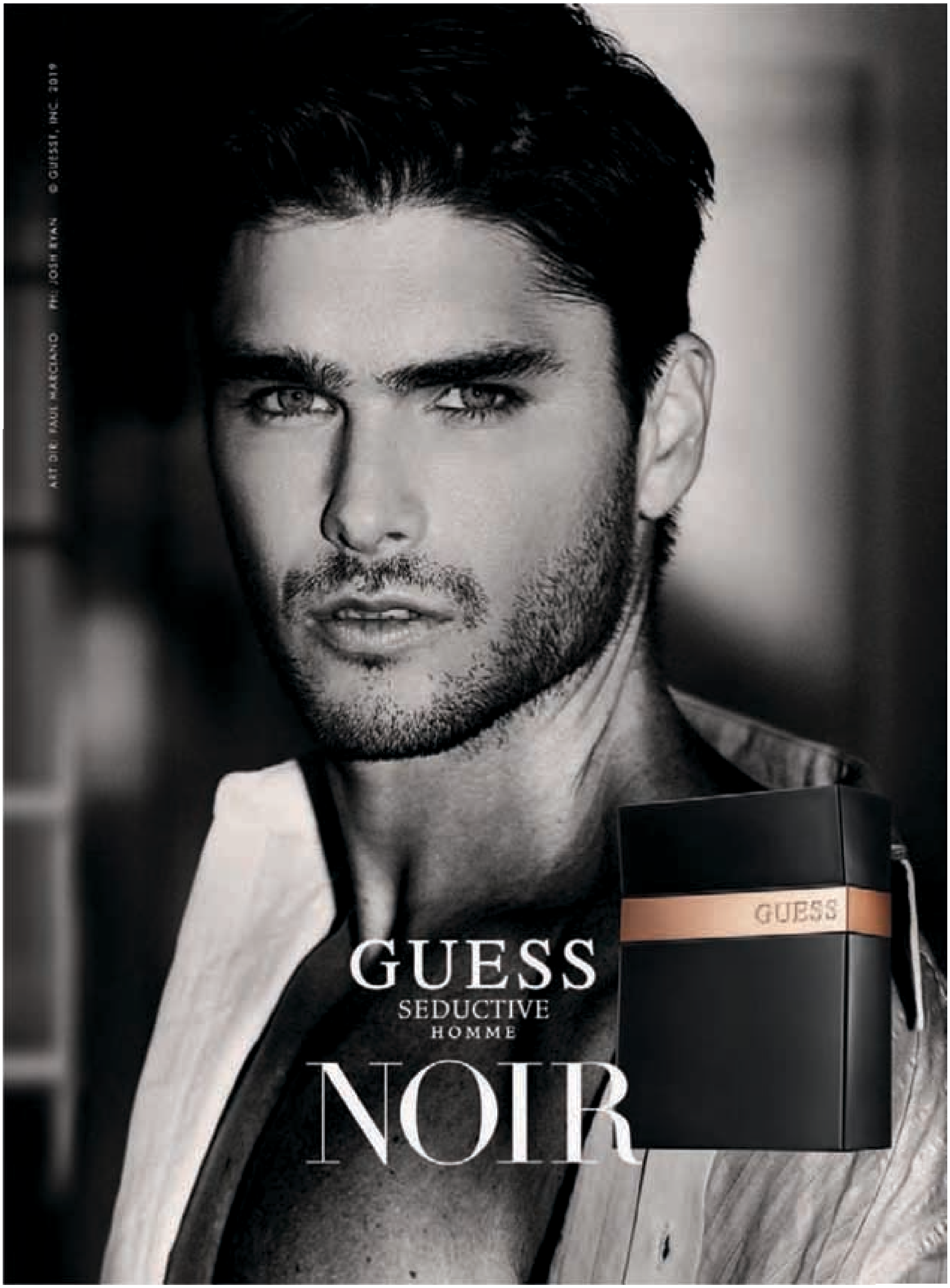
In addition to incremental GUESS brand sales starting in the spring of 2018, the growth in sales by U.S. based brands was led by Anna Sui and Abercrombie & Fitch fragrances. 2019 will be an active year for our U.S. operations. *Authentic* for men and women is a fragrance duo unveiling for Abercrombie & Fitch, and there is a new signature scent for men debuting for Dunhill as is a brand extension for the Dunhill *Century* fragrance family. Following on the successful launch of *Fantasia* by Anna Sui in 2018, we are introducing *Fantasia Mermaid*, along several other brand extensions. *Bella Rosa* comes to market for Oscar de la Renta on the heels of 2018's launch of *Bella Blanca*. Brand extensions for the *Wave* and *Festival* pillars will debut in 2019 under the Hollister label.

IN CLOSING

Coming off one of the best years in our history, we are geared up for further growth and greater profitability in 2019 and beyond. We've established and filled senior and mid-level positions with stellar individuals. We have made enhancements across relevant disciplines and functions. With three new brands we have three new growth trajectories that build upon our already rich portfolio of brands that ignite both global and regional loyalty. Our brands embrace consumers of different ages and economic brackets and are well suited to our distribution network encompassing 100 countries. We also have a very strong balance sheet, which, among other things, makes us an attractive partner to prospective brand owners. Our financial strength and great talent and resource reservoir have enabled us to build new brand associations into vibrant enterprises.

Jean Madar
Chairman of the Board
Chief Executive Officer

Philippe Benacin
Vice Chairman of the Board
President



Guess *Seductive Homme Noir*

The Company

We are Inter Parfums, Inc. We operate in the fragrance business, and manufacture, market and distribute a wide array of fragrance 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 four (4) wholly-owned United States subsidiaries, Jean Philippe Fragrances, LLC, Inter Parfums USA, LLC and Interstellar Brands LLC, all New York limited liability companies, and IP Beauty, Inc. (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 sole owner of three (3) distribution subsidiaries: Inter Parfums srl for Italy, Inter España Parfums et Cosmetiques, SL, for Spain and Interparfums Luxury Brands, Inc., a Delaware corporation, for distribution of prestige brands in the United States. Interparfums SA is also the majority owner of Parfums Rochas Spain, SL, a Spanish limited liability company, which specializes in the distribution of Rochas fragrances. In addition, Interparfums SA is also the sole owner of Interparfums (Suisse) SARL, a company formed to hold and manage certain brand names, and Interparfums 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 Exchange.

The Securities and Exchange Commission ("SEC") maintains an internet site at http://www.sec.gov that contains financial reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC. We maintain our internet website at www.interparfumsinc.com, which is linked to the SEC internet site. You can obtain through our website, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, interactive data files, current

Coach *Coach Platinum*

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

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

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

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

As with any business, many aspects of our operations are subject to influences outside our control. We believe we have a strong brand portfolio with global reach and potential. As part of our strategy, we plan to continue to make investments behind fast-growing markets and channels to grow market share. We discuss in greater detail risk factors relating to our business in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2018, and the reports that we file from time to time with the SEC.

Montblanc *Explorer*

European Operations

We produce and distribute our fragrance products primarily under license agreements with brand owners, and fragrance product sales through our European operations represented approximately 80% of net sales for 2018. We have built a portfolio of prestige brands, which include *Boucheron, Coach, Jimmy Choo, Karl Lagerfeld, Lanvin, Montblanc, Paul Smith, Repetto, Rochas, S.T. Dupont* and *Van Cleef & Arpels***,** whose products are distributed in over 100 countries around the world.

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

Year ended December 31,	**2018**	2017	2016
Montblanc	**19%**	21%	23%
Jimmy Choo	**17%**	18%	17%
Coach	**15%**	10%	4%
Lanvin	**10%**	11%	12%

United States Operations

Prestige brand fragrance products are also marketed through our United States operations, and represented 20% of sales for the year ended December 31, 2018. These fragrance products are sold under trademarks owned by us or pursuant to license or other agreements with the owners of brands, which include A*bercrombie & Fitch, Agent Provocateur, Anna Sui, bebe, Dunhill, French Connection, Graff, GUESS, Hollister, Lily Aldridge* and *Oscar de la Renta* 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 and limited edition fragrances as well. With new introductions, we leverage our ability and experience to gauge trends in the market and further leverage the brand name into different product families in order to maximize sales and profit potential. We have had success in introducing new fragrance families (sub-brands, flanker brands or flankers) within our brand franchises. Furthermore, we promote the performance of our prestige fragrance operations through knowledge of the market, detailed analysis of the image and potential of each brand name, and a highly professional approach to international distribution channels.

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

Prestige brands are the core of our business and we intend to add new prestige beauty brands to our portfolio. Over the past 25 years, we have built our portfolio of well-known prestige brands through acquisitions and new license agreements. We intend to further build on our success in prestige fragrances and pursue new licenses and acquire new brands to strengthen our position in the prestige beauty market. To that end, in 2017, we extended our Jimmy Choo license through December 31, 2031 and our Paul Smith license until December 2021. In 2018, we signed new license agreements with GUESS?, Inc., Graff and Lily Aldridge and extended our license with Van Cleef & Arpels. As of December 31, 2018, we had cash, cash equivalents and short-term investments of approximately $261 million, which we believe should assist us in entering new brand licenses or out-right acquisitions. We identify prestige brands that can be developed and marketed into a full and varied product families and, with our technical knowledge and practical experience gained over time, take licensed brand names through all phases of concept, development, manufacturing, marketing and distribution.

Expand Existing Portfolio Into New Categories

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

Continue To Build Global Distribution Footprint

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

RECENT DEVELOPMENTS

Lily Aldridge

In September 2018, Interstellar Brands LLC, a wholly-owned subsidiary of the Company, announced the development of a new fragrance line in collaboration with supermodel Lily Aldridge. The license agreement with Lily Aldridge runs through December 31, 2023, and is subject to royalty payments as are customary in our industry. This deal marks the beginning of a strategic partnership between Interstellar and IMG Models, which manages Lily Aldridge, to develop direct-to-consumer e-commerce fragrance and beauty businesses for IMG Models' diverse and dynamic client base. Our initial fragrance product launch, a multi-scent collection, is planned for September 2019.

Van Cleef & Arpels License

In May 2018, the Company renewed its license agreement for an additional six years with Van Cleef & Arpels for the creation, development, and distribution of fragrance products through December 2024, without any material changes in terms and conditions. Our initial 12-year license agreement with Van Cleef & Arpels was signed in 2006.

Graff License

In April 2018, the Company entered into an exclusive, 8-year worldwide license agreement with London-based Graff for the creation, development and distribution of fragrances under the Graff brand. Our rights under such license agreement are subject to certain advertising expenditures and royalty payments as are customary in our industry. Initial product development includes a multi-scent collection planned for a late 2019 launch. Additionally, we are exploring opportunities for luxury travel amenities, including five star hotels.

Guess License

In February 2018, the Company entered into an exclusive, 15-year worldwide license agreement with GUESS?, Inc. for the creation, development and distribution of fragrances under the GUESS brand. This license took effect on April 1, 2018, and our rights under such license are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry. In 2018, our sales efforts were focused on existing fragrances; in 2019, we plan to add several flankers to existing product and in 2020, entirely new fragrances are scheduled for launch.

Income Tax Recovery

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

Impairment Loss

The Company reviews intangible assets with indefinite lives for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Product sales of some of our mass market product lines had been declining for many years and represent a very small portion of our net sales. In 2017, the Company set in motion a plan to discontinue several of these product lines over the next few years and as a result, recorded an impairment loss of $2.1 million as of December 31, 2017. The Company also increased its inventory obsolescence reserves by $0.5 million as of December 31, 2017, to adjust to net realizable value the inventory of the product lines to be discontinued.

Settlement with French Tax Authorities

As previously reported, the French Tax Authorities examined the 2012 tax return of Interparfums SA. The main issues challenged by the French Tax Authorities related to the commission rate and royalty rate paid to Interparfums Singapore Pte. and Interparfums (Suisse) SARL, respectively. Due to the subjective nature of the issues involved, in April 2016, Interparfums SA reached an agreement in principle to settle the entire matter with the French Tax Authorities. The settlement required Interparfums SA to pay a tax assessment of $1.9 million covering the issues for not only the 2012 tax year, but also covering the issues for the tax years ended 2013 through 2015. The settlement, which was finalized by the French Tax Authorities in the first quarter of 2017, was accrued as of December 31, 2016.

PRODUCTION AND SUPPLY

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

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

Suppliers who assist us with product development include:

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

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

MARKETING AND DISTRIBUTION

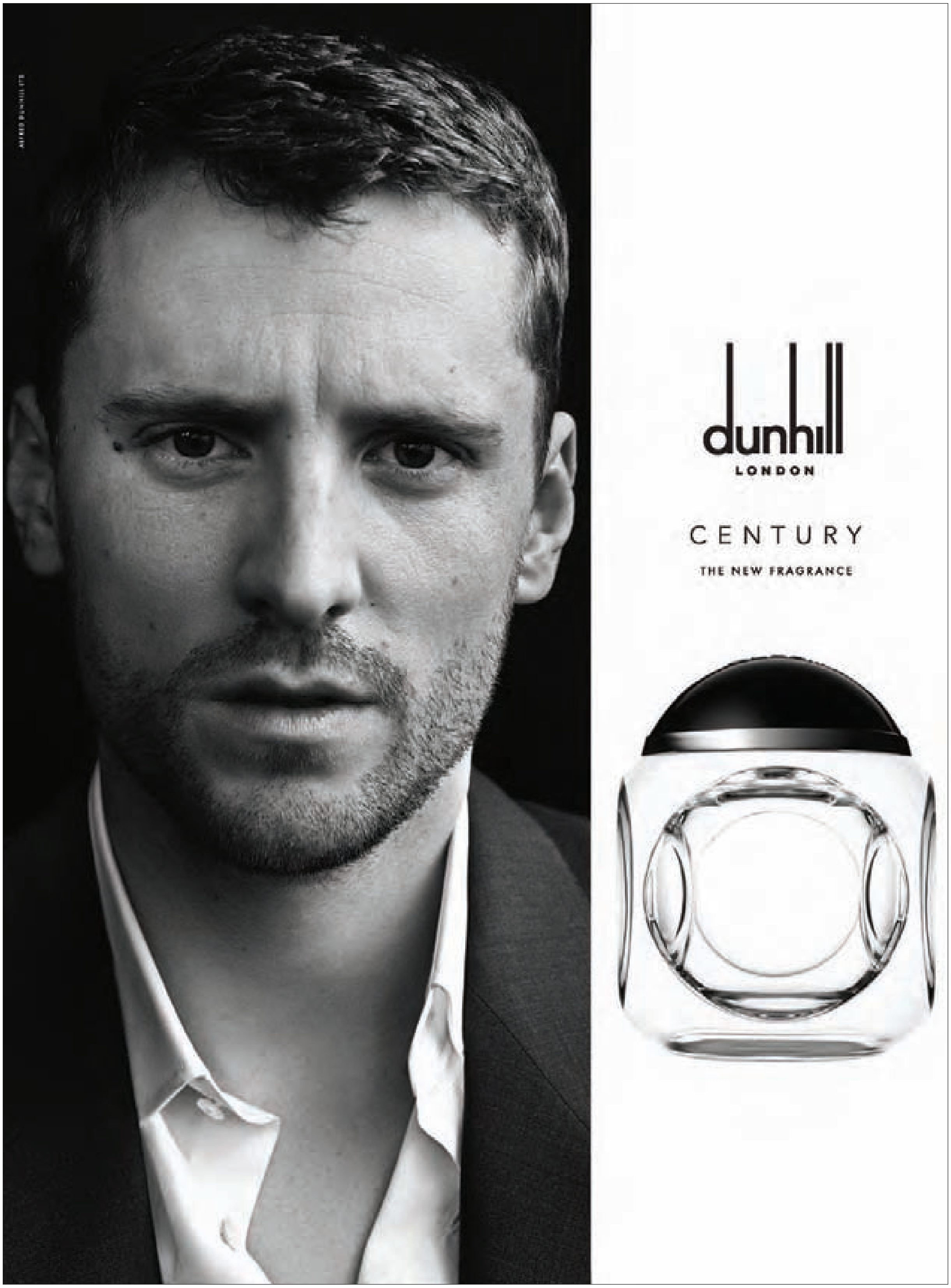
Our products are distributed in over 100 countries around the world through a selective distribution network. For our international distribution, we either contract with independent distribution companies specializing in luxury goods or distribute prestige products through our distribution subsidiaries. In each country, we designate anywhere from one to three distributors on an exclusive basis for one or more of our name brands. We also distribute our products through a variety of duty free operators, such as airports and airlines and select vacation destinations.

