Abercrombie & Fitch

Anna Sui

Boucheron

Coach

Dunhill

Guess

Graff

Hollister

Jimmy Choo

Karl Lagerfeld

Kate Spade

Lanvin

Mcm

Moncler

Montblanc

Oscar de la Renta

Paul Smith

Repetto

Rochas

S.T. Dupont

Van Cleef & Arpels

interparfums, inc.

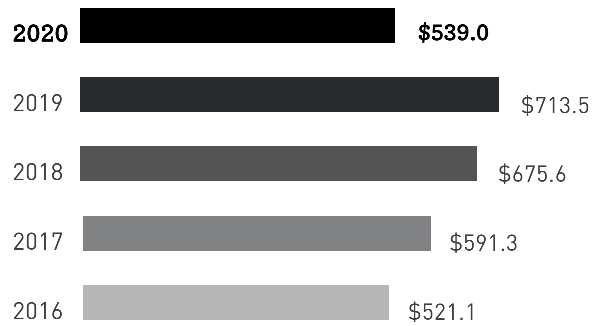
Annual Report 2020

TABLE OF CONTENTS

Financial Highlights

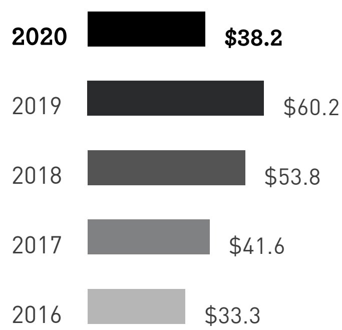
NET SALES

(in millions)



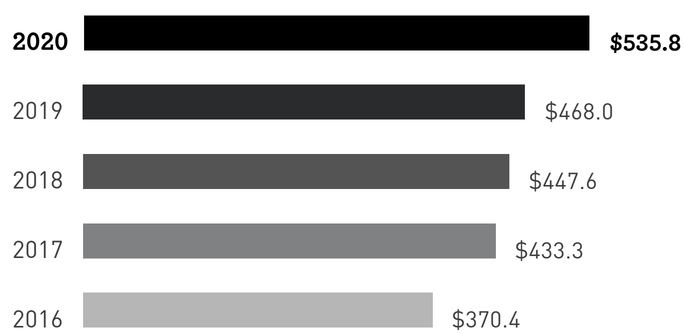
NET INCOME ATTRIBUTABLE TO INTER PARFUMS, INC.

(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,	**2020**	2019	2018	2017	2016
INCOME STATEMENT DATA:					
Net Sales	**$539,009**	$713,514	$675,574	$591,251	$521,072
Cost of Sales	**208,278**	267,578	248,012	214,965	194,601
Expenses	**260,648**	341,209	332,831	295,540	258,787
Operating Income	**70,083**	104,727	94,731	78,623	66,678
Income Before Taxes	**69,349**	105,146	95,859	78,065	67,074
Net Income Attributable to the Noncontrolling Interest	**11,749**	15,821	15,922	13,659	9,917
Net Income Attributable to Inter Parfums, Inc.	**38,219**	60,249	53,793	41,594	33,331
Net Income Attributable to Inter Parfums, Inc. Common Shareholders' per Share:					
Basic	**$1.21**	$1.92	$1.72	$1.33	$1.07
Diluted	**$1.21**	$1.90	$1.71	$1.33	$1.07
Weighted Average Common Shares Outstanding:					
Basic	**31,537**	31,451	31,308	31,172	31,072
Diluted	**31,655**	31,689	31,522	31,305	31,176
Depreciation and Amortization	**$9,067**	$8,729	$11,031	$11,914	$15,341
BALANCE SHEET AND OTHER DATA:					
Cash and Cash Equivalents	**$169,681**	$138,417	$193,136	$208,343	$161,828
Short-Term Investments	**126,627**	119,714	67,870	69,899	94,202
Working Capital	**444,515**	388,831	382,425	382,171	337,977
Total Assets	**890,145**	828,832	797,829	777,772	682,409
Short-Term Bank Debt	**–0–**	-0-	-0-	-0-	-0-
Long-Term Debt (including current portion)	**24,706**	23,060	46,061	60,579	74,562
Lease liabilities (including current portion)	**26,487**	29,991	N/A	N/A	N/A
Inter Parfums, Inc. Shareholders' Equity	**535,836**	468,004	447,607	433,298	370,391
Dividends Declared per Share	**$0.33**	$1.155	$0.905	$0.72	$0.62

2021 Letter to our Shareholders

Jean Madar and *Philippe Benacin*

DEAR FELLOW SHAREHOLDERS,

2020 was a year that tested the resilience of nations, institutions, businesses and individuals throughout the world. The COVID-19 pandemic upended all of our lives and plans in unprecedented ways, making 2020 unlike any year in our collective memories. While the virus and its variants are sadly still present, infection rates are declining and effective vaccines are in widespread distribution, and so we choose a path of optimism tempered with caution.

2020 OVERVIEW

As we entered 2020, we were enthusiastic about the prospects for our business. We had a vibrant new product launch schedule with exceptional advertising and promotional programs in the works. Record sales were in our sights. Our first major launch, Coach *Dreams,* was doing very well, and the early returns for *Byzance* by Rochas and *L'Homme Rochas* looked promising. In general, our sales in January and February were reasonably good, except in China where the virus initially took hold. Then came March. As the infection spread, brick and mortar stores closed, international air travel ceased as did our duty free sales, stay-at-home directives and social distancing measures were implemented, and many businesses, including ours, ground to a halt. As a result, our second quarter was awful, and remains a painful memory.

As the COVID-19 infection spread, we took immediate and far sweeping action. Our employees set up home offices; video conferences took the place of face-to-face meetings and travel, hiring was frozen, bonuses were cut, and new product launches with corresponding advertising and promotional campaigns were postponed until 2021. Thanks to our close relationships with our suppliers and licensors, we all made necessary accommodations and adjustments to ensure each other's continued viability. Similarly, the pandemic put tremendous pressure on many of our distributors and retail customers, but we worked in partnership with them and extended payment terms, when necessary. At the end of the day, we did not incur any material losses in connection with the collection of accounts receivable.

By the third quarter, business was picking up, not dramatically, but the direction was positive, as sales improved in each successive month. And then came the fourth quarter and what a fabulous quarter it was. There was an unexpected surge in orders and fortunately, we had the finished goods inventory in our distribution centers ready to ship, resulting in our best ever fourth quarter in terms of sales.

In a year such as 2020, our strong financial position and conservative cost structure were especially valuable. We entered the year with working capital of $389 million, including approximately $253 million in cash, cash equivalents and short-term investments, and only $10.7 million of long-term debt. Our 2020 fixed expenses approximated $100 million; capital expenditures were under $11 million, and early in that year, our Board of Directors took a defensive cash management measure by suspending the quarterly cash dividend. As 2020 drew to a close, working capital stood at $445 million, including approximately $296 million in cash, cash equivalents and short-term investments, and only $10.1 million of long-term debt. Appropriately, early in 2021, the Board reinstated the annual cash dividend at the rate of $1.00 per share, payable quarterly.

The financial statements that follow are sufficiently detailed to make repeating them in this letter unwarranted. However, a few points are worth highlighting. While the 24.5% decline in annual sales resulted in corresponding declines in income, our operating and net margins were a respectable 13.0% and 7.1%, respectively. Cash provided by operating activities aggregated $65.0 million and working capital items used only $1.9 million in cash from operating activities.

We didn't mark time in 2020, in fact we went big and bold with several important new business initiatives. In June 2020 we welcomed a coveted, aspirational brand to our portfolio, Moncler, which has all the makings of a superstar. The Moncler brand has accomplished a unique feat in the world of branding - it has merged fashion with high performance. Moncler outerwear collections marry the extreme demands of nature with those of city life. The brand is on an upward trajectory, having added footwear, leather goods such as bags and backpacks, as well as eyeglasses to its offerings. In addition to online sales through Moncler's e-commerce site and those of other luxury retailers, Moncler products are sold in 219 mono-brand stores and 63 store-within-stores, including duty free retail. We are extremely enthusiastic about the launch of our first fragrance for the Moncler brand, which is scheduled in the first quarter of 2022.

In June, through our 73%-owned French subsidiary, Interparfums SA, we acquired a 25% stake in Divabox, owner of the Origines-parfums e-commerce platform for beauty products. As a website of reference for all selective fragrance brands, Origines-parfums is a key French player in the online beauty market. We envision several benefits accruing from this agreement. For one, the website's traffic experienced approximately 25% year over year growth in 2020, making it an attractive investment. Also, we are working on the development of dedicated fragrance lines and products designed to address specific consumer demand for this distribution channel and accelerate our digital development.

In December 2020, Interparfums SA, signed a purchase contract subject to certain conditions, to acquire an office building complex for its exclusive use as its future headquarters located in the heart of Paris. In order to maintain our strong cash position, we plan to finance by a bank loan, approximately 90% of the €125 million ($153 million) purchase price, excluding taxes and related expenses. The transaction is expected to be completed in the spring of this year. The move should take place toward the end of 2021 or early the following year. Owning our corporate headquarters in a very prestigious part of Paris, and customizing the complex for our European operations, will enhance our stature in the fragrance industry, encourage a superb work environment, as well as a welcoming and productive atmosphere for our suppliers, distributors and licensors.

WELCOME 2021

As noted, most of our major launches and corresponding advertising and promotion previously scheduled for 2020 were postponed until 2021. The line-up for the coming year now includes Anna Sui *Sky*, GUESS *Bella Vita*, Jimmy Choo *I Want Choo,* Oscar de la Renta *Alibi* and our first ever Kate Spade New York scent, all for women. New women's pillars will also come to market for Rochas and Lanvin.

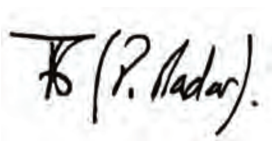
For our Hollister brand, we have a new collection that again features a men's and women's scent. Similarly, we have a duo unveiling for Abercrombie & Fitch. Also debuting in 2021, our first genderless scents for one the newest brand in our portfolio, MCM. Our first GUESS collection for men, which includes grooming and fragrance products, will rollout in 2021, as will *Driven*, our new men's scent for Dunhill. For several of our largest brands, we have a number of flankers and extensions debuting, including one for Coach *Dreams*, Jimmy Choo *Urban Hero*, and Montblanc *Explorer*.

Taking all necessary precautions, our staff has begun to return to our offices and have resumed meetings and limited travel. Stores are open, e-commerce is booming, but thus far international travel has not made a significant comeback. That said, confidence in air travel safety is growing as has pent up desire, so we do anticipate an upturn in the resumption of our duty free travel retail business as the year progresses, barring the unforeseen. We expect 2021 to be the year we return to sales growth. Our 2021 budget calls for a return to an approximate spend of 21% of net sales for advertising and promotion, which has been the historical rate for several years.

We anticipate that fixed expenses will increase slightly as we unwind certain steps taken in 2020 to minimize the effects of the COVID-19 pandemic.

As we emerge from a heartbreaking year, we are building upon our strengths to resume the growth and profitability targets that were interrupted by the pandemic. We have an expansive brand portfolio featuring names that have appeal among diverse age groups, income brackets, and geographic regions. We have a highly effective distribution network reaching 120 countries around the world, and in several important markets, we own and control the distribution organizations. Our strong financial position gives us unique business agility which, along with our brand building track record, have created opportunities for acquisitions and new license agreements. Finally, we have an exceptional staff—creative, committed and supremely talented— and that makes all the difference.

Sincerely yours,



Jean Madar
Chairman of the Board
& Chief Executive Officer

Philippe Benacin
Vice Chairman of the Board
& President

Future Headquarters in Paris

The Company

Graff *Lesedi la Rona I*

Founded in 1982, we operate in the fragrance business, and manufacture, market and distribute a wide array of prestige fragrance, and fragrance related products.

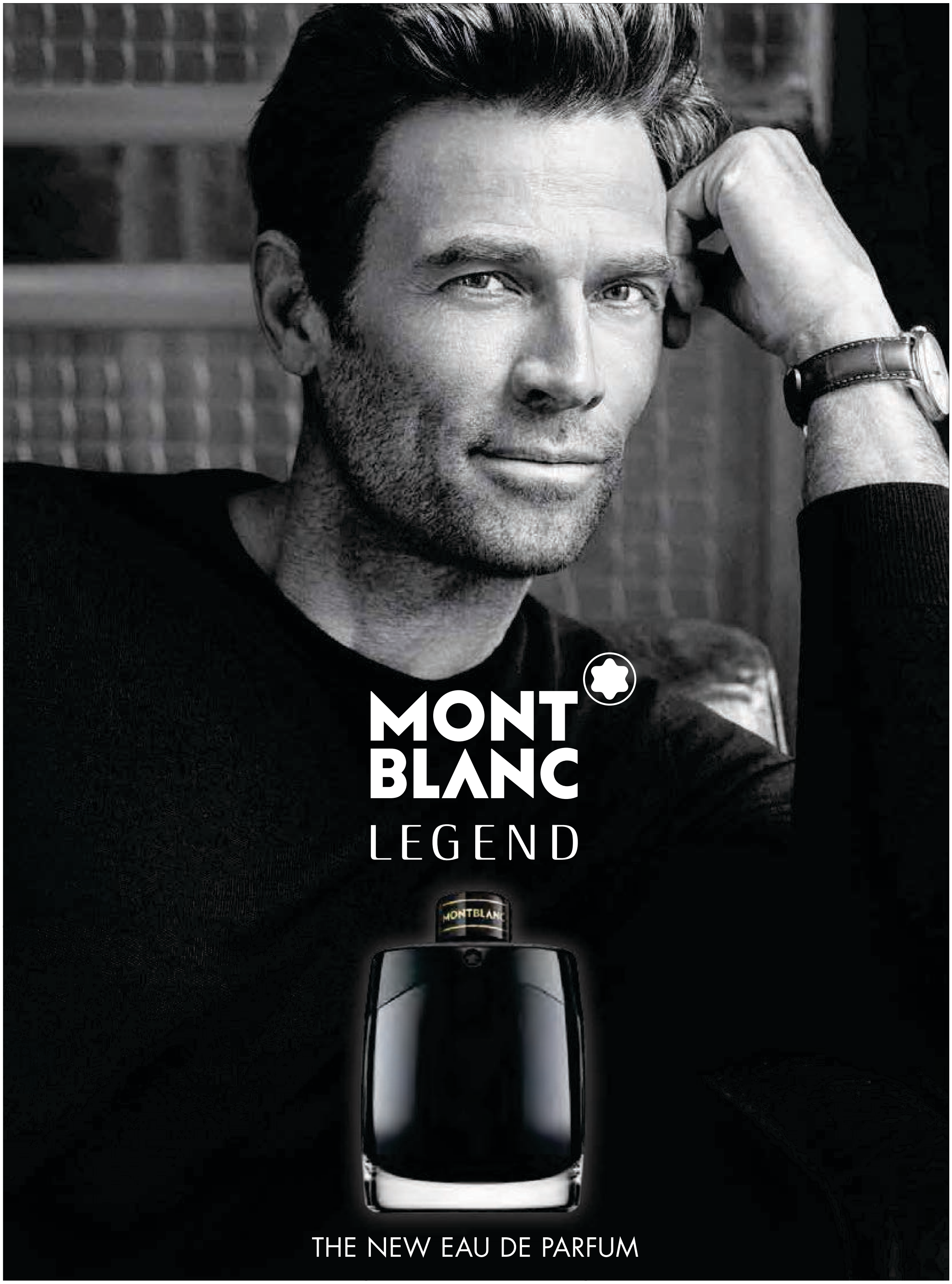
Our worldwide headquarters and the office of our wholly-owned United States subsidiaries, Jean Philippe Fragrances, LLC and Inter Parfums USA, LLC, are located at 551 Fifth Avenue, New York, New York 10176, and our telephone number is 212.983.2640.

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

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

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

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,



***Montblanc** Legend*

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

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

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

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

As with any business, many aspects of our operations are subject to influences outside our control. We believe we have a strong brand portfolio with global reach and potential. As part of our strategy, we plan to continue to make investments behind fast-growing markets and channels to grow market share. We discuss in greater detail risk factors relating to our business in Item 1A of this Annual Report on Form 10-K for the fiscal year ended December 31, 2020, and the reports that we file from time to time with the SEC.

European Operations

We produce and distribute our fragrance products primarily under license agreements with brand owners, and fragrance product sales through our European operations represented approximately 78% of net sales for 2020. We have built a portfolio of prestige brands, which include *Boucheron, Coach, Jimmy Choo, Karl Lagerfeld, Kate Spade New York, Lanvin, Moncler, Montblanc, Paul Smith, Repetto, Rochas, S.T. Dupont* and *Van Cleef & Arpels*, whose products are distributed in over 120 countries around the world.

