

INTER PARFUMS INC  
Form 10-K  
March 10, 2010

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2009 or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file no. 0-16469

Inter Parfums, Inc.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

13-3275609  
(I.R.S. Employer  
Identification No.)

551 Fifth Avenue, New York, New York  
(Address of Principal Executive Offices)

10176  
(Zip Code)

Registrant's telephone number, including area code: 212.983.2640.

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class                      | Name of exchange on which registered |
|--|--------------------------------------|
| Common Stock, \$.001 par value per share | The Nasdaq Stock Market              |

Securities registered pursuant to Section 12(g) of the Act:

None  
Title of Class

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes  No

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation SK is not contained herein and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10K or any other amendment to this Form 10K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act).

Large accelerated Filer

Accelerated filer

Non-accelerated filer

Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter. \$110,098,000 of voting equity and \$0- of non-voting equity.

Indicate the number of shares outstanding of the registrant's \$.001 par value common stock as of the close of business on the latest practicable date March 8, 2010: 30,199,952.

Documents Incorporated By Reference: None.

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SIGNATURES

## FORWARD LOOKING STATEMENTS

This report includes forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, and if incorporated by reference into a registration statement under the Securities Act of 1933, as amended, within the meaning of Section 27A of such act. When used in this report, the words “anticipate,” “believe,” “estimate,” “will,” “should,” “could,” “may,” “intend,” “expect,” “plan,” “predict,” “potential,” or “continue” or similar expressions identify certain forward-looking statements. Although we believe that our plans, intentions and expectations reflected in such forward-looking statements are reasonable, we can give no assurance that such plans, intentions or expectations will be achieved.

Actual results, performance or achievements could differ materially from those contemplated, expressed or implied by the forward-looking statements contained in this report. Important factors that could cause actual results to differ materially from our forward-looking statements are set forth in this report, including under the heading “Risk Factors”. Such factors include: potential reduction in sales of our fragrance and fragrance related products due to reduced consumer confidence as the result of a prolonged economic downturn or recession in the United States, Europe or any of the other countries in which we do significant business; uncertainties and continued deterioration in global credit markets could negatively impact suppliers, customers and consumers; dependence upon Burberry for a significant portion of our sales; continuation and renewal of existing license agreements, sales and marketing efforts of specialty market retailers, such as The Gap, Inc.; protection of our intellectual property rights; effectiveness of our sales and marketing efforts and product acceptance by consumers; dependence upon third party manufacturers and distributors; dependence upon management; competition; currency fluctuation and international tariff and trade barriers; governmental regulation; and possible liability for improper comparative advertising or “Trade Dress”.

These factors are not intended to represent a complete list of the general or specific factors that may affect us. It should be recognized that other factors, including general economic factors and business strategies, may be significant, presently or in the future, and the factors set forth herein may affect us to a greater extent than indicated. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements set forth in this report. Except as may be required by law, we undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

## PART I

### Item 1. Business

#### Introduction

We are Inter Parfums, Inc. We operate in the fragrance business, and manufacture, market and distribute a wide array of fragrances and fragrance related products. Organized under the laws of the State of Delaware in May 1985 as Jean Philippe Fragrances, Inc., we changed our name to Inter Parfums, Inc. in July 1999. We have also retained our brand name, Jean Philippe Fragrances, for some of our mass-market products.

Our worldwide headquarters and the office of our three (3) wholly-owned subsidiaries, Jean Philippe Fragrances, LLC and Inter Parfums USA, LLC, both New York limited liability companies, and Nickel USA, Inc., a Delaware corporation, are located at 551 Fifth Avenue, New York, New York 10176, and our telephone number is 212.983.2640.

Our consolidated wholly-owned subsidiary, Inter Parfums Holdings, S.A., and its majority-owned subsidiary, Inter Parfums, S.A., maintain executive offices at 4, Rond Point des Champs Elysees, 75008 Paris, France. Our telephone number in Paris is 331.5377.0000. Inter Parfums S.A. is also the majority owner of four (4) distribution subsidiaries, Inter Parfums Limited, Inter Parfums GmbH, Inter Parfums srl and Inter España Parfums et Cosmetiques, SL, covering territories in The United Kingdom, Germany, Italy and Spain, respectively. Inter Parfums, S.A. also has a 100% owned subsidiary, Inter Parfums (Suisse) S.A.

Our common stock is listed on The Nasdaq Global Select Market under the trading symbol "IPAR" and we are considered a "controlled company" under the applicable rules of The Nasdaq Stock Market. The common shares of our subsidiary, Inter Parfums S.A., are traded on the Euronext Exchange.

We maintain our internet website at [www.interparfumsinc.com](http://www.interparfumsinc.com) which is linked to the SEC Edgar database. You can obtain through our website, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange as soon as reasonably practicable after we have electronically filed them with or furnished them to the SEC.

#### Summary

The following summary is qualified in its entirety by and should be read together with the more detailed information and audited financial statements, including the related notes, contained or incorporated by reference in this report.

## General

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. Our prestige fragrance products are produced and marketed by our European operations through our 75% owned subsidiary in Paris, Inter Parfums, S.A., which is also a publicly traded company as 25% of Inter Parfums, S.A. shares trade on the Euronext. Prestige cosmetics and prestige skin care products represent less than 3% of consolidated net sales.

Our business is not capital intensive, and it is important to note that we do not own any 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 goods for us and ship them back to our distribution center.

As with any business, many aspects of our operations are subject to influences outside our control. These factors include the effect of the current financial crisis and therefore the potential for further deterioration in consumer spending and consumer debt levels as well as the continued availability of favorable credit sources and capital market conditions in general. 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, 2009, and the reports that we file from time to time with the Securities and Exchange Commission.

## European Operations

We produce and distribute our prestige fragrance products primarily under license agreements with brand owners, and prestige product sales represented approximately 88% of net sales for 2009. We have built a portfolio of prestige brands, which include Burberry, Lanvin, Van Cleef & Arpels, Jimmy Choo, Montblanc, Paul Smith, S.T. Dupont, and Nickel, whose products are distributed in over 120 countries around the world. During the first half of 2007 we began operations of our four majority-owned European distribution subsidiaries. Shipments to these subsidiaries are not recognized as sales until that merchandise is sold by the distribution subsidiary to its customers.

Burberry is our most significant license, as sales of Burberry products represented 57%, 56% and 54% of net sales for the years ended December 31, 2009, 2008 and 2007, respectively. In addition, we own the Lanvin brand name for our class of business and sales of Lanvin product represented 14%, 13% and 12% of net sales for the years ended December 31, 2009, 2008 and 2007, respectively.

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

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

## United States Operations

Our specialty retail and mass-market fragrance and fragrance related products are marketed through our United States operations and represented 12% of sales for the year ended December 31, 2009. These fragrance products are sold under trademarks owned by us or pursuant to license or other agreements with the owners of the Gap, Banana Republic, Brooks Brothers, bebe, New York & Company and Jordache trademarks.

### Recent Developments

#### Gap and Banana Republic, Extension Agreement

Although the initial term of our agreement with The Gap, Inc. covering the Gap and Banana Republic brands in the United States and Canada expired on August 31, 2009, we had entered into a series of short-term extension agreements to continue the relationship as it previously existed while we were in discussions with The Gap, Inc. for a formal extension of the agreement. In March 2010, we signed a new specialty retail agreement with The Gap, Inc. covering the Gap and Banana Republic brands in the United States and Canada, with terms and conditions similar to those of the original agreement. This new agreement expires December 31, 2011.

#### Montblanc Exclusive, Worldwide License Agreement

In January 2010 we reported that our Paris-based subsidiary, Inter Parfums, S.A., and Montblanc-Simplo GMBH, entered into an exclusive, worldwide license agreement commencing on July 1, 2010 and expiring on December 31, 2020, for the creation, development and distribution of fragrances and fragrance related products under the Montblanc brand. Our rights under such license agreement are subject to certain minimum sales, advertising expenditures and royalty payments as are customary in our industry. Inter Parfums, S.A. has also agreed to pay an upfront entry fee of €1 million (approximately \$1.4 million) for this license, and to purchase the inventory of the current licensee, which is anticipated to be approximately €4 million (approximately \$5.7 million).

#### Jimmy Choo Exclusive, Worldwide License Agreement

In October 2009 Inter Parfums, S.A. and J Choo Limited entered into an exclusive, worldwide license agreement commencing on January 1, 2010 and expiring on December 31, 2021, for the creation, development and distribution of fragrances under the Jimmy Choo brand. Our rights under such license agreement are subject to certain minimum sales, advertising expenditures and royalty payments as are customary in our industry.



Our Prestige Products

General

We produce and distribute our prestige fragrance products primarily under license agreements with brand owners. Under license agreements, we obtain the right to use the brand name, create new fragrances and packaging, determine positioning and distribution, and market and sell the licensed products, in exchange for the payment of royalties. Our rights under license agreements are also generally subject to certain minimum sales requirements and advertising expenditures.

We have built a portfolio of prestige brands, which include Burberry, Lanvin, Van Cleef & Arpels, Jimmy Choo, Paul Smith, Montblanc, S.T. Dupont, and Nickel.

Our exclusive world-wide fragrance license with Burberry Limited expires December 31, 2016. This license includes an additional five-year optional term that requires the mutual consent of Burberry and Inter Parfums, S.A. In addition, Burberry has the right on December 31, 2011 to buy back the license at its then fair market value.

In addition, we have exclusive world-wide licenses for the following brands: Van Cleef & Arpels, Jimmy Choo, Montblanc, Paul Smith and S.T. Dupont, which run through the following dates:

| Brand Name         | License Expiration Date   |
|--------------------|---|
| Van Cleef & Arpels | December 31, 2018, plus a 5-year optional term if certain sales targets are met |
| Jimmy Choo         | December 31, 2021   |
| Montblanc          | December 31, 2020   |
| Paul Smith         | December 31, 2017   |
| S.T. Dupont        | June 30, 2011   |

For competitive reasons we do not disclose certain commercial or financial terms in these agreements, such as specific percentage royalty rates or percentage of net sales for minimum advertising requirements, as well as the specific dollar amount of royalties, minimum advertising expenses and minimum sales requirements. With respect to each item that relates to financial information, the aggregate amounts of such items are taken into account in connection with the preparation of our consolidated financial statements. Further, we believe that all commercial and financial information omitted is commercially reasonable and as such the specific percentages or dollar amounts are not material. Based upon the foregoing, we have filed confidential treatment applications for the agreements that we have filed as material contracts, which have been routinely granted.

## Prestige Fragrances

BURBERRY — Burberry is our leading prestige fragrance brand and we operate under an exclusive worldwide license with Burberry Limited that was originally entered into in 1993 and replaced by a new agreement in 2004.

We have had significant success in introducing new fragrance families under the Burberry brand name. We have introduced several fragrance families including Burberry, Burberry Week End, Burberry Touch, Burberry Brit, Burberry London and Burberry The Beat. Successful distribution has been achieved in more than a hundred countries around the world by differentiating the positioning and target consumer of each of the families. Our success is evidenced by a 10% five-year compounded annual growth rate in sales of Burberry fragrances.

The most recent Burberry fragrance family, Burberry The Beat, is the sixth fragrance family for Burberry fragrances. In March 2008 we commenced the successful world-wide launch of the women's fragrance, Burberry The Beat, by capitalizing on the commercial and editorial success of Burberry's high-end fashion collections and continuing to create a strong link to the Burberry fashion brand. Burberry The Beat was a concept that was clearly distinct from other Burberry fragrance lines. We targeted a younger segment with a mix of British tradition and an avant-garde positioning with the purpose of expanding our customer base by targeting an edgier consumer. Further, music was a major source of inspiration for the concept of this new women's fragrance.

For 2008 Burberry brand sales were strong due to the continued rollout of Burberry The Beat, as well as the growth and staying power of Burberry Brit, which launched in 2003. Our 2009 new product launch schedule included the men's version of Burberry The Beat, which was initially previewed exclusively at Bloomingdale's. In addition, the global rollout of men's version of Burberry The Beat followed during the first half of 2009. For 2010, our plans include a sports fragrance for men and women and the launch of our first cosmetics line under the Burberry brand.

We are committing capital to further grow our largest brand, Burberry, in 2010, through the launch of a cosmetics line for women in about 30 to 40 shops around the world. The launch of this cosmetics line will require a significant investment in the first year to develop the product, build cosmetic counters, hire and train personnel, and is expected to negatively affect 2010 net income attributable to Inter Parfums, Inc. by approximately \$1.5 million or approximately \$0.05 per diluted share. We believe that this is an essential step which will take Burberry to the next level of growth.

LANVIN — In July 2007 we acquired the worldwide rights to the Lanvin brand names and international trademarks listed in Class 3 that we had previously licensed in June 2004. A synonym of luxury and elegance, the Lanvin fashion house, founded in 1889 by Jeanne Lanvin, expanded into fragrances in the 1920s. Today, Lanvin fragrances occupy important positions in the selective distribution market in France, Europe and Asia, particularly with the lines Arpège (created in 1927), Lanvin L'Homme (1997) and Eclat d'Arpège (2002). Our first Lanvin fragrance, Arpège pour Homme, debuted in late 2005. Arpège by Lanvin won the honor of entering the Fragrance Hall of Fame at the 2005 FiFi Awards, an honor given to the best fragrance sold for at least 15 years that has been revitalized.

In 2006, we launched Rumeur, our first new Lanvin fragrance for women. In addition to its debut, solid sales gains and popularity were achieved by Éclat d'Arpège which has been a strong seller since its introduction in 2002. In 2008, we previewed a new Lanvin fragrance family, Jeanne Lanvin, in Paris, and launched the global rollouts of Jeanne Lanvin and Rumeur 2 Rose during the Fall of 2008.

During the Summer of 2009 we launched our newest Lanvin fragrance, Lanvin L'Homme Sport, with tennis sensation, Rafael Nadal, the Wimbledon, French Open and 2008 Olympic gold medal winner, as our model and spokesperson. In addition, for Lanvin in 2010, we are creating new women's scent.

**VAN CLEEF & ARPELS** — In September 2006, we entered into an exclusive, worldwide license agreement for the creation, development and distribution of fragrance and related bath and body products under the Van Cleef & Arpels brand and related trademarks. We believe this agreement with Van Cleef & Arpels, the prestigious and legendary world-renowned jewelry designer, was an important step in our development. We also believe its growth potential will strengthen opportunities for expansion of our fragrance business in the high luxury segment.

In 1976, Van Cleef & Arpels was a pioneer among jewelers with its launch of the fragrance, First, which exemplified the tradition of boldness of the jewelry house. We have built upon this sales base by promoting the two strongest families, First and Tsar, and then creating an entirely new line, Féerie, which we launched in 2008. We believe this new women's fragrance is one of the highest retail price cologne in the market, as the 100ml. size fragrance has a suggested retail price of approximately \$150.

A high end limited edition fragrance for Van Cleef & Arpels, Collection Extraordinaire, was launched in late 2009. In addition, for Van Cleef & Arpels in 2010, we are creating new women's fragrance and our first new men's fragrance.

**JIMMY CHOO** — In October 2009 Inter Parfums, S.A. and J Choo Limited entered into an exclusive, worldwide license agreement commencing on January 1, 2010 and expiring on December 31, 2021, for the creation, development and distribution of fragrances under the Jimmy Choo brand.

Founded by Tamara Mellon in 1996, the luxury goods company Jimmy Choo was acquired by TowerBrook Capital Partners, the international private equity firm, in February 2007. With a heritage in luxury footwear, Jimmy Choo today encompasses a complete luxury lifestyle accessory brand with women's shoes, handbags, small leather goods, sunglasses and eyewear. Its products are available in the growing network of Jimmy Choo freestanding stores as well as in the most prestigious department, specialty and duty free stores worldwide. From its original base in the United Kingdom and United States, the Jimmy Choo store network now encompasses over 100 locations in 32 countries.

The brand is the recipient of the 2008 “Designer Brand of the Year” award from the British Fashion Council, the 2008 ACE award for “Brand of the Year” from the Accessory Council, the 2008 “Brand of the Year” award from Footwear News, and the 2009 “Partner in Excellence” Award from Nordstrom.

We believe that this relationship with Jimmy Choo offers a perfect fit with our strategy of expanding our brand portfolio to include new universes and represents an important milestone in our development. This brand possesses the quintessential qualities to ensure the ambitious development of fragrance lines that will be supported by significant advertising commitments over the coming years. Also, work on our first fragrance for the Jimmy Choo brand has begun, and we anticipate the fragrance will be launched in early 2011.

**MONTBLANC** — In January 2010 we reported that our Paris-based subsidiary, Inter Parfums, S.A., and Montblanc-Simplo GMBH, entered into an exclusive, worldwide license agreement commencing on July 1, 2010 and expiring on December 31, 2020, for the creation, development and distribution of fragrances and fragrance related products under the Montblanc brand.

Montblanc has achieved a world-renowned position in the luxury segment and become a purveyor of exclusive products which reflect today’s exacting demands for timeless design, tradition and master craftsmanship. In the past few years, Montblanc’s product range has been expanded to Swiss made watches, male accessories and female jewelry, luxury leather goods and eyewear.

Through its leadership positions in writing instruments, watches and leather goods, promising growth outlook in women's jewelry, active presence in more than 70 countries, network of more than 350 boutiques worldwide and high standards of product design and quality, Montblanc offers our company growth potential for development in fragrances and ancillary products. We believe this license with the more than 100-year-old, world-renowned, luxury brand will further strengthen our prospects for continued expansion in the selective perfume market. Montblanc fragrances are currently distributed in 50 countries worldwide.

**PAUL SMITH** — We signed an exclusive license agreement with Paul Smith in December 1998, our first designer fragrance, for the creation, manufacture and worldwide distribution of Paul Smith perfumes and cosmetics. In July 2008 we extended this license for the Paul Smith brand for an additional seven years through December 31, 2017 on comparable terms and conditions.

Paul Smith is an internationally renowned British designer who creates fashion with a clear identity. Paul Smith has a modern style which combines elegance, inventiveness and a sense of humor and enjoys a loyal following, especially in the UK and Japan. Fragrances include: Paul Smith, Paul Smith Extrême and Paul Smith London. In 2006 we launched the men’s fragrance, Paul Smith Story, and in 2007, we launched Paul Smith Rose, a women’s fragrance for Paul Smith. In September 2009 our European-based operations launched a new men’s scent, Paul Smith Man. In addition, we are creating new women’s fragrance under the Paul Smith brand for launch in 2010.

S.T. DUPONT — In June 1997, we signed an exclusive license agreement with S.T. Dupont which we extended in 2006 until June 30, 2011, for the creation, manufacture and worldwide distribution of S.T. Dupont perfumes. Fragrances include: S.T. Dupont Paris, S.T. Dupont Essence Pure and L'Eau de S.T. Dupont. In addition, during 2006 we launched the men's fragrance, S.T. Dupont Noir, which was received well in Eastern Europe and the Middle East. During 2007 we launched S.T. Dupont Blanc, a women's fragrance for S.T. Dupont, and in 2008, we launched S.T. Dupont Passenger, new scents for men and women. During 2009, we launched a new fragrance called S.T. Dupont Rose, and for 2010 we anticipate the launch of a new women's fragrance line for S.T. Dupont, S.T. Dupont Diamant.

QUIKSILVER/ROXY — In March 2006 we signed an exclusive worldwide license agreement for the creation, development and distribution of fragrance, suncare, skincare and related products under the Roxy brand and suncare and related products under the Quiksilver brand. The original term of the license expires in December 2017. However, in September 2009 by mutual consent as a result of unsatisfactory commercial development, we agreed to an early termination of our license agreement with Quiksilver. The termination will take effect on June 30, 2010 and is not expected to have any material effect on our consolidated financial statements.

CHRISTIAN LACROIX — In March 1999, we entered into an exclusive license agreement with the Christian Lacroix Company for the worldwide development, manufacture and distribution of perfumes. Our Christian Lacroix fragrances families for both men and women include: Eau Florale, Bazar, Tumulte and C'est la fête. This license is scheduled to expire on December 31, 2010, and we have no intention to renew. The non-renewal of this license is not expected to have any material effect on our consolidated financial statements.

#### Prestige Skin Care & Cosmetics

BURBERRY — For 2010, our plans include the launch of our first cosmetics line under the Burberry brand. We are committing capital to further grow our largest brand, Burberry, in 2010, through the launch of a cosmetics line for women in approximately 30 shops around the world. We believe that this is an essential step which will take Burberry to the next level of growth. The launch of the Burberry cosmetics line is also an important step to reach new customers and increase our exposure worldwide, which we believe will build the foundation for further growth in the years to come.

NICKEL — In April 2004 Inter Parfums, S.A. acquired a 67.6% interest in Nickel S.A., and in June 2007, the noncontrolling shareholders of Nickel S.A., exercised their rights to sell their remaining 32.4% interest in Nickel S.A. to us for approximately \$4.7 million in cash.

Established in 1996, Nickel has developed two innovative concepts in the world of cosmetics: spas exclusively for male customers and skin care products for men. The Nickel skin care products for the face and body are sold through prestige department and specialty stores primarily in France, the balance of Western Europe and in the United States, as well as through our men's spas in Paris and New York and our licensed spa in London.

Our current focus is on skin care products and we have launched several new skin care categories under the brand name in order to increase Nickel sales. However, sales to date have still not met our expectations. We intend to continue to develop new and innovative skincare products under the Nickel brand in an attempt to grow sales.

### Specialty Retail Products

Specialty retail has become an important part of our overall business, and our United States operations are continuing to expand the global distribution of the specialty retail brands with which we have partnered. In addition, we have been approached by other specialty retailers to determine if there is interest in establishing a relationship whereby we would design, produce and manufacture fragrance and fragrance related products similar to our existing relationships with specialty retailers. However, we cannot assure you that we will be able to enter into any similar future arrangements, or if we do, that any such arrangement would be on terms favorable to us or would be successful.

In connection with our specialty retail agreements in our United States operations, we design, produce and manufacture fragrance and fragrance related products for brand name specialty retailers, primarily in their retail stores. Our initial agreement with The Gap, Inc. covered the Gap and Banana Republic brands in the United States and Canada. Although the initial term of this agreement expired on August 31, 2009, we had entered into a series of short-term extension agreements to continue the relationship as it previously existed while we were in discussions with The Gap, Inc. for a formal extension of the agreement. In March 2010, we signed a new specialty retail agreement with The Gap, Inc. covering the Gap and Banana Republic brands in the United States and Canada., with terms and conditions similar to those of the original agreement. This new agreement expires December 31, 2011.

In April 2008 we expanded our current relationship with The Gap Inc. to include a licensing agreement for international distribution of personal care products through Gap and Banana Republic brand stores as well as select specialty and department stores outside the United States, including duty-free and other travel related retailers through December 31, 2011.

We also have agreements in place for Brooks Brothers, New York & Company and bebe Stores specialty retail brands. We are responsible for product development, formula creation, packaging and manufacturing under all of those brands. Our exclusive agreements for the Brooks Brothers, New York & Company and bebe brands run through the following dates:

| Brand Name         | Expiration Date   |
|--------------------|---|
| Brooks Brothers    | December 31, 2013, plus a 5-year optional term if certain sales targets are met, plus additional 5-year optional term if both parties agree   |
| New York & Company | October 8, 2012, plus subsequent 2 year renewals terms if both parties agree, subject to the right of New York & Company to terminate the agreement within 3 months after completion of the second year of sales, |
| Bebe Stores        | June 30, 2014, plus three, 3-year optional terms, if certain sales targets are met  |

In addition, our agreement for the Brooks Brothers brand includes a license for our sales to Brooks Brothers stores, as well as specialty and department stores outside the United States and duty free and other travel-related retailers in return for royalty payments and certain advertising expenditures. Our agreement for the bebe brand also includes a license for select specialty and department stores worldwide in return for royalty payments and certain advertising expenditures.

For competitive reasons we do not disclose certain commercial or financial terms in these agreements, such as specific percentage royalty rates or percentage of net sales for minimum advertising requirements, as well as the specific dollar amount of royalties, minimum advertising expenses and minimum sales requirements. With respect to each item that relates to financial information, the aggregate amounts of such items are taken into account in connection with the preparation of our consolidated financial statements. Further, we believe that all financial information omitted is commercially reasonable and as such the specific percentages or dollar amounts are not material. Based upon the foregoing, we have filed confidential treatment applications for such agreements that we have filed as material contracts, which have been routinely granted.

#### Gap and Banana Republic

In July 2005, we entered into an exclusive agreement with The Gap, Inc. to develop, produce, manufacture and distribute fragrance, personal care and home fragrance products for Gap and Banana Republic brand names to be sold in Gap and Banana Republic retail stores in the United States and Canada. In March 2006, the agreement was amended to include fragrance, personal care and home fragrance products for Gap Outlet and Banana Republic Factory Stores in the United States and Canada.

In September 2006, we launched the Banana Republic Discover Collection, a family of five fragrances, we developed and supply to Banana Republic's North American stores. The initial collection consisted of three scents for women and two for men and in 2007 two additional fragrances were added and companion products such as body wash, body cream and shower gel were also introduced.

During 2007, we had a staged rollout of new products to Gap's North American stores, including a higher end collection of fragrances for men and women as well as a men's fragrance and grooming products.

In 2008 we expanded our current relationship with Gap Inc. to include a licensing agreement for international distribution of personal care products through Gap and Banana Republic stores as well as select specialty and department stores outside the United States, including duty-free and other travel related retailers. The agreement was effective as of July 1, 2007 and expires December 31, 2011.

We entered into this license agreement to capitalize on cross-border brand awareness of Gap's iconic American style and Banana Republic's affordable luxury, which we have interpreted into a brand-specific assortment of fragrance, home fragrance, bath and body, and grooming products. In addition, our long-established relationships with distributors in over 120 countries, and our current infrastructure enabled us to rollout Gap and Banana Republic products to select department stores, perfumeries, travel retailers, military bases and other appropriate retail outlets around the world.

In April 2009, we launched a new Gap fragrance, Close, for sale at approximately 550 Gap stores and 175 Gap Body stores nationwide. International distribution began in September 2009, including an exclusive launch at 240 Sephora doors in Europe. Total international distribution is expected to reach approximately 5,000 doors by the end of 2011. Also during 2009, for the Banana Republic brand, we debuted new fragrances, Republic of Women and Republic of Men, in North America in late August 2009, and commenced international rollout shortly thereafter.

#### Brooks Brothers

In November 2007, we entered into an exclusive agreement with Retail Brand Alliance, Inc. covering the design, manufacture and supply of personal care products for men and women to be sold at Brooks Brothers locations in the United States as well as a licensing agreement covering Brooks Brothers stores and specialty and department stores outside the United States and duty free and other travel-related retailers. In addition to new product development, we have assumed responsibility for the production and supply of existing Brooks Brothers fragrance and related personal care products. In the United States, we are responsible for product development, formula creation, packaging design and manufacturing while Brooks Brothers is responsible for marketing, advertising and in-store sales.

In November 2008, we shipped the Brooks Brothers New York collection for men and women to Brooks Brothers U.S. stores. In addition, a new Brooks Brothers fragrance called Black Fleece, was launched in the fall of 2009. International distribution is being readied for 2010.

#### New York & Company

In April 2007 we signed an exclusive agreement with New York & Company, Inc. under which we design and manufacture a personal care products sold at the New York & Company retail locations and on their website. Pursuant to the agreement, we are responsible for product development, formula creation, packaging and manufacturing while New York & Company is responsible for marketing and selling in its stores.

New York & Company has achieved success by building its brand and loyal customer base around clothing and accessories that are 'trendy, affordable, comfortable and sexy for real women and with real lives'. The products that we developed are designed for the target New York & Company customer, the fashion-conscious, value-sensitive women between the ages of 25 and 45. In November 2007 we launched the initial bath and body collections and holiday gift sets that were developed for New York & Company's more than 560 stores. Although this line did not meet our expectations and was discontinued, we launched a new fragrance for New York & Company in 2009 and we supply their stores with color cosmetic products.



## Bebe Stores

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

The color cosmetics we developed and produced for bebe stores was launched at more than 200 bebe United States stores and, our bebe signature fragrance was unveiled at bebe stores in the U.S. in August 2009, which was followed by worldwide distribution later in the third quarter. In addition, in September 2009, our bebe signature fragrance debuted at approximately 300 Dillard's stores. The launch was supported with a print advertising program in the November 2009 issues of Cosmopolitan, Elle, and In Style, as well as outdoor advertising on billboards and bus kiosks. Dillard's has also made a strong commitment to the bebe launch as a featured fragrance in its multi-page advertising insert in several Conde Nast publications plus inclusion in its holiday catalog.

## Mass Market Products

Our mass market products are comprised of fragrances and fragrance related products. We produce a variety of alternative designer fragrances and personal care products that sell at a substantial discount from their brand name counterparts. Our alternative designer fragrances are similar in scent to highly advertised designer fragrances that are marketed at a higher retail price. Our mass market fragrance brands include several proprietary brand names as well as a license for the Jordache brand. We also market our Aziza line of low priced eye shadow kits, mascara, and pencils, focusing on the young teen market and a line of health and beauty aids under our Intimate and Johnson Parker brands, including shampoo, conditioner, hand lotion and baby oil. All of these products are distributed to the same mass market retailers and discount chains.

## Business Strategy

Focus on prestige beauty brands. Prestige beauty brands are expected contribute significantly to our growth as it represents 88% of total business in 2009. 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 Inter Parfums as a partner because our Company's size enables us to work more closely with them in the product development process as well as our successful track record.

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

Continue to add new brands to our portfolio, through new licenses or acquisitions. Prestige brands are the core of our business — we intend to add new prestige beauty brands to our portfolio. Over the past decade, 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. 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, and marketing.

Expand existing portfolio into new categories. We intend to continue to broaden our product offering beyond the fragrance category and offer other fragrance related products and personal care products such as skin care, cosmetics and hair care under some of our existing brands. We believe such product offerings meet customer needs and further strengthen customer loyalty. We also plan to draw upon the skin care product expertise that the Nickel team brings, as we explore other opportunities in the treatment side of the beauty business beyond the Nickel brand. For 2010, our plans include the launch of our first cosmetics line under the Burberry brand. We are committing capital to further grow our largest brand, Burberry, in 2010, through the launch of a cosmetics line for women in about 30 to 40 shops around the world. The launch of this cosmetics line will require a significant investment in the first year to develop the product, build cosmetic counters, hire and train personnel, and is expected to affect 2010 net income attributable to Inter Parfums, Inc. by approximately \$1.5 million or approximately \$0.05 per diluted share. We believe that this is an essential step which will take Burberry to the next level of growth. The launch of the Burberry cosmetics line is also an important step to reach new customers and increase our exposure worldwide, which we believe will build the foundation for further growth in the years to come.

Continue to build global distribution footprint. Our business is a global business and we intend to continue to build our global distribution footprint. In order to adapt to changes in the environment and our business, we have modified our distribution model and have formed and are operating joint ventures in the major markets of the United Kingdom, Italy, Spain and Germany for distribution of prestige fragrances. Further, we may enter into future joint ventures arrangements or acquire distribution companies within other key markets to distribute certain of our licensed prestige brands. However, we cannot assure you that we will be able to enter into any future joint venture arrangements or acquire distribution companies on terms favorable to us, or if we do, that any such transaction will be successful. We believe that in certain markets vertical integration of our distribution network is key to the future growth of our company, and ownership of such distribution should enable us to better serve our customers’ needs in local markets and adapt more quickly as situations may determine.

Build specialty retail business. We believe the beauty industry has experienced a significant growth in specialty retail, and we now have agreements in place for Gap and Banana Republic brands, New York & Company brand, Brooks Brothers brand and bebe brand. We are responsible for product development, formula creation, packaging and manufacturing under all of those brands. We also recently commenced product development to supply fragrances exclusively for Anthropologie stores, catalog and its internet business on an as needed and when ordered basis. Gap and Banana Republic, both leading international specialty retailers offering clothing, accessories and personal care products for men, women, children and infants, New York & Company, Retail Brand Alliance (for Brooks Brothers), bebe Stores, Inc. and Anthropologie, a unit of Urban Outfitters, Inc. (NASDAQ:URBN), are innovative specialty retailers which offer a variety of lifestyle merchandise to highly defined customer niches, and are each responsible for marketing and selling fragrance and fragrance related products we produced in their respective stores.

In addition, we have been approached by other specialty retailers to determine if there is interest in establishing a relationship whereby we would design, produce and manufacture fragrance and fragrance related products similar to our existing relationships with specialty retailers. However, we cannot assure you that we will be able to enter into any similar future arrangements.

#### 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 our suppliers;
- Schedule production and packaging;
- Issue component purchase orders;
- Follow quality control procedures for incoming components; and
- Follow packaging and inventory control procedures.

Suppliers who assist us with product development include:

- Independent perfumery design companies (Federico Restrepo, Fabien Baron, Aesthete, Ateliers Dinand);
- Perfumers (IFF, Firmenich, Robertet, Givaudan, Wessel Fragrances) which create a fragrance consistent with our expectations and, that of the fragrance designers and creators;
- Contract manufacturers of components such as glassware (Saint Gobain, Saverglass, Pochet, Nouvelles Verreries de Momignie), caps (MT Packaging, Codiplas, Risdon, Newburgh) or boxes (Printor Packaging, Draeger);
- Production specialists who carry out packaging (MF Production, Brand, CCI, IKI Manufacturing) or logistics (SAGA for storage, order preparation and shipment).

For our prestige products, approximately 80% of component and production needs are purchased from approximately 50 suppliers out of a total of over 160 active suppliers. The suppliers' accounts for our European operations are primarily settled in Euros and for our United States operations, suppliers' accounts are primarily settled in U.S. dollars. The components for our specialty retail products are sourced and our specialty retail products are primarily produced and filled in the United States, and our mass market products are manufactured, produced or filled in the United States or China.

## Marketing and Distribution

### Prestige Products

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

As our business is a global business, we intend to continue to build our global distribution footprint. In order to adapt to changes in the environment and our business, we have modified our distribution model, and during the first half of 2007 we formed and presently operate through majority owned distribution subsidiaries in the major markets of the United Kingdom, Italy, Spain and Germany for distribution of prestige fragrances. Shipments to these subsidiaries are not recognized as sales until that merchandise is sold by the distribution subsidiary to its customers.

Further, we may enter into future joint ventures arrangements or acquire distribution companies within other key markets to distribute certain of our licensed prestige brands. However, we cannot assure you that we will be able to enter into any future joint venture arrangements or acquire distribution companies on terms favorable to us, or if we do, that any such transaction will be successful. We believe that in certain markets vertical integration of our distribution network is key to the 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.

Our third party distributors vary in size depending on the number of competing brands they represent. This extensive and diverse network together with our own distribution subsidiaries provides us with a significant presence in over 100 countries around the world. Sales to one distributor represented 11%, 12% and 13% and of consolidated net sales in 2009, 2008 and 2007, respectively.

Approximately 35%, of our prestige fragrance net sales are denominated in U.S. dollars. In an effort to reduce our exposure to foreign currency exchange fluctuations, we engage in a program of hedging foreign currencies to minimize the risk arising from operations.

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

Distribution in France of our prestige products is carried out by a sales team who oversee some 1,200 points of sale including, retail perfumers (chain stores) such as

- Sephora
- Marionnaud
- Nocibé
- Galeries Lafayette
- Printemps

or specialized independent points of sale. Approximately 90% of prestige product sales in France are made to approximately 20 customers out of a total of over 1,200 active accounts .