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

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

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

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



Dunhill *Century*

The Products

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

Our licenses for these brands expire on the following dates:

Brand Name	Expiration Date
Abercrombie & Fitch	December 31, 2021
Agent Provocateur	December 31, 2023
Anna Sui	December 31, 2021, plus two 5-year optional terms if certain conditions are met
bebe Stores	June 30, 2020
Boucheron	December 31, 2025, plus a 5-year optional term if certain sales targets are met
Coach	June 30, 2026
Dunhill	September 30, 2023, subject to earlier termination on September 30, 2019, if certain minimum sales are not met
French Connection	December 31, 2027, plus a 10-year optional term if certain sales targets are met
Graff	December 31, 2026, plus 3 optional 3-year terms if certain sales targets are met
GUESS	December 31, 2033
Hollister	December 31, 2021
Jimmy Choo	December 31, 2031
Karl Lagerfeld	October 31, 2032
Lily Aldridge	December 31, 2023
Montblanc	December 31, 2025
Oscar de la Renta	December 31, 2025, plus a 5-year optional term if certain sales targets are met
Paul Smith	December 31, 2021
Repetto	December 31, 2024
S.T. Dupont	December 31, 2019
Van Cleef & Arpels	December 31, 2024

In connection with the acquisition of the Lanvin brand names and trademarks for our class of trade, we granted the seller the right to repurchase the brand names and trademarks in 2025 for the greater of €70 million (approximately $80 million) or one times the average of the annual sales for the years ending December 31, 2023 and 2024.

Fragrance Portfolio

Abercrombie & Fitch

In December 2014, we entered into a 7-year worldwide license to create, produce and distribute new fragrances and fragrance related products under the Abercrombie & Fitch brand name. The Company distributes these fragrances internationally in specialty stores, high-end department stores and duty free shops, and in the U.S., in duty free shops and in select Abercrombie & Fitch retail stores. In 2016 we launched our initial men's scent, *First Instinct*, and during 2017 we launched a women's version of *First Instinct*. In 2018 and early 2019, we introduced several *First Instinct* brand extensions. In the spring of 2019 we will be unveiling a new fragrance family for Abercrombie & Fitch, *Authentic*, for men and women.

Abercrombie & Fitch is a specialty retailer of high quality apparel and accessories for men and women. For more than 125 years, the iconic brand has outfitted innovators, explorers and entrepreneurs. Today, it reflects the updated attitude of the modern customer, while remaining true to its heritage of creating expertly crafted products with an effortless, American style.

***Abercrombie & Fitch** Authentic*

ANNA SUI

In June 2011, we entered into a 10-year exclusive worldwide fragrance license agreement to produce and distribute fragrances and fragrance related products under the Anna Sui brand. We work in partnership with American designer, Anna Sui, and her creative team to build upon the brand's growing customer appeal, and develop new fragrances that capture the brand's very sweet feminine girly aspect, combined with touch of nostalgia, hipness and rock-and-roll. Anna Sui's devoted customer base, which spans the world, is concentrated in Asia.

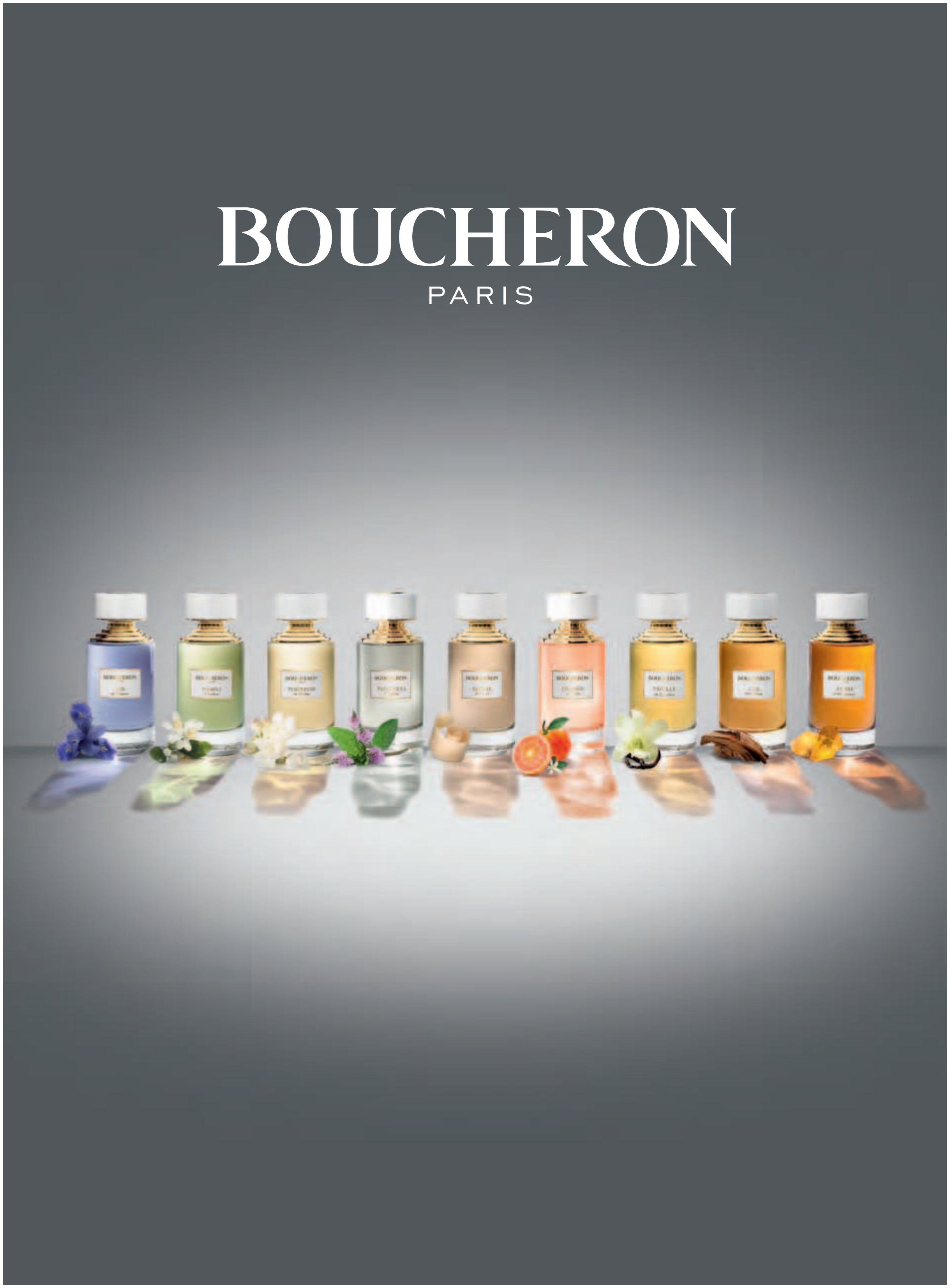
With the popularity of Anna Sui fragrances throughout Asia, we enjoyed dramatic increases in brand sales in that region in both 2017 and 2018. By maintaining a strong advertising and marketing commitment to Anna Sui over many years, we were rewarded as the Chinese economy improved. We also took advantage of the improving economy with a major new product launch *Fantasia* by Anna Sui, with distribution concentrated across Asia. In addition, the brand's growing popularity in other Asian countries contributed to the upturn that began in 2017. In 2018, we introduced *Fantasia Mermaid* for Anna Sui and a completely new Anna Sui fragrance family called, *Sky*, is in the works for 2020.

***Anna Sui** Fantasia Mermaid*

BOUCHERON
PARIS

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

One of our first new fragrances under the Boucheron brand, *Boucheron Place Vendôme*, was released in 2013. In 2015, we launched a new fragrance duo for the Boucheron brand around its iconic *Quatre* ring, Boucheron *Quatre*. A six scent collection was launched under the Boucheron brand in 2017, to which two scents were added in 2018, the same year Boucheron *Quatre en Rose* made its debut. For 2019, we are again launching two new fragrances as part of the Boucheron collection.



Boucheron *Collection Boucheron*

COACH

NEW YORK

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

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

In 2016, we launched our first Coach fragrance, a women's scent, and in 2017, a men's scent, both of which have quickly become top selling prestige fragrances. In 2018, the Coach brand achieved remarkable sales growth and quickly become one of the largest brands in our portfolio. Coach sales were driven by the continued popularity of the Coach signature lines, as well as the success of flankers, *Coach Floral* and *Coach Platinum*, which rolled out in 2018. We have a new Coach women's scent in the works for debut in 2020.

Coach *Coach Platinum*

dunhill
LONDON

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

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

Beginning in 2015, we rolled out our new Dunhill scent, *Icon*, the success of which has made the Dunhill brand one of the stars within our United States based operations. Building upon the established success of the *Icon* fragrance family, we launched several product extensions including *Icon Absolute*, *Icon Elite* and *Icon Racing*. In 2018 we introduced a new Dunhill scent for men called *Century* and for 2019, we will debut the Dunhill *Signature Collection*, as well as *Century Blue.*

***Dunhill** Icon Collection*

G R A F F

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

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

Our plan calls for developing a multi-scent collection launching towards the end of 2019 with distribution earmarked for Graff stores, high-end department stores, and upscale travel retail. Additionally, we are exploring opportunities for luxury travel amenities, including five star hotels.


GRAFF
THE MOST FABULOUS JEWELS IN THE WORLD
THE ETERNAL TWINS: 50 CARATS EACH, IDENTICAL D FLAWLESS DIAMONDS
35 CARAT D FLAWLESS DIAMOND RING

Graff

GUESS

In February 2018, the Company entered into an exclusive, 15-year worldwide license agreement with GUESS?, Inc. for the creation, development and distribution of fragrances under the GUESS brand. This license took effect on April 1, 2018. We began selling GUESS legacy scents in 2018. For 2019, we have on tap two GUESS launches, *1981 Los Angeles* for men and women and *Seductive Noir* for men and women. For 2020, we have a new line, *Bella Vita*, in development.

Established in 1981, GUESS began as a jeans company and has since successfully grown into a global lifestyle brand. GUESS?, Inc. designs, markets, distributes and licenses a lifestyle collection of contemporary apparel, denim, handbags, watches, footwear and other related consumer products. GUESS products are distributed through branded GUESS stores as well as better department and specialty stores around the world. As of November 3, 2018, GUESS directly operated over 1,100 retail stores in the Americas, Europe and Asia. GUESS' licensees and distributors operated 584 additional retail stores worldwide. GUESS and its licensees and distributors operate in approximately 100 countries worldwide.

***Guess** Seductive Noir*

HOLLISTER
CALIFORNIA

In December 2014, we entered into a 7-year worldwide license to create, produce and distribute new fragrances and fragrance related products under the Hollister brand name. The Company distributes these fragrances internationally in specialty stores, high-end department stores and duty free shops, and in the U.S., in duty free shops as well as select Hollister retail stores. In 2016 we launched a new men's and women's scent, *Wave*, for Hollister. In 2017, we introduced a fragrance duo, *Wave 2*, to complement the *Wave* franchise by Hollister. During 2018 we debuted an entirely new fragrance family for Hollister, *Festival Vibes*, as well as *Free Wave*, both for men and women. For 2020, we have a duo in the works, *Festival Party* for men and women.

The quintessential apparel brand of the global teen consumer, Hollister Co. celebrates the liberating spirit of the endless summer inside everyone. Inspired by California's laidback attitude, Hollister's clothes are designed to be lived in and made your own, for wherever life takes you.

***Hollister** Festival Nite*

JIMMY CHOO

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

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

Our first fragrance under the Jimmy Choo brand, a women's signature scent, rolled out globally in 2011. In 2013, we launched our second Jimmy Choo line, *Flash*, and in 2014, we debuted Jimmy Choo *Man*, our first men's scent which ranked in 2015 as the 9th best-selling men's fragrance in the United States. In 2015, the launch of Jimmy Choo *Illicit*, our third women's fragrance under that label hit the market. In 2017, building on the very strong fragrance family trees of the Jimmy Choo signature scent for women (2011) and Jimmy Choo *Man* (2014), we successfully launched Jimmy Choo *L'Eau* for women and Jimmy Choo *Man Ice*. In 2018 we released a flanker for the Jimmy Choo *Man* line, Jimmy Choo *Man Blue*, and the brand's women's signature scent added still another member to the family with Jimmy Choo *Fever*. For 2019, Jimmy Choo will add a new scent for men in the fall and for 2020, we are expanding our product line to include a fragrance collection with related lipstick and nail polish.

***Jimmy Choo** Fever*

KARL LAGERFELD

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

Under the creative direction of Karl Lagerfeld, one of the world's most influential and iconic designers, the Lagerfeld Portfolio represents a modern approach to distribution, an innovative digital strategy and a global 360 degree vision that reflects the designer's own style and soul. In 2017, we changed the strategic positioning and instituting new pricing with the launch of a new duo called *Les Parfums Matières*, which debuted in the second half of 2017, achieving excellent sales results. In the second half of 2018, we expanded the *Les Parfums Matières* line with another fragrance duo.

Karl Lagerfeld *Les Parfums Matières*

LANVIN
PARIS

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.