United States Operations

Prestige brand fragrance products are also produced and marketed through our United States operations, and represented approximately 22% of net sales for the year ended December 31, 2020. These fragrance products are sold under trademarks owned by us or pursuant to license or other agreements with the owners of brands, which include *Abercrombie & Fitch, Anna Sui, bebe, Dunhill, French Connection, Graff, GUESS, Hollister, MCM* and *Oscar de la Renta*.

BUSINESS STRATEGY

Focus On Prestige Beauty Brands

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

Grow Portfolio Brands Through New Product Development And Marketing

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

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

Prestige brands are the core of our business and we intend to add new prestige beauty brands to our portfolio. Over the past 30 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 2019, we extended our license agreements for *Abercrombie & Fitch*, *Hollister* and *Oscar de la Renta*, and signed new licenses for *Kate Spade New York* and *MCM*. During 2020, we signed a new license for the *Moncler* brand. In 2020, we also acquired a minority interest in *Divabox*, which owns the *Origines-parfums* online platform. As a website of reference for all selective fragrance brands, *Origines-parfums* is a key French player in the online beauty market recognized for its customer relationship expertise. This agreement should enhance the introduction of dedicated fragrance lines and products designed to address a specific consumer demand for this distribution channel and accelerate our digital development. As of December 31, 2020, we had cash, cash equivalents and short-term investments of approximately $296 million, which we believe should assist us in entering new brand licenses or out-right acquisitions. We identify prestige brands that can be developed and marketed into a full and varied product families and, with our technical knowledge and practical experience gained over time, take licensed brand names through all phases of concept, development, manufacturing, marketing and distribution.

Expand Existing Portfolio Into New Categories

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

Continue To Build Global Distribution Footprint

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

RECENT DEVELOPMENTS

Anna Sui Corp.

In January 2021, we renewed our license agreement with Anna Sui Corp. for the creation, development and distribution of fragrance products through December 31, 2026, without any material changes in terms and conditions. Our initial 10-year license agreement with Anna Sui Corp. was signed in 2011. The renewal agreement also allows for an additional 5-year term through 2031 at the option of the Company.

Building Acquisition Future Headquarters in Paris

In December 2020, our majority owned Paris-based subsidiary, Interparfums SA, signed a purchase contract, subject to certain conditions, to acquire an office building complex for its exclusive use as its future headquarters located in the heart of Paris. In order to maintain our current cash position, it is expected that approximately 90% of the €125 million ($153 million) purchase price, excluding taxes and related expenses, will be financed by a bank loan. The transaction is expected to be completed in the spring of this year with the move planned for the end of 2021 or the beginning of 2022.

This acquisition is a unique opportunity with benefits to be realized over the long-term. Owning our corporate headquarters in a very prestigious part of Paris, and customizing the complex for our European operations, will enhance our reputation, provide an exceptional work environment, as well as a welcoming and productive atmosphere for our suppliers, distributors and licensors.

Origines-Parfums

In June 2020, the Company through its 73% owned subsidiary, Interparfums SA, and Divabox SAS ("Divabox"), owner of the *Origines-parfums* e-commerce platform for beauty products, signed a strategic agreement and equity investment pursuant to which we acquired a 25% of Divabox capital for $14.0 million, through a capital increase. In connection with the acquisition, the Company entered into a $13.4 million term loan, which has been amended such that the loan was repaid in full in February 2021. As a website of reference for all selective fragrance brands, *Origines-parfums* is a key French player in the online beauty market recognized for its customer relationship expertise. This agreement should enhance the introduction of dedicated fragrance lines and products designed to address a specific consumer demand for this distribution channel and accelerate our digital development.

Moncler

In June 2020, the Company entered into an exclusive, 5-year worldwide license agreement with a potential 5-year extension with Moncler for the creation, development and distribution of fragrances under the Moncler brand. Our rights under this license are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry. Moncler was founded at Monestier-de-Clermont, Grenoble, France, in 1952 and is currently headquartered in Italy. Over the years, the brand has combined style with constant technological research assisted by experts in activities linked to the world of the mountain. The Moncler outerwear collections marry the extreme demands of nature with those of city life. Our first fragrance launch for the Moncler brand is scheduled for the first quarter of 2022.

S.T. Dupont

In January 2021, we renewed our license agreement with S.T. Dupont for the creation, development and distribution of fragrance products through December 31, 2022, without any material changes in terms and conditions. Our initial 11-year license agreement with S.T. Dupont was signed in June 1997 and had previously been extended through December 31, 2020.

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 expec tations and, that of the fragrance designers and creators
- Fillers (Voyant, CPFPI, Omega Packaging, Societe de Diffusion de Produits de Parfumerie, TSM Brands)
- Bottle manufacturers (Pochet du Courval, Verescence, Verreries Brosse, Bormioli Luigi, Stoelzle Masnières, Heinz), caps (Qualipac, ALBEA, RPC, Codiplas, LF Beauty, Texen Group, S.A.R.L. J3P, SBG Packaging Group), pumps (Silgan Dispensing Systems Thomaston Corp, Rexam) or boxes (Autajon, MMPP, Nortier, Draeger)
- Production specialists who carry out packaging (CCI, Edipar, Jacomo, Societe de Diffusion de Produits de Parfumerie, 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. However, occasionally, we will utilize third party manufacturers in France, China and Turkey.

MARKETING AND DISTRIBUTION

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

As our business is a global one, we intend to continue to build our global distribution footprint. For distribution of brands within our European based operations we operate through our distribution subsidiaries or divisions in the major markets of the United States, France, Italy and Spain, in addition to our arrangements with third party distributors globally. Our third party distributors vary in size depending on the number of competing brands they represent. This extensive and diverse network together with our own distribution subsidiaries provides us with a significant presence in over 120 countries around the world.

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

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

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

Coach *Coach Dreams Sunset*

The Products

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

Our licenses for these brands expire on the following dates:

Brand Name	Expiration Date
Abercrombie & Fitch	Extends until either party terminates on 3 years' notice
Anna Sui	December 31, 2026, plus one 5-year optional term
bebe Stores	June 30, 2023
Boucheron	December 31, 2025, plus a 5-year optional term if certain sales targets are met
Coach	June 30, 2026
Dunhill	September 30, 2023
French Connection	December 31, 2027, plus a 10-year optional term if certain sales targets are met
Graff	December 31, 2026, plus 3 optional 3-year terms if certain sales targets are met
GUESS	December 31, 2033
Hollister	Extends until either party terminates on 3 years' notice
Kate Spade New York	June 30, 2030
Jimmy Choo	December 31, 2031
Karl Lagerfeld	October 31, 2032
MCM	December 31, 2030, plus 4 option years
Moncler	December 31, 2026, plus a 5-year optional term if certain conditions are met
Montblanc	December 31, 2025
Oscar de la Renta	December 31, 2031, plus a 5-year optional term if certain sales targets are met
Paul Smith	December 31, 2021
Repetto	December 31, 2024
S.T. Dupont	December 31, 2022
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 $86 million) or one times the average of the annual sales for the years ending December 31, 2023 and 2024.

Fragrance Portfolio

In 2014, we entered into a worldwide license to create, produce and distribute new fragrances and fragrance related products under the Abercrombie & Fitch brand name. We distribute these fragrances internationally in specialty stores, high-end department stores and duty free shops, and in the U.S., in duty free shops and in select Abercrombie & Fitch retail stores. Our initial men's scent, *First Instinct* was launched in 2016 followed by a women's version in 2017. During 2018 and early 2019, we introduced several *First Instinct* brand extensions. In the spring of 2019, we unveiled a new fragrance family for Abercrombie & Fitch, *Authentic*, for men and women, and in 2020, we released *Authentic Night*. In April 2021, we have *Naturally Fierce Perfume* ready for international distribution and in the second half of 2021, we have a new pillar ready for launch.

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

Abercrombie & Fitch *Naturally Fierce*

ANNA SUI

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

The successful launch in 2017 of *Fantasia* by Anna Sui together with the benefits that accrued from our continued commitment to advertising and marketing, produced a significant increase in 2018 brand sales. Brand sales declined modestly in 2019, as new product launches were primarily brand extensions. The COVID-19 pandemic, which resulted in retail store closings and a virtual shutdown of travel retail, significantly affected Anna Sui brand sales in 2020. A recovery began in late 2020, and to take advantage of markets reopening, we began the initial rollout of our newest Anna Sui fragrance, *Sky* by Anna Sui in China and Hong Kong. For 2021, we plan a broader distribution of Anna Sui *Sky* throughout Asia.

Anna Sui *Sky*

BOUCHERON
PARIS

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

Boucheron brand sales continue to be driven by legacy scents *Boucheron Femme* and *Boucheron Homme* as well as its legendary *Jaipur* lines. A scent collection was launched under the Boucheron brand in 2017, and additional scents are added annually. In 2019, two new fragrances, *Boucheron Fleurs* and *Boucheron Quatre en Rouge*, were added to the Boucheron collection. For 2020, we added *Rose D'Isparta* and *Serpent Boheme* and for 2021, *Quatre en Bleu* and *Cuir de Venise* will be making their debuts.

Boucheron *Quatre en Bleu*

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

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

In 2016, we launched our first Coach fragrance, a women's scent, and in 2017, a men's scent, both of which have quickly become top selling prestige fragrances. 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. In 2020 we launched a new Coach women's scent, Coach *Dreams*. We also have a new fragrance, *Dreams Sunset*, which is scheduled to debut in 2021. Coach is part of the Tapestry house of brands.

Coach *Coach Blue*

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

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

Beginning in 2015, we rolled out a new Dunhill scent, *Icon*, the success of which has made the Dunhill brand one of the stars within our United States based operations at that time. Building upon the established success of the Icon fragrance family, we launched several product extensions in 2017 and 2018. In 2019, the Dunhill *Signature Collection* debuted exclusively at Harrod's followed by a global rollout, and brand extensions dominated for Dunhill in 2020. For 2021, we have a completely new fragrance family for Dunhill called *Driven*.

Dunhill *Icon Racing*

GRAFF

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

Since Laurence Graff OBE founded the company in 1960, Graff has been dedicated to sourcing and crafting diamonds and gemstones of untold beauty and rarity, and transforming them into spectacular pieces of jewelry that move the heart and stir the soul. Throughout its rich history, Graff has become the world leader for diamonds of rarity, magnitude and distinction. Most notably, it has dominated the list of historical and important rough diamonds discovered, cut and polished this century. Each jewelry creation is designed and manufactured in Graff's London atelier, where master 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.

For Graff, a six-scent collection for women, *Lesedi La Rona,* debuted exclusively at Harrods beginning in March 2020. The exclusive was extended through 2020 as a result of the interruption from mandatory store closings at various times throughout 2020. In 2021, a select market rollout will begin in the Middle East, with selective luxury distribution limited to only the most exclusive, upmarket retail outlets. In 2021, we have two new scents in the works for the *Lesedi La Rona collection.*

Graff Lesedi La Rona Fragrances

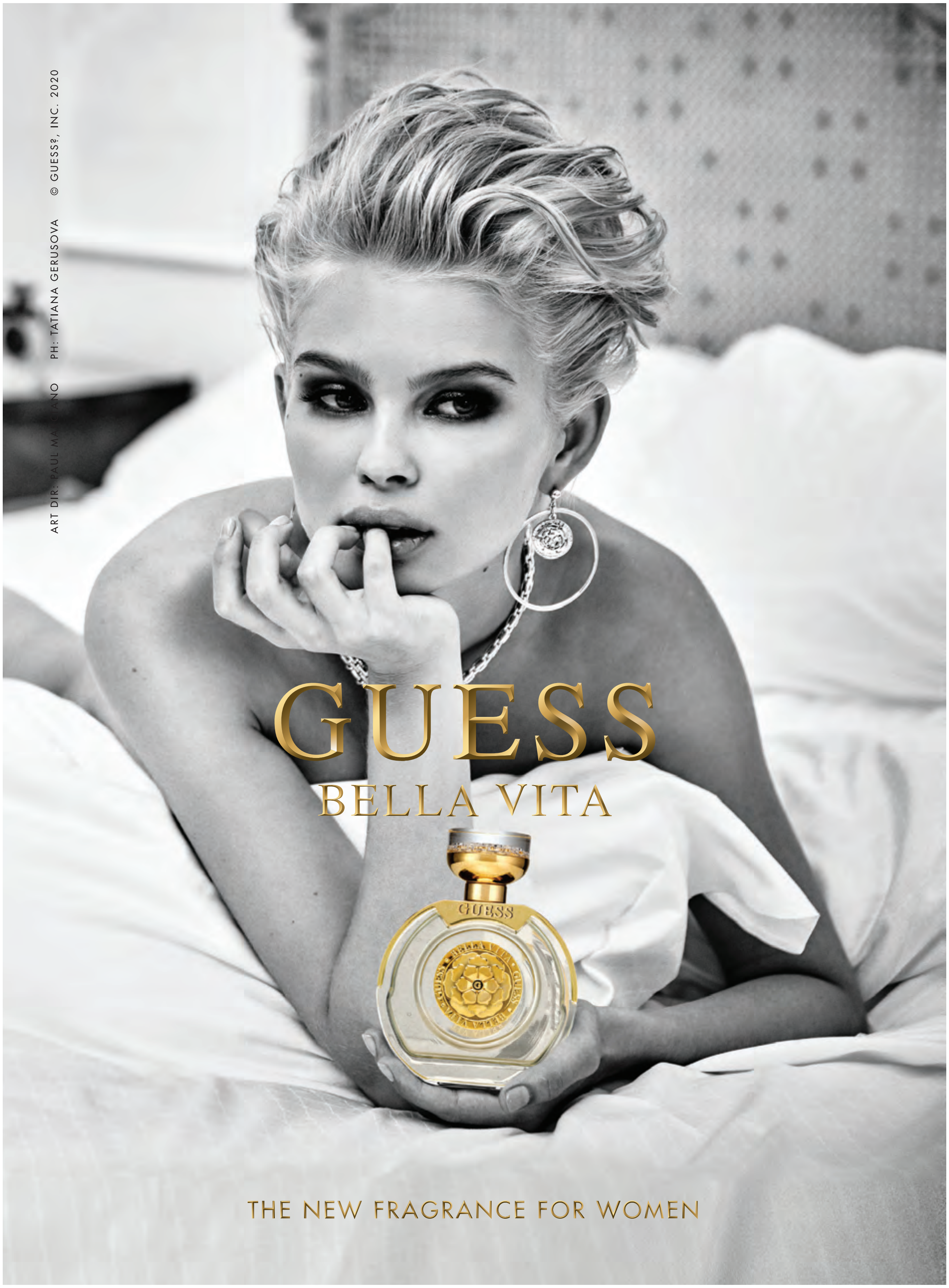
GUESS

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

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

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

Nearly three years in the making, our first new blockbuster scent, *Bella Vita*, will debut for the GUESS brand both domestically and internationally in 2021. In addition, a new men's grooming and fragrance collection is now scheduled for a spring 2021 launch.



Guess *Bella Vita*

We have a worldwide license to create, produce and distribute new fragrances and fragrance related products under the Hollister brand name. The Company distributes these fragrances internationally in specialty stores, high-end department stores and duty free shops, and in the U.S., in duty free shops as well as select Hollister retail stores. In 2016 we launched a men's and women's scent, *Wave*, for Hollister. In 2017, we introduced a fragrance duo, *Wave 2*, to complement the *Wave* franchise by Hollister. During 2018 we debuted an entirely new fragrance family for Hollister, *Festival Vibes*. In 2019, we launched the *Wave* limited edition duo, plus our first *Festival* brand extension, *Festival Nite*. For 2020, we released *Canyon Escape* for men and women in select markets, with the global rollout planned for the first quarter of 2021.

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.

