Abercrombie & Fitch

Anna Sui

Boucheron

Coach

DKNY

Donna Karan

Emanuel Ungaro

Graff

Guess

INTERPARFUMS, INC.

Annual Report 2021

Hollister

Karl Lagerfeld

Kate Spade

Lanvin

MCM

Moncler

Montblanc

Oscar de la Renta

Rochas

Salvatore Ferragamo

Van Cleef & Arpels

TABLE OF CONTENTS

2021 Letter to our Shareholders

Philippe Benacin and Jean Madar

DEAR FELLOW SHAREHOLDERS,

What a difference a year makes! 2021, the year following the onset of the COVID-19 pandemic, was the best year in our 33 years as a public company.

2021 FINANCIAL HIGHLIGHTS

Over the course of the year, our sales exceeded expectations in each and every quarter leading to record net sales of $879 million, up 63% from 2020 and 23% from 2019. While we were delighted by the upside surprise in orders throughout the year, we were even more delighted that we were sufficiently prepared to produce and ship the goods, despite the continuation of the COVID pandemic and the supply chain disruptions that have ensued.

In 2021, sales by our four largest brands and many of our mid-sized brands exceeded those of 2019. GUESS joined Montblanc, Jimmy Choo and Coach in topping $100 million in annual sales. Further, we gained market share in 2021. According to industry sources, the fragrance industry grew 20% in 2021, while our growth exceeded 63%.

The financial pages that follow contain a detailed overview of the inputs that culminated in an operating margin of 17%, and net income attributable to Inter Parfums, Inc. of $87 million. Several key factors are worth mentioning. Our gross margin benefitted from the substantial increase in sales by our U.S. distribution subsidiary. In addition, advertising and promotion expenses as a percent of sales came in lower than the 21% we historically budget, because of the upside sales surprises that we experienced throughout the year.

We closed the year with working capital of $465 million, including approximately $320 million in cash, cash equivalents and short-term investments, and a working capital ratio of 2.9 to 1. Our balance sheet included $133 million of long-term debt which relates to the headquarters acquisition by our Paris subsidiary, Interparfums SA. Cash provided by operating activities aggregated $120 million for 2021. Productivity, measured in sales per employee, came in at $1.9 million based on 467 in staff.

Finally, our Board of Directors approved a 100% increase in our annual cash dividend to $2.00 per share payable quarterly. Our Board made this decision in recognition of our excellent prospects for 2022 and for the coming years, coupled with our strong financial position, all of which enables us to grow internally and judiciously invest in new opportunities while rewarding our shareholders.

NEW BRANDS

Our portfolio welcomed two new brands in October 2021, notably Salvatore Ferragamo and Ungaro. Operating activities for these brands are conducted through a newly established wholly-owned subsidiary based in Florence, Italy. Ferragamo fragrances are being sourced and produced in Italy, as are the brand's travel amenities. With origins dating back to 1927, Ferragamo is renowned for the creation, production and worldwide distribution of luxury collections of shoes, leather goods, apparel, silk products and other accessories for men and women, including eyewear and watches. Uniqueness and exclusivity, along with the blend of style and exquisite 'Made in Italy' *savoir-faire*, are the hallmarks of all Ferragamo's products. Within a few years, we expect Ferragamo to be among our largest fragrance brands.

Ungaro is a legendary name synonymous with creativity, colors, signature cuts and patterns representing a best in class example of the intersection of Italian creativity and craftsmanship and French luxury and execution. Today, the brand is best known and most prized in France, Italy, Japan and Korea. Both Ferragamo and Ungaro had an array of legacy scents that form the foundation of our Italian operations, with new scents for both brands on track for a 2023 launch. We are confident that over time, the expertise we bring to product development, packaging, advertising and marketing will elevate the Ferragamo and Ungaro fragrance profiles.

Following the signing of an agreement with the G-III Apparel Group in September 2021, Donna Karan and DKNY fragrances will be under license come July 2022. Donna Karan is a global lifestyle brand founded in 1984 by the fashion pioneer of the same name. In addition to fashion and fragrance, the Donna Karan label can be found on shoes, accessories and home fashions. The brand's lead fragrance, *Cashmere Mist* launched in 1994 and was awarded the Fragrance Foundation Hall of Fame Award in 2019. In February 2022 *Cashmere Mist* was ranked among *the 100 Greatest Fragrances of All Time* by Women's Wear Daily.

The DKNY brand emerged in 1989 as the "next generation" fashion response to Donna Karan's then teenage daughter raiding her mom's closet. Today, DKNY designs, markets and globally distributes collections of apparel, accessories, footwear and select licensed products. *Be Delicious,* the brand's best known scent which launched in 2004, was named one of *The 25 Perfumes of All Time* in April 2022 by Marie Claire magazine. New fragrances for these two aligned brands are in the works, with introduction targeted for launch in 2023. These two brands are exciting additions to our fragrance portfolio, and are expected to achieve significant sales gains over the coming years.

We remain on the lookout for additional brands. Our targets are generally names with established businesses rather than start-ups. That said, we are also open to ideas with great potential. That could be said about MCM in 2021, and back in time, Jimmy Choo, neither of which had established fragrance businesses when we teamed up. In 2021, MCM blew through our internal sales budget three times over, and Jimmy Choo is now our second largest brand. Italian fashion brands are a special priority – both ones with established fragrance business and fragrance orphans. Finally, many of our existing licensors have multiple brands under their control, and they may seek to have us partner with them on their brands.

We believe that Inter Parfums has become an increasingly desirable partner for brand owners. As we have said before, we are small, but not too small, so that we are able to devote the attention and resources necessary to grow a licensor's fragrance business, which translates into higher royalties and broader brand recognition. Brand owners value the fact that we are a pure play in fragrance. Our distribution network has deep roots in 120 countries, with expertise in their local markets. Moreover, our strong financial position lends confidence to brand owners. In April 2022, our European operations moved into our new Paris headquarters, giving us greater brand capacity and enhanced coordination of our teams. And, as we just mentioned, our office in Florence is also fully functional and ready to support and optimize the fragrance potential of additional brands.

2021 PRODUCT LAUNCHES

Having withheld most of the 2020 launches until the following year, 2021 had a large number of products rolling out, including new pillars such as the *Away* duo for Abercrombie & Fitch, *Sky* by Anna Sui, *Bella Vita* for GUESS, *I Want Choo* for Jimmy Choo, *Girl* for Rochas, and *Alibi* for Oscar de la Renta. In addition, we introduced *Effect*, a men's grooming collection for the GUESS brand. There were also a host of extensions unveiled in 2021, including new entrants for our three leading brands with Montblanc *Explorer Ultra Blue,* Jimmy Choo *Urban Hero Gold,* and Coach *Dreams Sunset.*

New entrants for new brands were also a feature of 2021. After a year's delay, *Kate Spade New York* was launched to much acclaim. Maddie Ziegler, actress and dancer, is our spokesperson and model appearing in all forms of media – from print, broadcast, social media and outdoor displays. The launch of the gender neutral *MCM* signature fragrance was accompanied by a global multi-media communications campaign entitled *Travel Beyond,* capturing the essence the brand's DNA of travel with a one-of-a-kind bottle design that pays homage to the classic backpack. Our collaboration with our MCM partners elevated fragrance, packaging, and marketing to a rarefied summit within our industry and as a result, our first MCM scent was named a finalist by the Fragrance Foundation in two categories: *Universal Prestige* and *Packaging.*

In limited distribution in late 2021, *Moncler Pour Femme* and *Moncler Pour Homme* are grounded in nature, exploration and discovery, essential features of the high-end sportswear brand.

The silver-colored ribbing of the bottle design is reminiscent of the quilting in Moncler down jackets, and the 150-ml. refillable bottle comes with a rectangular LED screen so that illuminated messages in scrolling red letters can be personalized and displayed with a Bluetooth-powered smartphone application. This extraordinary fragrance duo is also a Fragrance Foundation finalist in the *Innovative Product of the Year* category. The Moncler global rollout in 2022 will ultimately reach 3,000 doors.

CHALLENGES, HEADWINDS & PRIORITIES

As of this writing, our US operations suspended sales into Russia in response to its invasion and devastation of Ukraine. The magnitude and duration of the business impact due to war, sanctions and price volatility are hard to predict, but in 2021 our sales in Russia totaled $43 million.

As in 2021, supply chain disruptions continue and sourcing components, assembling finished goods, shipping and fuel costs remain challenging. To meet our sales goals for 2022 and beyond, we have been carrying more inventory overall, sourcing similar components from multiple suppliers and when possible, manufacturing products closer to where they are sold. As planned, our newly established operations in Italy have helped mitigate some of the supply chain disruptions. For example, the labor shortages in the U.S. and France are far less a factor in Italy, so we are moving some of our manufacturing to Italy. Well beyond our Ferragamo business, Italy is playing an important role as a point of manufacturing and distribution.

We have had to become better forecasters of future needs as some items require a one year lead time. At the same time, we have been investing in more sophisticated inventory management systems and added more people to the inventory management function. That said, supply chain disruptions and inflation have, and for the foreseeable future will have, an impact on costs of raw materials such as glass, cardboard, wood, and aluminum, in addition to rising energy and shipping costs. On January 1, 2022 we enacted price increases ranging from 3% to 5%. Another price increase of a similar magnitude will be enacted in August.

Hiring and retaining the best talent have become an even greater challenge since the onset of the COVID pandemic. That need has been intensified with the staffing requirements of new brands and our expanded geographic footprint. As we approach $1 billion in sales, we have taken an important step in professionalizing the HR function with the hiring in New York City of a Chief Human Resources Officer, a newly created position reporting to our CEO.

PLANS FOR 2022

In addition to the global rollout of the new Moncler duo, we have major men's fragrance launches for Coach with *Open Road*, for GUESS with *Uomo* and for Boucheron with *Singulier*. For many of our largest brands, flankers and extensions are in the pipeline. For example, Montblanc is adding *Legend Red* to the *Legend* pillar while *I Want Choo Forever* is joining the Jimmy Choo family. We have new sister scents coming to market for GUESS *Bella Vita*, Lanvin *Éclat d' Arpège*, Kate Spade New York, Rochas *Girl*, Anna Sui *Sky*, Oscar de la Renta *Alibi* and the Coach women's signature line. For Abercrombie & Fitch, brand extensions for the Away and Authentic duos are in the 2022 pipeline as are extensions for Hollister's Canyon and Wave collections. To keep consumers, retailers and distributors engaged with the brand, we have extensions unveiling for the Ferragamo Signorina and Bright Leather collections in 2022, in advance of the new pillar being readied for fall 2023.

We remain optimistic about the prospects for our business. One reason is the unprecedented growth in the fragrance industry, an unexpected but welcome outgrowth of the COVID pandemic. Where in the past, consumers bought and wore fragrance when they left home, during the isolation of COVID, consumers increasingly bought fragrances to wear at home, to feel good about themselves and as a personal self-indulgence. They purchased fragrance online more than ever, and they experimented with different scents. This trend has traction and is showing no signs of relenting.

Our core strengths are an even more important cause for confidence. 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 serving 120 countries, and in several of our most important markets, we own or control the distribution organizations. In addition, we have greater bandwidth resulting from our newly operational Paris headquarters and our new base of operations in Florence. Our strong financial position gives us unique business agility, along with the trust of suppliers and prospective licensors. We started this letter by stating that 2021 was our best year ever. We have our exceptional staff of creative, motivated, individuals to thank for making it so. They are the backbone of our success.

Sincerely yours,

Jean Madar
Chairman of the Board
& Chief Executive Officer

Philippe Benacin
Vice Chairman of the Board
& President

New Headquarters in Paris

The Company

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. We also have a newly formed, wholly-owned Italian subsidiary, Interparfums Italia Srl.

Our consolidated wholly-owned subsidiary, Inter Parfums Holdings, S.A., and its majority-owned subsidiary, Interparfums SA, maintain executive offices at 10 rue de Solférino, 75007 Paris, France. Our telephone number in Paris is 331.5377.0000. Interparfums SA is the sole owner of one (1) distribution subsidiary: 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, European based operations and United States based operations. Certain prestige fragrance products are produced and marketed by our European operations through our 27% owned

Moncler *Pour Femme*

Donna Karan *Cashmere Mist*

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, 2021, 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 75% of net sales for 2021. We have built a portfolio of prestige brands, which include *Boucheron, Coach, Jimmy Choo, Karl Lagerfeld, Kate Spade New York, Lanvin, Moncler, Montblanc, 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 25% of net sales for the year ended December 31, 2021. 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, Dunhill, Ferragamo, Graff, GUESS, Hollister, MCM*, *Oscar de la Renta* and *Ungaro*.

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

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 2020, we signed a new license for the Moncler brand. 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 acquisition enhances the introduction of dedicated fragrance lines and products designed to address a specific consumer demand for this distribution channel and accelerate our digital development. During 2021, we closed on a transaction agreement with Salvatore Ferragamo S.p.A., whereby an exclusive and worldwide license was granted for the production and distribution of Ferragamo brand perfumes. In 2021, we also entered into a long-term global licensing agreement for the creation, development and distribution of fragrances and fragrance-related products under the Donna Karan and DKNY brands. This exclusive license becomes effective on July 1, 2022. As of December 31, 2021, we had cash, cash equivalents and short-term investments of approximately $320 million, which we believe should assist us in entering new brand licenses or outright 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

Salvatore Ferragamo

In October 2021, we closed on a transaction agreement with Salvatore Ferragamo S.p.A., whereby an exclusive and worldwide license was granted for the production and distribution of Ferragamo brand perfumes. Our rights under this license are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry. The license is effective from October 2021 and will last for 10 years with a 5-year optional term, subject to certain conditions.

With respect to the management and coordination of activities related to the license agreement, the Company will operate through a wholly-owned Italian subsidiary Interparfums Italia srl, which was acquired from Salvatore Ferragamo on October 1, 2021.

Emanuel Ungaro

In October 2021, we also entered into a 10-year exclusive global licensing agreement a with a 5-year optional term subject to certain conditions, with Emanuel Ungaro Italia srl, for the creation, development and distribution of fragrances and fragrance-related products, under the Emanuel Ungaro brand. Our rights under this license are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry.

Donna Karan and DKNY

In September 2021, we entered into a long-term global licensing agreement for the creation, development and distribution of fragrances and fragrance-related products under the Donna Karan and DKNY brands. Our rights under this license are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry. With this agreement, we are gaining several well-established and valuable fragrance franchises, most notably *Donna Karan Cashmere Mist* and *DKNY Be Delicious*, as well as a significant loyal consumer base around the world. The exclusive license is effective July 1, 2022, and we are planning to launch new fragrances under these brands in 2023.

French Tax Settlement

The French authorities had claimed that the existence of Inter Parfums (Suisse) Sarl, a wholly-owned subsidiary of Interparfums SA, our majority owned Paris-based subsidiary, 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.