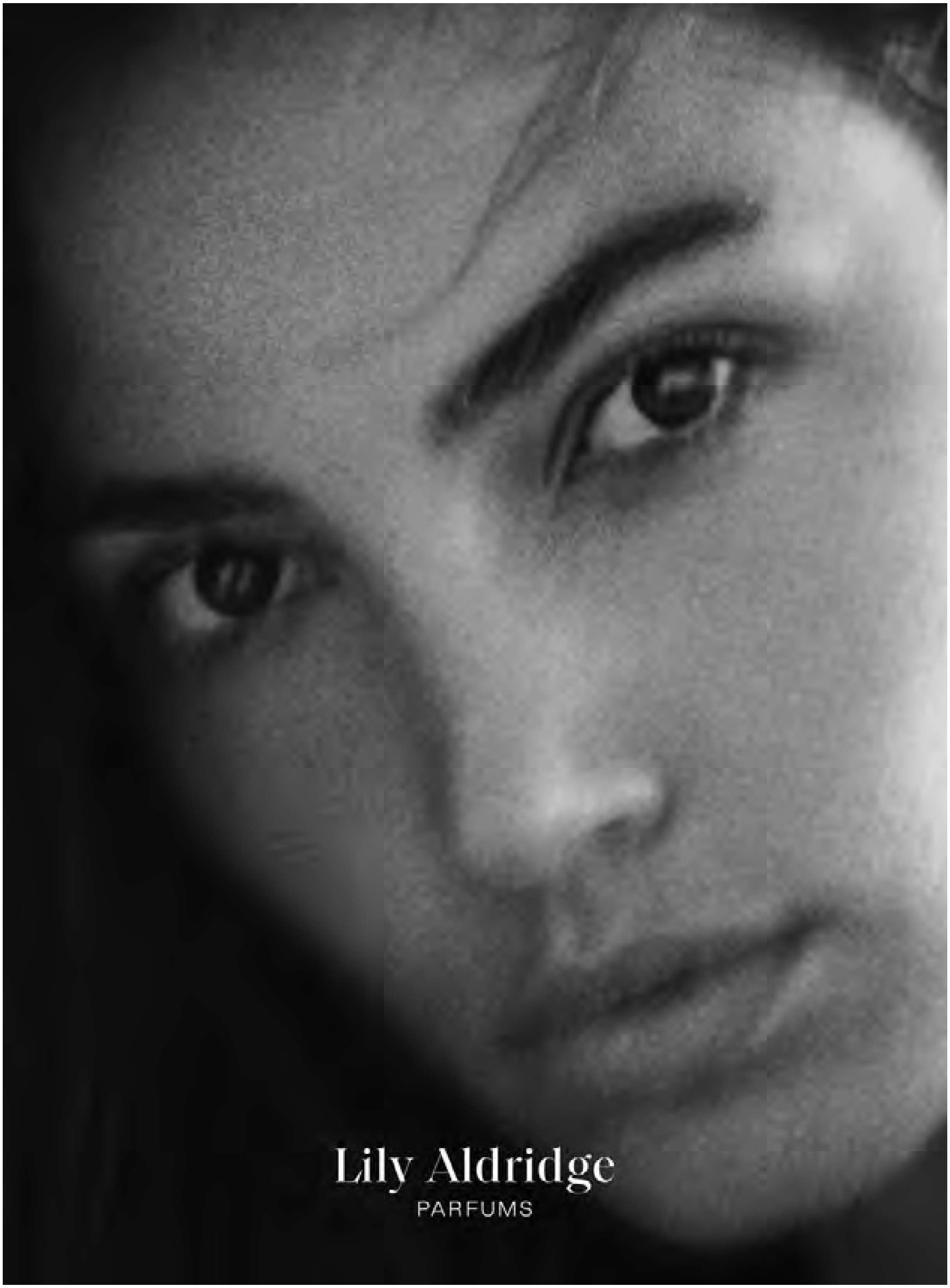
Lanvin is currently our fourth largest brand by sales volume. Lanvin fragrances occupy an important position in the selective distribution market in France, Eastern Europe and Asia, and we have several lines currently in distribution, including: *Arpège, Lanvin L'Homme, Éclat d'Arpège, Rumeur 2 Rose,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

Lanvin *A girl in Capri*

Lily Aldridge
PARFUMS

In September 2018, Interstellar Brands LLC, a wholly-owned subsidiary of the Company announced the development of a new fragrance line in collaboration with supermodel Lily Aldridge. The license agreement with Lily Aldridge runs through December 31, 2023. This deal marks the beginning of a strategic partnership between Interstellar and IMG Models, which manages Lily Aldridge, to develop direct-to-consumer e-commerce fragrance and beauty businesses for IMG Models' diverse and dynamic client base.

Aldridge, best known for her work with Bulgari, Ralph Lauren, Levi's and Victoria's Secret, will work closely with Interstellar to develop a unique, namesake fragrance line and e-commerce site that will be connected directly to Aldridge's social channels and passionate fan base. Our initial fragrance product launch, a multi-scent collection, is planned for September 2019.



Lily Aldridge

In October 2015, we extended our license agreement with Montblanc by five years. The original agreement, signed in 2010, provided us with the exclusive worldwide license rights to create, produce and distribute fragrances and fragrance related products under the Montblanc brand through December 31, 2020. The new agreement, which went into effect on January 1, 2016, extends the partnership through December 31, 2025 without any material changes in operating conditions from the prior license.

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

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

Montblanc *Explorer*

In October 2013, we entered into a 12-year exclusive worldwide license to create, produce and distribute fragrances and fragrance related products under the Oscar de la Renta brand. In 2014, we took over distribution of fragrances within the brand's legacy fragrance portfolio, and our first new women's fragrance under the Oscar de la Renta brand, *Extraordinary*, was launched in 2015. For 2016, in addition to several flankers that we launched throughout the year, we debuted a new men's fragrance family, Oscar de la Renta *Gentlemen*. *Bella Blanca*, a new Oscar de la Renta scent, debuted in early 2018, and *Bella Rosa* is scheduled for a 2019 debut.

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, www.oscardelarenta.com and through wholesale channels. The Oscar de la Renta brand has a loyal following in the United States, Canada and Latin America.

Oscar de la Renta *Bella Rosa*

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

Paul Smith is an internationally renowned British designer who creates fashion with a clear identity. Paul Smith has a modern style which combines elegance, inventiveness and a sense of humor and enjoys a loyal following, especially in the UK and Japan. Fragrances include: *Paul Smith, Paul Smith Extrême,* and *Paul Smith Rose.* In 2018, Paul Smith *Hello You,* made its debut.

Paul Smith *Rose Limited Edition*

Repetto PARIS

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

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

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

Repetto *Dance with Repetto*

ROCHAS
PARIS

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

This acquisition opened a new page in the Company's history by integrating for the first time both fragrances and fashion, allowing us to apply a global approach to managing a fragrance brand with complete freedom in terms of creativity and aesthetic choices. At the same time, we enjoy a very high degree of visibility establishing a position of even greater preeminence for Rochas in the luxury goods universe. Rochas brand sales currently include approximately $2.5 million of royalties generated by the fashion and accessory business via its portfolio of license agreements. Our first new fragrance for Rochas, *Mademoiselle Rochas*, had a successful launch that began in the first quarter of 2017 in its traditional markets of France and Spain. In 2018, we continued the international rollout of *Mademoiselle Rochas* in additional markets, debuted flankers for *Eau de Rochas* and *Mademoiselle Rochas* and in late 2018, we launched our first new men's line, Rochas *Moustache*. We also have a new men's line under development for 2020.

***Rochas** Mademoiselle Rochas*

In June 1997, we signed an exclusive worldwide license agreement with S.T. Dupont for the creation, manufacture and distribution of S.T. Dupont fragrances. In 2011, the agreement was renewed through December 31, 2016, and in September 2016 was renewed again through December 31, 2019, without any material changes in terms and conditions. S.T. Dupont is a French luxury goods house founded in 1872, which is known for its fine writing instruments, lighters and leather goods. S.T. Dupont fragrances include: *S.T. Dupont Classic*, *S.T. Dupont Essence Pure*, *S.T. Dupont Collection* and *Be Exceptional* (launched in September 2018).

***S.T. Dupont** Collection*

Van Cleef & Arpels

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

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

***Van Cleef & Arpels** Collection Extraordinaire*

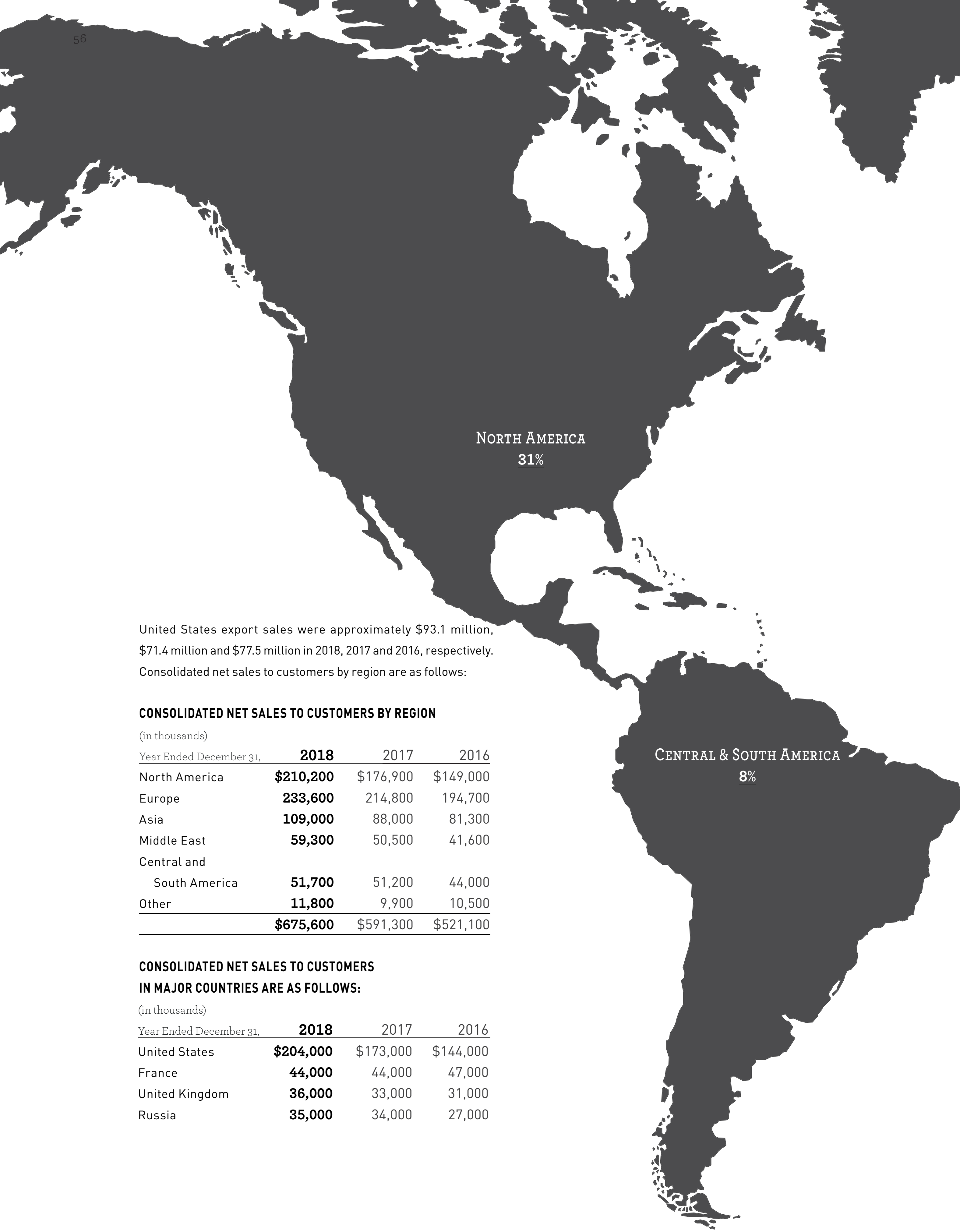
Rochas *Mademoiselle Rochas Couture*

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

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

QUARTERLY DATA: (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2017

(In thousands, except per share data)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Net Sales	$143,058	$129,136	$169,531	$149,526	$591,251
Gross Margin	90,070	83,943	103,472	98,801	376,286
Net Income	18,167	9,211	22,103	5,772	55,253
Net Income Attributable to					
Inter Parfums, Inc.	13,373	6,744	17,077	4,400	41,594
Net Income Attributable to					
Inter Parfums, Inc. per Share:					
Basic	$0.43	$0.22	$0.55	$0.14	$1.33
Diluted	$0.43	$0.22	$0.55	$0.14	$1.33
Weighted Average Common Shares					
Outstanding:					
Basic	31,145	31,169	31,175	31,200	31,172
Diluted	31,254	31,281	31,307	31,378	31,305



United States export sales were approximately $93.1 million, $71.4 million and $77.5 million in 2018, 2017 and 2016, respectively. Consolidated net sales to customers by region are as follows:

CONSOLIDATED NET SALES TO CUSTOMERS BY REGION

(in thousands)

Year Ended December 31,	2018	2017	2016
North America	**$210,200**	$176,900	$149,000
Europe	**233,600**	214,800	194,700
Asia	**109,000**	88,000	81,300
Middle East	**59,300**	50,500	41,600
Central and South America	**51,700**	51,200	44,000
Other	**11,800**	9,900	10,500
	$675,600	$591,300	$521,100

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

(in thousands)

Year Ended December 31,	2018	2017	2016
United States	**$204,000**	$173,000	$144,000
France	**44,000**	44,000	47,000
United Kingdom	**36,000**	33,000	31,000
Russia	**35,000**	34,000	27,000


Europe
34%
Middle East
9%
Asia
16%

The Organization

All Corporate Functions:

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

Finance, Investor Relations And Administration:

Russell Greenberg in the United States and Philippe Santi in France:
- Financial policy and communication, investor relations;
- Financial accounting, cost accounting, budgeting and cash flow management;
- Disclosure requirements of the Securities and Exchange Commission and Commission des Operations de Bourse;
- Labor relations, tax and legal matters and management information systems.

Operations:

Brian Gibbons 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.

