

INTER PARFUMS INC
Form 10-Q
November 09, 2011

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

FORM 10-Q

(MARK ONE)

Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended September 30, 2011.

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 10176
(Address of Principal Executive Offices) (Zip Code)

(212) 983-2640
(Registrants telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated Filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Edgar Filing: INTER PARFUMS INC - Form 10-Q

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes
" No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

At November 7, 2011, there were 30,539,381 shares of common stock, par value \$.001 per share, outstanding.

INTER PARFUMS, INC. AND SUBSIDIARIES

INDEX

| | Page Number |
|---|-------------|
| Part I. Financial Information | 1 |
| Item 1. Financial Statements | 1 |
| Consolidated Balance Sheets as of September 30, 2011 and December 31, 2010 | 2 |
| Consolidated Statements of Income for the Three and Nine Months Ended September 30, 2011 and September 30, 2010 | 3 |
| Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2011 and September 30, 2010 | 4 |
| Consolidated Statements of Changes in Equity for the Nine Months Ended September 30, 2011 and September 30, 2010 | 5 |
| Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2011 and September 30, 2010 | 6 |
| Notes to Consolidated Financial Statements | 7 |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations | 17 |
| Item 3. Quantitative and Qualitative Disclosures About Market Risk | 31 |
| Item 4. Controls and Procedures | 32 |
| Part II. Other Information | 33 |
| Item 6. Exhibits | 33 |
| Signatures | 33 |

INTER PARFUMS, INC. AND SUBSIDIARIES

Part I. Financial Information

Item 1. Financial Statements

In our opinion, the accompanying unaudited consolidated financial statements contain all adjustments (consisting only of normal recurring adjustments) necessary to present fairly our financial position, results of operations and cash flows for the interim periods presented. We have condensed such financial statements in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). Therefore, such financial statements do not include all disclosures required by accounting principles generally accepted in the United States of America. 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 by filing with the SEC. These financial statements should be read in conjunction with our audited financial statements for the year ended December 31, 2010 included in our annual report filed on Form 10-K.

The results of operations for the nine months ended September 30, 2011 are not necessarily indicative of the results to be expected for the entire fiscal year.

INTER PARFUMS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands except share and per share data)
(Unaudited)

| | September 30, 2011 | December 31, 2010 |
|---|-----------------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 23,185 | \$ 37,548 |
| Short-term investments | 6,752 | 49,391 |
| Accounts receivable, net | 167,630 | 97,593 |
| Inventories | 182,300 | 109,840 |
| Receivables, other | 2,300 | 3,688 |
| Other current assets | 2,036 | 4,635 |
| Deferred tax assets | 7,421 | 7,230 |
| Total current assets | 391,624 | 309,925 |
| Equipment and leasehold improvements, net | 14,485 | 11,207 |
| Goodwill | 3,691 | 3,654 |
| Trademarks, licenses and other intangible assets, net | 110,760 | 111,402 |
| Other assets | 1,505 | 1,917 |
| Total assets | \$ 522,065 | \$ 438,105 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Loans payable – banks | \$ 20,377 | \$ 5,250 |
| Current portion of long-term debt | 7,578 | 11,090 |
| Accounts payable - trade | 94,112 | 52,694 |
| Accrued expenses | 54,932 | 47,413 |
| Income taxes payable | 3,658 | 7,905 |
| Dividends payable | 2,443 | 1,979 |
| Total current liabilities | 183,100 | 126,331 |
| Long-term debt, less current portion | - | 5,039 |
| Deferred tax liability | 6,315 | 6,789 |
| Equity: | | |
| Inter Parfums, Inc. shareholders' equity: | | |
| Preferred stock, \$.001 par; authorized 1,000,000 shares; none issued | | |
| Common stock, \$.001 par; authorized 100,000,000 shares; outstanding 30,539,381 and 30,445,881 shares at September 30, 2011 and December 31, 2010, respectively | 31 | 30 |
| Additional paid-in capital | 50,566 | 48,887 |
| Retained earnings | 226,450 | 205,453 |
| Accumulated other comprehensive income | 16,742 | 14,757 |
| Treasury stock, at cost, 10,009,492 common shares at September 30, 2011 and December 31, 2010 | (34,151) | (34,151) |
| Total Inter Parfums, Inc. shareholders' equity | 259,638 | 234,976 |
| Noncontrolling interest | 73,012 | 64,970 |
| Total equity | 332,650 | 299,946 |
| Total liabilities and equity | \$ 522,065 | \$ 438,105 |

See notes to consolidated financial statements.

Page 2

INTER PARFUMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(In thousands except per share data)

(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-----------|------------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Net sales | \$171,706 | \$120,853 | \$426,132 | \$347,991 |
| Cost of sales | 63,123 | 49,578 | 155,973 | 140,271 |
| Gross margin | 108,583 | 71,275 | 270,159 | 207,720 |
| Selling, general and administrative expenses | 87,038 | 54,692 | 212,226 | 163,630 |
| Income from operations | 21,545 | 16,583 | 57,933 | 44,090 |
| Other expenses (income): | | | | |
| Interest expense | 687 | 529 | 1,517 | 1,627 |
| (Gain) loss on foreign currency | (1,239) | (461) | (1,091) | 2,435 |
| Interest income | (241) | (382) | (947) | (977) |
| | (793) | (314) | (521) | 3,085 |
| Income before income taxes | 22,338 | 16,897 | 58,454 | 41,005 |
| Income taxes | 9,054 | 5,488 | 21,402 | 13,663 |
| Net income | 13,284 | 11,409 | 37,052 | 27,342 |
| Less: Net income attributable to the noncontrolling interest | 2,851 | 2,961 | 8,867 | 6,988 |
| Net income attributable to Inter Parfums, Inc. | \$10,433 | \$8,448 | \$28,185 | \$20,354 |
| Earnings per share: | | | | |
| Net income attributable to Inter Parfums, Inc. common shareholders: | | | | |
| Basic | \$0.34 | \$0.28 | \$0.92 | \$0.67 |
| Diluted | \$0.34 | \$0.28 | \$0.92 | \$0.67 |
| Weighted average number of shares outstanding: | | | | |
| Basic | 30,539 | 30,443 | 30,506 | 30,332 |
| Diluted | 30,698 | 30,564 | 30,676 | 30,441 |
| Dividends declared per share | \$0.08 | \$0.065 | \$0.24 | \$0.195 |