In June 2021, a global settlement agreement was reached with the French Tax Authorities, whereby Interparfums SA paid in December 2021, €2.5 million (approximately $2.9 million) effectively lowering the Lanvin brand royalty rate charged by Inter Parfums (Suisse) Sarl for the periods from 2017 through 2020. Interparfums SA also agreed to apply the lower rate in 2021 through 2025 and to transfer the Lanvin brand from Inter Parfums (Suisse) Sarl to Interparfums SA by December 31, 2025.

Land and Building Acquisition - Headquarters in Paris

In April 2021, Interparfums SA completed the acquisition of its future headquarters at 10 rue de Solférino in the 7th arrondissement of Paris from the property developer. This is an office complex combining three buildings connected by two inner courtyards, and consists of approximately 40,000 total sq. ft.

The $142 million purchase price includes the complete renovation of the site. As of December 31, 2021, $136.1 million of the purchase price, including approximately $3.1 million of acquisition costs, is included in property, equipment and leasehold improvements on the accompanying balance sheet as of December 31, 2021. Approximately $8.8 million of cash held in escrow is included in other assets on the accompanying consolidated balance sheet as of December 31, 2021. In addition, the Company borrowed $17.0 million pursuant to a short-term loan equal to the VAT credit, and in July 2021, the $17.0 million VAT credit was reimbursed by the French Tax Authorities and the loan was repaid.

The acquisition was financed by a 10-year Đ120 million (approximately $139 million) bank loan which bears interest at one-month Euribor plus 0.75%. Approximately Đ80 million of the variable rate debt was swapped for fixed interest rate debt with a maximum interest rate of 2%.

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.

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.

Rochas Fashion

Effective January 1, 2021, we entered into a new license agreement modifying our Rochas fashion business model. The new agreement calls for a reduction in royalties to be received. As a result, in the first quarter of 2021, we took a $2.4 million impairment charge on our Rochas fashion trademark. The new license also contains an option for the licensee to buy-out the Rochas fashion trademarks in June 2025 at its then fair market value.

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, 2021.

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 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. Following a successful prelaunch in late 2021, our first fragrance launch for the Moncler brand is rolling out in the first quarter of 2022.

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 procdures 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 Degrés)
- Perfumers (IFF, Givaudan, Firmenich, Robertet, Takasago, Mane) which create a fragrance consistent with our expectations and, that of the fragrance designers and creators
- Fillers (Voyant, CPFPI, Omega Packaging, Société 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 Grou, 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, Société de Diffusion de Produits de Parfumerie, MF Productions, Biopack) or logistics (Bansard and 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 50% 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.

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.

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
Donna Karan	December 31, 2032*, plus a 5-year optional term if certain sales targets are met
Dunhill	September 30, 2023
Emanuel Ungaro	December 31, 2031, plus a 5-year optional term if certain sales targets are met
French Connection	December 31, 2027, plus a 10-year optional term if certain sales targets are met
Graff	December 31, 2026, plus 3 optional 3-year terms if certain sales targets are met
GUESS	December 31, 2033
Hollister	Extends until either party terminates on 3 years' notice
Kate Spade	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
Salvatore Ferragamo	December 31, 2031, plus a 5-year optional term if certain sales targets are met
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.

** license effective July 1, 2022*

Fragrance Portfolio

Abercrombie & Fitch

In 2014, we entered into a worldwide license to create, produce and distribute new fragrances and fragrance related products under the Abercrombie & Fitch brand name. We distribute these fragrances in specialty stores, department stores and duty free shops, and in the U.S., 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. Since that time, we unveiled several new fragrances most notably the *Authentic* and *Away* duos as well as brand extensions.

Abercrombie & Fitch Co. is a leading, global, omnichannel specialty retailer of apparel and accessories for men, women and kids. The iconic Abercrombie & Fitch brand was born in 1892 and aims to make every day feel as exceptional as the start of a long weekend.

Abercrombie & Fitch *Away Tonight*

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. Anna Sui is one of New York's most accomplished fashion designers known for creating contemporary clothing inspired by vintage style that capture the brand's very sweet feminine girly aspect, combined with touch hipness and rock-and-roll. Today, Anna Sui has over 50 boutiques and her collection and products are sold in 300 stores in over 30 countries, but her brand is by far most popular and well received throughout Asia. Over the past decade, we have worked in partnership with Anna Sui and her creative team to build upon the brand's customer appeal and develop and market a family of fragrances including *Fantasia, Sui Dreams* and the newest scent, *Sky,* which was ranked as the second best perfume launch of 2021 by WWD Japan.

Anna Sui *Cosmic 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. For over a century, since becoming the first jeweler to open a boutique on Place Vendôme in 1893, Boucheron has embodied very high-end creation, luxury and French know-how. The mysterious and seductive collection of Boucheron fragrances unquestionably continues this prestigious brand mystique.

Boucheron legacy scents, *Femme* and *Homme*, and the legendary *Jaipur* perfume form the foundation of brand sales. Our team has enriched the portfolio with *Quatre* for men and women, along with several special editions, a growing collection of unique scents aptly named, *La Collection*, and *Serpent Boheme*. We have a new Boucheron men's fragrance in the works for 2022, as well as still another addition to our Boucheron *Collection*. Currently Boucheron operates through over 66 boutiques worldwide as well as an e-commerce site.

Boucheron *Quatre Iconic*

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.

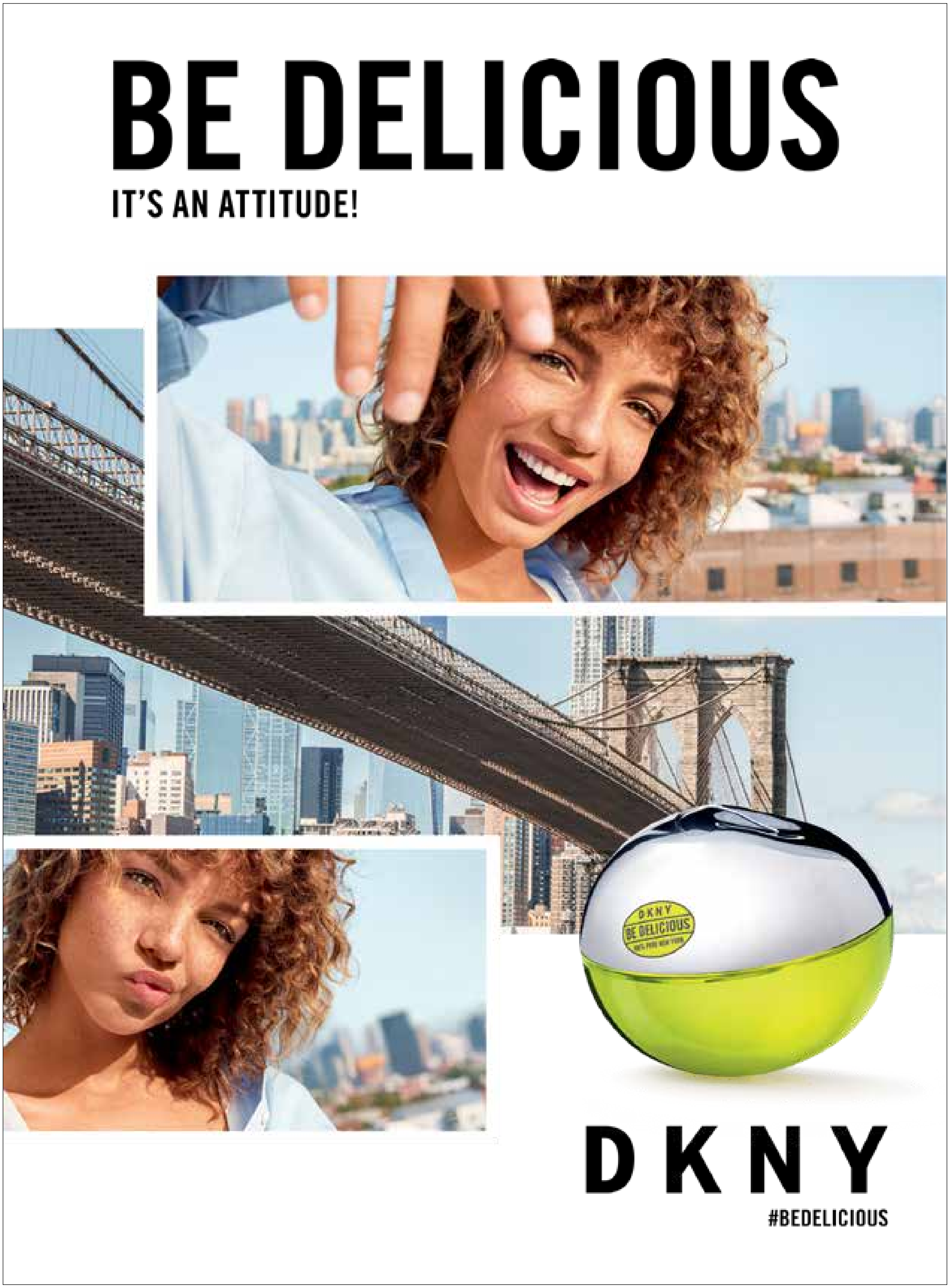
Founded in 1941, Coach is the ultimate American leather goods brand and has always been renowned for its quality craftsmanship. Now the luxury brand that best embodies New York's casual elegance, Coach also offers collections of ready-to-wear, lifestyle accessories and fragrances. Its contemporary approach to luxury combines authenticity and innovation, exported worldwide thanks to its thoroughly American non-conformist vision.

In 2016, we launched our first Coach fragrance, a women's signature scent, and in 2017, a men's scent, both of which became and remain top selling prestige fragrances. Subsequent flankers and extensions have enlarged the Coach fragrance enterprise as have entirely new collections, including *Coach Dreams* which debuted in early 2020, and its sister scent, *Dreams Sunset*, debuting in 2021. For 2022, we have a new pillar for men unveiling, and new edition to the Coach women's line. Coach is part of the Tapestry house of brands.

Coach *Coach Wild Rose*

DKNY

DKNY fragrances will join the Inter Parfums fragrance portfolio on July 1, 2022. The DKNY brand emerged in 1989 as the "next generation" fashion response to Donna Karan's then teenage daughter raiding her mom's closet. Today, DKNY designs, markets and globally distributes collections of apparel, accessories, footwear and select licensed products. *Be Delicious,* the brand's best known scent which launched in 2004, was named one of the *25 Perfumes of All Time* in April 2022 by Marie Claire magazine. There are new products for the brand under development. Like our Donna Karan fragrance license, our exclusive DKNY license was awarded by G-III Apparel Group in September 2021.



DKNY *Be Delicious*

DONNA KARAN
NEW YORK

Come July 2022, our long-term global licensing agreement with the G-III Apparel Group for the creation, development and distribution of fragrances under the Donna Karan brand becomes effective. Donna Karan is recognized as a fashion pioneer, and in 2004 she received a lifetime achievement award from the Council of Fashion Designers of America. While inspired by the energy and attitude of New York City in 1984, today Donna Karan is a global lifestyle brand whose products are sold worldwide. In addition to fashion and fragrance, the Donna Karan label can be found on shoes, accessories and home fashions. The brand's lead fragrance, *Cashmere Mist* launched in 1994 and was awarded the Fragrance Foundation Hall of Fame Award in 2019. In February 2022 *Cashmere Mist* was ranked among *the 100 Greatest Fragrances of All Time* by WWD. A new fragrance for the brand is in the works for 2023.

Donna Karan *Cashmere Mist*

emanuel ungaro

In October 2021, we also entered into a 10-year exclusive global licensing agreement with Emanuel Ungaro for the creation, development and distribution of fragrances and fragrance-related products, under the Emanuel Ungaro brand. Founded in 1965 in Paris, the house Emanuel Ungaro is an icon of French refinement and haute couture. Its unique style is expressed through unquestioning sensuality, purity of silhouette, flamboyant prints, and exquisite attention to details. Season after season, Emanuel Ungaro dared to be different, combining unexpected yet sensual clashes of bright colors and prints with beautiful draping. Today Ungaro fragrances uphold the same values of audacity and elegance, and the brand is best known and most prized internationally, and such presence will remain our sales focus as we continue to produce and distribute the brand's legacy scents, notably *Diva*. Beginning in 2023, we plan to unveil a new fragrance incorporating disruptive design, driven by creativity and authenticity.

emanuel ungaro

Emanuel Ungaro *Diva*

G R A F F

In 2018, we 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. Each jewelry creation is designed and manufactured in Graff's London atelier, where master craftsmen employ 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, which we further extended as a result of the mandatory store closings throughout that year. In 2021, a select market rollout began in the Middle East, with limited luxury distribution to only the most exclusive, upmarket retail outlets. In 2022, we'll be adding two new scents for the *Lesedi La Rona* collection.

Graff *Lesedi La Rona Fragrances*

GUESS

In 2018, we 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.

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.

Nearly three years in the making, our first new blockbuster scent, *Bella Vita,* debuted for the GUESS brand both domestically and internationally in 2021. In addition, *Effect,* a new men's grooming line and fragrance collection, was launched in 2021. *Uomo,* a new men's fragrance for GUESS, comes to market in 2022.


ART DIR: PAUL MARCIANO PH: TATIANA GERUSOVA © GUESS?, INC. 2022
GUESS
UOMO
GUESS
UOMO

***Guess** Uomo*

HOLLISTER
CALIFORNIA

In 2014, we entered into a worldwide license to create, produce and distribute new fragrances and fragrance related products under the Hollister brand name. We distribute these fragrances in specialty stores, department stores and duty free shops, as well as select Hollister retail stores in the U.S. In 2016, we launched our first men's and women's fragrance duo, *Wave* which led to flankers and extensions as did subsequent fragrance families *Festival* and *Canyon Escape*.

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.