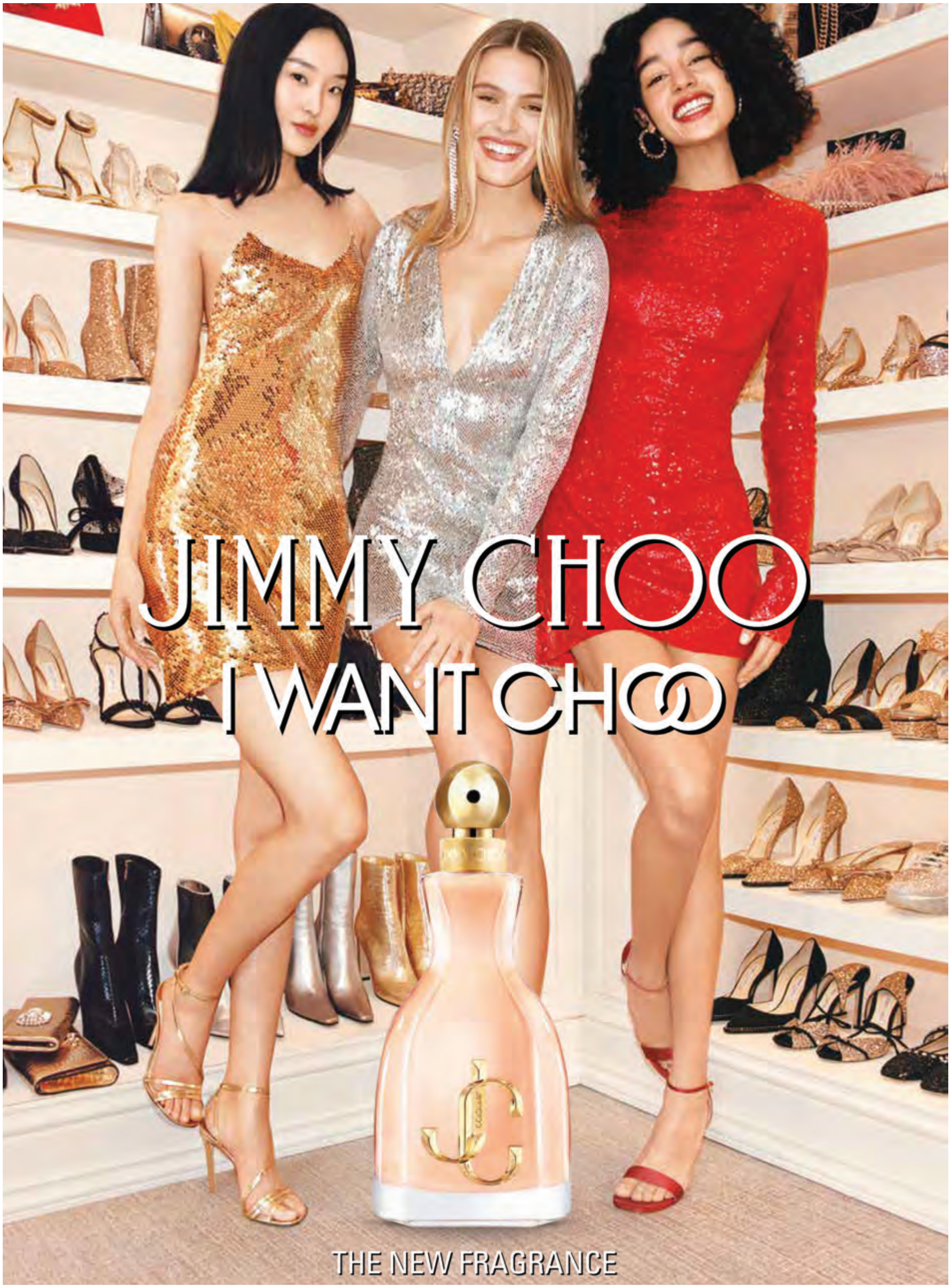
Hollister *Canyon Escape*

JIMMY CHOO

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

Jimmy Choo encompasses a complete luxury accessories brand. Women's shoes remain the core of the product offering, alongside handbags, small leather goods, scarves, eyewear, belts, fragrance and men's shoes. Management at Jimmy Choo shares a vision to create one of the world's most treasured luxury brands. Jimmy Choo has a global store network encompassing more than 200 stores and is present in the most prestigious department and specialty stores worldwide. Jimmy Choo is part of the Capri Holdings Limited luxury fashion group.

Our first fragrance under the Jimmy Choo brand, a women's signature scent, rolled out globally in 2011. In 2013, we launched our second Jimmy Choo line, *Flash*, and in 2014, we debuted Jimmy Choo *Man*, our first men's scent. In 2015, the launch of Jimmy Choo *Illicit*, our third women's fragrance under that label hit the market. In 2017, building on the very strong fragrance family trees of the women's signature scent and Jimmy Choo *Man*, we successfully launched Jimmy Choo *L'Eau for women* and Jimmy Choo *Man Ice.* In 2018 we released another men's flanker, Jimmy Choo *Man Blue*, and the brand's women's signature scent added Jimmy Choo *Fever*. During 2019, we introduced a Jimmy Choo *Floral* line, and an entirely new scent for men, Jimmy Choo *Urban Hero,* launched late in the year. For 2020, we expanded our product line to include a lipstick and nail polish line, and our new women's fragrance, *I Want Choo* is being launched in 2021. Lastly, we will also be adding four new lipsticks to our Jimmy Choo makeup line in 2021.



Jimmy Choo *I Want Choo*

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

Under the creative direction of the late Karl Lagerfeld, one of the world's most influential and iconic designers, the Lagerfeld Portfolio represents a modern approach to distribution, an innovative digital strategy and a global 360 degree vision that reflects the designer's own style and soul. In 2017, we changed the strategic positioning and instituted new pricing with the launch of a new duo called *Les Parfums Matières*. Building on excellent sales results of the initial scents, in the second half of 2018, we expanded the *Les Parfums Matières* line with another fragrance duo, and in 2019, we added new scents to the brand's expanding multi-scent collection. In 2021, *Karl Cities*, a new collection, is being prepared.

Karl Lagerfeld *Karl Cities*

kate spade

NEW YORK

In 2019, we entered into an exclusive, 11-year worldwide license agreement with Kate Spade New York to create, produce and distribute new perfumes and fragrance-related products under the Kate Spade brand. We will distribute these fragrances globally to department and specialty stores and duty free shops, as well as in Kate Spade New York retail stores. Our first original scent, *Kate Spade*, debuted in January 2021.

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

Kate Spade *Kate Spade*

LANVIN
PARIS

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

Lanvin fragrances occupy an important position in the selective distribution market in France, Eastern Europe and Asia, and we have several lines currently in distribution, including: *Arpège, Lanvin L'Homme, Éclat d'Arpège, Rumeur 2 Rose, Jeanne Lanvin, Marry Me, Modern Princess* and *A Girl in Capri*. Our *Éclat d'Arpège* line accounts for almost 50% of brand sales. We debuted a new scent called *A Girl in Capri* in 2019, and also introduced a new flanker, *Éclat d'Arpège Sheer* in the second half of 2020. *Mon Éclat*, a new fragrance, is scheduled for a second half 2021 release.

Lanvin *A Girl in Capri*

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

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

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

MCM *MCM*

MONCLER

In June 2020, the Company entered into an exclusive, 5-year worldwide license agreement with a potential 5-year extension with Moncler for the creation, development and distribution of fragrances under the Moncler brand. Our rights under this license are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry.

Moncler is a company born in the mountains. Born to face extremes. A company whose nature makes it impossible to stand still. Founded in 1952 in Monestier-de-Clermont, a small village near Grenoble, out of a need to create functional and protective mountain wear, it has evolved with the times to become a pioneer of embracing garments at the forefront of innovation and style. Moncler makes clothing that goes beyond generations, beyond fashion and beyond luxury, and is known for its quality and creativity, while maintaining its heritage at all times. It constantly breaks conventions, welcoming different voices in and stimulating a cross-fertilization of ideas and knowledge.

Our first fragrance launch for the Moncler brand is scheduled for the first quarter of 2022.

Moncler

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

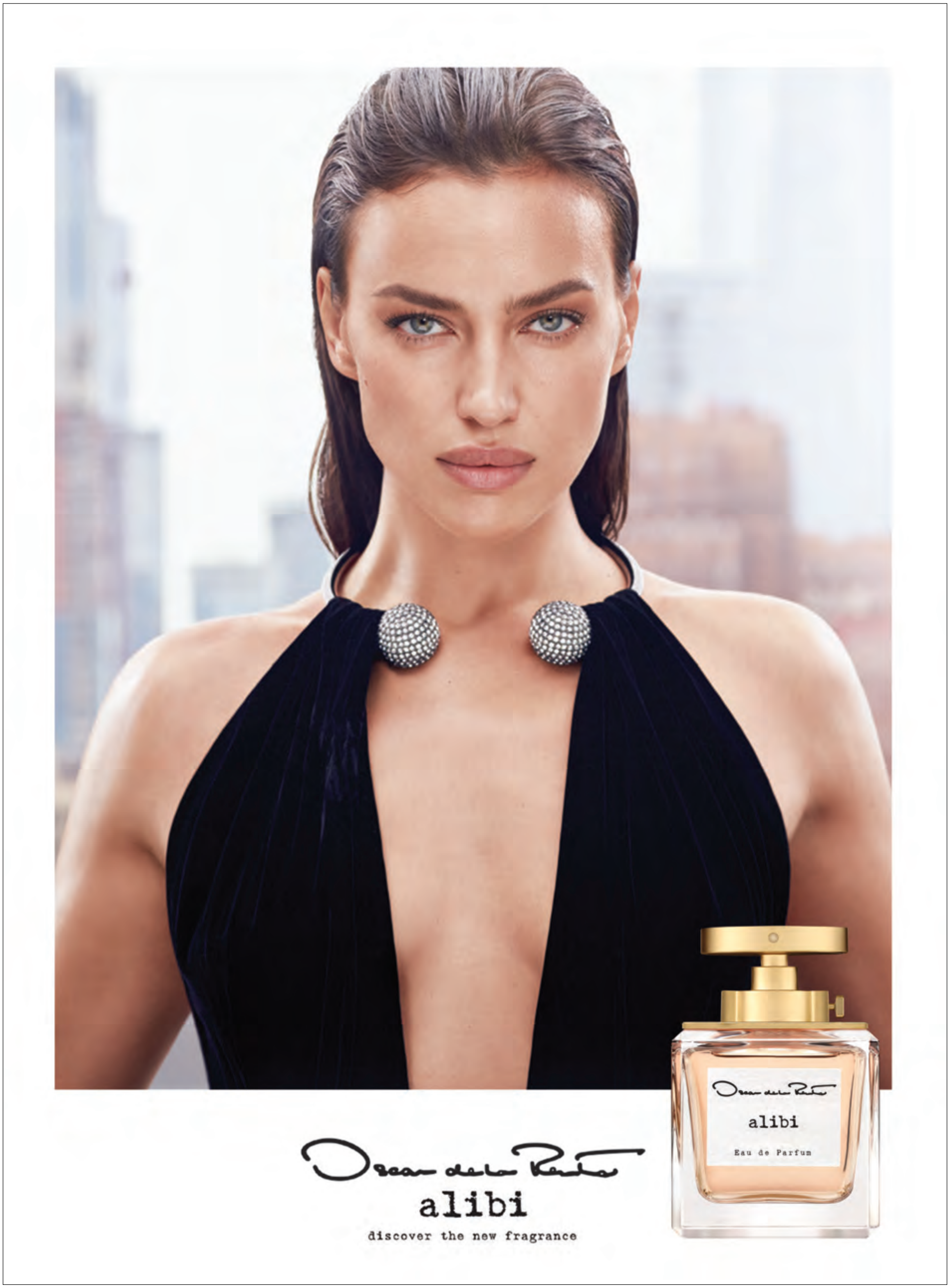
Montblanc has achieved a world-renowned position in the luxury segment and has become a purveyor of exclusive products, which reflect today's exacting demands for timeless design, tradition and master craftsmanship. Through its leadership positions in writing instruments, watches and leather goods, promising growth outlook in women's jewelry, international retail footprint through its network of more than 600 boutiques, 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 2014, we launched our second men's line, *Emblem*. The *Emblem* line was expanded in 2015 to include Montblanc *Emblem Intense* and in 2016, we further extended our successful Montblanc *Legend* line with another men's scent, Montblanc *Legend Spirit*. For 2017, we continued the rollout of the highly successful launch of Montblanc *Legend Spirit* and launched Montblanc *Legend Night*. In 2019, we unveiled Montblanc *Explorer*, a new men's scent, with distribution in all geographic markets around the globe. For 2020, we introduced an eau de parfum version of *Legend* which debuted in the fall, and in 2021, we have a new flanker ready for market, *Explorer Ultra Blue*.

Montblanc *Explorer Ultra Blue*

In 2013, we entered into an exclusive worldwide license to create, produce and distribute fragrances and fragrance related products under the Oscar de la Renta brand. In 2019, the agreement was extended through December 31, 2031, with an additional five-year option potentially extending the agreement through December 31, 2036. In 2014, we took over distribution of fragrances within the brand's legacy fragrance portfolio, and our first new women's fragrance under the Oscar de la Renta brand, *Extraordinary*, was launched in 2015. Oscar de la Renta *Bella Blanca*, a new Oscar de la Renta scent, debuted in early 2018, and the *Bella Rosa* flanker was introduced in 2019. In 2020, the Oscar de la Renta Bella pillar added *Bella Essence* to the family tree. Debuting in 2021 we have a completely new fragrance for Oscar de la Renta, *Alibi*.

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



Oscar de la Renta Alibi

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

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

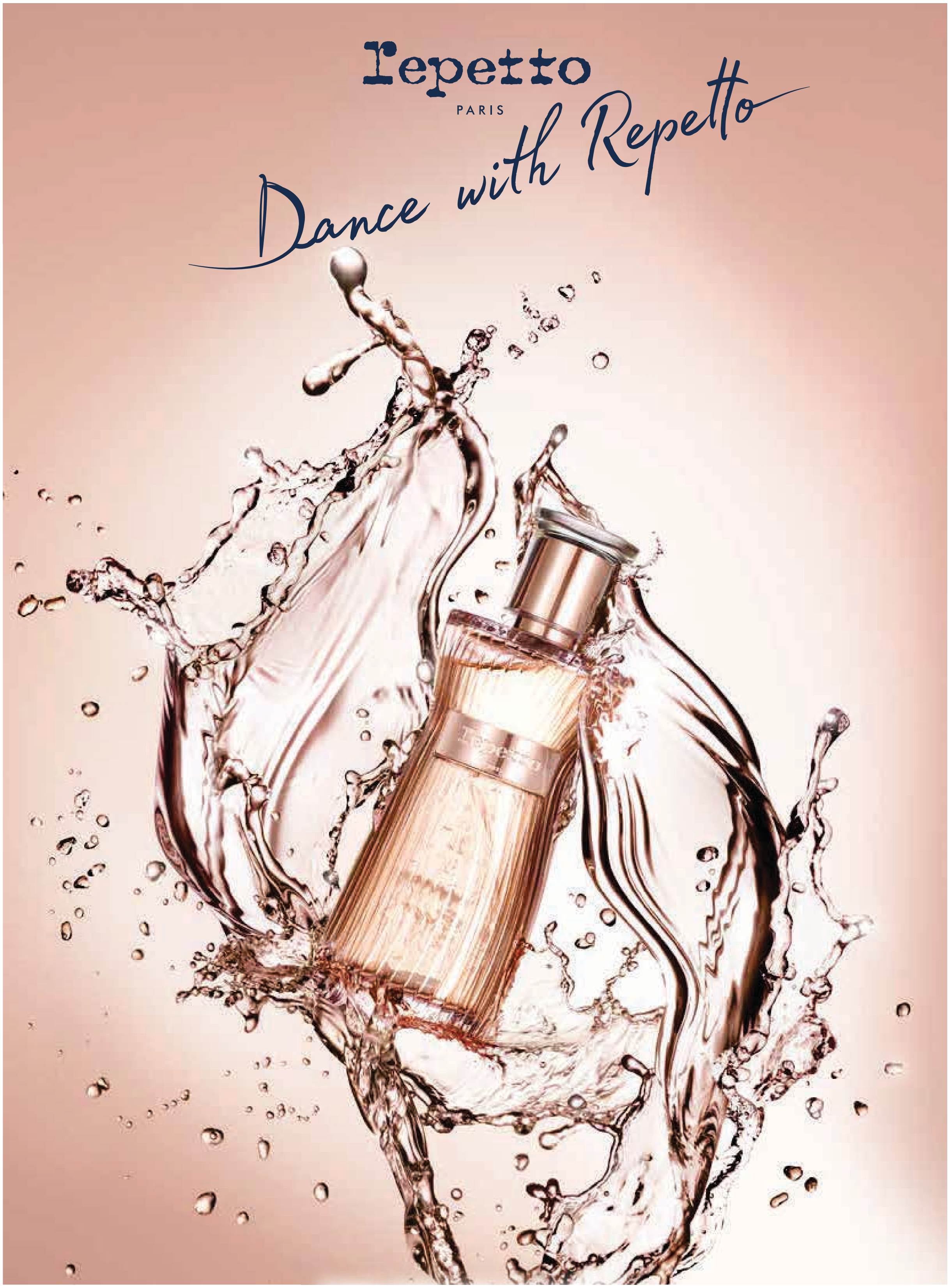
Paul Smith *London*

Repetto
PARIS

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

Created in 1947 by Rose Repetto at the request of her son, dancer and choreographer Roland Petit, Repetto is today a legendary name in the world of dance. For a number of years, it has developed timeless and must-have collections with a fully modernized signature style ranging from dance shoes, ballet slippers, flat shoes, sandals, 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. Despite this brand's success with footwear, handbags and high-end accessories, fragrance sales have been modest.