#### Specialty Retail and Mass Market Products

We do not presently market and distribute Gap, Banana Republic, New York & Company or Brooks Brothers specialty retail products to third parties in the United States. Marketing and distribution for such brands are the responsibility of the brand owners which market and sell the products we produce in their own retail locations. However, with respect to our license agreement with bebe Stores, Inc., we distribute product to their stores, and distribute product as well as to other retailer outlets and department stores within the United States.

With respect to Gap, Banana Republic, Brooks Brothers and bebe brands, we distribute or plan to distribute product to specialty retailers and department stores outside the United States including duty free and other travel-related retailers. We utilize our in house sales team to reach our distributors and customers outside the United States.

In addition, the business of our United States operations has become increasingly seasonal as shipments to our specialty retail customers are weighted toward the second half of the year.

Mass merchandisers are the target customers for our mass market products. In addition, our mass market products are sold to wholesale distributors, specialty store chains, and to multiple locations of accessory, jewelry and clothing outlets. These products are sold through a highly efficient and dedicated in-house sales team and reach approximately 12,000 retail outlets throughout the United States and abroad.

Our 140,000 square foot distribution center has provided us with the opportunity and resources to meet our customers' requirements.

#### Geographic Areas

Export sales from United States operations were approximately \$14.0 million, \$22.5 million and \$9.5 million in 2009, 2008 and 2007, respectively.

Consolidated net sales to customers by region is as follows (in thousands):

|                           | Year Ended December 31, |            |            |
|---------------------------|-------------------------|------------|------------|
|                           | 2009                    | 2008       | 2007       |
| North America             | \$ 96,800               | \$ 108,600 | \$ 115,400 |
| Europe                    | 184,900                 | 204,100    | 173,200    |
| Central and South America | 29,300                  | 38,000     | 28,200     |
| Middle East               | 42,300                  | 39,200     | 26,100     |
| Asia                      | 53,600                  | 53,000     | 43,900     |
| Other                     | 2,600                   | 3,200      | 2,800      |
|                           | \$ 409,500              | \$ 446,100 | \$ 389,600 |

Consolidated net sales to customers in major countries is as follows (in thousands):

|                | Year Ended December 31, |            |            |
|----------------|-------------------------|------------|------------|
|                | 2009                    | 2008       | 2007       |
| United States  | \$ 88,000               | \$ 101,000 | \$ 113,000 |
| United Kingdom | 31,000                  | 25,000     | 28,000     |
| France         | 37,000                  | 38,000     | 30,000     |

#### Competition

The market for fragrances and fragrance related products is highly competitive and sensitive to changing preferences and demands. The prestige fragrance industry is highly concentrated around certain major players with resources far greater than ours. We compete with an original strategy— regular and methodical development of quality fragrances for a growing portfolio of internationally renowned brand names.

In the specialty retail market, we primarily sell products directly to Gap and Banana Republic stores, New York & Company stores, Brooks Brother stores and bebe stores, so we do not have any direct competition, other than third parties with the capacity to develop, manufacture and ship product to such specialty retailers. However, such special retail stores compete directly with other specialty retail stores such as Abercrombie & Fitch and Victoria's Secret, which thereby indirectly compete with us.

We compete in the mass market for fragrances, color cosmetics health and beauty aids primarily on the basis of price. At the present time, we are aware of approximately four established companies which market alternative designer fragrances similar to ours. Many of our competitors of both mass market color cosmetics (such as L'Oreal and Revlon) and health and beauty aids (such as Procter and Gamble) have substantial financial resources as well as national and international marketing campaigns. However, we believe that consumer recognition of our two brands, Aziza for mass market color cosmetics, and Intimate for health and beauty aids, together with competitive pricing of our products, helps us compete in those markets.

#### Inventory

We purchase raw materials and component parts from suppliers based on internal estimates of anticipated need for finished goods, which enables us to meet production requirements for finished goods. We generally deliver product to customers within 72 hours of the receipt of their orders.

#### Product Liability

We maintain product liability coverage in an amount of \$5,000,000. Based upon our experience, we believe this coverage is adequate and covers substantially all of the exposure we may have with respect to our products. We have never been the subject of any material product liability claims.

#### Government Regulation

A fragrance is defined as a "cosmetic" under the Federal Food, Drug and Cosmetics Act. A fragrance must comply with the labeling requirements of this FDC Act as well as the Fair Packaging and Labeling Act and its regulations. Some of our color cosmetic products may contain menthol and are also classified as a "drug". Under U.S. law, a product may be classified as both a cosmetic and a drug. Additional regulatory requirements for products which are "drugs" include additional labeling requirements, registration of the manufacturer and the semi-annual update of a drug list.

Our fragrances are subject to the approval of the Bureau of Alcohol, Tobacco and Firearms as a result of the use of specially denatured alcohol. So far we have not experienced any difficulties in obtaining the required approvals.

Our fragrances that are manufactured in France are subject to certain regulatory requirements of the European Union, but as of the date of this report, we have not experienced any material difficulties in complying with such requirements.

Trademarks

The market for our products depends to a significant extent upon the value associated with our trademarks and brand names. We own, or have licenses or other rights to use, the material trademark and brand name rights used in connection with the packaging, marketing and distribution of our major products both in the United States and in other countries where such products are principally sold. Therefore, trademark and brand name protection is important to our business. Although most of the brand names we license, use or own are registered in the United States and in certain foreign countries in which we operate, we may not be successful in asserting trademark or brand name protection. In addition, the laws of certain foreign countries may not protect our intellectual property rights to the same extent as the laws of the United States. The costs required to protect our trademarks and brand names may be substantial.

Under various license and other agreements we have the right to use certain registered trademarks throughout the world (except as otherwise noted) for fragrances and fragrance related products. These registered trademarks include:

- Burberry
- Van Cleef & Arpels
- Jimmy Choo
- Montblanc
- Gap
- Banana Republic
- New York & Company (U.S. only)
- Brooks Brothers
- bebe
- S.T. Dupont
- Paul Smith
- Jordache

In addition, we are the registered trademark owner of several trademarks for fragrances and fragrance related products, including:

- Lanvin
- Intimate
- Aziza
- Nickel
- Regal Collections, Royal Selections and Apple



## Employees

As of March 1, 2010 we had 256 full-time employees world-wide. Of these, 171 are full-time employees in Paris, with 47 employees engaged in sales activities and 124 in administrative, production and marketing activities. In the United States, 85 employees work full-time, and of these, 35 were engaged in sales activities and 50 in administrative, production and marketing activities. We believe that our relationship with our employees is good.

### Item 1A. Risk Factors.

You should carefully consider these risk factors before you decide to purchase or sell shares of our common stock. These factors could cause our future results to differ materially from those expressed or implied in forward-looking statements made by us. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment.

Our business could be adversely affected by a prolonged downturn or recession in the United States, Europe or other countries in which we conduct business.

A prolonged economic downturn or recession in the United States, Europe or any of the other countries in which we do significant business could materially and adversely affect our business, financial condition and results of operations. In particular, such a downturn or recession could adversely impact (i) the level of spending by our ultimate consumers, (ii) our ability to collect accounts receivable on a timely basis from certain customers, (iii) our ability of certain suppliers to fill our orders for raw materials, packaging or co-packed finished goods on a timely basis, and (iv) the mix of our product sales.

Consumers may reduce discretionary purchases of our products as a result of a general economic downturn.

We believe that the high degree of global economic uncertainty is expected to continue to have a negative effect on consumer confidence, demand and spending. In addition, we believe that consumer spending on beauty products is influenced by general economic conditions and the availability of discretionary income. Accordingly, we may experience sustained periods of declines in sales during periods of economic downturn as it may affect customers' purchasing patterns. In addition, a general economic downturn may result in reduced traffic in our customers' stores which may, in turn, result in reduced net sales to our customers. Any resulting material reduction in our sales could have a material adverse effect on our business, financial condition and operating results.

Uncertainties and continued deterioration in global credit markets could negatively impact suppliers, customers and consumers, which could have an adverse impact on our business as a whole.

Uncertainties and continued deterioration in the global credit markets could negatively impact our suppliers, customers and consumers which, in turn, could have an adverse impact on our business. While, thus far, uncertainties in global credit markets have not significantly affected our access to credit due to our strong credit rating, a further deterioration in global financial markets could make future financing difficult or more expensive. Such lack of credit or lack of credit on favorable terms could have a material adverse effect on our business, financial condition and operating results.

If our intangible assets, such as trademarks and goodwill, become impaired we may be required to record a significant non-cash charge to earnings which would negatively impact our results of operations.

Under United States generally accepted accounting principles, we review our intangible assets, including our trademarks licenses and goodwill, for impairment annually in the fourth quarter of each fiscal year, or more frequently if events or changes in circumstances indicate the carrying value of our intangible assets may not be fully recoverable. The carrying value of our intangible assets may not be recoverable due to factors such as reduced estimates of future cash flows, including those associated with the specific brands to which intangibles relate, or slower growth rates in our industry. Estimates of future cash flows are based on a long-term financial outlook of our operations and the specific brands to which the intangible assets relate. However, actual performance in the near-term or long-term could be materially different from these forecasts, which could impact future estimates and the recorded value of the intangibles. Any significant impairment to our intangible assets would result in a significant charge to earnings in our financial statements during the period in which the impairment is determined to exist.

We are dependent upon Burberry for a significant portion of our sales, and the loss of this license will have a material adverse effect on us.

Burberry is our most significant license, as sales of Burberry products represented 57%, 56% and 54% of net sales for the years ended December 31, 2009, 2008 and 2007, respectively.

In October 2004 our Paris-based subsidiary, Inter Parfums, S.A., entered into a 12.5-year, exclusive world-wide fragrance license with Burberry Limited, effective as of July 1, 2004, which replaced the original 1993 license. This license includes an additional five-year optional term that requires the consent of both Burberry and Inter Parfums, S.A., and must be exercised, if at all, prior to December 31, 2014. In addition, Burberry has the right on December 31, 2011 to buy back the license at its then fair market value. Further, this license provides for termination on a change in control of either, Inter Parfums, S.A., the licensee, or Inter Parfums, Inc., the guarantor.

This license is subject to Inter Parfums, S.A. making required royalty payments (which are subject to certain minimums), minimum advertising and promotional expenditures and meeting minimum sales requirements. The loss of this license will have a material adverse effect on us.

We are dependent upon the continuation and renewal of various licenses and other agreements for a significant portion of our sales, and the loss of one or more licenses or agreements could have a material adverse effect on us.

All of our rights relating to prestige fragrance brands, other than Lanvin, as well as all of our specialty retail brands, are derived from licenses or other agreements from unaffiliated third parties and our business is dependent upon the continuation and renewal of such licenses and other agreements on terms favorable to us. Each license or agreement is for a specific term and may have additional optional terms. In addition, each license is subject to us making required royalty payments (which are subject to certain minimums), minimum advertising and promotional expenditures and meeting minimum sales requirements. Other agreements are generally subject to meeting minimum sales requirements. Just as the loss of a license or other significant agreement may have a material adverse effect on us, a renewal on less favorable terms may also negatively impact us.

If we are unable to protect our intellectual property rights, specifically trademarks and brand names, our ability to compete could be negatively impacted.

The market for our products depends to a significant extent upon the value associated with trademarks and brand names that we license, use or own. We own, or have licenses or other rights to use, the material trademark and brand name rights used in connection with the packaging, marketing and distribution of our major products both in the United States and in other countries where such products are principally sold. Therefore, trademark and brand name protection is important to our business. Although most of the brand names we license, use or own are registered in the United States and in certain foreign countries in which we operate, we may not be successful in asserting trademark or brand name protection. In addition, the laws of certain foreign countries may not protect our intellectual property rights to the same extent as the laws of the United States. The costs required to protect our trademarks and brand names may be substantial.

The success of our products is dependent on public taste.

Our revenues are substantially dependent on the success of our products, which depends upon, among other matters, pronounced and rapidly changing public tastes, factors which are difficult to predict and over which we have little, if any, control. In addition, we have to develop successful marketing, promotional and sales programs in order to sell our fragrances and fragrance related products. If we are not able to develop successful marketing, promotional and sales programs, then such failure will have a material adverse effect on our business, financial condition and operating results.

We are subject to extreme competition in the fragrance industry.

The market for fragrances and fragrance related products is highly competitive and sensitive to changing market preferences and demands. Many of our competitors in this market (particularly in the prestige fragrance industry) are larger than we are and have greater financial resources than are available to us, potentially allowing them greater operational flexibility. Our success in the prestige fragrance industry is dependent upon our ability to continue to generate original strategies and develop quality products that are in accord with ongoing changes in the market.

In the specialty retail market we primarily sell products directly to Gap and Banana Republic stores, New York & Company stores, Brooks Brother stores and bebe stores, so we do not have any direct competition. However, such special retail stores compete directly with other specialty retail stores such as Abercrombie & Fitch and Victoria's Secret, which thereby indirectly compete with us.

Our success with mass market fragrance and fragrance related products is dependent upon our ability to competitively price quality products and to quickly and efficiently develop and distribute new products.

If there is insufficient demand for our existing fragrances and fragrance related products, or if we do not develop future strategies and products that withstand competition or we are unsuccessful in competing on price terms, then we could experience a material adverse effect on our business, financial condition and operating results.

We are dependent upon specialty retailers to sell products that we develop for their retail stores.

We have agreements in place for Gap and Banana Republic brands, New York & Company brand, Brooks Brothers brand and bebe brand. We are responsible for product development, formula creation, packaging and manufacturing under all of those brands. We also recently developed and commenced supplying fragrances exclusively for Anthropologie stores, catalog and its internet business on an as needed and when ordered basis. Gap and Banana Republic, both leading international specialty retailers offering clothing, accessories and personal care products for men, women, children and infants, New York & Company, Retail Brand Alliance (for Brooks Brothers), bebe Stores, Inc. and Anthropologie, a unit of Urban Outfitters, Inc. (NASDAQ:URBN), which is an innovative specialty retail company which offers a variety of lifestyle merchandise to highly defined customer niches, are each responsible for marketing and selling fragrance and fragrance related products we produced in their respective stores. If the sales and marketing efforts of those specialty retailers are not successful for the products that we have developed, then such unsuccessful sales and marketing efforts could have a material adverse effect on our operating results.

If we are unable to acquire or license additional brands, or obtain the required financing for these agreements and arrangements, then the growth of our business could be impaired.

Our future expansion through acquisitions or new product distribution arrangements, if any, will depend upon the capital resources and working capital available to us. Further, in view of the global banking crisis, we may be unable to obtain financing or credit that we may require for additional licenses, acquisitions or other transactions. We may be unsuccessful in identifying, negotiating, financing and consummating such acquisitions or arrangements on terms acceptable to us, or at all, which could hinder our ability to increase revenues and build our business.

We may engage in future acquisitions that we may not be able to successfully integrate or manage. These acquisitions may dilute our stockholders and cause us to incur debt and assume contingent liabilities.

We continuously review acquisition prospects that would complement our current product offerings, increase our size and geographic scope of operations or otherwise offer growth and operating efficiency opportunities. The financing, if available, for any of these acquisitions could significantly dilute our stockholders and/or result in an increase in our indebtedness. We may acquire or make investments in businesses or products in the future, and such acquisitions may entail numerous integration risks and impose costs on us, including:

- difficulties in assimilating acquired operations or products, including the loss of key employees from acquired businesses;
  - diversion of management's attention from our core business;
  - adverse effects on existing business relationships with suppliers and customers;
  - risks of entering markets in which we have no or limited prior experience;
    - dilutive issuances of equity securities;
    - incurrence of substantial debt;
    - assumption of contingent liabilities;
- incurrence of significant amortization expenses related to intangible assets and the potential impairment of acquired assets; and
  - incurrence of significant immediate write-offs.

Our failure to successfully complete the integration of any acquired business could have a material adverse effect on our business, financial condition and operating results.

We are dependent upon Messrs. Jean Madar and Philippe Benacin, and the loss of their services could harm our business.

Jean Madar, our Chief Executive Officer, and Philippe Benacin, our President and Chief Executive Officer of Inter Parfums, S.A., are responsible for day-to-day operations as well as major decisions. Termination of their relationships with us, whether through death, incapacity or otherwise, could have a material adverse effect on our operations, and we cannot assure you that qualified replacements can be found. We maintain key man insurance on the life of Mr. Benacin (\$22.0 million). However, we cannot assure you that we would be able to retain suitable replacements for either Mr. Madar or Mr. Benacin.

Our reliance on third party manufacturers could have a material adverse effect on us.

We rely on outside sources to manufacture our fragrances and cosmetics. The failure of such third party manufacturers to deliver either components or finished goods on a timely basis could have a material adverse effect on our business. Although we believe there are alternate manufacturers available to supply our requirements, we cannot assure you that current or alternative sources will be able to supply all of our demands on a timely basis. We do not intend to develop our own manufacturing capacity. As these are third parties over which we have little or no control, the failure of such third parties to provide components or finished goods on a timely basis could have a material adverse effect on our business, financial condition and operating results.

Our reliance on third party distributors could have a material adverse effect on us.

We sell a substantial percentage of our prestige fragrances through independent distributors specializing in luxury goods. Given the growing importance of distribution, we have begun to modify our distribution model by the formation of joint ventures or company owned subsidiaries within key markets. However, we have little or no control over third party distributors and the failure of such third parties to provide services on a timely basis could have a material adverse effect on our business, financial condition and operating results. In addition, if we replace existing third party distributors with new third party distributors or with our own distribution arrangements, then transition issues could have a material adverse effect on our business, financial condition and operating results.

The loss of or disruption in our distribution facilities could have a material adverse effect on our business, financial condition and operating results.

We currently have one distribution facility in Paris and one in New Jersey. The loss of one or both of those facilities, as well as the inventory stored in those facilities, would require us to find replacement facilities and assets. In addition, terrorist attacks, weather conditions, or natural disasters, could disrupt our distribution operations. If we cannot replace our distribution capacity and inventory in a timely, cost-efficient manner, it could have a material adverse effect on our business, financial condition and operating results.

The international character of our business renders us subject to fluctuation in foreign currency exchange rates and international trade tariffs, barriers and other restrictions.

A substantial portion of our European operations' net sales (approximately 35% in 2009) are sold in U.S. dollars. In an effort to reduce our exposure to foreign currency exchange fluctuations, we engage in a program of cautious hedging of foreign currencies to minimize the risk arising from operations. Despite such actions, fluctuations in foreign currency exchange rates for the U.S. dollar, particularly with respect to the Euro, could have a material adverse effect on our operating results. Possible import, export, tariff and other trade barriers, which could be imposed by the United States, other countries or the European Union might also have a material adverse effect on our operating results.

Our business is subject to governmental regulation, which could impact our operations.

Fragrances and fragrance related products must comply with the labeling requirements of the Federal Food, Drug and Cosmetics Act as well as the Fair Packaging and Labeling Act and their regulations. Some of our color cosmetic products may also be classified as a "drug". Additional regulatory requirements for products which are "drugs" include additional labeling requirements, registration of the manufacturer and the semi-annual update of a drug list.

Our fragrances are subject to the approval of the Bureau of Alcohol, Tobacco and Firearms as a result of the use of specially denatured alcohol. So far we have not experienced any difficulties in obtaining the required approvals.

Our fragrances and fragrance related products that are manufactured in France are subject to certain regulatory requirements of the European Union, but as of the date of this report, we have not experienced any material difficulties in complying with such requirements.

However, we cannot assure you that, should we develop or market fragrances and fragrance related products with different ingredients, or should existing regulations or requirements be revised, we would not in the future experience difficulty in complying with such requirements, which could have a material adverse effect on our results of operations.

We may become subject to possible liability for improper comparative advertising or “Trade Dress.”

Brand name manufacturers and sellers of brand name products may make claims of improper comparative advertising or trade dress (packaging) with respect to the likelihood of confusion between some of our mass market products and those of brand name manufacturers and sellers. They may seek damages for loss of business or injunctive relief to seek to have the use of the improper comparative advertising or trade dress halted. However, we believe that our displays and packaging constitute fair competitive advertising and are not likely to cause confusion between our products and others. Further, we have not experienced to any material degree, any of such problems to date.

Item 1B. Unresolved Staff Comments.

None.

## Item 2. Properties

## United States Operations

| Use  | Location   | Approximate Size       | Term Expires         | Other Information |
|--|--|------------------------|----------------------|-------------------|
| Office<br>Space-corporate<br>headquarters and<br>United States<br>operations | 551 Fifth<br>Avenue, New<br>York, NY.                  | 11,000 square<br>feet  | February 28,<br>2013 |                   |
| Distribution center  | 60 Stults Road<br>Dayton, NJ                           | 140,000 square<br>feet | October 31,<br>2010  |                   |
| Men's Spa  | Unit C2, 300<br>West 14th<br>Street, New<br>York, N.Y. | 4,500 square feet      | October 31,<br>2014  |                   |

## European Operations

| Use  | Location   | Approximate Size     | Term Expires | Other Information  |
|--|--|----------------------|--------------|--|
| Office<br>Space-Paris<br>corporate<br>headquarters and<br>European<br>operations | 4 Rond Point<br>Des Champs<br>Elysees<br>Ground and 1st<br>Fl. Paris, France | 571 square<br>meters | March 2013   | Lessee has early<br>termination right<br>every 3 years on 6<br>months notice |
| Office<br>Space-Paris<br>corporate<br>headquarters and<br>European<br>operations | 4 Rond Point<br>Des Champs<br>Elysees<br>4th Fl.<br>Paris, France            | 540 square<br>meters | June 2014    | Lessee has early<br>termination right<br>every 3 years on 6<br>months notice |
| Office<br>Space-Paris<br>corporate<br>headquarters and<br>European<br>operations | 4 Rond Point<br>Des Champs<br>Elysees<br>5th Fl- left<br>Paris, France       | 155 square<br>meters | March 2013   | Lessee has early<br>termination right on<br>3 months notice                  |
| Office<br>Space-Paris<br>corporate<br>headquarters and                           | 4 Rond Point<br>Des Champs<br>Elysees<br>6th Fl-Right                        | 157 square<br>meters | March 2013   | Lessee has early<br>termination right<br>every 3 years on 6<br>months notice |



|   |  |                   |                |   |
|---|--|-------------------|----------------|---|
| European operations   | Paris, France  |                   |                |   |
| Office Space-Paris corporate headquarters and European operations | 4 Rond Point Des Champs Elysees 2nd Fl Paris, France | 544 square meters | September 2017 | Lessee has early termination right every 3 years on 6 months notice |
| Office Space-Paris corporate headquarters and European operations | 4 Rond Point Des Champs Elysees 6th Fl Paris, France | 60 square meters  | September 2017 | Lessee has early termination right every 3 years on 6 months notice |
| Men's Spa   | 48 Rue des Francs Bourgeois, Paris, France           | 116 square meters | June 2011      | Lessee has early termination right every 3 years on 6 months notice |

Inter Parfums, S.A. has an agreement with Sagatrans, S.A. for warehousing and distribution services through September 2011. Fees are calculated based upon a percentage of sales, which are customary in the industry. Minimum future lease payments are 2.9 million euro in 2010 and 2.3 million euro in 2011.

We believe our office and warehouse facilities are satisfactory for our present needs and those for the foreseeable future.

### Item 3. Legal Proceedings

We are not a party to any material lawsuits.

## PART II

## Item 4. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

## 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 2009    | High Closing Price | Low Closing Price |
|----------------|--------------------|-------------------|
| Fourth Quarter | 13.48              | 10.47             |
| Third Quarter  | 12.69              | 6.88              |
| Second Quarter | 9.42               | 5.27              |
| First Quarter  | 8.59               | 3.50              |
| Fiscal 2008    | High Closing Price | Low Closing Price |
| Fourth Quarter | 13.88              | 5.04              |
| Third Quarter  | 17.08              | 12.12             |
| Second Quarter | 19.96              | 14.00             |
| First Quarter  | 14.92              | 9.03              |

As of February 18, 2010 the number of record holders, which include brokers and broker's nominees, etc., of our common stock was 54. We believe there are approximately 1,900 beneficial owners of our common stock.

## 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: Alberto-Culver, Avon Products Inc., Bare Escentuals, Inc., Blyth Inc., CCA Industries, Inc., Colgate-Palmolive Co., Elizabeth Arden, Inc., Estee Lauder Cosmetics, Inc., Inter Parfums, Inc., Kimberly Clark Corp., Natural Health Trends, Parlux Fragrances Inc., Physicians Formula Holdings, Procter & Gamble, Revlon, Inc., Spectrum Brands, Inc., Stephan Company, 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.

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

|                     | 12/04  | 12/05  | 12/06  | 12/07  | 12/08  | 12/09  |
|---------------------|--------|--------|--------|--------|--------|--------|
| Inter Parfums, Inc. | 100.00 | 113.99 | 122.82 | 116.07 | 75.31  | 121.25 |
| NASDAQ Composite    | 100.00 | 101.41 | 114.05 | 123.94 | 73.43  | 105.89 |
| Peer Group          | 100.00 | 101.55 | 116.27 | 134.26 | 112.60 | 123.31 |

#### Dividends

In December 2007 and again in December 2008, our board of directors authorized the continuation of our cash dividend of \$.133 per share per annum, payable \$.033 on a quarterly basis. In January 2010, our board of directors authorized a 97% increase in the Company's quarterly cash dividend to \$.065 per share, which brings the annual cash dividend to \$.26 per share. The first cash dividend for 2010 of \$.065 per share is payable on April 15, 2010 to shareholders of record on March 31, 2010.

Our Certificate of Incorporation provides for the requirement of unanimous approval of the members of our board of directors for the declaration or payment of dividends, if the aggregate amount of dividends to be paid by us and our subsidiaries in any fiscal year is more than thirty percent (30%) of our annual net income for the last completed fiscal year, as indicated by our consolidated financial statements.

### Sales of Unregistered Securities

The following sets forth certain information as to the sales of unregistered securities, including options granted to purchase our common stock during the last quarter of the last fiscal year and through the date of this report, which were not registered under the Securities Act.

In December 2009, both the Chief Executive Officer and the President each exercised 75,000 outstanding stock options of the Company's common stock. The aggregate exercise prices of \$1.5 million were paid by them tendering to the Company an aggregate of 129,984 shares of the Company's common stock, previously owned by them, valued at fair market value on the date of exercise. All shares issued pursuant to these option exercises were issued from treasury stock of the Company. In addition, the Chief Executive Officer tendered an additional 2,503 shares for payment of certain withholding taxes resulting from his option exercises. This transaction was exempt from the registration requirements of Section 5 of the Securities Act under Sections 4(2) and 4(6) of the Securities Act. Both the Chief Executive Officer and the President agreed that upon exercise of their options, they would purchase their common stock for investment and not for resale to the public.

On February 1, 2010, we granted options to purchase an aggregate of 4,000 shares for a five-year period at the exercise price of \$13.345 per share, the fair market value on the date of grant, to 5 of our non-employee directors, who are all deemed our affiliates, under our 2004 Non-Employee Director Stock Option Plan. Such options vest 25% each year over a 4 year period on a cumulative basis. This transaction was exempt from the registration requirements of Section 5 of the Securities Act under Sections 4(2) and 4(6) of the Securities Act. Each option holder agreed that, if the option is exercised, the option holder would purchase his common stock for investment and not for resale to the public. Also, we provide all option holders with all reports we file with the SEC and press releases issued by us.

### Repurchases of Our Common Stock

Except as set forth above with respect to the tendering of shares by our Chief Executive Office and President for the payment of the exercise price and taxes, we did not repurchased any of our Common Stock during the fourth quarter of 2009.

### Item 5. Selected Financial Data

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

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|  | Years Ended December 31, |            |            |            |            |
|--|--------------------------|------------|------------|------------|------------|
| (In thousands except per share data)   | 2009                     | 2008       | 2007       | 2006       | 2005       |
| <b>Income statement data:</b>  |                          |            |            |            |            |
| Net sales  | \$ 409,464               | \$ 446,124 | \$ 389,560 | \$ 321,054 | \$ 273,533 |
| Cost of sales  | 175,296                  | 191,915    | 160,137    | 143,855    | 115,827    |
| Selling, general and administrative expense                                    | 187,690                  | 202,264    | 181,224    | 141,074    | 126,353    |
| Operating income   | 44,801                   | 51,009     | 47,331     | 36,125     | 31,353     |
| Income before taxes  | 46,348                   | 46,434     | 47,276     | 37,135     | 31,724     |
| Net income attributable to the noncontrolling interest                         | 7,791                    | 6,357      | 6,784      | 6,192      | 5,328      |
| Net income attributable to Inter Parfums, Inc.                                 | 22,367                   | 23,765     | 23,817     | 17,742     | 15,263     |
| Net income attributable to Inter Parfums, Inc. common shareholders' per share: |                          |            |            |            |            |
| Basic  | \$ .74                   | \$ .78     | \$ .78     | \$ .58     | \$ .51     |
| Diluted  | \$ .74                   | \$ .77     | \$ .76     | \$ .58     | \$ .50     |
| Average common shares outstanding:   |                          |            |            |            |            |
| Basic  | 30,100                   | 30,621     | 30,666     | 30,486     | 30,117     |
| Diluted  | 30,121                   | 30,778     | 31,004     | 30,853     | 30,731     |
| Depreciation and amortization  | \$ 10,963                | \$ 9,925   | \$ 8,031   | \$ 5,347   | \$ 4,513   |

|  | As at December 31, |           |           |           |           |
|--|--------------------|-----------|-----------|-----------|-----------|
| (In thousands except per share data)       | 2009               | 2008      | 2007      | 2006      | 2005      |
| <b>Balance sheet and other data:</b>       |                    |           |           |           |           |
| Cash and cash equivalents                  | \$ 100,467         | \$ 42,404 | \$ 90,034 | \$ 71,047 | \$ 59,532 |
| Working capital                            | 197,663            | 174,126   | 178,560   | 138,547   | 131,084   |
| Total assets                               | 419,088            | 425,137   | 446,052   | 333,045   | 240,910   |
| Short-term bank debt                       | 5,021              | 13,981    | 7,217     | 6,033     | 989       |
| Long-term debt (including current portion) | 29,594             | 41,043    | 59,733    | 10,769    | 13,212    |
| Inter Parfums, Inc. shareholders' equity   | 228,724            | 204,201   | 192,660   | 155,272   | 127,727   |
| Dividends declared per share               | \$ 0.133           | \$ 0.133  | \$ 0.133  | \$ 0.107  | \$ 0.107  |

Item 6. Management's Discussion And Analysis Of Financial Condition And Results Of Operation

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. Our prestige fragrance products are produced and marketed by our European operations through our 75% owned subsidiary in Paris, Inter Parfums, S.A., which is also a publicly traded company as 25% of Inter Parfums, S.A. shares trade on the Euronext. Prestige cosmetics and prestige skin care products represent less than 3% of consolidated net sales.

We produce and distribute our prestige products primarily under license agreements with brand owners, and prestige product sales represented approximately 88% and 87% of net sales in 2009 and 2008, respectively. We have built a portfolio of brands, which include Burberry, Lanvin, Van Cleef & Arpels, Jimmy Choo, Montblanc, Paul Smith, S.T. Dupont and Nickel whose products are distributed in over 120 countries around the world. Burberry is our most significant license, as sales of Burberry products represented 57%, 56% and 54% of net sales for the years ended December 31, 2009, 2008 and 2007, respectively. In addition, sales of our Lanvin brand products represented 14%, 13% and 12% of net sales for the years ended December 31, 2009, 2008 and 2007, respectively.

In September 2009, by mutual consent as a result of unsatisfactory commercial development, we agreed to an early termination of our license agreement with Quiksilver. The termination will take effect on June 30, 2010 and is not expected to have any material effect on our consolidated financial statements.

Our specialty retail and mass-market fragrance and fragrance related products are marketed through our United States operations and represented 12% and 13% of sales in 2009 and 2008, respectively. These products are sold under trademarks owned by us or pursuant to license or other agreements with the owners of the Gap, Banana Republic, New York & Company, Brooks Brothers, bebe and Jordache trademarks.

Historically, seasonality has not been a major factor for our company. However, with the commencement of operations in 2007 of our four majority-owned European distribution subsidiaries and the introduction of our specialty retail product lines, sales have become more concentrated in the second half of the year.

We grow our business in two distinct ways. First, we grow by adding new brands to our portfolio, either through new licenses or out-right acquisitions of brands. Second, we grow through the introduction of new products and supporting new and established products through advertising, merchandising and sampling as well as phasing out existing products that no longer meet the needs of our consumers. The economics of developing, producing, launching and supporting products influence our sales and operating performance each year. Our introduction of new products may have some cannibalizing effect on sales of existing products, which we take into account in our business planning.

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



As with any business, many aspects of our operations are subject to influences outside our control. These factors include the effect of the current global economic recession and therefore the potential for further deterioration in consumer spending and consumer debt levels. The recent economic challenges and uncertainties in a number of countries where we do business, including the United States, have impacted our business. This global economic recession has negatively affected consumer demand, which is having an adverse impact on our distributors and our retail customers. These events have led distributors and retailers to carry less inventory than usual and have resulted in changes in their ordering patterns for the products that we sell. Although some signs of a recovery have become apparent with improving sales trends in the second half of 2009, the impact of this financial crisis was challenging for us in 2009 and is expected to continue to be challenging for us in 2010.

We have reviewed our plans and have taken actions to mitigate the impact of these conditions. We have adjusted, and we continue to adjust our advertising and promotional budgets to align our spending with anticipated sales. In addition, we have implemented cost saving initiatives to right size our staff in an effort to maintain long-term profitable growth. As part of our strategy, we plan to continue to make investments behind fast-growing markets and channels to grow market share. While our business strategies are designed to strengthen our Company over the long-term, we believe the uncertainty about future market conditions, consumer spending patterns and the financial strength of some of our customers could negatively affect our net sales and operating results.

In addition, our reported net sales are impacted by changes in foreign currency exchange rates. If the current exchange rates persist or the U.S. dollar continues to strengthen, there will be an adverse impact on our net sales in 2010. However, earnings are less affected by a strengthening dollar because in excess of 30 percent of net sales of our European operations are denominated in U.S. dollars, while all costs of our European operations are incurred in euro. Our Company addresses certain financial exposures through a controlled program of risk management that includes the use of derivative financial instruments. We primarily enter into foreign currency forward exchange contracts to reduce the effects of fluctuating foreign currency exchange rates.

#### Recent Important Events

##### Gap and Banana Republic

Although the initial term of our agreement with The Gap, Inc. covering the Gap and Banana Republic brands in the United States and Canada expired on August 31, 2009, we had entered into a series of short-term extension agreements to continue the relationship as it previously existed while we were in discussions with The Gap, Inc. for a formal extension of the agreement. In March 2010, we signed a new specialty retail agreement with The Gap, Inc. covering the Gap and Banana Republic brands in the United States and Canada., with terms and conditions similar to those of the original agreement. This new agreement expires December 31, 2011.

#### Montblanc

In January 2010, we announced that we had entered into an exclusive worldwide license agreement with Montblanc International GMBH to create, produce and distribute perfumes and ancillary products under the Montblanc brand. Our rights under such license agreement, which takes effect on July 1, 2010 and runs through 2020, are subject to certain minimum sales, advertising expenditures and royalty payments as are customary in our industry. We also agreed to pay an upfront entry fee of €1 million (approximately \$1.4 million) for this license, and to purchase the inventory of the current licensee, which is anticipated to be approximately €4 million (approximately \$5.7 million).