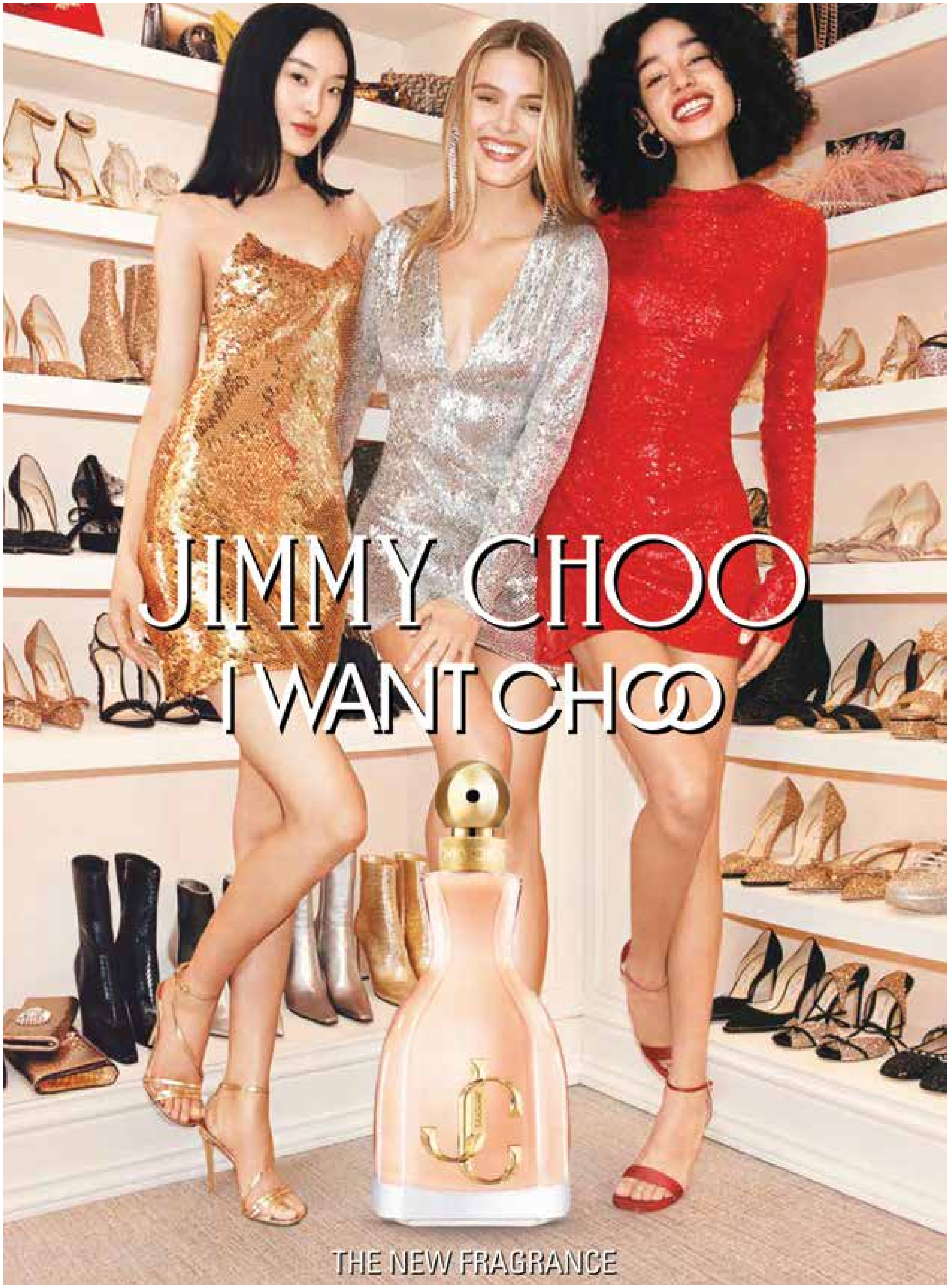
***Hollister** Canyon Rush*

JIMMY CHOO

In 2009, we entered into an exclusive 12-year worldwide license agreement for the creation, development and distribution of fragrances and fragrance related products 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. 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 initial Jimmy Choo fragrance was launched in 2011, a signature scent for women. In the decade that followed, Jimmy Choo has grown to become our second largest brand with new pillars and flankers debuting regularly, both for men and women. Our newest women's fragrance, *I Want Choo*, was launched in 2021 and for 2022, we have a new *Jimmy Choo Man* flanker as well as one for *I Want Choo*.



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. Karl Lagerfeld created the first fragrance that bears his name in 1978, and that legacy has expanded to include several growing multi-scent collection, *Les Parfums Matières* and most recently, *Karl Cities*, a new collection featuring entries for *New York, Paris, Hamburg* and *Tokyo* was unveiled.

Karl Lagerfeld *Les Parfums Matières*

kate spade NEW YORK

In 2019, we entered into an exclusive, 11-year worldwide license agreement with Kate Spade to create, produce and distribute new perfumes and fragrance related products under the Kate Spade brand which we distribute globally to department and specialty stores and duty free shops, as well as in Kate Spade retail stores. Our first original scent, Kate Spade New York, debuted in January 2021 and for 2022, we are adding a flanker to our line.

Since its launch in 1993 with a collection of six essential handbags, Kate Spade 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'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 is part of the Tapestry house of brands.

Kate Spade *Sparkle*

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 *Éclat d'Arpège, Lanvin L'Homme, Jeanne Lanvin, Modern Princess* and *A Girl in Capri*. The *Éclat d'Arpège* line accounts for almost 50% of brand sales. *Les Fleurs de Lanvin*, a new floral fragrance collection, was released during the second half 2021. For 2022, we have a new extension unveiling for our *Éclat d'Arpège* line.

Lanvin *Les Fleurs de Lanvin*

MCM

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.

MCM is a luxury lifestyle goods and fashion house founded in 1976 with an attitude defined by the cultural Zeitgeist and its German heritage with a focus on functional innovation, including the use of cutting-edge techniques. Today, through its association with music, art, travel and technology, MCM embodies the bold, rebellious and aspirational. Always with an eye on the disruptive, the driving force behind MCM centers on revolutionizing classic design with futuristic materials. MCM's millennial and Gen Z audience is genderless, ageless, empowered and unconstrained by rules and boundaries.

Following through on our plan to develop extraordinary fragrances that capture the creative spirit of MCM, our first new fragrance, *MCM,* was released during the first quarter of 2021 to great, and somewhat unexpected success. A flanker is in the pipeline for 2022 along with a special edition called *MCM EDP Collector's Edition*. Our distribution strategy encompasses MCM stores, high-end department stores and prestige beauty retailers, with a geographic focus on Asia, the Americas and Europe.

MCM EDP

In June 2020, we 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. 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.

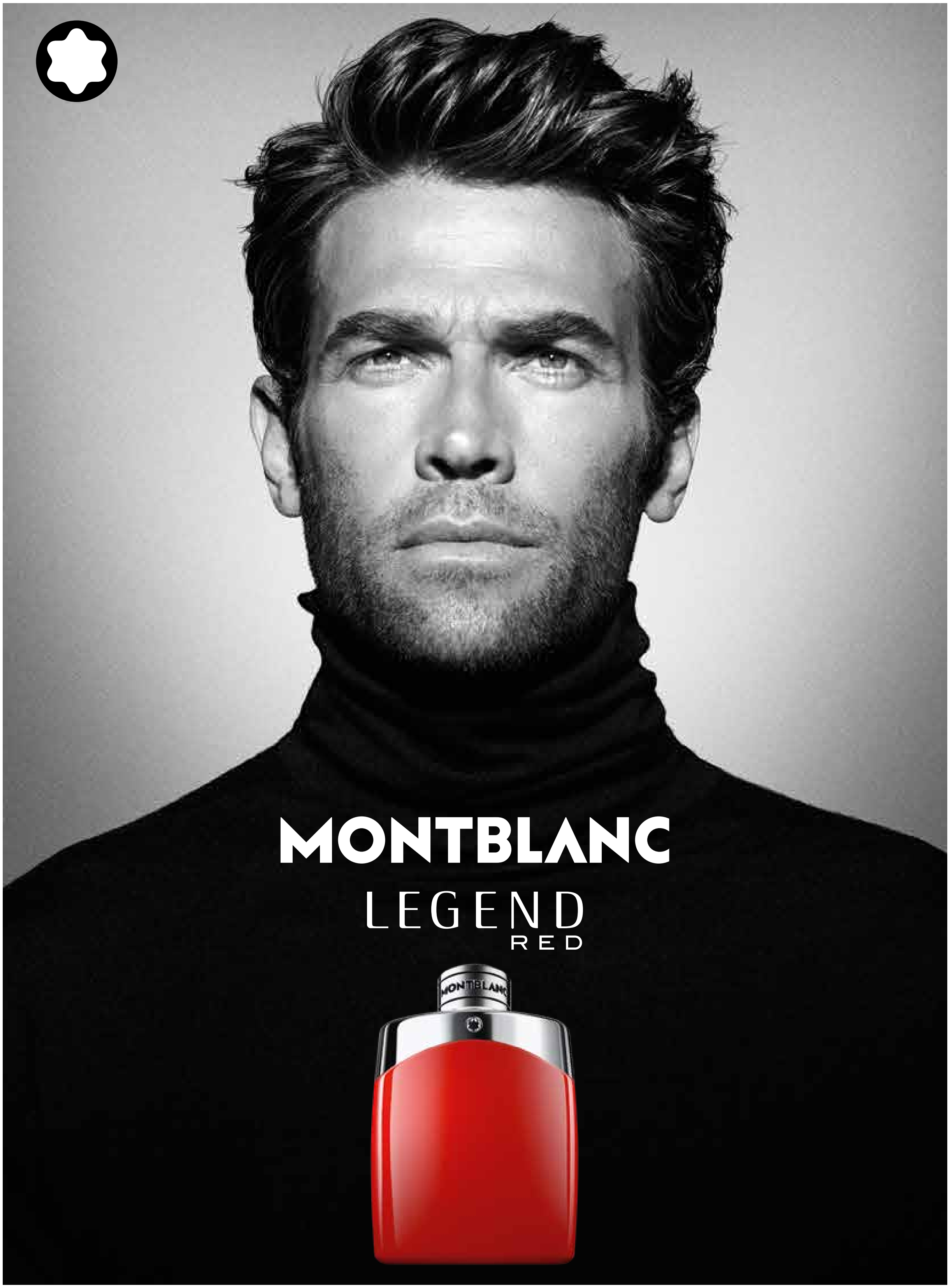
Our first fragrance for the Moncler brand has a revolutionary LED design, and the flask-shaped bottles of *Moncler Pour Femme* and *Moncler Pour Homme* forge a powerful bond with the House Moncler's alpine roots and pioneering spirit. This playful and unique innovation enables its owner to write a personalized note that scrolls in red letters on the screen of the mirror bottle. Our first fragrance was pre-launched in 250 select outlets in the second half of 2021, and was met with an excellent response. A full rollout to approximately 3,000 doors began in early 2022.

Moncler *Pour Homme*

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 and has given rise to a plethora of flankers including *Legend Night* and *Legend Spirit*. In 2014, we launched our second men's line, *Emblem* and like its predecessor, *Emblem* gave rise to brand extensions. In 2019, we unveiled Montblanc *Explorer*, which has added flankers, most recently Montblanc *Explorer Ultra Blue*. The *Legend* continues, as in 2022, we will be introducing a new flanker, Montblanc *Legend Red*.



Montblanc *Legend Red*

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. After taking over distribution of the brand's legacy fragrances in 2014, we introduced *Extraordinary* the following year. Oscar de la Renta *Bella Blanca* debuted in 2018, followed by *Bella Rosa* and *Bella Essence* and soon to join them, *Bella Bouquet*. Debuting in 2021 was an entirely new fragrance pillar, *Alibi* which will welcome a sister scent in 2022.

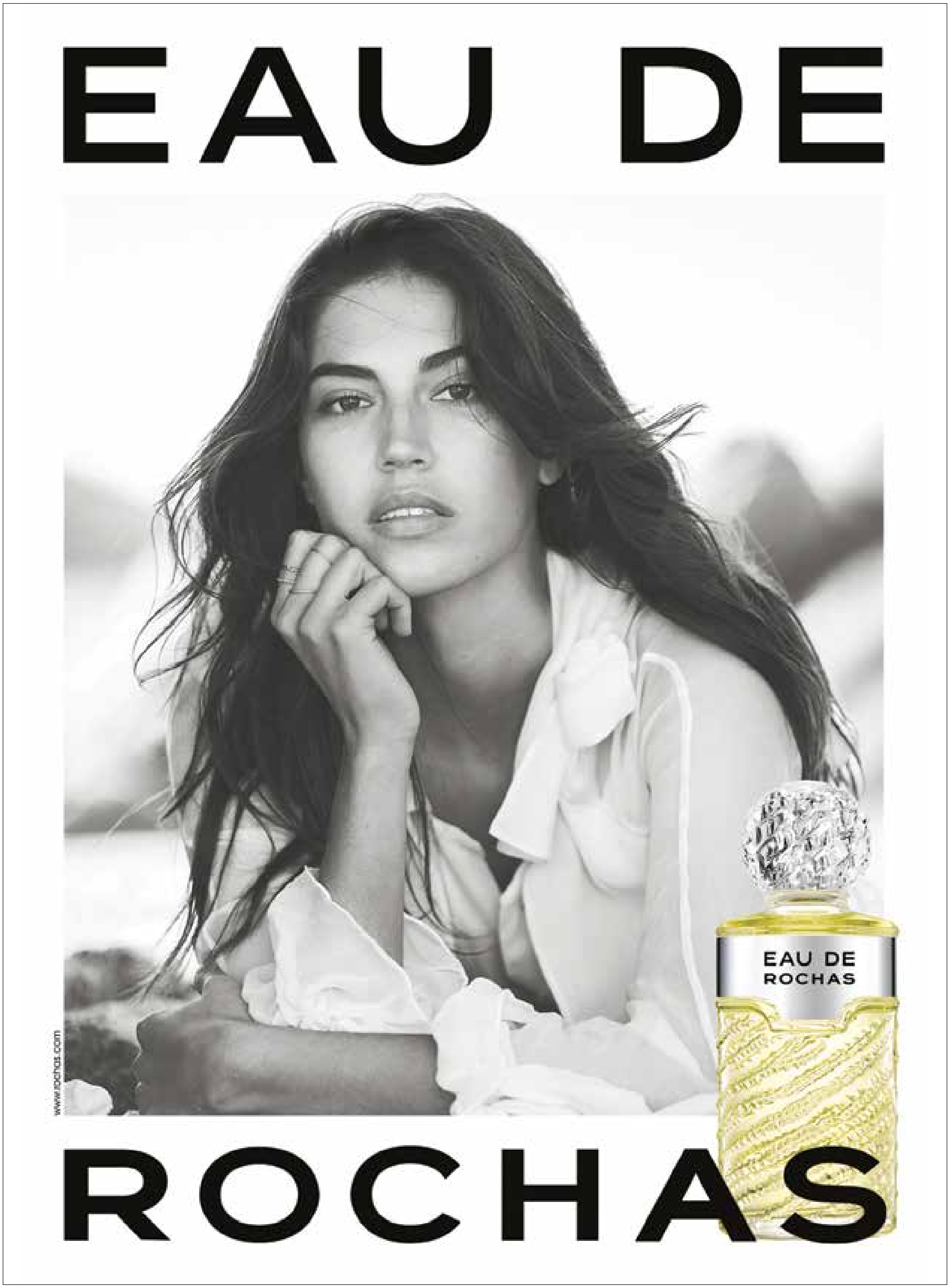
Oscar de la Renta is one of the world's leading luxury goods firms. The New York-based company was established in 1965, and encompasses a full line of women's accessories, bridal, children's wear, fragrance, beauty and home goods, in addition to its internationally renowned signature women's ready to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

Oscar de la Renta Alibi EDT

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.

Our first new fragrance for Rochas, *Mademoiselle Rochas,* had a successful launch in 2017 in its traditional markets of France and Spain. Over the next few years, we debuted flankers for legacy scents *Eau de Rochas* and *Mademoiselle Rochas,* plus others and in 2018 we launched our first new men's line, *Rochas Moustache. Byzance* debuted in early 2020 and *Rochas Girl* in 2021, and the first flanker for both will come to market in 2022 as well as one for *L'Homme Rochas*.