See notes to consolidated financial statements

Page 3

INTER PARFUMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands except per share data)

(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|----------|------------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Comprehensive income (loss): | | | | |
| Net income | \$13,284 | \$11,409 | \$37,052 | \$27,342 |
| Other comprehensive income: | | | | |
| Derivative instrument gain (loss), net of tax | (87) | 968 | 15 | 1,014 |
| Translation adjustments, net of tax | (19,036) | 27,341 | 2,346 | (12,423) |
| Comprehensive income (loss) | (5,839) | 39,718 | 39,413 | 15,933 |
| Comprehensive income attributable to the noncontrolling interests: | | | | |
| Net income | 2,851 | 2,961 | 8,867 | 6,988 |
| Other comprehensive income: | | | | |
| Derivative instrument gain (loss), net of tax | (19) | 237 | 3 | 285 |
| Translation adjustments, net of tax | (4,755) | 6,373 | 373 | (3,049) |
| Comprehensive income (loss) attributable to the noncontrolling interests | (1,923) | 9,571 | 9,243 | 4,224 |
| Comprehensive income(loss) attributable to Inter Parfums, Inc. | \$(3,916) | \$30,147 | \$30,170 | \$11,709 |

See notes to consolidated financial statements.

INTER PARFUMS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(In thousands)

(Unaudited)

| | Inter Parfums, Inc. shareholders | | | | | | Total |
|--|----------------------------------|----------------------------------|----------------------|---|-------------------|----------------------------|------------|
| | Common stock | Additional paid-in Capital | Retained earnings | Accumulated other comprehensive income | Treasury stock | Noncontrolling interest | |
| Balance – January 1, 2010 | \$ 30 | \$ 45,126 | \$ 186,611 | \$ 28,022 | \$ (33,043) | \$ 60,667 | \$ 287,413 |
| Comprehensive income: | | | | | | | |
| Net income | — | — | 20,354 | — | — | 6,988 | 27,342 |
| Foreign currency translation adjustment | — | — | — | (9,374) | — | (3,049) | (12,423) |
| Net derivative instrument gain, net of tax | — | — | — | 729 | — | 285 | 1,014 |
| Shares issued upon exercise of stock options | — | 3,654 | — | — | 493 | — | 4,147 |
| Purchase of subsidiary shares from noncontrolling interests | — | (1,662) | — | — | — | (2,933) | (4,595) |
| Sale of subsidiary shares to noncontrolling interests | — | 1,108 | — | — | — | 3,385 | 4,493 |
| Dividends | — | — | (5,922) | — | — | (2,049) | (7,971) |
| Shares received upon exercise of stock options | — | — | — | — | (1,601) | — | (1,601) |
| Stock compensation | — | 448 | 78 | — | — | 57 | 583 |
| Balance – September 30, 2010 | \$ 30 | \$ 48,674 | \$ 201,121 | \$ 19,377 | \$ (34,151) | \$ 63,351 | \$ 298,402 |
| Balance – January 1, 2011 | \$ 30 | \$ 48,887 | \$ 205,453 | \$ 14,757 | \$ (34,151) | \$ 64,970 | \$ 299,946 |
| Comprehensive income: | | | | | | | |
| Net income | — | — | 28,185 | — | — | 8,867 | 37,052 |
| Foreign currency translation adjustment | — | — | — | 1,973 | — | 373 | 2,346 |
| Net derivative instrument gain, net of | — | — | — | 12 | — | 3 | 15 |

Edgar Filing: INTER PARFUMS INC - Form 10-Q

| | | | | | | | |
|---|-------|-----------|------------|-----------|--------------|-----------|------------|
| tax | | | | | | | |
| Shares issued upon exercise of stock options | 1 | 957 | — | — | — | — | 958 |
| Purchase of subsidiary shares from noncontrolling interests | — | (417) | — | — | — | (333) | (750) |
| Sale of subsidiary shares to noncontrolling interests | — | 611 | — | — | — | 2,233 | 2,844 |
| Dividends | — | — | (7,324) | — | — | (3,149) | (10,473) |
| Stock compensation | — | 528 | 136 | — | — | 48 | 712 |
| Balance – September 30, 2011 | \$ 31 | \$ 50,566 | \$ 226,450 | \$ 16,742 | \$ (34,151) | \$ 73,012 | \$ 332,650 |

See notes to consolidated financial statements.

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

| | Nine months ended September 30, | |
|---|------------------------------------|-----------|
| | 2011 | 2010 |
| Cash flows from operating activities: | | |
| Net income | \$37,052 | \$27,342 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 9,624 | 6,790 |
| Provision for doubtful accounts | 1,332 | (116) |
| Noncash stock compensation | 806 | 623 |
| Deferred tax (benefit) | (713) | (2,664) |
| Change in fair value of derivatives | (230) | (201) |
| Changes in: | | |
| Accounts receivable | (73,248) | (16,399) |
| Inventories | (73,966) | (23,577) |
| Other assets | 4,787 | 2,872 |
| Accounts payable and accrued expenses | 50,111 | 32,770 |
| Income taxes payable, net | (4,629) | 3,857 |
| Net cash provided by (used in) operating activities | (49,074) | 31,297 |
| Cash flows from investing activities: | | |
| Purchases of short-term investments | (10,961) | (67,629) |
| Proceeds from sale of short-term investments | 55,880 | 7,891 |
| Purchases of equipment and leasehold improvements | (7,578) | (3,235) |
| Payment for intangible assets acquired | (3,498) | (1,987) |
| Net cash provided by (used in) investing activities | 33,843 | (64,960) |
| Cash flows from financing activities: | | |
| Proceeds from loans payable – banks, net | 15,686 | 1,483 |
| Repayment of long-term debt | (8,846) | (8,015) |
| Proceeds from exercise of options, including tax benefits | 958 | 2,652 |
| Proceeds from sale of stock of subsidiary | 2,844 | 4,493 |
| Payment for noncontrolling interests acquired | (750) | (4,595) |
| Dividends paid | (6,861) | (4,939) |
| Dividends paid to noncontrolling interest | (3,149) | (2,049) |
| Purchase of treasury stock | — | (106) |
| Net cash used in financing activities | (118) | (11,076) |
| Effect of exchange rate changes on cash | 986 | (7,058) |

Edgar Filing: INTER PARFUMS INC - Form 10-Q

| | | |
|---|-----------|-----------|
| Net decrease in cash and cash equivalents | (14,363) | (51,797) |
| Cash and cash equivalents - beginning of period | 37,548 | 100,467 |
| Cash and cash equivalents - end of period | \$23,185 | \$48,670 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid for: | | |
| Interest | \$1,686 | \$1,671 |
| Income taxes | 23,795 | 10,296 |

See notes to consolidated financial statements.

INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

1. Significant Accounting Policies:

The accounting policies we follow are set forth in the notes to our financial statements included in our Form 10-K which was filed with the Securities and Exchange Commission for the year ended December 31, 2010. We also discuss such policies in Part I, Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, included in this Form 10-Q.

2. New Accounting Pronouncements:

In May 2011, new accounting guidance on fair value measurements was issued, which requires updates to fair value measurement disclosures to conform US GAAP and International Financial Reporting Standards. This guidance includes additional disclosure requirements about Level 3 fair value measurements and is effective for interim and annual periods beginning after December 15, 2011. The adoption of the new guidance will not affect the Company's financial position, results of operations and cash flows, but will require additional disclosure.

In June 2011, new accounting guidance on comprehensive income was issued, which revises the presentation of comprehensive income in financial statements. The adoption of the new guidance will not affect the Company's financial position, results of operations or cash flows, but will require the Company to disclose the total of comprehensive income, the components of net income and the components of other comprehensive income in either (i) a continuous statement of comprehensive income or (ii) as two separate but consecutive statements. The new accounting guidance is effective for interim and annual periods beginning after December 15, 2011.

In September 2011, new accounting guidance on testing goodwill for impairment was issued, which allows an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount, as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in ASC Topic 350. This guidance is effective for interim and annual goodwill impairment tests for interim and annual periods beginning after December 15, 2011. The adoption of the new guidance will not affect the Company's financial position, results of operations and cash flows.

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

3. Recent Agreements:

The Gap Inc.

In July 2011, we renewed our exclusive agreement with The Gap, Inc. to develop, produce, manufacture and distribute fragrances for Gap and Banana Republic brand names to be sold in Gap and Banana Republic retail stores in the United States and Canada. In July 2011, we also renewed our license agreement with The Gap Inc. for international distribution of fragrances 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.

These renewal agreements, which take effect on January 1, 2012 and run through December 31, 2014, contain terms and conditions similar to those of the original agreements.

INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Pierre Balmain

In July 2011, we entered into a twelve-year exclusive worldwide license agreement to create, produce and distribute perfumes and ancillary products under the Balmain brand. Our rights under the agreement commence on January 1, 2012 when we will take over the production and distribution of existing Balmain fragrances and is subject to certain minimum sales, advertising expenditures and royalty payments as are customary in our industry. The Company paid an up front entry fee of €1.5 million (approximately \$2.1 million) for this license.

Anna Sui

In June 2011, we entered into a ten-year exclusive worldwide fragrance license agreement, with two five-year renewal options, to create, produce and distribute perfumes and fragrance-related products under the Anna Sui brand. Our rights under the agreement commence on January 1, 2012 when we will take over production and distribution of the existing Anna Sui fragrance collections and is subject to certain minimum sales, advertising expenditures and royalty payments as are customary in our industry. Inter Parfums has agreed to pay an upfront entry fee of \$2.0 million for this license and has agreed to purchase the current inventory and certain other assets of the existing licensee.

S. T. Dupont

In April 2011, we renewed our license agreement with S.T. Dupont for the creation, development and distribution of fragrance lines through December 31, 2016. Our initial eleven-year license agreement with S.T. Dupont was signed in June 1997, and had previously been extended in 2006 for an additional three years until June 2011.

Lane Bryant

In March 2011, we entered into an exclusive agreement with a unit of Charming Shoppes, Inc. for its flagship brand, Lane Bryant. Under the agreement, Inter Parfums designs and manufactures personal care products for the Lane Bryant brand, while Lane Bryant is responsible for marketing, promoting and selling these products. The initial term of the contract, which may be extended by mutual consent, runs through December 31, 2015.

4. Inventories:

Inventories consist of the following:

| (In thousands) | September 30, 2011 | December 31, 2010 |
|-----------------------------------|--------------------------|----------------------|
| Raw materials and component parts | \$ 59,130 | \$ 40,809 |
| Finished goods | 123,170 | 69,031 |
| | \$ 182,300 | \$ 109,840 |

INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

5. Fair Value Measurement:

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.

| (In thousands) | Fair Value Measurements at September 30, 2011 | | | |
|--|--|-----------|---|---|
| | Quoted Prices in Active Markets for Identical Assets Total | (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Short-term investments | \$ 6,752 | \$ — | \$ 6,752 | \$ — |
| Liabilities: | | | | |
| Foreign currency forward exchange contracts not accounted for using hedge accounting | \$ 2,281 | \$ — | \$ 2,281 | \$ — |
| Interest rate swaps | 115 | — | 115 | — |
| | \$ 2,396 | \$ — | \$ 2,396 | \$ — |

| (In thousands) | Fair Value Measurements at December 31, 2010 | | | |
|--|--|-----------|---|---|
| | Quoted Prices in Active Markets for Identical Assets Total | (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Assets: | | | | |
| Short-term investments | \$ 49,391 | \$ — | \$ 49,391 | \$ — |
| Foreign currency forward exchange contracts not accounted for using hedge accounting | 1,024 | — | 1,024 | — |
| | \$ 50,415 | \$ — | \$ 50,415 | \$ — |
| Liabilities: | | | | |
| Interest rate swaps | \$ 333 | \$ — | \$ 333 | \$ — |

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

estimated based on the current rates offered to companies for debt 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.

INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

6. Derivative Financial Instruments:

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

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 Designated as Hedging Instruments | Amount of Gain (Loss) Recognized in OCI on Derivative (Effective Portion) | | Location of Gain (Loss) Reclassified from Accumulated OCI into Income (Effective Portion) | | Amount of Gain (Loss) Recognized in Income | |
|---|---|---------------------------------------|---|---|--|--|
| | Nine months ended September 30, 2011 | Nine months ended September 30, 2010 | Reclassified from Accumulated OCI into Income (Effective Portion) | Reclassified from Accumulated OCI into Income (Effective Portion) | Location of Gain (Loss) Recognized in Income | Amount of Gain (Loss) Recognized in Income |
| Foreign exchange contracts | \$ — | 1,291 | Gain (loss) on foreign currency | \$ — | Gain (loss) on foreign currency | \$ — (2,725) |
| | Three months ended September 30, 2011 | Three months ended September 30, 2010 | | | | |
| Foreign exchange contracts | \$ — | 1,291 | Gain (loss) on foreign currency | \$ — | Gain (loss) on foreign currency | \$ — — |

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

INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

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):

| Derivatives Not Designated as Hedging Instruments | Location of Gain (Loss) recognized in Income on Derivative | Nine months ended September 30, 2011 | Nine months ended September 30, 2010 |
|--|--|--|--|
| Interest rate swaps | Interest expense | \$ 230 | \$ 262 |
| Foreign exchange contracts | Gain (loss) on foreign currency | \$ (181) | \$ (85) |
| Derivatives Not Designated as Hedging Instruments | Location of Gain (Loss) recognized in Income on Derivative | Three months ended September 30, 2011 | Three months ended September 30, 2010 |
| Interest rate swaps | Interest expense | \$ 37 | \$ 125 |
| Foreign exchange contracts | Gain (loss) on foreign currency | \$ (138) | \$ (16) |

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 as of September 30, 2011 resulted in a liability and is included in accrued expenses and as of December 31, 2010, such valuation resulted in an asset which is included in other current assets on the accompanying balance sheets. Generally, increases or decreases in the fair value of derivative instruments will be recognized as gains or losses in earnings in the period of change. If the derivative instrument is designated and qualifies as a cash flow hedge, the changes in fair value of the derivative instrument will be recorded as a separate component of shareholders' equity.

At September 30, 2011, we had foreign currency contracts in the form of forward exchange contracts in the amount of approximately U.S. \$68 million and GB pounds 8.1 million which all have maturities of less than one year.

7. Goodwill and Other Intangible Assets:

We review 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 table presents our assets and liabilities that are measured at fair value on a nonrecurring basis and are categorized using the fair value hierarchy.

INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

| Description | Fair Value Measurements at September 30, 2011 | | | |
|--------------------|--|-----------|---|---|
| | Quoted Prices in Active Markets for Identical Assets Total | | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | (Level 1) | (Level 2) | (Level 3) | |
| | | | | |
| Trademark - Nickel | \$ 2,362 | \$ — | \$ — | \$ 2,362 |
| Goodwill | \$ 3,691 | \$ — | \$ — | \$ 3,691 |

| Description | Fair Value Measurements at December 31, 2010 | | | |
|--------------------|--|-----------|---|---|
| | Quoted Prices in Active Markets for Identical Assets Total | | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | (Level 1) | (Level 2) | (Level 3) | |
| | | | | |
| Trademark - Nickel | \$ 2,337 | \$ — | \$ — | \$ 2,337 |
| Goodwill | \$ 3,654 | \$ — | \$ — | \$ 3,654 |

The goodwill and trademarks referred to above relate 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. There was no change to the carrying amount of the intangible assets referred to above during the nine month period ended September 30, 2011 other than for the effect of changes in foreign currency translation rates.

8. Share-Based Payments:

We maintain 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 during the nine months ended September 30, 2011 and 2010 aggregated \$0.05 million and \$0.04 million, respectively. Compensation cost is recognized on a straight-line basis over the requisite service period for the entire award. It is generally our policy to issue new shares upon exercise of stock options.

The following table sets forth information with respect to nonvested options for the nine month period ended September 30, 2011:

| | Number of Shares | Weighted Average Grant Date Fair Value |
|---|------------------|--|
| Nonvested options – beginning of period | 480,843 | \$ 4.32 |
| Nonvested options granted | 3,500 | \$ 5.27 |
| Nonvested options vested or forfeited | (17,260) | \$ 4.08 |

| | | | |
|-----------------------------------|---------|----|------|
| Nonvested options – end of period | 467,083 | \$ | 4.34 |
|-----------------------------------|---------|----|------|

INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Share-based payment expense decreased income before income taxes by \$0.27 million and \$0.81 million for the three and nine month periods ended September 30, 2011, respectively, as compared to \$0.17 million and \$0.65 million for the corresponding periods of the prior year. Share-based payment expense decreased income attributable to Inter Parfums, Inc. by \$0.14 million and \$0.45 million for the three and nine month periods ended September 30, 2011, respectively, as compared to \$0.10 million and \$0.37 million for the corresponding periods of the prior year.

The following table summarizes stock option information as of September 30, 2011:

| | Shares | Weighted Average Exercise Price |
|-------------------------------------|-----------|------------------------------------|
| Outstanding at January 1, 2011 | 807,620 | \$ 12.78 |
| Options granted | 3,500 | 17.94 |
| Options cancelled | (4,570) | 14.46 |
| Options exercised | (93,500) | 12.67 |
| Outstanding at September 30, 2011 | 713,050 | \$ 12.81 |
| Options exercisable | 245,967 | \$ 12.12 |
| Options available for future grants | 824,145 | |

As of September 30, 2011, the weighted average remaining contractual life of options outstanding is 2.87 years (2.0 years for options exercisable), the aggregate intrinsic value of options outstanding and options exercisable is \$2.3 million and \$0.8 million, respectively and unrecognized compensation cost related to stock options outstanding of Inter Parfums, Inc. aggregated \$1.1 million. The amount of unrecognized compensation cost related to stock options outstanding of our majority-owned subsidiary, Interparfums, S.A., was €0.75 million. Options under Interparfums, S.A. plans vest over a four-year period.

Cash proceeds, tax benefits and intrinsic value related to stock options exercised during the nine months ended September 30, 2011 and September 30, 2010 were as follows:

| (In thousands) | September 30, 2011 | September 30, 2010 |
|--|-----------------------|-----------------------|
| Cash proceeds from stock options exercised | \$ 1,184 | \$ 771 |
| Tax benefits | — | 162 |
| Intrinsic value of stock options exercised | 708 | 1,195 |

The weighted average fair values of the options granted by Inter Parfums, Inc. during the nine months ended September 30, 2011 and 2010 were \$5.27 and \$5.26 per share, respectively, on the date of grant using the Black-Scholes option pricing model to calculate the fair value of options granted.

INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

The assumptions used in the Black-Scholes pricing model for the periods ended September 30, 2011 and 2010 are set forth in the following table. Expected volatility is estimated based on the historic volatility of our common stock. We use the simplified method in developing our estimate of the expected term of the option as historic data regarding employee exercise behavior is incomplete for the new vesting parameters instituted. 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 in place at the time of stock-based award grant would continue with no anticipated increases.

| | September 30, 2011 | | September 30, 2010 | |
|--|-----------------------|-------|-----------------------|-------|
| Weighted-average expected stock-price volatility | 38 | % | 49 | % |
| Weighted-average expected option life | 4.5 | years | 4.18 | years |
| Weighted-average risk-free interest rate | 2.0 | % | 2.5 | % |
| Weighted-average dividend yield | 1.7 | % | 2.0 | % |

9. Net Income Attributable to Inter Parfums, Inc. Common Shareholders:

Net income attributable to Inter Parfums, Inc. per common share (“basic EPS”) is computed by dividing net income attributable to Inter Parfums, Inc. by the weighted average number of shares outstanding. Net income attributable to Inter Parfums, Inc. per share assuming dilution (“diluted EPS”), is computed using the weighted average number of shares outstanding, plus the incremental shares outstanding assuming the exercise of dilutive stock options and warrants using the treasury stock method. The reconciliation between the numerators and denominators of the basic and diluted EPS computations is as follows:

| (In thousands) | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------------------------------------|----------|------------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Numerator: | | | | |
| Net income attributable to Inter Parfums, Inc. | \$ 10,433 | \$ 8,448 | \$ 28,185 | \$ 20,354 |
| Effect of dilutive securities of consolidated subsidiary | (22) | (34) | (81) | (51) |
| Numerator for diluted earnings per share | \$ 10,411 | \$ 8,414 | \$ 28,104 | \$ 20,303 |
| Denominator: | | | | |
| Weighted average shares | 30,539 | 30,443 | 30,506 | 30,332 |
| Effect of dilutive securities: | | | | |
| Stock options and warrants | 159 | 121 | 170 | 109 |
| Denominator for diluted earnings per share | 30,698 | 30,564 | 30,676 | 30,441 |
| Earnings per share: | | | | |
| Net income attributable to Inter Parfums, Inc. common shareholders: | | | | |

Edgar Filing: INTER PARFUMS INC - Form 10-Q

| | | | | |
|---------|---------|---------|---------|---------|
| Basic | \$ 0.34 | \$ 0.28 | \$ 0.92 | \$ 0.67 |
| Diluted | 0.34 | 0.28 | 0.92 | 0.67 |

Page 14

INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

Not included in the above computations is the effect of antidilutive potential common shares which consist of outstanding options to purchase 0.1 million shares of common stock for both the three and nine month periods ended September 30, 2011, and 0.2 million shares of common stock for the nine month period ended September 30, 2010.

10. Net Income Attributable to Inter Parfums, Inc. and Transfers From the Noncontrolling Interest:

| (In thousands) | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------------------------------------|----------|------------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Net income attributable to Inter Parfums, Inc. | \$ 10,433 | \$ 8,448 | \$ 28,185 | \$ 20,354 |
| Increase (decrease) in Inter Parfums, Inc.'s additional paid-in capital for subsidiary share transactions | 132 | (530) | 194 | (554) |
| Change from net income attributable to Inter Parfums, Inc. and transfers from noncontrolling interest | \$ 10,565 | \$ 7,918 | \$ 28,379 | \$ 19,800 |

11. Segment and Geographic Areas:

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

Information on our operations by geographical areas is as follows:

| (In thousands) | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------------------------------------|------------|------------------------------------|------------|
| | 2011 | 2010 | 2011 | 2010 |
| Net sales: | | | | |
| United States | \$ 16,994 | \$ 11,645 | \$ 43,326 | \$ 38,561 |
| Europe | 154,712 | 109,208 | 382,806 | 309,430 |
| | \$ 171,706 | \$ 120,853 | \$ 426,132 | \$ 347,991 |
| Net income attributable to Inter Parfums, Inc.: | | | | |
| United States | \$ 812 | \$ (266) | \$ 748 | \$ (444) |
| Europe | 9,621 | 8,714 | 27,437 | 20,776 |
| Eliminations of intercompany profits | — | — | — | 22 |

\$ 10,433 \$ 8,448 \$ 28,185 \$ 20,354

INTER PARFUMS, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

| | September 30, 2011 | December 31, 2010 |
|--|-----------------------|----------------------|
| Total Assets: | | |
| United States | \$ 58,253 | \$ 40,896 |
| Europe | 473,132 | 398,547 |
| Eliminations of investment in subsidiary | (9,320) | (1,338) |
| | \$ 522,065 | \$ 438,105 |

12. Accrued Expenses:

Accrued expenses include approximately \$23.6 million and \$14.7 million in advertising liabilities as of September 30, 2011 and December 31, 2010, respectively.

13. Reclassification:

Certain prior year amounts in the accompanying consolidated statements of cash flows have been reclassified to conform to current period presentation. More specifically, proceeds from sale of stock of subsidiary and payments for acquisition of noncontrolling interests have been reclassified from net cash provided by (used in) investing activities to net cash (used in) financing activities.

14. Subsequent Event:

During October 2011, the Company has agreed in principle with the French Tax Authority on the consequences of the tax audit, which covers income and non-income tax items. As a result, the Company has increased its income tax expense by \$1.7 million and has reduced its reserve for contingency related to non-income tax items recorded in 2010 by \$1.3 million.

INTER PARFUMS, INC. AND SUBSIDIARIES

Item 2: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward Looking Information

Statements in this report which are not historical in nature are 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. In some cases you can identify forward-looking statements by forward-looking words such as "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "should," "will" and "would" or similar words. You should not rely on forward-looking statements because actual events or results may differ materially from those indicated by these forward-looking statements as a result of a number of important factors. These factors include, but are not limited to, the risks and uncertainties discussed under the headings "Forward Looking Statements" and "Risk Factors" in Inter Parfums' annual report on Form 10-K for the fiscal year ended December 31, 2010 and the reports Inter Parfums files from time to time with the Securities and Exchange Commission. Inter Parfums does not intend to and undertakes no duty to update the information contained in this report.