#### Jimmy Choo

In October 2009, we entered into an exclusive worldwide license agreement with J Choo Limited for the creation, development and distribution of fragrances under the Jimmy Choo brand. Our rights under such license agreement, which runs through 2022, are subject to certain minimum sales, advertising expenditures and royalty payments as are customary in our industry. Plans call for our first Jimmy Choo fragrance launch in early 2011.

#### bebe Stores, Inc.

In July 2008, we entered into an exclusive six year worldwide agreement with bebe Stores, Inc. under which we design, manufacture and supply fragrance, bath and body products and color cosmetics for company-owned bebe stores in the United States and Canada as well as select specialty and department stores worldwide.

#### Gap and Banana Republic International

In April 2008, we expanded our relationship with Gap Inc. with the signing of a licensing agreement for international distribution of personal care products through Gap and Banana Republic stores as well as select specialty and department stores outside the United States, including duty-free and other travel related retailers. The agreement is effective through December 31, 2011.

#### 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.

The judgments used by management in applying critical accounting policies could be affected by a further and prolonged general deterioration in the economic environment, which could negatively influence future financial results and availability of continued financing. Specifically, subsequent evaluations of our accounts receivables, inventories, and deferred tax assets in light of the factors then prevailing, could result in significant changes in our allowance and reserve accounts in future periods, which in turn could generate significant additional charges. Similarly, the valuation of certain intangible assets could be negatively impacted by prolonged and severely depressed market conditions thus leading to the recognition of impairment losses. The following is a brief discussion of the more critical accounting policies that we employ.

#### Revenue Recognition

We sell our products to department stores, perfumeries, specialty retailers, mass-market retailers, supermarkets and domestic and international wholesalers and distributors. Sales of such products by our domestic subsidiaries are denominated in U.S. dollars and sales of such products by our foreign subsidiaries are primarily denominated in either euro or U.S. dollars. Accounts receivable reflect the granting of credit to these customers. We generally grant credit based upon our analysis of the customer's financial position as well as previously established buying patterns. We recognize revenues when merchandise is shipped and the risk of loss passes to the customer. Net sales are comprised of gross revenues less returns, trade discounts and allowances.

#### Sales Returns

Generally, we do not permit customers to return their unsold products. However, on a case-by-case basis we occasionally allow customer returns. We regularly review and revise, as deemed necessary, our estimate of reserves for future sales returns based primarily upon historic trends and relevant current data. We record estimated reserves for sales returns as a reduction of sales, cost of sales and accounts receivable. Returned products are recorded as inventories and are valued based upon estimated realizable value. The physical condition and marketability of returned products are the major factors we consider in estimating realizable value. Actual returns, as well as estimated realizable values of returned products, may differ significantly, either favorably or unfavorably, from our estimates, if factors such as economic conditions, inventory levels or competitive conditions differ from our expectations.

#### Promotional Allowances

We have various performance-based arrangements with certain retailers. These arrangements primarily allow customers to take deductions against amounts owed to us for product purchases. The costs that our Company incurs for performance-based arrangements, shelf replacement costs and slotting fees are netted against revenues on our Company's consolidated statement of income. Estimated accruals for promotions and advertising programs are recorded in the period in which the related revenue is recognized. We review and revise the estimated accruals for the projected costs for these promotions. Actual costs incurred may differ significantly, either favorably or unfavorably, from estimates if factors such as the level and success of the retailers' programs or other conditions differ from our expectations.

## Inventories

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

## Equipment and Other Long-Lived Assets

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

We evaluate goodwill and 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 (i) reduce the fair value of the reporting unit below its fair value or (ii) indicate that the carrying value of an indefinite-lived intangible asset may not be recoverable. Impairment of goodwill is evaluated using a two step process. The first step involves a comparison of the estimated fair value of the reporting unit to the carrying value of that unit. If the carrying value of the reporting unit exceeds the fair value of the reporting unit, the second step of the process involves comparison of the implied fair value of goodwill (based on industry purchase and sale transaction data) with its carrying value. If the carrying value of the reporting unit's goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized as an amount equal to the excess. For indefinite-lived intangible assets, the evaluation requires a comparison of the estimated fair value of the asset to the carrying value of the asset. If the carrying value of an indefinite-lived intangible asset exceeds its fair value, impairment is recorded.

Goodwill relates to our Nickel skin care business, which is primarily a component of our European operations. Testing goodwill for impairment requires us to estimate the fair value of the reporting unit using significant estimates and assumptions. The assumptions we make will impact the outcome and ultimate results of the testing. In making our assumptions and estimates, we use industry accepted valuation models and set criteria that are reviewed and approved by management and, in certain instances, we engage third party valuation specialists to advise us. The first step of our goodwill impairment evaluation has given rise to potential impairment indicators and, as a result of continued sales declines, we have been testing for impairment of goodwill on a quarterly basis. We have determined that we may be inclined to sell the Nickel business within the next few years. Therefore, as of December 31, 2009, we have measured fair value of goodwill to be equal to the average amount offered by several potential purchasers of the Nickel business. As a result, the carrying amount of the goodwill exceeded its implied fair value resulting in an impairment loss of \$1.7 million in 2009. We expect Nickel brand sales to remain steady over the next few years as the result of new product launches in combination with an expected economic recovery. In estimating future sales, we use our internal budgets developed from recent sales data for existing products and planned timing of new product launches. If sales for the reporting unit decreased 10% we could incur an additional goodwill impairment charge of \$0.5 million.

To determine fair value of indefinite-lived intangible assets, we use an income approach, including the relief-from-royalty method. This method assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to obtain the rights to use the comparable asset. The relief-from-royalty calculations require us to make a number of assumptions and estimates concerning future sales levels, market royalty rates, future tax rates and discount rates. We use this method to determine if an impairment charge is required relating to our Nickel brand trademarks. For the year ended December 31, 2009, an impairment charge relating to the Nickel trademark in the amount of \$0.54 million was recorded. We assumed a market royalty rate of 6% and a discount rate of 7.8%. The following table presents the impact a change in the following significant assumptions would have had on our impairment charge recognized for the year ended December 31, 2009 assuming all other assumptions remained constant:

| In thousands                     | Change | Increase (decrease)<br>to impairment charge |
|----------------------------------|--------|---|
| Weighted average cost of capital | +10%   | \$ (246)                                    |
| Weighted average cost of capital | -10%   | \$ 307                                      |
| Future sales levels              | +10%   | \$ 244                                      |
| Future sales levels              | -10%   | \$ (244)                                    |

The fair values used in our evaluations are also estimated based upon discounted future cash flow projections using a weighted average cost of capital ranging from 8% to 9.5%. The cash flow projections are based upon a number of assumptions, including, future sales levels and future cost of goods and operating expense levels, as well as economic conditions, changes to our business model or changes in consumer acceptance of our products which are more subjective in nature. We believe that the assumptions that we have made in projecting future cash flows for the evaluations described above are reasonable and currently no impairment indicators exist for our indefinite-lived assets other than the Nickel trademarks referred to above. 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.

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

In determining the useful life of our Lanvin brand names and trademarks, we applied the provisions of ASC topic 350-30-35-3 (formerly paragraph 11 of SFAS 142, Goodwill and Other Intangible Assets). The only factor that prevented us from determining that the Lanvin brand names and trademarks were indefinite life intangible assets was Item c. "Any legal, regulatory, or contractual provisions that may limit the useful life". The existence of a repurchase option in 2025 may limit the useful life of the Lanvin brand names and trademarks to the company. However, this limitation would only take effect if the repurchase option were to be exercised and the repurchase price was paid. If the repurchase option is not exercised, then the Lanvin brand names and trademarks are expected to continue to contribute directly to the future cash flows of our company and their useful life would be considered to be indefinite.

With respect to the application of ASC topic 350-30-35-8 (formerly paragraph 13 of SFAS 142), the Lanvin brand names and trademarks would only have a finite life to our company if the repurchase option were exercised, and in applying ASC topic 350-30-35-8 we assumed that the repurchase option is exercised. When exercised, Lanvin has an obligation to pay the exercise price and the Company would be required to convey the Lanvin brand names and trademarks back to Lanvin. The exercise price to be received (Residual Value) is well in excess of the carrying value of the Lanvin brand names and trademarks, therefore no amortization is required.

#### Derivatives

We account for derivative financial instruments in accordance with ASC topic 815 (formerly SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended), which establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. This topic also requires the recognition of all derivative instruments as either assets or liabilities on the balance sheet and that they are measured at fair value.

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

## Income Taxes

Deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to the difference between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Tax benefits recognized are reduced by a valuation allowance where it is more likely than not that the benefits may not be realized.

## Results of Operations

## Net Sales

|                                   | Years ended December 31, |          |          |          |          |
|-----------------------------------|--------------------------|----------|----------|----------|----------|
|                                   | 2009                     | % Change | 2008     | % Change | 2007     |
|                                   | (in millions)            |          |          |          |          |
| European based product sales      | \$ 361.7                 | (6)%     | \$ 386.4 | 17%      | \$ 330.8 |
| United States based product sales | 47.8                     | (20)%    | 59.7     | 1%       | 58.8     |
| Total net sales                   | \$ 409.5                 | (8)%     | \$ 446.1 | 15%      | \$ 389.6 |

Net sales for the year ended December 31, 2009 decreased 8% to \$409.5 million. For the year ended December 31, 2008, net sales were up 15%. At comparable foreign currency exchange rates, net sales declined 8% in 2009 and rose 12% in 2008. While significant fluctuations in currency exchange rates were experienced during the year in both 2008 and 2009, for each year as a whole the overall impact was minimal.

European based prestige product sales, which were up 17% in 2008, declined 6% in 2009. Considering the challenges we faced in the first half of 2009, we are very pleased with full year 2009 sales results. The global economic recession negatively affected consumer demand, which had an adverse impact on our distributors and our retail customers. These events have led distributors and retailers to carry less inventory than usual and resulted in changes in their ordering patterns for the products that we sell. Signs of a recovery became apparent with improving sales trends beginning in the second half of 2009. This economic crisis was been challenging for us in 2009 and is expected to continue to be challenging in 2010.

Despite the economic climate, we maintained an active new product launch schedule throughout 2009 for our European-based operations which began in January with the global rollout of the men's version of Burberry The Beat. Also during the first quarter, we launched our Quiksilver signature fragrance for men. During the second quarter of 2009 we introduced ST Dupont Rose, a fragrance for women and a Lanvin L'Homme Sport line, with tennis star, Rafael Nadal as its spokesperson. Paul Smith Man debuted in August and a limited edition, high-end women's fragrance line for the Van Cleef & Arpels brand called Collection Extraordinaire was launched in September.

The bar was set quite high in 2008 when sales by European-based operations were 17% ahead of 2007 with much of the gain due to the rollout of Burberry The Beat for women. Burberry fragrance, which drove sales growth with an increase of 18% in 2008, performed in line with the rest of the group with a 6% sales decline in 2009. Lanvin, our second largest prestige brand, has proven somewhat resilient to the economic downturn in 2009 with sales of \$56.7 million, virtually unchanged from 2008 in dollars and up 4% in local currency. In 2008, Lanvin product sales were up 25% aided by the launch of the Jeanne Lanvin fragrance.

We began operations pursuant to our exclusive, worldwide license with Van Cleef & Arpels in January 2007. Sales of products under the Van Cleef & Arpels brand aggregated \$28.1 million, \$30.9 million and \$16.3 million in 2009, 2008 and 2007, respectively.

Notwithstanding the challenging economic environment in many parts of the world, certain territories continued to perform at satisfactory levels, notably, Western Europe (up 1%), Asia (up 10%) and the Middle East (up 19%) all in local currency for the year ended December 31, 2009, as compared to the prior year.

Our current plans for 2010 include a sports fragrance for men and women and cosmetics under the Burberry brand. We are committing capital to further grow our largest brand, Burberry, in 2010, through the launch of a cosmetics line for women in about 30 to 40 shops around the world. The Burberry cosmetics collection will include 100 products for skin, lips and eyes. The launch of this cosmetics line will require a significant investment in the first year to develop the product, build cosmetic counters, hire and train personnel, and is expected to affect 2010 net income attributable to Inter Parfums, Inc. by approximately \$1.5 million or approximately \$0.05 per diluted share. We believe that this is an essential step which will take Burberry to the next level of growth.

In addition, we are creating a new women's scent for Lanvin, and Paul Smith and men's and women's scents for Van Cleef & Arpels.

With respect to our United States specialty retail and mass market products, net sales declined 20% in 2009 after increasing 1% in 2008 and 15% in 2007. In 2008, we expanded our relationship with Gap Inc. with the signing of a license agreement for international distribution of personal care products through Gap and Banana Republic stores as well as select specialty and department stores outside the United States. In early 2008, United States specialty retail product sales were climbing as a steady domestic business combined with a new and vibrant international business to drive sales growth. However, beginning in the fourth quarter of 2008, United States specialty retail product sales came under pressure and our United States operations continued to feel the effects of the global economic recession throughout most of 2009.

As discussed in previous filings, management reported that new product launches together with existing distribution would stem the sales decline for our U.S. operations, and that was most certainly the case as we moved to the latter half of 2009. In April 2009, Close, a new Gap fragrance was launched at approximately 550 Gap stores and roughly 175 Gap Body stores nationwide. International distribution began in September, including an exclusive launch at 240 Sephora doors in Europe. Total international distribution is expected to reach approximately 5,000 doors by the end of 2011. In August 2009, new fragrances, Republic of Men and Republic of Women, were launched at Banana Republic stores in North America with international distribution following shortly thereafter. For 2010, two new Gap scents are in the works along with additional ancillary products and holiday gift sets.



In November 2008, we shipped the Brooks Brothers New York collection for men and women to Brooks Brothers U.S. stores. In addition, a new Brooks Brothers fragrance called Black Fleece, launched in the fall of 2009. International distribution is being readied for 2010. Also in 2010, several new fragrance categories are in the pipeline. Our signature bebe fragrance was unveiled at 212 bebe stores in the U.S. in August 2009, and over 300 Dillard's stores in September 2009. Worldwide distribution began late in the third quarter of 2009. In 2010, bebe Sheer, a new women's scent is planned along with several color cosmetic products and holiday gift sets. We also introduced a new fragrance for New York & Company during the fourth quarter of 2009.

Sales of mass market fragrance products have been in a decline for several years. We have no plans to discontinue sales to this market which aggregated approximately \$17 million, \$21 million and \$24 million in 2009, 2008 and 2007, respectively.

In addition, we are actively pursuing other new business opportunities. However, we cannot assure that any new licenses, acquisitions or specialty retail agreements will be consummated.

#### Gross Profit Margins

|  | Years ended December 31, |          |          |
|--|--------------------------|----------|----------|
|  | 2009                     | 2008     | 2007     |
|  | (in millions)            |          |          |
| Net sales                              | \$ 409.5                 | \$ 446.1 | \$ 389.6 |
| Cost of sales                          | 175.3                    | 191.9    | 160.2    |
| Gross margin                           | \$ 234.2                 | \$ 254.2 | \$ 229.4 |
| Gross margin as a percent of net sales | 57%                      | 57%      | 59%      |

As a percentage of sales, gross profit margins were 57% in both 2009 and 2008 and 59% in 2007. For the year ended December 31, 2009, gross margin included a benefit of approximately 94 basis points as a result of cash flow hedging activities entered into in late 2008 to take advantage of the effect a strong U.S. dollar relative to the euro has on our European based product sales to United States customers. Sales to these customers are denominated in dollars while our costs are incurred in euro.

Additional fluctuations in gross margin results from product sales mix within individual lines of Company products. Although gross margins from individual product families have remained relatively consistent, sales of products from our European based prestige fragrances have always generated significantly higher gross profit margins than sales of our United States based specialty retail and mass market products. Fluctuations in sales product mix between our European operations and our United States operations had small positive effects on the gross margin percentage in both 2009 and 2008 as sales from United States operations continued to represent a smaller portion of consolidated sales.

The decline in gross margin as a percentage of sales in 2008 primarily reflects the effect the decline in the value of the US dollar against the euro has on our European based product sales to United States customers. As mentioned above, sales to these customers are denominated in dollars while our costs are incurred in euro.

Generally, we do not bill customers for shipping and handling costs and such costs, which aggregated \$5.0 million in 2009 and \$6.2 million in both 2008 and 2007 are included in selling, general and administrative expense in the consolidated statements of income. As such, our Company's gross profit may not be comparable to other companies which may include these expenses as a component of cost of goods sold.

#### Selling, General & Administrative Expenses

|  | 2009     | Years ended December 31, |          |
|--|----------|--------------------------|----------|
|  |          | 2008                     | 2007     |
|  |          | (in millions)            |          |
| Selling, general & administrative expenses                           | \$ 187.7 | \$ 202.3                 | \$ 181.2 |
| Selling, general & administrative expenses as a percent of net sales | 46%      | 45%                      | 47%      |

Selling, general and administrative expenses decreased 7% for the year ended December 31, 2009, as compared to 2008 and increased 12% for the year ended December 31, 2008, as compared to 2007. As a percentage of sales selling, general and administrative expenses was 46%, 45% and 47% for the years ended December 31, 2009, 2008 and 2007, respectively.

Two major components of selling, general and administrative expenses are promotion and advertising expenditures and royalty expense. Promotion and advertising aggregated \$55.8 million, \$65.8 million and \$58.5 million for the years ended December 31, 2009, 2008 and 2007, respectively. Promotion and advertising as a percentage of sales represented 13.6%, 14.7% and 15.0% of net sales for the years ended December 31, 2009, 2008 and 2007, respectively. Advertising expenditures in 2008 were high in support of the launch of Burberry The Beat for women. As we anticipated lower sales volume in 2009 as compared to 2008, advertising expenditures were curtailed. Royalty expense aggregated \$35.5 million, \$37.3 million and \$35.6 million for the years ended December 31, 2009, 2008 and 2007, respectively.

Selling, general and administrative expenses also include servicing fees related to the operations of our majority-owned European distribution subsidiaries which aggregated approximately \$13 million in both 2009 and 2008 and \$12 million in 2007.

We review goodwill for impairment at least annually, and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The goodwill relates to our Nickel skin care business which is primarily a component of our European based operations. The first step of our goodwill impairment evaluation has given rise to potential impairment indicators and, as a result of continued sales declines, we have been testing for impairment of goodwill on a quarterly basis. As of December 31, 2009, we have measured fair value of goodwill to be equal to the average amount offered by several potential purchasers of the Nickel brand. As a result, the carrying amount of the goodwill exceeded fair value resulting in an additional impairment loss. Goodwill impairment losses aggregated \$1.7 million in 2009 and \$0.9 million in both 2008 and 2007. Accumulated impairment losses relating to goodwill aggregated \$3.5 million as of December 31, 2009.



Income from operations decreased 12% to \$44.8 million in 2009 and income from operations increased 8% to \$51.0 million, as compared to \$47.3 million in 2007. Operating margins aggregated 10.9%, 11.4% and 12.1% for the years ended December 31, 2009, 2008 and 2007, respectively.

Interest expense aggregated \$2.6 million, \$4.9 million and \$3.7 million for the years ended December 31, 2009, 2008 and 2007, respectively. We use the credit lines available to us, as needed, to finance our working capital needs as well as our financing needs for acquisitions. Loans payable – banks and long-term debt including current maturities aggregated \$34.6 million as of December 31, 2009, as compared to \$55.0 million as of December 31, 2008. In addition, due to the changes in fair value of interest rate swaps, interest expense for the year ended December 31, 2008 includes a charge of \$0.9 million, as compared to a small benefit (\$0.08 million) recorded for the year ended December 31, 2009.

Foreign currency gains or (losses) aggregated \$3.2 million, (\$1.4) million and (\$0.2) million for the years ended December 31, 2009, 2008 and 2007, respectively. We enter into foreign currency forward exchange contracts to manage exposure related to certain foreign currency commitments. As a result of the dramatic strengthening of the U.S. dollar during our fourth quarter ended December 31, 2008, we entered into foreign currency forward exchange contracts to hedge approximately 80% of our 2009 sales expected to be invoiced in U.S. dollars. As a result, we recorded a gain of \$3.5 million in 2009 and a (loss) of (\$0.8) million in 2008, including amounts reclassified from Other Comprehensive Income into earnings relating to these contracts.

Our effective income tax rate was 34.9%, 35.1% and 35.5% for the years ended December 31, 2009, 2008 and 2007, respectively. Our effective tax rates differ from statutory rates due to the effect of state and local taxes and tax rates in foreign jurisdictions which are slightly higher than those in the United States. Our foreign tax rate has declined slightly over the past two years as a result of the 2008 formation of IP Suisse, who receives a favorable tax rate on a portion of Inter Parfums, S.A. taxable income. In 2008 and 2007, valuation allowances of \$0.8 million and \$0.2 million, respectively, have been provided against certain foreign net operating loss carryforwards, as future profitable operations from certain foreign subsidiaries might not be sufficient to realize the full amount of net operating loss carryforwards recognized. In 2008, one of those foreign subsidiaries, Nickel S.A. was merged into Inter Parfums, S.A. As a result of the merger we recognized the utilization of certain foreign operating loss carryforwards for which valuation allowances had previously been recorded. As a result, the 2008 tax provision has been reduced by a benefit of approximately \$0.7 million.

We did not experience any significant changes in tax rates, and none were expected in jurisdictions where we operate.

## Net Income and Earnings per Share

|  | Year ended December 31,              |            |            |
|--|--------------------------------------|------------|------------|
|  | 2009                                 | 2008       | 2007       |
|  | (In thousands except per share data) |            |            |
| Net income   | \$ 30,158                            | \$ 30,122  | \$ 30,601  |
| Less: Net income attributable to the noncontrolling interest         | 7,791                                | 6,357      | 6,784      |
| Net income attributable to Inter Parfums, Inc.                       | \$ 22,367                            | \$ 23,765  | \$ 23,817  |
| Net income attributable to Inter Parfums, Inc. common shareholders': |                                      |            |            |
| Basic  | \$ 0.74                              | \$ 0.78    | \$ 0.78    |
| Diluted  | 0.74                                 | 0.77       | 0.76       |
| Weighted average number of shares outstanding:                       |                                      |            |            |
| Basic  | 30,099,998                           | 30,621,070 | 30,666,141 |
| Diluted  | 30,121,077                           | 30,777,985 | 31,004,299 |

Net income was virtually unchanged in 2009 aggregating \$30.2 million, as compared to \$30.1 million in 2008. Net income decreased 2% to \$30.1 million in 2008, as compared to \$30.6 million in 2007.

Net income attributable to the noncontrolling interest aggregated 25.8%, 21.1% and 22.2% of net income in 2009, 2008 and 2009, respectively. In 2008 and 2007, losses from our 51% owned European distribution subsidiaries offset profits from our other 75% owned European subsidiaries.

Net income attributable to Inter Parfums, Inc. declined 6% to \$22.4 million in 2009, as compared to \$23.8 million in 2008. In 2008, net income attributable to Inter Parfums, Inc. was unchanged from 2007 aggregating \$23.8 million in both years. Net margins attributable to Inter Parfums, Inc. aggregated 5.5%, 5.3% and 6.1% for the years ended December 31, 2009, 2008 and 2007, respectively.

Diluted earnings per share aggregated \$0.74, \$0.77 and \$0.76 in 2009, 2008 and 2007, respectively. Weighted average shares outstanding aggregated 30.1 million, 30.6 million and 30.7 million for the years ended December 31, 2009, 2008 and 2007, respectively. On a diluted basis, average shares outstanding were 30.1 million, 30.8 million and 31.0 million for the years ended December 31, 2009, 2008 and 2007, respectively. The decline in shares outstanding is primarily the result of shares repurchased pursuant to board of directors authorizations.

## Liquidity and Capital Resources

Our financial position remains strong. At December 31, 2009, working capital aggregated \$198 million and we had a working capital ratio of almost 2.9 to 1. Cash and cash equivalents aggregated \$100 million.

Cash provided by (used-in) operating activities aggregated \$84.6 million, (\$6.4) million and \$38.5 million for the years ended December 31, 2009, 2008 and 2007, respectively. Working capital items provided \$43 million in cash from operations in 2009 as compared to a use of \$55 million in 2008. As of December 31, 2007 and continuing through December 31, 2008, we had a significant buildup of inventory to support a very aggressive launch schedule including Burberry The Beat and new fragrance families for each of Lanvin, Van Cleef & Arpels, ST Dupont and Nickel. In terms of cash flows, for the year ended December 31, 2009, inventories decreased \$40.6 million or 33%. The global economic crisis has resulted in lower sales levels, especially in the first half of 2009. Our inventory levels have been steadily declining throughout 2009 as we have made modifications to our sales projections to take into account the difficult environment. In terms of cash flow, accounts receivable decreased \$21 million or 17% for the year ended December 31, 2009, as we began to tighten extended payment terms offered to certain international distributors in the early days of the global economic recession. In addition, in the 2009 period, accounts payable and accrued expenses decreased \$19 million as our vendor obligations for the 2008 year end inventory buildup became due.

Cash flows used in investing activities in 2009 reflect payments of approximately \$5.5 million for capital items. Our business is not capital intensive as we do not own any manufacturing facilities. We typically spend between \$2.0 million and \$3.0 million per year on tools and molds, depending on our new product development calendar. The balance of capital expenditures is for office fixtures, computer equipment and industrial equipment needed at our distribution centers. Capital expenditures in 2010 are expected to be in the range of \$5.0 million to \$5.5 million, considering our 2010 launch schedule.

In December 2007, we acquired an additional 1.2% interest in IPSA, our majority-owned French subsidiary, from its noncontrolling shareholders for approximately \$6.3 million in cash. An additional 3.6% interest was acquired in 2008 for approximately \$18.5 million in cash. The acquisition was accounted for under the purchase method and brings our ownership interest in Inter Parfums, S.A. to approximately 75%.

Our short-term financing requirements are expected to be met by available cash on hand at December 31, 2009, cash generated by operations and short-term credit lines provided by domestic and foreign banks. The principal credit facilities for 2010 consist of a \$15.0 million unsecured revolving line of credit provided by a domestic commercial bank and approximately \$45.0 million in credit lines provided by a consortium of international financial institutions. As of December 31, 2009, short-term borrowings aggregated \$5.0 million.

In 2007, we financed the acquisition of the worldwide rights to the Lanvin brand names and international trademarks and the license for the Van Cleef & Arpels brand and related trademarks by entering into five-year credit agreements. The long-term credit facilities provides for principal and interest to be repaid in 20 quarterly installments. As of December 31, 2009, total long-term debt including current maturities aggregated \$29.6 million.

As of December 31, 2008, the Company's board of directors authorized the repurchase of up to 1,031,863 shares of the Company's common stock and in 2009, the Company repurchased 108,100 shares of its common stock at an average price of \$5.84 per common share.

In December 2008, our board of directors authorized a continuation of our cash dividend of \$0.133 per share, aggregating approximately \$4.0 million per annum, payable \$0.033 per share on a quarterly basis. In January 2010 the board of directors authorized an approximate 100% increase in the annual dividend to \$0.26 per share. The first quarterly dividend of \$0.065 per share will be paid on April 15, 2010 to shareholders of record on March 31, 2010. Dividends paid, including dividends paid once per year to noncontrolling stockholders of Inter Parfums, S.A., aggregated \$5.7 million, \$5.8 million and \$5.5 million for the years ended December 31, 2009, 2008 and 2007, respectively. The cash dividends paid in 2009 represented a small part of our cash position and the dividends for 2010 are not expected to have any significant impact on our financial position.

We believe that funds generated from operations, supplemented by our present cash position and available credit facilities, 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, 2009.

#### Contractual Obligations

The following table sets for a schedule of our contractual obligations over the periods indicated in the table, as well as our total contractual obligations (\$ in thousands).

| Contractual Obligations   | Total        | Payments due by period |              |              |                      |
|---|--------------|------------------------|--------------|--------------|----------------------|
|   |              | Less than<br>1 year    | Years<br>2-3 | Years<br>4-5 | More than<br>5 years |
| Long-Term Debt (2)  | \$ 29,600    | \$ 11,700              | \$ 17,900    |              |                      |
| Capital Lease Obligations   |              |                        |              |              |                      |
| Operating Leases  | \$ 19,800    | \$ 7,500               | \$ 8,600     | \$ 2,300     | \$ 1,400             |
| Purchase obligations(1)   | \$ 1,210,700 | \$ 134,700             | \$ 313,300   | \$ 327,400   | \$ 435,300           |
| Other Long-Term Liabilities Reflected on the<br>Registrant's Balance Sheet under GAAP |              |                        |              |              |                      |
| Total   | \$ 1,260,100 | \$ 153,900             | \$ 339,800   | \$ 329,700   | \$ 436,700           |

(1) Consists of purchase commitments for advertising and promotional items, minimum royalty guarantees, including fixed or minimum obligations, and estimates of such obligations subject to variable price provisions. Future advertising commitments were estimated based on planned future sales for the license terms that were in effect at December 31, 2009, without consideration for potential renewal periods and do not reflect the fact that our distributors share our advertising obligations.

(2) Interest due on the Company's long-term debt is payable \$0.70 million, \$0.40 million and \$0.07 million in 2010, 2011 and 2012, respectively.

Item 6A. Quantitative and Qualitative Disclosures About Market Risk.

General

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

Foreign Exchange Risk Management

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

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

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

As a result of the dramatic strengthening of the U.S. dollar during our fourth quarter ended December 31, 2008, we entered into foreign currency forward exchange contracts to hedge approximately 80% of our 2009 sales to be invoiced in U.S. dollars. Hedge effectiveness 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. At December 31, 2009, we had foreign currency contracts in the form of forward exchange contracts in the amount of approximately U.S. \$36 million and GB pounds 5.4 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 continually monitoring interest rates, and then determining whether fixed interest rates should be swapped for floating rate debt, or if floating rate debt should be swapped for fixed rate debt. We have entered into two (2) interest rate swaps to reduce exposure to rising variable interest rates. The first swap, entered into in 2004, effectively exchanged the variable interest rate of 0.6% above the three month EURIBOR to a variable rate based on the 12 month EURIBOR rate with a floor of 3.25% and a ceiling of 3.85%. The remaining balance owed pursuant to this facility was paid in full as of September 30, 2009.

The second swap entered into in September 2007 on €22 million of debt, effectively exchanged the variable interest rate of 0.6% above the three month EURIBOR to a fixed rate of 4.42%. The remaining balance owed pursuant to this facility is as of December 31, 2009 was €12.1 million. These derivative instruments are recorded at fair value and changes in fair value are reflected in the accompanying consolidated statements of income.

## Item 7. Financial Statements and Supplementary Data

The required financial statements commence on page F-1.

## Supplementary Data

|   | Quarterly Data (Unaudited)           |             |             |             |    | Full Year |
|---|--------------------------------------|-------------|-------------|-------------|----|-----------|
|   | 1st Quarter                          | 2nd Quarter | 3rd Quarter | 4th Quarter |    |           |
|   | For the Year Ended December 31, 2009 |             |             |             |    |           |
|   | (In Thousands Except Per Share Data) |             |             |             |    |           |
| Net sales   | \$ 90,409                            | \$ 88,604   | \$ 117,542  | \$ 112,909  | \$ | 409,464   |
| Gross profit  | 53,565                               | 50,201      | 67,080      | 63,322      |    | 234,168   |
| Net income  | 7,256                                | 5,753       | 9,611       | 7,539       |    | 30,159    |
| Net income attributable to Inter Parfums, Inc.            | 5,428                                | 4,226       | 7,262       | 5,451       |    | 22,367    |
| Net income attributable to Inter Parfums, Inc. per share: |                                      |             |             |             |    |           |
| Basic   | \$ 0.18                              | \$ 0.14     | \$ 0.24     | \$ 0.18     | \$ | 0.74      |
| Diluted   | \$ 0.18                              | \$ 0.14     | \$ 0.24     | \$ 0.18     | \$ | 0.74      |
| Average common shares outstanding:                        |                                      |             |             |             |    |           |
| Basic   | 30,166                               | 30,064      | 30,061      | 30,109      |    | 30,100    |
| Diluted   | 30,166                               | 30,064      | 30,065      | 30,189      |    | 30,121    |

Quarterly Data (Unaudited)  
For the Year Ended December 31, 2008  
(In Thousands Except Per Share Data)

|   | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Full Year  |
|---|-------------|-------------|-------------|-------------|------------|
| Net sales   | \$ 123,163  | \$ 99,078   | \$ 123,531  | \$ 100,352  | \$ 446,124 |
| Gross profit  | 74,088      | 55,974      | 67,325      | 56,822      | 254,209    |
| Net income  | 11,136      | 4,490       | 7,879       | 6,617       | 30,123     |
| Net income attributable to Inter Parfums, Inc.            | 8,708       | 3,772       | 6,188       | 5,097       | 23,765     |
| Net income attributable to Inter Parfums, Inc. per share: |             |             |             |             |            |
| Basic   | \$ .28      | \$ .12      | \$ .20      | \$ .17      | \$ .78     |
| Diluted   | \$ .28      | \$ .12      | \$ .20      | \$ .17      | \$ .77     |
| Average common shares outstanding:                        |             |             |             |             |            |
| Basic   | 30,722      | 30,627      | 30,632      | 30,504      | 30,621     |
| Diluted   | 30,809      | 30,914      | 30,886      | 30,504      | 30,778     |

We review goodwill for impairment at least annually, usually during the fourth quarter, and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The goodwill relates to our Nickel skin care business which is primarily a component of our European based operations. We determined that the carrying amount of the goodwill exceeded fair value resulting in impairment losses aggregating \$1.7 million in 2009 and \$0.9 million in both 2008 and 2007. Accumulated impairment losses relating to goodwill aggregated \$3.5 million as of December 31, 2009.

Item 8. Changes In and Disagreements with Accountants on Accounting and Financial Disclosure

Not applicable.

Item 8A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rule 13a-15(e)) as of the end of the period covered by this annual report on Form 10-K (the "Evaluation Date"). Based on their review and evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of the Evaluation Date our Company's disclosure controls and procedures were effective.

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 for the company. 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, 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, 2009.

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

Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting

Board of Directors and Shareholders  
Inter Parfums, Inc.

We have audited Inter Parfums, Inc.'s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Inter Parfums, Inc.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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

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

In our opinion, Inter Parfums, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Inter Parfums, Inc. as of December 31, 2009 and 2008 and the related consolidated statements of income, changes in shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2009 and our report dated March 10, 2010 expressed an unqualified opinion thereon.

Mazars LLP

New York, New York  
March 10, 2010

#### Change in Internal Controls

There has been no change in our internal control over financial reporting(as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934) that occurred during the Company's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 8 A(T). Controls and Procedures.

Not Applicable.

Item 8B. Other Information.

None.