Repetto *Dance with Repetto*

ROCHAS
PARIS

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

This acquisition opened a new page in the Company's history by integrating for the first time both fragrances and fashion, allowing us to apply a global approach to managing a fragrance brand with complete freedom in terms of creativity and aesthetic choices. At the same time, we enjoy a very high degree of visibility establishing a position of even greater preeminence for Rochas in the luxury goods universe. Rochas brand sales currently include approximately $2.2 million of royalties generated by the fashion and accessory business via its portfolio of license agreements. Our first new fragrance for Rochas, *Mademoiselle Rochas*, had a successful launch that began in the first quarter of 2017 in its traditional markets of France and Spain. In 2018, we debuted flankers for *Eau de Rochas* and *Mademoiselle Rochas* and in late 2018, we launched our first new men's line, Rochas *Moustache*. In 2019, a seasonal limited edition called *Escapade Exotique* came to market, as well as the debut of *Mademoiselle Rochas Couture*. A new women's line, *Byzance*, debuted in early 2020. For 2021, we have a new two new fragrances debuting, *Rochas Girl* in the first half of the year, and later in the year, a flanker for the *L'Homme Rochas* collections.

Rochas *Mademoiselle Rochas in Black*

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

S.T. Dupont *Be Exceptional*

Van Cleef & Arpels

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

Van Cleef & Arpels fragrances in current distribution include: *First* and *Collection Extraordinaire*. Sales of the *Collection Extraordinaire* line have experienced continued growth since its debut. We continue to introduce new additions to the Van Cleef & Arpels *Collection Extraordinaire* assortment annually, including *Oud Blanc*, in 2020. We have new additions to the *Collection Extraordinaire*, including *Rêve de Matière* unveiling in 2021.

Van Cleef & Arpels *Collection Extraordinaire, Orchid Leather*

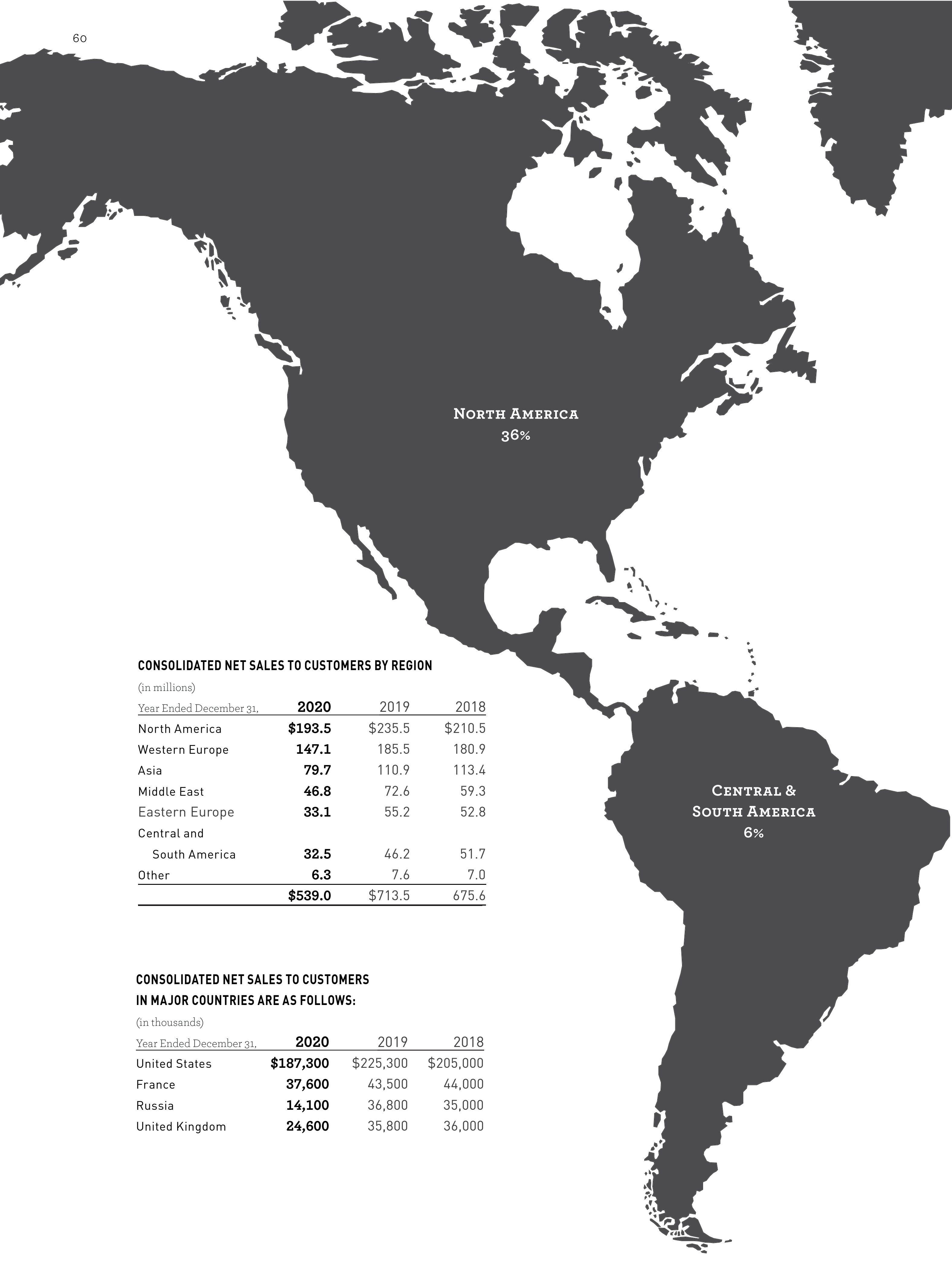
Abercrombie & Fitch *Away*

QUARTERLY DATA: (UNAUDITED)
FOR THE YEAR ENDED DECEMBER 31, 2020

(In thousands, except per share data)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Full Year
Net Sales	**$144,824**	**$49,506**	**$160,637**	**$184,042**	**$539,009**
Gross Margin	**89,041**	**26,844**	**97,198**	**117,648**	**330,731**
Net Income	**13,299**	**(2,983)**	**21,852**	**17,800**	**49,968**
Net Income Attributable to					
Inter Parfums, Inc.	**10,059**	**(3,118)**	**16,538**	**14,740**	**38,219**
Net Income Attributable to					
Inter Parfums, Inc. per Share:					
Basic	**$0.32**	**$(0.10)**	**$0.52**	**$0.47**	**$1.21**
Diluted	**$0.32**	**$(0.10)**	**$0.52**	**$0.47**	**$1.21**
Weighted Average Common Shares					
Outstanding:					
Basic	**31,530**	**31,532**	**31,533**	**31,552**	**31,537**
Diluted	**31,708**	**31,532**	**31,619**	**31,666**	**31,655**

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

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



CONSOLIDATED NET SALES TO CUSTOMERS BY REGION

(in millions)

Year Ended December 31,	2020	2019	2018
North America	**$193.5**	$235.5	$210.5
Western Europe	**147.1**	185.5	180.9
Asia	**79.7**	110.9	113.4
Middle East	**46.8**	72.6	59.3
Eastern Europe	**33.1**	55.2	52.8
Central and South America	**32.5**	46.2	51.7
Other	**6.3**	7.6	7.0
	$539.0	$713.5	675.6

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

(in thousands)

Year Ended December 31,	2020	2019	2018
United States	**$187,300**	$225,300	$205,000
France	**37,600**	43,500	44,000
Russia	**14,100**	36,800	35,000
United Kingdom	**24,600**	35,800	36,000


Europe
33%
Asia
15%
Middle East
9%

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:

Franck Moisio 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:

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

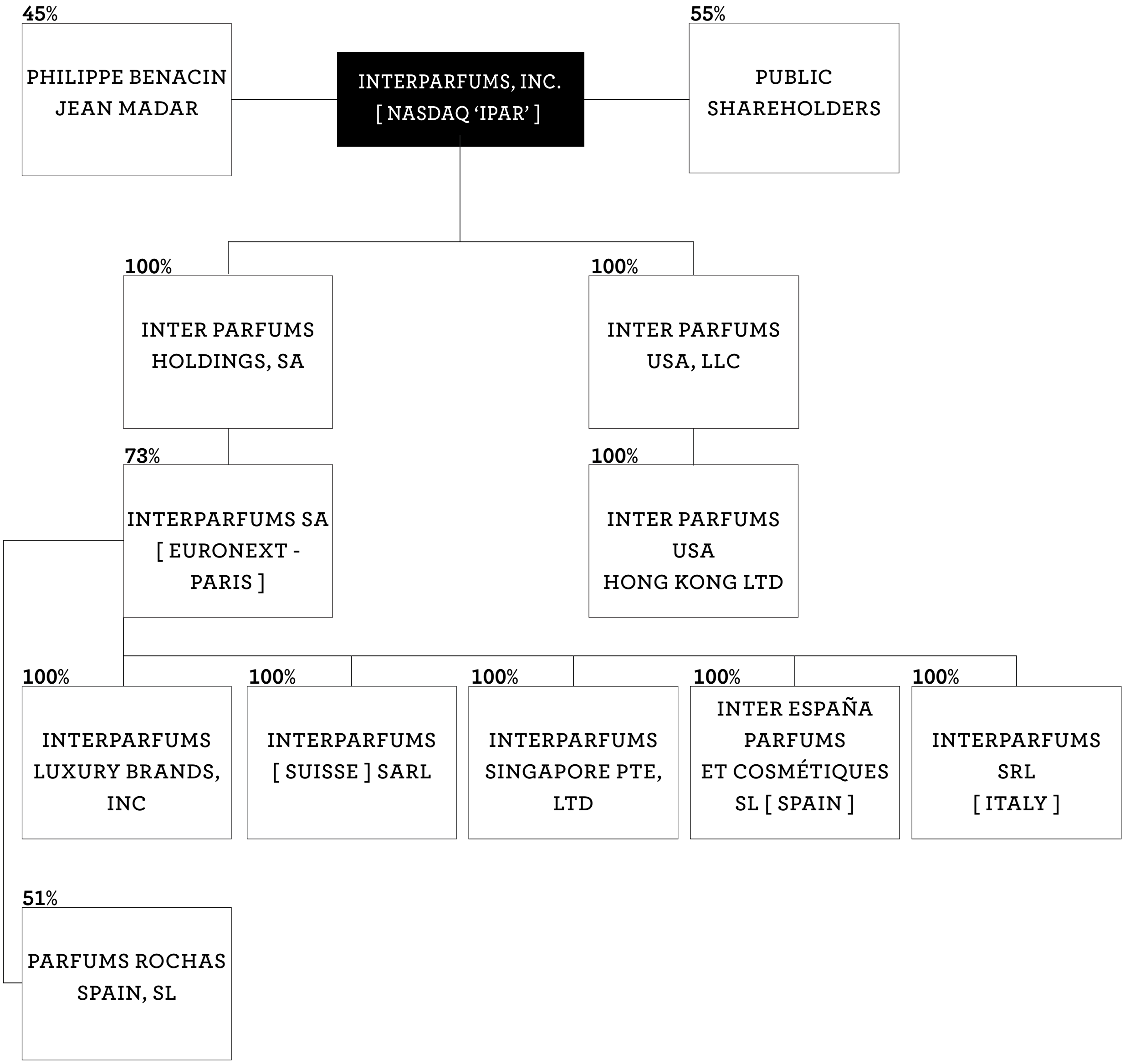
- International development strategy;
- Establishment of distributor networks and negotiation of contracts;
- Monitoring of profit margins and advertising expenditures.

Domestic (Home Country) Sales:

Hervé Bouillonnec 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 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 78%, 76% and 80% of net sales for 2020, 2019 and 2018, respectively. We have built a portfolio of prestige brands, which include *Boucheron, Coach, Jimmy Choo, Karl Lagerfeld, Kate Spade New York, Lanvin, Moncler, Montblanc, Paul Smith, Repetto, Rochas, S.T. Dupont* and *Van Cleef & Arpels*, whose products are distributed in over 120 countries around the world.

Through our United States operations, we also market fragrance and fragrance related products. United States operations represented 22%, 24% and 20% of net sales in 2020, 2019 and 2018, respectively. These fragrance products are sold primarily pursuant to license or other agreements with the owners of the *Abercrombie & Fitch, Anna Sui, bebe, Dunhill, French Connection, Graff, GUESS, Hollister, MCM* and *Oscar de la Renta* brands.

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

Years ended December 31,	**2020**	2019	2018
Montblanc	**21%**	22%	19%
Coach	**17%**	14%	15%
Jimmy Choo	**16%**	16%	17%
GUESS (license commenced April 1, 2018)	**11%**	10%	n/a
Lanvin	**7%**	8%	10%

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

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

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

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

Our reported net sales are impacted by changes in foreign currency exchange rates. A strong U.S. dollar has a negative impact on our net sales. However, earnings are positively affected by a strong dollar, because over 45% of net sales of our European operations are denominated in U.S. dollars, while almost all costs of our European operations are incurred in euro. Conversely, a weak U.S. dollar has a favorable impact on our net sales while gross margins are negatively affected.

We address certain financial exposures through a controlled program of risk management that includes the use of derivative financial instruments and primarily enter into foreign currency forward exchange contracts to reduce the effects of fluctuating foreign currency exchange rates.

IMPACT OF COVID-19 PANDEMIC

A novel strain of coronavirus ("COVID-19") surfaced in late 2019 and has spread around the world, including to the United States and France. In March 2020, the World Health Organization declared COVID-19 a pandemic. The COVID-19 pandemic has disrupted our business operations and caused a significant unfavorable impact on our results of operations.

In response to the COVID-19 pandemic various national, state, and local governments where we, our suppliers, and our customers operate initially issued decrees prohibiting certain businesses from continuing to operate and certain classes of workers from reporting to work. More recently, those governments have set guidelines in allowing businesses to reopen and employees to return to offices. Beginning in March 2020, we implemented travel restrictions and we have been following social distancing practices. Our teams were set up to work from home and carry on business as efficiently as possible. In all jurisdictions in which we operate we have been following guidance from authorities and health officials in allowing our teams to gradually return to our offices, including, requiring personnel to wear masks and other protective clothing as appropriate, and implementing additional cleaning and sanitization routines at our offices and distribution centers as the health and safety of our employees are paramount.

The effects of the COVID-19 pandemic on the beauty industry began in early March 2020. Retail store closings, event cancellations and a shutdown of international air travel brought our sales to a virtual standstill. The duration and intensity of this global health emergency and its related disruptions are uncertain. Beginning in June 2020, retail stores in many jurisdictions around the world began reopening and business has improved considerably. However, international travel has remained largely curtailed globally due to both government restrictions and consumer health concerns that continue to adversely impact consumer traffic in most travel retail locations. We anticipate that limited traffic in reopened stores and the virtual shutdown of international air traffic will continue to have an unfavorable impact our business.

We faced significant challenges in 2020 and we anticipate that these challenges will continue in 2021 due to uncertain market conditions. Business significantly improved during the second half of 2020, as retail stores began reopening and consumers have increased their on-line purchasing. We expect this trend to continue, however, we do not see a resurgence anytime soon in travel retail as air traffic continues to suffer due in part to governmental restrictions on international air travel. In addition, the recent resurgence and introduction of variants of COVID-19 cases in various parts of the world, including the United States, the United Kingdom and other countries in Europe, South America and Africa, has caused temporary re-implementation of government restrictions to prevent further spread of the virus. These include the temporary closure of businesses deemed non-essential, travel bans and restrictions, social distancing and quarantines. Lastly, the COVID-19 pandemic has led to high levels of unemployment and deteriorating economic conditions in many countries where our products are sold, forcing many consumers to limit discretionary purchases. We believe that the impact of the COVID-19 pandemic will continue to have a material adverse effect on our results of our operations, financial position and cash flows through at least the end of 2021.

Operationally, we are prepared for increased demand in the post-COVID-19 environment, with business in Asia, Eastern Europe and North America showing signs of a comeback. We have geared up to rapidly fill the distribution channels as the crisis subsides. In that regard, we have maintained reasonable inventory levels of components and finished goods, and we are gaining local market intelligence from our distributors and production capacity data from our suppliers. We do not anticipate any material impairment of trademarks, licenses and other intangible assets.

Our conservative financial tradition has enabled us to amass and maintain hefty cash balances and nominal long-term debt levels when this pandemic began. Nonetheless, we took several actions to minimize expenses and protect cash flow. Our operating cost structure, of which variable costs typically accounts for over two-thirds, has enabled us to minimize the impact of reduced net sales on our bottom line. In that regard, we postponed the launch of several programs originally scheduled for 2020 until 2021 and moved related advertising and promotion expenses to 2021 as well. That includes our planned launches for the Kate Spade New York, Jimmy Choo, Anna Sui and GUESS brands. We also took several actions with an eye toward minimizing fixed expenses. While we did not terminate or furlough any employees, we did institute a hiring freeze and significantly cut bonuses for 2020. We also temporarily suspended our quarterly cash dividend. These actions have had a favorable impact on the Company's fixed expenditures and cash flow. Furthermore, our cash and credit management teams, together with our executive management teams, paid particular attention to the management of working capital. As a result of the above, we did not experience any short-term liquidity problem or incur any significant credit losses.