Overview

We operate in the fragrance business, and manufacture, market and distribute a wide array of fragrances and fragrance related products. We manage our business in two segments, European based operations and United States based operations. Certain prestige fragrance products are produced and marketed by our European operations through our 74% owned subsidiary in Paris, Interparfums, S.A. (formerly Inter Parfums, S.A.), which is also a publicly traded company as 26% of Interparfums, S.A. shares trade on the Euronext. Prestige cosmetics and prestige skin care products represent less than 1% of consolidated net sales.

We produce and distribute our European based prestige products primarily under license agreements with brand owners, and European based product sales represented approximately 90% and 89% of net sales for the nine months ended September 30, 2011 and 2010. We have built a portfolio of prestige brands, which include Burberry, Lanvin, Van Cleef & Arpels, Jimmy Choo, Montblanc, Paul Smith, S.T. Dupont, Nickel and Boucheron, whose products are distributed in over 120 countries around the world. Shipments to our distribution subsidiaries are not recognized as sales until that merchandise is sold by our distribution subsidiaries to their customers.

Burberry is our most significant license, as sales of Burberry products represented 50% and 56% of net sales for the nine months ended September 30, 2011 and 2010, respectively. In addition, we own the Lanvin brand name for our class of business and sales of Lanvin product represented 13% and 15% of net sales for the nine months ended September 30, 2011 and 2010, respectively.

Through our United States operations we market specialty retail and mass-market fragrance and fragrance related products, which represented 10% and 11% of net sales for the nine months ended September 30, 2011 and 2010. 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, Betsey Johnson, Nine West, Lane Bryant and Jordache trademarks.

INTER PARFUMS, INC. AND SUBSIDIARIES

Historically, seasonality has not been a major factor for our Company as quarterly sales fluctuations were influenced more by the timing of launches than by the third and fourth quarter holiday season. However, in certain markets where we now sell direct to retailers, seasonality is more evident. In 2007 we commenced operations of our European distribution subsidiaries in Italy, Germany, Spain and the United Kingdom, and in January 2011 we commenced operations of our United States distribution subsidiary. In addition, the introduction of our specialty retail product lines for U. S. retailers has also contributed to a concentration of sales in the second half of the year.

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

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

As with any business, many aspects of our operations are subject to influences outside our control. We believe we have a strong brand portfolio with global reach and potential. As part of our strategy, we plan to continue to make investments behind fast-growing markets and channels to grow market share. In addition, as of the date of this report we have no insight as to the intention of Burberry with respect to its possible buy-out of the unexpired term of our license agreement. Burberry must notify us by January 1, 2012 if they would like to proceed with the valuation process. If Burberry decides to proceed with the valuation process, then Burberry has until July 31, 2012 to make its final decision.

Our reported net sales are impacted by changes in foreign currency exchange rates. A weak U.S. dollar has a positive impact on our net sales. However, earnings are negatively affected by a weak dollar because in excess of 35% 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.

INTER PARFUMS, INC. AND SUBSIDIARIES

Recent Important Events

The Gap Inc.

In July 2011, we renewed our exclusive agreement with The Gap, Inc. to develop, produce, manufacture and distribute fragrances for Gap and Banana Republic brand names to be sold in Gap and Banana Republic retail stores in the United States and Canada. In July 2011, we also renewed our license agreement with The Gap Inc. for international distribution of fragrances 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.

These renewal agreements, which take effect on January 1, 2012 and run through December 31, 2014, contain terms and conditions similar to those of the original agreements.

Pierre Balmain

In July 2011, we entered into a twelve-year exclusive, worldwide license agreement to create, produce and distribute perfumes and ancillary products under the Balmain brand. Our rights under the agreement commence on January 1, 2012 when we will take over the production and distribution of existing Balmain fragrances and is subject to certain minimum sales, advertising expenditures and royalty payments as are customary in our industry. The Company paid an up front entry fee of €1.5 million (approximately \$2.1 million) for this license.

Anna Sui

In June 2011, we entered into a ten-year exclusive worldwide fragrance license agreement, with two five-year renewal options, to create, produce and distribute perfumes and fragrance-related products under the Anna Sui brand. Our rights under the agreement commence on January 1, 2012 when we will take over production and distribution of the existing Anna Sui fragrance collections and is subject to certain minimum sales, advertising expenditures and royalty payments as are customary in our industry. Inter Parfums has agreed to pay an upfront entry fee of \$2.0 million for this license and has agreed to purchase the current inventory and certain other assets of the existing licensee.

S. T. Dupont

In April 2011, we renewed our license agreement with S.T. Dupont for the creation, development and distribution of fragrance lines through December 31, 2016. Our initial eleven-year license agreement with S.T. Dupont was signed in June 1997, and had previously been extended in 2006 for an additional three years until June 2011.

Lane Bryant

In March 2011, we entered into an exclusive agreement with a unit of Charming Shoppes, Inc. for its flagship brand, Lane Bryant. Under the agreement, Inter Parfums designs and manufactures personal care products for the Lane Bryant brand, while Lane Bryant is responsible for marketing, promoting and selling these products. The initial term of the contract, which may be extended by mutual consent, runs through December 31, 2015.

INTER PARFUMS, INC. AND SUBSIDIARIES

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 and for U.S. based customers of prestige products, we 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.

INTER PARFUMS, INC. AND SUBSIDIARIES

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.

INTER PARFUMS, INC. AND SUBSIDIARIES

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. 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 measured fair value of the business 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. The same evaluation was performed in 2010 and no further impairment was noted. We expect Nickel brand sales to remain steady over the next few years as the result of new product launches in combination with an 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 \$0.7 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. No impairment charge was required in 2010. We assumed a market royalty rate of 6% and a discount rate of 7.4%.

The following table presents the impact a change in the following significant assumptions would have had on the calculated fair value in 2010 assuming all other assumptions remained constant:

| In thousands | Change | Increase (decrease) to fair value |
|----------------------------------|--------|---|
| Weighted average cost of capital | +10 % | \$ (219) |
| Weighted average cost of capital | -10 % | \$ 280 |
| Future sales levels | +10 % | \$ 266 |
| Future sales levels | -10 % | \$ (266) |

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 7.4%. 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.