## PART III

## Item 9. Directors and Executive Officers of the Registrant

## Executive Officers and Directors

As of the date of this report, our executive officers and directors were as follows:

| Name                     | Position  |
|--------------------------|---|
| Jean Madar               | Chairman of the Board, Chief Executive Officer of Inter Parfums, Inc. and Director General of Inter Parfums, S.A. |
| Philippe Benacin         | Vice Chairman of the Board, President of Inter Parfums, Inc. and Chief Executive Officer of Inter Parfums, S.A.   |
| Russell Greenberg        | Director, Executive Vice President and Chief Financial Officer  |
| Philippe Santi           | Director, Executive Vice President and Chief Financial Officer, Inter Parfums, S.A.                               |
| Francois Heilbronn       | Director  |
| Jean Levy                | Director  |
| Robert Bensoussan-Torres | Director  |
| Serge Rosinoer           | Director  |
| Patrick Choël            | Director  |
| Hugues de la Chevasnerie | Director of Burberry Fragrances, Inter Parfums, S.A.  |
| Frederic Garcia-Pelayo   | Director of the Luxury and Fashion division of Inter Parfums, S.A.  |
| Axel Marot               | Director of Production & Logistics, Inter Parfums, S.A.   |
| Henry B. (“Andy”) Clarke | President of Inter Parfums USA, LLC   |

Our directors will serve until the next annual meeting of stockholders and thereafter until their successors shall have been elected and qualified. Messrs. Jean Madar and Philippe Benacin have a verbal agreement or understanding to vote their shares in a like manner. As Messrs. Madar and Benacin beneficially own more than 50% of the outstanding shares of the Inter Parfums’ common stock, Inter Parfums is considered a “controlled company” under the applicable rules of The Nasdaq Stock Market.

With the exception of Mr. Benacin, the officers are elected annually by the directors and serve at the discretion of the board of directors. There are no family relationships between executive officers or directors of our Company.

## Board of Directors

Our board of directors has the responsibility for establishing broad corporate policies and for the overall performance of our Company. Although certain directors are not involved in day-to-day operating details, members of the board of directors are kept informed of our business by various reports and documents made available to them. Our board of directors held 18 meetings (or executed consents in lieu thereof), including meetings of committees of the full board of directors during 2009 (with the last regular board meeting held during the first week of January 2010), and all of the directors attended at least 75% of the meetings (or executed consents in lieu thereof) of the full board of directors and committees of which they were a member.

During 2009 our board of directors initially consisted of ten (10) directors. During January 2009 Mr. Joseph A. Caccamo stepped down from our board for personal reasons. Mr. Caccamo did not have any disputes or disagreements with our company. Our board of directors presently consists of nine (9) directors, with a majority of independent directors.

We have adopted a Code of Business Conduct that applies to our principal executive officer, principal financial officer, principal accounting officer or controller, as well as other persons performing similar functions, and we agree to provide to any person without charge, upon request, a copy of our Code of Business Conduct. Any person who requests a copy of our Code of Business Conduct should provide their name and address in writing to: Inter Parfums, Inc., 551 Fifth Avenue, New York, NY 10176, Att.: Shareholder Relations. In addition, our Code of Conduct is also maintained on our website, at [www.interparfumsinc.com](http://www.interparfumsinc.com).

During 2009 our board of directors had the following standing committees:

- **Audit Committee** – The Audit Committee has the sole authority and is directly responsible for, the appointment, compensation and oversight of the work of the independent accountants employed by our company which prepare or issue an audit report for our company. During 2009, the Audit Committee consisted of Messrs. Heilbronn, Levy and Choël.

The Company does not have an “audit committee financial expert” within the definition of the applicable Securities and Exchange Commission rules. First, finding qualified nominees to serve as a director of a public company without substantial financial resources has been challenging. Second, despite the applicable Securities and Exchange Commission rule which states that being named as the audit committee financial expert does not impose any greater duty, obligation or liability, the Company has been met with resistance from both present and former directors to being named as such primarily due to potential additional personal liability.

However, as the result of the background, education and experience of the members of the Audit Committee, our board of directors believes that such committee members are fully qualified to fulfill their obligations as members of the Audit Committee.

- **Executive Compensation and Stock Option Committee** – The Executive Compensation and Stock Option Committee oversees the compensation of our company’s executives and administers our company’s stock option plans. During 2009, the members of such committee consisted of Messrs. Heilbronn, Levy and Choël. We presently do not have a separate charter for our Executive Compensation and Stock Option Committee.

Our board of directors does not maintain a standing nominating committee or a committee performing similar functions. In view of the agreement and understanding of Messrs. Jean Madar and Philippe Benacin who beneficially own more than 50% of the outstanding shares of the Inter Parfums’ common stock and have agreed to vote their shares in a like manner, our board of directors does not believe it necessary for our company to have such a committee. Also as a “controlled company” under the applicable rules of The Nasdaq Stock Market, we are exempt from the nominating committee requirements. During 2009, our board of directors as a group agreed to nominate the same members of the board who had served the prior year.

## Business Experience

The following sets forth biographical information as to the business experience of each executive officer and director of our company for at least the past five years.

### Jean Madar

Jean Madar, age 49, a Director, has been the Chairman of the Board since our company's inception, and is a co-founder of our company with Mr. Philippe Benacin. From inception until December 1993 he was the President of our company; in January 1994 he became Director General of Inter Parfums, S.A., our company's subsidiary; and in January 1997 he became Chief Executive Officer of our company. Mr. Madar was previously the managing director of Inter Parfums, S.A., from September 1983 until June 1985. At such subsidiary, he had the responsibility of overseeing the marketing operations of its foreign distribution, including market research analysis and actual marketing campaigns. Mr. Madar graduated from The French University for Economic and Commercial Sciences (ESSEC) in 1983.

### Philippe Benacin

Mr. Benacin, age 51, a Director, is President of our Company and the Chief Executive Officer of Inter Parfums, S.A., has been the Vice Chairman of the Board since September 1991, and is a co-founder of our company with Mr. Madar. He was elected the Executive Vice President in September 1991, Senior Vice President in April 1993, and President of the Company in January 1994. In addition, he has been the President of Inter Parfums, S.A. for more than the past five years. Mr. Benacin graduated from The French University for Economic and Commercial Sciences (ESSEC) in 1983.

### Russell Greenberg

Mr. Greenberg, age 53, the Chief Financial Officer, was Vice-President, Finance when he joined the Company in June 1992; became Executive Vice President in April 1993; and was appointed to our board of directors in February 1995. He is a certified public accountant licensed in the State of New York, and is a member of the American Institute of Certified Public Accountants and the New York State Society of Certified Public Accountants. After graduating from The Ohio State University in 1980, he was employed in public accounting until he joined our company in June 1992.

### Philippe Santi

Philippe Santi, age 48 and a Director since December 1999, is the Executive Vice President and Chief Financial Officer of Inter Parfums, S.A. Mr. Santi, who is a Certified Accountant and Statutory Auditor in France, has been the Chief Financial Officer of Inter Parfums, S.A. since February 1995. Prior to February 1995, Mr. Santi was the Chief Financial Officer for Stryker France and an Audit Manager for Ernst and Young.

Francois Heilbronn

Mr. Heilbronn, age 49, a Director since 1988, an independent director and a member of the Audit Committee and the Executive Compensation and Stock Option Committee, is a graduate of Harvard Business School with a Master of Business Administration degree and is currently the managing partner of the consulting firm of M.M. Friedrich, Heilbronn & Fiszer. He was formerly employed by The Boston Consulting Group, Inc. from 1988 through 1992 as a manager. Mr. Heilbronn graduated from Institut d' Etudes Politiques de Paris in June 1983. From 1984 to 1986, he worked as a financial analyst for Lazard Freres & Co. In addition, during 2009 Mr. Heilbronn became an Associate Professor in Business Strategy at Sciences Po, Paris, France.

Jean Levy

Jean Levy, age 77, a Director since August 1996, an independent director and a member of the Audit Committee and the Executive Compensation and Stock Option Committee, worked for twenty-seven years at L'Oreal, and was the President and Chief Executive Officer of Cosmair, the exclusive United States licensee of L'Oreal, from 1983 through June 1987. In addition, he is the former President and Chief Executive Officer of Sanofi Beaute (France). For the more than the past five years, Mr. Levy has been an independent advisor as well as a consultant for economic development to local governments in France. A graduate of l'Institut d'Etudes Politiques de Paris, he also attended Yale Graduate School and was a recipient of a Fulbright Scholarship. He was also a Professor at l'Institut d'Etudes Politiques de Paris. He was formerly a director of Zannier Group and Escada Beaute Worldwide and Rallye, S.A. In addition, Mr. Levy was also a director (Chairman of the Board until October 2001) of Financière d'Or, and its subsidiary, Histoire d'Or which is in the retail jewelry business. Mr. Levy was formerly a consultant to Ernst & Young, Paris through 2004. He is currently a board member of Price Minister, an internet based retailer located in Paris.

Robert Bensoussan-Torres

Robert Bensoussan-Torres, age 52, has been a Director since March 1997, and also is an independent director. Mr. Bensoussan is a director of Jimmy Choo, is the co-founder of Sirius Equity, a retail and branded luxury goods investment company. In November 2001, he became the Chief Executive Officer of Jimmy Choo Ltd., a luxury shoe and ready to wear accessory company. In 2007 Jimmy Choo Ltd. was sold to a private equity firm. From 1999 to December 2000, he was the Managing Director of Gianfranco Ferre fashion group, based in Milano, Italy. Previously Mr. Bensoussan-Torres was a Director of Towers Consulting Europe, Ltd. Towers Consulting Europe, Ltd. is a consulting company based in London, which specializes in strategic advise in connection with mergers and acquisitions in the luxury goods business. Mr. Bensoussan-Torres was the Chief Executive Officer of Christian Lacroix, Paris, a subsidiary of LVMH Group, from February 1993 until May 1998. Christian Lacroix was a French Haute Couture House and has activities in the field of apparel, accessories and fragrances. From December 1990 through January 1993 he was based in Munich, Germany, as the International Sales Director of The Escada Group.



Serge Rosinoer

Mr. Rosinoer, age 79, was appointed to our board of directors in December 2000, as an independent director. Mr. Rosinoer has devoted most of his career to the personal care, cosmetics and fragrance industry. Mr. Serge Rosinoer is presently the Vice Chairman of the Supervisory Board of Clarins SA. In 1978, Mr. Rosinoer joined the Clarins Group as Vice President and Chief Operating Officer where he was largely responsible for its rapid international expansion. As COO, then CEO since 1978, Mr. Rosinoer oversaw the transformation of Clarins into a major force in cosmetics, skin care and fragrance, with annual sales of approximately 850 million Euro and more than 4,500 employees. He retired from active duty in June of 2000, but continues to serve on the board of directors of Clarins. Earlier in his career he was President of Parfums Corday. He also held senior level executive positions at Max Factor, where he had full supervision of that cosmetics company's European production and sales. Mr. Rosinoer has served several terms as President of the French Prestige Cosmetics Association and currently serves as Conseiller du Commerce Extérieur de la France.

Patrick Choël

Mr. Choël, age 66, was appointed to the board of directors in June 2006 as an independent director, and is a member of both the Audit Committee and the Executive Compensation and Stock Option Committee. Mr. Choël is a director of our majority-owned subsidiary, Inter Parfums, S.A., and Modellabs, both publicly held companies, and Christian Dior and Guerlain, both privately held companies. He is also the manager of Université 82, a business consultant and advisor. For approximately 10 years, through March 2004, Mr. Choël worked as the President and CEO of two divisions of LVMH, first the LVMH Perfumes and Cosmetics Division, which included such well known brands as Parfums Christian Dior, Guerlain, and Parfums Givenchy, among others, and later, Parfums Christian Dior, a leading world-wide prestige beauty/fragrances business. Prior to such time, for approximately 30 years, he work at various executive positions at Unilever, including President and CEO of Elida Fabergé France and President and CEO of Chesebrough Pond's USA.

Hugues de la Chevasnerie

Hugues de la Chevasnerie, age 41, became the Director of Burberry Fragrances in December 2006. Prior to joining Burberry Fragrances, Mr. Chevasnerie was from February 2002 the Vice President of International Marketing, Davidoff & Chloé, at Coty Inc. From 1994 to 2002, he held various positions at LVMH- Parfums Christian Dior, including Group Head for Men's Perfumes from 1999 to 2002.

Frederic Garcia-Pelayo

Frederic Garcia-Pelayo, age 51, became the Director of the Luxury and Fashion division of Inter Parfums, S.A. in March 2005. He was previously the Director of Marketing and Distribution for Perfume and Cosmetics for Inter Parfums, S.A. and was named Executive Vice President in 2004. Previously Mr. Garcia-Pelayo was the Director of Export Sales of Inter Parfums, S.A. from September 1994. Prior to September 1994, Mr. Garcia-Pelayo was the Export Manager for Benetton Perfumes for seven (7) years.

Axel Marot

Axel Marot, age 36, was the Supply Chain Manager when he joined Inter Parfums, S.A. in 2003 and has been the Director of Operations for Inter Parfums, S.A. since January 2005. Prior to joining Inter Parfums, S.A., Mr. Marot was a Supply Chain Manager for Nestlé.

Andy Clarke

Henry B. “Andy” Clarke, age 49, was appointed as President of Inter Parfums USA, LLC in 2009, following his appointment as President of Inter Parfums USA, LLC – Specialty Retail Division in January 2008, which presently encompasses fragrance and personal care products produced for Gap, Banana Republic, New York & Company, Brooks Brothers and bebe. Mr. Clarke has been employed by our company since 2001. Prior to joining the Company Mr. Clarke had spent seventeen years in the beauty business in various capacities.

Section 16(a) Beneficial Ownership Reporting Compliance

Based solely upon a review of Forms 3, 4 and 5 and any amendments to such forms furnished to us, and written representations from various reporting persons furnished to us, we are not aware of any reporting person who has failed to file the reports required to be filed under Section 16(a) of the Securities Exchange Act of 1934 on a timely basis, except as follows:

Each of the independent directors, Messrs. Heilbronn, Levy, Bensoussan-Torres, Rosinoer and Choël, as the result of erroneous advise in respect of a rule change filed one Form 4 late (ranging from approximately 2 weeks to 11 months), by disclosing the automatic grant of options on February 2, 2009 incorrectly on their next required Form 4 rather than on a separate Form 4 for the option grant. Each of Messrs. Madar, Benacin, Greenberg and Clarke filed one form 4 one day late, which disclosed the grant of options on December 31, 2009.

Item 10. Executive Compensation

Compensation Discussion and Analysis

General

The executive compensation and stock option committee of our board of directors is comprised entirely of independent directors and oversee all elements of compensation (base salary, annual bonus, long term incentives and perquisites) of our company’s executive officers and administers our company’s stock option plans, other than the non-employee directors stock option plan, which is self executing.

The objectives of our compensation program are designed to strike a balance between offering sufficient compensation to either retain existing or attract new executives on the one hand, and maintaining compensation at reasonable levels on the other hand. We do not have the resources comparable to the cosmetic giants in our industry, and accordingly cannot afford to pay excessive executive compensation. In furtherance of these objectives, our executive compensation packages generally include a base salary, as well as annual incentives tied to individual performance and long-term incentives tied to our operating performance.

Mr. Madar, the chairman and chief executive officer, takes the initiative after discussions with Mr. Russell Greenberg, an Executive Vice President, Chief Financial Officer and a Director, and recommends executive compensation levels for executives in the United States. Mr. Benacin, the president of Inter Parfums, S.A., takes the initiative after discussions with Philippe Santi, the Chief Financial Officer of Inter Parfums, S.A., and recommends executive compensation levels for executives in Europe. The recommendations are presented to the compensation committee for its consideration, and the compensation committee makes a final determination regarding salary adjustments and annual award amounts to executives, including our chief executive officer and president. Further, Messrs. Madar and Benacin, in addition to being executive officers and directors, are our largest shareholder's, and therefore, their interests are aligned with our shareholder base in keeping executive compensation at a reasonable level.

The compensation committee believes that individual executive compensation is at a level comparable with executives in other companies of similar size and stage of development that operate in the fragrance industry and take into account our company's performance as well as our own strategic goals. As the result of the global economic downturn, during 2009 previously authorized increases to base salaries of our executive officers in United States operations were rescinded and our Chief Executive Officer had his base salary decreased, as discussed in greater detail under the heading Elements of Compensation — Base Salary. Further, the compensation committee believes that its present policies to date, with its emphasis on rewarding performance, has served to focus the efforts of our executives, which in turn permitted our Company to weather the storm of this recession and put our company on track to return to a high rate of growth and profitability, which management believes will result in a substantial increase in value to our shareholders.

## Elements of Compensation

### General

The compensation of our executive officers is generally comprised of base salaries, annual cash bonuses and long-term equity incentive awards. In determining specific components of compensation, the compensation committee considers individual performance, level of responsibility, skills and experience, and other compensation awards or arrangements. The compensation committee reviews and approves all elements of compensation for all of our executive officers taking into consideration recommendations from our Chief Executive Officer and the President of Inter Parfums, S.A., as well as information regarding compensation levels at competitors in our industry.

Our named executive officers have all been with the company for more than the past ten (10) years, with Messrs. Madar and Benacin being founders of the company in 1985. As previously disclosed, Mr. Madar for United States operations, and Mr. Benacin for European operations, each recommend executive compensation levels for executives in the respective operating segments. In addition, and also as previously reported, Messrs. Greenberg, the Chief Financial Officer of the company (as well as United States operations) and Santi, the Chief Financial Officer of European operations, also participate in recommendations for executive compensation levels for executives in the respective operating segments.

As Messrs. Madar and Greenberg for United States operations, and Benacin and Santi for European operations, are most familiar with the individual performance, level of responsibility, skills and experience of each executive officer in their respective segments, the compensation committee relies upon the information provided by such executive officers in determining individual performance, level of responsibility, skills and experience of each executive officer.

The compensation committee views the competitive market place very broadly, which would include executive officers from both public and privately held companies in general, including fashion and beauty companies, but not limited to the “peer companies” contained in the corporate performance graph contained in this annual report. Rather than tie the compensation committee’s determination of compensation proposals to any specific peer companies, the members of our committee have used their business experience, judgement and knowledge to review the executive compensation proposals recommended to them by Mr. Madar for United States operations and Benacin for European operations. As such, compensation committee did not determine the need to “benchmark” of any material item of compensation or overall compensation.

The members of the compensation committee have extensive experience and business acumen and are well qualified in determining the appropriateness of executive compensation levels. Mr. Heilbronn is a managing partner of a business consulting firm in the area of mergers and acquisitions of large international companies in retail, consumer goods and consumer services throughout the world. Mr. Levy has over thirty years experience as an executive officer, including more than ten years as President and Chief Executive Officer of well known cosmetic companies such as Cosmair and Sanofi Beaute (France). Mr. Choël, the final committee member, is presently a business consultant and advisor, who previously worked as President and Chief Executive Officer of two divisions of LVMH Moët Hennessy Louis Vuitton S.A., which included such well known brands as Parfums Christian Dior, Guerlain, and Parfums Givenchy.

#### Base Salary

Base salaries for executive officers are initially determined by evaluating the responsibilities of the position held and the experience of the individual, and by reference to the competitive market place for executive talent. Base salaries for executive officers are reviewed on an annual basis, and adjustments are determined by evaluating our operating performance, the performance of each executive officer, as well as whether the nature of the responsibilities of the executive has changed.

As stated above, as Messrs. Madar and Greenberg for United States operations, and Benacin and Santi for European operations, are most familiar with the individual performance, level of responsibility, skills and experience of each executive officer in their respective segments, the committee relies upon the information provided by such executive officers in determining individual performance, level of responsibility, skills and experience of each executive officer.

For executive officers of United States operations, the bulk of their annual compensation is in base salary. However, for executive officers of European operations base salary comprises a smaller percentage of overall compensation.

We have paid a lower percentage of overall compensation in the form of base salary to executive officers of European operations for several years, principally because European operations historically have had higher profitability than United States operations and European operations are run differently by the chief executive officer of European operations, Mr. Benacin, than United States operations. As the result of this historically higher profitability, European operations have had the ability to pay higher bonus compensation in addition to base salary. As bonus compensation is and has historically been discretionary, no targets were set in order to maintain flexibility. Further, if results of operations for European operations were not satisfactory (again, no target amounts were set to maintain flexibility), then bonus compensation, as well as overall compensation could be lowered without otherwise affecting base salary. Finally, by keeping annual bonus compensation at a higher percentage of overall compensation and base salary at a lower percentage, our company benefits because the base amount for annual salary adjustments would be smaller.

Upon the recommendation of Mr. Benacin, the base salaries of Mr. Philippe Santi, the Chief Financial Officer of Inter Parfums, S.A., and Mr. Frederic Garcia-Pelayo, were each increased from 220,800 euro in 2008 to 249,600 euro in 2009, a 13% increase. Likewise, Mr. Benacin's base compensation was increased from 220,800 euro in 2008 to 249,600 euro in 2009.

A different approach is taken for United States operations as that segment is much smaller and profitability is much more volatile. A more significant base salary is paid in order to attract and retain employees with the skills and talents needed to run the operation with a lesser emphasis placed on bonuses. None of the executive officers for United States operations have employment agreements, as we believe that having flexibility in structuring annual base salary is a benefit, which permits us to act quickly to meet a changing economic environment.

Initially in 2009, the compensation committee had agreed to have the base salary of Mr. Madar, the Chief Executive Officer, remain at the same level of \$400,000, which it has been for the past several years. Further, upon recommendation of our Chairman and Chief Executive Officer, the executive compensation committee had determined to increase the base salary of Mr. Greenberg, the Chief Financial Officer, by \$20,000 from \$435,000 to \$455,000, a 4.6% increase and to increase the base salary of Mr. Clark, the president of Inter Parfums USA, LLC (Specialty Retail Division) by \$20,000. Mr. Greenberg had received salary increases of \$30,000 for the prior last four years.

Unfortunately, with the global economic downturn commencing in the fourth quarter of 2008, the market price of our common stock as reported by The Nasdaq Stock Market had decreased substantially. Further, consolidated net sales of our company for the first quarter of 2009 had decreased and visibility for the remainder of 2009 was very unclear. Based upon the recommendations of the chief executive officer, the compensation committee authorized a (i) rollback the \$20,000 increase in the annual base salaries previously authorized for the chief financial officer and president of Inter Parfums USA, LLC (Specialty Retail Division), so that their annual base salaries would return to the levels paid in 2008, and (ii) decrease the annual base salary by \$20,000 of the chief executive officer, all on a pro rata basis effective as of April 16, 2009.

#### Bonus Compensation/ Annual Incentives

We have paid a higher percentage of overall compensation in the form of bonus compensation to executive officers of European operations for several years, principally because European operations historically have had higher profitability than United States operations. As the result of this historically higher profitability, European operations have had the ability to pay higher bonus compensation in addition to base salary. As bonus compensation is discretionary no targets were set in order to maintain flexibility. Further, if results of operations for European operations were not satisfactory (again, no target amounts were set to maintain flexibility), then bonus compensation, as well as overall compensation could be lowered without otherwise affecting base salary.

For 2009, Mr. Benacin, the chief decision maker for European operations, proposed and the committee concurred in the payment of bonus compensation equal to approximately 70% of base salary for executive officers of European operations. This is compared to bonus compensation as a percentage of annual salary of 70% for 2008 and 82% for 2007 for Messrs. Santi and Garcia-Pelayo and approximately 70% for 2008 and 64% for 2007 for Mr. Benacin.

A different approach is taken for United States operations as that segment is much smaller and profitability is much more volatile. A more significant base salary is paid in order to attract and retain employees with the skills and talents needed to run the operation with a lesser emphasis placed on bonuses. Based upon the recommendation of the Chief Executive Officer, no officers of United States operations received any cash bonuses for 2009. Mr. Greenberg received a cash bonus of \$35,000 for 2008 and \$43,100 for 2007. In order for Mr. Madar, the Chief Executive Officer to receive a cash bonus, United States operations has to achieve after tax profit target. In 2009 and 2008, based upon such targets, our Chief Executive Officer did not earn any cash bonus. In 2007, based upon such targets, our Chief Executive Officer earned a \$100,000 cash bonus. The Executive Compensation Committee has determined to use the same after tax profit target for our company's United States operations to calculate Mr. Madar's bonus for 2010.

As required by French law, Inter Parfums, SA maintains its own profit sharing plan for all French employees who have completed three months of service, including executive officers of our European operations other than Mr. Benacin, the Chief Executive Officer of Inter Parfums, SA. Benefits are calculated based upon a percentage of taxable income of Inter Parfums, S.A. and allocated to employees based upon salary. The maximum amount payable per year per employee is 25,000 euros, or approximately \$34,792.

Calculation of total annual benefits contribution is made according to the following formula:

50% of (Inter Parfums, S.A. net income, less 5% of shareholders equity without net income for the year) times a fraction, the numerator of which is wages, and the denominator of which is net income before tax + wages + taxes (other than income tax) + valuation allowances + amortization expenses + interest expenses.

Contribution to individual employees is then made pro rata based upon their individual salaries for the year.

#### Long Term Incentives

**Stock Options.** We link long-term incentives with corporate performance through the grant of stock options. All options are granted with an exercise price equal to the fair market value of the underlying shares of our common stock on the date of grant, and terminate on or shortly after severance of the executive's relationship with us. Unless the market price of our common stock increases, corporate executives will have no tangible benefit. Thus, they are provided with the additional incentive to increase individual performance with the ultimate goal of increasing our overall performance. We believe that enhanced executive incentives which result in increased corporate performance tend to build company loyalty. As a general rule, the number of options granted is determined by several factors, but most importantly, both individual and company operating results for the past year, as well as past option grants to such executives.

For executive officers of United States operations and Mr. Benacin, we typically grant nonqualified stock options with a term of 6 years that vest ratably of a 5-year period on a cumulative basis, so that the option will become fully exercisable at the beginning of the sixth year from the date of grant. In addition, for the past few years we had temporarily discontinued all option grants to purchase shares of our majority-owned, French subsidiary, Inter Parfums, S.A. to avoid decrease the dilution of our ownership interest in Inter Parfums, S.A. In lieu of option grants to purchase shares of our majority-owned, French subsidiary, we had granted options to our French executive officers and employees under the French Addendum to our stock option plan, which have a term of 6 years and vest 4 years after the date of grant.

We believe that the vesting period of these options serve a dual purpose: 1. executives will not receive any benefit if they leave prior to such portion of the option vesting; and 2. having a vesting period, matches the service period with the potential benefits of the option. Pursuant to our stock option plan, non-qualified stock options granted to executives terminate immediately upon the executive's termination of association with our company. This termination provision coupled with a vesting period reduces benefits afforded to an executive when an executive officer leaves our employ.

Over the past several years, as our company has grown and the market price of our common stock has increased, Messrs. Madar and Benacin have realized substantial compensation as the result of the exercise of their options. As the two executives most responsible for continued growth and success of our company, the Committee believes the granting of options is an appropriate tool to tie a substantial portion of their compensation to the success of our company and is completely warranted.

The actual compensation realized as the result of the exercise of options in the past, as well as the future potential of such rewards, are powerful incentives for increased individual performance and ultimately increased company performance. In view of the fact that the executive officers named above contribute significantly to our profitable operations, the compensation committee believes the option grants are valid incentives for these executive officers and are fair to our shareholders. Generally we grant options to executive officers in December of each year.

In December 2009, upon the recommendation of the company's Chief Executive Officer, the compensation committee granted options to purchase a total of 19,000 shares of our common stock to each of Jean Madar and Philippe Benacin at the fair market value on the date of grant, which were the same number of shares for which options had been granted to Messrs. Madar and Benacin in December 2008. Option grants to Messrs. Madar and Benacin were identical as each is the Chief Executive Officer of their respective operating segments. Also in December 2009, the compensation committee granted options to purchase 25,000 shares to Mr. Greenberg, the Chief Financial Officer, at the fair market value on the date of grant. This represented an increase from the option granted in December 2008 to purchase 15,000 shares, which was done to offset the absence of a salary increase.

No options were granted to Messrs. Santi and Garcia-Pelayo from our company during 2009 or for 2008. For the past few years we had temporarily discontinued all option grants to purchase shares of our majority-owned, French subsidiary, Inter Parfums, S.A. to avoid a decrease in the dilution of our ownership interest in Inter Parfums, S.A. However, at the request of Messrs. Benacin and Santi, Inter Parfums, S.A. again commenced granting options to its employees and executive officers, including to Messrs. Santi and Garcia-Pelayo, as Messrs. Benacin and Santi had determined that it was more beneficial for the employees and executive officers of European operations have a stake in Inter Parfums, S.A., rather than our company. Accordingly, in December 2009 Inter Parfums, S.A. authorized a stock option plan which provides for a maximum of 3% of the outstanding shares of Inter Parfums, S.A. to be available for grant. Under the Inter Parfums S.A. stock option plan, options are granted at the fair market value at the time of grant for a term of 6 years and vest 4 years after the date of grant. In December 2009, Inter Parfums, S.A. authorized grants of options to employees of Inter Parfums, S.A. for an aggregate of 0.5% of outstanding shares, including options to purchase 6,000 shares for each of Messrs. Madar, Benacin, Santi and Garcia-Pelayo and 1,200 shares for Mr. Greenberg.



**Stock Appreciation Rights.** Our 2004 stock option plan authorizes us to grant stock appreciation rights, or SARs. An SAR represents a right to receive the appreciation in value, if any, of our common stock over the base value of the SAR. To date, we have not granted any SARs under the 2004 plan. While the compensation committee currently does not plan to grant any SARs under our 2004 plan, it may choose to do so in the future as part of a review of the executive compensation strategy. The Inter Parfums S.A. stock option plan does not have stock appreciate rights.

**Restricted Stock.** We have not in the past, and we do not have any future plans to grant restricted stock to our executive officers. However, while the compensation committee currently does not plan to authorize any restricted stock plans, the compensation committee may choose to do so in the future as part of a review of the executive compensation strategy.

#### Other Compensation

Mr. Benacin is the Chief Executive Officer of Inter Parfums, S.A. (European operations), as well as a founder of our company, and we believe we should recognize his responsibility, skills and experience, as well as the results of the company. In view of his service to the company, Mr. Benacin has received a housing and automobile allowance for more than the past ten (10) years. This is a way we have differentiated him from other executive officers of European operations, and acknowledged his responsibility, skills and experience, as well as the company's operating results, while maintaining his base salary at the same level as Messrs. Santi and Garcia-Pelayo, the other named executive officers of European operations.

#### No Stock Ownership Guidelines

We do not require any minimum level of stock ownership by any of our executive officers. As stated above, Messrs. Madar and Benacin, are our largest shareholders, which aligns their interests with our shareholder base in keeping executive compensation at a reasonable level.

#### Retirement and Pension Plans

We maintain a 401K plan for United States operations. However, we do not match any contributions to such plan, as we have determined base compensation together with annual bonuses and stock option awards, are sufficient incentives to retain talented employees. Our European operations maintains a pension plan for it employees as required by French law.

#### Compensation Committee Report

We have reviewed and discussed with management the Compensation Discussion and Analysis provisions to be included in this amendment to the Annual Report on Form 10-K for fiscal year ended December 31, 2009 and the proxy statement for the upcoming annual meeting of shareholders. Based on this review and discussion, we recommend to the board of directors that the Compensation Discussion and Analysis referred to above be included in this Annual Report on Form 10-K as well as the proxy statement for the upcoming annual meeting of shareholders.

Francois Heilbronn, Jean Levy and Patrick Choël

The following table sets forth a summary of all compensation awarded to, earned by or paid to our “named executive officers,” who are our principal executive officer, our principal financial officer, and each of the 3 most highly compensated executive officers of our Company. This table covers all such compensation during fiscal years ended December 31, 2009, December 31, 2008 and December 31, 2007. For all compensation related matters disclosed in this Item 10, all amounts paid in euro have been converted to US dollars at the average rate of exchange in each year.

## SUMMARY COMPENSATION TABLE

| Name and Principal Position  | Year | Salary (\$) | Bonus (\$) | Option<br>Stock Awards<br>(\$) | Option<br>Awards<br>(\$) | Non-Equity<br>Incentive<br>Compensation<br>(\$)(2) | Change in Pension<br>Value and<br>Nonqualified<br>Deferred<br>Compensation<br>Other |                   | Total<br>Compensation<br>(\$) |
|--|------|-------------|------------|--------------------------------|--------------------------|--|---|-------------------|-------------------------------|
|  |      |             |            |                                |                          |  | Earnings (\$)   | Compensation (\$) |                               |
| Jean Madar,<br>Chief Executive Officer   | 2009 | 380,000     | -0-        | -0-                            | 115,000                  | -0-  | -0-   | -0-               | 495,000                       |
|  | 2008 | 400,000     | -0-        | -0-                            | 98,000                   | -0-  | -0-   | -0-               | 498,000                       |
|  | 2007 | 400,000     | 100,000    | -0-                            | 124,000                  | -0-  | -0-   | -0-               | 624,000                       |
| Russell Greenberg,<br>Chief Financial Officer  | 2009 | 435,000     | -0-        | -0-                            | 118,000                  | -0-  | -0-   | -0-               | 553,000                       |
|  | 2008 | 435,000     | 35,000     | -0-                            | 37,000                   | -0-  | -0-   | 2,214             | 553,214                       |
|  | 2007 | 405,000     | 43,100     | -0-                            | 98,000                   | -0-  | -0-   | 2,214             | 546,100                       |
| Philippe Benacin, President<br>of<br>Inter Parfums, Inc. and<br>Chief<br>Executive Officer of Inter<br>Parfums, S.A. | 2009 | 348,492     | 201,052    | -0-                            | 115,000                  | -0-  | 11,496  | 98,850            | 774,890                       |
|  | 2008 | 324,489     | 229,258    | -0-                            | 98,000                   | -0-  | 11,757  | 104,039           | 767,543                       |
|  | 2007 | 263,750     | 170,000    | -0-                            | 124,000                  | -0-  | 10,610  | 93,479            | 661,090                       |
| Philippe Santi,<br>Executive Vice President<br>and<br>Chief Financial Officer,<br>Inter Parfums, S.A.                | 2009 | 348,492     | 238,750    | -0-                            | 30,000                   | 29,599   | 11,496  | -0-               | 658,337                       |
|  | 2008 | 324,489     | 229,258    | -0-                            | 49,000                   | 22,632   | 11,757  | -0-               | 637,000                       |
|  | 2007 | 263,750     | 216,000    | -0-                            | -0-                      | 27,474   | 10,610  | -0-               | 517,834                       |
| Frédéric Garcia-Pelayo,<br>Director Export Sales,<br>Inter Parfums, S.A.   | 2009 | 348,492     | 238,750    | -0-                            | 30,000                   | 29,599   | 11,496  | 9,550             | 667,887                       |
|  | 2008 | 324,489     | 229,258    | -0-                            | 49,000                   | 22,632   | 11,757  | -0-               | 637,136                       |
|  | 2007 | 263,750     | 216,000    | -0-                            | -0-                      | 27,474   | 10,610  | -0-               | 517,834                       |

1 Amounts reflected under Option Awards represent the grant date fair values in 2009, 2008 and 2007 based on the fair value of stock option awards using a Black-Scholes option pricing model. The assumptions used in this model are detailed in Footnote 10 to the audited consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2009 and filed with the SEC.

2 As required by French law, Inter Parfums, S.A. maintains its own profit sharing plan for all French employees who have completed three months of service, including executive officers of our European operations other than Mr. Benacin, the Chief Executive Officer of Inter Parfums, S.A. Benefits are calculated based upon a percentage of taxable income of Inter Parfums, S.A. and are allocated to employees based upon salary. The maximum amount payable per year is 25,000 euro, or approximately \$34,792.

Calculation of total annual benefits contribution is made according to the following formula:

50% of (Inter Parfums, S.A. net income, less 5% of shareholders equity without net income for the year) times a fraction, the numerator of which is wages, and the denominator of which is net income before taxes, + wages + taxes (other than income tax) + valuation allowances + amortization expenses + interest expenses.

Contribution to individual employees is then made pro rata based upon their individual salaries for the year.