Rochas *Eau de Rochas*

In October 2021, we closed on a transaction agreement with Salvatore Ferragamo S.p.A., whereby an exclusive and worldwide 10-year license was granted for the production and distribution of Ferragamo brand perfumes, with a 5-year optional term if certain conditions are met. Salvatore Ferragamo S.p.A. is the parent company of the Salvatore Ferragamo Group, one of the world's leaders in the luxury industry and whose origins date back to 1927. Named after its founder, the brand still represents and lives by the original values of Salvatore Ferragamo. The uniqueness and exclusivity of its creations, along with the perfect blend of style, creativity and innovation enriched by the quality and superior craftsmanship of the 'Made in Italy' tradition, have always been the hallmarks of Salvatore Ferragamo's products notably shoes, leather goods, apparel, silk products and other accessories for men and women.

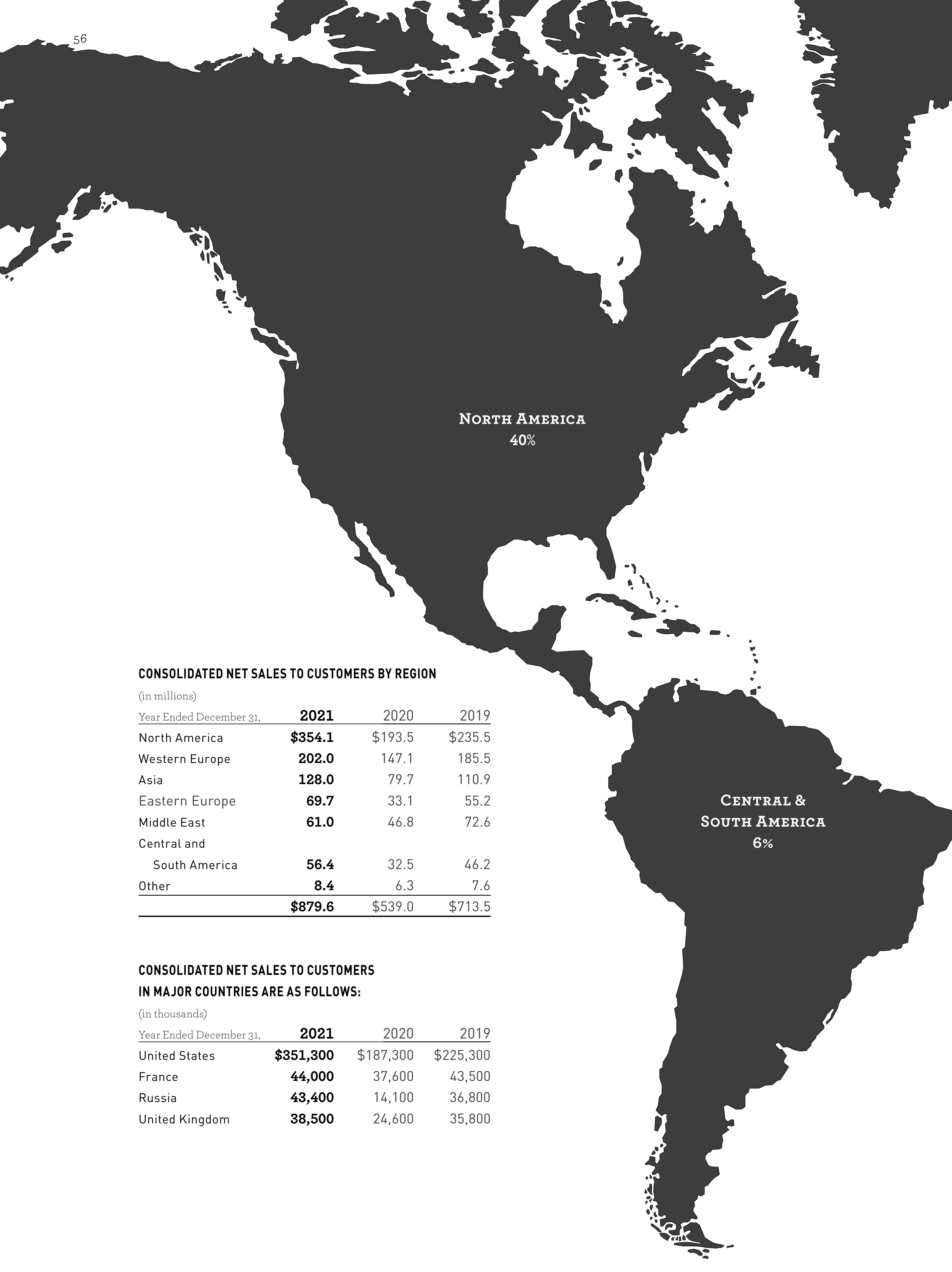
The current fragrance lineup includes *Storie di Seta*, a new collection of four refined, luminous olfactory works of art. Each fragrance is made with rare, sustainable raw materials, and can be worn alone or in combination, creating a personalized multifaceted scent. The genderless collection is comprised of four fragrances in four colors. Four exclusive motifs drawn from the House's textile heritage adorn each flacon. Established scents in the Ferragamo portfolio include *Ferragamo,* a collection of fragrances for men, *Signoria,* a collection of fragrances for women, the *Tuscan Creations* series, the *Amo* series and the *Uomo* series.

Salvatore Ferragamo *Giardini di Seta*

Van Cleef & Arpels

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 and *Rêve de Matière* in 2021. *Patchouli Blanc* is the new addition to the *Collection Extraordinaire,* scheduled for 2022. Founded in 1896, Van Cleef & Arpels is a French luxury jewelry company owned by Richemont Holdings Limited.

Van Cleef & Arpels *Collection Extraordinaire, Patchouli Blanc*



CONSOLIDATED NET SALES TO CUSTOMERS BY REGION

(in millions)

Year Ended December 31,	**2021**	2020	2019
North America	**$354.1**	$193.5	$235.5
Western Europe	**202.0**	147.1	185.5
Asia	**128.0**	79.7	110.9
Eastern Europe	**69.7**	33.1	55.2
Middle East	**61.0**	46.8	72.6
Central and South America	**56.4**	32.5	46.2
Other	**8.4**	6.3	7.6
	$879.6	$539.0	$713.5

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

(in thousands)

Year Ended December 31,	**2021**	2020	2019
United States	**$351,300**	$187,300	$225,300
France	**44,000**	37,600	43,500
Russia	**43,400**	14,100	36,800
United Kingdom	**38,500**	24,600	35,800


EUROPE
31%
MIDDLE EAST
7%
ASIA
15%

The Organization

All Corporate Functions:

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

Finance, Investor Relations And Administration:

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

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

Operations:

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.

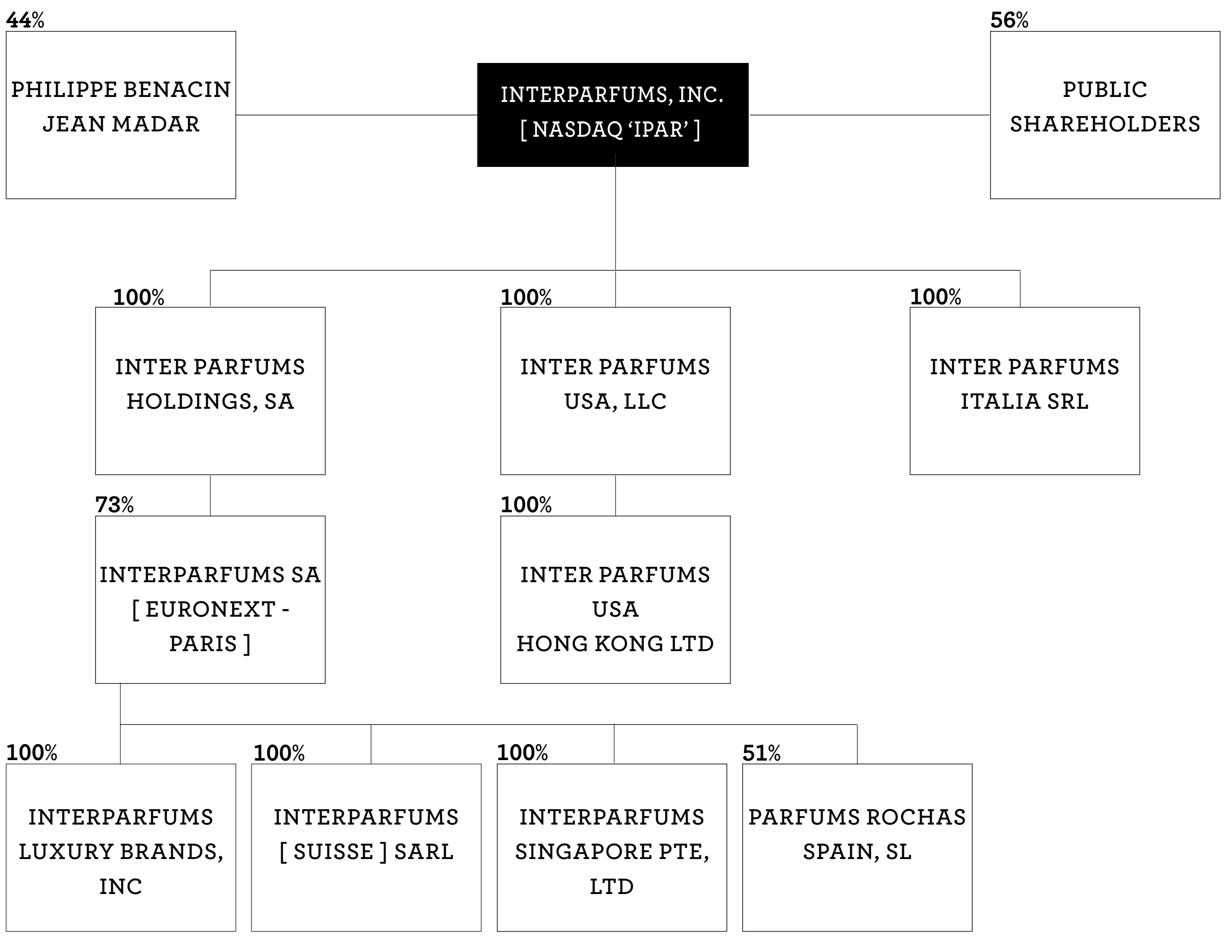
Domestic (Home Country) Sales:

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

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 75%, 78% and 76% of net sales for 2021, 2020 and 2019, respectively. We have built a portfolio of prestige brands, which include Boucheron, Coach, Jimmy Choo, Karl Lagerfeld, Kate Spade, Lanvin, Moncler, Montblanc, 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 25%, 22% and 24% of net sales in 2021, 2020 and 2019, respectively. These fragrance products are sold primarily pursuant to license or other agreements with the owners of the Abercrombie & Fitch, Anna Sui, Dunhill, Ferragamo, Graff, GUESS, Hollister, MCM, Oscar de la Renta and Ungaro 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, 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,	**2021**	2020	2019
Montblanc	**19%**	21%	22%
Jimmy Choo	**18%**	16%	16%
Coach	**16%**	17%	14%
GUESS	**12%**	11%	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 primarily sell directly to retailers in France 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. The 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 50% 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.

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. In all jurisdictions in which we operate, we have been following guidance from authorities and health officials.

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 and caused a significant unfavorable impact on our results of operations in 2020.

Business significantly improved in the second half of 2020 and continued to improve throughout 2021, as retail stores reopened, and consumers increased online purchasing. While we expect this trend to continue, as the luxury fragrance industry has shown continued resilience, the introduction of variants of COVID-19 in various parts of the world has caused the temporary re-implementation of governmental restrictions to prevent further spread of the virus. In addition, international air travel has remained curtailed in many jurisdictions due to both governmental restrictions and consumer health concerns. While COVID-19 has significantly restricted international travel in the near-term, we continue to believe that global travel retail will once again be a growth opportunity for the long-term. Lastly, the improved economy has put significant strains on our supply chain causing disruptions affecting the procurement of components, the ability to transport goods, and related cost increases. These disruptions have come at a time when demand for our product lines has never been stronger or more sustained. We have been addressing this issue since the beginning of 2021, by ordering well in advance of need and in larger quantities. Going forward, we aim to carry more inventory overall, source the same components from multiple suppliers and when possible, manufacture products closer to where they are sold. We do not expect the supply chain bottlenecks to begin lifting until later in 2022. Therefore, despite recent business improvement, the impact of the COVID-19 pandemic may have a material adverse effect on our results of our operations, financial position and cash flows through at least the end of 2022.

RECENT IMPORTANT EVENTS

Salvatore Ferragamo

In October 2021, we closed on a transaction agreement with Salvatore Ferragamo S.p.A., whereby an exclusive and worldwide license was granted for the production and distribution of Ferragamo brand perfumes. Our rights under this license are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry. The license became effective in October 2021 and will last for 10 years with a 5-year optional term, subject to certain conditions.

With respect to the management and coordination of activities related to the license agreement, the Company operates through a wholly-owned Italian subsidiary based in Florence, that was acquired from Salvatore Ferragamo on October 1, 2021. The acquisition together with the license agreement was accounted for as an asset acquisition. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed on October 1, 2021. All amounts have been translated to U.S. dollars at the October 1, 2021 exchange rate.

$ in thousands	
Inventories	$17,805
Trademarks and licenses	$15,880
Other assets	$3,033
Assets acquired	36,718
Liabilities assumed	(958)
	$35,760

Emanuel Ungaro

In October 2021, we also entered into a 10-year exclusive global licensing agreement a with a 5-year optional term subject to certain conditions, with Emanuel Ungaro Italia S.r.l, for the creation, development and distribution of fragrances and fragrance-related products, under the Emanuel Ungaro brand. Our rights under this license are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry.

Donna Karan and DKNY

In September 2021, we entered into a long-term global licensing agreement for the creation, development and distribution of fragrances and fragrance-related products under the Donna Karan and DKNY brands. Our rights under this license are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry. With this agreement, we are gaining several well-established and valuable fragrance franchises, most notably Donna Karan *Cashmere Mist* and *DKNY Be Delicious*, as well as a significant loyal consumer base around the world. In connection with the grant of license, we issued 65,342 shares of Inter Parfums, Inc. common stock valued at $5.0 million to the licensor. The exclusive license is effective July 1, 2022, and we are planning to launch new fragrances under these brands in 2023.

French Tax Settlement

The French authorities had considered 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.

In June 2021, a global settlement agreement was reached with the French Tax Authorities, whereby Interparfums SA paid in December 2021, Đ2.5 million (approximately $2.9 million) effectively lowering the Lanvin brand royalty rate charged by IP Suisse for the periods from 2017 through 2020. Interparfums SA also agreed to apply the lower rate in 2021 through 2025 and to transfer the Lanvin brand from IP Suisse to Interparfums SA by December 31, 2025.

Land and Building Acquisition - Future Headquarters in Paris

In April 2021, Interparfums SA, completed the acquisition of its future headquarters at 10 rue de Solférino in the 7th arrondissement of Paris from the property developer. This is an office complex combining three buildings connected by two inner courtyards, and consists of approximately 40,000 total sq. ft.