RECENT IMPORTANT EVENTS

Anna Sui Corp.

In January 2021, we renewed our license agreement with Anna Sui Corp. for the creation, development and distribution of fragrance products through December 31, 2026, without any material changes in terms and conditions. Our initial 10-year license agreement with Anna Sui Corp. was signed in 2011. The renewal agreement also allows for an additional 5-year term through 2031 at the option of the Company.

Building Acquisition
Future Headquarters in Paris

In December 2020, our majority owned Paris-based subsidiary, Interparfums SA, signed a purchase contract, subject to certain conditions, to acquire an office building complex for its exclusive use as its future headquarters located in the heart of Paris. In order to maintain our current cash position, it is expected that approximately 90% of the Ð125 million ($153 million) purchase price, excluding taxes and related expenses, will be financed by a bank loan. The transaction is expected to be completed in the spring of this year with the move planned for the end of 2021 or the beginning of 2022.

This acquisition is a unique opportunity with benefits to be realized over the long-term. Owning our corporate headquarters in a very prestigious part of Paris, and customizing the complex for our European operations, will enhance our reputation, provide an exceptional work environment, as well as a welcoming and productive atmosphere for our suppliers, distributors and licensors.

Origines-Parfums

In June 2020, the Company through its 73% owned subsidiary, Interparfums SA, and Divabox SAS ("Divabox"), owner of the Origines-parfums e-commerce platform for beauty products, signed a strategic agreement and equity investment pursuant to which we acquired 25% of Divabox capital for $14.0 million, through a capital increase. In connection with the acquisition, the Company entered into a $13.4 million term loan, which has been amended such that the loan was repaid in full in February 2021. As a website of reference for all selective fragrance brands, Origines-parfums is a key French player in the online beauty market recognized for its customer relationship expertise. This agreement should enhance the introduction of dedicated fragrance lines and products designed to address a specific consumer demand for this distribution channel and accelerate our digital development.

Moncler

In June 2020, the Company entered into an exclusive, 5-year worldwide license agreement with a potential 5-year extension with Moncler for the creation, development and distribution of fragrances under the Moncler brand. Our rights under this license are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry. Moncler was founded at Monestier-de-Clermont, Grenoble, France, in 1952 and is currently headquartered in Italy. Over the years, the brand has combined style with constant technological research assisted by experts in activities linked to the world of the mountain. The Moncler outerwear collections marry the extreme demands of nature with those of city life. Our first fragrance launch for the Moncler brand is scheduled for the first quarter of 2022.

S.T. Dupont

In January 2021, we renewed our license agreement with S.T. Dupont for the creation, development and distribution of fragrance products through December 31, 2022, without any material changes in terms and conditions. Our initial 11-year license agreement with S.T. Dupont was signed in June 1997 and had previously been extended through December 31, 2020.

DISCUSSION OF CRITICAL ACCOUNTING POLICIES

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

Sales Returns

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

Long-Lived Assets

We evaluate indefinite-lived intangible assets for impairment at least annually during the fourth quarter, or more frequently when events occur or circumstances change, such as an unexpected decline in sales, that would more likely than not indicate that the carrying value of an indefinite-lived intangible asset may not be recoverable. When testing indefinite-lived intangible assets for impairment, the evaluation requires a comparison of the estimated fair value of the asset to the carrying value of the asset. The fair values used in our evaluations are estimated based upon discounted future cash flow projections using a weighted average cost of capital of 6.99%. 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, 2020 indefinite-lived intangible assets aggregated $132.0 million. The following table presents the impact a change in the following significant assumptions would have had on the calculated fair value in 2020 assuming all other assumptions remained constant:

$ in millions	Change	Increase (decrease) to fair value
Weighted average cost of capital	**+10%**	**$(11.3)**
Weighted average cost of capital	**−10%**	**$12.5**
Future sales levels	**+10%**	**$15.0**
Future sales levels	**−10%**	**$(15.0)**

Intangible assets subject to amortization are evaluated for impairment testing whenever events or changes in circumstances indicate that the carrying amount of an amortizable intangible asset may not be recoverable. If impairment indicators exist for an amortizable intangible asset, the undiscounted future cash flows associated with the expected service potential of the asset are compared to the carrying value of the asset. If our projection of undiscounted future cash flows is in excess of the carrying value of the intangible asset, no impairment charge is recorded. If our projection of undiscounted future cash flows is less than the carrying value of the intangible asset, an impairment charge would be recorded to reduce the intangible asset to its fair value. The cash flow projections are based upon a number of assumptions, including future sales levels and future cost of goods and operating expense levels, as well as economic conditions, changes to our business model or changes in consumer acceptance of our products which are more subjective in nature. 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.

RESULTS OF OPERATIONS

Net Sales

(in millions)

Years Ended December 31,	2020	% Change	2019	% Change	2018
European-based product sales	**$422.9**	**(22)%**	$542.1	1%	$537.6
United States-based product sales	**116.1**	**(32)%**	171.4	24%	138.0
Total net sales	**$539.0**	**(24)%**	$713.5	6%	$675.6

Net sales decreased 24% in 2020 to $539.0 million, as compared to $713.5 million in 2019. At comparable foreign currency exchange rates, net sales decreased 26%. Net sales increased 6% in 2019 to $713.5 million, as compared to $675.6 million in 2018. At comparable foreign currency exchange rates, net sales increased 8%. The average U.S. dollar/euro exchange rates were 1.15 in 2020 and 1.12 in 2019 and 1.18 in 2018.

European based product sales decreased 22% in 2020 to $422.9 million, as compared to $542.1 million in 2019. At comparable foreign currency exchange rates, European based product sales decreased 23% in 2020. European based product sales increased 1% in 2019 to $542.1 million, as compared to $537.6 million in 2018. At comparable foreign currency exchange rates, European based product sales increased 4% in 2019.

United States based product sales decreased 32% in 2020 to $116.1 million, as compared to $171.4 million in 2019. United States based product sales increased 24% in 2019 to $171.4 million, as compared to $138.0 million in 2018.

As previously mentioned, the effects of the COVID-19 pandemic on the beauty industry began in early March 2020. Retail store closings, event cancellations and a shutdown of international air travel brought our sales to a virtual standstill. However, business began rebounding better than anticipated. Since the early days of the pandemic, our sales have increased sequentially, thanks to store re-openings and a robust e-commerce business being conducted by our retail customers. However, international travel has remained largely curtailed globally due to both government restrictions and consumer health concerns that continue to adversely impact consumer traffic in most travel retail locations.

For our European operations, fourth quarter 2020 sales increased 8% over fourth quarter 2019, a significant improvement compared to the third quarter decline of 10% and the second quarter decline of 69%. Although we postponed our planned new product launches for Jimmy Choo and Kate Spade New York from 2020 to 2021, sales benefitted from the favorable turnaround in several of our markets, notably Asia, Middle East and North America. Among our largest brands, comparable full year Montblanc and Jimmy Choo brand sales both declined 27%, which is also understood in the context of the high bars set in 2019 with the rollout of Montblanc's *Explorer* and Jimmy Choo's *Urban Hero.* Coach brand sales were just 4% below 2019's as Coach brand sales benefitted from the debut of Coach *Dreams* earlier in 2020.

European based product sales came in as expected in 2019 despite fighting a stronger dollar throughout the year. Our largest brand, Montblanc, grew full year sales by 23% with the excellent performance of the new Montblanc *Explorer* scent as well as the continued strength of the brand's *Legend* fragrance family. In constant dollars, Jimmy Choo brand sales were up slightly. However, due to the strengthening of the dollar, Jimmy Choo brand sales were down nominally in actual dollars. Coach brand sales were also down slightly in 2019 in actual dollars but ahead of 2018 in constant dollars.

Our United States based operations also saw a significant improvement in sales as 2020 progressed. After the 75% decline in comparable second quarter 2020 product sales, the decline narrowed to 35% in the third quarter of 2020 and 9% in the fourth quarter of 2020. Although there has been dramatic improvement in our U.S. operations, sales have been hampered by the lack of new product launches this year. Notably, our largest U.S. brand, GUESS, saw its sales decline 18% as its *Bella Vita* blockbuster launch was rescheduled until 2021. We also postponed the launch of Anna Sui *Sky*, which together with the virtual shutdown of travel retail in Asia, resulted in a 47% decline in 2020 Anna Sui brand sales.

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

We maintain confidence in our future as we plan to strengthen advertising and promotional investments supporting all portfolio brands, accelerate brand development and build upon the strength of our worldwide distribution network. Our 2021 new product pipeline is abundant, with new entrants for our European operations that include women's scents for the Jimmy Choo, Kate Spade, and Rochas brands. For U.S. operations, we have fragrance duos unveiling for the Abercrombie & Fitch and Hollister brands, and women's scents debuting for the Anna Sui, GUESS, MCM, and Oscar de la Renta brands, plus broader distribution of Anna Sui *Sky* throughout Asia is also planned.

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,	**2020**	2019	2018
North America	**$193.5**	$235.5	$210.5
Western Europe	**147.1**	185.5	180.9
Asia	**79.7**	110.9	113.4
Middle East	**46.8**	72.6	59.3
Eastern Europe	**33.1**	55.2	52.8
Central & South America	**32.5**	46.2	51.7
Other	**6.3**	7.6	7.0
	$539.0	$713.5	$675.6

The impact of the COVID-19 pandemic broadly impacted all regions in 2020, with the steepest declines in the Middle East and Eastern Europe. Travel retail accounted for much of the decline in the Asian market. This is in contrast to 2019, where virtually all regions registered growth for the year with only Central and South America declining. Asia, which appears to be down slightly in 2019, is actually up in constant dollars. The strongest gains were achieved by the Middle East, North America and Eastern Europe, which increased sales by 22%, 12% and 5%, respectively.

Gross Margins

(in millions)

Years ended December 31,	**2020**	2019	2018
Net sales	**$539.0**	$713.5	$675.6
Cost of sales	**208.3**	267.6	248.0
Gross margin	**$330.7**	$445.9	$427.6
Gross margin as a percent of net sales	**61.4%**	62.5%	63.3%

As a percentage of net sales, gross profit margin was 61.4%, 62.5%, and 63.3% in 2020, 2019 and 2018, respectively. For European based operations, gross profit margin as a percentage of net sales was 64.0%, 65.7% and 66.3% in 2020, 2019 and 2018, 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 1.15 in 2020, as compared to 1.12 in 2019, and the weaker dollar in 2020 resulted in a small decline in our gross margin in 2020. Gross margin in 2020 also includes a charge of approximately $2.0 million relating to the assumption of a return liability for products sold by the former licensee of a brand license entered into in 2019.

The stronger dollar in 2019 resulted in a benefit to our gross margin in 2019, however, our new Montblanc *Explorer* product line has a greater than typical cost of sales, which more than offset the benefit of the stronger dollar.

For United States operations, gross profit margin was 51.8%, 52.5% and 51.4% in 2020, 2019 and 2018, respectively. With a decline in sales in 2020, certain expenses such as depreciation of tools and molds together with the distribution of point of sale materials exaggerated the decline in gross margin for the year as a percentage of sales. In 2019, sales growth for our United States operations primarily came 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 $26.4 million, $38.9 million and $36.4 million in 2020, 2019 and 2018, respectively, and represented 4.9%, 5.5% and 5.4% of net sales, respectively.

Generally, we do not bill customers for shipping and handling costs and such costs, which aggregated $5.0 million, $7.7 million and $7.1 million in 2020, 2019 and 2018, 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,	**2020**	2019	2018
Selling, general & administrative expenses	**$260.6**	$341.2	$332.8
Selling, general & administrative expenses as a percent of net sales	**48.4%**	47.8%	49.3%

Selling, general and administrative expenses decreased 23.6% in 2020 as compared to 2019, and increased 2.5% in 2019 as compared to 2018. As a percentage of sales, selling, general and administrative expenses were 48.4%, 47.8% and 49.3% in 2020, 2019 and 2018, respectively. For European operations, selling, general and administrative expenses declined 23.5% in 2020 and 1.0% in 2019, as compared to the corresponding prior year period and represented 49.8%, 50.8% and 51.7% of sales in 2020, 2019 and 2018, respectively. As discussed in more detail below, the fluctuations which are in line with the fluctuations in sales for European operations, are primarily from variations in promotion and advertising expenditures.

Our operating cost structure, of which variable costs typically account for over two-thirds, has enabled us to minimize the impact of reduced net sales on our bottom line. Due to the effects of the COVID-19 pandemic, a substantial portion of the reduction in selling, general and administrative expenses in 2020 were attributable to the postponement of advertising and promotional expenses to 2021, as substantially all major new product launches were postponed until 2021. In addition, we also undertook several actions with an eye toward minimizing fixed expenses. While we have maintained a full staff, we had instituted a hiring freeze and significantly cut bonuses for 2020.

For United States operations, selling, general and administrative expenses decreased 24.1% in 2020 and increased 20.2% in 2019, as compared to the corresponding prior year period and represented 43.1%, 38.5% and 39.8% of sales in 2020, 2019 and 2018, respectively. Our U.S. operations are significantly smaller than those of our European operations and carry higher fixed costs that could not be leveraged as efficiently as those of our European operations with the decline in net sales. The 2019 increase, which is in line with the increase in sales, and is the result of royalties and promotional and advertising expenses required under our license agreements.

Promotion and advertising included in selling, general and administrative expenses aggregated $91.7 million, $144.6 million and $139.7 million in 2020, 2019 and 2018, respectively. Promotion and advertising as a percentage of sales represented 17.0%, 20.3% and 20.7% of net sales in 2020, 2019 and 2018, respectively. Although promotion and advertising programs were cut in 2020 in response to market conditions, we plan to 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 will aggregate approximately 21% of 2021 net sales, which is in line with historical averages.

Royalty expense included in selling, general and administrative expenses aggregated $41.1 million, $53.0 million and $48.9 million in 2020, 2019 and 2018, respectively. Royalty expense as a percentage of sales represented 7.6%, 7.4% and 7.2% of net sales in 2020, 2019 and 2018, respectively. The increase in 2020 and 2019, as a percentage of sales, is directly related to new licenses and increased royalty based product sales. As a result of the COVID-19 pandemic we reached agreements with most of our licensors to waive or significantly reduce minimum guaranteed royalties for 2020.

Service fees, which are fees paid within our European operations to third parties relating to the activities of our distribution subsidiaries, aggregated $6.8 million, $7.5 million and $9.7 million in 2020, 2019 and 2018, respectively. The 2020 decline is the result of lower sales volume and the 2019 decrease is the result of the discontinuation of certain European distribution subsidiaries, and a return to a third party distribution model in those territories.

Income from Operations

As a result of the above analysis regarding net sales, gross profit margins and selling, general and administrative expenses, income from operations decreased 33.1% to $70.1 million in 2020 as compared to $104.7 million in 2019, which was an increase of 10.6% from $94.7 million in 2018. Operating margins aggregated 13.0%, 14.7% and 14.0% for the years ended December 31, 2020, 2019 and 2018, respectively. Strong cost controls in 2020 enabled us to minimize the impact of the sudden drop in sales resulting from the COVID-19 pandemic. In 2019, small fluctuations in gross margin were mitigated by small fluctuations in selling, general and administrative expenses.

Other Income and Expenses

Interest expense aggregated $2.0 million, $2.1 million and $2.6 million in 2020, 2019 and 2018, 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 $24.7 million, $23.1 million and $46.1 million as of December 31, 2020, 2019 and 2018, respectively.

Foreign currency losses aggregated $2.2 million, $1.1 million and $0.3 million in 2020, 2019 and 2018, 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 2020 net sales of our European operations were denominated in U.S. dollars. The weaker U.S. dollar in the fourth quarter of 2020 accounted for the loss on foreign currency as receivables denominated in dollars were revalued to year end rates.

Interest income aggregated $2.9 million, $3.7 million and $4.0 million in 2020, 2019 and 2018, respectively. Cash and cash equivalents and short-term investments are primarily invested in certificates of deposit with varying maturities.

Other income, which aggregated $0.5 million, represents our share of the income of Divabox for the year ended December 31, 2020.

Income Taxes

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

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

The Company estimated of the effect of GILTI and has determined that it has no tax liability related to GILTI as of December 31, 2020, 2019 and 2018. The Company also estimated the effect of FDII and recorded a tax benefit of $0.3 million, $0.9 million and $0.6 million as of December 31, 2020, 2019 and 2018, respectively.

Our effective income tax rate was 28.0%, 27.7% and 27.3% in 2020, 2019 and 2018, respectively.