3 The following table identifies (i) perquisites and other personal benefits provided to our named executive officers in fiscal 2009 and quantifies those required by SEC rules to be quantified and (ii) all other compensation that is required by SEC rules to be separately identified and quantified.

| Name and Principal Position   | Perquisites and other Personal Benefits (\$) | Personal Automobile Expense(\$) | Lodging Expense(\$) | Total (\$) |
|---|--|---------------------------------|---------------------|------------|
| Jean Madar, Chief Executive Officer   | -0-  | -0-                             | -0-                 | -0-        |
| Russell Greenberg, Chief Financial Officer  | -0-  | -0-                             | -0-                 | -0-        |
| Philippe Benacin, President of Inter Parfums, Inc. and Chief Executive Officer of Inter Parfums, S.A. | -0-  | 15,079                          | 83,672              | 98,850     |
| Philippe Santi, Executive Vice President and Director General Delegate, Inter Parfums, S.A.           | -0-  | -0-                             | -0-                 | -0-        |
| Frédéric Garcia-Pelayo, Director Export Sales, Inter Parfums, S.A.                                    | -0-  | 9,550                           | -0-                 | 9,550      |

Plan Based Awards

The following table sets certain information relating to each grant of an award made to our executive officers of our company listed in the Summary Compensation Table during the past fiscal year.

## Grants of Plan-Based Awards

| Name                   | Grant Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards |        |         | Estimated Future Payouts Under Equity Incentive Plan Awards |        |         | All Other Stock Awards    | All Other Option Awards         | Exercise or Base Price of Option | Closing Price |
|------------------------|------------|---|--------|---------|---|--------|---------|---------------------------|---------------------------------|----------------------------------|---------------|
|                        |            | Threshold   | Target | Maximum | Threshold   | Target | Maximum | Number of Shares or Units | Number of Securities or Options | (\$/Sh)                          |               |
| Jean Madar             | 12/31/09   | -0-   | -0-    | -0-     | -0-   | -0-    | -0-     | -0-                       | 19,000                          | 12.14                            | 12.17         |
| Russell Greenberg      | 12/31/09   | -0-   | -0-    | -0-     | -0-   | -0-    | -0-     | -0-                       | 25,000                          | 12.14                            | 12.17         |
| Philippe Benacin       | 12/31/09   | -0-   | -0-    | -0-     | -0-   | -0-    | -0-     | -0-                       | 19,000                          | 12.14                            | 12.17         |
| Philippe Santi         | 12/31/09   | -0-   | -0-    | -0-     | -0-   | -0-    | -0-     | -0-                       | -0-                             | -0-                              | -0-           |
| Frédéric Garcia-Pelayo | 12/31/09   | -0-   | -0-    | -0-     | -0-   | -0-    | -0-     | -0-                       | -0-                             | -0-                              | -0-           |

In addition, the following table indicates Grants of Plan-Based Awards of Inter Parfums, S.A. during 2009.

## Grants of Plan-Based Awards

| Name                   | Grant Date | Estimated Future Payouts Under Non-Equity Incentive Plan Awards |        |         | Estimated Future Payouts Under Equity Incentive Plan Awards |        |         | All Other Stock Awards    | All Other Option Awards         | Exercise or Base Price of Option | Closing Price |
|------------------------|------------|---|--------|---------|---|--------|---------|---------------------------|---------------------------------|----------------------------------|---------------|
|                        |            | Threshold   | Target | Maximum | Threshold   | Target | Maximum | Number of Shares or Units | Number of Securities or Options | (\$/Sh)                          |               |
| Jean Madar             | 12/17/09   | -0-   | -0-    | -0-     | -0-   | -0-    | -0-     | -0-                       | 6,000                           | 25.36                            | 25.95         |
| Russell Greenberg      | 12/17/09   | -0-   | -0-    | -0-     | -0-   | -0-    | -0-     | -0-                       | 1,200                           | 25.36                            | 25.95         |
| Philippe Benacin       | 12/17/09   | -0-   | -0-    | -0-     | -0-   | -0-    | -0-     | -0-                       | 6,000                           | 25.36                            | 25.95         |
| Philippe Santi         | 12/17/09   | -0-   | -0-    | -0-     | -0-   | -0-    | -0-     | -0-                       | 6,000                           | 25.36                            | 25.95         |
| Frédéric Garcia-Pelayo | 12/17/09   | -0-   | -0-    | -0-     | -0-   | -0-    | -0-     | -0-                       | 6,000                           | 25.36                            | 25.95         |

## Options

As discussed above, we typically grant nonqualified stock options with a term of 6 years that vest ratably of a 5-year period on a cumulative basis, so that the option will become fully exercisable at the beginning of the sixth year from the date of grant. As reported above, options granted to French employees under the French Addendum to our stock option plan have a term of 6 years, and vest 4 years after the date of grant. Further, options granted to French employees under the stock option plan of Inter Parfums, S.A. likewise vest 4 years after the date of grant.

We believe that the vesting period of these options serves a dual purpose: 1. executives will not receive any benefit if they leave prior to such portion of the option vesting; and 2. having a vesting period matches the service period with the potential benefits of the option.



Under our stock option plans, the fair market value is determined by the average of the high and low price on the date of grant, not the closing price as reported by The Nasdaq Stock Market.

We also note that the Summary Compensation Table does not include income realized by the named executive officers as the result of the exercise of stock options, but rather reflects the dollar amount recognized for financial statement reporting purposes for options granted in accordance with SFAS 123R. However, value realized as the result of stock option exercises is set forth in the table entitled "Option Exercises and Stock Vested".

#### Inter Parfums, S.A. Profit Sharing Plan

As required by French law, Inter Parfums, SA maintains its own profit sharing plan for all French employees who have completed three months of service, including executive officers of our European operations other than Mr. Benacin, the Chief Executive Officer of Inter Parfums, SA. Benefits are calculated based upon a percentage of taxable income of Inter Parfums, S.A. and allocated to employees based upon salary. The maximum amount payable per year per employee is 25,000 euros, or approximately \$34,792.

Calculation of total annual benefits contribution is made according to the following formula:

50% of (Inter Parfums, S.A. net income, less 5% of shareholders equity without net income for the year) times a fraction, the numerator of which is wages, and the denominator of which is net income before tax + wages + taxes (other than income tax) + valuation allowances + amortization expenses + interest expenses.

Contribution to individual employees is then made pro rata based upon their individual salaries for the year.

#### Outstanding Equity Awards at Fiscal Year-End

The following table sets certain information relating to outstanding equity awards in our company held by the executive officers of our company listed in the Summary Compensation Table as of the end of the past fiscal year.

## OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

| Name                   | Option Awards   |   |   |                            |          | Option Expiration Date |
|------------------------|---|---|---|----------------------------|----------|------------------------|
|                        | Number of Securities Underlying Unexercised Options (#) Exercisable | Number of Securities Underlying Unexercised Options (#) Unexercisable | Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Options (#) | Option Exercise Price (\$) |          |                        |
| Jean Madar             | 75,000  | -0-   | -0-   | 9.967                      | 04/19/10 |                        |
|                        | 36,000  | 24,000(1)   | -0-   | 13.103                     | 12/14/12 |                        |
|                        | 11,400  | 17,100(2)   | -0-   | 12.577                     | 12/26/13 |                        |
|                        | 5,500   | 10,825(3)   | -0-   | 11.297                     | 2/13/14  |                        |
|                        | 3,800   | 15,200(4)   | -0-   | 6.925                      | 12/30/14 |                        |
|                        | -0-   | 19,000(5)   | -0-   | 12.14                      | 12/30/15 |                        |
| Russell Greenberg      | 30,000  | -0-   | -0-   | 9.967                      | 04/19/10 |                        |
|                        | 22,500  | 15,000(6)   | -0-   | 13.103                     | 12/14/12 |                        |
|                        | 9,000   | 13,500(7)   | -0-   | 12.577                     | 12/26/13 |                        |
|                        | 3,000   | 12,000(8)   | -0-   | 6.925                      | 12/30/14 |                        |
|                        | -0-   | 25,000(9)   | -0-   | 12.14                      | 12/30/15 |                        |
| Philippe Benacin       | 75,000  | -0-   | -0-   | 9.967                      | 04/19/10 |                        |
|                        | 36,000  | 24,000(10)  | -0-   | 13.103                     | 12/14/12 |                        |
|                        | 11,400  | 17,100(11)  | -0-   | 12.577                     | 12/26/13 |                        |
|                        | 5,500   | 10,825(12)  | -0-   | 11.297                     | 2/13/14  |                        |
|                        | 3,800   | 15,200(13)  | -0-   | 6.925                      | 12/30/14 |                        |
|                        | -0-   | 19,000(14)  | -0-   | 12.14                      | 12/30/15 |                        |
| Philippe Santi         | 11,250  | -0-   | -0-   | 9.967                      | 04/19/10 |                        |
|                        | 4,500   | 3,000(15)   | -0-   | 13.103                     | 12/14/12 |                        |
|                        | -0-   | 12,750(16)  | -0-   | 11.297                     | 2/13/14  |                        |
| Frédéric Garcia-Pelayo | 4,500   | 3,000(17)   | -0-   | 13.103                     | 12/14/12 |                        |
|                        | -0-   | 12,750(18)  | -0-   | 11.297                     | 2/13/14  |                        |

[Footnotes from table above]

1 Option vests as to 12,000 shares on each of 12/15/10 and 12/15/11.

2 Option vests as to 5,700 shares on each of 12/26/10, 12/26/11 and 12/26/2012.

3 Option vests as to 2,775 shares on each of 2/13/11, 2/13/12 and 2/13/2013.

4 Option vests as to 3,800 shares on each of 12/30/10, 12/30/11, 12/30/12 and 12/30/2013.

5 Option vests as to 3,800 shares on each of 12/30/10, 12/30/11, 12/30/12, 12/30/13 and 12/30/2014.

6 Option vests as to 7,500 shares on each of 12/15/10 and 12/15/11.

7 Option vests as to 4,500 shares on each of 12/26/10, 12/26/11 and 12/26/2012.

8 Option vests as to 3,000 shares on each of 12/30/10, 12/30/11, 12/30/12 and 12/30/2013.

9 Option vests as to 5,000 shares on each of 12/30/10, 12/30/11, 12/30/12, 12/30/13 and 12/30/2014.

10 Option vests as to 12,000 shares on each of 12/15/10 and 12/15/11.

11 Option vests as to 5,700 shares on each of 12/26/10, 12/26/11 and 12/26/2012.



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- 12 Option vests as to 2,775 shares on each of 2/13/11, 2/13/12 and 2/13/2013.
- 13 Option vests as to 3,800 shares on each of 12/30/10, 12/30/11, 12/30/12 and 12/30/2013.
- 14 Option vests as to 3,800 shares on each of 12/30/10, 12/30/11, 12/30/12, 12/30/13 and 12/30/2014.
- 15 Option vests as to 100% on 2/14/2012.
- 16 Option vests as to 1,500 shares on each of 12/15/10 and 12/15/11.
- 17 Option vests as to 1,500 shares on each of 12/15/10 and 12/15/11.
- 18 Option vests as to 100% on 2/14/2012.

The following table sets certain information relating to outstanding equity awards granted by Inter Parfums, S.A., our majority-owned French subsidiary which has its shares traded on the Euronext, held by the executive officers of our company listed in the Summary Compensation Table as of the end of the past fiscal year.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END  
OF INTER PARFUMS, S.A.

| Name                   | Option Awards  |  | Option<br>Exercise Price<br>(euro)(2) | Option Expiration<br>Date |
|------------------------|--|--|---------------------------------------|---------------------------|
|                        | Number of Securities<br>Underlying<br>Unexercised Options<br>(#) Exercisable | Number of Securities<br>Underlying<br>Unexercised Options<br>(#) Unexercisable (1) |                                       |                           |
| Jean Madar             | 24,598   |  | 18.40                                 | 03/25/10                  |
|                        | 17,570   |  | 17.20                                 | 05/26/11                  |
|                        |  | 15,972   | 21.90                                 | 06/01/12                  |
|                        |  | 6,000  | 17.60                                 | 12/17/15                  |
| Russell Greenberg      | 1,407  |  | 18.40                                 | 03/25/10                  |
|                        | 1,758  |  | 17.20                                 | 05/26/11                  |
|                        |  | 1,278  | 21.90                                 | 06/01/12                  |
|                        |  | 1,200  | 17.60                                 | 12/17/15                  |
| Philippe Benacin       | 24,598   |  | 18.40                                 | 03/25/10                  |
|                        | 17,570   |  | 17.20                                 | 05/26/11                  |
|                        |  | 15,972   | 21.90                                 | 06/01/12                  |
|                        |  | 6,000  | 17.60                                 | 12/17/15                  |
| Philippe Santi         | 12,652   |  | 18.40                                 | 03/25/10                  |
|                        | 10,542   |  | 17.20                                 | 05/26/11                  |
|                        |  | 9,584  | 21.90                                 | 06/01/12                  |
|                        |  | 6,000  | 17.60                                 | 12/17/15                  |
| Frédéric Garcia-Pelayo | 12,652   |  | 18.40                                 | 03/25/10                  |
|                        | 10,542   |  | 17.20                                 | 05/26/11                  |
|                        |  | 15,972   | 21.90                                 | 06/01/12                  |
|                        |  | 6,000  | 17.60                                 | 12/17/15                  |

[Footnotes from table above]

1 All options fully vest 4 years after the date of grant.

2 As of December 31, 2009 the closing price of Inter Parfums, S.A. as reported by Euronext was 18.1 euro, and the exchange rate was 1.4406 U.S. dollars to 1 euro.

#### Option Exercises and Stock Vested

The following table sets forth certain information relating to each option exercise effected during the past fiscal year, and each vesting of stock, including restricted stock, restricted stock units and similar instruments of our company during the past fiscal year, for the executive officers of our company listed in the Summary Compensation Table.



## OPTION EXERCISES AND STOCK VESTED

| Name                   | Option Awards                                      |  | Stock Awards                                   |                                      |
|------------------------|--|--|--|--------------------------------------|
|                        | Number of Shares<br>Acquired on<br>Exercise<br>(#) | Value Realized on<br>Exercise<br>(\$) <sup>1</sup> | Number of Shares<br>Acquired on Vesting<br>(#) | Value Realized<br>On Vesting<br>(\$) |
| Jean Madar             | 75,000   | 118,500  | -0-  | -0-                                  |
| Russell Greenberg      | 37,500   | 60,953   | -0-  | -0-                                  |
| Philippe Benacin       | 75,000   | 118,500  | -0-  | -0-                                  |
| Philippe Santi         | 11,250   | 18,237   | -0-  | -0-                                  |
| Frédéric Garcia-Pelayo | -0-  | -0-  | -0-  | -0-                                  |

[Footnotes from table above]

<sup>1</sup> Total value realized on exercise of options in dollars is based upon the difference between the fair market value of the common stock on the date of exercise, and the exercise price of the option.

The following table sets forth certain information relating to each option exercise effected during the past fiscal year, and each vesting of stock, including restricted stock, restricted stock units and similar instruments during the past fiscal year, of Inter Parfums, S.A., our majority-owned French subsidiary which has its shares traded on the Euronext, for the executive officers of our company listed in the Summary Compensation Table.

## OPTION EXERCISES AND STOCK VESTED

| Name                   | Option Awards                                   |  | Stock Awards                                   |                                      |
|------------------------|---|--|--|--------------------------------------|
|                        | Number of Shares<br>Acquired on<br>Exercise (#) | Value Realized on<br>Exercise<br>(\$) <sup>1</sup> | Number of Shares<br>Acquired on Vesting<br>(#) | Value Realized<br>On Vesting<br>(\$) |
| Jean Madar             | 17,570  | 19,826   | -0-  | -0-                                  |
| Philippe Benacin       | 17,570  | 19,826   | -0-  | -0-                                  |
| Russell Greenberg      | 5,449   | 43,143   | -0-  | -0-                                  |
| Philippe Santi         | 8,786   | 27,924   | -0-  | -0-                                  |
| Frédéric Garcia-Pelayo | 17,584  | 100,108  | -0-  | -0-                                  |

[Footnotes from table above]

<sup>1</sup> Total value realized on exercise of options in dollars is based upon the difference between the fair market value of the common stock on the date of exercise, and the exercise price of the option.



## Pension Benefits

The following table sets forth certain information relating to payment of benefits following or in connection with retirement during the past fiscal year, for the executive officers of our company listed in the Summary Compensation Table.

## PENSION BENEFITS

| Name                   | Plan Name                     | Number of Years Credited Service (#) | Present Value of Accumulated Benefit (\$) | Payments During Last Fiscal Year (\$) |
|------------------------|-------------------------------|--------------------------------------|---|---------------------------------------|
| Jean Madar             | NA                            | NA                                   | -0-                                       | -0-                                   |
| Russell Greenberg      | NA                            | NA                                   | -0-                                       | -0-                                   |
| Philippe Benacin       | Inter Parfums SA Pension Plan | NA                                   | 117,500                                   | 11,496                                |
| Philippe Santi         | Inter Parfums SA Pension Plan | NA                                   | 117,500                                   | 11,496                                |
| Frédéric Garcia-Pelayo | Inter Parfums SA Pension Plan | NA                                   | 117,500                                   | 11,496                                |

Inter Parfums, S.A. maintains a pension plan for all of its employees, including all executive officers. The calculation of commitments for severance benefits involves estimating the probable present value of projected benefit obligations. This projected benefit obligations is then prorated to take into account seniority of the employees of Inter Parfums, S.A. on the calculation date.

In calculating benefits, the following assumptions were applied:

- voluntary retirement at age 65;
- a rate of 45% for employer payroll contributions for all employees;
- a 5% average annual salary increase;
- an annual rate of turnover for all employees under 55 years of age and nil above;
- the TH 00-02 mortality table for men and the TF 00-02 mortality table for women;
- a discount rate of 3.96%.

The normal retirement age is 65 years, but employees, including Messrs. Benacin, Santi and Garcia-Pelayo, can collect reduced benefits if they retire at age 60.

## Nonqualified Deferred Compensation

We do not maintain any nonqualified deferred compensation plans.

## Employment Agreements

As part of our acquisition in 1991 of the controlling interest in Inter Parfums, S.A., now a subsidiary, we entered into an employment agreement with Philippe Benacin. The agreement provides that Mr. Benacin will be employed as Vice Chairman of the Board and President and Chief Executive Officer of Inter Parfums Holdings and its subsidiary, Inter Parfums. The initial term expired on September 2, 1992, and has subsequently been automatically renewed for additional annual periods. The agreement provides for automatic annual renewal terms, unless either party terminates the agreement upon 120 days notice. For 2010 Mr. Benacin presently receives an annual salary of €260,400 (approximately \$364,000, plus annual lodging expenses of €60,000 (approximately \$84,000) and automobile expenses of €10,800 (approximately \$15,000), which are subject to increase in the discretion of the board of directors. The agreement also provides for indemnification and a covenant not to compete for one year after termination of employment.

## Compensation of Directors

The following table sets forth certain information relating to the compensation for each of our directors who is not an executive officer of our Company named in the Summary Compensation Table for the past fiscal year.

| Name                                      | DIRECTOR COMPENSATION                        |                         |                          |  |   |                                   |        | Total (\$) |
|---|--|-------------------------|--------------------------|--|---|-----------------------------------|--------|------------|
|   | Fees<br>Earned<br>or Paid<br>in Cash<br>(\$) | Stock<br>Awards<br>(\$) | Option<br>Awards<br>(\$) | Non-Equity<br>Incentive Plan<br>Compensation<br>(\$) | Change in<br>Pension<br>Value and<br>Nonqualified<br>Deferred<br>Compensation<br>Earnings | All Other<br>Compensation<br>(\$) |        |            |
| Francois Heilbronn <sup>1</sup>           | 12,000                                       | -0-                     | 1,922                    | -0-  | -0-   | 1,893                             | 15,815 |            |
| Jean Levy <sup>2</sup>                    | 12,000                                       | -0-                     | 1,922                    | -0-  | -0-   | 3,273                             | 17,195 |            |
| Robert Bensoussan-<br>Torres <sup>3</sup> | 6,000  | -0-                     | 961                      | -0-  | -0-   | -0-                               | 6,961  |            |
| Serge Rosinoer <sup>4</sup>               | 6,000  | -0-                     | 961                      | -0-  | -0-   | -0-                               | 6,961  |            |
| Patrick Choël <sup>5</sup>                | 12,000                                       | -0-                     | 1,922                    | -0-  | -0-   | -0-                               | 13,922 |            |

[Footnotes from table above]

- As of the end of the last fiscal year, Mr. Heilbronn held options to purchase an aggregate of 5,500 shares of our common stock.
- As of the end of the last fiscal year, Mr. Levy held options to purchase an aggregate of 5,500 shares of our common stock.
- As of the end of the last fiscal year, Mr. Bensoussan-Torres held options to purchase an aggregate of 5,500 shares of our common stock.
- As of the end of the last fiscal year, Mr. Rosinoer held options to purchase an aggregate of 3,504 shares of our common stock.
- As of the end of the last fiscal year, Mr. Choël held options to purchase an aggregate of 7,000 shares of our common stock.

For 2009 all nonemployee directors received \$2,000 for each board meeting at which they participate. In addition, all members of the Audit Committee receive an additional annual fee of \$4,000 on January 1 of each year in which they serve on the Audit Committee.





We maintain stock option plans for our nonemployee directors. The purpose of these plans is to assist us in attracting and retaining key directors who are responsible for continuing the growth and success of our company. Under such plans, options to purchase 1,000 shares are granted on each February 1st to all nonemployee directors for as long as each is a nonemployee director on such date. However, if a nonemployee director does not attend certain of the board meetings, then such option grants are reduced according to a schedule. In addition, options to purchase 2,000 shares are granted to each nonemployee director upon his initial election or appointment to our board.

On February 1, 2010, options to purchase 1,000 shares were granted to each of Francois Heilbronn, Jean Levy, Serge Rosinoer and Patrick Choël, and an option to purchase 500 shares was granted to Robert Bensoussan-Torres, all at the exercise price of \$13.345 per share under the 2004 plan. Such options vest ratably over a 4 year period.

#### Item 11. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The following table sets forth information, as of February 19, 2009 with respect to the beneficial ownership of our common stock by (a) each person we know to be the beneficial owner of more than 5% of our outstanding common stock, (b) our executive officers and directors and (c) all of our directors and officers as a group. As of February 19, 2009 we had 30,171,952 shares of common stock outstanding.

| Name and Address of Beneficial Owner   | Amount of Beneficial Ownership | Approximate Percent of Class |
|--|--------------------------------|------------------------------|
| Jean Madar<br>c/o Inter Parfums, S.A.<br>4, Rond Point Des Champs Elysees<br>75008 Paris, France       | 7,833,745 <sup>2</sup>         | 25.85%                       |
| Philippe Benacin<br>c/o Inter Parfums, S.A.<br>4, Rond Point Des Champs Elysees<br>75008 Paris, France | 7,527,282 <sup>3</sup>         | 24.8%                        |

1 All shares of common stock are directly held with sole voting power and sole power to dispose, unless otherwise stated. Options which are exercisable within 60 days are included in beneficial ownership calculations. Jean Madar, the Chairman of the Board and Chief Executive Officer of Inter Parfums and Philippe Benacin, the Vice Chairman of the Board and President of Inter Parfums, have a verbal agreement or understanding to vote their shares in a like manner. As Messrs. Madar and Benacin beneficially own more than 50% of the outstanding shares of the Inter Parfums' common stock, Inter Parfums is considered a "controlled company" under the applicable rules of The Nasdaq Stock Market.

2 Consists of 3,410,929 shares held directly, 4,291,066 shares held indirectly through Jean Madar Holding SAS, a personal holding company, and options to purchase 131,750 shares.

3 Consists of 4,729,468 shares held directly, 2,666,064 shares held indirectly through Philippe Benacin Holding SAS, a personal holding company, and options to purchase 131,750 shares.

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| Name and Address of Beneficial Owner   | Amount of Beneficial Ownership <sup>1</sup> | Approximate Percent of Class |
|--|---|------------------------------|
| Russell Greenberg<br>c/o Inter Parfums, Inc.<br>551 Fifth Avenue<br>New York, NY 10176                   | 73,9964                                     | Less than 1%                 |
| Philippe Santi<br>Inter Parfums, S.A.<br>4, Rond Point Des Champs Elysees<br>75008, Paris France         | 15,7505                                     | Less than 1%                 |
| Francois Heilbronn<br>60 Avenue de Breteuil<br>75007 Paris, France                                       | 73,1886                                     | Less than 1%                 |
| Jean Levy<br>Chez Axxess Groupe<br>8 rue de Berri<br>75008 Paris, France                                 | 5,1257                                      | Less than 1%                 |
| Robert Bensoussan-Torres<br>c/o Sirius Equity LLP<br>52 Brook Street<br>W1K 5DS London                   | 12,6258                                     | Less than 1%                 |
| Serge Rosinoer<br>14 rue LeSueur<br>75116 Paris, France  | 14,1149                                     | Less than 1%                 |
| Patrick Choël<br>Universite -82<br>7 rue de Talleyrand<br>75007, Paris, France                           | 10,57510                                    | Less than 1%                 |
| Frederic Garcia-Pelayo<br>Inter Parfums, S.A.<br>4, Rond Point Des Champs Elysees<br>75008, Paris France | 4,50011                                     | Less than 1%                 |
| Axel Marot<br>Inter Parfums, S.A.<br>4, Rond Point Des Champs Elysees<br>75008, Paris France             | -0-   | NA                           |

4 Consists of 11,995 shares held directly and options to purchase 62,000 shares.

5 Consists of shares of common stock underlying options.

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Consists of 47,063 shares held directly, 22,500 shares held indirectly by his children and options to purchase 3625 shares.

- 7 Consists of 1,500 shares held directly and options to purchase 3,625 shares.
- 8 Consists of 9,000 shares held directly and options to purchase 3,625 shares.
- 9 Consists of 11,550 shares held directly and options to purchase 2,625 hares.
- 10 Consists of 5,450 shares held directly and options to purchase 5,125 shares.
- 11 Consists of shares of common stock underlying options.

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| Name and Address<br>of Beneficial Owner  | Amount of Beneficial Ownership <sup>1</sup> | Approximate Percent of Class |
|--|---|------------------------------|
| Hugues de la Chevasnerie<br>Inter Parfums, S.A.<br>4, Rond Point Des Champs Elysees<br>75008, Paris France | -0-   | NA                           |
| Henry B. (Andy) Clarke<br>c/o Inter Parfums, Inc.<br>551 Fifth Avenue<br>New York, NY 10176                | 19,12512                                    | Less than 1%                 |
| Royce & Associates, LLC <sup>13</sup><br>1414 Avenue of the Americas<br>New York, NY 10019                 | 3,769,533                                   | 12.49%                       |
| Fidelity Low-Priced Stock Fund <sup>14</sup><br>82 Devonshire Street, Boston,<br>Massachusetts 02109       | 2,200,000                                   | 7.29%                        |
| All Directors and Officers<br>As a Group (16 Persons)  | 15,588,02515                                | 51.02%                       |

The following table sets forth certain information as of the end of our last fiscal year regarding all equity compensation plans that provide for the award of equity securities or the grant of options, warrants or rights to purchase our equity securities.

## Equity Compensation Plan Information

| Plan category  | Number of securities to be issued upon exercise of outstanding options, warrants and rights<br>(a) | Weighted-average exercise price of outstanding options, warrants and rights<br>(b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<br>(c) |
|--|--|--|--|
|  |  |  |  |
| Equity compensation plans approved by security holders     | 920,075  | 11.32  | 949,075  |
| Equity compensation plans not approved by security holders | -0-  | N/A  | -0-  |
| Total  | 920,075  | 11.32  | 949,075  |

<sup>12</sup> Consists of 1,625 shares held directly and options to purchase 17,500 shares.

<sup>13</sup> Information derived from an Amendment to Schedule 13G filed January 25, 2010.

<sup>14</sup> Information derived from a Schedule 13G filed February 16, 2010.

<sup>15</sup> Consists of 15,208,210 shares held directly or indirectly, options to purchase 379,815 shares.



## Item 12. Certain Relationships And Related Transactions

### Transactions with French Subsidiaries

In connection with the acquisitions by our subsidiary, Inter Parfums, S.A., of the world-wide rights under the Burberry license agreement and the Paul Smith license agreement, we guaranteed the obligations of Inter Parfums, S.A. under the Burberry and Paul Smith license agreements. In addition, Inter Parfums, S.A. has agreed to reimburse us for the compensation expense attributed to a former French executive officer, and vested options which are granted to French employees under the recent amendment to our stock option plan.

#### Jimmy Choo

Inter Parfums, S.A. and J Choo Limited entered into an exclusive, worldwide license agreement commencing on January 1, 2010 and expiring on December 31, 2021, for the creation, development and distribution of fragrances under the Jimmy Choo brand. Mr. Robert Bensoussan-Torres, a director of the Corporation, is a director of J Choo Limited and has an indirect ownership interest in J Choo Limited.

#### Yelo. Cab and Nickel USA

Nickel USA, Inc., a wholly-owned subsidiary of our company and Yelo, LLC, a related party by virtue of the 3% equity interest in Yelo owned by Mr. Jean Madar, the Chairman of the Board and Chief Executive Officer, have entered into an agreement to have Yelo perform management services at the spa owned and operated by Nickel in New York City for a one (1) year period, subject to subsequent annual renewals upon agreement of the parties, and Nickel is to pay Yelo a monthly base fee of \$5,000, plus a monthly performance fee based upon a percentage of increased monthly revenues above a baseline.

### Procedures for Approval of Related Person Transactions

Transactions between related persons, such as between an executive officer or director and our company, or any company or person controlled by such officer or director, are required to be approved by our Audit Committee of our board of directors. Our Audit Committee Charter contains such explicit authority, as required by the applicable rules of The Nasdaq Stock Market.

#### Director Independence

The following are our directors who are “independent directors” within the applicable rules of The Nasdaq Stock Market:

Francois Heilbronn  
Jean Levy  
Robert Bensoussan-Torres  
Serge Rosinoer  
Patrick Choël

We follow and comply with the independent director definitions as provided by The Nasdaq Stock Market rules in determining the independence of our directors, which are posted on our company's website. In addition, such rules are also available on The Nasdaq Stock Market's website.

However, as stated above, Messrs. Jean Madar and Philippe Benacin have a verbal agreement or understanding to vote their shares in a like manner. As Messrs. Madar and Benacin beneficially own more than 50% of the outstanding shares of the Inter Parfums' common stock, Inter Parfums is considered a "controlled company" under the applicable rules of The Nasdaq Stock Market. As a controlled company, we are exempt for certain of the corporate governance rules of The Nasdaq Stock Market, such as the requirement of a nominating committee of the board.

In addition, The Nasdaq Stock Market maintains more stringent rules relating to director independence for the members of our Audit Committee, and the members of our Audit Committee, Messrs. Heilbronn, Levy and Choël, are independent within the meaning of those rules. We are not exempt from the more stringent rules relating to director independence for the members of our Audit Committee by virtue of the controlled company exception.

#### Board Leadership Structure and Risk Management

For more than the past ten (10) years, Jean Madar has held the positions of Chairman of the Board of Directors and Chief Executive Officer of our company. Almost since inception, Mr. Madar has been allocated the responsibility of overseeing our United States operations and the operation of Inter Parfums, Inc., as a public company. Philippe Benacin, as Chief Executive Officer of Inter Parfums, S.A., has been allocated the responsibility of overseeing our European operations and its operation as a public company in France. In addition, Mr. Benacin is also the Vice Chairman of the Board of Directors of our company. Our board of directors is comfortable with this approach, as the two largest stockholders of our company are also directly responsible for the operations of our company's two operating segments. Accordingly, our board of directors does not have a "Lead Director," a non-management director who controls the meetings of our board of directors.

Our board of directors manages risk by (i) period operating reports and discussion with management; (ii) approval of executive compensation incentive plans through its committee, the Executive Compensation and Stock Option Committee; (iii) approval of related party transactions through its committee, the Audit Committee; and (iv) approval of material transactions not in the ordinary course of business. Since our inception, we have never been the subject of any material product liability claims, and we have had no recent material property damage claims.

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

In addition, we mitigate interest rate risk by continually 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.

### Item 13. Principal Accountant Fees and Services

#### General

On October 15, 2004 Mazars LLP was engaged as the principal accountants to audit the financial statements of Inter Parfums, Inc. The decision to engage Mazars LLP was approved by our audit committee.

#### Fees

The following sets forth the fees billed to us by Mazars LLP, as well as discusses the services provided for the past two fiscal years, fiscal years ended December 31, 2009 and December 31, 2008.

#### Audit Fees

During 2009 the fees billed by Mazars LLP and its affiliate, Mazars S.A. for audit services and review of the financial statements contained in our Quarterly Reports on Form 10-Q were \$857,000. During 2008 the fees billed by Mazars LLP and its affiliate, Mazars S.A. for audit services and review of the financial statements contained in our Quarterly Reports on Form 10-Q were \$849,000.

#### Audit-Related Fees

Mazars billed us \$8,500 and \$11,000 for audit related fees during 2009 and 2008, respectively.

#### Tax Fees

Mazars LLP did not bill us for tax services during 2009 or 2008.

#### All Other Fees

Mazars LLP did not bill us for any other services during 2009 or 2008.



#### Audit Committee Pre Approval Policies and Procedures

The Audit Committee has the sole authority for the appointment, compensation and oversight of the work of our independent accountants, who prepare or issue an audit report for us.

During the first quarter of 2009 the audit committee authorized the following non-audit services to be performed by Mazars LLP.

- We authorized the engagement of Mazars LLP if deemed necessary to provide tax consultation in the ordinary course of business for fiscal year ended December 31, 2009.
- We authorized the engagement of Mazars LLP if deemed necessary to provide tax consultation as may be required on a project by project basis that would not be considered in the ordinary course of business, of up to a \$5,000 fee limit per project, subject to an aggregate fee limit of \$25,000 for fiscal year ending December 31, 2009. If we require further tax services from Mazars LLP, then the approval of the audit committee must be obtained.
- If we require other services by Mazars LLP on an expedited basis such that obtaining pre-approval of the audit committee is not practicable, then the Chairman of the Committee has authority to grant the required pre-approvals for all such services.
- We imposed a cap of \$100,000 on the fees that Mazars can charge for services on an expedited basis that are approved by the Chairman without obtaining full audit committee approval.
- None of the non-audit services of either of the Company's auditors had the pre-approval requirement waived in accordance with Rule 2-01(c)(7)(i)(C) of Regulation S-X.

In February 2010, the audit committee authorized the same non-audit services to be performed by Mazars LLP as disclosed above.