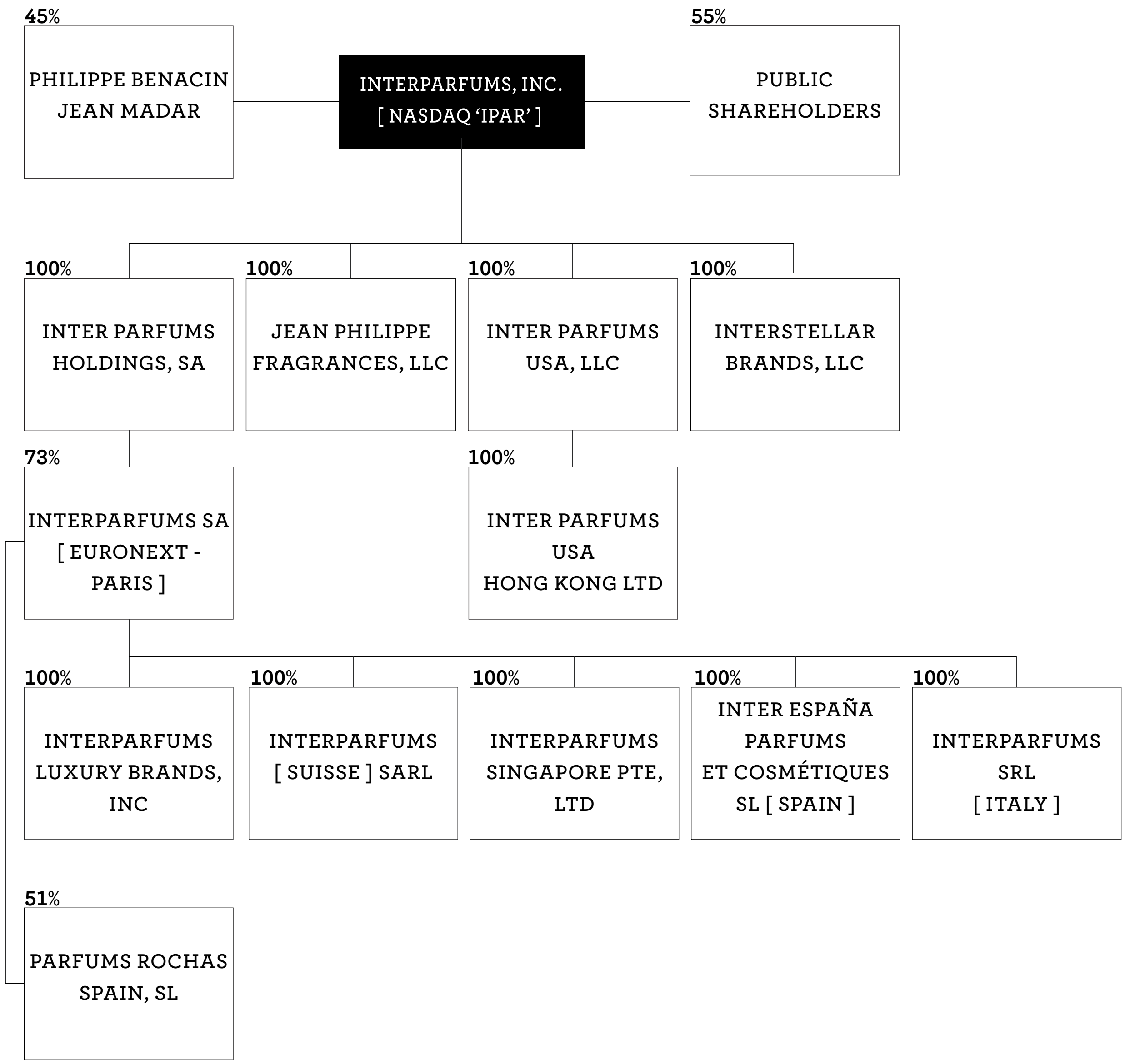
Export Sales:

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.

Our reported results include an impairment loss net of tax expense, and inventory reserve adjustment net of tax expense, both relating to the discontinuance and wind-down of certain of our mass market product lines, adjustment to deferred tax benefit due to the Tax Act, and tax recovery for dividends net of minority interest for 2017, and the nonrecurring tax settlement payment net of minority interest for 2016. Due to the cumulative effect of these nonrecurring items for 2017 and significance and nonrecurring nature of the tax settlement payment for 2016, exclusion of such amounts in the non-GAAP financial measures provides a more complete disclosure and facilitates a more accurate comparison of current results to historic results.Based upon the foregoing, we believe that our presentation of the non-GAAP financial information included on pages 49-50 of our Form 10-K 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 fragrance products primarily under license agreements with brand owners, and European based fragrance product sales represented approximately 80%, 81% and 78% of net sales for 2018, 2017 and 2016, respectively. We have built a portfolio of prestige brands, which include *Boucheron, Coach, Jimmy Choo, Karl Lagerfeld, Lanvin, Montblanc, Paul Smith, Repetto, Rochas, S.T. Dupont* and *Van Cleef & Arpels*, whose products are distributed in over 100 countries around the world.

Through our United States operations, we also market fragrance and fragrance related products. United States operations represented 20%, 19% and 22% of net sales in 2018, 2017 and 2016, respectively. These fragrance products are sold or to be sold primarily pursuant to license or other agreements with the owners of the *Abercrombie & Fitch, Agent Provocateur, Anna Sui, bebe, Dunhill, French Connection, Graff, GUESS, Hollister, Lily Aldridge* and *Oscar de la Renta* brands.

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

Years ended December 31,	**2018**	2017	2016
Montblanc	**19%**	21%	23%
Jimmy Choo	**17%**	18%	17%
Coach	**15%**	10%	4%
Lanvin	**10%**	11%	12%

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

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

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

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

In years prior to 2017, the economic and political uncertainty and financial market volatility in Eastern Europe, the Middle East and China had a minor negative impact on our business, but our sales in these regions have been improving and we do not anticipate dramatic changes in business conditions 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 accordingly, our business. We believe general economic and other uncertainties still exist in select markets in which we do business, and we monitor these 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 over 45% of net sales of our European operations are denominated in U.S. dollars, while almost all costs of our European operations are incurred in euro. Conversely, a weak U.S. dollar has a favorable impact on our net sales while gross margins are negatively affected. 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. We are also carefully monitoring currency trends in the United Kingdom as a result of the volatility created from the United Kingdom's decision to exit the European Union. We have evaluated our pricing models and we do not expect any significant pricing changes. However, if the devaluation of the British Pound worsens, it may affect future gross profit margins from sales in the territory.

RECENT IMPORTANT EVENTS

Lily Aldridge License

In September 2018, Interstellar Brands LLC, a wholly-owned subsidiary of the Company, announced the development of a new fragrance line in collaboration with supermodel Lily Aldridge. The license agreement with Lily Aldridge runs through December 31, 2023, and is subject to royalty payments as are customary in our industry. This deal marks the beginning of a strategic partnership between Interstellar and IMG Models, which manages Lily Aldridge, to develop direct-to-consumer e-commerce fragrance and beauty businesses for IMG Models' diverse and dynamic client base. Our initial fragrance product launch, a multi-scent collection, is planned for September 2019.

Van Cleef & Arpels License

In May 2018, the Company renewed its license agreement for an additional six years with Van Cleef & Arpels for the creation, development, and distribution of fragrance products through December 2024, without any material changes in terms and conditions. Our initial 12-year license agreement with Van Cleef & Arpels was signed in 2006.

Graff License

In April 2018, the Company entered into an exclusive, 8-year worldwide license agreement with London-based Graff for the creation, development and distribution of fragrances under the Graff brand. Our rights under such license agreement are subject to certain advertising expenditures and royalty payments as are customary in our industry. Initial product development includes a multi-scent collection planned for a late 2019 launch. Additionally, we are exploring opportunities for luxury travel amenities, including five star hotels.

Guess License

In February 2018, the Company entered into an exclusive, 15-year worldwide license agreement with GUESS?, Inc. for the creation, development and distribution of fragrances under the GUESS brand. This license took effect on April 1, 2018, and our rights under such license are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry. In 2018, our sales efforts were focused on existing fragrances; in 2019, we plan to add several flankers to existing product and in 2020, entirely new fragrances are scheduled for launch.

Income Tax Recovery

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

Impairment Loss

The Company reviews intangible assets with indefinite lives for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Product sales of some of our mass market product lines had been declining for many years and represent a very small portion of our net sales. In 2017, the Company set in motion a plan to discontinue several of these product lines over the next few years and as a result, recorded an impairment loss of $2.1 million as of December 31, 2017. The Company also increased its inventory obsolescence reserves by $0.5 million as of December 31, 2017, to adjust to net realizable value the inventory of the product lines to be discontinued.

Settlement with French Tax Authorities

As previously reported, the French Tax Authorities examined the 2012 tax return of Interparfums SA. The main issues challenged by the French Tax Authorities related to the commission rate and royalty rate paid to Interparfums Singapore Pte. and Interparfums (Suisse) SARL, respectively. Due to the subjective nature of the issues involved, in April 2016, Interparfums SA reached an agreement in principle to settle the entire matter with the French Tax Authorities. The settlement required Interparfums SA to pay a tax assessment of $1.9 million covering the issues for not only the 2012 tax year, but also covering the issues for the tax years ended 2013 through 2015. The settlement, which was finalized by the French Tax Authorities in the first quarter of 2017, was accrued as of December 31, 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 stores, and domestic and international wholesalers and distributors. Our revenue contracts represent single performance obligations to sell our products to customers. Sales of such products by our domestic subsidiaries are denominated in U.S. dollars and sales of such products by our foreign subsidiaries are primarily denominated in either euro or U.S. dollars. We recognize revenues when contract terms are met, the price is fixed and determinable, collectability is reasonably assured and product is shipped or risk of ownership has been transferred to and accepted by 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 as is customary in the industry. 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 and net realizable 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 results 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 6.21%. The cash flow projections are based upon a number of assumptions, including, future sales levels and future cost of goods and operating expense levels, as well as economic conditions, changes to our business model or changes in consumer acceptance of our products which are more subjective in nature. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, an impairment charge is recorded.

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

At December 31, 2018 indefinite-lived intangible assets aggregated $123.3 million. The following table presents the impact a change in the following significant assumptions would have had on the calculated fair value in 2018 assuming all other assumptions remained constant:

$ in millions	Change	Increase (decrease) to fair value
Weighted average cost of capital	+10%	$(31.0)
Weighted average cost of capital	-10%	$36.7
Future sales levels	+10%	$23.3
Future sales levels	-10%	$(23.3)

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

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

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

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. Accrued interest and penalties are included within the related tax asset or liability in the accompanying financial statements. In addition, the Company follows the provisions of uncertain tax positions as addressed in ASC topic 740.

Quantitative Analysis

During the three-year period ended December 31, 2018, 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 2018, had these estimates been changed simultaneously by 5% in either direction, our reported gross profit would have increased or decreased by approximately $0.3 million and selling, general and administrative expenses would have changed by approximately $0.07 million. The collective impact of these changes on 2018 operating income, net income attributable to Inter Parfums, Inc., and net income attributable to Inter Parfums, Inc. per diluted share would be an increase or decrease of approximately $0.4 million, $0.2 million and $0.01, respectively.

RESULTS OF OPERATIONS

Net Sales

(in millions)

Years Ended December 31,	**2018**	**% Change**	2017	% Change	2016
European-based product sales	**$537.6**	**13%**	$476.5	18%	$404.0
United States-based product sales	**138.0**	**20%**	114.8	(2%)	117.1
Total net sales	**$675.6**	**14%**	$591.3	13%	$521.1

Net sales increased 14% in 2018 to $675.6 million, as compared to $591.3 million in 2017. At comparable foreign currency exchange rates, net sales increased 13%. Net sales increased 13% in 2017 to $591.3 million, as compared to $521.1 million in 2016. At comparable foreign currency exchange rates, net sales increased 12%. The average U.S. dollar/euro exchange rates were 1.18 in 2018 and 1.13 in 2017 and 1.11 in 2016.

European based product sales increased 13% in 2018 to $537.6 million, as compared to $476.5 million in 2017. At comparable foreign currency exchange rates, European based product sales increased 11% in 2018. European based product sales increased 18% in 2017 to $476.5 million, as compared to $404.0 million in 2016. At comparable foreign currency exchange rates, European based prestige product sales increased 16% in 2017.

European based product sales in 2018 were stronger than our original expectations even though no new fragrance families were launched in 2018. Top line growth was primarily attributed to established scents and brand extensions for our largest brands. Coach brand sales accounted for much of the 2018 upside surprise with brand sales increasing 73% in 2018 to $99.7 million, as compared to $57.5 million in 2017, making it our portfolio's third largest brand. The other largest brands in our European operations portfolio performed as expected with Montblanc, Jimmy Choo and Lanvin, achieving year-over-year sales growth of 1%, 8%, and 7%, respectively.

Net sales in 2017, for European based operations were also stronger than original expectations, with Coach brand sales contributing much of that gain. Coach brand sales, which had commenced in the second half of 2016, increased 149% in 2017 reaching $57.5 million, as compared to $23.1 million in 2016. Rochas, another of our newer brands, also performed quite well with the 2017 launch of our first new fragrance, *Mademoiselle Rochas*. Rochas brand sales aggregated $46.2 million, up 34% in 2017, as compared to $34.6 in 2016.

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

In 2017, there was a slight decline in United States based product sales as compared to 2016. In 2016, sales were boosted by the international distribution of our first Abercrombie & Fitch men's scent, *First Instinct,* and the Hollister duo, *Wave*, which made sales comparisons for 2017 difficult. Nonetheless, sales of Oscar de la Renta's signature scent, and initial shipments of *Icon Racing* by Dunhill and *Fantasia* by Anna Sui, energized U.S. based product sales in 2017.

We maintain confidence in our future as we continue to strengthen advertising and promotional investments supporting all portfolio brands, accelerate brand development and build upon the strength of our worldwide distribution network. Our product development teams have been very busy and we have new fragrance families being launched throughout 2019. Some of the highlights include: Abercrombie & Fitch *Authentic*, Dunhill *Signature*, Graff *Multi-scent collection*, a new scent for Jimmy Choo, Lanvin *A Girl in Capri*, Montblanc *Explorer* and Rochas *Moustache*. With new product development combined with continued sales of our legacy scents, we look for continued sales growth in 2019.

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

Net Sales to Customers by Region

(in millions)

Years ended December 31,	**2018**	2017	2016
North America	**$210.1**	$176.9	$149.0
Western Europe	**180.9**	165.4	153.6
Asia	**109.0**	88.0	81.3
Middle East	**59.3**	50.5	41.6
Eastern Europe	**52.8**	49.4	41.1
Central & South America	**51.7**	51.2	44.0
Other	**11.8**	9.9	10.5
	$675.6	$591.3	$521.1

Virtually all regions registered strong growth for the year ended December 31, 2018, as compared to 2017. The strongest gains were achieved by Asia, North America and the Middle East, which increased sales by 24%, 19% and 17%, respectively. For the year ended December 31, 2017, as compared to 2016, the biggest improvement were in lagging regions of years before, namely Eastern Europe, the Middle East and Asia, where sales increased 20%, 21% and 8%, respectively.

Gross Margins

(in millions)

Years ended December 31,	**2018**	2017	2016
Net sales	**$675.6**	$591.3	$521.1
Cost of sales	**248.0**	215.0	194.6
Gross margin	**$427.6**	$376.3	$326.5
Gross margin as a percent of net sales	**63.3%**	63.6%	62.7%

As a percentage of net sales, gross profit margin was 63.3%, 63.6%, and 62.7% in 2018, 2017 and 2016, respectively. For European based operations, gross profit margin as a percentage of net sales was 66%, 67% and 66% in 2018, 2017 and 2016, respectively. We carefully monitor movements in foreign currency exchange rates as over 45% of our European based operations net sales is denominated in U.S. dollars, while most of our costs are incurred in euro. From a margin standpoint, a strong U.S. dollar has a positive effect on our gross margin while a weak U.S. dollar has a negative effect. The average dollar/euro exchange rate was 1.18 in 2018, as compared to 1.13 in 2017, accounting for the small fluctuation in gross margin as a percentage of sales for our European operations.

The minor margin fluctuation for European operations in 2017 is primarily the result of increased product sales, much of which was through our distribution subsidiaries that sell product directly to retailers. In addition to increased sales of Montblanc, Jimmy Choo and Coach product sold through our United States distribution subsidiary, our Rochas brand was also a major contributor as its sales are concentrated in France and Spain, both of which are countries where we distribute directly to retailers. The average dollar/euro exchange rate was 1.13 in 2017 and 1.11 in 2016. Currency fluctuation had only a minor effect on gross margin as a percentage of sales in our European operations for 2017.

For United States operations, gross profit margin was 51.4%, 49.3% and 49.7% in 2018, 2017 and 2016, respectively. Sales growth for our United States operations has primarily come from increased sales of higher margin prestige products under licenses.