The $142 million purchase price includes the complete renovation of the site. As of December 31, 2021, $136.1 million of the purchase price, including approximately $3.1 million of acquisition costs, is included in property, equipment and leasehold improvements on the accompanying balance sheet as of December 31, 2021. Approximately $8.8 million of cash held in escrow is included in other assets on the accompanying balance sheet as of December 31, 2021. In addition, the Company borrowed $17.0 million pursuant to a short-term loan equal to the VAT credit, and in July 2021, the $17.0 million VAT credit was reimbursed by the French Tax Authorities and the loan was repaid.

The acquisition was financed by a 10-year €120 million (approximately $136 million) bank loan which bears interest at one-month Euribor plus 0.75%. Approximately €80 million of the variable rate debt was swapped for variable interest rate debt with a maximum rate of 2% per annum.

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.

Rochas Fashion

Effective January 1, 2021, we entered into a new license agreement modifying our Rochas fashion business model. The new agreement calls for a reduction in royalties to be received. As a result, in the first quarter of 2021, we took a $2.4 million impairment charge on our Rochas fashion trademark. The new license also contains an option for the licensee to buy-out the Rochas fashion trademarks in June 2025 at its then fair market value.

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, 2021.

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.

Long-Lived Assets

We evaluate indefinite-lived intangible assets for impairment at least annually during the fourth quarter, or more frequently when events occur or circumstances change, such as an unexpected decline in sales, that would more likely than not indicate that the carrying value of an indefinite-lived intangible asset may not be recoverable. When testing indefinite-lived intangible assets for impairment, the evaluation requires a comparison of the estimated fair value of the asset to the carrying value of the asset. The fair values used in our evaluations are estimated based upon discounted future cash flow projections using a weighted average cost of capital of 7.47%. 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, 2021 indefinite-lived intangible assets aggregated $119.7 million. The following table presents the impact a change in the following significant assumptions would have had on the calculated fair value in 2021 assuming all other assumptions remained constant:

$ in millions	Change	Increase (decrease) to fair value
Weighted average cost of capital	**+10%**	**$(11.9)**
Weighted average cost of capital	**−10%**	**$14.0**
Future sales levels	**+10%**	**$13.3**
Future sales levels	**−10%**	**$(13.3)**

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

In determining the useful life of our Lanvin brand names and trademarks, we applied the provisions of ASC topic 350-30-35-3. The only factor that prevented us from determining that the Lanvin brand names and trademarks were indefinite life intangible assets was Item c. "Any legal, regulatory, or contractual provisions that may limit the useful life." The existence of a repurchase option originally in 2025 and amended to 2027, 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,	**2021**	**% Change**	2020	% Change	2019
European-based product sales	**$663.2**	**57%**	$422.9	(22)%	$542.1
United States-based product sales	**216.4**	**86%**	116.1	(32)%	171.4
Total net sales	**$879.6**	**63%**	$539.0	(24)%	$713.5

Net sales rebounded significantly in 2021, as compared to 2020 for both European and United States based operations. Even more gratifying, 2021 net sales for European based operations and United States based operations increased 22% and 26%, respectively, as compared to 2019. At comparable foreign currency exchange rates, net sales increased 62% in 2021, as compared to 2020 and decreased 26 % in 2020, as compared to 2019. Net sales in 2020 reflected the negative impacts of the COVID-19 pandemic on the beauty industry. Retail store closings, event cancellations and a shutdown of international air travel brought our sales to a virtual standstill in early 2020. In the second half of 2020, business began rebounding thanks to retail stores reopening and a robust e-commerce business 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. As 2020 was an outlier for our sales due to the COVID-19 pandemic and its effects as discussed above, below are sales comparisons for our largest brands in 2021 with 2019.

For European based operations, our largest brands, Montblanc, Jimmy Choo and Coach grew 2021 sales by 7%, 34% and 41%, respectively, as compared to 2019. There were also significant gains made by our mid-sized brands, including Van Cleef & Arpels and Karl Lagerfeld. We also welcomed first time sales by our newest brands, notably Kate Spade and Moncler.

In 2021, GUESS became our fourth brand with sales exceeding $100 million. GUESS brand sales increased 41% in 2021, as compared to 2019, contributing to the overall increase in 2021 net sales within U.S. based operations. There were also significant gains made by our mid-sized brands, especially Abercrombie & Fitch, Hollister and Oscar de la Renta. We also welcomed first time sales by our newest brands, MCM and Ferragamo.

A more detailed discussion relating to our sales for 2020 as compared to 2019 can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our annual report on Form 10-K for the year ended December 2020.

We are confident in our future as 2022 has begun on a strong note. We have completed the integration of the Ferragamo and Ungaro brands and our new Italian subsidiary is now staffed and fully operational. We have a solid line-up of new product launches in the pipeline for many of our other brands. This includes the roll out of the first Moncler fragrance line in a series of selective points of sale that faithfully respect the brand's image. An entirely new men's collection for GUESS is scheduled for introduction in the spring. Extensions of the Montblanc Legend, Jimmy Choo Man and Jimmy Choo's I Want Choo, debut in the first, second and third quarters, respectively. Also, in the third quarter, we will unveil new men's lines for Coach and Boucheron. Brand extensions and flankers are in the works for MCM, Abercrombie & Fitch, Hollister, Anna Sui, and Oscar de la Renta. In addition, we will be adding the Donna Karan and DKNY fragrance brands to our portfolio come this summer. In sum, 2022 has all the earmarks of another superb year as the growth catalysts currently far outweigh the headwinds, most notably limited travel retail business and supply chain disruptions.

As in the past, 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, or acquisition agreements will be consummated.

Net Sales to Customers by Region

(in millions)

Years ended December 31,	**2021**	2020	2019
North America	**$354.1**	$193.5	$235.5
Western Europe	**202.0**	147.1	185.5
Asia	**128.0**	79.7	110.9
Eastern Europe	**69.7**	33.1	55.2
Middle East	**61.0**	46.8	72.6
Central & South America	**56.4**	32.5	46.2
Other	**8.4**	6.3	7.6
	$879.6	$539.0	$713.5

As we did with sales for our largest brands, we are discussing net sales to customers by region using comparisons in 2021 with 2019, as the result of the effects of the COVID-19 pandemic in 2020. Our largest market, North America achieved sales growth of 50% in 2021 compared to 2019, while Western Europe and Asia grew sales by 9% and 15% in 2021, respectively, compared to 2019. Latin America and Eastern Europe also achieved top line growth of 22% and 26% in 2021, respectively, and only the Middle East had a decline in sales compared to 2019. As of the date of this report, 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.

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 Middle East and Asian markets.

Gross Margins

(in millions)

Years ended December 31,	**2021**	2020	2019
European Operations			
Net sales	**$663.2**	$422.9	$542.1
Cost of sales	**221.2**	152.3	186.2
Gross margin	**$442.0**	$270.6	$355.9
Gross margin as a percent of net sales	**66.7%**	64.0%	65.7%
United States Operations			
Net sales	**$216.3**	$116.1	$171.4
Cost of sales	**101.4**	56.0	81.4
Gross margin	**$114.9**	$60.1	$90.0
Gross margin as a percent of net sales	**53.1%**	51.8%	52.5%

For European based operations, gross profit margin as a percentage of net sales was 66.6%, 64.0% and 65.7% in 2021, 2020 and 2019, respectively. Distribution in the United States for European based operations is handled by a 100% owned subsidiary of Interparfums SA. Therefore, sales are made at a wholesale price rather than at an ex-factory price, resulting in higher gross margins. Net sales of our U.S. distribution subsidiary increased 86% in 2021, as compared to 2020, giving rise to the increase in gross margin in 2021 over both 2020 and 2019. We carefully monitor movements in foreign currency exchange rates as over 50% of our European based operations net sales is denominated in U.S. dollars, while most of our costs are incurred in euro. From a margin standpoint, a strong U.S. dollar has a positive effect on our gross margin while a weak U.S. dollar has a negative effect. The average dollar/euro exchange rate was 1.18 in 2021, 1.15 in 2020, and 1.12 in 2019. The weaker dollar in 2021 partially mitigated the increase in margin referred to above and resulted in a small decline in our gross margins in 2020. Gross margin in 2020 for European operations also included 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 acquired in 2019.

For United States operations, gross profit margin was 53.1%, 51.8% and 52.5% in 2021, 2020 and 2019, 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. With U.S. based operations net sales up 86% in 2021, as compared to 2020, no such effect was seen in 2021.

Costs relating to purchase with purchase and gift with purchase promotions are reflected in cost of sales, and aggregated $37.6 million, $26.4 million and $38.9 million in 2021, 2020 and 2019, respectively, and represented 4.3%, 4.9% and 5.5% of net sales, respectively.

Generally, we do not bill customers for shipping and handling costs and such costs, which aggregated $10.1 million, $5.0 million and $7.7 million in 2021, 2020 and 2019, 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,	**2021**	2020	2019
European Operations			
Selling, general & administrative expenses	**$327.5**	$210.6	$275.3
Selling, general & administrative expenses as a percent of net sales	**49.4%**	49.8%	50.8%
United States Operations			
Selling, general & administrative expenses	**$79.0**	$50.1	$65.9
Selling, general & administrative expenses as a percent of net sales	**36.5%**	43.1%	38.5%

For European operations, selling, general and administrative expenses increased 55.5% in 2021 and declined 23.6% in 2020, as compared to the corresponding prior year period, and represented 49.4%, 49.8% and 50.8% of sales in 2021, 2020 and 2019, 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, had 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 nearly all major new product launches were postponed until 2021. In addition, we also undertook several actions with an eye toward minimizing fixed expenses.

For United States operations, selling, general and administrative expenses increased 57.8% in 2021 and decreased 24.1% in 2020, as compared to the corresponding prior year period and represented 36.5%, 43.1% and 38.5% of sales in 2021, 2020 and 2019, 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 2020 net sales. However, with an 86% increase in 2021 net sales, the opposite effect was realized, and we were able to achieve significant leverage on fixed costs during the year.

Promotion and advertising included in selling, general and administrative expenses aggregated $171.8 million, $91.7 million and $144.6 million in 2021, 2020 and 2019, respectively. Promotion and advertising as a percentage of sales represented 19.5%, 17.0% and 20.3% of net sales in 2021, 2020 and 2019, respectively. Promotion and advertising programs were cut significantly in 2020 in response to market conditions. Throughout 2021, sales rebounded far more rapidly than anticipated causing us to play catchup with promotional and adverting programs and missing our target spend of 21% of annual sales. Promotion and advertising are integral parts of our industry, and we continue to invest heavily in promotional spending to support new product launches and to build brand awareness. We believe that our promotion and advertising efforts have had a beneficial effect on online net sales, causing then to continue to grow strongly on a global basis. All of our brands have benefitted from newly launched and enhanced e-commerce sites in existing markets in collaboration with our retail customers on their e-commerce sites. We also continue to develop and implement omnichannel concepts, the way brick-and-mortar stores and a business' online operations work in tandem, and compelling content to deliver an integrated consumer experience. We anticipated that on a full year basis, future promotion and advertising expenditures will aggregate approximately 21% of net sales, which is in line with historical averages.

Royalty expense included in selling, general and administrative expenses aggregated $69.0 million, $41.1 million and $53.0 million in 2021, 2020 and 2019, respectively. Royalty expense as a percentage of sales represented 7.8%, 7.6% and 7.4% of net sales in 2021, 2020 and 2019, respectively. The increases in 2021 and 2020, as a percentage of sales, are 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 $9.4 million, $6.8 million and $7.5 million in 2021, 2020 and 2019, respectively. The 2021 and 2020 amounts are in line with and directly related to fluctuations in sales within our U.S. distribution subsidiary.

Income from Operations

As a result of the above analysis regarding net sales, gross profit margins and selling, general and administrative expenses, our operating margins aggregated 16.8%, 13.1% and 14.7% for the years ended December 31, 2021, 2020 and 2019, respectively. Lower than expected promotion and adverting expense drove the increase in our operating margin in 2021, while strong cost controls in 2020 enabled us to minimize the impact of the sudden drop in sales resulting from the COVID-19 pandemic.

Other Income and Expenses

Traditionally, interest expense was primarily related to the financing of brand and licensing acquisitions. However, in April 2021, we completed the acquisition of the future headquarters of Interparfums SA. The acquisition was financed by a 10-year Đ120 million (approximately $136 million) bank loan which bears interest at one-month Euribor plus 0.75%. Also in 2021, approximately Đ80 million of the variable rate debt was swapped for fixed interest rate debt. Long-term debt including current maturities aggregated $148.8 million, $24.7 million and $23.1 million as of December 31, 2021, 2020 and 2019, respectively.

We 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. Gains and losses on foreign currency transactions have not been significant.

Interest and dividend income represents interest earned on cash and cash equivalents and short-term investments. In 2021, short-term investments include approximately $24.5 million of marketable equity securities of other companies in the luxury goods sector. Interest and dividend income includes approximately $1.8 million of unrealized gains on marketable equity securities.

Income Taxes

Our effective income tax rate was 27.1%, 27.9% and 27.7% in 2021, 2020 and 2019, respectively.

Income tax expense represents U.S. federal, foreign, state and local income taxes. The effective rate differs from the federal statutory rate primarily due to the effect of state and local income taxes, the tax impact of share-based compensation and the taxation of foreign income including tax settlements. Our effective tax rate will change from year-to-year based on recurring and non-recurring factors including the geographical mix of earnings, enacted tax legislation, state and local income taxes, the tax impact of share-based compensation, the interaction of various global tax strategies and the impact from certain acquisitions.

Our effective income tax rate for European operations was 30.6%, 29.7% and 30.7% in 2021, 2020 and 2019, respectively.

The French authorities had considered 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. In June 2021, a global settlement agreement was reached with the French Tax Authorities, whereby Interparfums SA agreed to pay Đ2.5 million (approximately $3.0 million) effectively lowering the Lanvin brand royalty rate charged by IP Suisse for the periods from 2017 through 2020. Interparfums SA also agreed to apply the lower rate in 2021 through 2025 and to transfer the Lanvin brand from IP Suisse to Interparfums SA by December 31, 2025.

In addition, pursuant to an action plan released by the French Prime Minister, beginning in 2020, the French corporate income tax rate is expected to be cut from approximately 33% to 25% over a three-year period.

Our effective income tax rate for U.S. operations was 15.6%, 16.7% and 17.0% in 2021, 2020 and 2019, respectively.

The Company has determined that it has no tax liability related global intangible low-taxed income ("GILTI") as of December 31, 2021, 2020 and 2019. The Company also estimated the effect of its foreign derived intangible income ("FDII") and recorded a tax benefit of $0.6 million, $0.3 million and $0.9 million as of December 31, 2021, 2020 and 2019, respectively. Share-based compensation resulted in a discrete tax benefit of $1.3 million, $0.4 million and $0.7 million in 2021, 2020 and 2019, respectively.