INTER PARFUMS, INC. AND SUBSIDIARIES

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

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

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

Derivatives

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

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

INTER PARFUMS, INC. AND SUBSIDIARIES

Income Taxes

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

The Company follows the provisions of uncertain tax positions as addressed in ASC topic 740-10-65-1.

Results of Operations

Three and Nine Months Ended September 30, 2011 as Compared to the Three and Nine Months Ended September 30, 2010

| Net Sales | Three months ended September 30, | | | Nine Months Ended September 30, | | |
|-----------------------------------|-------------------------------------|----------|----------|------------------------------------|----------|----------|
| | 2011 | 2010 | % Change | 2011 | 2010 | % Change |
| (In millions) | | | | | | |
| European-based product sales | \$ 154.7 | \$ 109.2 | 41.7 % | \$ 382.8 | \$ 309.4 | 23.7 % |
| United States-based product sales | 17.0 | 11.7 | 45.9 % | 43.3 | 38.6 | 12.4 % |
| | \$ 171.7 | \$ 120.9 | 42.1 % | \$ 426.1 | \$ 348.0 | 22.5 % |

Net sales for the three months ended September 30, 2011 increased 42% to \$171.7 million, as compared to \$120.9 million for the corresponding period of the prior year. At comparable foreign currency exchange rates, net sales increased 36% for the period. Net sales for the nine months ended September 30, 2011 increased 22% to \$426.1 million, as compared to \$348.0 million for the corresponding period of the prior year. At comparable foreign currency exchange rates, net sales increased 18% for the period. The weakness of the U.S. dollar relative to the euro in 2011 as compared to the 2010 periods gave rise to the difference between constant dollar and reported net sales.

European based product sales increased 42% and 24% for the three and nine months ended September 30, 2011, respectively, as compared to the corresponding periods of the prior year. Sales for the three months ended September 30, 2011 were bolstered by a promising start of the Burberry Body launch. In local currency, Burberry product sales increased 29% for the period. Other factors contributing to the sales increase include the continued strong momentum of the Jimmy Choo and Montblanc fragrance launches. The Jimmy Choo signature fragrance was first introduced in 2011 and product sales aggregated \$11.2 million and \$29.7 million for the three and nine months ended September 30, 2011. Montblanc product sales aggregated \$11.1 million and \$28.8 million for the three and nine months ended September 30, 2011, as compared to \$2.4 million for both corresponding periods of the prior year. In addition, 2011 sales results reflect the commencement in January 2011 of European based product distribution in the U.S. by Interparfums Luxury Brands, a subsidiary of Interparfums, S.A.

INTER PARFUMS, INC. AND SUBSIDIARIES

Certain international markets were especially strong during the nine month period ended September 30, 2011 including South America and Asia, where comparable European based product sales in local currency were up 31% and 28%, respectively. Western Europe reported an increase of 5% for the nine month period.

We look forward to continued growth in the final quarter of 2011, reflecting the continued strength of our brands and worldwide distribution network. We have introduced a strong line-up of new products and brand extensions, which are expected to drive sales growth in the near and long-term. In addition to 2011 launches for Jimmy Choo, Montblanc and Paul Smith, early in 2011 we began the integration of existing fragrance lines under the Boucheron brand. The Burberry Body fragrance launch in September 2011 is expected to provide for sustained growth in the years ahead. With respect to Burberry Beauty, the color cosmetics collection, we rolled out additional products throughout 2011 and distribution is expected to be expanded by approximately sixty additional retail outlets for a total of approximately ninety by year end. We are reviewing Burberry Beauty results, as well as the anticipated financial commitment which may be necessary, in order to determine the appropriate level of distribution for the Burberry Beauty in the years to come.

With respect to our United States specialty retail and mass-market products, net sales for the three months ended September 30, 2011 increased 46% to \$17.0 million, as compared to \$11.7 million for the corresponding period of the prior year. Net sales for the nine months ended September 30, 2011 increased 12% to \$43.3 million, as compared to \$38.6 million for the corresponding period of the prior year.

The increase for the three months ended September 31, 2011 was driven by a strong performance in international distribution of specialty retail products; Banana Republic, Gap and bebe product lines are performing especially well with further expansion of new products into new territories. New product launches in domestic markets for the Betsy Johnson and bebe brands also contributed to third quarter sales growth.

For the Banana Republic brand, a new women's scent, Wildbloom, was launched early this year and brand extensions are being planned for 2012. Building upon the success of the Gap brand's Close and Stay fragrances, a third women's signature scent, Near, launched in 2011. A new men's scent, Deep, has also been added to build the brands men's fragrance portfolio. We are also in the development stage for several new fragrance concepts and line extensions for our other specialty retail brands. The debut of products for Nine West is now planned for January 2012 at over 650 Macy's stores and 282 Nine West stores in the U.S. and internationally.

We have been actively pursuing other new business opportunities and in March 2011, we entered into an exclusive agreement with a unit of Charming Shoppes, Inc. for its flagship brand, Lane Bryant. We have worked with Lane Bryant to develop a line of performance-based bath, body and specialty products, which is now being sold under Lane Bryant's Cacique® brand. The initial line of products was launched at 130 Lane Bryant stores and at www.lanebryant.com in late spring. Chain wide rollout is anticipated in early 2012. In addition, a signature fine fragrance was launched in time for the 2011 holiday season.

INTER PARFUMS, INC. AND SUBSIDIARIES

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

| Gross margin (In millions) | Three months ended September 30, | | Nine months ended September 30, | |
|--|-------------------------------------|----------|------------------------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Net sales | \$ 171.7 | \$ 120.9 | \$ 426.1 | \$ 348.0 |
| Cost of sales | 63.1 | 49.6 | 155.9 | 140.3 |
| Gross margin | \$ 108.6 | \$ 71.3 | \$ 270.2 | \$ 207.7 |
| Gross margin as a percent of net sales | 63 % | 59 % | 63 % | 60 % |

Gross profit margin was 63% for both the three and nine month periods ended September 30, 2011, as compared to 59% and 60% for the corresponding periods of the prior year. The gross margin improvement is primarily the result of us taking over, as of January 1, 2011, European product distribution in the U.S. by Interparfums Luxury Brands a subsidiary of Interparfums, S.A. We now sell our European prestige products in the U.S. directly to retailers rather than through a third party distributor which generates higher gross margins on our product sales. Product mix, promotional sales and changes in foreign currency exchange rates accounted for the remaining fluctuations in gross margin.