Costs relating to purchase with purchase and gift with purchase promotions are reflected in cost of sales, and aggregated $36.4 million, $33.8 million and $30.0 million in 2018, 2017 and 2016, respectively, and represented 5.4%, 5.7% and 5.8% of net sales, respectively.

Generally, we do not bill customers for shipping and handling costs and such costs, which aggregated $7.1 million, $5.9 million and $5.1 million in 2018, 2017 and 2016, 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,	**2018**	2017	2016
Selling, general & administrative expenses	**$332.8**	$295.5	$258.8
Selling, general & administrative expenses as a percent of net sales	**49%**	50%	50%

Selling, general and administrative expenses increased 13% in 2018 as compared to 2017 and increased 14% in 2017 as compared to 2016. As a percentage of sales, selling, general and administrative expenses were 49% in 2018 and 50% in both 2017 and 2016. For European operations, selling, general and administrative expenses increased 10% in 2018, as compared to 2017 and represented 52% of sales in 2018 and 53% of sales in both 2017 and 2016. As discussed in more detail below, the fluctuations which are in line with the increase in sales for European operations, are primarily from variations in promotion and advertising expenditures.

For United States operations, selling, general and administrative expenses increased 25% in 2018 and represented 40% of sales in 2018, as compared to 38% of sales in 2017. The increase in sales of higher margin prestige products under license requires increased royalties and promotional and advertising expenses. Selling, general and administrative expenses decreased 2% in 2017 and represented 38% of sales in both 2017 and 2016. This decrease is in line with the slight decline in 2017 sales for our U.S. operations.

Promotion and advertising included in selling, general and administrative expenses aggregated $139.7 million, $123.7 million and $99.0 million in 2018, 2017 and 2016, respectively. Promotion and advertising as a percentage of sales represented 20.7%, 20.9% and 19.0% of net sales in 2018, 2017 and 2016, respectively. We continue to invest heavily in promotional spending to support new product launches and to build brand awareness. We anticipated that on a full year basis, promotion and advertising expenditure would aggregate approximately 21% of 2018 net sales, which was in line with 2017 annual promotion and advertising expenditures as a percentage of sales. The slight decline in promotion and advertising expense as a percentage of sales in 2018 is the result of better than expected sales in the final months of 2018.

Royalty expense included in selling, general and administrative expenses aggregated $48.9 million, $39.6 million and $37.8 million in 2018, 2017 and 2016, respectively. Royalty expense as a percentage of sales represented 7.2%, 6.7% and 7.3% of net sales in 2018, 2017 and 2016, respectively. The increase in 2018, as a percentage of sales, is directly related to new licenses and increased royalty based product sales. The decline in 2017, as a percentage of sales, relates primarily to a lower minimum guaranteed royalty in connection with the renewals of two licenses as well as the 2016 exit from the Balmain license.

Service fees, which are fees paid within our European operations to third parties relating to the activities of our distribution subsidiaries, aggregated $9.7 million, $11.7 million and $9.9 million in 2018, 2017 and 2016, respectively. The 2018 decrease is primarily the result of the discontinuation of our distribution subsidiary in Germany. Beginning in 2018, we switched back to a third party distribution model in that territory. The 2017 increase is in line with increased sales by European operations.

Buyout of License

In December 2016, the Company reached an agreement with the Balmain brand calling for Balmain to buyout the Balmain license agreement, effective December 31, 2016, in exchange for a payment aggregating $5.7 million. As a result of the buyout, the Company recognized a gain of $4.7 million as of December 31, 2016.

Impairment Loss

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

Product sales of our Karl Lagerfeld brand had not met with our original expectations. As a result, the Company recorded an impairment loss of $5.7 million in 2016.

Income from Operations

As a result of the above analysis regarding net sales, gross profit margins, selling, general and administrative expenses, buyout of license and impairment loss, income from operations increased 20% to $94.7 million in 2018 as compared to 2017, after increasing 18% to $78.6 million in 2017 from $66.7 million in 2016. Operating margins aggregated 14.0%, 13.3% and 12.8% for the years ended December 31, 2018, 2017 and 2016, respectively. Excluding the gain on buyout of license in 2016 and impairment losses in both 2017 and 2016, as well as the $0.5 million inventory reserve in 2017, income from operations would have aggregated $80.2 million in 2017 and $67.7 million in 2016. Operating margins would have aggregated 14.0%, 13.6% and 13.0% for the years ended December 31, 2018, 2017 and 2016, respectively. In summary, excluding nonrecurring items during the past three years, small fluctuations in gross margin were mitigated by small fluctuations in selling, general and administrative expenses, primarily promotion and advertising expenditures. Overall the Company has been able to increase sales with a steady increase in its operating margin.

Other Income and Expenses

Interest expense aggregated $2.6 million, $2.0 million and $2.3 million in 2018, 2017 and 2016, respectively. Interest expense is primarily related to the financing of brand and licensing acquisitions. We use the credit lines available to us, as needed, to finance our working capital needs as well as our financing needs for acquisitions. Long-term debt including current maturities aggregated $46.1 million, $60.6 million and $74.6 million as of December 31, 2018, 2017 and 2016, respectively.

Foreign currency losses aggregated $0.3 million, $1.5 million and $0.6 million in 2018, 2017 and 2016, respectively. We typically enter into foreign currency forward exchange contracts to manage exposure related to receivables from unaffiliated third parties denominated in a foreign currency and occasionally to manage risks related to future sales expected to be denominated in a foreign currency. Over 45% of 2018 net sales of our European operations were denominated in U.S. dollars.

Interest and dividend income aggregated $4.0 million, $3.0 million and $3.3 million in 2018, 2017 and 2016, respectively. Cash and cash equivalents and short-term investments are primarily invested in certificates of deposit with varying maturities.

Income Taxes

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

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

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

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

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

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

Our effective income tax rate was 27.3%, 29.2% and 35.5% in 2018, 2017 and 2016, respectively. The French government had introduced a 3% tax on dividends or deemed dividends for entities subject to French corporate income tax in 2012. In 2017, the French Constitutional Court released a decision declaring that the 3% tax on dividends or deemed dividends is unconstitutional. As a result of that decision, the Company filed a claim for refund of approximately $3.9 million for these taxes paid since 2015 including accrued interest of approximately $0.4 million. The Company recorded the refund claim as of December 31, 2017 and has received the entire refund in 2018.

As previously reported, the French Tax Authorities examined the 2012 tax return of Interparfums SA. The main issues challenged by the French Tax Authorities related to the commission rate and royalty rate paid to Interparfums Singapore Pte. and Interparfums (Suisse) SARL, respectively. Due to the subjective nature of the issues involved, in April 2016, Interparfums SA reached an agreement in principle to settle the entire matter with the French Tax Authorities. The settlement required Interparfums SA to pay a tax assessment of $1.9 million covering the issues for not only the 2012 tax year, but also covering the issues for the tax years ended 2013 through 2015. The settlement, which was finalized by the French Tax Authorities in the first quarter of 2017, was accrued as of December 31, 2016.

Excluding the 2017 adjustment to deferred tax benefit as a result of the Tax Act, the 2017 claim for refund and the 2016 settlement, our effective tax rate was 27.3%, 32.4% and 32.7% in 2018, 2017 and 2016, respectively.

Lastly, pursuant to an action plan released by the French Prime Minister, the French corporate income tax rate is expected to be cut from approximately 33% to 25% over a five-year period beginning in 2018. Other than as discussed above, we did not experience any significant changes in tax rates, and none were expected in jurisdictions where we operate.

Net Income and Earnings per Share

(In thousands, except share and per share data)

Years ended December, 31	**2018**	2017	2016
Net income attributable to European operations	**$56,469**	$48,236	$35,037
Net income attributable to United States operations	**13,246**	7,017	8,211
Net income	**69,715**	55,253	43,248
Less: Net income attributable to the noncontrolling interest	**15,922**	13,659	9,917
Net income attributable to Inter Parfums, Inc.	**$53,793**	$41,594	$33,331
Net income attributable to Inter Parfums, Inc. common shareholders:			
Basic	**$1.72**	$1.33	$1.07
Diluted	**1.71**	1.33	1.07
Weighted average number of shares outstanding:			
Basic	**31,307,991**	31,172,285	31,072,328
Diluted	**31,522,371**	31,305,101	31,175,598

Net income has continued to increase over the past three years, and aggregated $69.7 million, $55.3 million and $43.2 million in 2018, 2017 and 2016, respectively. Net income attributable to European operations was $56.5 million, $48.2 million and $35.0 million in 2018, 2017 and 2016, respectively, while net income attributable to United States operations was $13.2 million, $7.0 million and $8.2 million in 2018, 2017 and 2016, respectively. The significant fluctuations in net income for European operations are directly related to the previous discussions relating to changes in sales, gross profit margins, selling, general and administrative expenses, buyout of license, impairment loss, the French tax refund as well as the French tax settlement.

For United States operations in 2017, net income, excluding the effect of the $2.1 million impairment loss and $0.5 million inventory reserve, was in line with that of 2016.

The noncontrolling interest arises primarily from our 73% owned subsidiary in Paris, Interparfums SA, which is also a publicly traded company as 27% of Interparfums SA shares trade on the NYSE Euronext. Net income attributable to the noncontrolling interest is related to the profitability of our European operations, and aggregated 28.2% of European operations net income in 2018 and 28.3% in both 2017 and 2016. Net income attributable to Inter Parfums, Inc. aggregated $53.8 million, $41.6 million and $33.3 million in 2018, 2017 and 2016, respectively. Net margins attributable to Inter Parfums, Inc. aggregated 8.0%, 7.0% and 6.4% in 2018, 2017 and 2016, respectively.

Adjusted Net Income Attributable to Inter Parfums, Inc.

Adjusted Net Income Attributable to Inter Parfums, Inc., is deemed a "non-GAAP financial measure" under the rules of the Securities and Exchange Commission. This non-GAAP measure is calculated using GAAP amounts derived from our consolidated financial statements. Adjusted net income attributable to Inter Parfums, Inc. has limitations and should not be considered in isolation or as a substitute for net income, operating income, cash flow from operations or other consolidated income or cash flow data prepared in accordance with GAAP. Because not all companies use identical calculations, this presentation of adjusted income may not be comparable to a similarly titled measure of other companies.

Adjusted Net Income Attributable to Inter Parfums, Inc. Reconciliation

Adjusted net income attributable to Inter Parfums, Inc. is defined as net income attributable to Inter Parfums, Inc., plus the previously discussed 2017 impairment loss net of tax expense, and inventory reserve adjustment net of tax expense, both relating to the discontinuance of certain of our mass market product lines, the 2017 adjustment to deferred tax benefit due to the Tax Act, the tax recovery for dividends net of minority interest for 2017, and the nonrecurring tax settlement net of minority interest for 2016. We believe that certain investors would consider adjusted net income attributable to Inter Parfums, Inc. a useful means of evaluating our financial performance.

The following table provides a reconciliation of net income attributable to Inter Parfums, Inc. to adjusted net income attributable to Inter Parfums, Inc. for the periods indicated.

(In thousands, except share and per share data)

Years ended December 31,	**2018**	2017	2016
Net income attributable to Inter Parfums, Inc.	**$53,793**	$41,594	$33,331
Impairment loss (net of tax expense of $828)	**–**	1,295	-
Inventory reserve adjustment (net of tax expense of $195)	**–**	305	-
Adjustment to deferred tax benefit due to Tax Act	**–**	1,087	-
Tax recovery for dividends (net of minority interest of $973)	**–**	(2,590)	-
Nonrecurring tax settlement payment (net of minority interest of $500)	**–**	-	1,400
Adjusted net income attributable to Inter Parfums, Inc.	**$53,793**	$41,691	$34,731
Adjusted net income attributable to Inter Parfums, Inc. common shareholders:			
Basic	**$1.72**	$1.34	$1.12
Diluted	**1.71**	1.33	1.11
Weighted average number of shares outstanding:			
Basic	**31,307,991**	31,172,285	31,072,328
Diluted	**31,522,371**	31,305,101	31,175,598

Liquidity and Capital Resources

The Company's financial position remains strong. At December 31, 2018, working capital aggregated $382 million, and we had a working capital ratio of over 3 to 1. Cash and cash equivalents and short-term investments aggregated $261 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 86% of the Company's total assets are held by European operations including approximately $180 million of trademarks, licenses and other intangible assets.

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

Cash provided by operating activities aggregated $63.0 million, $35.9 million and $54.6 million in 2018, 2017 and 2016, respectively. In 2018, working capital items used $20.9 million in cash from operating activities, as compared to $32.5 million in 2017 and $0.2 million in 2016. Although accounts receivable is up from that of the prior year, day's sales outstanding remained consistent at 71 days in 2018, as compared to 67 days and 71 days in 2017 and 2016, respectively. Inventory days on hand aggregated 223 days in 2018, as compared to 189 days in 2017 and 185 days in 2016, respectively. The increase in 2018 is primarily the result of the required buildup of inventory for new licenses entered into in 2018 where we do not have a full year of sales. Overall inventory levels are up approximately 21% from the prior year, which is reasonable and reflect levels needed to support sales expectations and our new product launches.

Cash flows used in investing activities reflect the purchase and sales of short-term investments. These investments are primarily certificates of deposit with maturities greater than three months. At December 31, 2018, approximately $75 million of certificates of deposit contain penalties where we would forfeit a portion of the interest earned in the event of early withdrawal.

Our business is not capital intensive as we do not own any manufacturing facilities. On a full year basis, we spent approximately $4.0 million on capital expenditures including tools and molds needed to support our new product development calendar. Capital expenditures also include amounts for office fixtures, computer equipment and industrial equipment needed at our distribution centers. Payments for licenses, trademarks and other intangible assets primarily represent upfront entry fees incurred in connection with new license agreements. In December 2016, the Company agreed to a buyout of its Balmain license, effective December 31, 2016, for a payment aggregating approximately $5.9 million. The Company received the buyout payment in May 2017.

In 2018, in connection with a new license agreement, we agreed to pay $15.0 million in equal annual installments of $1.1 million including interest imputed at 4.1%. In 2015, in connection with a brand acquisition, we entered into a 5-year term loan payable in equal quarterly installments of €5.0 million (approximately $5.7 million) plus interest. In order to reduce exposure to rising variable interest rates, we entered into a swap transaction effectively exchanging the variable interest rate to a fixed rate of approximately 1.2%.

Our short-term financing requirements are expected to be met by available cash on hand at December 31, 2018, cash generated by operations and short-term credit lines provided by domestic and foreign banks. The principal credit facilities for 2019 consist of a $20.0 million unsecured revolving line of credit provided by a domestic commercial bank and approximately $28.6 million in credit lines provided by a consortium of international financial institutions. There were no balances due from short-term borrowings as of December 31, 2018 and 2017.

Purchase of subsidiary shares from noncontrolling interest represents the purchase of treasury shares of Interparfums SA, which are expected to be issued to Interparfums SA employees in 2019 pursuant to its Free Share Plan.