Net Income

(In thousands, except share and per share data)

Years ended December, 31	**2021**	2020	2019
Net income attributable to European operations	**$80,670**	$41,990	$56,660
Net income attributable to United States operations	**29,357**	7,978	19,410
Net income	**110,027**	49,968	76,070
Less: Net income attributable to the noncontrolling interest	**22,616**	11,749	15,821
Net income attributable to Inter Parfums, Inc.	**$87,411**	$38,219	$60,249

Net income attributable to European operations was $80.7 million, $42.0 million and $56.7 million in 2021, 2020 and 2019, respectively, while net income attributable to United States operations was $29.4 million, $8.0 million and $19.4 million in 2021, 2020 and 2019, respectively. The fluctuations in net income for both European operations and United States operations are directly related to the previous discussions concerning changes in sales, gross profit margins, selling, general and administrative expenses, most of which were caused by the effects of the COVID-19 pandemic beginning in 2020 and the recovery in 2021.

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 directly related to the profitability of our European operations and aggregated 28.0% of European operations net income in 2021 and 28.1% in 2020 and 2019. Net margins attributable to Inter Parfums, Inc. aggregated 9.9%, 7.1% and 8.4% in 2021, 2020 and 2019, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Our conservative financial tradition has enabled us to amass significant cash balances. As of December 31, 2021, we had $320 million in cash, cash equivalents and short-term investments, most of which are held in euro by our European operations and are 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, 2021, short-term investments include approximately $24.5 million of marketable equity securities.

As of December 31, 2021, working capital aggregated $465 million, and we had a working capital ratio of 2.9 to 1. Approximately 82% of the Company's total assets are held by European operations including approximately $171 million of trademarks, licenses and other intangible assets.

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. See Item 8. Financial Statements and Supplementary Data – Note 12 – Commitments in this annual report on Form 10-K. Future advertising commitments are estimated based on planned future sales for the license terms that were in effect at December 31, 2021, without consideration for potential renewal periods and do not reflect the fact that our distributors share our advertising obligations.

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. In September 2021, we entered into a long-term global licensing agreement for the creation, development and distribution of fragrances and fragrance-related products under the Donna Karan and DKNY brands. This new license takes effect July 1, 2022.

In October 2021, we closed on a transaction agreement with Salvatore Ferragamo S.p.A., whereby an exclusive and worldwide license was granted for the production and distribution of Ferragamo brand perfumes. The license became effective in October 2021 and will last for 10 years with a 5-year optional term, subject to certain conditions. With respect to the management and coordination of activities related to the license agreement, the Company is operating through a wholly-owned Italian subsidiary based in Florence, that was acquired from Salvatore Ferragamo on October 1, 2021. The acquisition together with the license agreement was accounted for as an asset acquisition. The total cost of the assets acquired net of liabilities assumed aggregated approximately $35.8 million. In connection with this acquisition, we agreed to pay $17.0 million in equal annual installments of $1.7 million including interest imputed at 2.0%.

Opportunities for external growth are regularly 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 $119.6 million, $65.0 million, and $76.5 million in 2021, 2020 and 2019, respectively. In 2021, working capital items used $13.7 million in cash from operating activities, as compared to $7.3 million in 2020 and $16.6 million in 2019. Although, from a cash flow perspective, accounts receivable is up approximately 37% from year-end 2020, the balance is reasonable based upon fourth quarter 2021 record sales levels and reflects strong collection activity as day's sales outstanding decreased to 61 days in 2021, as compared to 86 days and 69 days in 2020 and 2019, respectively. From a cash flow perspective, inventory levels are up 31% from year-end 2020. However, inventory days on hand declined significantly to 208 days in 2021, as compared to 277 days in 2020, and 224 days in 2019. Although inventories include product needed to support new product launches, the overall balance is lower than historic levels due primarily to the aforementioned supply chain disruptions.

Cash flows used in investing activities reflect the purchase and sales of short-term investments. These investments consist of certificates of deposit with maturities greater than three months marketable equity securities and other contracts. At December 31, 2021, approximately $45 million of certificates of deposit contain penalties where we would forfeit a portion of the interest earned in the event of early withdrawal.

Our business is not capital intensive as we do not own any manufacturing facilities. On a full year basis, we generally spend less than $5.0 million on capital expenditures including tools and molds needed to support our new product development calendar. Capital expenditures also include amounts for office fixtures, computer equipment and industrial equipment needed at our distribution centers.

In April 2021, Interparfums SA completed the acquisition of its future headquarters at 10 rue de Solférino in the 7th arrondissement of Paris from the property developer. This is an office complex combining three buildings connected by two inner courtyards, and consists of approximately 40,000 total sq. ft.

The $142 million purchase price is in line with market value and includes the complete renovation of the site. As of December 31, 2021, $136.1 million of the purchase price, including approximately $3.1 million of acquisition costs, is included in building, equipment and leasehold improvements on the accompanying balance sheet as of December 31, 2021. Approximately $8.8 million of cash held in escrow is included in other assets on the accompanying balance sheet as of December 31, 2021. In addition, the Company borrowed $17.0 million pursuant to a short-term loan equal to the VAT credit, and in July 2021, the $17.0 million VAT credit was reimbursed by the French Tax Authorities and the loan was repaid.

The acquisition was financed by a 10-year Đ120 million (approximately $136 million) bank loan which bears interest at one-month Euribor plus 0.75%. Approximately Đ80 million of the variable rate debt was swapped for variable interest rate debt with a maximum rate of 2% per annum.

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 was repaid in full in February 2021.

Our short-term financing requirements are expected to be met by available cash on hand at December 31, 2021, 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 $28 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, 2021 and 2020.

In October 2019, our Board authorized a 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 and in February 2022, our Board authorized a 100% increase in the annual dividend to $2.00 per share. The next quarterly cash dividend of $0.50 per share is payable on March 31, 2022, to shareholders of record on March 15, 2022. Dividends paid, including dividends paid once per year to noncontrolling stockholders of Interparfums SA, aggregated $41.5 million, $21.1 million and $44.2 million for the years ended December 31, 2021, 2020 and 2019, respectively. The cash dividends to be paid in 2022 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, 2021.

Quantitative Analysis

During the three-year period ended December 31, 2021, 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 2021, had these estimates been changed simultaneously by 5% in either direction, our reported gross profit would have increased or decreased by approximately $0.6 million and selling, general and administrative expenses would have changed by approximately $0.1 million. The collective impact of these changes on 2021 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 $0.6 million, $0.3 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 change contracts or interest rate swaps.

Foreign Exchange Risk Management

A general discussion relating to our policies on foreign exchange risk management can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of our annual report on Form 10-K for the year ended December 2020.

As of December 31, 2021, we had foreign currency contracts in the form of forward exchange contracts with notional amounts of approximately U.S. $64.5 million and GB £3.5 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, 2021.

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, 2021 and 2020, 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, 2021, 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, 2021, 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, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, 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, 2021, 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 our especially challenging, subjective, or complex judgments. The communication of critical audit matter 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, 2021. Indefinite lived intangible assets principally consist of trademarks and finite-lived intangible assets represent fees to acquire, or enter into a license.

Those intangible assets are tested for impairment as follows:

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

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

The determination of the future cash flows of the intangible assets requires management to make significant estimates and assumptions related to forecasts of future revenues, operating margins and discount rates. As disclosed by management, changes in these assumptions could have a significant impact on 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 and 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 corroborating 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, evaluating whether the assumptions used were reasonable considering current information as well as future expectations, and 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 to 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, 2022

INTER PARFUMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

Years Ended December 31,	2021	2020
ASSETS		
Current assets:		
Cash and cash equivalents	**$159,613**	$169,681
Short-term investments	**160,014**	126,627
Accounts receivable, net	**159,281**	124,057
Inventories	**198,914**	158,822
Receivables, other	**10,308**	1,815
Other current assets	**21,375**	16,912
Income taxes receivable	**210**	2,806
Total current assets	**709,715**	600,720
Equipment and leasehold improvements, net	**149,352**	19,580
Rights of use assets, net	**33,728**	24,734
Trademarks, licenses and other intangible assets, net	**214,047**	214,108
Deferred tax assets	**7,936**	8,041
Other assets	**30,586**	22,962
Total assets	**$1,145,364**	$890,145
LIABILITIES AND EQUITY		
Current liabilities:		
Current portion of long-term debt	**$15,911**	$14,570
Current portion of lease liabilities	**6,014**	5,133
Accounts payable - trade	**81,980**	35,576
Accrued expenses	**136,677**	95,629
Income taxes payable	**4,328**	5,297
Total current liabilities	**244,910**	156,205
Long-term debt, less current portion	**132,902**	10,136
Lease liabilities, less current portion	**29,220**	21,354
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**	32
Additional paid-in capital	**87,132**	75,708
Retained earnings	**560,663**	503,567
Accumulated other comprehensive loss	**(38,432)**	(5,997)
Treasury stock, at cost, 9,864,805 common shares at December 31, 2020 and 2020	**(37,475)**	(37,475)
Total Inter Parfums, Inc. shareholders' equity	**571,920**	535,835
Noncontrolling interest	**166,412**	166,615
Total equity	**738,332**	702,450
Total liabilities and equity	**$1,145,364**	$890,145

(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,	2021	2020	2019
Net sales	**$879,516**	$539,009	$713,514
Cost of sales	**322,614**	208,278	267,578
Gross margin	**556,902**	330,731	445,936
Selling, general, and administrative expenses	**406,459**	260,648	341,209
Impairment loss	**2,393**	-	-
Income from operations	**148,050**	70,083	104,727
Other expenses (income):			
Interest expense	**2,825**	1,970	2,146
(Gain) Loss on foreign currency	**(2,338)**	2,178	1,128
Interest and dividend income	**(3,403)**	(2,865)	(3,693)
Other Income	**(53)**	(549)	-
	(2,969)	734	(419)
Income before income taxes	**151,019**	69,349	105,146
Income taxes	**40,992**	19,381	29,076
Net income	**110,027**	49,968	76,070
Less: Net income attributable to the noncontrolling interest	**22,616**	11,749	15,821
Net income attributable to Inter Parfums, Inc.	**$87,411**	$38,219	$60,249
Net income attributable to Inter Parfums, Inc. common shareholders:			
Basic	**$2.76**	$1.21	$1.92
Diluted	**2.75**	1.21	1.90
Weighted average number of shares outstanding:			
Basic	**31,676,796**	31,536,659	31,451,093
Diluted	**31,835,408**	31,654,544	31,688,700
Dividends declared per share	**$1.00**	$0.33	$1.16

(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,	**2021**	2020	2019
Net income	**$110,027**	$49,968	$76,070
Other comprehensive income:			
Net derivative instrument, net of tax	**(1,367)**	(19)	22
Transfer of OCI into earnings	**–**	(52)	(136)
Translation adjustments, net of tax	**(42,967)**	47,912	(8,712)
	(44,334)	47,841	(8,826)
Comprehensive income	**65,693**	97,809	67,244
Comprehensive income attributable to noncontrolling interests:			
Net income	**22,616**	11,749	15,821
Net derivative instrument income (loss), net of tax	**(375)**	(19)	(30)
Translation adjustments, net of tax	**(11,524)**	14,004	(2,593)
	10,717	25,734	13,198
Comprehensive income attributable to Inter Parfums, Inc.	**$54,976**	$72,075	$54,046

(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,	2021	2020	2019
Common stock, beginning of year	$32	$31	$31
Shares issued upon exercise of stock options	–	1	-
Common stock, end of year	$32	$32	$31
Additional paid-in capital, beginning of year	75,708	70,664	69,970
Shares issued upon exercise of stock options	5,393	2,771	4,458
Share-based compensation	1,566	1,711	1,403
Purchase of subsidiary shares from noncontrolling interests	–	-	(5,167)
Shares issued for license acquisition	5,000	-	-
Transfer of subsidiary shares purchased	(535)	562	-
Additional paid-in capital, end of year	$87,132	$75,708	$70,664
Retained earnings, beginning of year	503,567	474,637	448,731
Net income	87,411	38,219	60,249
Dividends	(31,690)	(10,406)	(36,349)
Stock-based compensation	1,375	1,117	2,006
Retained earnings, end of year	560,663	503,567	474,637
Accumulated other comprehensive loss, beginning of year	(5,997)	(39,853)	(33,650)
Foreign currency translation adjustment, net of tax	(31,443)	33,908	(6,119)
Transfer from other comprehensive income into earnings	–	(52)	(136)
Net derivative instrument gain, net of tax	(992)	-	52
Accumulated other comprehensive loss, end of year	(38,432)	(5,997)	(39,853)
Noncontrolling interest, beginning of year	166,615	140,994	138,139
Net income	22,616	11,749	15,821
Foreign currency translation adjustment, net of tax	(11,524)	14,004	(2,593)
Net derivative instrument loss, net of tax	(375)	(19)	(30)
Purchase of subsidiary shares from noncontrolling interests	–	-	(920)
Dividends	(9,836)	(324)	(9,654)
Share-based compensation	(293)	350	231
Transfer of subsidiary shares purchased	(791)	(139)	-
Noncontrolling interest, end of year	166,412	166,615	140,994
Total equity	$738,332	$702,450	$608,998

(See accompanying notes to consolidated financial statements.)

INTER PARFUMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

Years ended December, 31	**2021**	2020	2019
Cash flows from operating activities:			
Net income	**$110,027**	$49,968	$76,070
Adjustments to reconcile net income to net cash			
provided by operating activities:			
Depreciation and amortization including impairment loss	**12,698**	9,067	8,729
Provision for doubtful accounts	**853**	4,824	1,380
Noncash stock compensation	**2,853**	3,029	3,394
Share of income of equity investment	**(53)**	(549)	-
Lease expense	**7,302**	5,483	6,021
Deferred tax expense (benefit)	**(465)**	581	(2,330)
Change in fair value of derivatives	**65**	(137)	(169)
Changes in:			
Accounts receivable	**(45,395)**	13,157	1,124
Inventories	**(49,815)**	19,333	(5,925)
Other assets	**(16,725)**	1,176	(4,945)
Operating lease liabilities	**(7,503)**	(5,421)	(4,953)
Accounts payable and accrued expenses	**103,046**	(32,239)	(4,960)
Income taxes, net	**2,698**	(3,279)	3,016
Net cash provided by operating activities	**119,586**	64,993	76,452
Cash flows from investing activities:			
Purchases of short-term investments	**(55,691)**	(7,582)	(97,958)
Proceeds from sale of short-term investments	**10,644**	11,513	44,814
Purchase of equipment and leasehold improvements	**(141,274)**	(11,011)	(5,427)
Payment for intangible assets acquired	**(1,545)**	(1,251)	(6,067)
Purchase of equity investment	**–**	(13,998)	-
Net cash provided used in investing activities	**(187,866)**	(22,329)	(64,638)
Cash flows from financing activities:			
Repayment of long-term debt	**(43,056)**	(13,725)	(22,321)
Proceeds issuance of long-term debt	**157,382**	13,438	-
Proceeds from exercise of options	**5,393**	2,771	4,458
Dividends paid	**(31,690)**	(20,805)	(34,579)
Dividends paid to noncontrolling interests	**(9,836)**	(324)	(9,654)
Purchase of subsidiary shares from noncontrolling interests	**–**	-	(6,087)
Net cash used in financing activities	**78,193**	(18,645)	(68,183)
Effect of exchange rate changes on cash	**(11,207)**	12,245	(3,350)
Net increase (decrease) in cash and cash equivalents	**(1,294)**	36,264	(59,719)
Cash and cash equivalents – beginning of year	**169,681**	133,417	193,136
Cash and cash equivalents – end of year	**$168,387**	$169,681	$133,417
Supplemental disclosures of cash flow information:			
Cash paid for:			
Interest	**$2,468**	$1,105	$1,764
Income taxes	**40,497**	21,772	26,332

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

Year Ended December 31,	**2021**	2020	2019
Montblanc	**19%**	21%	22%
Jimmy Choo	**18%**	16%	16%
Coach	**16%**	17%	14%
GUESS	**12%**	11%	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 and its subsidiaries, 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. The Company also has short-term investments which consist of certificates of deposit and other contracts with maturities greater than three months and available for sale marketable equity securities. The Company monitors concentrations of credit risk associated with financial institutions with which the Company conducts significant business. The Company believes its credit risk is minimal, as the Company primarily conducts business with large, well-established financial institutions. Substantially all cash and cash equivalents are primarily held at financial institutions outside the United States and are readily convertible into U.S. dollars.