## PART IV

## Item 14. Exhibits, Financial Statement Schedules

|   | Page No. |
|---|----------|
| (a)(1) Financial Statements annexed hereto  |          |
| Report of Independent Registered Public Accounting Firm   | F-2      |
| Consolidated Balance Sheets as of December 31, 2009 and December 31, 2008   | F-3      |
| Consolidated Statements of Income for each of the years in the three-year period ended December 31, 2009  | F-4      |
| Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income for each of the years in the three-year period ended December 31, 2009  | F-5      |
| Consolidated Statements of Cash Flows for each of the years in the three-year period ended December 31, 2009  | F-6      |
| Notes to Consolidated Financial Statements  | F-7      |
| (a)(2) Financial Statement Schedules annexed hereto:  |          |
| Schedule II - Valuation and Qualifying Accounts   | F-28     |
| Schedules other than those referred to above have been omitted as the conditions requiring their filing are not present or the information has been presented elsewhere in the consolidated financial statements. |          |

(a)(3) Exhibits

The following document heretofore filed with the Commission are incorporated by reference to the Company's Quarterly Report, Form 10-QA Amendment No. 1, for the quarterly period ended September 30, 2004:

| Exhibit No. | Description   |
|-------------|---|
| 10.111      | Licence Agreement among Burberry Ltd., Inter Parfums, S.A. and Inter Parfums, Inc. dated 12 October 2004 (Certain confidential information in Exhibit 10.111 has been omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc.). |

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended 31 December 2004:

| Exhibit No. | Description  |
|-------------|--|
| 10.116      | Logistics Service Contract (effective January 1, 2005) between Inter Parfums, S.A. and Sagatrans (French Original)     |
| 10.116.1    | Logistics Service Contract (effective January 1, 2005) between Inter Parfums, S.A. and Sagatrans (English Translation) |

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Quarterly Report for the quarterly period ended June 30, 2005:

| Exhibit No. | Description  |
|-------------|--|
| 10.118      | Agreement dated July 14, 2005 by and among The Gap, Inc., Banana Republic LLC, Gap (Apparel) LLC, Gap (ITM), Inc., Banana Republic (Apparel) LLC, Banana Republic (ITM), Inc., Gap (Puerto Rico), Inc., and Gap (Canada) Inc., together with their subsidiaries who operate stores on the one hand and Inter Parfums, Inc. and its wholly-owned subsidiary Inter Parfums USA, LLC. (Certain confidential information in this Exhibit 10.118 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc). |
| 10.119      | Renouvellement de Bail Commercial entre Civile Immobiliere du 4/6 Rond Point des Champs Elysees et Inter Parfums, S.A., 30 Jun 2005, Locaux 4 eme etage droite (French original)   |

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| Exhibit No. | Description  |
|-------------|--|
| 10.119.1    | Renouvellement de Bail Commercial entre Civile Immobiliere du 4/6 Rond Point des Champs Elysees et Inter Parfums, S.A., 30 Jun 2005, Locaux 4 eme etage droite (English translation) |
| 10.120      | Renouvellement de Bail Commercial entre Civile Immobiliere du 4/6 Rond Point des Champs Elysees et Inter Parfums, S.A., 30 Jun 2005, Locaux 4 eme etage gauche (French original)     |
| 10.120.1    | Renouvellement de Bail Commercial entre Civile Immobiliere du 4/6 Rond Point des Champs Elysees et Inter Parfums, S.A., 30 Jun 2005, Locaux 4 eme etage gauche (English translation) |

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended 31 December 2005:

| Exhibit No. | Description  |
|-------------|--|
| 10.124      | Fourth Modification of Lease, portion of 15th Floor, 551 Fifth Avenue, New York, New York  |
| 10.125      | Addendum effective March 2, 2006 to Agreement dated July 14, 2005 by and among The Gap, Inc., Banana Republic LLC, Gap (Apparel) LLC, Gap (ITM), Inc., Banana Republic (Apparel) LLC, Banana Republic (ITM), Inc., Gap (Puerto Rico), Inc., and Gap (Canada) Inc., together with their subsidiaries who operate stores on the one hand and Inter Parfums, Inc. and its wholly-owned subsidiary Inter Parfums USA, LLC. (Certain confidential information in this Exhibit 10.125 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc). |

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Quarterly Report for the quarterly period ended March 31, 2006:

| Exhibit No. | Description  |
|-------------|--|
| 10.127      | Avenant No. 1 Au Contrat de Licence Exclusive du 20 Juin 1997 entre ST Dupont, S.A. et Inter Parfums, S.A., dated 20 March 2006- French original (Certain confidential information in this Exhibit 10.127 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc). |

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| Exhibit No. | Description   |
|-------------|---|
| 10.127.1    | Amendment No. 1 to Exclusive License of 20 June 1997 between ST Dupont, S.A. et Inter Parfums, S.A., dated 20 March 2006- English translation (Certain confidential information in this Exhibit 10.127.1 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc). |

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Quarterly Report for the quarterly period ended September 30, 2006:

| Exhibit No. | Description   |
|-------------|---|
| 10.128      | License Agreement Between Van Cleef & Arpels Logistics SA, and Inter Parfums, S.A., entered into on June 19, 2006 (Certain confidential information in this Exhibit 10.128 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc). |
| 10.128.1    | Addendum No. 1 to License Agreement Between Van Cleef & Arpels Logistics SA, and Inter Parfums, S.A   |

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended 31 December 2006:

| Exhibit No. | Description  |
|-------------|--|
| 3.5         | Articles of Incorporation of Inter Parfums, Limited  |
| 4.23        | Form of Option Agreement for Options Granted to Executive Officers on December 15, 2006 with Schedule Option Holders and Number of Options Granted |

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Quarterly Report for the quarterly period ended March 31, 2007:

| Exhibit No. | Description   |
|-------------|---|
| 10.129      | Agreement between Inter Parfums, S.A. and BNP Paribas, S.A. dated 3 December 2006 - French original     |
| 10.129.1    | Agreement between Inter Parfums, S.A. and BNP Paribas, S.A. dated 3 December 2006 - English translation |

he following documents heretofore filed with the Commission are incorporated by reference to the Company's Quarterly Report for the quarterly period ended June 30, 2007:

| Exhibit No. | Description   |
|-------------|---|
| 10.130      | Agreement for Technical Assistance between Jeanne Lanvin, S.A and Inter Parfums, S.A. dated 30 July 2007 - French Original<br>(Certain confidential information in this Exhibit 10.130 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc).       |
| 10.130.1    | Agreement for Technical Assistance between Jeanne Lanvin, S.A and Inter Parfums, S.A. dated 30 July 2007 - English Translation<br>(Certain confidential information in this Exhibit 10.130.1 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc). |
| 10.131      | Coexistence Agreement between Jeanne Lanvin, S.A and Inter Parfums, S.A. dated 30 July 2007- French Original  |
| 10.131.1    | Coexistence Agreement between Jeanne Lanvin, S.A and Inter Parfums, S.A. dated 30 July 2007- English Translation  |

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Registration Statement No. 333-141963 as filed April 9, 2007.

| Exhibit No. | Description  |
|-------------|--|
| 4.24        | Warrant Dated July 14, 2005 to Purchase 100,000 shares of Common Stock of Inter Parfums, Inc. (filed as exhibit no. 4.2 therein)     |
| 4.25        | Warrant Dated September 1, 2006 to Purchase 100,000 shares of Common Stock of Inter Parfums, Inc. (filed as exhibit no. 4.3 therein) |

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended 31 December 2007:

| Exhibit No. | Description  |
|-------------|--|
| 10.132      | Manufacturing and License Agreement Between Retail Brand Alliance, Inc., D/B/A Brooks Brothers – Licensor and Inter Parfums USA, LLL. – Licensee<br>Dated November 2007<br>(Certain confidential information in this Exhibit 10.132 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc). |
| 4.26        | Addendum [France] to 2004 Stock Option Plan  |
| 4.27        | Form of Option Agreement for Options Granted to Executive Officers on December 26, 2007 with Schedule Option Holders and Number of Options Granted   |
| 4.28        | Form of Option Agreement for Options Granted to Executive Officers on February 14, 2008 with Schedule Option Holders and Number of Options Granted   |
| 4.29        | Form of Option Agreement for Options Granted to Executive Officers on February 14, 2008 under French Addendum to Stock Option Plan with Schedule Option Holders and Number of Options Granted  |
| 21          | List of Subsidiaries   |
| 23          | Consent of Mazars LLP  |
| 31.1        | Certification Required by Rule 13a-14 of Chief Executive Officer   |
| 31.2        | Certification Required by Rule 13a-14 of Chief Financial Officer   |
| 32          | Certification Required by Section 906 of the Sarbanes-Oxley Act  |

The following document heretofore filed with the Commission is incorporated by reference to the Company's Quarterly Report for the quarterly period ended March 31, 2008:

| Exhibit No. | Description   |
|-------------|---|
| 10.133      | License Agreement by and among The Gap, Inc., Banana Republic LLC, Gap (Apparel) LLC, Gap (ITM), Inc., Banana Republic (Apparel) LLC, and Banana Republic (ITM), Inc. and Inter Parfums, Inc. and Inter Parfums USA, LLC (signed April 2008 but effective as of July 1, 2007) (Certain confidential information in this Exhibit 10.133 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc). |

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The following documents heretofore filed with the Commission are incorporated by reference to the Company's Quarterly Report for the quarterly period ended June 30, 2008:

| Exhibit No. | Description   |
|-------------|---|
| 3.6         | Organizational Documents of Inter Parfums (Suisse) SA (French original)   |
| 3.6.1       | Organizational Documents of Inter Parfums (Suisse) SA (English translation)   |
| 10.134      | Licence Agreement among Paul Smith Limited, Inter Parfums, S.A. and Inter Parfums, Inc. dated July 3, 2008, but signed on July 17, 2008 (Certain confidential information in this Exhibit 10.134 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc.) |

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008:

| Exhibit No. | Description  |
|-------------|--|
| 10.135      | Bail Commercial situé au 2ème étage, 4/6 rond point des Champs Elysees, Paris, France, entre Dauchez Administrateur De Biens et Inter Parfums, S.A. [dated] le 21 janvier 2009 – [French original] (Certain confidential information in this Exhibit 10.135 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc).                   |
| 10.135.1    | Commercial Lease for portion of the 2nd Floor, at 4/6 rond point des Champs Elysees, Paris, France, between Dauchez Property Administrators and Inter Parfums, S.A. dated January 21, 2009 -[English translation] (Certain confidential information in this Exhibit 10.135.1 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc).  |
| 10.136      | Bail Commercial situé au 6ème étage, 4/6 rond point des Champs Elysees, Paris, France, entre Dauchez Administrateur De Biens et Inter Parfums, S.A. [dated] le 21 janvier 2009 – [French original] (Certain confidential information in this Exhibit 10.136 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc).                   |
| 10.136.1    | Commercial Lease for portion of the 6th Floor, at 4/6 rond point des Champs Elysees, Paris, France, between Dauchez Property Administrators and Inter Parfums, S.A. dated January 21, 2009 – [English translation] (Certain confidential information in this Exhibit 10.136.1 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc). |



|      |   |
|------|---|
| 4.30 | Form of Option Agreement for Options Granted to Executive Officers on December 31, 2008 with Schedule of Option Holders and Options Granted |
| 21   | List of Subsidiaries  |
| 23   | Consent of Mazars LLP   |
| 31.1 | Certification Required by Rule 13a-14 of Chief Executive Officer  |
| 31.2 | Certification Required by Rule 13a-14 of Chief Financial Officer  |
| 32.1 | Certification Required by Section 906 of the Sarbanes-Oxley Act by Chief Executive Officer  |
| 32.2 | Certification Required by Section 906 of the Sarbanes-Oxley Act by Chief Executive Officer  |

The following document heretofore filed with the Commission is incorporated by reference to the Company's Quarterly Report for the quarterly period ended June 30, 2009:

| Exhibit No. | Description  |
|-------------|--|
| 10.137      | Lease Extension Agreement between 14th Street Development, LLC and Nickel USA, Inc. dated June 8, 2009 |

The following document heretofore filed with the Commission is incorporated by reference to the Company's Quarterly Report for the quarterly period ended September 30, 2009:

| Exhibit No. | Description   |
|-------------|---|
| 10.138      | Licence Agreement between J Choo Limited and Inter Parfums, S.A. signed on September 29, 2009 (Certain confidential information in this Exhibit 10.138 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc). |

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The following documents, which have been previously filed, are filed again with this report:

| Exhibit No. | Description   |
|-------------|---|
| 3.1.1       | Restated Certificate of Incorporation dated September 3, 1987   |
| 3.1.2       | Amendment to Restated Certificate of Incorporation dated July 31, 1992  |
| 3.1.3       | Amendment to Restated Certificate of Incorporation dated July 9, 1993   |
| 3.1.4       | Amendment to Restated Certificate of Incorporation, as amended, dated July 13, 1999   |
| 3.1.5       | Amendment to Restated Certificate of Incorporation, as amended, dated July 12, 2000   |
| 3.1.6       | Amendment to Restated Certificate of Incorporation dated August 6, 2004   |
| 3.2         | Amended and Restated By-laws  |
| 4.20        | 1999 Stock Option Plan, as amended  |
| 4.22        | 2004 Stock Option Plan  |
| 10.25       | Employment Agreement between the Company and Philippe Benacin dated July 29, 1991   |
| 10.26       | Lease for portion of 15th Floor, 551 Fifth Avenue, New York, New York   |
| 10.26.1     | Third Modification of Lease dated June 17, 2002 between Metropolitan Life Insurance Company, and Jean Philippe Fragrances, LLC (previously erroneously filed as exhibit no. 19.92 )   |
| 10.61       | Lease for 60 Stults Road, South Brunswick, NJ between Forsgate Industrial Complex, a limited partnership, and Jean Philippe Fragrances, Inc. dated July 10, 1995  |
| 10.69       | Exclusive License Agreement dated June 20, 1997 between S.T. Dupont, S.A. and Inter Parfums (Certain confidential information in this Exhibit 10.70 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc.). |

- 10.70 License Agreement among Paul Smith Limited, Inter Parfums, S.A. and Jean-Philippe Fragrances, Inc. (Certain confidential information in this Exhibit 10.70 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc).
- 10.104 Lease dated as of 1 March 2001 for 300 West 14th Street, New York, NY
- 10.106 Lease effective as of 1 April 2004 for 4-6 Rond Point des Champs Elysees, Ground and 1st Floor, Paris, France (French Original)
- 10.106.1 Lease effective as of 1 April 2004 for 4-6 Rond Point des Champs Elysees, Ground and 1st Floor, Paris, France (English Translation)
- 10.107 Lease effective as of 1 April 2004 for 4-6 Rond Point des Champs Elysees, 5th Floor-Left, Paris, France (French Original)
- 10.107.1 Lease effective as of 1 April 2004 for 4-6 Rond Point des Champs Elysees, 5th Floor-Left, Paris, France(English Translation)
- 10.110 Lease For 48 Rue Des Francs-Bourgeois, In Paris, 3rd District (French Original)
- 10.110.1 Lease For 48 Rue Des Francs-Bourgeois, In Paris,, 3rd District (English Translation)
- 10.112 Confidential Treatment Agreement among Burberry Ltd., Inter Parfums, S.A., Inter Parfums, Inc. and LV Capital USA, Inc., et al., dated October 12, 2004
- 10.113 Indemnity Agreement among Burberry Ltd., Inter Parfums, S.A. and Inter Parfums, Inc. dated October 12, 2004

The following documents are filed with this report:

| Exhibit No. | Description   |
|-------------|---|
| 3.3         | Articles of Incorporation of Inter Parfums Holdings, S.A.   |
| 3.3.1       | Articles of Incorporation of Inter Parfums Holdings, S.A. (English translation)   |
| 3.4         | Articles of Incorporation of Inter Parfums, S.A.  |
| 3.4.1       | Articles of Incorporation of Inter Parfums, S.A. (English translation)  |
| 4.21.3      | 2004 Nonemployee Director Stock Option Plan, as amended   |
| 4.30        | Form of Option Agreement for Options Granted to Executive Officers on December 31, 2009 with Schedule of Option Holders and Options Granted   |
| 10.139      | License Agreement between Montblanc-Simplo Gmbh and Inter Parfums, S/A. (Certain confidential information in this Exhibit 10.139 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc).   |
| 10.140      | Personal Care Agreement among The Gap, Inc., et al., and Inter Parfums, Inc. and its wholly-owned subsidiary Inter Parfums USA, LLC effective March 1, 2010 (Certain confidential information in this Exhibit 10.140 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc). |
| 21          | List of Subsidiaries  |
| 23          | Consent of Mazars LLP   |
| 31.1        | Certification Required by Rule 13a-14 of Chief Executive Officer  |
| 31.2        | Certification Required by Rule 13a-14 of Chief Financial Officer  |
| 32.1        | Certification Required by Section 906 of the Sarbanes-Oxley Act by Chief Executive Officer  |
| 32.2        | Certification Required by Section 906 of the Sarbanes-Oxley Act by Chief Executive Officer  |
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INTER PARFUMS, INC. AND SUBSIDIARIES

Consolidated Financial Statements and Schedule

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Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders  
Inter Parfums, Inc.  
New York, New York

We have audited the accompanying consolidated balance sheets of Inter Parfums, Inc. and subsidiaries as of December 31, 2009 and 2008, and the related consolidated statements of income, changes in shareholders' equity and comprehensive income, and cash flows for each of the years in the three-year period ended December 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Inter Parfums, Inc. and subsidiaries as of December 31, 2009 and 2008, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2009 in conformity with U.S. generally accepted accounting principles.

In connection with our audits of the consolidated financial statements enumerated above, we audited schedule II for each of the years in the three-year period ended December 31, 2009. In our opinion, schedule II, when considered in relation to the financial statements taken as a whole, presents fairly, in all material respects, the information stated therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Inter Parfums, Inc.'s internal control over financial reporting as of December 31, 2009, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 10, 2010 expressed an unqualified opinion thereon.

Mazars LLP

New York, New York  
March 10, 2010

INTER PARFUMS, INC. AND SUBSIDIARIES  
 Consolidated Balance Sheets  
 December 31, 2009 and 2008  
 (In thousands except share and per share data)

|   | 2009       | 2008       |
|---|------------|------------|
| <b>Assets</b>   |            |            |
| Current assets:   |            |            |
| Cash and cash equivalents   | \$ 100,467 | \$ 42,404  |
| Accounts receivable, net  | 101,334    | 120,507    |
| Inventories   | 85,428     | 123,633    |
| Receivables, other  | 3,229      | 2,904      |
| Other current assets  | 8,090      | 10,034     |
| Income tax receivable   | —          | 1,631      |
| Deferred tax assets   | 4,088      | 3,388      |
| Total current assets  | 302,636    | 304,501    |
| Equipment and leasehold improvements, net   | 9,191      | 7,670      |
| Trademarks, licenses and other intangible assets, net   | 101,799    | 104,922    |
| Goodwill  | 3,927      | 5,470      |
| Other assets  | 1,535      | 2,574      |
| Total assets  | \$ 419,088 | \$ 425,137 |
| <b>Liabilities and Equity</b>   |            |            |
| Current liabilities:  |            |            |
| Loans payable – banks   | \$ 5,021   | \$ 13,981  |
| Current portion of long-term debt   | 11,732     | 13,352     |
| Accounts payable - trade  | 48,138     | 66,236     |
| Accrued expenses  | 37,440     | 35,368     |
| Income taxes payable  | 1,646      | 442        |
| Dividends payable   | 996        | 996        |
| Total current liabilities   | 104,973    | 130,375    |
| Deferred tax liability  | 8,840      | 11,562     |
| Long-term debt, less current portion  | 17,862     | 27,691     |
| Commitments and contingencies   |            |            |
| Equity:   |            |            |
| Inter Parfums, Inc. shareholders' equity:   |            |            |
| Preferred stock, \$0.001 par value. Authorized 1,000,000 shares; none issued  |            |            |
| Common stock, \$0.001 par value. Authorized 100,000,000 shares; outstanding, 30,171,952 and 30,168,939 shares at December 31, 2009 and 2008, respectively | 30         | 30         |
| Additional paid-in capital  | 45,126     | 41,950     |
| Retained earnings   | 186,611    | 168,025    |
| Accumulated other comprehensive income  | 30,000     | 25,515     |
| Treasury stock, at cost, 10,056,966 and 9,966,379 common shares at December 31, 2009 and 2008, respectively   | (33,043)   | (31,319)   |
| Total Inter Parfums, Inc. shareholders' equity  | 228,724    | 204,201    |
| Noncontrolling interest   | 58,689     | 51,308     |
| Total equity  | 287,413    | 255,509    |
| Total liabilities and equity  | \$ 419,088 | \$ 425,137 |

See accompanying notes to consolidated financial statements.

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INTER PARFUMS, INC. AND SUBSIDIARIES  
 Consolidated Statements of Income  
 Years ended December 31, 2009, 2008, and 2007  
 (In thousands except share and per share data)

|  | 2009       | 2008       | 2007       |
|--|------------|------------|------------|
| Net sales  | \$ 409,464 | \$ 446,124 | \$ 389,560 |
| Cost of sales  | 175,296    | 191,915    | 160,137    |
| Gross margin   | 234,168    | 254,209    | 229,423    |
| Selling, general, and administrative expenses                        | 187,690    | 202,264    | 181,224    |
| Impairment of goodwill   | 1,677      | 936        | 868        |
| Income from operations   | 44,801     | 51,009     | 47,331     |
| Other expenses (income):   |            |            |            |
| Interest expense   | 2,647      | 4,940      | 3,667      |
| (Gain) loss on foreign currency                                      | (3,212)    | 1,380      | 219        |
| Interest and dividend income   | (982)      | (1,745)    | (3,166)    |
| Gain on subsidiary's issuance of stock                               | —          | —          | (665)      |
|  | (1,547)    | 4,575      | 55         |
| Income before income taxes   | 46,348     | 46,434     | 47,276     |
| Income taxes   | 16,190     | 16,312     | 16,675     |
| Net income   | 30,158     | 30,122     | 30,601     |
| Less: Net income attributable to the noncontrolling interest         | 7,791      | 6,357      | 6,784      |
| Net income attributable to Inter Parfums, Inc.                       | \$ 22,367  | \$ 23,765  | \$ 23,817  |
| Net income attributable to Inter Parfums, Inc. common shareholders': |            |            |            |
| Basic  | \$ 0.74    | \$ 0.78    | \$ 0.78    |
| Diluted  | 0.74       | 0.77       | 0.76       |
| Weighted average number of shares outstanding:                       |            |            |            |
| Basic  | 30,099,998 | 30,621,070 | 30,666,141 |
| Diluted  | 30,121,077 | 30,777,985 | 31,004,299 |
| Dividends declared per share   | \$ 0.133   | \$ 0.133   | \$ 0.133   |

See accompanying notes to consolidated financial statements.

INTER PARFUMS, INC. AND SUBSIDIARIES  
Consolidated Statements of Changes in Shareholders' Equity and Comprehensive Income  
Years ended December 31, 2009, 2008, and 2007  
(In thousands except share data)

|  | Inter Parfums, Inc. shareholders |                                  |                      |                         |   |                          |                            |           |            | Total   |
|--|----------------------------------|----------------------------------|----------------------|-------------------------|---|--------------------------|----------------------------|-----------|------------|---------|
|  | Common stock<br>Shares           | Additional<br>paid-in<br>capital | Retained<br>earnings | Comprehensive<br>income | Accumulated<br>other<br>comprehensive<br>income | Treasury stock<br>Shares | Noncontrolling<br>interest | Amount    | Total      |         |
| Balance – January 1,<br>2007   | 30,652,188                       | \$ 31                            | \$ 38,085            | \$ 127,834              | \$ 15,170                                       | 9,371,830                | \$(25,848)                 | \$ 44,075 | \$ 199,347 |         |
| Comprehensive<br>income:   |                                  |                                  |                      |                         |   |                          |                            |           |            |         |
| Net income   | —                                | —                                | —                    | 23,817                  | \$ 23,817                                       | —                        | —                          | —         | 6,784      | 30,601  |
| Foreign currency<br>translation<br>adjustments   | —                                | —                                | —                    | —                       | 15,816  | 15,816                   | —                          | —         | —          | 15,816  |
| Net derivative<br>instrument loss, net<br>of tax   | —                                | —                                | —                    | —                       | (31)  | (31)                     | —                          | —         | (16)       | (47)    |
| Total comprehensive<br>income  |                                  |                                  |                      |                         | \$ 39,602                                       |                          |                            |           |            |         |
| Dividends  | —                                | —                                | —                    | (4,093)                 | —   | —                        | —                          | —         | (1,594)    | (5,687) |
| Shares issued upon<br>exercise of stock<br>options including<br>income tax benefit of<br>\$915 | 228,150                          | —                                | 1,720                | —                       | —   | (150,000)                | 414                        | —         | —          | 2,134   |
| Stock compensation   | —                                | —                                | 218                  | 437                     | —   | —                        | —                          | —         | 168        | 823     |
| Purchase of<br>subsidiary shares<br>from noncontrolling<br>interest                            | —                                | —                                | —                    | —                       | —   | —                        | —                          | —         | (3,206)    | (3,206) |
| Sale of subsidiary<br>shares to<br>noncontrolling<br>interest                                  | —                                | —                                | —                    | —                       | —   | —                        | —                          | —         | 2,260      | 2,260   |
| Foreign currency<br>translation<br>adjustment  | —                                | —                                | —                    | —                       | —   | —                        | —                          | —         | 5,454      | 5,454   |
| Shares received as<br>proceeds of option<br>exercises  | (82,126)                         | —                                | —                    | —                       | —   | 82,126                   | (910)                      | —         | —          | (910)   |
| Balance – December<br>31, 2007   | 30,798,212                       | 31                               | 40,023               | 147,995                 | 30,955  | 9,303,956                | (26,344)                   | 53,925    | 246,585    |         |
| Comprehensive<br>income:   |                                  |                                  |                      |                         |   |                          |                            |           |            |         |
| Net income   | —                                | —                                | —                    | 23,765                  | \$ 23,765                                       | —                        | —                          | —         | 6,357      | 30,122  |

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|  |            |     |        |         |           |         |           |          |         |         |
|--|------------|-----|--------|---------|-----------|---------|-----------|----------|---------|---------|
| Foreign currency translation adjustments   | —          | —   | —      | —       | (9,755)   | (9,755) | —         | —        | —       | (9,755) |
| Net derivative instrument gain, net of tax   | —          | —   | —      | —       | 4,315     | 4,315   | —         | —        | 1,514   | 5,829   |
| Total comprehensive income   |            |     |        |         | \$ 18,325 |         |           |          |         |         |
| Dividends  | —          | —   | —      | (4,039) | —         | —       | —         | —        | (1,735) | (5,774) |
| Shares issued upon exercise of stock options including income tax benefit of \$988 | 33,150     | —   | 1,260  | —       | —         | —       | —         | —        | —       | 1,260   |
| Stock compensation   | —          | —   | 452    | 304     | —         | —       | —         | —        | 134     | 890     |
| Purchase of subsidiary shares from noncontrolling interest                         | —          | —   | —      | —       | —         | —       | —         | —        | (8,462) | (8,462) |
| Sale of subsidiary shares to noncontrolling interest                               | —          | —   | 215    | —       | —         | —       | —         | —        | 2,463   | 2,678   |
| Foreign currency translation adjustment  | —          | —   | —      | —       | —         | —       | —         | —        | (2,888) | (2,888) |
| Purchased treasury shares  | (662,423)  | (1) | —      | —       | —         | —       | 662,423   | (4,975)  | —       | (4,976) |
| Balance – December 31, 2008  | 30,168,939 | 30  | 41,950 | 168,025 | —         | 25,515  | 9,966,379 | (31,319) | 51,308  | 255,509 |
| Comprehensive income:  |            |     |        |         |           |         |           |          |         |         |
| Net income   | —          | —   | —      | 22,367  | \$ 22,367 | —       | —         | —        | 7,791   | 30,158  |
| Foreign currency translation adjustments   | —          | —   | —      | —       | 8,767     | 8,767   | —         | —        | —       | 8,767   |
| Reclassification from OCI into earnings, net                                       |            |     |        |         | (4,423)   | (4,423) |           |          | (1,499) | (5,922) |
| Net derivative instrument gain, net of tax   | —          | —   | —      | —       | 141       | 141     | —         | —        | 32      | 173     |
| Total comprehensive income   |            |     |        |         | \$ 26,852 |         |           |          |         |         |
| Dividends  | —          | —   | —      | (3,974) | —         | —       | —         | —        | (1,716) | (5,690) |
| Shares issued upon exercise of stock options including income tax benefit of \$692 | 243,600    | —   | 2,711  | —       | —         | —       | (150,000) | 476      | —       | 3,187   |
| Stock compensation   | —          | —   | 510    | 193     | —         | —       | —         | —        | 102     | 805     |

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|  |            |       |           |            |           |            |             |           |            |         |
|--|------------|-------|-----------|------------|-----------|------------|-------------|-----------|------------|---------|
| Sale of subsidiary shares to noncontrolling interest | —          | —     | (45)      | —          | —         | —          | —           | —         | 2,671      | 2,626   |
| Purchased treasury shares                            | (108,100)  | —     | —         | —          | —         | —          | 108,100     | (631)     | —          | (631)   |
| Shares received as proceeds of option exercises      | (132,487)  | —     | —         | —          | —         | —          | 132,487     | (1,569)   | —          | (1,569) |
| Balance – December 31, 2009                          | 30,171,952 | \$ 30 | \$ 45,126 | \$ 186,611 | \$ 30,000 | 10,056,966 | \$ (33,043) | \$ 58,689 | \$ 287,413 |         |

See accompanying notes to consolidated financial statements.

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INTER PARFUMS, INC. AND SUBSIDIARIES  
Consolidated Statements of Cash Flows  
Years ended December 31, 2009, 2008, and 2007  
(In thousands)

|  | 2009            | 2008            | 2007            |
|--|-----------------|-----------------|-----------------|
| <b>Cash flows from operating activities:</b>   |                 |                 |                 |
| Net income   | \$ 30,158       | \$ 30,122       | \$ 30,601       |
| <b>Adjustments to reconcile net income to net cash provided by (used-in) operating activities:</b> |                 |                 |                 |
| Depreciation and amortization  | 10,963          | 9,925           | 8,031           |
| Impairment of goodwill and trademark   | 2,213           | 936             | 868             |
| Provision for doubtful accounts  | 1,394           | 148             | 588             |
| Noncash stock compensation   | 947             | 1,119           | 1,096           |
| Deferred tax (benefit) provision   | (3,079)         | 4,118           | (657)           |
| Change in fair value of derivatives  | (861)           | 1,759           | —               |
| Gain on subsidiary's issuance of stock   | —               | —               | (665)           |
| <b>Changes in:</b>   |                 |                 |                 |
| Accounts receivable  | 20,912          | (8,768)         | 2,984           |
| Inventories  | 40,628          | (23,285)        | (28,677)        |
| Other assets   | (4,841)         | 4,010           | (1,602)         |
| Accounts payable and accrued expenses  | (18,900)        | (18,051)        | 25,014          |
| Income taxes payable, net  | 5,106           | (8,461)         | 936             |
| <b>Net cash provided by (used-in) operating activities</b>   | <b>84,640</b>   | <b>(6,428)</b>  | <b>38,517</b>   |
| <b>Cash flows from investing activities:</b>   |                 |                 |                 |
| Purchases of short-term investments  | —               | (5,144)         | (300)           |
| Proceeds from sale of short-term investments   | —               | 5,144           | 13,100          |
| Purchase of equipment and leasehold improvements   | (5,526)         | (3,803)         | (2,380)         |
| Payment for intangible assets acquired   | (775)           | (1,095)         | (58,723)        |
| Proceeds from sale of stock of subsidiary  | 2,658           | 2,695           | 2,879           |
| Payment for acquisition of noncontrolling interests  | —               | (18,493)        | (10,984)        |
| <b>Net cash (used in) investing activities</b>   | <b>(3,643)</b>  | <b>(20,696)</b> | <b>(56,408)</b> |
| <b>Cash flows from financing activities:</b>   |                 |                 |                 |
| Proceeds from (repayment of) loans payable – banks   | (9,005)         | 7,089           | 762             |
| Proceeds from issuance of long-term debt   | —               | —               | 54,948          |
| Repayment of long-term debt  | (12,408)        | (16,292)        | (10,440)        |
| Purchase of treasury stock   | (660)           | (4,975)         | (107)           |
| Proceeds from exercise of options including tax benefits   | 1,648           | 1,260           | 1,331           |
| Dividends paid   | (3,974)         | (4,069)         | (3,879)         |
| Dividends paid to noncontrolling interests   | (1,716)         | (1,735)         | (1,594)         |
| <b>Net cash provided by (used in) financing activities</b>   | <b>(26,115)</b> | <b>(18,722)</b> | <b>41,021</b>   |
| Effect of exchange rate changes on cash  | 3,181           | (1,784)         | 8,657           |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | <b>58,063</b>   | <b>(47,630)</b> | <b>31,787</b>   |
| Cash and cash equivalents – beginning of year  | 42,404          | 90,034          | 58,247          |
| Cash and cash equivalents – end of year  | \$ 100,467      | \$ 42,404       | \$ 90,034       |
| <b>Supplemental disclosures of cash flow information:</b>  |                 |                 |                 |
| <b>Cash paid for:</b>  |                 |                 |                 |
| Interest   | \$ 2,633        | \$ 3,894        | \$ 3,872        |
| Income taxes   | 13,085          | 13,311          | 15,211          |

See accompanying notes to consolidated financial statements.

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INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
December 31, 2009, 2008 and 2007  
(In thousands except share and per share data)

(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. Revenues generated from one such license represented 57%, 56% and 54% of net sales in 2009, 2008 and 2007, respectively.

Basis of Preparation

The consolidated financial statements include the accounts of the Company, including 75% owned Inter Parfums, S.A. (“IPSA”), a subsidiary whose stock is publicly traded in France. In January 2007, IPSA formed and began operations of four majority-owned distribution subsidiaries, Inter Parfums Limited, Inter Parfums Deutschland GMBH, Inter Parfums srl and Inter España Parfums et Cosmetiques, SL, covering territories in The United Kingdom, Germany, Italy and Spain, respectively. The noncontrolling shareholders of the majority-owned distribution subsidiaries have binding obligations to make good on losses in excess of their investments in the joint ventures. In June 2008, IPSA formed a wholly-owned subsidiary, Inter Parfums (Suisse) SA, to hold and manage certain of its brand names. All material intercompany balances and transactions have been eliminated.

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.

In preparing these consolidated financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through the date the consolidated financial statements were issued.

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

All highly liquid investments purchased with a maturity of three months or less are considered to be cash equivalents.

Short-term Investments

From time to time, the Company has short-term investments which consist of certificates of deposit with maturities of greater than three months. We monitor concentrations of credit risk associated with financial institutions with which we conduct significant business. We believe our credit risk is minimal, as we primarily conduct business with large, well-established financial institutions.

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INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
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Accounts Receivable

Accounts receivable represent payments due to the Company for previously recognized net sales, reduced by an allowance for doubtful accounts or balances which are estimated to be uncollectible aggregating \$2.4 million and \$1.3 million as of December 31, 2009 and 2008, 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.

Inventories

Inventories, including promotional merchandise, only includes inventory considered saleable or usable in future periods, and is stated at the lower of cost or market, with cost being determined on the first-in, first-out method. Cost components include raw materials, components, direct labor and overhead (e.g., indirect labor, utilities, depreciation, purchasing, receiving, inspection and warehousing) as well as inbound freight. Promotional merchandise is charged to cost of sales at the time the merchandise is shipped to the Company's customers. Overhead included in inventory aggregated, \$2.3 million, \$4.1 million and \$3.2 million as of December 31, 2009, 2008 and 2007, respectively.

Equipment and Leasehold Improvements

Equipment and leasehold improvements are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are provided using the straight-line method over the estimated useful lives for equipment, which range between three and ten years and the shorter of the lease term or estimated useful asset lives for leasehold improvements.

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, short-term investments, accounts receivable, other receivables, accounts payable and accrued expenses approximates fair value due to the short terms to maturity of these instruments. The carrying amount of loans payable approximates fair value as the interest rates on the Company's indebtedness approximate current market rates. The fair value of the Company's long-term debt was estimated based on the current rates offered to companies for debts with the same remaining maturities and is approximately equal to its carrying value.