In October 2016, our Board of Directors authorized a 13% increase in the annual dividend to $0.68 per share. In October 2017, our Board authorized a 24% increase in the annual dividend to $0.84 per share and in October 2018 our Board authorized a further 31% increase in the annual dividend to $1.10 per share. The next quarterly cash dividend of $0.275 per share is payable on April 15, 2019 to shareholders of record on March 29, 2019. Dividends paid, including dividends paid once per year to noncontrolling stockholders of Interparfums SA, aggregated $35.0 million, $27.2 million and $22.9 million for the years ended December 31, 2018, 2017 and 2016, respectively. The cash dividends to be paid in 2019 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, 2018.

Contractual Obligations

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

		Payments Due by Period			
Contractual Obligations	Total	Less than 1-year	Years 2-3	Year 4-5	More than 5-years
Long-Term Debt	$46,061	$23,155	$12,686	$2,142	$8,078
Operating Leases	$44,011	$6,448	$10,862	$8,704	$17,997
Purchase Obligations(1)	$2,013,948	$166,779	$366,247	$352,890	$1,128,032
Total	$2,104,020	$196,382	$389,795	$363,736	$1,154,107

(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, 2018, 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, 2018, we had foreign currency contracts in the form of forward exchange contracts with notional amounts of approximately U.S. $33.0 million, GB £2.65 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.

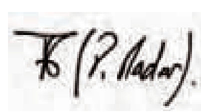
Interest Rate Risk Management

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. We entered into an interest rate swap in June 2015 on Đ100 million of debt, effectively exchanging the variable interest rate to a fixed rate of approximately 1.2%. This derivative instrument is recorded at fair value and changes in fair value are reflected in the accompanying consolidated statements of income.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Inter Parfums, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13(a)-15(f) under the Securities Exchange Act of 1934. With the participation of the Chief Executive Officer and the Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in Internal Control – Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management has concluded that our internal control over financial reporting was effective as of December 31, 2018.

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



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

Russell Greenberg
Executive Vice President
and Chief Financial Officer

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinions on the Financial Statements and Internal Control over Financial Reporting

We have audited the accompanying consolidated balance sheets of Inter Parfums, Inc. (the "Company") as of December 31, 2018 and 2017, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2018, and the related notes and the schedule listed in the Index in Item 15(a)(2) (collectively referred to as the "financial statements"). We also have audited the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework: (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2018, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control - Integrated Framework: (2013) issued by COSO.

Basis for Opinion

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

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

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

Mazars USA LLP

We have served as the Company's auditor since 2004.
New York, New York
March 1, 2019

INTER PARFUMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

Years Ended December 31,	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	**$193,136**	$208,343
Short-term investments	**67,870**	69,899
Accounts receivable, net	**136,420**	120,749
Inventories	**160,978**	137,058
Receivables, other	**2,112**	2,405
Other current assets	**8,076**	7,356
Income taxes receivable	**810**	3,468
Total current assets	**569,402**	549,278
Equipment and leasehold improvements, net	**9,839**	10,330
Trademarks, licenses and other intangible assets, net	**204,325**	200,495
Deferred tax assets	**9,299**	9,658
Other assets	**6,302**	8,011
Total assets	**$799,167**	$777,772
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	**23,155**	24,372
Accounts payable - trade	**58,328**	52,609
Accrued expenses	**92,468**	81,843
Income taxes payable	**4,396**	1,722
Dividends payable	**8,630**	6,561
Total current liabilities	**186,877**	167,107
Long-term debt, less current portion	**22,906**	36,207
Deferred tax liability	**3,538**	3,821
Equity:		
Inter Parfums, Inc. shareholders' equity:		
Preferred stock, $0.001 par value. Authorized 1,000,000 shares; none issued	**–**	-
Common stock, $0.001 par value. Authorized 100,000,000 shares; outstanding, 31,382,127 and 31,241,548 shares at December 31, 2018 and 2017, respectively	**31**	31
Additional paid-in capital	**69,970**	66,004
Retained earnings	**448,731**	422,570
Accumulated other comprehensive loss	**(33,650)**	(17,832)
Treasury stock, at cost, 9,864,805 common shares at December 31, 2018 and 2017	**(37,475)**	(37,475)
Total Inter Parfums, Inc. shareholders' equity	**447,607**	433,298
Noncontrolling interest	**138,139**	137,339
Total equity	**585,746**	570,637
Total liabilities and equity	**$799,167**	$777,772

(See accompanying notes to consolidated financial statements.)

INTER PARFUMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except share and per share data)

Years Ended December 31,	2018	2017	2016
Net sales	**$675,574**	$591,251	$521,072
Cost of sales	**248,012**	214,965	194,601
Gross margin	**427,562**	376,286	326,471
Selling, general, and administrative expenses	**332,831**	295,540	258,787
Gain on buyout of license	**–**	-	(4,652)
Impairment loss	**–**	2,123	5,658
Income from operations	**94,731**	78,623	66,678
Other expenses (income):			
Interest expense	**2,578**	1,992	2,340
Loss on foreign currency	**251**	1,549	595
Interest and dividend income	**(3,957)**	(2,983)	(3,331)
	(1,128)	558	(396)
Income before income taxes	**95,859**	78,065	67,074
Income taxes	**26,144**	22,812	23,826
Net income	**69,715**	55,253	43,248
Less: Net income attributable to the noncontrolling interest	**15,922**	13,659	9,917
Net income attributable to Inter Parfums, Inc.	**$53,793**	$41,594	$33,331
Net income attributable to Inter Parfums, Inc. common shareholders:			
Basic	**$1.72**	$1.33	$1.07
Diluted	**1.71**	1.33	1.07
Weighted average number of shares outstanding:			
Basic	**31,307,991**	31,172,285	31,072,328
Diluted	**31,522,371**	31,305,101	31,175,598
Dividends declared per share	**$0.91**	$0.72	$0.62

(See accompanying notes to consolidated financial statements.)

INTER PARFUMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands, except share and per share data)

Years Ended December 31,	2018	2017	2016
Net income	**$69,715**	$55,253	$43,248
Other comprehensive income:			
Net derivative instrument loss, net of tax	**175**	54	(22)
Transfer of OCI into earnings	**(37)**	22	-
Translation adjustments, net of tax	**(22,555)**	55,995	(13,153)
	(22,417)	56,071	(13,175)
Comprehensive income	**47,298**	111,324	30,073
Comprehensive income attributable to noncontrolling interests:			
Net income	**15,922**	13,659	9,917
Net derivative instrument loss, net of tax	**39**	17	(5)
Transfer of OCI into earnings	**–**	5	-
Translation adjustments, net of tax	**(6,638)**	15,899	(3,279)
	9,323	29,580	6,633
Comprehensive income attributable to Inter Parfums, Inc.	**$37,975**	$81,744	$23,440

(See accompanying notes to consolidated financial statements.)

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

(In thousands, except share and per share data)

Years Ended December 31,	2018	2017	2016
Common stock, beginning and end of year	**$31**	$31	$31
Additional paid-in capital, beginning of year	**66,004**	63,103	62,030
Shares issued upon exercise of stock options	**3,406**	1,963	2,160
Sale of subsidiary shares to noncontrolling interests	**–**	-	(173)
Purchase of subsidiary shares from noncontrolling interests	**(572)**	-	(1,753)
Stock-based compensation	**1,132**	938	839
Additional paid-in capital, end of year	**$69,970**	$66,004	$63,103
Retained earnings, beginning of year	**422,570**	402,714	388,434
Net income	**53,793**	41,594	33,331
Dividends	**(28,356)**	(22,460)	(19,273)
Stock-based compensation	**724**	722	222
Retained earnings, end of year	**448,731**	422,570	402,714
Accumulated other comprehensive loss, beginning of year	**(17,832)**	(57,982)	(48,091)
Foreign currency translation adjustment, net of tax	**(15,917)**	40,096	(9,874)
Transfer from other comprehensive income into earnings	**(37)**	17	-
Net derivative instrument gain, net of tax	**136**	37	(17)
Accumulated other comprehensive loss, end of year	**(33,650)**	(17,832)	(57,982)
Treasury stock, beginning of year	**(37,475)**	(37,475)	(36,817)
Shares issued upon exercise of stock options	**–**	-	142
Shares received as proceeds of option exercises	**–**	-	(800)
Treasury stock, end of year	**(37,475)**	(37,475)	(37,475)
Noncontrolling interest, beginning of year	**137,339**	113,267	110,800
Net income	**15,922**	13,659	9,917
Foreign currency translation adjustment, net of tax	**(6,638)**	15,899	(3,279)
Transfer from other comprehensive income into earnings	**–**	5	-
Net derivative instrument gain, net of tax	**39**	17	(5)
Sale of subsidiary shares to noncontrolling interest	**–**	-	1,738
Purchase of subsidiary shares from noncontrolling interest	**(236)**	-	(1,188)
Dividends	**(8,706)**	(6,039)	(4,863)
Stock-based compensation	**419**	531	147
Noncontrolling interest, end of year	**138,139**	137,339	113,267
Total equity	**$585,746**	$570,637	$483,658

(See accompanying notes to consolidated financial statements.)

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

Years ended December, 31	**2018**	2017	2016
Cash flows from operating activities:			
Net income	**$69,715**	$55,253	$43,248
Adjustments to reconcile net income to net cash			
provided by operating activities:			
Depreciation and amortization including impairment loss	**11,031**	11,914	15,341
Provision for doubtful accounts	**1,442**	939	349
Noncash stock compensation	**2,205**	2,093	1,198
Gain on sale of license	**–**	-	(4,652)
Deferred tax benefit	**(158)**	(591)	(1,374)
Change in fair value of derivatives	**(302)**	(1,254)	682
Changes in:			
Accounts receivable	**(23,032)**	(6,016)	(13,156)
Inventories	**(29,341)**	(28,518)	(909)
Other assets	**484**	727	(297)
Accounts payable and accrued expenses	**25,592**	5,696	18,690
Income taxes, net	**5,405**	(4,352)	(4,556)
Net cash provided by operating activities	**63,041**	35,891	54,564
Cash flows from investing activities:			
Purchases of short-term investments	**(10,030)**	(31,874)	(57,289)
Proceeds from sale of short-term investments	**8,859**	66,981	42,604
Purchase of equipment and leasehold improvements	**(3,956)**	(3,023)	(4,777)
Payment for intangible assets acquired	**(8,509)**	(1,046)	(965)
Proceeds from sale of trademark	**–**	5,886	-
Net cash provided by (used in) investing activities	**(13,636)**	36,924	(20,427)
Cash flows from financing activities:			
Repayment of long-term debt	**(23,487)**	(22,362)	(21,884)
Purchase of treasury stock	**–**	-	(77)
Proceeds from exercise of options	**3,406**	1,963	1,579
Proceeds from sale of stock of subsidiary	**–**	-	1,565
Dividends paid	**(26,287)**	(21,192)	(18,015)
Dividends paid to noncontrolling interests	**(8,706)**	(6,039)	(4,863)
Purchase of subsidiary shares from noncontrolling interests	**(808)**	-	(2,941)
Net cash used in financing activities	**(55,882)**	(47,630)	(44,636)
Effect of exchange rate changes on cash	**(8,730)**	21,330	(4,640)
Net increase (decrease) in cash and cash equivalents	**(15,207)**	46,515	(15,139)
Cash and cash equivalents – beginning of year	**208,343**	161,828	176,967
Cash and cash equivalents – end of year	**$193,136**	$208,343	$161,828
Supplemental disclosures of cash flow information:			
Cash paid for:			
Interest	**$1,745**	$1,813	$2,239
Income taxes	**24,995**	24,337	28,124

(See accompanying notes to consolidated financial statements.)

(in thousands, except share and per share data)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) The Company and its Significant Accounting Policies

Business Of The Company

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

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

Year Ended December 31,	**2018**	2017	2016
Montblanc	**19%**	21%	23%
Jimmy Choo	**17%**	18%	17%
Coach	**15%**	10%	4%
Lanvin	**10%**	11%	12%

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

Basis Of Preparation

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

Management Estimates

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

Foreign Currency Translation

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

Cash And Cash Equivalents And Short-Term Investments

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

Accounts Receivable

Accounts receivable represent payments due to the Company for previously recognized net sales, reduced by allowances for sales returns and doubtful accounts or balances which are estimated to be uncollectible, which aggregated $4.0 million and $5.1 million as of December 31, 2018 and 2017, 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 and net realizable value, with cost being determined on the first-in, first-out method. Cost components include raw materials, direct labor and overhead (e.g., indirect labor, utilities, depreciation, purchasing, receiving, inspection and warehousing) as well as inbound freight. Promotional merchandise is charged to cost of sales at the time the merchandise is shipped to the Company's customers.

Derivatives

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

Equipment And Leasehold Improvements

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

Long-Lived Assets

Indefinite-lived intangible assets principally consist of trademarks which are not amortized. The Company evaluates indefinite-lived intangible assets for impairment at least annually during the fourth quarter, or more frequently when events occur or circumstances change, such as an unexpected decline in sales, that would more likely than not indicate that the carrying value of an indefinite-lived intangible asset may not be recoverable. When testing indefinite-lived intangible assets for impairment, the evaluation requires a comparison of the estimated fair value of the asset to the carrying value of the asset. The fair values used in our evaluations are estimated based upon discounted future cash flow projections using a weighted average cost of capital of 6.21% and 6.22% in 2018 and 2017, respectively. The cash flow projections are based upon a number of assumptions, including future sales levels, future cost of goods and operating expense levels, as well as economic conditions, changes to our business model or changes in consumer acceptance of our products which are more subjective in nature. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, an impairment charge is recorded.

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

Revenue Recognition

The Company sells its products to department stores, perfumeries, specialty stores and domestic and international wholesalers and distributors. Our revenue contracts represent single performance obligations to sell our products to customers. Sales of such products by our domestic subsidiaries are denominated in U.S. dollars, and sales of such products by our foreign subsidiaries are primarily denominated in either euro or U.S. dollars. The Company recognizes revenues when contract terms are met, the price is fixed and determinable, collectability is reasonably assured and product is shipped or risk of ownership has been transferred to and accepted by 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 $7.1 million, $5.9 million and $5.1 million in 2018, 2017 and 2016, respectively, are included in selling, general and administrative expenses in the consolidated statements of income. The Company grants credit to all qualified customers and does not believe it is exposed significantly to any undue concentration of credit risk. No one customer represented 10% or more of net sales in 2018, 2017 or 2016.

Sales Returns

Generally, the Company does not permit customers to return their unsold products. However, for U.S. based customers, we allow returns if properly requested, authorized and approved. The Company regularly reviews and revises, as deemed necessary, its estimate of reserves for future sales returns based primarily upon historic trends and relevant current data including information provided by retailers regarding their inventory levels. In addition, as necessary, specific accruals may be established for significant future known or anticipated events. The types of known or anticipated events that we consider include, but are not limited to, the financial condition of our customers, store closings by retailers, changes in the retail environment and our decision to continue to support new and existing products. The Company records 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 $139.7 million, $123.7 million and $99.0 million for 2018, 2017 and 2016, respectively. Costs relating to purchase with purchase and gift with purchase promotions that are reflected in cost of sales aggregated $36.4 million, $33.8 million and $30.0 million in 2018, 2017 and 2016, 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 generally provide the Company with worldwide rights to manufacture, market and sell fragrance and fragrance related products using the licensors' trademarks. The licenses typically have an initial term of approximately 5 to 15 years, and are potentially renewable subject to the Company's compliance with the license agreement provisions. The remaining terms, including the potential renewal periods, range from approximately 1 to 15 years. Under each license, the Company is required to pay royalties in the range of 5% to 10% to the licensor, at least annually, based on net sales to third parties.