Accounts Receivable

Accounts receivable represent payments due to the Company for previously recognized net sales, reduced by allowances for doubtful accounts or balances which are estimated to be uncollectible, which aggregated $2.2 million and $5.5 million as of December 31, 2021 and 2020, 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.

Property, Equipment and Leasehold Improvements

Property, 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 has not yet begun on property recently purchased, as it has not yet been put into service. Depreciation provided on equipment used to produce inventory, such as tools and molds, is included in cost of sales.

Long-Lived Assets

Indefinite-lived intangible assets principally consist of trademarks which are not amortized. The Company evaluates indefinite-lived intangible assets for impairment at least annually during the fourth quarter, or more frequently when events occur or circumstances change, such as an unexpected decline in sales, that would more-likely-than-not indicate that the carrying value of an indefinite-lived intangible asset may not be recoverable. When testing indefinite-lived intangible assets for impairment, the evaluation requires a comparison of the estimated fair value of the asset to the carrying value of the asset. The fair values used in our evaluations are estimated based upon discounted future cash flow projections using a weighted average cost of capital of 7.47% and 6.99% in 2021 and 2020, 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 $10.1 million, $5.0 million and $7.7 million in 2021, 2020 and 2019, 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 2021, 2020 or 2019.

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 $5.1 million and $3.6 million at December 31, 2021 and 2020, respectively, and the amounts recognized for the rights to recover products was $1.9 million and $1.4 million at December 31, 2021 and 2020, 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 $171.8 million, $91.7 million and $144.6 million for 2021, 2020 and 2019, respectively. Costs relating to purchase with purchase and gift with purchase promotions that are reflected in cost of sales aggregated $37.6 million, $26.4 million and $38.9 million in 2021, 2020 and 2019, 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 12 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 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.

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. In all jurisdictions in which we operate we have been following guidance from authorities and health officials.

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 and caused a significant unfavorable impact on our results of operations in 2020.

Business significantly improved in the second half of 2020 and continued to improve throughout 2021, as retail stores reopened, and consumers increased online purchasing. While we expect this trend to continue, as the luxury fragrance industry has shown continued resilience, the introduction of variants of COVID-19 in various parts of the world has caused the temporary re-implementation of governmental restrictions to prevent further spread of the virus. In addition, international air travel has remained curtailed in many jurisdictions due to both governmental restrictions and consumer health concerns. While COVID-19 has significantly restricted international travel in the near-term, we continue to believe that global travel retail will once again be a growth opportunity for the long-term. Lastly, the improved economy has put significant strains on our supply chain causing disruptions affecting the procurement of components, the ability to transport goods, and related cost increases. These disruptions have come at a time when demand for our product lines has never been stronger or more sustained. We have been addressing this issue since the beginning of 2021, by ordering well in advance of need and in larger quantities. Going forward, we aim to carry more inventory overall, source the same components from multiple suppliers and when possible, manufacture products closer to where they are sold. We do not expect the supply chain bottlenecks to begin lifting until later in 2022. Therefore, despite recent business improvement, the impact of the COVID-19 pandemic may have a material adverse effect on our results of our operations, financial position and cash flows through at least the end of 2022.

(3) Recent Agreements

Salvatore Ferragamo

In October 2021, we closed on a transaction agreement with Salvatore Ferragamo S.p.A., whereby an exclusive and worldwide license was granted for the production and distribution of Ferragamo brand perfumes. Our rights under this license are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry. The license became effective in October 2021 and will last for 10 years with a 5-year optional term, subject to certain conditions.

With respect to the management and coordination of activities related to the license agreement, the Company operates through a wholly-owned Italian subsidiary based in Florence, that was acquired from Salvatore Ferragamo on October 1, 2021. The acquisition together with the license agreement was accounted for as an asset acquisition. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed on October 1, 2021. All amounts have been translated to U.S. dollars at the October 1, 2021 exchange rate.

$ in thousands	
Inventories	$17,805
Trademarks and licenses	$15,880
Other assets	$3,033
Assets acquired	36,718
Liabilities assumed	(958)
	$35,760

Emanuel Ungaro

In October 2021, we also entered into a 10-year exclusive global licensing agreement a with a 5-year optional term subject to certain conditions, with Emanuel Ungaro Italia S.r.l, for the creation, development and distribution of fragrances and fragrance-related products, under the Emanuel Ungaro brand. Our rights under this license are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry.

Donna Karan and DKNY

In September 2021, we entered into a long-term global licensing agreement for the creation, development and distribution of fragrances and fragrance-related products under the Donna Karan and DKNY brands. Our rights under this license are subject to certain minimum advertising expenditures and royalty payments as are customary in our industry. With this agreement, we are gaining several well-established and valuable fragrance franchises, most notably Donna Karan Cashmere Mist and DKNY Be Delicious, as well as a significant loyal consumer base around the world. In connection with the grant of license, we issued 65,342 shares of Inter Parfums, Inc. common stock valued at $5.0 million to the licensor. The exclusive license is effective July 1, 2022, and we are planning to launch new fragrances under these brands in 2023.

French Tax Settlement

The French authorities had considered 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.

In June 2021, a global settlement agreement was reached with the French Tax Authorities, whereby Interparfums SA paid in December 2021, Đ2.5 million (approximately $2.9 million) effectively lowering the Lanvin brand royalty rate charged by IP Suisse for the periods from 2017 through 2020. Interparfums SA also agreed to apply the lower rate in 2021 through 2025 and to transfer the Lanvin brand from IP Suisse to Interparfums SA by December 31, 2025.

Land and Building Acquisition Headquarters in Paris

In April 2021, Interparfums SA, completed the acquisition of its headquarters at 10 rue de Solférino in the 7th arrondissement of Paris from the property developer. This is an office complex combining three buildings connected by two inner courtyards, and consists of approximately 40,000 total sq. ft.

The $142 million purchase price includes the complete renovation of the site. As of December 31, 2021, $136.1 million of the purchase price, including approximately $3.1 million of acquisition costs, is included in property, equipment and leasehold improvements on the accompanying balance sheet as of December 31, 2021. Approximately $8.8 million of cash held in escrow is included in other assets on the accompanying balance sheet as of December 31, 2021. In addition, the Company borrowed $17.0 million pursuant to a short-term loan equal to the VAT credit, and in July 2021, the $17.0 million VAT credit was reimbursed by the French Tax Authorities and the loan was repaid.

The acquisition was financed by a 10-year €120 million (approximately $136 million) bank loan which bears interest at one-month Euribor plus 0.75%. Approximately €80 million of the variable rate debt was swapped for fixed interest rate debt with a maximum interest rate of 2%.

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.

Rochas Fashion

Effective January 1, 2021, we entered into a new license agreement modifying our Rochas fashion business model. The new agreement calls for a reduction in royalties to be received. As a result, in the first quarter of 2021, we took a $2.4 million impairment charge on our Rochas fashion trademark. The new license also contains an option for the licensee to buy-out the Rochas fashion trademarks in June 2025 at its then fair market value.

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, 2021.

(4) Inventories

Year Ended December 31,	**2021**	2020
Raw materials and component parts	**$111,312**	$66,492
Finished goods	**87,602**	92,330
	$198,914	$158,822

Overhead included in inventory aggregated $3.7 million and $5.4 million as of December 31, 2021 and 2020, 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 $15.8 million and $9.4 million as of December 31, 2021 and 2020, 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, 2021

	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	**$160,014**	**$–**	**$160,014**	**$–**
Foreign currency forward exchange contracts accounted for using hedge accounting	**1,982**	**–**	**1,982**	**–**
Foreign currency forward exchange contracts not accounted for using hedge accounting	**63**	**–**	**63**	**–**
Interest rate swaps	**(234)**	**–**	**(234)**	**–**
	$1,811	**–**	**$1,811**	**–**

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	-

The carrying amount of cash and cash equivalents including money market funds, short-term investments including marketable equity securities, 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.

(in thousands, except share and per share data)

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

(6) Derivative Financial Instruments

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

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, 2021. For the year ended December 31, 2021, interest expense includes a gain of $0.2 million, resulting from 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 swap is included in long-term debt on the accompanying balance sheets. The valuation of foreign currency forward exchange contracts at December 31, 2021 and December 31, 2020, resulted in an asset and is included in other current assets on the accompanying balance sheets.

At December 31, 2021, the Company had foreign currency contracts in the form of forward exchange contracts with notional amounts of approximately U.S. $64.5 million and GB £3.5 million, which all have maturities of less than one year.

(7) Property, Equipment and Leasehold Improvements

Year Ended December 31,	**2021**	2020
Land and Building		
(construction in progress)	**$136,131**	-
Equipment	**$52,036**	$51,060
Leasehold Improvements	**2,082**	1,989
	190,249	53,049
Less accumulated		
depreciation and amortization	**40,897**	33,469
	$149,352	$19,580

Depreciation and amortization expense was $4.4 million, $3.8 million and $3.7 million in 2021, 2020, and 2019, respectively.

(8) Trademarks, Licenses and Other Intangible Assets

2021	Gross Amount	Accumulated Amortization	Net Book Value
Trademarks			
(indefinite lives)	**$119,712**	**$–**	**$119,712**
Trademarks			
(finite lives)	**43,820**	**68**	**43,752**
Licenses			
(finite lives)	**109,682**	**62,286**	**47,396**
Other intangible assets			
(finite lives)	**17,775**	**14,588**	**3,187**
Subtotal	**171,277**	**76,942**	**94,335**
Total	**$290,989**	**$76,942**	**$214,047**

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

Amortization expense was $5.9 million, $5.3 million and $5.0 million in 2021, 2020 and 2019, respectively. Amortization expense is expected to approximate $5.4 million in 2022, $4.4 million in 2023, $4.2 million in 2024, 2025 and 2026. 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 was an impairment charge for trademarks with indefinite useful lives of $2.4 million in 2021 relating to our Rochas fashion business. The fair values used in our evaluations are estimated based upon discounted future cash flow projections using a weighted average cost of capital of 7.47%, 6.99%, and 7.94% as of December 31, 2021, 2020 and 2019, 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 on July 1, 2027 for Đ70 million (approximately $79 million) (residual value) in accordance with an amendment signed in 2021. 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,	2021	2020
Advertising liabilities	**$31,215**	$12,164
Salary (including bonus and related taxes)	**19,993**	14,605
Royalties	**19,154**	16,966
Due vendors (not yet invoiced)	**45,707**	31,698
Retirement reserves	**10,234**	11,889
Refund (return) liability	**5,128**	3,616
Other	**5,246**	4,691
	$136,677	$95,629

(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 Secured Overnight Financing Rate ("SOFR") plus 2% (the SOFR was 0.05% as of December 31, 2021). The line of credit which has a maturity date of December 16, 2022, is expected to be renewed on an annual basis. Borrowings outstanding pursuant to lines of credit were zero as of December 31, 2021 and 2020.

The Company's foreign subsidiaries have available credit lines, including several bank overdraft facilities totaling approximately $28 million. These credit lines bear interest at EURIBOR plus between 0.5% and 0.8% (EURIBOR was minus 0.570% at December 31, 2021). Borrowings outstanding pursuant to these bank overdraft facilities were zero as of December 31, 2021 and 2020.

As there were no borrowings outstanding as of December 31, 2021 and 2010, there is no weighted average interest rate on short-term borrowings as of December 31, 2021 and 2020.

(11) Long-term Debt

Long-term debt consists of the following:

Year Ended December 31	2021	2020
$135.9 million payable in 120 equal monthly installments of $1.1 million beginning in April 2021, bearing interest at one-month Euribor plus 0.75%	**$124,375**	$-
$15.0 million payable in 14 equal annual installments of $1.1 million beginning in January 2021 including interest imputed at 4.1% per annum	**10,569**	11,208
$17 million payable in 10 equal annual installments of $1.7 million beginning in October 2021 including interest imputed at 2.0% per annum	**13,869**	-
$13.4 million term loan amended such that the loan was repaid in February 2021 plus interest at 0.85% per annum	**–**	13,498
	$148,813	$24,706
Less current maturities	**15,911**	14,570
Total	**$132,902**	$10,136

In April 2021, to finance the acquisition of Interparfums SA's future corporate headquarters, the Company entered into a $135.9 million (€120 million) ten-year credit agreement. Approximately $90.6 million (€80.0 million) of the variable rate debt was swapped for variable interest rate debt with maximum rate of 2% per annum. The swap is a derivative instrument and is therefore recorded at fair value and changes in fair value are reflected in the accompanying consolidated statements of income.

Maturities of long-term debt subsequent to December 31, 2021 are approximately $15.9 million in 2022 and $16.4 million per year thereafter through 2033.

(12) Commitments

Leases

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, 2021, the weighted average remaining lease term was 6.1 years and the weighted average discount rate used to determine the operating lease liability was 2.5%. Rental expense related to operating leases was $8.2 million, $6.2 million, and $7.5 million for the years ended December 31, 2021, 2020 and 2019, respectively. Operating lease payments included in operating cash flows totaled $7.5 million and noncash additions to operating lease assets totaled $12.2 million.