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

In addition, pursuant to an action plan released by the French Prime Minister, the French corporate income tax rate is expected to be cut from approximately 33% to 25% over a three-year period which began in 2020. Due to economic and political conditions, tax rates in the U.S. and various foreign jurisdictions have been and may be subject to significant change. 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	**2020**	2019	2018
Net income attributable to European operations	**$41,814**	$56,343	$56,469
Net income attributable to United States operations	**8,154**	19,727	13,246
Net income	**49,968**	76,070	69,715
Less: Net income attributable to the noncontrolling interest	**11,749**	15,821	15,922
Net income attributable to Inter Parfums, Inc.	**$38,219**	$60,249	$53,793
Net income attributable to Inter Parfums, Inc. common shareholders:			
Basic	**$1.21**	$1.92	$1.72
Diluted	**1.21**	1.90	1.71
Weighted average number of shares outstanding:			
Basic	**31,536,659**	31,451,093	31,307,991
Diluted	**31,654,544**	31,688,700	31,522,371

Net income aggregated $50.0 million, $76.1 million and $69.7 million in 2020, 2019 and 2018, respectively. Net income attributable to European operations was $41.8 million, $56.3 million and $56.5 million in 2020, 2019 and 2018, respectively, while net income attributable to United States operations was $8.2 million, $19.7 million and $13.2 million in 2020, 2019 and 2018, respectively. The fluctuations in net income for both European operations and United States operations are directly related to the previous discussions relating to changes in sales, gross profit margins, selling, general and administrative expenses, most of which, in 2020, was caused by the effects of the COVID-19 pandemic.

The noncontrolling interest arises primarily from our 73% owned subsidiary in Paris, Interparfums SA, which is also a publicly traded company as 27% of Interparfums SA shares trade on the NYSE Euronext. Net income attributable to the noncontrolling interest is related to the profitability of our European operations, and aggregated 28.1% of European operations net income in 2020 and 2019 and 28.2% and 2018. Net income attributable to Inter Parfums, Inc. aggregated $38.2 million, $60.2 million and $53.8 million in 2020, 2019 and 2018, respectively. Net margins attributable to Inter Parfums, Inc. aggregated 7.1%, 8.4% and 8.0% in 2020, 2019 and 2018, respectively.

Liquidity and Capital Resources

Our conservative financial tradition has enabled us to amass significant cash balances and nominal long-term debt. As of December 31, 2020, we had $296 million in cash, cash equivalents and short-term investments, 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. As of December 31, 2020, long-term debt aggregated only $10.1 million and we also have $51 million available in untapped credit facilities. Nonetheless, in response to the COVID-19 pandemic, we have taken several actions to minimize expenses and protect cash flow. As discussed above, our operating cost structure, of which variable costs in a typical year account for over two-thirds, has enabled us to minimize the impact of reduced net sales on our bottom line. In that regard, we have postponed the launch of several programs originally scheduled for this year until 2021 and moved related advertising and promotion programs to 2021 as well. We have also taken several actions with an eye toward minimizing fixed expenses. While we did not terminate or furlough any employees, we did institute a hiring freeze and significantly cut bonuses for 2020. In 2020, we also temporarily suspended our quarterly cash dividend. These actions have had a favorable impact on the Company's fixed expenditures and cash flow. Furthermore, our cash and credit management teams together with our executive management teams paid particular attention to the management of working capital. As a result of the above, we have not experienced any short-term liquidity problems.

At December 31, 2020, working capital aggregated $445 million, and we had a working capital ratio of over 3.8 to 1. Approximately 86% of the Company's total assets are held by European operations including approximately $190 million of trademarks, licenses and other intangible assets.

The Company hopes to continue 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 $65.0 million, $76.5 million, and $63.0 million in 2020, 2019 and 2018, respectively. In 2020, working capital items used $1.9 million in cash from operating activities, as compared to $11.7 million in 2019 and $20.9 million in 2018. We anticipated significant challenges in 2020 due to uncertain market conditions promulgated by the COVID-19 pandemic. Since March 2020, retail stores in several jurisdictions around the world began reopening and business is rebounding better than expected. Although, from a cash flow perspective, accounts receivable is down approximately 10% from that of the prior year, day's sales outstanding increased to 86 days in 2020, as compared to 69 days and 71 days in 2019 and 2018, respectively. In addition to a decline in net sales, the COVID-19 pandemic put tremendous pressure on many of our customers throughout 2020. We worked closely with our customers and extended payment terms as necessary. However, we did not incur any material losses in connection with the collection of accounts receivable. Although inventories also declined approximately 12% from that of the prior year, the decline in sales and the postponement of certain new product launches had a significant effect on inventory days on hand, which grew to 277 days in 2020, as compared to 224 days in 2019 and 223 days in 2018, respectively. With the upturn in sales in the second half of 2020 expected to continue into 2021 and our aggressive product launch schedule for 2021, we believe our inventory levels are needed to support net sales expectations.

Our business is not capital intensive as we do not own any manufacturing facilities. On a full year basis, we spent approximately $5.4 million on capital expenditures including tools and molds needed to support our new product development calendar. Capital expenditures also include amounts for office fixtures, computer equipment and industrial equipment needed at our distribution centers.

In December 2020, our majority owned Paris-based subsidiary, Interparfums SA, signed a purchase contract, subject to certain conditions, to acquire an office building complex for its exclusive use as its future headquarters located in the heart of Paris. In order to maintain our current cash position, it is expected that approximately 90% of the €125 million ($153 million) purchase price, excluding taxes and related expenses, will be financed by a bank loan. The transaction is expected to be completed in the spring of this year with the move planned for the end of 2021 or the beginning of 2022. A €6.25 million ($7.7 million) deposit was paid upon signing the purchase contract.

In June 2020, the Company and Divabox, owner of the Origines-parfums e-commerce platform for beauty products, signed a strategic agreement and equity investment pursuant to which we acquired 25% of Divabox capital for $14 million through a capital increase. In connection with the acquisition, the Company entered into a $13.4 million term loan, which has been amended such that the loan was repaid in full in February 2021.

Payments for licenses, trademarks and other intangible assets primarily represent upfront entry fees incurred in connection with new license agreements.

Our short-term financing requirements are expected to be met by available cash on hand at December 31, 2020, cash generated by operations and short-term credit lines provided by domestic and foreign banks. The principal credit facilities for 2021 consist of a $20.0 million unsecured revolving line of credit provided by a domestic commercial bank and approximately $30.7 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, 2020 and 2019.

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

In October 2018, our Board authorized a 31% increase in the annual dividend to $1.10 per share and in October 2019, our Board authorized a further 20% increase in the annual dividend to $1.32 per share. In April 2020, as a result of the uncertainties raised by the COVID-19 pandemic, the Board of Directors authorized a temporary suspension of the quarterly cash dividend. In February 2021, our Board of Directors authorized a reinstatement of an annual dividend of $1.00, payable quarterly. The quarterly cash dividend of $0.25 per share was payable on March 31, 2021 to shareholders of record on March 15, 2021. Dividends paid, including dividends paid once per year to noncontrolling stockholders of Interparfums SA, aggregated $21.1 million, $44.2 million and $35.0 million for the years ended December 31, 2020, 2019 and 2018, respectively. The cash dividends to be paid in 2021 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, 2020.

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	$24,706	$14,569	$2,142	$2,142	$5,853
Lease Liabilities	$26,487	$5,568	$9,186	$6,856	$4,877
Purchase Obligations(1)	$1,398,964	$165,506	$330,849	$316,267	$586,342
Total	$1,450,157	$185,643	$342,177	$325,265	$597,072

(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, 2020, without consideration for potential renewal periods and do not reflect the fact that our distributors share our advertising obligations.

Quantitative Analysis

During the three-year period ended December 31, 2020, 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 2020, had these estimates been changed simultaneously by 5% in either direction, our reported gross profit would have increased or decreased by approximately $0.5 million and selling, general and administrative expenses would have changed by approximately $0.2 million. The collective impact of these changes on 2020 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 $0.7 million, $0.4 million and $0.01, respectively.

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, 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.

As of December 31, 2020, we had foreign currency contracts in the form of forward exchange contracts with notional amounts of approximately U.S. $22.4 million and GB £1.9 million which all have maturities of less than one year. We believe that our risk of loss as the result of nonperformance by any of such financial institutions is remote.

Interest Rate Risk Management

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

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The management of Inter Parfums, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13(a)-15(f) under the Securities Exchange Act of 1934. With the participation of the Chief Executive Officer and the Chief Financial Officer, our management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in Internal Control – Integrated Framework (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, 2020.

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, 2020 and 2019, 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, 2020, 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, 2020, 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, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, 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, 2020, based on criteria established in Internal Control - Integrated Framework: (2013) issued by COSO.

Basis for Opinion

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

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

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

Definition and Limitations of Internal Control over Financial Reporting

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

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

Critical Audit Matter

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

As described in Notes 1 and 8 to the consolidated financial statements, the Company's consolidated indefinite and finite —life intangible assets balance was $214 million at December 31, 2020. Indefinite lived intangible assets principally consist of trademarks and finite-lived intangible assets represent fees to acquire or enter into a license.

Those intangible assets are tested for impairment as follows:

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

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

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

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

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

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

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

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

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

Mazars USA LLP

Mazars USA LLP
We have served as the Company's auditor since 2004.
New York, New York
March 1, 2021

INTER PARFUMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

Years Ended December 31,	2020	2019
ASSETS		
Current assets:		
Cash and cash equivalents	$169,681	$133,417
Short-term investments	126,627	119,714
Accounts receivable, net	124,057	133,010
Inventories	158,822	167,809
Receivables, other	1,815	2,054
Other current assets	16,912	17,123
Income taxes receivable	2,806	169
Total current assets	600,720	573,296
Equipment and leasehold improvements, net	19,580	11,107
Rights of use assets, net	24,734	28,359
Trademarks, licenses and other intangible assets, net	214,108	201,983
Deferred tax assets	8,041	8,004
Other assets	22,962	6,083
Total assets	890,145	$828,832
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	14,570	12,326
Current portion of lease liabilities	5,133	5,356
Accounts payable - trade	35,576	54,098
Accrued expenses	95,629	96,421
Income taxes payable	5,297	5,865
Dividends payable	–	10,399
Total current liabilities	156,205	184,465
Long-term debt, less current portion	10,136	10,734
Lease liabilities, less current portion	21,354	24,635
Equity:		
Inter Parfums, Inc. shareholders' equity:		
Preferred stock, $0.001 par value. Authorized 1,000,000 shares; none issued	–	-
Common stock, $0.001 par value. Authorized 100,000,000 shares; outstanding, 31,608,588 and 31,513,018 shares at December 31, 2020 and 2019, respectively	32	31
Additional paid-in capital	75,708	70,664
Retained earnings	503,567	474,637
Accumulated other comprehensive loss	(5,997)	(39,853)
Treasury stock, at cost, 9,864,805 common shares at December 31, 2020 and 2019	(37,475)	(37,475)
Total Inter Parfums, Inc. shareholders' equity	535,835	468,004
Noncontrolling interest	166,615	140,994
Total equity	702,450	608,998
Total liabilities and equity	$890,145	$828,832

(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,	2020	2019	2018
Net sales	**$539,009**	$713,514	$675,574
Cost of sales	**208,278**	267,578	248,012
Gross margin	**330,731**	445,936	427,562
Selling, general, and administrative expenses	**260,648**	341,209	332,831
Income from operations	**70,083**	104,727	94,731
Other expenses (income):			
Interest expense	**1,970**	2,146	2,578
Loss on foreign currency	**2,178**	1,128	251
Interest and dividend income	**(2,865)**	(3,693)	(3,957)
Other Income	**(549)**	-	-
	734	(419)	(1,128)
Income before income taxes	**69,349**	105,146	95,859
Income taxes	**19,381**	29,076	26,144
Net income	**49,968**	76,070	69,715
Less: Net income attributable to the noncontrolling interest	**11,749**	15,821	15,922
Net income attributable to Inter Parfums, Inc.	**$38,219**	$60,249	$53,793
Net income attributable to Inter Parfums, Inc. common shareholders:			
Basic	**$1.21**	$1.92	$1.72
Diluted	**1.21**	1.90	1.71
Weighted average number of shares outstanding:			
Basic	**31,536,659**	31,451,093	31,307,991
Diluted	**31,654,544**	31,688,700	31,522,371
Dividends declared per share	**$0.33**	$1.16	$0.91

(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,	2020	2019	2018
Net income	**$49,968**	$76,070	$69,715
Other comprehensive income:			
Net derivative instrument, net of tax	**(19)**	22	175
Transfer of OCI into earnings	**(52)**	(136)	(37)
Translation adjustments, net of tax	**47,912**	(8,712)	(22,555)
	47,841	(8,826)	(22,417)
Comprehensive income	**97,809**	67,244	47,298
Comprehensive income attributable to noncontrolling interests:			
Net income	**11,749**	15,821	15,922
Net derivative instrument income (loss), net of tax	**(19)**	(30)	39
Translation adjustments, net of tax	**14,004**	(2,593)	(6,638)
	25,734	13,198	9,323
Comprehensive income attributable to Inter Parfums, Inc.	**$72,075**	$54,046	$37,975

(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,	2020	2019	2018
Common stock, beginning of year	**$31**	$31	$31
Shares issued upon exercise of stock options	**1**	-	-
Common stock, end of year	**$32**	$31	$31
Additional paid-in capital, beginning of year	**70,664**	69,970	66,004
Shares issued upon exercise of stock options	**2,771**	4,458	3,406
Share-based compensation	**1,711**	1,403	1,132
Purchase of subsidiary shares from noncontrolling interests	**–**	(5,167)	(572)
Stock-based compensation	**562**	-	-
Additional paid-in capital, end of year	**$75,708**	$70,664	$69,970
Retained earnings, beginning of year	**474,637**	448,731	422,570
Net income	**38,219**	60,249	53,793
Dividends	**(10,406)**	(36,349)	(28,356)
Stock-based compensation	**1,117**	2,006	724
Retained earnings, end of year	**503,567**	474,637	448,731
Accumulated other comprehensive loss, beginning of year	**(39,853)**	(33,650)	(17,832)
Foreign currency translation adjustment, net of tax	**33,908**	(6,119)	(15,917)
Transfer from other comprehensive income into earnings	**(52)**	(136)	(37)
Net derivative instrument gain, net of tax	**–**	52	136
Accumulated other comprehensive loss, end of year	**(5,997)**	(39,853)	(33,650)
Treasury stock, beginning and end of year	**(37,475)**	(37,475)	(37,475)
Noncontrolling interest, beginning of year	**140,994**	138,139	137,339
Net income	**11,749**	15,821	15,922
Foreign currency translation adjustment, net of tax	**14,004**	(2,593)	(6,638)
Transfer from other comprehensive income into earnings4	**(19)**	(30)	39
Net derivative instrument gain (loss), net of tax	**–**	(920)	(236)
Purchase of subsidiary shares from noncontrolling interest	**(324)**	(9,654)	(8,706)
Dividends	**350**	231	419
Stock-based compensation	**(139)**	-	-
Noncontrolling interest, end of year	**166,615**	140,994	138,139
Total equity	**$702,450**	$608,998	585,746

(See accompanying notes to consolidated financial statements.)

INTER PARFUMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

Years ended December, 31	2020	2019	2018
Cash flows from operating activities:			
Net income	$49,968	$76,070	$69,715
Adjustments to reconcile net income to net cash			
provided by operating activities:			
Depreciation and amortization including impairment loss	9,067	8,729	11,031
Provision for doubtful accounts	4,824	1,380	1,442
Noncash stock compensation	3,029	3,394	2,205
Share of income of equity investment	(549)	-	-
Lease expense	62	1,068	-
Deferred tax expense (benefit)	581	(2,330)	(158)
Change in fair value of derivatives	(137)	(169)	(302)
Changes in:			
Accounts receivable	13,157	1,124	(21,532)
Inventories	19,333	(5,925)	(29,341)
Other assets	1,176	(4,945)	(1,016)
Accounts payable and accrued expenses	(32,239)	(4,960)	25,592
Income taxes, net	(3,279)	3,016	5,405
Net cash provided by operating activities	64,993	76,452	63,041
Cash flows from investing activities:			
Purchases of short-term investments	(7,582)	(97,958)	(10,030)
Proceeds from sale of short-term investments	11,513	44,814	8,859
Purchase of equipment and leasehold improvements	(11,011)	(5,427)	(3,956)
Payment for intangible assets acquired	(1,251)	(6,067)	(8,509)
Purchase of equity investment	(13,998)	-	-
Net cash provided used in investing activities	(22,329)	(64,638)	(13,636)
Cash flows from financing activities:			
Repayment of long-term debt	(13,725)	(22,321)	(23,487)
Proceeds issuance of long-term debt	13,438	-	-
Proceeds from exercise of options	2,771	4,458	3,406
Dividends paid	(20,805)	(34,579)	(26,287)
Dividends paid to noncontrolling interests	(324)	(9,654)	(8,706)
Purchase of subsidiary shares from noncontrolling interests	–	(6,087)	(808)
Net cash used in financing activities	(18,645)	(68,183)	(55,882)
Effect of exchange rate changes on cash	12,245	(3,350)	(8,730)
Net increase (decrease) in cash and cash equivalents	36,264	(59,719)	(15,207)
Cash and cash equivalents – beginning of year	133,417	193,136	208,343
Cash and cash equivalents – end of year	$169,681	$133,417	$193,136
Supplemental disclosures of cash flow information:			
Cash paid for:			
Interest	$1,105	$1,764	$1,754
Income taxes	21,772	26,332	24,995

(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, Coach, Jimmy Choo and GUESS brand names. As a percentage of net sales, product sales for the Company's largest brands were as follows:

Year Ended December 31,	**2020**	2019	2018
Montblanc	**21%**	22%	19%
Coach	**17%**	14%	15%
Jimmy Choo	**16%**	16%	17%
GUESS (license commenced April 1, 2018)	**11%**	10%	n/a
Lanvin	**7%**	8%	10%

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. 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 and other contracts with maturities greater than three months. The Company monitors concentrations of credit risk associated with financial institutions with which the Company conducts significant business. The Company believes its credit risk is minimal, as the Company primarily conducts business with large, well-established financial institutions. Substantially all cash and cash equivalents are primarily held at financial institutions outside the United States and are readily convertible into U.S. dollars.