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 obtained from financial institutions.

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.



INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
December 31, 2009, 2008 and 2007  
(In thousands except share and per share data)

(In thousands)

|  | Fair Value Measurements at December 31, 2009 |  |   |   |
|--|--|--|---|---|
|  | Total  | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| <b>Assets:</b>   |  |  |   |   |
| Money market funds   | \$ 27,693                                    | \$ 27,693  | \$ —  | \$ —                                      |
| Foreign currency forward exchange contracts not accounted for using hedge accounting | 5,620  | —  | 5,620   | —   |
|  | \$ 33,313                                    | \$ 27,693  | \$ 5,620                                      | \$ —                                      |
| <b>Liabilities:</b>  |  |  |   |   |
| Interest rate swaps  | \$ 752                                       | \$ —   | \$ 752  | \$ —                                      |

(In thousands)

|  | Fair Value Measurements at December 31, 2008 |  |   |   |
|--|--|--|---|---|
|  | Total  | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| <b>Assets:</b>   |  |  |   |   |
| Money market funds   | \$ 19,816                                    | \$ 19,816  | \$ —  | \$ —                                      |
| Foreign currency forward exchange contracts accounted for using hedge accounting     | 8,162  | —  | 8,162   | —   |
|  | \$ 27,978                                    | \$ 19,816  | \$ 8,162                                      | \$ —                                      |
| <b>Liabilities:</b>  |  |  |   |   |
| Foreign currency forward exchange contracts not accounted for using hedge accounting | \$ 1,429                                     | \$ —   | \$ 1,429                                      | \$ —                                      |
| Interest rate swaps  | 811  | —  | 811   | —   |
|  | \$ 2,240                                     | \$ —   | \$ 2,240                                      | \$ —                                      |

The following table presents gains and losses in derivatives designated as hedges and the location of those gains and losses in the financial statements (in thousands):

| Derivatives in Cash Flow Hedging Relationships | Location of Gain (Loss) Recognized in OCI                                 |   |   |   | Location of Gain (Loss) Recognized in Income |  |
|--|---|---|---|---|--|--|
|  | Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) | Reclassified From Accumulated OCI into Income (Effective Portion) | Reclassified from Accumulated OCI into Income (Effective Portion) | Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) | Amount of Gain (Loss) Recognized in Income   | Amount of Gain (Loss) Recognized in Income |
|  |   |   |   |   |  |  |

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|                            | Year ended<br>December 31,<br>2009 2008 |       |                                 | Year ended<br>December<br>31,<br>2009 2008 |  |                                 | Year ended<br>December<br>31,<br>2009 2008 |       |
|----------------------------|---|-------|---------------------------------|--|--|---------------------------------|--|-------|
| Foreign exchange contracts | \$ (5,370)                              | 8,162 | Gain (loss) on foreign currency | \$ (2,792)                                 |  | Gain (loss) on foreign currency | \$ 776                                     | (838) |

(A) The amount of gain (loss) recognized in income represents the amount excluded from the assessment of hedge effectiveness.

The following table presents gains and losses in derivatives not designated as hedges and the location of those gains and losses in the financial statements (in thousands):

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## INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
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(In thousands except share and per share data)

| Derivatives not Designated as<br>Hedging Instruments under<br>ASC topic 815-10-10 | Location of Gain (Loss)<br>recognized in Income on<br>Derivative | December 31,<br>2009 | December 31,<br>2008 |
|---|--|----------------------|----------------------|
| Interest rate swaps   | Interest expense   | \$ 85                | \$ (921)             |
| Foreign exchange contracts  | Gain (loss) on foreign currency                                  | \$ 77                | \$ 9                 |

All derivative instruments are reported as either assets or liabilities on the balance sheet measured at fair value. The valuation of interest rate swaps resulted in a liability which is included in long-term debt on the accompanying balance sheets. The valuation of foreign currency forward exchange contracts not accounted for using hedge accounting in 2008 resulted in a liability and are included in accrued expenses on the accompanying balance sheet. The valuation of foreign currency forward exchange contracts not accounted for using hedge accounting in 2009 resulted in an asset and are included in other current assets on the accompanying balance sheet. The valuation of foreign currency forward exchange contracts accounted for using hedge accounting in 2008 resulted in assets which are included in either other current assets (\$6.4 million) or other assets (\$1.8 million) on the accompanying balance sheet as of December 31, 2008, depending upon the maturity dates of the contract. Generally, increases or decreases in the fair value of derivative instruments will be recognized as gains or losses in earnings in the period of change. If the derivative instrument is designated and qualifies as a cash flow hedge, the changes in fair value of the derivative instrument will be recorded as a separate component of shareholders' equity.

The Company enters into foreign currency forward exchange contracts to hedge exposure related to receivables denominated in a foreign currency and to manage risks related to future sales expected to be denominated in a 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 as defined by Accounting Standards Codification ("ASC") topic 815-10-10 (formerly SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities) 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. Cash-flow hedges were highly effective, in all material respects.

At December 31, 2009, we had foreign currency contracts in the form of forward exchange contracts in the amount of approximately U.S. \$36 million and GB pounds 5.4 million which all have maturities of less than one year.

## INTER PARFUMS, INC. AND SUBSIDIARIES

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## Goodwill and Other Intangible Assets

The Company reviews goodwill and trademarks with indefinite lives for impairment at least annually, and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The following tables present our assets and liabilities that are measured at fair value on a nonrecurring basis, and are categorized using the fair value hierarchy.

| Description        | Fair Value Measurements at December 31, 2009 |  |   |   |
|--------------------|--|--|---|---|
|                    | Total  | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Trademark - Nickel | \$ 2,586                                     | \$ —   | \$ —                                    | \$ 2,586                                  |
| Goodwill           | \$ 3,927                                     | \$ —   | \$ —                                    | \$ 3,927                                  |

| Description | Fair Value Measurements at December 31, 2008 |  |   |   |
|-------------|--|--|---|---|
|             | Total  | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Goodwill    | \$ 5,470                                     | \$ —   | \$ —                                    | \$ 5,470                                  |

The goodwill and trademarks referred to above, relates to the Company's Nickel skin care business which is primarily a component of our European operations. Testing goodwill for impairment requires us to estimate the fair value of the reporting unit using significant estimates and assumptions. The assumptions we make will impact the outcome and ultimate results of the testing. In making our assumptions and estimates, we use industry accepted valuation models and set criteria that are reviewed and approved by management and, in certain instances, we engage third party valuation specialists to advise us. The first step of our goodwill impairment evaluation has given rise to potential impairment indicators and, as a result of continued sales declines, we have been testing for impairment of goodwill on a quarterly basis. As of December 31, 2009, we have measured fair value of goodwill to be equal to the average amount purchase price indications received from several potential purchasers of the Nickel business. As a result, the carrying amount of the goodwill exceeded fair value resulting in an impairment loss of \$1.7 million. Accumulated impairment losses relating to goodwill aggregated \$3.5 million as of December 31, 2009. Activity relating to the goodwill is as follows:

## INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
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|   | December 31, |          |
|---|--------------|----------|
|   | 2009         | 2008     |
| Balance - beginning of year                             | \$ 5,470     | \$ 6,715 |
| Effect of changes in foreign currency translation rates | 134          | (309)    |
| Impairment loss   | (1,677)      | (936)    |
| Balance - end of year                                   | \$ 3,927     | \$ 5,470 |

To determine fair value of indefinite-lived intangible assets, we use an income approach, including the relief-from-royalty method. This method assumes that, in lieu of ownership, a third party would be willing to pay a royalty in order to obtain the rights to use the comparable asset. The relief-from-royalty calculations require us to make a number of assumptions and estimates concerning future sales levels, market royalty rates, future tax rates and discount rates. We use this method to determine if an impairment charge is required relating to our Nickel brand trademarks. For the year ended December 31, 2009, an impairment charge relating to the Nickel trademark in the amount of \$0.54 million was recorded. We assumed a market royalty rate of 6% and a discount rate of 7.8%.

The fair values used in our evaluations are also estimated based upon discounted future cash flow projections using a weighted average cost of capital of 7.8%. The cash flow projections are based upon a number of assumptions, including, future sales levels and future cost of goods and operating expense levels, as well as economic conditions, changes to our business model or changes in consumer acceptance of our products which are more subjective in nature. We believe that the assumptions that we have made in projecting future cash flows for the evaluations described above are reasonable and currently no impairment indicators exist for our indefinite-lived assets other than the Nickel trademarks referred to above. However, if future actual results do not meet our expectations, we may be required to record an impairment charge, the amount of which could be material to our results of operations.

The 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 seventeen 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.

#### Revenue Recognition

Revenue is recognized when merchandise is shipped and the risk of loss passes to the customer. The Company, at its discretion, permits limited returns of merchandise and establishes allowances for estimated returns based upon historic trends and relevant current data. The Company does not bill its customer's freight and handling charges. All shipping and handling costs, which aggregated \$5.0 million, \$6.2 million and \$6.2 million in 2009, 2008 and 2007, respectively, are included in selling, general and administrative expenses in the consolidated statements of income. One customer represented 11%, 12% and 13% of consolidated net sales in 2009, 2008 and 2007, respectively.

INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
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Payments to Customers

The Company is subject to the provisions of ASC topic 605-50 (formerly Emerging Issues Task Force (“EITF”) Issue No. 01-9, Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor’s Products)). In accordance with this guidance, the Company has recorded the revenues generated from purchase 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 \$55.8 million, \$65.8 million and \$58.5 million for 2009, 2008 and 2007, respectively. Costs relating to purchase with purchase and gift with purchase promotions that are reflected in cost of sales aggregated \$29.8 million, \$34.3 million and \$23.0 million in 2009, 2008 and 2007, respectively. As of December 31, 2009, accrued expenses include approximately \$9.2 million in advertising liabilities.

Package Development Costs

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

Income Taxes

The Company accounts for income taxes in accordance with the provisions of ASC topic 740-10 (formerly SFAS 109 and FASB Interpretation No. 48). Deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years to the difference between the financial statement carrying amounts and the tax bases of existing assets and liabilities. Tax benefits recognized are reduced by a valuation allowance where it is more likely than not that the benefits may not be realized.

Issuance of Common Stock by Consolidated Subsidiary

Prior to the acquisition of noncontrolling interests discussed in Note (3), 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, was reflected as a gain or loss in the consolidated statements of income. Subsequent to the acquisition of noncontrolling interests, in accordance with ASC topic 505-10 (formerly SAB 51, Accounting for Sales of Stock by a 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.

Earnings Per Share



Basic earnings per share is computed using the weighted average number of shares outstanding during each year. Diluted earnings per share is computed using the weighted average number of shares outstanding during each year, plus the incremental shares outstanding assuming the exercise of dilutive stock options and warrants using the treasury stock method. All share and per share amounts for dates and periods prior to the stock split discussed in Note 10 have been restated to reflect the retroactive effect of the stock split.

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## INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
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The following table sets forth the computation of basic and diluted earnings per share:

|  | Year ended December 31, |            |            |
|--|-------------------------|------------|------------|
|  | 2009                    | 2008       | 2007       |
| <b>Numerator:</b>  |                         |            |            |
| Net income attributable to Inter Parfums, Inc.           | \$ 22,367               | \$ 23,765  | \$ 23,817  |
| Effect of dilutive securities of consolidated subsidiary | (18)                    | (99)       | (270)      |
| Numerator for diluted earnings per share                 | \$ 22,349               | \$ 23,666  | \$ 23,547  |
| <b>Denominator:</b>                                      |                         |            |            |
| Weighted average shares                                  | 30,099,998              | 30,621,070 | 30,666,141 |
| <b>Effect of dilutive securities:</b>                    |                         |            |            |
| Stock options and warrants                               | 21,079                  | 156,915    | 338,158    |
| Denominator for diluted earnings per share               | 30,121,077              | 30,777,985 | 31,004,299 |

Not included in the above computations is the effect of anti-dilutive potential common shares which consist of outstanding options to purchase 889,000, 541,000, and 477,000 shares of common stock for 2009, 2008, and 2007, respectively, and outstanding warrants to purchase 300,000, 187,500 and 150,000 shares of common stock for 2009, 2008 and 2007, respectively.

#### Treasury Stock

The Board of Directors may authorize share repurchases of the Company's common stock (Share Repurchase Authorizations). Share repurchases under these 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 Stockholders' equity. Share Repurchase Authorizations may be suspended, limited or terminated at any time without notice.

#### Recent Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-06, "Fair Value Measurements and Disclosures (ASC Topic 820): Improving Disclosures about Fair Value Measurements" which amends ASC Subtopic 820, "Fair Value Measurements and Disclosures" ("ASU 2010-06") to add new requirements for disclosures about transfers into and out of Levels 1 and 2 and separate disclosures about purchases, sales, issuances, and settlements relating to Level 3 measurements. ASU 2010-06 also clarifies existing fair value disclosures about the level of disaggregation and about inputs and valuation techniques used to measure fair value. We do not believe that the adoption of provisions of ASU 2010-06 will have a material impact on our consolidated financial statements.

In May 2009, the FASB issued ASC topic 855 (formerly SFAS No. 165, "Subsequent Events") which was amended in February 2010 by ASU No. 2010-09. ASC topic 855 provides guidance on management's assessment of subsequent

events and incorporates this guidance into accounting literature. ASC topic 855 was effective prospectively for interim and annual periods ending after June 15, 2009 and the amendment was effective upon issuance. The adoption of this original pronouncement and the amendments thereto, did not have a material impact on our consolidated financial statements.

In June 2009, the FASB issued ASC topic 810 (formerly SFAS No. 167, “Amendments to FASB Interpretation No. 46(R)”). ASC topic 810 amends the consolidation guidance applicable to variable interest entities and affects the overall consolidation analysis. ASC topic 810 is effective for fiscal years beginning after November 15, 2009. We do not believe that the adoption of ASC topic 810 will have a material impact on our consolidated financial statements.

INTER PARFUMS, INC. AND SUBSIDIARIES

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In June 2009, the FASB issued ASC topic 105 (formerly SFAS No. 168, “The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles”). ASC 105 contains guidance which reduces the U.S. GAAP hierarchy to two levels, one that is authoritative and one that is not. ASC topic 105 is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of this pronouncement did not have a material impact on our consolidated financial statements.

In March 2008, the FASB issued ASC topic 815-10-65 (formerly SFAS 161, Disclosures about Derivative Instruments and Hedging Activities, as an amendment to SFAS 133, Accounting for Derivative Instruments and Hedging Activities). ASC topic 815-10-65 requires that objectives for using derivative instruments be disclosed in terms of underlying risk and accounting designation. The fair value of derivative instruments and their gains and losses will need to be presented in tabular format in order to present a more complete picture of the effects of using derivative instruments. ASC topic 815-10-65 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. The adoption by the Company of ASC topic 815-10-65 did not have a material impact on its consolidated financial statements.

In December 2007, the FASB issued ASC topic 810-10-65 (formerly SFAS 160, “Noncontrolling Interests in Consolidated Financial Statements”). ASC topic 810-10-65 establishes requirements for ownership interests in subsidiaries held by parties other than the Company (sometimes called “minority interests”) be clearly identified, presented, and disclosed in the consolidated statement of financial position within equity, but separate from the parent’s equity. All changes in the parent’s ownership interests are required to be accounted for consistently as equity transactions and any noncontrolling equity investments in deconsolidated subsidiaries must be measured initially at fair value. ASC topic 810-10-65 is effective, on a prospective basis, for fiscal years beginning after December 15, 2008. The adoption by the Company of ASC topic 810-10-65 did not have a material impact on its consolidated financial statements. However, presentation and disclosure requirements of ASC topic 810-10-65 were retrospectively applied to Company’s financial statements.

In December 2007, the FASB issued ASC topic 805-10-05 (formerly SFAS 141 (revised 2007), “Business Combinations” (“SFAS 141R”)). ASC topic 805-10-05 provides guidance on how acquirers recognize and measure the consideration transferred, identifiable assets acquired, liabilities assumed, noncontrolling interests, and goodwill acquired in a business combination. ASC topic 805-10-05 also expands required disclosures surrounding the nature and financial effects of business combinations. ASC topic 805-10-05 is effective, on a prospective basis, for fiscal years beginning after December 15, 2008. The adoption by the Company of ASC topic 805-10-05 did not have a material impact on its consolidated financial statements. However, additional noncontrolling interests acquired or sold after adoption of ASC topic 805-10-05 are accounted for as equity transactions and not subject to purchase accounting.

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

INTER PARFUMS, INC. AND SUBSIDIARIES

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(2) Recent Agreements

Montblanc

In January 2010, we entered into an exclusive worldwide license agreement with Montblanc International GmbH to create, produce and distribute perfumes and ancillary products under the Montblanc brand. Our rights under such license agreement, which takes effect on July 1, 2010 and runs through December 31, 2020, are subject to certain minimum sales, advertising expenditures and royalty payments as are customary in our industry. We also agreed to pay an upfront entry fee of €1 million (approximately \$1.4 million) for this license, and to purchase the inventory of the current licensee, which is anticipated to be approximately €4 million (approximately \$5.7 million).

Jimmy Choo

In October 2009, we entered into an exclusive worldwide license agreement with J Choo Limited, commencing on January 1, 2010, for the creation, development and distribution of fragrances under the Jimmy Choo brand. Our rights under such license agreement, which runs through 2022, are subject to certain minimum sales, advertising expenditures and royalty payments as are customary in our industry. A member of the Company's board of directors is also a member of the board of directors of J Choo Limited.

Gap Inc.

In April 2008, we expanded our current relationship with The Gap Inc. with the signing of a licensing agreement for international distribution of personal care products through Gap and Banana Republic stores as well as select specialty and department stores outside the United States, including duty-free and other travel related retailers. The agreement is effective through December 31, 2011.

Our association with The Gap Inc. began in July 2005, when we entered into an exclusive agreement to develop, produce, manufacture and distribute personal care and home fragrance products for Gap and Banana Republic brand names to be sold in Gap and Banana Republic retail stores in the United States and Canada. In March 2006, the agreement was amended to include Gap Outlet and Banana Republic Factory Stores in the United States and Canada.

The initial term of this agreement expired on August 31, 2009, and we had entered into a series of short-term extension agreements to continue the relationship as it previously existed while we were in discussions with The Gap Inc. for a formal extension of the agreement. In March 2010, we signed a new specialty retail agreement with The Gap, Inc. covering the Gap and Banana Republic brands in the United States and Canada with terms and conditions similar to those of the original agreement. This new agreement expires December 31, 2011.

As an inducement to enter into our initial agreement with The Gap, Inc., in July 2005, we granted warrants to purchase 150,000 shares of our common stock to Gap Inc. exercisable for five years at \$16.80 per share, 125% of the market price on the date of grant and in September 2006 we granted Gap Inc. an additional warrant for 150,000 shares of our common stock exercisable for five years at \$11.46 per share, the market price on the date of grant. The fair market value of the 150,000 warrants granted in July 2005 and the 150,000 warrants granted in September 2006 aggregated approximately \$1.7 million and was determined on the date of the first grant using the Black-Scholes

option pricing model. Such amount has been capitalized as an intangible asset and was amortized over the initial term of the agreement. Such amortization is included in selling, general and administrative expense in the accompanying consolidated financial statements.

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INTER PARFUMS, INC. AND SUBSIDIARIES

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We have registered with the Securities and Exchange Commission the 300,000 shares purchasable pursuant to the two warrant grants for resale in May 2007. In the event we fail to maintain an effective registration statement, Gap shall have the right to convert the warrants or any portion thereof into shares of our common stock. Upon exercise of this right we have agreed to deliver, without payment by Gap of any exercise price or any cash or other consideration, that number of shares of fully paid and nonassessable shares of the Company's Common Stock, the value of which would equal the difference between the fair value and the exercise price of the Company's Common Stock on the date of exercise attributable to the warrants exercised divided by the fair value of the Company's common Stock on the date of exercise. We do not have any liability representing future obligations under our registration arrangements relating to the warrants issued to Gap.

bebe Stores, Inc.

In July 2008, we entered into an exclusive six-year worldwide agreement with bebe Stores, Inc. under which we design, manufacture and supply fragrance, bath and body products and color cosmetics for company-owned bebe stores in the United States and Canada as well as select specialty and department stores worldwide.

Brooks Brothers

In November 2007, we entered into exclusive agreements with Retail Brand Alliance, Inc., d/b/a/ Brooks Brothers ("Brooks Brothers") under which we design, manufacture and supply personal care products for men and women sold at Brooks Brothers locations in the United States as well as a licensing agreement covering Brooks Brothers stores and specialty retail and department stores outside the United States including duty free and other travel-related retailers.

Lanvin

In July 2007, we acquired the worldwide rights to the Lanvin brand names and international trademarks listed in Class 3 from Jeanne Lanvin, S.A. ("Lanvin"). Among other items, Class 3 of the international classification of trademarks goods and services include: soaps, perfumery, essential oils, cosmetics and hair lotions. We paid €22 million (approximately \$29.7 million) in cash for the brand names and trademarks and simultaneously terminated our existing license agreement. We also agreed to pay to Lanvin a sales based fee for technical and creative assistance in new product development to be rendered by Lanvin in connection with our use of the trademarks through June 30, 2019. In addition, Lanvin has the right to repurchase the brand names and trademarks in 2025 for the greater of €70 million or one times the average of the annual sales for the years ending December 31, 2023 and 2024.

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## INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
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Prior to this acquisition, the amount paid to secure the license agreement with Lanvin was being amortized over the life of the license agreement. At June 30, 2007, that intangible asset, net of accumulated amortization aggregated €13.2 million. The €22 million paid in July 2007 for the brand names and trademarks together with the carrying value related to the license agreement represents the total cost of acquiring the brand names and trademarks. Such total amount is included in trademarks, licenses and other intangible assets on the Company's consolidated balance sheets.

In determining the useful life of our Lanvin brand names and trademarks, we applied the provisions of ASC topic 350-30-35-3 (formerly paragraph 11 of SFAS 142, Goodwill and Other Intangible Assets). The only factor that prevented us from determining that the Lanvin brand names and trademarks were indefinite life intangible assets was Item c. "Any legal, regulatory, or contractual provisions that may limit the useful life". The existence of a repurchase option in 2025 may limit the useful life of the Lanvin brand names and trademarks to the Company. However, this limitation would only take effect if the repurchase option were to be exercised and the repurchase price was paid. If the repurchase option is not exercised, then the Lanvin brand names and trademarks are expected to continue to contribute directly to the future cash flows of our Company and their useful life would be considered to be indefinite.

With respect to the application of ASC topic 350-30-35-8 (formerly paragraph 13 of SFAS 142), 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.

New York & Company, Inc.

In April 2007, we entered into an exclusive agreement with New York & Company, Inc. under which we design and manufacture personal care products to be sold at the New York & Company retail locations and on their website. We are responsible for product development, formula creation, packaging and manufacturing while New York & Company is responsible for marketing and selling in its stores.

(3) Acquisition of Noncontrolling Interests

IPSA

In 2008 and 2007, we acquired an additional 3.6% and 1.2% interest, respectively, in IPSA, our majority-owned French subsidiary, from its noncontrolling shareholders for cash of approximately \$18.5 million in 2008 and \$6.3 million in 2007.

The allocation of the purchase price was as follows:

|                          | 2008      | 2007     |
|--------------------------|-----------|----------|
| Trademarks               | \$ 15,458 | \$ 5,469 |
| Noncontrolling interests | 8,356     | 2,724    |



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|                        |    |         |    |         |
|------------------------|----|---------|----|---------|
| Deferred tax liability |    | (5,321) |    | (1,883) |
| Total                  | \$ | 18,493  | \$ | 6,310   |

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## INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
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The acquisition was accounted for under the purchase method and brought our ownership interest in IPSA to approximately 75%.

Nickel, S.A.

In June 2007, the noncontrolling shareholders of Nickel S.A., a consolidated subsidiary of the Company, exercised their rights to sell their remaining 32.4% interest in Nickel S.A. to the Company for approximately \$4.7 million in cash. The acquisition was accounted for under the purchase method.

The allocation of the purchase price was as follows:

|   |    |       |
|---|----|-------|
| Purchase price                                | \$ | 4,673 |
| Less amount recorded for put option liability |    | 1,273 |
| Subtotal                                      | \$ | 3,400 |
| Allocated as follows:                         |    |       |
| Trademarks                                    | \$ | 921   |
| Noncontrolling interest                       |    | 587   |
| Goodwill                                      |    | 1,892 |
| Total   | \$ | 3,400 |

## (4) Inventories

|                                   | December 31, |            |
|-----------------------------------|--------------|------------|
|                                   | 2009         | 2008       |
| Raw materials and component parts | \$ 29,052    | \$ 37,248  |
| Finished goods                    | 56,376       | 86,385     |
|                                   | \$ 85,428    | \$ 123,633 |

## (5) Equipment and Leasehold Improvements

|  | December 31, |           |
|--|--------------|-----------|
|  | 2009         | 2008      |
| Equipment                                      | \$ 23,293    | \$ 18,526 |
| Leasehold improvements                         | 2,101        | 2,098     |
|  | 25,394       | 20,624    |
| Less accumulated depreciation and amortization | 16,203       | 12,954    |
|  | \$ 9,191     | \$ 7,670  |

Depreciation and amortization expense was \$4.3 million, \$3.1 million and \$2.5 million for 2009, 2008 and 2007, respectively.



## INTER PARFUMS, INC. AND SUBSIDIARIES

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## (6) Trademarks, Licenses and Other Intangible Assets

| 2009                                   | Gross<br>Amount | Accumulated<br>Amortization | Net Book<br>Value |
|--|-----------------|-----------------------------|-------------------|
| Trademarks (indefinite lives)          | \$ 6,864        | \$ —                        | \$ 6,864          |
| Trademarks (finite lives)              | 55,709          | 128                         | 55,581            |
| Licenses (finite lives)                | 52,909          | 15,418                      | 37,491            |
| Other intangible assets (finite lives) | 15,043          | 13,180                      | 1,863             |
| Subtotal                               | 123,661         | 28,726                      | 94,935            |
| Total                                  | \$ 130,525      | \$ 28,726                   | \$ 101,799        |

  

| 2008                                   | Gross<br>Amount | Accumulated<br>Amortization | Net Book<br>Value |
|--|-----------------|-----------------------------|-------------------|
| Trademarks (indefinite lives)          | \$ 7,315        | \$ —                        | \$ 7,315          |
| Trademarks (finite lives)              | 53,819          | 115                         | 53,704            |
| Licenses (finite lives)                | 51,113          | 9,992                       | 41,121            |
| Other intangible assets (finite lives) | 13,817          | 11,035                      | 2,782             |
| Subtotal                               | 118,749         | 21,142                      | 97,607            |
| Total                                  | \$ 126,064      | \$ 21,142                   | \$ 104,922        |

For the year ended December 31, 2009, an impairment charge relating to the Nickel trademark in the amount of \$0.54 million was recorded. During 2008 and 2007, there were no charges for the impairment of trademarks with indefinite useful lives. Amortization expense was \$6.7 million, \$6.9 million and \$5.3 million for 2009, 2008 and 2007, respectively. Amortization expense is expected to approximate \$6.2 million in 2010, \$5.7 million in 2011 and \$4.5 million in 2012, 2013 and 2014. The weighted average amortization period for trademarks, licenses and other intangible assets with finite lives are 15 years, 8 years and 2 years, respectively, and 11 years in the aggregate.

## (7) Loans Payable – Banks

Loans payable – banks consist of the following:

The Company's foreign subsidiaries have available credit lines, including several bank overdraft facilities totaling \$45 million, bearing interest at the three month EURIBOR plus 0.6% (the three month EURIBOR was 0.7% at December 31, 2009). Outstanding amounts totaled \$0.8 million and \$5.6 million at December 31, 2009 and 2008, respectively.

The Company and its domestic subsidiaries have available a \$15 million unsecured revolving line of credit due on demand, which bears interest at the prime rate minus 0.5% (the prime rate was 3.25% as of December 31, 2009). The line of credit which has a maturity date of August 1, 2010 is expected to be renewed on an annual basis. Outstanding amounts totaled \$4.2 million and \$8.4 at December 31, 2009 and 2008.

The weighted average interest rate on short-term borrowings was 2.50% and 2.76% as of December 31, 2009 and 2008, respectively.

(8)

Long-term Debt

Long-term debt consists of the following:

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## INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
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|  | December 31,     |                  |
|--|------------------|------------------|
|  | 2009             | 2008             |
| 16 million euro variable rate facility at three month EURIBOR plus 0.60%, payable in 20 equal quarterly installments | \$ —             | \$ 2,227         |
| 18 million euro fixed rate facility at 4.1%, payable in 20 quarterly installments                                    | 11,011           | 15,639           |
| 22 million euro variable rate facility at three month EURIBOR plus 0.40%, payable in 20 equal quarterly installments | 18,183           | 22,960           |
| Other  | 400              | 217              |
|  | 29,594           | 41,043           |
| Less current maturities  | 11,732           | 13,352           |
| <b>Total</b>   | <b>\$ 17,862</b> | <b>\$ 27,691</b> |

In connection with the 16 million euro variable rate facility, the Company entered into a swap transaction effectively exchanging the variable interest rate to a variable rate based on the 12 month EURIBOR with a floor of 3.25% and a ceiling of 3.85%. In connection with the 22 million euro variable rate facility, the Company entered into a swap transaction effectively exchanging the variable interest rate to a fixed rate of 4.42%. These derivative instruments are recorded at fair value and changes in fair value which aggregated a gain of \$0.1 million in 2009 and a loss of \$0.8 million in 2008 are reflected in interest expense on the consolidated statements of income.

Some of the Company's long-term debt facilities require the maintenance of certain financial covenants including a debt equity ratio of less than one and a debt to adjusted net income ratio of less than three. One facility contains cross default provisions by permitting acceleration of the debt if any affiliated company of the debtor defaults in any other debt facility, and the creditor of such other debt facility accelerates such debt and such affiliated debtor does not in good faith contest such default and acceleration. We are in compliance with all of the covenants and other restrictions of our debt agreements. Using December 31, 2009 exchange rates, maturities of long-term debt subsequent to December 31, 2009 are \$11.7 million in 2010, \$12.0 million in 2011 and \$5.9 million in 2012.

## (9) Commitments

## Leases

The Company leases its office and warehouse facilities under operating leases which are subject to escalation clauses and expire at various dates through 2015. Rental expense amounted to \$9.9 million, \$9.9 million and \$9.1 million in 2009, 2008 and 2007, respectively. Minimum future annual rental payments are as follows:

|            |                  |
|------------|------------------|
| 2010       | \$ 7,491         |
| 2011       | 5,945            |
| 2012       | 2,701            |
| 2013       | 1,660            |
| 2014       | 625              |
| Thereafter | 1,423            |
|            | <b>\$ 19,845</b> |



## INTER PARFUMS, INC. AND SUBSIDIARIES

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## 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 2022. 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:

|            |    |           |
|------------|----|-----------|
| 2010       | \$ | 134,709   |
| 2011       |    | 151,201   |
| 2012       |    | 162,137   |
| 2013       |    | 160,886   |
| 2014       |    | 166,453   |
| Thereafter |    | 435,288   |
|            | \$ | 1,210,674 |

Future advertising commitments are estimated based on planned future sales for the license terms that were in effect at December 31, 2009, without consideration for potential renewal periods. The above figures do not reflect the fact that our distributors share our advertising obligations. Royalty expense included in selling, general, and administrative expenses, aggregated \$35.5 million, \$37.3 million and \$35.6 million, in 2009, 2008 and 2007, respectively. In addition, we are exposed to certain concentration risk. Substantially all of our prestige fragrance brands are licensed from unaffiliated third parties and our business is dependent upon the continuation and renewal of such licenses.

## (10) Shareholders' Equity

## Stock Split

In May 2008, the board of directors of the Company authorized a three-for-two stock split effected in the form of a 50% stock dividend distributed on May 30, 2008 to shareholders of record as of May 15, 2008. As a result of the stock split, the accompanying consolidated financial statements reflect an increase in the number of outstanding shares of common stock and the transfer of the par value of these additional shares from paid-in capital. All share and per share amounts for dates and periods prior to the split have been restated to reflect the retroactive effect of the stock split.

## Issuance of Common Stock by Consolidated Subsidiary

During 2009, 2008 and 2007, 152,591, 77,068 and 121,746 shares, respectively, of capital stock of IPSA were issued as a result of employees exercising stock options. At December 31, 2009 and 2008, the Company's percentage ownership of IPSA was approximately 75%.

## 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 in 2009 and 2008 aggregated \$0.4 million and \$0.3 million, respectively. Compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. It is generally the Company's policy to issue new shares upon exercise of stock options.

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## INTER PARFUMS, INC. AND SUBSIDIARIES

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The following table sets forth information with respect to nonvested options for 2009:

|                                       | Number of Shares | Weighted Average Grant<br>Date Fair Value |
|---------------------------------------|------------------|---|
| Nonvested options – beginning of year | 490,263          | \$ 3.81                                   |
| Nonvested options granted             | 99,800           | \$ 4.40                                   |
| Nonvested options vested or forfeited | 110,215          | \$ 3.86                                   |
| Nonvested options – end of year       | 479,848          | \$ 3.92                                   |

Share-based payment expenses decreased income before income taxes by \$0.9 million in 2009 and \$1.1 million in both 2008 and 2007, decreased net income by \$0.54 million, \$0.62 million and \$0.54 million in 2009, 2008 and 2007, respectively, and reduced diluted earnings per share by \$0.02 in 2009, 2008 and 2007.

The following table summarizes stock option activity and related information as of December 31, 2009 and does not include information relating to options of IPSA granted by IPSA, our majority- owned subsidiary:

|  | Year ended December 31, |  |           |  |           |  |
|--|-------------------------|--|-----------|--|-----------|--|
|  | 2009                    |  | 2008      |  | 2007      |  |
|  | Options                 | Weighted<br>Average<br>exercise<br>price | Options   | Weighted<br>Average<br>exercise<br>price | Options   | Weighted<br>Average<br>exercise<br>price |
| Shares under option -<br>beginning of year | 1,138,375               | \$ 11.23                                 | 1,206,600 | \$ 12.29                                 | 1,301,400 | \$ 11.02                                 |
| Options granted                            | 99,800                  | 11.90                                    | 246,100   | 9.86                                     | 144,450   | 12.75                                    |
| Options exercised                          | (243,600)               | 10.24                                    | (33,150)  | 8.22                                     | (228,150) | 5.34                                     |
| Options cancelled                          | (74,500)                | 14.20                                    | (281,175) | 14.92                                    | (11,100)  | 12.61                                    |
| Shares under options -<br>end of year      | 920,075                 | 11.32                                    | 1,138,375 | 11.23                                    | 1,206,600 | 12.29                                    |

At December 31, 2009, options for 949,075 shares were available for future grant under the plans. The aggregate intrinsic value of options outstanding is \$1.1 million as of December 31, 2009 and unrecognized compensation cost related to stock options outstanding on Inter Parfums, Inc. common stock aggregated \$1.6 million, which will be recognized over the next five years. The amount of unrecognized compensation cost related to stock options outstanding of our majority-owned subsidiary, IPSA, was 0.5 million euro. Options under IPSA plans vest four years after grant.