Maturities of lease liabilities subsequent to December 31, 2021 are as follows:

(in thousands)	
2022	$6,541
2023	6,776
2024	5,787
2025	4,704
2026	4,087
Thereafter	10,017
	$37,912
Less imputed interest (based on 3,0% weighted-average discount rate)	(2,679)
	$35,233

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:

2022	$191,422
2023	206,241
2024	202,774
2025	199,770
2026	136,776
Thereafter	702,780
	$1,639,763

Future advertising commitments are estimated based on planned future sales for the license terms that were in effect at December 31, 2021, 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 $69.0 million, $41.1 million and $53.0 million, in 2021, 2020 and 2019, respectively, and represented 7.8%, 7.6% and 7.4% of net sales for the years ended December 31, 2021, 2020 and 2019, 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 $1.4 million, $1.7 million and $1.4 million in 2021, 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 2021:

	Weighted Average Number of Shares	Grant Date Fair Value
Nonvested options – beginning of year	**353,790**	**$12.96**
Nonvested options granted	**9,000**	**$11.35**
Nonvested options vested or forfeited	**(153,280)**	**$12.19**
Nonvested options -end of year	**209,510**	**$13.45**

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

Year Ended December 31,	**2021**	2020	2019
Income before income taxes	**$2,850**	$3,030	$3,390
Net Income attributable to Inter Parfums, Inc.	**1,880**	2,040	2,060
Diluted earnings per share attributable to Inter Parfums, Inc.	**0.06**	0.06	0.07

The following table summarizes stock option activity and related information for the years ended December 31, 2021, 2020 and 2019:

Year Ended December 31,	**2021**		2020		2019	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Shares under option-beginning of year	**713,210**	**$52.74**	815,800	$49.89	776,171	$41.33
Options granted	**9,000**	**62.18**	9,000	69.11	194,050	72.89
Options exercised	**(156,490)**	**34.46**	(95,570)	28.99	(130,891)	34.06
Options forfeited	**(40,820)**	**62.57**	(16,020)	58.38	(23,530)	45.48
Shares under option-end of year	**524,900**	**$57.58**	713,210	$52.74	815,800	$49.89

(in thousands, except share and per share data) 89

At December 31, 2021, options for 612,535 shares were available for future grant under the plans. The aggregate intrinsic value of options outstanding is $25.9 million as of December 31, 2021 and unrecognized compensation cost related to stock options outstanding aggregated $2.9 million, which will be recognized over the next five years.

The weighted average fair values of options granted by Inter Parfums, Inc. during 2021, 2020 and 2019 were $11.35, $12.16 and $14.14 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,	**2021**	2020	2019
Weighted average expected stock-price volatility	**25%**	25%	25%
Weighted average expected option life	**5.0 yrs**	5.0 yrs	5.0 yrs
Weighted average risk-free interest rate	**0.4%**	1.4%	1.7%
Weighted average dividend yield	**1.6%**	2.5%	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,	**2021**	2020	2019
Proceeds from stock options exercised	**$5,393**	$2,771	$4,458
Tax benefits	**$1,300**	$400	$690
Intrinsic value of stock options exercised	**$7,800**	$2,873	$4,520

The following table summarizes additional stock option information as of December 31, 2021:

Exercice Price	Options Outstanding	Options Outstanding Weighted Average Contractual Life	Options Exercisable
$32.83 – $33.95	**81,190**	**0.99 years**	**81,190**
$40.15 – $46.90	**123,130**	**1.94 years**	**90,790**
$65.18 – $69.11	**164,940**	**3.03 years**	**84,790**
$73.09	**155,640**	**4.00 years**	**58,620**
Totals	**524,900**	**2.75 years**	**315,390**

As of December 31, 2021, the weighted average exercise price of options exercisable was $52.23 and the weighted average remaining contractual life of options exercisable is 2.35 years. The aggregate intrinsic value of options exercisable at December 31, 2021 is $17.2 million.

In December 2018, Interparfums SA approved a 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.

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.

In June 2020, the performance conditions were modified affecting 96 employees. As of December 31, 2021, the number of shares to be distributed, after forfeited shares, increased to 172,343. 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 $4.6 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. In February 2022, the Board of Directors authorized a 100% increase in the annual dividend to $2.00 per share. The next quarterly cash dividend of $0.50 per share is payable on March 31, 2022 to shareholders of record on March 15, 2022.

(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,	**2021**	2020	2019
Numerator for diluted earnings per share	**$87,411**	$38,219	$60,249
Denominator:			
Weighted average shares	**31,676,796**	31,536,659	31,451,093
Effect of dilutive securities: stock options	**158,612**	117,885	237,607
Denominator for diluted earnings per share	**31,835,408**	31,654,544	31,688,700
Earnings per share:			
Net income attributable to Inter Parfums, Inc. common shareholders:			
Basic	**$2.76**	$1.21	$1.92
Diluted	**$2.75**	$1.21	$1.90

Not included in the above computations is the effect of anti-dilutive potential common shares, which consist of outstanding options to purchase 175,000, 450,000, and 183,000 shares of common stock for 2021, 2020, and 2019, 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,	**2021**	2020	2019
Net sales:			
United States	**$216,559**	$117,489	$173,522
Europe	**663,290**	422,947	542,226
Eliminations of intercompany sales	**(333)**	(1,427)	(2,234)
	$879,516	$539,009	$713,514
Net income attributable to Inter Parfums, Inc.:			
United States	**$29,359**	$7,942	$19,365
Europe	**57,869**	30,241	40,840
Eliminations	**183**	36	44
	$87,411	$38,219	$60,249
Depreciation and amortization expense including impairment loss:			
United States	**$3,835**	$3,354	$3,088
Europe	**8,863**	5,713	5,641
	$12,698	$9,067	$8,729
Interest and investment income:			
United States	**$3**	$24	$345
Europe	**3,526**	2,971	3,501
Eliminations	**(126)**	(130)	(153)
	$3,403	$2,865	$3,693
Interest expense:			
United States	**$636**	$604	$673
Europe	**2,315**	1,496	1,626
Eliminations	**(126)**	(130)	(153)
	$2,825	$1,970	$2,146
Income tax expense:			
United States	**$5,336**	$1,590	$3,945
Europe	**35,607**	17,782	25,101
Eliminations	**49**	9	30
	$40,992	$19,381	$29,076

Segments and Geographical Areas continued

Year Ended December 31,	2021	2020	2019
Total assets:			
United States	**$247,703**	$141,316	$166,180
Europe	**931,735**	758,812	670,657
Eliminations	**(34,074)**	(9,983)	(8,005)
	$1,145,364	$890,145	$828,832
Additions to long-lived assets:			
United States	**$2,711**	$1,004	$5,851
Europe	**138,563**	11,259	5,643
	$141,274	$12,263	$11,494
Total long-lived assets:			
United States	**$63,094**	$40,656	$44,473
Europe	**334,033**	217,766	196,976
	$397,127	$258,422	$241,449
Deferred tax assets:			
United States	**$870**	$886	$705
Europe	**7,066**	7,106	7,241
Eliminations	**–**	49	58
	$7,936	$8,041	$8,004

United States export sales were approximately $126.2 million, $71.5 million and $112.0 million in 2021, 2020 and 2019, respectively. Consolidated net sales to customers by region are as follows:

Year Ended December 31,	2021	2020	2019
North America	**$354,100**	$193,500	$235,500
Europe	**271,600**	180,200	240,800
Asia	**128,000**	79,700	110,900
Middle East	**61,000**	46,800	72,600
Central and South America	**56,400**	32,500	46,200
Other	**8,400**	6,300	7,500
	$879,500	$539,000	$713,500

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

Year Ended December 31,	2021	2020	2019
United States	**$351,300**	$187,300	$225,300
France	**$44,000**	$37,600	$43,500
Russia	**$43,400**	$14,100	$36,800
United Kingdom	**$38,500**	$24,600	$35,800

(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, 2021.

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

(in thousands, except share and per share data)

Year Ended December 31,	**2021**	2020	2019
U.S. operations	**$34,742**	$9,577	$23,384
Foreign operations	**116,277**	59,772	81,762
	$151,019	$69,349	$105,146

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

Year Ended December 31,	**2021**	2020	2019
Current:			
Federal	**$4,825**	$1,685	$3,280
State and local	**518**	90	713
Foreign	**36,164**	17,024	27,412
	$41,507	$18,799	$31,405
Deferred:			
Federal	**4**	(215)	(3)
State and local	**11**	44	(22)
Foreign	**(530)**	753	(2,304)
	(515)	582	(2,329)
Total income tax expense	**$40,992**	$19,381	$29,076

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,	**2021**	2020
Deferred tax assets:		
Foreign net operating loss carry-forwards	**$1,292**	$360
Inventory and accounts receivable	**4,508**	1,928
Profit sharing	**3,787**	2,936
Stock option compensation	**732**	718
Effect of inventory profit elimination	**5,112**	4,443
Other	**407**	910
Total gross deferred tax assets, net	**15,838**	11,295
Valuation allowance	**(3,582)**	(360)
Net deferred tax assets	**12,256**	10,935
Deferred tax liabilities (long-term):		
Building expenses	**(1,082)**	-
Trademarks and licenses	**(2,551)**	(2,894)
Unrealized gain on marketable equity securities	**(436)**	-
Other	**(251)**	-
Total deferred tax liabilities	**(4,320)**	(2,894)
Net deferred tax assets	**$7,936**	$8,041

Valuation allowances have been provided for deferred tax assets relating to foreign net operating loss carry-forwards and reserves acquired in connection with the acquisition of Interparfums Italia srl, as future profitable operations from certain foreign subsidiaries might not be sufficient to realize the full amount of the deferred tax assets.

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

The Company estimated of the effect of global intangible low-taxed income ("GILTI") and has determined that it has no tax liability related to GILTI as of December 31, 2021, 2020 and 2019. The Company also estimated the effect of foreign derived intangible income ("FDII") and recorded a tax benefit of approximately $0.9 million, $0.3 million and $0.9 million as of December 31, 2021, 2020 and 2019, respectively.

French Tax Settlement

The French authorities had considered 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. In June 2021, a global settlement agreement was reached with the French Tax Authority whereby Interparfums SA paid in December 2021, Đ2.5 million (approximately $2.9 million) effectively lowering the Lanvin brand royalty rate charged by IP Suisse for the periods from 2017 through 2020. Interparfums SA also agreed to apply the lower rate in 2021 through 2025 and to transfer the Lanvin brand from IP Suisse to Interparfums, SA by December 31, 2025.

The Company is no longer subject to U.S. federal, state, and local 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,	**2021**	2020	2019
Statutory rates	**21.0%**	21.0%	21.0%
State and local taxes, net of Federal benefit	**0.3**	0.2	0.6
Windfall benefit from exercise of stock options	**(0.9)**	(0.6)	(0.7)
Benefit of Foreign Derived Intangible Income	**(0.6)**	(0.4)	(0.9)
Effect of foreign taxes greater than U.S. statutory rates	**7.4**	7.5	7.5
Other	**(0.1)**	0.2	0.1
Effective rates	**27.1%**	27.9%	27.6%

(in thousands, except share and per share data)

(17) Accumulated Other Comprehensive Income (Loss)

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

Year Ended December 31,	2021	2020	2019
Net derivative instruments,beginning of year	**$–**	$52	$136
Net derivative instrument gain (loss), net of tax	**(992)**	(52)	(84)
Net derivative instruments end of year	**(992)**	-	52
Cumulative translation adjustments,beginning of year	**(5,997)**	(39,905)	(33,786)
Translation adjustments	**(31,443)**	33,908	(6,119)
Cumulative translation adjustments, end of year	**(37,440)**	(5,997)	(39,905)
Accumulated other comprehensive loss	**$(38,432)**	$(5,997)	$(39,853)

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

Year Ended December 31,	2021	2020	2019
Net income attributable to Inter Parfums, Inc.	**$87,411**	$38,219	$60,249
Decrease in Inter Parfums, Inc.'s additional paid-in capital for subsidiary share transactions	**–**	-	(5,167)
Change from net income attributable to Inter Parfums, Inc. and transfers from noncontrolling interest	**$87,411**	$38,219	$55,082

(19) Reconciliation of Cash and Cash Equivalents to the Statement of Cash Flows

The following table summarizes cash and cash equivalents as of December 31, 2021:

Year Ended December 31,	
Cash and cash equivalents per balance sheet	**$159,613**
Cash held in escrow included in other assets (see note 3)	**8,774**
Cash and cash equivalents per statement of cash flows	**$168,387**

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 2021	High Closing Price	Low Closing Price
Fourth Quarter	**106.90**	**75.89**
Third Quarter	**79.42**	**67.55**
Second Quarter	**77.95**	**69.96**
First Quarter	**76.75**	**59.17**

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

As of February 8, 2022, the number of record holders, which include brokers and broker nominees, etc., of our common stock was 32. We believe there are approximately 15,700 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. In February 2022, our Board of Directors authorized a 100% increase in the annual dividend to $2.00 per share. The next quarterly cash dividend of $0.50 per share is payable on March 31, 2022, to shareholders of record on March 15, 2022.

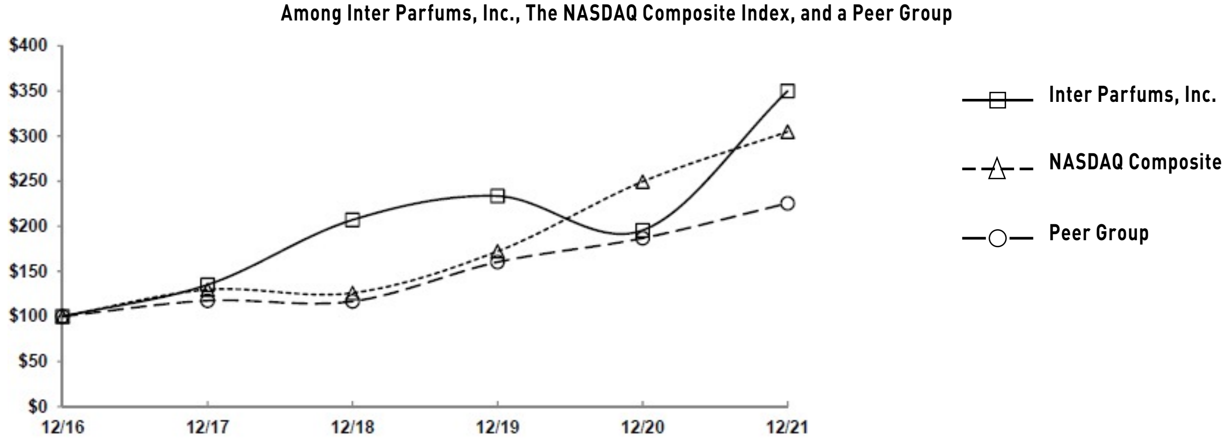
FORM 10-K

A copy of the company's 2021 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: 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., 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 12/31/16 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.

	12/16	12/17	12/18	12/19	12/20	**12/21**
Inter Parfums, Inc.	100.00	135.07	207.10	233.46	195.51	**349.98**
NASDAQ Composite	100.00	129.64	125.96	172.17	249.51	**304.85**
Peer Group	100.00	117.42	120.74	116.63	160.22	**225.46**

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
Chief Financial Officer
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
Chief Financial and Legal Officer
Interparfums SA

Frédéric Garcia-Pelayo
Directeur Général Délégué
Executive Vice President
Chief International Officer
Interparfums SA

Corporate Information

Inter Parfums, Inc.
551 Fifth Avenue
New York, NY 10176
Tel. (212) 983-2640
www.interparfumsinc.com

European Operations

Interparfums SA
10 rue de Solferino
75007 Paris, France
Tel. (1) 53-77-00-00

Interparfums Italia, Srl
Piazza della Repubblica, 6
50123 Firenze, Italy

Auditors
Mazars USA, LLP
135 West 50th Street
New York, NY 10020

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