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

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

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

Income Taxes

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

Issuance of Common Stock by Consolidated Subsidiary

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

Treasury Stock

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

Recent Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") to improve accounting for hedging activities. The objective of the ASU is to improve the financial reporting of hedging relationships in order to better portray the economic results of an entity's risk management activities in its financial statements and to make certain targeted improvements to simplify the application of hedge accounting guidance. This ASU is effective for annual and interim periods beginning after December 15, 2018 and early adoption is permitted. We are currently evaluating the standard to determine the impact of its adoption on our consolidated financial statements.

In February 2016, the FASB issued an ASU which requires lessees to recognize lease assets and lease liabilities arising from operating leases on the balance sheet. This ASU is effective for annual and interim reporting periods beginning after December 15, 2018. The standard requires entities to recognize a lease liability to cover lease payments and a lease asset representing its right to use the underlying asset for the lease term. The Company has adopted the standard on January 1, 2019 using the modified retrospective method in the year of adoption with certain transition practical expedients with no restatement of prior period amounts. The Company is in the process of evaluating the impact of the adoption of the standard, which will relate primarily to our operating leases for office and warehouse spaces. While the Company continues to assess the impact of the adoption, it currently expects to record lease-related assets and liabilities on our consolidated balance sheets of approximately $40 million. Adoption of the new standard will not have a material impact on the Company's consolidated statements of income 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.

(in thousands, except share and per share data)

(2) Recent Agreements

Lily Aldridge

In September 2018, Interstellar Brands LLC, a wholly-owned subsidiary of the Company, announced the development of a new fragrance line in collaboration with supermodel Lily Aldridge. The license agreement with Lily Aldridge runs through December 31, 2023, and is subject to royalty payments as are customary in our industry. This deal marks the beginning of a strategic partnership between Interstellar and IMG Models, which manages Lily Aldridge, to develop direct-to-consumer e-commerce fragrance and beauty businesses for IMG Models' diverse and dynamic client base.

Van Cleef & Arpels

In May 2018, the Company renewed its license agreement for an additional six years with Van Cleef & Arpels for the creation, development, and distribution of fragrance products through December 2024, without any material changes in terms and conditions. Our initial 12-year license agreement with Van Cleef & Arpels was signed in 2006.

Graff

In April 2018, the Company entered into an exclusive, 8-year worldwide license agreement with London-based Graff for the creation, development and distribution of fragrances under the Graff brand. Our rights under such license agreement are subject to certain advertising expenditures and royalty payments as are customary in our industry.

GUESS

In February 2018, the Company entered into an exclusive, 15-year worldwide license agreement with GUESS?, Inc. for the creation, development and distribution of fragrances under the GUESS brand. This license took effect on April 1, 2018, and our rights under such license are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry.

Jimmy Choo License Renewal

In December 2017, the Company and J Choo Ltd amended their license agreement and extended their partnership through December 31, 2031, without any material changes in operating conditions from the prior license. Our initial Jimmy Choo license was signed in 2009.

Paul Smith License Renewal

In May 2017, the Company renewed its license agreement with Paul Smith by an additional four years. The original agreement, signed in December 1998, together with previous extensions, provided the Company with the exclusive worldwide license rights to create, produce and distribute fragrances and fragrance related products under the Paul Smith brand through December 31, 2017. The recent extension extends the partnership through December 31, 2021 without any material changes in operating conditions from the prior license.

(3) Buyout of License

In December 2016, the Company reached an agreement with the Balmain brand calling for Balmain to buyout the Balmain license agreement, effective December 31, 2016, in exchange for a payment aggregating $5.7 million. As a result of the buyout, the Company recognized a gain of $4.7 million as of December 31, 2016, and received the buyout payment in May 2017.

(4) Inventories

Year Ended December 31,	**2018**	2017
Raw materials and component parts	**$67,508**	$46,884
Finished goods	**93,470**	90,174
	$160,978	$137,058

Overhead included in inventory aggregated $4.2 million and $5.0 million as of December 31, 2018 and 2017, respectively. Included in inventories is an inventory reserve, which represents the difference between the cost of the inventory and its estimated realizable value, based upon sales forecasts and the physical condition of the inventories. In addition, and as necessary, specific reserves for future known or anticipated events may be established. Inventory reserves aggregated $4.9 million and $5.4 million as of December 31, 2018 and 2017, respectively.

(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, 2018

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

FAIR VALUE MEASUREMENTS AT DECEMBER 31, 2017

	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	$69,899	$-	$69,899	$-
Foreign currency forward exchange contracts accounted for using hedge accounting	26	-	26	-
Foreign currency forward exchange contracts not accounted for using hedge accounting	119	-	119	-
	$70,044	-	$70,044	-
Liabilities:				
Interest rate swap	$529	$-	$529	$-

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

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

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

(in thousands, except share and per share data)

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

Gains and losses in derivatives designated as hedges are accumulated in other comprehensive income (loss) and gains and losses in derivatives not designated as hedges are included in (gain) loss on foreign currency on the accompanying income statements. Such gains and losses were immaterial in each of the years in the three-year period ended December 31, 2018. For the years ended December 31, 2018 and 2017, interest expense includes a gain of $0.3 million and $0.5 million, respectively, relating to an interest rate swap.

All derivative instruments are reported as either assets or liabilities on the balance sheet measured at fair value. The valuation of interest rate swaps resulted in a liability which is included in long-term debt on the accompanying balance sheets. The valuation of foreign currency forward exchange contracts at December 31, 2018 and December 31, 2017, resulted in an asset and is included in other current assets on the accompanying balance sheets.

At December 31, 2018, the Company had foreign currency contracts in the form of forward exchange contracts with notional amounts of approximately U.S. $33.0 million, GB £2.65 million and JPY ¥75.0 million, which all have maturities of less than one year.

(7) Equipment and Leasehold Improvements

Year Ended December 31,	**2018**	2017
Equipment	**$36,465**	$37,074
Leasehold Improvements	**1,639**	1,639
	38,104	38,713
Less accumulated		
depreciation and amortization	**28,265**	28,383
	$9,839	10,330

Depreciation and amortization expense was $4.1 million, $3.8 million and $3.7 million in 2018, 2017, and 2016, respectively.

(8) Trademarks, Licenses and Other Intangible Assets

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

2017	Gross Amount	Accumulated Amortization	Net Book Value
Trademarks			
(indefinite lives)	$129,033	$-	$129,033
Trademarks			
(finite lives)	46,461	72	46,389
Licenses			
(finite lives)	69,439	46,857	22,582
Other intangible assets			
(finite lives)	14,949	12,458	2,491
Subtotal	130,849	59,387	71,462
Total	$259,882	$59,387	$200,495

Amortization expense was $7.0 million, $6.0 million and $5.9 million in 2018, 2017 and 2016, respectively. Amortization expense is expected to approximate $5.0 million, $4.6 million, and $4.0 million in 2019, 2020, 2021, respectively, and $3.7 million 2022 and 2023. 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 14 years on average.

The Company reviews intangible assets with indefinite lives for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. In 2017, the Company set in motion a plan to discontinue some of its mass market product lines over the next few years. As a result, the Company recorded an impairment loss of $2.1 million as of December 31, 2017. There were no impairment charges for trademarks with indefinite useful lives in 2018 and 2016. The fair values used in our evaluations are estimated based upon discounted future cash flow projections using a weighted average cost of capital of 6.21% as of December 31, 2018 and 6.22% as of December 31, 2017 and 2016. The cash flow projections are based upon a number of assumptions, including, future sales levels and future cost of goods and operating expense levels, as well as economic conditions, changes to our business model or changes in consumer acceptance of our products which are more subjective in nature. The Company believes that the assumptions it has made in projecting future cash flows for the evaluations described above are reasonable and currently no other impairment indicators exist for our indefinite-lived assets. However, if future actual results do not meet our expectations, the Company may be required to record an impairment charge, the amount of which could be material to our results of operations.

The cost of trademarks, licenses and other intangible assets with finite lives is being amortized by the straight line method over the term of the respective license or the intangible assets estimated useful life which range from three to twenty years. If the residual value of a finite life intangible asset exceeds its carrying value, then the asset is not amortized. The Company reviews intangible assets with finite lives for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Product sales of our Karl Lagerfeld brand did not met with our original expectations. Accordingly, in 2016, the Company recorded an impairment loss of $5.7 million.

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 Đ70 million (approximately $80 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) Accrued Expenses

Accrued expenses consist of the following:

Year Ended December 31,	**2018**	2017
Advertising liabilities	**$14,868**	$27,418
Salary (including bonus and related taxes)	**19,939**	18,488
Royalties	**14,533**	11,409
Due vendors (not yet invoiced)	**29,790**	11,228
Retirement reserves	**9,616**	9,113
Other	**3,722**	4,187
	$92,468	81,843

(10) Loans Payable – Banks

Loans payable – banks consist of the following:

The Company and its domestic subsidiaries have available a $20 million unsecured revolving line of credit due on demand, which bears interest at the daily one-month LIBOR plus 2% (the one-month LIBOR was 2.51% as of December 31, 2018). The line of credit which has a maturity date of December 18, 2019 is expected to be renewed on an annual basis. Borrowings outstanding pursuant to lines of credit were zero as of December 31, 2018 and 2017.

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 minus 0.36% at December 31, 2018). Outstanding amounts were zero as of December 31, 2018 and 2017.

As there were no borrowings outstanding as of December 31, 2018 and 2017, there is no weighted average interest rate on short-term borrowings as of December 31, 2018 and 2017.

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(11) Long-term Debt

Long-term debt consists of the following:

Year Ended December 31	2018	2017
$15.0 million payable in 14 equal annual installments of $1.1 million beginning in January 2020 including interest imputed at 4.1% per annum	$11,291	$-
$111.0 million 5-year term loan payable in 20 equal quarterly installments plus interest at 1.2% per annum	34,350	59,965
Other	420	614
	46,061	60,579
Less current maturities	23,155	24,372
Total	$22,906	$36,207

The $111.0 million 5-year term loan requires the maintenance of certain financial covenants, tested semi-annually, including a maximum leverage ratio and a minimum interest coverage ratio. The facility also contains new debt restrictions among other standard provisions. The Company is in compliance with all of the covenants and other restrictions of the debt agreements. In order to reduce exposure to rising variable interest rates, the Company entered into a swap transaction effectively exchanging the variable interest rate to a fixed rate of approximately 1.2%. The swap is a derivative instrument and is therefore recorded at fair value and changes in fair value are reflected in the accompanying consolidated statements of income. Maturities of long-term debt subsequent to December 31, 2018 are approximately $23.2 million and $11.6 million in 2019 and 2020, respectively and $1.1 million per year thereafter through 2033.

(12) 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 2029. 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 $12.0 million, $11.2 million and $10.7 million in 2018, 2017 and 2016, respectively. Minimum future annual rental payments are as follows:

2019	$6,448
2020	5,786
2021	5,076
2022	4,563
2023	4,141
Thereafter	17,997
	$44,011

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 variousdates through 2033. In connection with certain of these license agreements, the Company is subject to minimum annual advertising commitments, minimum annual royalties and other commitments as follows:

2019	$166,779
2020	178,408
2021	187,839
2022	173,366
2023	179,524
Thereafter	1,128,032
	$2,013,948

Future advertising commitments are estimated based on planned future sales for the license terms that were in effect at December 31, 2018, 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 $48.9 million, $39.6 million and $37.8 million, in 2018, 2017 and 2016, respectively, and represented 7.2%, 6.7% and 7.3% of net sales for the years ended December 31, 2018, 2017 and 2016, respectively.

(13) Equity

Share-Based Payments:

The Company maintains a stock option program for key employees, executives and directors. The plans, all of which have been approved by shareholder vote, provide for the granting of both nonqualified and incentive options. Options granted under the plans typically have a six-year term and vest over a four to five-year period. The fair value of shares vested aggregated $1.1 million and $0.9 million in 2018 and 2017, respectively. Compensation cost, net of estimated forfeitures, is recognized on a straight-line basis over the requisite service period for the entire award. Forfeitures are estimated based on historic trends. It is generally the Company's policy to issue new shares upon exercise of stock options.

The following table sets forth information with respect to nonvested options for 2018:

	Number of Shares	Weighted Average Grant Date Fair Value
Nonvested options – beginning of year	**431,235**	**$8.22**
Nonvested options granted	**196,350**	**$14.31**
Nonvested options vested or forfeited	**(142,225)**	**$8.11**
Nonvested options-end of year	**485,360**	**$10.72**

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

Year Ended December 31,	**2018**	2017	2016
Income before income taxes	**$2,200**	$2,100	$1,200
Net Income attributable to Inter Parfums, Inc.	**1,390**	1,150	700
Diluted earnings per share attributable to Inter Parfums, Inc	**0.04**	0.04	0.02

The following table summarizes stock option activity and related information for the years ended December 31, 2018, 2017 and 2016:

Year Ended December 31,	**2018**		2017		2016	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Shares under option-beginning of year	**730,980**	**$31.92**	684,540	$26.94	709,300	$24.34
Options granted	**196,350**	**63.91**	174,600	43.48	148,950	32.61
Options exercised	**(140,579)**	**24.21**	(103,230)	19.03	(123,150)	18.69
Options forfeited	**(10,580)**	**37.64**	(24,930)	29.49	(50,560)	27.18
Shares under option-end of year	**776,171**	**41.33**	730,980	31.92	684,540	26.94

At December 31, 2018, options for 744,215 shares were available for future grant under the plans. The aggregate intrinsic value of options outstanding is $18.8 million as of December 31, 2018 and unrecognized compensation cost related to stock options outstanding aggregated $4.9 million, which will be recognized over the next five years.

The weighted average fair values of options granted by Inter Parfums, Inc. during 2018, 2017 and 2016 were $14.31, $9.82 and $7.43 per share, respectively, on the date of grant using the Black-Scholes option pricing model to calculate the fair value.

(in thousands, except share and per share data)

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

Year Ended December 31,	2018	2017	2016
Weighted average expected stock-price volatility	**27%**	28%	29%
Weighted average expected option life	**5.0 yrs**	5.0 yrs	5.0 yrs
Weighted average risk-free interest rate	**2.5%**	2.2%	2.0%
Weighted average dividend yield	**2.0%**	2.0%	2.1%

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,	2018	2017	2016
Proceeds from stock options exercised, excluding cashless exercise of $0.7 million in 2016	**$3,406**	$1,963	$1,579
Tax benefits	**$807**	$600	$400
Intrinsic value of stock options exercised	**$4,310**	$2,258	$1,860

The following table summarizes additional stock option information as of December 31, 2018:

		Options Outstanding	
Exercise Price	Number Outstanding	Weighted Average Remaining Contractual Life	Options Exercisable
$23.61 – $29.36	**209,920**	**2.48 years**	**134,170**
$32.83 – $35.75	**206,101**	**2.85 years**	**123,781**
$40.15 – $46.90	**177,800**	**4.96 years**	**32,860**
$65.25	**182,350**	**6.00 years**	**–**
Totals	**776,171**	**3.98 years**	**290,811**

As of December 31, 2018, the weighted average exercise price of options exercisable was $31.65 and the weighted average remaining contractual life of options exercisable is 2.57 years. The aggregate intrinsic value of options exercisable at December 31, 2018 is $9.9 million.