Accounts Receivable

Accounts receivable represent payments due to the Company for previously recognized net sales, reduced by allowances for doubtful accounts or balances which are estimated to be uncollectible, which aggregated $5.5 million and $2.5 million as of December 31, 2020 and 2019, respectively. Accounts receivable balances are written-off against the allowance for doubtful accounts when they become uncollectible. Recoveries of accounts receivable previously recorded against the allowance are recorded in the consolidated statement of income when received. We generally grant credit based upon our analysis of the customer's financial position, as well as previously established buying patterns.

Inventories

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

Derivatives

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

Equipment And Leasehold Improvements

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

Long-Lived Assets

Indefinite-lived intangible assets principally consist of trademarks which are not amortized. The Company evaluates indefinite-lived intangible assets for impairment at least annually during the fourth quarter, or more frequently when events occur or circumstances change, such as an unexpected decline in sales, that would more-likely-than-not indicate that the carrying value of an indefinite-lived intangible asset may not be recoverable. When testing indefinite-lived intangible assets for impairment, the evaluation requires a comparison of the estimated fair value of the asset to the carrying value of the asset. The fair values used in our evaluations are estimated based upon discounted future cash flow projections using a weighted average cost of capital of 6.99% and 7.94% in 2020 and 2019, respectively. The cash flow projections are based upon a number of assumptions, including future sales levels, future cost of goods and operating expense levels, as well as economic conditions, changes to our business model or changes in consumer acceptance of our products which are more subjective in nature. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, an impairment charge is recorded.

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

Revenue Recognition

The Company sells its products to department stores, perfumeries, specialty stores and domestic and international wholesalers and distributors. Our revenue contracts represent single performance obligations to sell our products to customers. Sales of such products by our domestic subsidiaries are denominated in U.S. dollars, and sales of such products by our foreign subsidiaries are primarily denominated in either euro or U.S. dollars. The Company recognizes revenues when contract terms are met, the price is fixed and determinable, collectability is reasonably assured and control of the assets has passed to the customer based on the agreed upon shipping terms. Net sales are comprised of gross revenues less returns, trade discounts and allowances. The Company does not bill its customers' freight and handling charges. All shipping and handling costs, which aggregated $5.0 million, $7.7 million and $7.1 million in 2020, 2019 and 2018, 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 2020, 2019 or 2018.

Sales Returns

Generally, the Company does not permit customers to return their unsold products. However, for U.S. based customers, we allow returns if properly requested, authorized and approved. The Company regularly reviews and revises, as deemed necessary, its estimate of reserves for future sales returns based primarily upon historic trends and relevant current data including information provided by retailers regarding their inventory levels. In addition, as necessary, specific accruals may be established for significant future known or anticipated events. The types of known or anticipated events that we consider include, but are not limited to, the financial condition of our customers, store closings by retailers, changes in the retail environment and our decision to continue to support new and existing products. The Company records its estimate of potential sales returns as a reduction of sales and cost of sales with corresponding entries to accrued expenses, to record the refund liability, and inventory, for the right to recover goods from the customer. The refund liability associated with estimated returns was $3.6 million and $4.1 million at December 31, 2020 and 2019, respectively, and the amounts recognized for the rights to recover products was $1.4 million and $1.6 million at December 31, 2020 and 2019, respectively. The physical condition and marketability of returned products are the major factors we consider in estimating realizable value. Actual returns, as well as estimated realizable values of returned products, may differ significantly, either favorably or unfavorably, from our estimates, if factors such as economic conditions, inventory levels or competitive conditions differ from our expectations.

Payments to Customers

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

Advertising and Promotion

Advertising and promotional costs are expensed as incurred and recorded as a component of cost of goods sold (in the case of free goods given to customers) or selling, general and administrative expenses. Advertising and promotional costs included in selling, general and administrative expenses were $91.7 million, $144.6 million and $139.7 million for 2020, 2019 and 2018, respectively. Costs relating to purchase with purchase and gift with purchase promotions that are reflected in cost of sales aggregated $26.4 million, $38.9 million and $36.4 million in 2020, 2019 and 2018, respectively.

Package Development Costs

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

Operating Leases

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

License Agreements

The Company's license agreements generally provide the Company with worldwide rights to manufacture, market and sell fragrance and fragrance related products using the licensors' trademarks. The licenses typically have an initial term of approximately 5 to 15 years, and are potentially renewable subject to the Company's compliance with the license agreement provisions. The remaining terms, excluding potential renewal periods, range from approximately 1 to 13 years. Under each license, the Company is required to pay royalties in the range of 6% 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 June 2016, the Financial Accounting Standards Board ("FASB") issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", as updated in 2019 and 2020, which require a financial asset measured at amortized cost basis to be presented at the net amount expected to be collected. The new rules eliminate the probable initial recognition threshold and, instead, reflect an entity's current estimate of all expected credit losses. The new rules took effect for the Company in the first quarter of 2020 and there was no material impact on our consolidated financial statements.

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

Reclassifications

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

(2) Impact of COVID-19 Pandemic

A novel strain of coronavirus ("COVID-19") surfaced in late 2019 and has spread around the world, including to the United States and France. In March 2020, the World Health Organization declared COVID-19 a pandemic. The COVID-19 pandemic has disrupted our business operations and caused a significant unfavorable impact on our results of operations.

In response to the COVID-19 pandemic various national, state, and local governments where we, our suppliers, and our customers operate initially issued decrees prohibiting certain businesses from continuing to operate and certain classes of workers from reporting to work. More recently, those governments have set guidelines in allowing businesses to reopen and employees to return to offices. Beginning in March 2020, we implemented travel restrictions and we have been following social distancing practices. Our teams were set up to work from home and carry on business as efficiently as possible. In all jurisdictions in which we operate we have been following guidance from authorities and health officials in allowing our teams to gradually return to our offices, including, requiring personnel to wear masks and other protective clothing as appropriate, and implementing additional cleaning and sanitization routines at our offices and distribution centers as the health and safety of our employees are paramount.

The effects of the COVID-19 pandemic on the beauty industry began in early March 2020. Retail store closings, event cancellations and a shutdown of international air travel brought our sales to a virtual standstill. The duration and intensity of this global health emergency and its related disruptions are uncertain. Beginning in June 2020, retail stores in many jurisdictions around the world began reopening and business has improved considerably. However, international travel has remained largely curtailed globally due to both government restrictions and consumer health concerns that continue to adversely impact consumer traffic in most travel retail locations. We anticipate that limited traffic in reopened stores and the virtual shutdown of international air traffic will continue to have an unfavorable impact on our business.

(in thousands, except share and per share data)

We faced significant challenges in 2020 and we anticipate that these challenges will continue in 2021 due to uncertain market conditions. Business significantly improved during the second half of 2020, as retail stores began reopening and consumers have increased their on-line purchasing. We expect this trend to continue, however, we do not see a resurgence anytime soon in travel retail as air traffic continues to suffer due in part to governmental restrictions on international air travel. In addition, the recent resurgence and introduction of variants of COVID-19 cases in various parts of the world, including the United States, the United Kingdom and other countries in Europe, South America and Africa, has caused temporary re-implementation of government restrictions to prevent further spread of the virus. These include the temporary closure of businesses deemed non-essential, travel bans and restrictions, social distancing and quarantines. Lastly, the COVID-19 pandemic has led to high levels of unemployment and deteriorating economic conditions in many countries where our products are sold, forcing many consumers to limit discretionary purchases. We believe that the impact of the COVID-19 pandemic will continue to have a material adverse effect on our results of our operations, financial position and cash flows through at least the end of 2021.

(3) Recent Agreements

Anna Sui Corp.

In January 2021, we renewed our license agreement with Anna Sui Corp. for the creation, development and distribution of fragrance products through December 31, 2026, without any material changes in terms and conditions. Our initial 10-year license agreement with Anna Sui Corp. was signed in 2011. The renewal agreement also allows for an additional 5-year term through 2031 at the option of the Company.

Building Acquisition Future Headquarters in Paris

In December 2020, the Company signed a purchase contract, subject to certain conditions, to acquire an office building complex for its exclusive use as its future headquarters, located in the heart of Paris. In order to maintain the Company's current cash position, approximately 90% of the €125 million ($153 million) purchase price, excluding taxes and related expenses, will be financed by a bank loan. The transaction is expected to be completed in the spring of 2021 with the move planned for the end of 2021 or the beginning of 2022. In December 2020, the Company paid a €6.25 million ($7.7 million) deposit upon signing the purchase contract. Such amount is included in equipment and leasehold improvements on the accompanying balance sheet as of December 31, 2020.

Origines-parfums

In June 2020, the Company, through its 73% owned French subsidiary, Interparfums SA, and Divabox SAS ("Divabox"), owner of the Origines-parfums e-commerce platform for beauty products, signed a strategic agreement and equity investment pursuant to which we acquired 25% of Divabox capital for $14.0 million, through a capital increase. The difference between the purchase price and the fair value of net assets acquired of approximately $8.7 million has been allocated to goodwill. The investment is being accounted for under the equity method and is included in other assets on the accompanying balance sheet as of December 31, 2020. In connection with the acquisition, the Company entered into a $13.4 million term loan, which has been amended such that the loan was repaid in full in February 2021. Our share of the income of Divabox was $0.5 million for the year-ended December 31, 2020. Such amount is included in other income on the accompanying consolidated statement of income.

Moncler

In June 2020, the Company entered into an exclusive, 5-year worldwide license agreement with a potential 5-year extension with Moncler for the creation, development and distribution of fragrances under the Moncler brand. Our rights under this license are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry.

S.T. Dupont

In January 2021, we renewed our license agreement with S.T. Dupont for the creation, development and distribution of fragrance products through December 31, 2022, without any material changes in terms and conditions. Our initial 11-year license agreement with S.T. Dupont was signed in June 1997, and had previously been extended through December 31, 2020.

(4) Inventories

Year Ended December 31,	**2020**	2019
Raw materials and component parts	**$66,492**	$71,895
Finished goods	**92,330**	95,914
	$158,822	$167,809

Overhead included in inventory aggregated $5.4 million and $4.3 million as of December 31, 2020 and 2019, 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 $9.4 million and $4.9 million as of December 31, 2020 and 2019, 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, 2020

	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	**$126,627**	**$–**	**$126,627**	**$–**
Foreign currency forward exchange contracts not accounted for using hedge accounting	**253**	**–**	**253**	**–**
	$126,880	**–**	**$126,880**	**–**

FAIR VALUE MEASUREMENTS AT DECEMBER 31, 2019

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Short-term investments	$119,714	$-	$119,714	$-
Foreign currency forward exchange contracts accounted for using hedge accounting	16	-	16	-
Foreign currency forward exchange contracts not accounted for using hedge accounting	112	-	112	-
	$119,842	-	$119,842	-
Liabilities:				
Interest rate swap	$30	$-	$30	$-

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.

(in thousands, except share and per share data)

(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 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, 2020. For the years ended December 31, 2020 and 2019, interest expense includes an immaterial gain and $0.2 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, 2020 and December 31, 2019, resulted in an asset and is included in other current assets on the accompanying balance sheets.

At December 31, 2020, the Company had foreign currency contracts in the form of forward exchange contracts with notional amounts of approximately U.S. $22.4 million and GB £1.9 million, which all have maturities of less than one year.

(7) Equipment and Leasehold Improvements

Year Ended December 31,	2020	2019
Equipment	$51,060	$37,743
Leasehold Improvements	1,989	1,760
	53,049	39,503
Less accumulated depreciation and amortization	33,469	28,396
	$19,580	$11,107

Depreciation and amortization expense was $3.8 million, $3.7 million and $4.1 million in 2020, 2019, and 2018, respectively.

(8) Trademarks, Licenses and Other Intangible Assets

2020	Gross Amount	Accumulated Amortization	Net Book Value
Trademarks (indefinite lives)	$131,962	$–	$131,962
Trademarks (finite lives)	47,477	74	47,403
Licenses (finite lives)	93,248	62,262	30,986
Other intangible assets (finite lives)	18,194	14,437	3,757
Subtotal	158,919	76,773	82,146
Total	$290,881	$76,773	$214,108

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

Amortization expense was $5.3 million, $5.0 million and $7.0 million in 2020, 2019 and 2018, respectively. Amortization expense is expected to approximate $5.4 million in 2021, $3.8 million in 2022 and 2023, and $3.7 million in 2024 and 2025. The weighted average amortization period for trademarks, licenses and other intangible assets with finite lives are 18 years, 15 years and 2 years, respectively, and 14 years on average.

The Company reviews intangible assets with indefinite lives for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. There were no impairment charges for trademarks with indefinite useful lives in 2020, 2019 and 2018. The fair values used in our evaluations are estimated based upon discounted future cash flow projections using a weighted average cost of capital of 6.99%, 7.94%, and 6.21% as of December 31, 2020, 2019 and 2018, respectively. The cash flow projections are based upon a number of assumptions, including, future sales levels and future cost of goods and operating expense levels, as well as economic conditions, changes to our business model or changes in consumer acceptance of our products which are more subjective in nature. The Company believes that the assumptions it has made in projecting future cash flows for the evaluations described above are reasonable and currently no other impairment indicators exist for our indefinite-lived assets. However, if future actual results do not meet our expectations, the Company may be required to record an impairment charge, the amount of which could be material to our results of operations.

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

Trademarks (finite lives) primarily represent Lanvin brand names and trademarks and in connection with their purchase, Lanvin was granted the right to repurchase the brand names and trademarks in 2025 for the greater of €70 million (approximately $86 million) or one times the average of the annual sales for the years ending December 31, 2023 and 2024 (residual value). Because the residual value of the intangible asset exceeds its carrying value, the asset is not being amortized.

(9) Accrued Expenses

Accrued expenses consist of the following:

Year Ended December 31,	**2020**	2019
Advertising liabilities	**$12,164**	$25,713
Salary (including bonus and related taxes)	**14,605**	16,173
Royalties	**16,966**	16,646
Due vendors (not yet invoiced)	**31,698**	19,196
Retirement reserves	**11,889**	9,907
Refund (return) liability	**3,616**	4,131
Other	**4,691**	4,655
	$95,629	$96,421

(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 0.14% as of December 31, 2020). The line of credit which has a maturity date of December 18, 2021 is expected to be renewed on an annual basis. Borrowings outstanding pursuant to lines of credit were zero as of December 31, 2020 and 2019.

The Company's foreign subsidiaries have available credit lines, including several bank overdraft facilities totaling approximately $31 million. These credit lines bear interest at EURIBOR plus between 0.5% and 0.8% (EURIBOR was minus 0.546% at December

(in thousands, except share and per share data) 91

31, 2020). Borrowings outstanding pursuant to these bank overdraft facilities were zero as of December 31, 2020 and 2019.

As there were no borrowings outstanding as of December 31, 2020 and 2019, there is no weighted average interest rate on short-term borrowings as of December 31, 2020 and 2019.

(11) Long-term Debt

Long-term debt consists of the following:

Year Ended December 31	2020	2019
$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	**$11,208**	$11,806
$111.0 million 5-year term loan payable in 20 equal quarterly installments plus interest at 1.2% per annum	**13,498**	11,254
	24,706	23,060
Less current maturities	**14,570**	12,326
Total	**$10,136**	$10,734

In June 2020, in connection with the acquisition of 25% of Divabox's capital, the Company entered into a $13.4 million term loan, which has been amended such that the loan was repaid in full in February 2021, bearing interest at 0.85%. This loan requires the maintenance of certain financial covenants, tested annually, including a maximum coverage ratio. The Company is in compliance with all the covenants of the loan agreement. Maturities of long-term debt subsequent to December 31, 2020 are approximately $14.6 million in 2020 and $1.1 million per year thereafter through 2033.