The weighted average fair values of the options granted by Inter Parfums, Inc. during 2009, 2008 and 2007 were \$4.40, \$3.36 and \$4.37 per share, respectively, on the date of grant using the Black-Scholes option pricing model to calculate the fair value of options granted. The assumptions used in the Black-Scholes pricing model for the years ended December 31, 2009, 2008 and 2007 are set forth in the following table. Expected volatility is estimated based on historic volatility of the Company's common stock. The Company uses the simplified method in developing its estimate of the expected term of the option as historic data regarding employee exercise behavior is incomplete for the

new vesting parameters recently instituted by the company. 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 at the time of stock-based award grant would continue with no anticipated increases.

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## INTER PARFUMS, INC. AND SUBSIDIARIES

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|  | Year Ended December 31, |           |           |
|--|-------------------------|-----------|-----------|
|  | 2009                    | 2008      | 2007      |
| Weighted-average expected stock-price volatility | 49%                     | 41%       | 39%       |
| Weighted-average expected option life            | 4.5 years               | 4.7 years | 4.5 years |
| Weighted-average risk-free interest rate         | 2.6%                    | 2.3%      | 3.5%      |
| Weighted-average dividend yield                  | 2.0%                    | 1.25%     | 0.9%      |

Stock-based employee compensation determined under the fair value based method, net of related tax effects, includes compensation incurred by IPSA, our majority-owned subsidiary whose stock is publicly traded in France. No options were granted by IPSA during 2008 and 2007. The weighted average fair values of the options granted by IPSA during 2009 were 4.27 euro per share on the date of grant using the Black-Scholes option pricing model with the following assumptions: dividend yield 2.7%; volatility of 30%; risk-free interest rate of 3.6%; and an expected life of the option of five years.

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

|  | Year Ended December 31, |        |          |
|--|-------------------------|--------|----------|
|  | 2009                    | 2008   | 2007     |
| Cash proceeds from stock options exercised | \$ 956                  | \$ 272 | \$ 1,331 |
| Tax benefits                               | \$ 692                  | \$ 988 | \$ 915   |
| Intrinsic value of stock options exercised | \$ 407                  | \$ 158 | \$ 1,368 |

The following table summarizes additional stock option information as of December 31, 2009:

| Exercise prices   | Number outstanding | Options outstanding                         |                     |
|-------------------|--------------------|---|---------------------|
|                   |                    | weighted average remaining contractual life | Options exercisable |
| \$6.15 – \$6.93   | 82,450             | 4.96 years                                  | 15,690              |
| \$9.97            | 217,800            | 0.30 years                                  | 217,800             |
| \$10.13           | 3,000              | 0.09 years                                  | 3,000               |
| \$11.01 – \$11.49 | 163,725            | 4.00 years                                  | 10,987              |
| \$12.14 – \$12.64 | 215,575            | 4.80 years                                  | 51,510              |
| \$13.10 – \$13.23 | 234,525            | 2.93 years                                  | 140,040             |
| \$18.00           | 3,000              | 3.41 Years                                  | 1,200               |
| Totals            | 920,075            | 3.11 Years                                  | 440,227             |

As of December 31, 2009 the weighted average exercise price of options exercisable was \$11.22 and the weighted average remaining contractual life of options exercisable is 1.77 years. The aggregate intrinsic value of options exercisable at December 31, 2009 is \$0.6 million.

The Chief Executive Officer and the President each exercised 75,000 outstanding stock options of the Company's common stock in both 2009 and 2007. The aggregate exercise prices of \$1.5 million in 2009 and \$0.8 million in 2007 were paid by them tendering to the Company in 2009 and 2007 an aggregate of 129,984 and 72,429 shares,

respectively, of the Company's common stock, previously owned by them, valued at fair market value on the dates of exercise. All shares issued pursuant to these option exercises were issued from treasury stock of the Company. In addition, the Chief Executive Officer tendered in 2009 and 2007 an additional 2,503 and 9,698 shares, respectively, for payment of certain withholding taxes resulting from his option exercises.

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## INTER PARFUMS, INC. AND SUBSIDIARIES

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## Treasury Stock

As of December 31, 2008, the board of directors of the Company authorized the repurchase of up to 1,031,863 shares of the Company's common stock. During 2009, the Company repurchased 108,100 shares of its common stock at an average price of \$5.84 per common share.

## Dividends

The quarterly dividend of \$1.0 million (\$0.033 per share) declared in December 2009 was paid in January 2010. Furthermore, in January 2010 the board of directors of the Company authorized an approximate 100% increase in the annual dividend to \$0.26 per share. The first quarterly dividend of \$0.065 per share will be paid on April 15, 2010 to shareholders of record on March 31, 2010.

## (11) Segments and Geographic Areas

The Company manufactures and distributes one product line, fragrances and fragrance related products. The Company manages its business in two segments, European based operations and United States based operations. The European assets are located, and operations are primarily conducted, in France. European operations primarily represent the sales of the prestige brand name fragrances and United States operations primarily represent the sale of specialty retail and mass market fragrances. Information on the Company's operations by segments is as follows:

|   | Year ended December 31, |            |            |
|---|-------------------------|------------|------------|
|   | 2009                    | 2008       | 2007       |
| <b>Net sales:</b>                             |                         |            |            |
| United States                                 | \$ 47,810               | \$ 59,657  | \$ 58,807  |
| Europe  | 361,662                 | 389,009    | 332,420    |
| Eliminations of intercompany sales            | (8)                     | (2,542)    | (1,667)    |
|   | \$ 409,464              | \$ 446,124 | \$ 389,560 |
| <b>Net income:</b>                            |                         |            |            |
| United States                                 | \$ (178)                | \$ 1,960   | \$ 2,066   |
| Europe  | 22,482                  | 21,862     | 21,681     |
| Eliminations                                  | 63                      | (57)       | 70         |
|   | \$ 22,367               | \$ 23,765  | \$ 23,817  |
| <b>Depreciation and amortization expense:</b> |                         |            |            |
| United States                                 | \$ 1,116                | \$ 1,283   | \$ 1,076   |
| Europe  | 9,847                   | 8,642      | 6,955      |
|   | \$ 10,963               | \$ 9,925   | \$ 8,031   |
| <b>Interest and dividend income:</b>          |                         |            |            |
| United States                                 | \$ —                    | \$ 4       | \$ 227     |
| Europe  | 982                     | 1,741      | 2,939      |
|   | \$ 982                  | \$ 1,745   | \$ 3,166   |
| <b>Interest expense:</b>                      |                         |            |            |
| United States                                 | \$ 177                  | \$ 142     | \$ 366     |

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|                               |           |           |           |
|-------------------------------|-----------|-----------|-----------|
| Europe                        | 2,470     | 4,798     | 3,301     |
|                               | \$ 2,647  | \$ 4,940  | \$ 3,667  |
| Income tax expense (benefit): |           |           |           |
| United States                 | \$ 148    | \$ 1,087  | \$ 1,105  |
| Europe                        | 15,996    | 15,263    | 15,517    |
| Eliminations                  | 46        | (38)      | 53        |
|                               | \$ 16,190 | \$ 16,312 | \$ 16,675 |

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|  | 2009       | December 31,<br>2008 | 2007       |
|--|------------|----------------------|------------|
| <b>Total assets:</b>                     |            |                      |            |
| United States                            | \$ 45,580  | \$ 56,320            | \$ 52,571  |
| Europe                                   | 382,628    | 380,058              | 403,351    |
| Eliminations of investment in subsidiary | (9,120)    | (11,241)             | (9,870)    |
|  | \$ 419,088 | \$ 425,137           | \$ 446,052 |
| <b>Additions to long-lived assets:</b>   |            |                      |            |
| United States                            | \$ 190     | \$ 479               | \$ 1,042   |
| Europe                                   | 6,111      | 19,877               | 44,125     |
|  | \$ 6,301   | \$ 20,356            | \$ 45,167  |
| <b>Total long-lived assets:</b>          |            |                      |            |
| United States                            | \$ 5,612   | \$ 6,537             | \$ 7,342   |
| Europe                                   | 109,305    | 111,525              | 108,212    |
|  | \$ 114,917 | \$ 118,062           | \$ 115,554 |
| <b>Deferred tax assets:</b>              |            |                      |            |
| United States                            | \$ 1,399   | \$ 586               | \$ 591     |
| Europe                                   | 2,689      | 2,802                | 3,709      |
|  | \$ 4,088   | \$ 3,388             | \$ 4,300   |

United States export sales were approximately \$14.0 million, \$22.5 million and \$9.5 million in 2009, 2008 and 2007, respectively. Consolidated net sales to customers by region are as follows:

|                           | Year ended December 31, |            |            |
|---------------------------|-------------------------|------------|------------|
|                           | 2009                    | 2008       | 2007       |
| North America             | \$ 96,800               | \$ 108,600 | \$ 115,400 |
| Europe                    | 184,900                 | 204,100    | 173,200    |
| Central and South America | 29,300                  | 38,000     | 28,200     |
| Middle East               | 42,300                  | 39,200     | 26,100     |
| Asia                      | 53,600                  | 53,000     | 43,900     |
| Other                     | 2,600                   | 3,200      | 2,800      |
|                           | \$ 409,500              | \$ 446,100 | \$ 389,600 |

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

|                | Year Ended December 31, |            |            |
|----------------|-------------------------|------------|------------|
|                | 2009                    | 2008       | 2007       |
| United States  | \$ 88,000               | \$ 101,000 | \$ 113,000 |
| United Kingdom | \$ 31,000               | \$ 25,000  | \$ 28,000  |
| France         | \$ 37,000               | \$ 38,000  | \$ 30,000  |

(12)

Income Taxes



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

|                    | Year ended December 31, |           |           |
|--------------------|-------------------------|-----------|-----------|
|                    | 2009                    | 2008      | 2007      |
| U.S. operations    | \$ (30)                 | \$ 3,047  | \$ 3,170  |
| Foreign operations | 46,378                  | 43,387    | 44,106    |
|                    | \$ 46,348               | \$ 46,434 | \$ 47,276 |

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## INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
December 31, 2009, 2008 and 2007  
(In thousands except share and per share data)

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

|                                 | Year ended December 31, |                  |                  |
|---------------------------------|-------------------------|------------------|------------------|
|                                 | 2009                    | 2008             | 2007             |
| <b>Current:</b>                 |                         |                  |                  |
| Federal                         | \$ 280                  | \$ 56            | \$ 343           |
| State and local                 | 119                     | 86               | 190              |
| Foreign                         | 18,870                  | 12,052           | 16,799           |
|                                 | 19,269                  | 12,194           | 17,332           |
| <b>Deferred:</b>                |                         |                  |                  |
| Federal                         | (260)                   | 886              | 437              |
| State and local                 | 9                       | 59               | 135              |
| Foreign                         | (2,828)                 | 3,173            | (1,229)          |
|                                 | (3,079)                 | 4,118            | (657)            |
| <b>Total income tax expense</b> | <b>\$ 16,190</b>        | <b>\$ 16,312</b> | <b>\$ 16,675</b> |

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,      |                   |
|--|-------------------|-------------------|
|  | 2009              | 2008              |
| <b>Deferred tax assets:</b>                  |                   |                   |
| State net operating loss carryforwards       | \$ 508            | \$ 640            |
| Federal net operating loss carryforwards     | 150               | 605               |
| Foreign net operating loss carryforwards     | 785               | 764               |
| Alternative minimum tax credit carryforwards | 282               | 134               |
| Inventory and accounts receivable            | 817               | 400               |
| Profit sharing                               | 1,121             | 829               |
| Stock option compensation                    | 360               | 244               |
| Effect of inventory profit elimination       | 1,011             | 1,112             |
| Other  | 450               | 669               |
| <b>Total gross deferred tax assets</b>       | <b>5,484</b>      | <b>5,397</b>      |
| Valuation allowance                          | (1,396)           | (2,009)           |
| <b>Net deferred tax assets</b>               | <b>4,088</b>      | <b>3,388</b>      |
| <b>Deferred tax liabilities (long-term):</b> |                   |                   |
| Property, plant, and equipment               | (13)              | (67)              |
| Trademarks and licenses                      | (7,731)           | (8,104)           |
| Unrealized gains on hedging transactions     | (995)             | (3,084)           |
| Other  | (102)             | (307)             |
| <b>Total deferred tax liabilities</b>        | <b>(8,841)</b>    | <b>(11,562)</b>   |
| <b>Net deferred tax assets (liabilities)</b> | <b>\$ (4,753)</b> | <b>\$ (8,174)</b> |

At December 31, 2009 federal net operating loss carry-forwards of approximately \$0.4 million expire at various dates through 2026 and the Company's state net operating loss carry-forwards, subject to applicable state apportionment, for New York State and New York City tax purposes of approximately \$7.3 million and for New Jersey tax purposes of approximately \$8.9 million expire at various dates through 2012. Prior to 2007, valuation allowances had been provided as it was estimated that future tax benefits from option compensation deductions might prevent the net operating loss carry-forwards from being fully utilized. In 2009, 2008 and 2007, \$0.6 million, \$1.1 million and \$0.4 million, respectively of such valuation allowances were realized which is equal to the benefits realized from the utilization of net operating loss carry-forwards. The amount realized and any future realization of the valuation allowance is credited to additional paid-in capital.

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## INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
December 31, 2009, 2008 and 2007  
(In thousands except share and per share data)

In addition, a valuation allowance of \$0.8 million and \$0.2 million has been provided in 2008 and 2007, respectively against certain foreign net operating loss carry-forwards, as it was estimated that future profitable operations from certain foreign subsidiaries might not be sufficient to realize the full amount of net operating loss carry-forwards recognized. In 2008, one of our foreign subsidiaries was merged into IPSA and as a result of the merger the Company recognized a tax benefit of \$0.7 million from the utilization of certain foreign operating loss carry-forwards including those for which valuation allowances had been recorded.

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

The Company has not provided for U.S. deferred income taxes or foreign withholding taxes on \$164 million of undistributed earnings of its non-U.S. subsidiaries as of December 31, 2009 since the Company intends to continue to reinvest most of these earnings in its foreign operations indefinitely. The Company may repatriate some past and possibly some future earnings of its non-U.S. subsidiaries to the United States but will only do so when it can be done without material incremental tax provisions.

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

|   | Year ended December 31, |       |       |
|---|-------------------------|-------|-------|
|   | 2009                    | 2008  | 2007  |
| Statutory rates   | 34.0%                   | 34.0% | 34.0% |
| State and local taxes, net of Federal benefit             | 0.2                     | 0.3   | 0.5   |
| Effect of foreign taxes in excess of U.S. statutory rates | 0.6                     | 1.0   | 1.2   |
| Other   | 0.1                     | (0.2) | (0.4) |
| Effective rates   | 34.9%                   | 35.1% | 35.3% |

## (13) Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income consists of the following:

|  | Year ended December 31, |        |        |
|--|-------------------------|--------|--------|
|  | 2009                    | 2008   | 2007   |
| Net derivative instruments, beginning of year                | \$ 4,412                | \$ 97  | \$ 128 |
| Reclassification adjustment for gains included in net income | (4,423)                 |        |        |
| Gain (loss) on derivative instruments                        | 141                     | 4,315  | (31)   |
| Net derivative instruments, end of year                      | 130                     | 4,412  | 97     |
|  | 21,103                  | 30,858 | 15,042 |

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|   |           |           |           |  |
|---|-----------|-----------|-----------|--|
| Cumulative translation adjustments, beginning of year |           |           |           |  |
| Translation adjustments                               | 8,767     | (9,755)   | 15,816    |  |
| Cumulative translation adjustments, end of year       | 29,870    | 21,103    | 30,858    |  |
| Accumulated other comprehensive income                | \$ 30,000 | \$ 25,515 | \$ 30,955 |  |

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INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements  
 December 31, 2009, 2008 and 2007  
 (In thousands except share and per share data)

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

|  | Year ended December 31, |           |           |
|--|-------------------------|-----------|-----------|
|  | 2009                    | 2008      | 2007      |
| Net income attributable to Inter Parfums, Inc.   | \$ 22,367               | \$ 23,765 | \$ 23,817 |
| Increase (decrease) in Inter Parfums, Inc.'s additional<br>paid-in capital for subsidiary share transactions | (45)                    | 215       | —         |
| Change from net income attributable to Inter Parfums, Inc.<br>and transfers from noncontrolling interest     | \$ 22,322               | \$ 23,980 | \$ 23,817 |

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## INTER PARFUMS, INC. AND SUBSIDIARIES

## Valuation and Qualifying Accounts

(In thousands)

| Column A   | Column B                             | Column C<br>Additions                      |  | Column D                 | Column E                    |
|--|--------------------------------------|--|--|--------------------------|-----------------------------|
| Description  | Balance at<br>beginning of<br>period | (1)<br>Charged to<br>costs and<br>expenses | (2)<br>Charged to<br>other<br>accounts –<br>describe | Deductions –<br>describe | Balance at<br>end of period |
| <b>Year ended December 31, 2009:</b>               |                                      |  |  |                          |                             |
| Allowances for sales returns and doubtful accounts | \$ 1,304                             | 1,417                                      | 57 (b)   | 386 (a)                  | 2,392                       |
| <b>Year ended December 31, 2008:</b>               |                                      |  |  |                          |                             |
| Allowances for sales returns and doubtful accounts | \$ 2,357                             | 154  | (59) (b)   | 1,148 (a)                | 1,304                       |
| <b>Year ended December 31, 2007:</b>               |                                      |  |  |                          |                             |
| Allowances for sales returns and doubtful accounts | \$ 2,244                             | 589  | 208 (b)  | 684 (a)                  | 2,357                       |
| (a) Write off of bad debts and sales returns.      |                                      |  |  |                          |                             |
| (b) Foreign currency translation adjustment.       |                                      |  |  |                          |                             |

See accompanying report of independent registered public accounting firm.

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Inter Parfums, Inc.

By: /s/ Jean Madar  
 Jean Madar, Chief Executive Officer  
 Date: March 10, 2010

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

| Signature                                 | Title   | Date              |
|---|---|-------------------|
| /s/ Jean Madar<br>Jean Madar              | Chairman of the Board of Directors<br>and Chief Executive Officer | March 10, 2010    |
| /s/Russell Greenberg<br>Russell Greenberg | Chief Financial and Accounting Officer<br>and Director            | March 10, 2010    |
| /s/ Philippe Benacin<br>Philippe Benacin  | Director  | March 1, 2010     |
| /s/ Philippe Santi<br>Philippe Santi      | Director  | March 1, 2010     |
| Francois Heilbronn                        | Director  | March __, 2010    |
| /s/ Jean Levy<br>Jean Levy                | Director  | March 2, 2010     |
| Robert Bensoussan-Torres                  | Director  | March __, 2010    |
| /s/ Serge Rosinoer<br>Serge Rosinoer      | Director  | March 5, 2010     |
| /s/ Patrick Choël<br>Patrick Choël        | Director  | February 27, 2010 |



EXHIBIT INDEX

The following document heretofore filed with the Commission are incorporated by reference to the Company's Quarterly Report, Form 10-QA Amendment No. 1, for the quarterly period ended September 30, 2004:

| Exhibit No. | Description   |
|-------------|---|
| 10.111      | Licence Agreement among Burberry Ltd., Inter Parfums, S.A. and Inter Parfums, Inc. dated 12 October 2004 (Certain confidential information in Exhibit 10.111 has been omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc.). |

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended 31 December 2004:

| Exhibit No. | Description  |
|-------------|--|
| 10.116      | Logistics Service Contract (effective January 1, 2005) between Inter Parfums, S.A. and Sagatrans (French Original)     |
| 10.116.1    | Logistics Service Contract (effective January 1, 2005) between Inter Parfums, S.A. and Sagatrans (English Translation) |

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Quarterly Report for the quarterly period ended June 30, 2005:

| Exhibit No. | Description  |
|-------------|--|
| 10.118      | Agreement dated July 14, 2005 by and among The Gap, Inc., Banana Republic LLC, Gap (Apparel) LLC, Gap (ITM), Inc., Banana Republic (Apparel) LLC, Banana Republic (ITM), Inc., Gap (Puerto Rico), Inc., and Gap (Canada) Inc., together with their subsidiaries who operate stores on the one hand and Inter Parfums, Inc. and its wholly-owned subsidiary Inter Parfums USA, LLC. (Certain confidential information in this Exhibit 10.118 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc). |

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| Exhibit No. | Description  |
|-------------|--|
| 10.119      | Renouvellement de Bail Commercial entre Civile Immobiliere du 4/6 Rond Point des Champs Elysees et Inter Parfums, S.A., 30 Jun 2005, Locaux 4 eme etage droite (French original)     |
| 10.119.1    | Renouvellement de Bail Commercial entre Civile Immobiliere du 4/6 Rond Point des Champs Elysees et Inter Parfums, S.A., 30 Jun 2005, Locaux 4 eme etage droite (English translation) |
| 10.120      | Renouvellement de Bail Commercial entre Civile Immobiliere du 4/6 Rond Point des Champs Elysees et Inter Parfums, S.A., 30 Jun 2005, Locaux 4 eme etage gauche (French original)     |
| 10.120.1    | Renouvellement de Bail Commercial entre Civile Immobiliere du 4/6 Rond Point des Champs Elysees et Inter Parfums, S.A., 30 Jun 2005, Locaux 4 eme etage gauche (English translation) |

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended 31 December 2005:

| Exhibit No. | Description  |
|-------------|--|
| 10.124      | Fourth Modification of Lease, portion of 15th Floor, 551 Fifth Avenue, New York, New York  |
| 10.125      | Addendum effective March 2, 2006 to Agreement dated July 14, 2005 by and among The Gap, Inc., Banana Republic LLC, Gap (Apparel) LLC, Gap (ITM), Inc., Banana Republic (Apparel) LLC, Banana Republic (ITM), Inc., Gap (Puerto Rico), Inc., and Gap (Canada) Inc., together with their subsidiaries who operate stores on the one hand and Inter Parfums, Inc. and its wholly-owned subsidiary Inter Parfums USA, LLC. (Certain confidential information in this Exhibit 10.125 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc). |

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The following documents heretofore filed with the Commission are incorporated by reference to the Company's Quarterly Report for the quarterly period ended March 31, 2006:

| Exhibit No. | Description   |
|-------------|---|
| 10.127      | Avenant No. 1 Au Contrat de Licence Exclusive du 20 Juin 1997 entre ST Dupont, S.A. et Inter Parfums, S.A., dated 20 March 2006- French original<br>(Certain confidential information in this Exhibit 10.127 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc). |
| 10.127.1    | Amendment No. 1 to Exclusive License of 20 June 1997 between ST Dupont, S.A. et Inter Parfums, S.A., dated 20 March 2006- English translation (Certain confidential information in this Exhibit 10.127.1 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc).     |

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Quarterly Report for the quarterly period ended September 30, 2006:

| Exhibit No. | Description   |
|-------------|---|
| 10.128      | License Agreement Between Van Cleef & Arpels Logistics SA, and Inter Parfums, S.A., entered into on June 19, 2006 (Certain confidential information in this Exhibit 10.128 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc). |
| 10.128.1    | Addendum No. 1 to License Agreement Between Van Cleef & Arpels Logistics SA, and Inter Parfums, S.A   |

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended 31 December 2006:

| Exhibit No. | Description  |
|-------------|--|
| 3.5         | Articles of Incorporation of Inter Parfums, Limited  |
| 4.23        | Form of Option Agreement for Options Granted to Executive Officers on December 15, 2006 with Schedule Option Holders and Number of Options Granted |

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Quarterly Report for the quarterly period ended March 31, 2007:

| Exhibit No. | Description   |
|-------------|---|
| 10.129      | Agreement between Inter Parfums, S.A. and BNP Paribas, S.A. dated 3 December 2006 - French original     |
| 10.129.1    | Agreement between Inter Parfums, S.A. and BNP Paribas, S.A. dated 3 December 2006 - English translation |



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The documents heretofore filed with the Commission are incorporated by reference to the Company's Quarterly Report for the quarterly period ended June 30, 2007:

| Exhibit No. | Description   |
|-------------|---|
| 10.130      | Agreement for Technical Assistance between Jeanne Lanvin, S.A and Inter Parfums, S.A. dated 30 July 2007 - French Original<br>(Certain confidential information in this Exhibit 10.130 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc).       |
| 10.130.1    | Agreement for Technical Assistance between Jeanne Lanvin, S.A and Inter Parfums, S.A. dated 30 July 2007 - English Translation<br>(Certain confidential information in this Exhibit 10.130.1 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc). |
| 10.131      | Coexistence Agreement between Jeanne Lanvin, S.A and Inter Parfums, S.A. dated 30 July 2007- French Original  |
| 10.131.1    | Coexistence Agreement between Jeanne Lanvin, S.A and Inter Parfums, S.A. dated 30 July 2007- English Translation  |

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Registration Statement No. 333-141963 as filed April 9, 2007.

| Exhibit No. | Description  |
|-------------|--|
| 4.24        | Warrant Dated July 14, 2005 to Purchase 100,000 shares of Common Stock of Inter Parfums, Inc. (filed as exhibit no. 4.2 therein)     |
| 4.25        | Warrant Dated September 1, 2006 to Purchase 100,000 shares of Common Stock of Inter Parfums, Inc. (filed as exhibit no. 4.3 therein) |

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The following documents heretofore filed with the Commission are incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended 31 December 2007:

| Exhibit No. | Description  |
|-------------|--|
| 10.132      | Manufacturing and License Agreement Between Retail Brand Alliance, Inc., D/B/A Brooks Brothers – Licensor and Inter Parfums USA, LLL. – Licensee<br>Dated November 2007<br>(Certain confidential information in this Exhibit 10.132 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc). |
| 4.26        | Addendum [France] to 2004 Stock Option Plan  |
| 4.27        | Form of Option Agreement for Options Granted to Executive Officers on December 26, 2007 with Schedule Option Holders and Number of Options Granted   |
| 4.28        | Form of Option Agreement for Options Granted to Executive Officers on February 14, 2008 with Schedule Option Holders and Number of Options Granted   |
| 4.29        | Form of Option Agreement for Options Granted to Executive Officers on February 14, 2008 under French Addendum to Stock Option Plan with Schedule Option Holders and Number of Options Granted  |
| 21          | List of Subsidiaries   |
| 23          | Consent of Mazars LLP  |
| 31.1        | Certification Required by Rule 13a-14 of Chief Executive Officer   |
| 31.2        | Certification Required by Rule 13a-14 of Chief Financial Officer   |
| 32          | Certification Required by Section 906 of the Sarbanes-Oxley Act  |

The following document heretofore filed with the Commission is incorporated by reference to the Company's Quarterly Report for the quarterly period ended March 31, 2008:

| Exhibit No. | Description   |
|-------------|---|
| 10.133      | License Agreement by and among The Gap, Inc., Banana Republic LLC, Gap (Apparel) LLC, Gap (ITM), Inc., Banana Republic (Apparel) LLC, and Banana Republic (ITM), Inc. and Inter Parfums, Inc. and Inter Parfums USA, LLC (signed April 2008 but effective as of July 1, 2007) (Certain confidential information in this Exhibit 10.133 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc). |

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The following documents heretofore filed with the Commission are incorporated by reference to the Company's Quarterly Report for the quarterly period ended June 30, 2008:

| Exhibit No. | Description   |
|-------------|---|
| 3.6         | Organizational Documents of Inter Parfums (Suisse) SA (French original)   |
| 3.6.1       | Organizational Documents of Inter Parfums (Suisse) SA (English translation)   |
| 10.134      | Licence Agreement among Paul Smith Limited, Inter Parfums, S.A. and Inter Parfums, Inc. dated July 3, 2008, but signed on July 17, 2008 (Certain confidential information in this Exhibit 10.134 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc.) |

The following documents heretofore filed with the Commission are incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2008:

| Exhibit No. | Description  |
|-------------|--|
| 10.135      | Bail Commercial situé au 2ème étage, 4/6 rond point des Champs Elysees, Paris, France, entre Dauchez Administrateur De Biens et Inter Parfums, S.A. [dated] le 21 janvier 2009 – [French original] (Certain confidential information in this Exhibit 10.135 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc).                   |
| 10.135.1    | Commercial Lease for portion of the 2nd Floor, at 4/6 rond point des Champs Elysees, Paris, France, between Dauchez Property Administrators and Inter Parfums, S.A. dated January 21, 2009 -[English translation] (Certain confidential information in this Exhibit 10.135.1 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc).  |
| 10.136      | Bail Commercial situé au 6ème étage, 4/6 rond point des Champs Elysees, Paris, France, entre Dauchez Administrateur De Biens et Inter Parfums, S.A. [dated] le 21 janvier 2009 – [French original] (Certain confidential information in this Exhibit 10.136 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc).                   |
| 10.136.1    | Commercial Lease for portion of the 6th Floor, at 4/6 rond point des Champs Elysees, Paris, France, between Dauchez Property Administrators and Inter Parfums, S.A. dated January 21, 2009 – [English translation] (Certain confidential information in this Exhibit 10.136.1 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc). |

|      |   |
|------|---|
| 4.30 | Form of Option Agreement for Options Granted to Executive Officers on December 31, 2008 with Schedule of Option Holders and Options Granted |
| 21   | List of Subsidiaries  |
| 23   | Consent of Mazars LLP   |
| 31.1 | Certification Required by Rule 13a-14 of Chief Executive Officer  |
| 31.2 | Certification Required by Rule 13a-14 of Chief Financial Officer  |
| 32.1 | Certification Required by Section 906 of the Sarbanes-Oxley Act by Chief Executive Officer  |
| 32.2 | Certification Required by Section 906 of the Sarbanes-Oxley Act by Chief Executive Officer  |

The following document heretofore filed with the Commission is incorporated by reference to the Company's Quarterly Report for the quarterly period ended June 30, 2009:

| Exhibit No. | Description  |
|-------------|--|
| 10.137      | Lease Extension Agreement between 14th Street Development, LLC and Nickel USA, Inc. dated June 8, 2009 |

The following document heretofore filed with the Commission is incorporated by reference to the Company's Quarterly Report for the quarterly period ended September 30, 2009:

| Exhibit No. | Description   |
|-------------|---|
| 10.138      | Licence Agreement between J Choo Limited and Inter Parfums, S.A. signed on September 29, 2009 (Certain confidential information in this Exhibit 10.138 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc). |



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The following documents, which have been previously filed, are filed again with this report:

| Exhibit No. | Description   | Page Number |
|-------------|---|-------------|
| 3.1.1       | Restated Certificate of Incorporation dated September 3, 1987   | 139         |
| 3.1.2       | Amendment to Restated Certificate of Incorporation dated July 31, 1992  | 143         |
| 3.1.3       | Amendment to Restated Certificate of Incorporation dated July 9, 1993   | 148         |
| 3.1.4       | Amendment to Restated Certificate of Incorporation, as amended, dated July 13, 1999   | 150         |
| 3.1.5       | Amendment to Restated Certificate of Incorporation, as amended, dated July 12, 2000   | 151         |
| 3.1.6       | Amendment to Restated Certificate of Incorporation dated August 6, 2004   | 155         |
| 3.2         | Amended and Restated By-laws  | 156         |
| 4.20        | 1999 Stock Option Plan, as amended  | 227         |
| 4.22        | 2004 Stock Option Plan  | 241         |
| 10.25       | Employment Agreement between the Company and Philippe Benacin dated July 29, 1991   | 245         |
| 10.26       | Lease for portion of 15th Floor, 551 Fifth Avenue, New York, New York   | 252         |
| 10.26.1     | Third Modification of Lease dated June 17, 2002 between Metropolitan Life Insurance Company, and Jean Philippe Fragrances, LLC (previously erroneously filed as exhibit no. 19.92 ) | 287         |
| 10.61       | Lease for 60 Stults Road, South Brunswick, NJ between Forsgate Industrial Complex, a limited partnership, and Jean Philippe Fragrances, Inc. dated July 10, 1995                    | 292         |

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|          |   |     |
|----------|---|-----|
| 10.69    | Exclusive License Agreement dated June 20, 1997 between S.T. Dupont, S.A. and Inter Parfums (Certain confidential information in this Exhibit 10.70 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc.).       | 312 |
| 10.70    | License Agreement among Paul Smith Limited, Inter Parfums, S.A. and Jean-Philippe Fragrances, Inc. (Certain confidential information in this Exhibit 10.70 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc). | 326 |
| 10.104   | Lease dated as of 1 March 2001 for 300 West 14th Street, New York, NY   | 358 |
| 10.106   | Lease effective as of 1 April 2004 for 4-6 Rond Point des Champs Elysees, Ground and 1st Floor, Paris, France (French Original)   | 373 |
| 10.106.1 | Lease effective as of 1 April 2004 for 4-6 Rond Point des Champs Elysees, Ground and 1st Floor, Paris, France (English Translation)   | 385 |
| 10.107   | Lease effective as of 1 April 2004 for 4-6 Rond Point des Champs Elysees, 5th Floor-Left, Paris, France (French Original)   | 392 |
| 10.107.1 | Lease effective as of 1 April 2004 for 4-6 Rond Point des Champs Elysees, 5th Floor-Left, Paris, France(English Translation)  | 392 |
| 10.110   | Lease For 48 Rue Des Francs-Bourgeois, In Paris, 3rd District (French Original)   | 404 |
| 10.110.1 | Lease For 48 Rue Des Francs-Bourgeois, In Paris, 3rd District (English Translation)   | 410 |
| 10.112   | Confidential Treatment Agreement among Burberry Ltd., Inter Parfums, S.A., Inter Parfums, Inc. and LV Capital USA, Inc., et al., dated October 12, 2004   | 416 |
| 10.113   | Indemnity Agreement among Burberry Ltd., Inter Parfums, S.A. and Inter Parfums, Inc. dated October 12, 2004   | 421 |

The following documents are filed with this report:

| Exhibit No. | Description   | Page Number |
|-------------|---|-------------|
| 3.3         | Articles of Incorporation of Inter Parfums Holdings, S.A.   | 169         |
| 3.3.1       | Articles of Incorporation of Inter Parfums Holdings, S.A. (English translation)   | 185         |
| 3.4         | Articles of Incorporation of Inter Parfums, S.A.  | 199         |
| 3.4.1       | Articles of Incorporation of Inter Parfums, S.A. (English translation)  | 213         |
| 4.21.3      | 2004 Nonemployee Director Stock Option Plan, as amended   | 235         |
| 4.30        | Form of Option Agreement for Options Granted to Executive Officers on December 31, 2009 with Schedule of Option Holders and Options Granted   | 242         |
| 10.139      | License Agreement between Montblanc-Simplo Gmbh and Inter Parfums, S/.A. (Certain confidential information in this Exhibit 10.139 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc).  | 424         |
| 10.140      | Personal Care Agreement among The Gap, Inc., et al., and Inter Parfums, Inc. and its wholly-owned subsidiary Inter Parfums USA, LLC effective March 1, 2010 (Certain confidential information in this Exhibit 10.140 was omitted and filed separately with the Securities and Exchange Commission with a request for confidential treatment by Inter Parfums, Inc). | 476         |
| 21          | List of Subsidiaries  | 496         |
| 23          | Consent of Mazars LLP   | 497         |
| 31.1        | Certification Required by Rule 13a-14 of Chief Executive Officer  | 498         |
| 31.2        | Certification Required by Rule 13a-14 of Chief Financial Officer  | 500         |

|      |  |     |
|------|--|-----|
| 32.1 | Certification Required by Section 906 of the Sarbanes-Oxley Act by Chief Executive Officer | 502 |
| 32.2 | Certification Required by Section 906 of the Sarbanes-Oxley Act by Chief Executive Officer | 503 |