The Chief Executive Officer and the President each exercised 19,000 outstanding stock options of the Company's common stock in 2016. The aggregate exercise prices of $0.7 million in 2016 was paid by them tendering to the Company an aggregate of 20,658 shares, 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 an additional 2,179 shares in 2016 for payment of certain withholding taxes resulting from his option exercises.

In September 2016, Interparfums SA, approved a plan to grant an aggregate of 15,100 shares of its stock to employees with no performance condition requirement, and an aggregate of 133,000 shares to officers and managers, subject to certain corporate performance conditions. The shares, subject to adjustment for stock splits, will be distributed in September 2019 so long as the individual is employed by Interparfums SA at the time, and in the case of officers and managers, only to the extent that the performance conditions have been met. Once distributed, the shares will be unrestricted and the employees will be permitted to trade their shares.

The fair value of the grant of €18.56 per share (approximately $22.00 per share) has been determined based on the quoted share price of Interparfums SA shares as reported by the NYSE Euronext on the date of grant. The estimated number of shares to be distributed of 157,840 has been determined taking into account employee turnover and has been adjusted for stock splits. The aggregate cost of the grant of approximately $3.4 million is being recognized as compensation cost by Interparfums SA on a straight-line basis over the requisite three year service period. For the year ended December 31, 2018, $1.1 million of compensation cost has been recognized in connection with this plan.

To avoid dilution of the Company's ownership of Interparfums SA, all shares to be distributed pursuant to this plan will be pre-existing shares of Interparfums SA, purchased in the open market by Interparfums SA. In 2016, 131,101 shares had been acquired in the open market at an aggregate cost of $2.9 million. In 2018 an additional 18,899 shares were acquired in the open market at an aggregate cost of $0.8 million. All share purchases have been classified as equity transactions on the accompanying balance sheet.

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

The fair value of the grant of €29.84 per share (approximately $34.00 per share) has been determined based on the quoted stock price of Interparfums SA shares as reported by the NYSE Euronext on the date of grant. The estimated number of shares to be distributed of 142,842 has been determined taking into account employee turnover. The aggregate cost of the grant of approximately $4.9 million will be recognized as compensation cost by Interparfums SA on a straight-line basis over the requisite three and a half year service period.

Dividends

In October 2018, the Board of Directors of the Company authorized a 31% increase in the annual dividend to $1.10 per share. The quarterly dividend aggregating approximately $8.6 million ($0.275 per share) declared in December 2018 was paid in January 2019. The next quarterly dividend of $0.275 per share will be paid on April 15, 2019 to shareholders of record on March 29, 2019.

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

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

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

Year Ended December 31,	**2018**	2017	2016
Numerator for diluted earnings per share	**$53,793**	$41,594	$33,331
Denominator:			
Weighted average shares	**31,307,991**	31,172,285	31,072,328
Effect of dilutive securities: stock options	**214,380**	132,816	103,270
Denominator for diluted earnings per share	**31,522,371**	31,305,101	31,175,598
Earnings per share:			
Net income attributable to Inter Parfums,			
Inc. common shareholders:			
Basic	**$1.72**	$1.33	$1.07
Diluted	**$1.71**	$1.33	$1.07

Not included in the above computations is the effect of anti dilutive potential common shares, which consist of outstanding options to purchase 89,000, 165,000, and 267,000 shares of common stock for 2018, 2017, and 2016, respectively.

(in thousands, except share and per share data)

(15) Segments and Geographical Areas

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

Year Ended December 31,	2018	2017	2016
Net sales:			
United States	$140,768	$116,244	$117,256
Europe	537,805	476,660	404,198
Eliminations of intercompany sales	(2,999)	(1,653)	(382)
	$675,574	$591,251	$521,072
Net income attributable to Inter Parfums, Inc.:			
United States	$13,071	$7,051	$8,285
Europe	40,877	34,577	25,120
Eliminations	(155)	(34)	(74)
	53,793	41,594	33,331
Depreciation and amortization expense including impairment loss:			
United States	$2,711	$3,943	$1,816
Europe	8,320	7,971	13,525
	$11,031	$11,914	$15,341
Interest and dividend income:			
United States	$137	$58	$22
Europe	3,820	2,925	3,309
	$3,957	$2,983	3,331
Interest expense:			
United States	419	-	-
Europe	2,159	1,991	2,340
	$2,578	$1,991	2,340
Income tax expense:			
United States	$2,264	$3,764	$4,278
Europe	23,898	19,069	19,596
Eliminations	(18)	(21)	(48)
	26,144	22,812	23,826
Total assets:			
United States	$133,406	$92,909	$89,930
Europe	686,123	694,385	602,077
Eliminations of investment in subsidiary	(20,362)	(9,522)	(9,598)
	$799,167	$777,772	$682,409
Additions to long-lived assets:			
United States	$19,181	$980	$930
Europe	4,188	3,089	4,812
	$23,369	$4,069	$5,742

Segments and Geographical Areas continued

Year Ended December 31,	2018	2017	2016
Total long-lived assets:			
United States	**$25,753**	$9,284	$12,247
Europe	**188,411**	201,541	181,697
	$214,164	$210,825	$193,944
Deferred tax assets:			
United States	**$650**	$781	$194
Europe	**8,561**	8,808	7,848
Eliminations	**88**	69	48
	$9,299	$9,658	$8,090

United States export sales were approximately $93.1 million, $71.4 million and $77.5 million in 2018, 2017 and 2016, respectively.
Consolidated net sales to customers by region are as follows:

Year Ended December 31,	2018	2017	2016
North America	**$210,200**	$176,900	$149,000
Europe	**233,600**	214,800	194,700
Asia	**109,000**	88,000	81,300
Middle East	**59,300**	50,500	41,600
Central and South America	**51,700**	51,200	44,000
Other	**11,800**	9,900	10,500
	$675,600	$591,300	$521,100

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

Year Ended December 31,	2018	2017	2016
United States	**$204,000**	$173,000	$144,000
France	**$44,000**	$44,000	$47,000
United Kingdom	**$36,000**	$33,000	$31,000
Russia	**$35,000**	$34,000	$27,000

(16) Income Taxes

The Company and its subsidiaries file income tax returns in the U.S. federal, and various states and foreign jurisdictions.
The Company assessed its uncertain tax positions and determined that it has no uncertain tax position at December 31, 2018.
The components of income before income taxes consist of the following:

Year Ended December 31,	2018	2017	2016
U.S. operations	**$15,162**	$10,761	$12,441
Foreign operations	**80,697**	67,304	54,633
	$95,859	$78,065	$67,074

(in thousands, except share and per share data)

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

Year Ended December 31,	2018	2017	2016
Current:			
Federal	**$1,629**	$4,050	$3,792
State and local	**497**	302	309
Foreign	**24,175**	19,051	21,099
	26,301	23,403	25,200
Deferred:			
Federal	**113**	(554)	113
State and local	**–**	(55)	9
Foreign	**(270)**	18	(1,496)
	(157)	(591)	(1,374)
Total income tax expense	**$26,144**	$22,812	$23,826

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,	2018	2017
Net deferred tax assets:		
Foreign net operating loss carry-forwards	**$468**	$520
Inventory and accounts receivable	**658**	1,557
Profit sharing	**4,561**	4,212
Stock option compensation	**626**	502
Effect of inventory profit elimination	**3,267**	3,166
Other	**(23)**	222
Total gross deferred tax assets, net	**9,557**	10,179
Valuation allowance	**(258)**	(520)
Net deferred tax assets	**9,299**	9,659
Deferred tax liabilities (long-term):		
Trademarks and licenses	**(3,538)**	(3,821)
Net deferred tax assets	**$5,761**	$5,838

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

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

Tax Cuts and Jobs Act

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

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

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

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

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

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

Income Tax Recovery

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

Settlement with French Tax Authorities

As previously reported, the French Tax Authorities examined the 2012 tax return of Interparfums SA. The main issues challenged by the French Tax Authorities related to the commission rate and royalty rate paid to Interparfums Singapore Pte. and Interparfums (Suisse) SARL, respectively. Due to the subjective nature of the issues involved, in April 2016, Interparfums SA reached an agreement in principle to settle the entire matter with the French Tax Authorities. The settlement required Interparfums SA to pay a tax assessment of $1.9 million covering the issues for not only the 2012 tax year, but also covering the issues for the tax years ended 2013 through 2015. The settlement, which was finalized by the French Tax Authorities in the first quarter of 2017, was accrued as of December 31, 2016.

Other Tax Matters

The French authorities are considering that the existence of IP Suisse, a wholly-owned subsidiary of Interparfums SA, does not, in and of itself, constitute a permanent establishment and therefore Interparfums, SA should pay French taxes on all or part of the profits of that entity. No claim or assessment for any taxes or penalties has been made at this time. The Company disagrees and is prepared to vigorously defend its position. Consequently, no provision has been made in the accompanying financial statements as we believe it is more likely than not that our position will be sustained based on its technical merits. Although we believe that we have sufficient arguments to support our position, there exists a risk that the French authorities may prevail. The Company's exposure in connection with this matter is approximately $1.4 million, net of recovery taxes already paid to the Swiss authorities, and excluding interest and penalties.

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 2015.

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

Year Ended December 31,	**2018**	2017	2016
Statutory rates	**21.0%**	34.0%	34.0%
State and local taxes, net of Federal benefit	**0.4**	0.2	0.3
Benefit of Foreign Derived Intangible Income	**(0.6)**	-	-
Deferred tax effect of statutory tax rate changes	**–**	1.4	-
Foreign income tax recovery	**–**	(4.6)	-
Effect of foreign taxes greater than (less than) U.S. statutory rates	**7.3**	(1.0)	1.5
Other	**(0.8)**	(0.8)	(0.3)
Effective rates	**27.3%**	29.2%	35.5%

(in thousands, except share and per share data)

(17) Accumulated Other Comprehensive Income (Loss)

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

Year Ended December 31,	2018	2017	2016
Net derivative instruments,beginning of year	**37**	(17)	$-
Net derivative instrument gain (loss), net of tax	**99**	54	(17)
Net derivative instruments end of year	**136**	37	(17)
Cumulative translation adjustments,beginning of year	**(17,869)**	(57,965)	(48,091)
Translation adjustments	**(15,917)**	40,096	(9,874)
Cumulative translation adjustments, end of year	**(33,786)**	(17,869)	(57,965)
Accumulated other comprehensive loss	**$(33,650)**	$(17,832)	$(57,982)

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

Year Ended December 31,	2018	2017	2016
Net income attributable to Inter Parfums, Inc.	**$53,793**	$41,594	$33,331
Decrease in Inter Parfums, Inc.'s additional paid-in capital for subsidiary share transactions	**–**	-	(1,926)
Change from net income attributable to Inter Parfums, Inc. and transfers from noncontrolling interest	**$53,793**	$41,594	$31,405

DIRECTORS AND EXECUTIVE OFFICERS

Directors

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

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

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

Philippe Santi
Executive Vice President
Director General Delegue
Interparfums SA

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

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

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

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

Véronique Gabai-Pinsky
President, Vera Wang Group

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

Executive Officers

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

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

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

Philippe Santi
Executive Vice President
Director General Delegue
Interparfums SA

Frédéric Garcia-Pelayo
Director of Export Sales
Interparfums SA

Corporate Information

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Auditors
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135 West 50th Street
New York, NY 10020

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

THE MARKET FOR OUR COMMON STOCK

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

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

Fiscal 2017	High Closing Price	Low Closing Price
Fourth Quarter	46.30	41.05
Third Quarter	42.10	35.55
Second Quarter	38.50	34.25
First Quarter	37.65	31.55

As of February 20, 2019, the number of record holders, which include brokers and brokers' nominees, etc., of our common stock was 37. We believe there are approximately 14,330 beneficial owners of our common stock.

DIVIDENDS

In October 2017, our board of directors authorized a 24% increase in the annual dividend to $0.84 per share on an annual basis. In October 2018, our board of directors authorized a 31% increase in the annual dividend to $1.10 per share on an annual basis. The next quaterly cash dividend of $0.275 per share is payable on April 15, 2019 to shareholders of record on March 29, 2019.

FORM 10-K

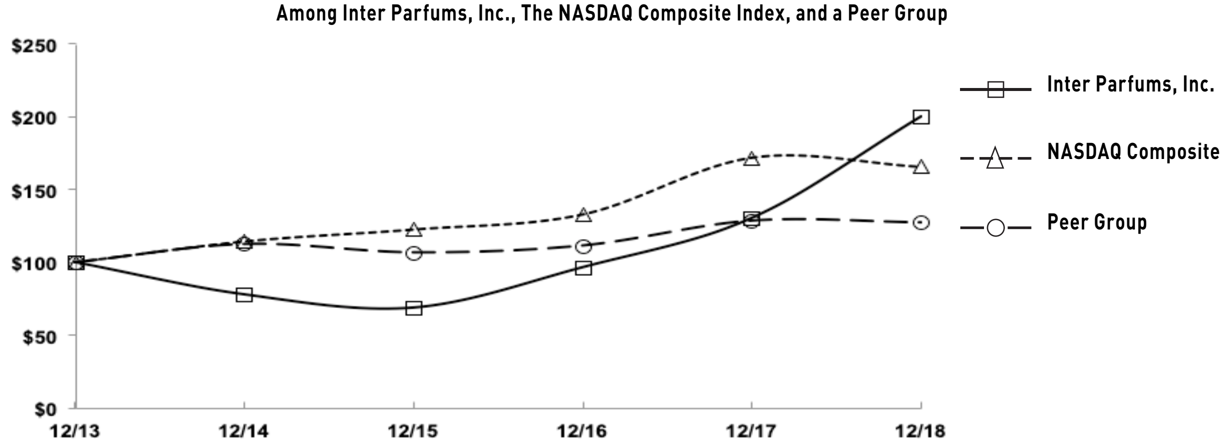
A copy of the company's 2018 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, is available without charge to shareholders upon request (except for exhibits) To: Inter Parfums, Inc. 551 Fifth Avenue New York, NY 10176 Attention: Corporate Secretary.

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., CCA Industries, Inc., Colgate-Palmolive Co., Estée Lauder Companies, Inc., Inter Parfums, Inc., Kimberly Clark Corp., Natural Health Trends Corp., Procter & Gamble Co., Revlon, Inc., Spectrum Brands Holdings, Inc., Stephan Co., Summer Infant, Inc. and United Guardian, Inc. The graph assumes that the value of the investment in our common stock and each index was $100 at the beginning of the period indicated in the graph, and that all dividends were reinvested.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

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



**$100 invested on 12/31/13 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.*

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

	12/13	12/14	12/15	12/16	12/17	**12/18**
Inter Parfums, Inc.	100.00	77.90	68.87	96.59	130.47	**200.04**
NASDAQ Composite	100.00	114.62	122.81	133.19	172.11	**168.84**
Peer Group	100.00	112.63	106.91	111.63	127.70	**127.49**