(12) Commitments

Leases

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

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

As of December 31, 2020, the weighted average remaining lease term was 5.3 years and the weighted average discount rate used to determine the operating lease liability was 3.0%. Rental expense related to operating leases was $6.2 million, $7.5 million, and $7.0 million for the years ended December 31, 2020, 2019 and 2018, respectively. Operating lease payments included in operating cash flows totaled $5.6 million and noncash additions to operating lease assets totaled $1.1 million.

Maturities of lease liabilities subsequent to December 31, 2020 are as follows:

2021	$5,568
2022	4,958
2023	4,228
2024	3,999
2025	2,857
Thereafter	7,324
	28,934
Less imputed interest (based on 3,0% weighted-average discount rate)	(2,447)
	$26,487

License Agreements

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

2021	$165,506
2022	164,341
2023	166,508
2024	159,974
2025	156,293
Thereafter	586,342
	$1,398,964

Future advertising commitments are estimated based on planned future sales for the license terms that were in effect at December 31, 2020, 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 $41.1 million, $53.0 million and $48.9 million, in 2020, 2019 and 2018, respectively, and represented 7.6%, 7.4% and 7.2% of net sales for the years ended December 31, 2020, 2019 and 2018, 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 $1.7 million and $1.4 million in 2020 and 2019, respectively. Compensation cost, net of estimated forfeitures, is recognized on a straight-line basis over the requisite service period for the entire award. Forfeitures are estimated based on historic trends. It is generally the Company's policy to issue new shares upon exercise of stock options.

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

	Weighted Average Number of Shares	Grant Date Fair Value
Nonvested options – beginning of year	**514,210**	**$12.36**
Nonvested options granted	**9,000**	**$12.16**
Nonvested options vested or forfeited	**(169,420)**	**$11.09**
Nonvested options -end of year	**353,790**	**$12.96**

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

Year Ended December 31,	**2020**	2019	2018
Income before income taxes	**$3,030**	$3,390	$2,200
Net Income attributable to Inter Parfums, Inc.	**2,040**	2,060	1,390
Diluted earnings per share attributable to Inter Parfums, Inc.	**0.06**	0.07	0.04

The following table summarizes stock option activity and related information for the years ended December 31, 2020, 2019 and 2018:

Year Ended December 31,	**2020**		2019		2018	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Shares under option- beginning of year	**815,800**	**$49.89**	776,171	$41.33	730,980	$31.92
Options granted	**9,000**	**69.11**	194,050	72.89	196,350	63.91
Options exercised	**(95,570)**	**28.99**	(130,891)	34.06	(140,579)	24.21
Options forfeited	**(16,020)**	**58.38**	(23,530)	45.48	(10,580)	37.64
Shares under option- end of year	**713,210**	**52.74**	815,800	49.89	776,171	41.33

(in thousands, except share and per share data)

At December 31, 2020, options for 580,715 shares were available for future grant under the plans. The aggregate intrinsic value of options outstanding is $8.7 million as of December 31, 2020 and unrecognized compensation cost related to stock options outstanding aggregated $4.4 million, which will be recognized over the next five years.

The weighted average fair values of options granted by Inter Parfums, Inc. during 2020, 2019 and 2018 were $12.16, $14.14 and $14.31 per share, respectively, on the date of grant using the Black-Scholes option pricing model to calculate the fair value.

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

Year Ended December 31,	**2020**	2019	2018
Weighted average expected stock-price volatility	**25%**	25%	27%
Weighted average expected option life	**5.0 yrs**	5.0 yrs	5.0 yrs
Weighted average risk-free interest rate	**1.4%**	1.7%	2.5%
Weighted average dividend yield	**2.5%**	2.0%	2.0%

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

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

Year Ended December 31,	**2020**	2019	2018
Proceeds from stock options exercised	**$2,771**	$4,458	$3,406
Tax benefits	**$400**	$690	$807
Intrinsic value of stock options exercised	**$2,873**	$4,520	$4,310

The following table summarizes additional stock option information as of December 31, 2020:

Exercice Price	Options Outstanding	Options Outstanding Weighted Average Contractual Life	Options Exercisable
$23.61 – $26.40	**93,220**	**0.95 years**	**93,220**
$32.83 – $33.95	**102,250**	**1.97 years**	**77,340**
$40.15 – $46.90	**151,040**	**2.95 years**	**83,540**
$65.25 – $69.11	**184,800**	**3.97 years**	**68,940**
$73.09	**181,900**	**5.00 years**	**36,380**
Totals	**713,210**	**3.34 years**	**359,420**

As of December 31, 2020, the weighted average exercise price of options exercisable was $43.35 and the weighted average remaining contractual life of options exercisable is 2.63 years. The aggregate intrinsic value of options exercisable at December 31, 2020 is $6.9 million.

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

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

In March 2020, due to the potential impact on future net sales and operating results resulting from the COVID-19 pandemic, the estimated number of shares to be distributed, after forfeited shares, was reduced from 142,571 to 82,162. As the Company had already purchased shares in contemplation of the higher anticipated distribution, shares purchased in excess of the reduced anticipated distribution were transferred to treasury shares at the Interparfums SA level.

The fair value of the grant had been determined based on the quoted stock price of Interparfums SA shares as reported by the NYSE Euronext on the date of grant. The original cost of the grant was approximately $4.4 million, and the March 2020 revaluation resulted in a reduction of the cost, to approximately $2.5 million. As a result, a $0.3 million reduction of cost, net, was recorded for the three months ended March 31, 2020.

In June 2020, the performance conditions were modified affecting 96 employees. As of December 31, 2020, the number of shares to be distributed, after forfeited shares, increased to 132,032. The increase in shares anticipated to be distributed were transferred from treasury shares at the Interparfums SA level. The modification resulted in a revised cost of the grant to approximately $3.8 million.

In order to avoid dilution of the Company's ownership of Interparfums SA, all shares distributed or to be distributed pursuant to these plans are pre-existing shares of Interparfums SA, purchased in the open market by Interparfums SA.

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

Dividends

In October 2019, our Board of Directors authorized a 20% increase in the annual dividend to $1.32 per share on an annual basis. In April 2020, as a result of the uncertainties raised by the COVID-19 pandemic, the Board of Directors authorized a temporary suspension of the annual cash dividend. In February 2021, the Board of Directors authorized a reinstatement of an annual dividend of $1.00 payable quarterly. The next quarterly cash dividend of $0.25 per share is payable on March 31, 2021 to shareholders of record on March 15, 2021.

(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,	**2020**	2019	2018
Numerator for diluted earnings per share	**$38,219**	$60,249	$53,793
Denominator:			
Weighted average shares	**31,536,659**	31,451,093	31,307,991
Effect of dilutive securities: stock options	**117,885**	237,607	214,380
Denominator for diluted earnings per share	**31,654,544**	31,688,700	31,522,371
Earnings per share:			
Net income attributable to Inter Parfums, Inc. common shareholders:			
Basic	**$1.21**	$1.92	$1.72
Diluted	**$1.21**	$1.90	$1.71

Not included in the above computations is the effect of anti dilutive potential common shares, which consist of outstanding options to purchase 450,000, 183,000, and 89,000 shares of common stock for 2020, 2019, and 2018, 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.

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

Year Ended December 31,	2020	2019	2018
Net sales:			
United States	**$117,489**	$173,522	$140,768
Europe	**422,947**	542,226	537,805
Eliminations of intercompany sales	**(1,427)**	(2,234)	(2,999)
	$539,009	$713,514	$675,574
Net income attributable to Inter Parfums, Inc.:			
United States	**$7,942**	$19,365	$13,071
Europe	**30,241**	40,840	40,877
Eliminations	**36**	44	(155)
	$38,219	$60,249	$53,793
Depreciation and amortization expense including impairment loss:			
United States	**$3,354**	$3,088	$2,711
Europe	**5,713**	5,641	8,320
	$9,067	$8,729	$11,031
Interest income:			
United States	**$24**	$345	$137
Europe	**2,971**	3,501	3,820
Eliminations	**(130)**	(153)	-
	$2,865	$3,693	$3,957
Interest expense:			
United States	**$604**	$673	$419
Europe	**1,496**	1,626	2,159
Eliminations	**(130)**	(153)	-
	$1,970	$2,146	$2,578
Income tax expense:			
United States	**$1,590**	$3,945	$2,264
Europe	**17,782**	25,101	23,898
Eliminations	**9**	30	(18)
	19,381	29,076	26,144

Segments and Geographical Areas continued

Year Ended December 31,	2020	2019	2018
Total assets:			
United States	**$141,316**	$166,180	$133,706
Europe	**758,812**	670,657	684,485
Eliminations	**(9,983)**	(8,005)	(20,362)
	$890,145	$828,832	$797,829
Additions to long-lived assets:			
United States	**$1,004**	$5,851	$19,181
Europe	**11,259**	5,643	4,188
	$12,263	$11,494	$23,369
Total long-lived assets:			
United States	**$40,656**	$44,473	$25,753
Europe	**217,766**	196,976	188,411
	$258,422	$241,449	$214,164
Deferred tax assets:			
United States	**$886**	$705	$650
Europe	**7,106**	7,241	5,023
Eliminations	**49**	58	88
	$8,041	$8,004	$5,761

United States export sales were approximately $71.5 million, $112.0 million and $95.1 million in 2020, 2019 and 2018, respectively. Consolidated net sales to customers by region are as follows:

Year Ended December 31,	2020	2019	2018
North America	**$193,500**	$235,500	$210,600
Europe	**180,200**	240,800	233,600
Asia	**79,700**	110,900	113,400
Middle East	**46,800**	72,600	59,300
Central and South America	**32,500**	46,200	51,700
Other	**6,300**	7,500	7,000
	$539,000	$713,500	$675,600

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

Year Ended December 31,	2020	2019	2018
United States	**$187,300**	$225,300	$205,000
France	**$37,600**	$43,500	$44,000
Russia	**$14,100**	$36,800	$35,000
United Kingdom	**$24,600**	$35,800	$36,000

(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 material uncertain tax position at December 31, 2020.

(in thousands, except share and per share data)

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

Year Ended December 31,	2020	2019	2018
U.S. operations	**$9,577**	$23,384	$15,162
Foreign operations	**59,772**	81,762	80,697
	$69,349	$105,146	$95,859

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

Year Ended December 31,	2020	2019	2018
Current:			
Federal	**$1,685**	$3,280	$1,629
State and local	**90**	713	497
Foreign	**17,024**	27,412	24,175
	$18,799	$31,405	$26,301
Deferred:			
Federal	**(215)**	(3)	113
State and local	**44**	(22)	-
Foreign	**753**	(2,304)	(270)
	582	(2,329)	(157)
Total income tax expense	**$19,381**	$29,076	$26,144

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,	2020	2019
Deferred tax assets:		
Foreign net operating loss carry-forwards	**$360**	$362
Inventory and accounts receivable	**1,928**	1,231
Profit sharing	**2,936**	4,812
Stock option compensation	**718**	588
Effect of inventory profit elimination	**4,443**	4,630
Other	**910**	214
Total gross deferred tax assets, net	**11,295**	11,837
Valuation allowance	**(360)**	(361)
Net deferred tax assets	**10,935**	11,476
Deferred tax liabilities (long-term):		
Trademarks and licenses	**(2,894)**	(3,472)
Net deferred tax assets	**$8,041**	$8,004

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

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

Tax Cuts and Jobs Act

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

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

The Company estimated of the effect of GILTI and has determined that it has no tax liability related to GILTI as of December 31, 2020, 2019 and 2018. The Company also estimated the effect of FDII and recorded a tax benefit of approximately $0.3 million, $0.9 million and $0.6 million as of December 31, 2020, 2019 and 2018, respectively.

Other Tax Matters

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

(in thousands, except share and per share data)

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 2017.

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

Year Ended December 31,	**2020**	2019	2018
Statutory rates	**21.0%**	21.0%	21.0%
State and local taxes, net of Federal benefit	**0.2**	0.6	0.4
Benefit of Foreign Derived Intangible Income	**(0.4)**	(0.9)	(0.6)
Effect of foreign taxes greater than U.S. statutory rates	**7.5**	7.5	7.3
Other	**(0.4)**	(0.6)	[0.8]
Effective rates	**27.9%**	27.6%	27.3%

(17) Accumulated Other Comprehensive Income (Loss)

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

Year Ended December 31,	**2020**	2019	2018
Net derivative instruments,beginning of year	**$52**	$136	$37
Net derivative instrument gain (loss), net of tax	**(52)**	(84)	99
Net derivative instruments end of year	**–**	52	136
Cumulative translation adjustments,beginning of year	**(39,905)**	(33,786)	(17,869)
Translation adjustments	**33,908**	(6,119)	(15,917)
Cumulative translation adjustments, end of year	**(5,997)**	(39,905)	(33,786)
Accumulated other comprehensive loss	**$(5,997)**	$(39,853)	$(33,650)

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

Year Ended December 31,	**2020**	2019	2018
Net income attributable to Inter Parfums, Inc.	**$38,219**	$60,249	$53,793
Decrease in Inter Parfums, Inc.'s additional paid-in capital for subsidiary share transactions	**–**	(5,167)	(572)
Change from net income attributable to Inter Parfums, Inc. and transfers from noncontrolling interest	**$38,219**	$55,082	$53,221

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 2020	High Closing Price	Low Closing Price
Fourth Quarter	**61.08**	**36.63**
Third Quarter	**49.40**	**36.46**
Second Quarter	**51.68**	**37.63**
First Quarter	**75.00**	**34.20**

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

As of February 10, 2021, the number of record holders, which include brokers and broker nominees, etc., of our common stock was 34. We believe there are approximately 10,600 beneficial owners of our common stock.

DIVIDENDS

In October 2019, our Board of Directors authorized a 20% increase in the annual dividend to $1.32 per share on an annual basis. In April 2020, as a result of the uncertainties raised by the COVID-19 pandemic, the Board of Directors authorized a temporary suspension of the annual cash dividend. In February 2021, our Board of Directors authorized a reinstatement of an annual dividend of $1.00, payable quarterly. The next quarterly cash dividend of $0.25 per share is payable on March 31, 2021 to shareholders of record on March 15, 2021.

FORM 10-K

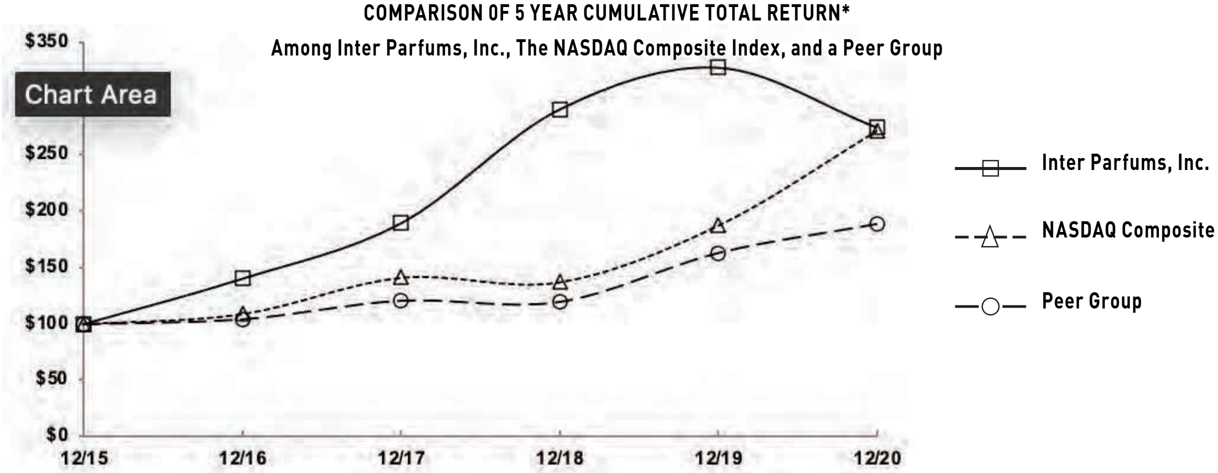
A copy of the company's 2020 Annual Report on Form 10-K, as filed with the Securities and Exchange Commission, is available without charge to shareholders upon request (except for exhibits) To: Inter Parfums, Inc. 551 Fifth Avenue New York, NY 10176 Attention: Corporate Secretary.

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 12/31/15 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.

	12/15	12/16	12/17	12/18	12/189	**12/20**
Inter Parfums, Inc.	100.00	140.26	189.45	290.48	327.44	**274.22**
NASDAQ Composite	100.00	108.87	141.13	137.12	187.44	**271.64**
Peer Group	100.00	104.30	120.74	119.69	162.97	**188.69**

DIRECTORS AND EXECUTIVE OFFICERS

Directors

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

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

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

Philippe Santi
Executive Vice President
Director General Delegue
Interparfums SA

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

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

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

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

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

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

Executive Officers

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

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

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

Philippe Santi
Executive Vice President
Director General Delegue
Interparfums SA

Frédéric Garcia-Pelayo
Director of Export Sales
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