We carefully watch movements in foreign currency exchange rates as almost 40% of our European operations sales are denominated in dollars, while our costs are incurred in euro. Therefore, a weaker U.S. dollar has a negative impact on our gross margin. The average exchange rate for the three months ended September 30, 2011 was 1.41 as compared to 1.29 for the three months ended September 30, 2010.

Generally, we do not bill customers for shipping and handling costs, and such costs, which aggregated \$2.7 million and \$5.7 million for the three and nine month periods ended September 30, 2011, respectively, as compared to \$1.4 million and \$4.0 million for the corresponding periods of the prior year, are included in selling, general and administrative expenses 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 and administrative expenses (In millions) | Three months ended September 30, | | Nine months ended September 30, | |
|---|-------------------------------------|---------|------------------------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Selling, general and administrative expenses | \$ 87.0 | \$ 54.7 | \$ 212.2 | \$ 163.6 |
| Selling, general and administrative expenses as a percent of net sales | 51 % | 45 % | 50 % | 47 % |

INTER PARFUMS, INC. AND SUBSIDIARIES

Selling, general and administrative expenses increased 59% and 30% for the three and nine months ended September 30, 2011, respectively, as compared to the corresponding periods of the prior year. As a percentage of sales, selling, general and administrative expenses were 51% and 50% of sales for the three and nine month periods ended September 30, 2011, respectively, as compared to 45% and 47% of sales for the corresponding periods of the prior year.

Promotion and advertising included in selling, general and administrative expenses aggregated \$37.2 million and \$78.0 million for the three and nine months ended September 30, 2011, respectively, as compared to \$19.2 million and \$58.5 million for the corresponding periods of the prior year. Promotion and advertising represented 22% and 18% of net sales for the three and nine months ended September 30, 2011, as compared to 16% and 17% of sales for the corresponding periods of the prior year. With the commencement in January 2011 of European based product distribution in the United States by Interparfums Luxury Brands, a subsidiary of Interparfums, S.A., we are now responsible for 100% of the cost of advertising support for our European based fragrance brands distributed in the United States as opposed to sharing such expenditures with our former U.S. distributor. The 2011 global launch of Burberry Body is supported by strong visuals on a scale without precedent. We significantly increased our advertising spending in the third quarter of 2011 as well as and full year advertising budgets for all brands which we expect will contribute to sustained growth in market share.

Service fees relating to the activities of our distribution subsidiaries aggregated \$7.1 million and \$16.3 million for the three and nine month periods ended September 30, 2011, respectively, as compared to \$3.4 million and \$9.0 million for the corresponding periods of the prior year.

Royalty expense, included in selling, general and administrative expenses, aggregated \$14.3 million and \$36.6 million for the three and nine months ended September 30, 2011, respectively, as compared to \$10.8 million and \$31.5 million for the corresponding periods of the prior year. As a percentage of sales, royalty expense represented 8.3% and 8.6% of net sales for the three and nine months ended September 30, 2011, as compared to 8.9% and 9.0% of sales for the corresponding period of the prior year. The decline is primarily the result of taking over United States distribution of European based products.

Income from operations increased 30% to \$21.5 million for the three months ended September 30, 2011, as compared to \$16.6 million for the corresponding period of the prior year. Income from operations increased 31% to \$57.9 million for the nine months ended September 30, 2011, as compared to \$44.1 million for the corresponding period of the prior year. Operating margins were 12.6% and 13.6% of net sales for the three and nine months ended September 30, 2011, respectively, as compared to 13.7% and 12.7% for the corresponding periods of the prior year.

Interest expense aggregated \$0.7 million and \$1.5 million for the three and nine months ended September 30, 2011, respectively, as compared to \$0.5 million and \$1.6 million for the corresponding periods of the prior year. We use the credit lines available to us, as needed, to finance our working capital needs. Loans payable – banks and long-term debt including current maturities aggregated \$28.0 million as of September 30, 2011, as compared to \$21.4 million as of December 31, 2010 and \$34.6 million as of December 31, 2009.

INTER PARFUMS, INC. AND SUBSIDIARIES

Foreign currency gains (losses) aggregated \$1.2 million and \$1.1 million for the three and nine months ended September 30, 2011, respectively, as compared to \$0.5 million and (\$2.4) million for the corresponding periods of the prior year. We enter into foreign currency forward exchange contracts to manage exposure related to receivables denominated in a foreign currency and occasionally to manage risks related to future sales expected to be denominated in a foreign currency. 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.

Our effective income tax rate was 40.5% and 36.6% for the three and nine months ended September 30, 2011, respectively, as compared to 32.5% and 33.2% for the corresponding periods of the prior year. Our effective tax rates differ from statutory rates due to the effect of state and local taxes and tax rates in foreign jurisdictions. Our effective tax rate is usually around 34% to 35%. The higher rate during the three and nine months ended September 30, 2011 is primarily the result of an agreement in principle with the French Tax Authority on the consequences of the tax audit, which covered income and non-income tax items. As a result, the Company increased its income tax expense by \$1.7 million for the three and nine month periods ended September 30, 2011 and reduced its reserve for contingency related to non-income tax items recorded in 2010 by \$1.3 million as of September 30, 2011. No significant changes in tax rates were experienced, nor were any expected in jurisdictions where we operate.

Net income and earnings per share

| (In thousands except per share data) | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|----------|------------------------------------|----------|
| | 2011 | 2010 | 2011 | 2010 |
| Net income | \$13,284 | \$11,409 | \$37,052 | \$27,342 |
| Less: Net income attributable to the noncontrolling interest | 2,851 | 2,961 | 8,867 | 6,988 |
| Net income attributable to Inter Parfums, Inc. | \$10,433 | \$8,448 | \$28,185 | \$20,354 |
| Earnings per share: | | | | |
| Net income attributable to Inter Parfums, Inc. common shareholders: | | | | |
| Basic | \$0.34 | \$0.28 | \$0.92 | \$0.67 |
| Diluted | \$0.34 | \$0.28 | \$0.92 | \$0.67 |
| Weighted average number of shares outstanding: | | | | |
| Basic | 30,539 | 30,443 | 30,506 | 30,332 |
| Diluted | 30,698 | 30,564 | 30,676 | 30,441 |

Net income increased 16% to \$13.3 million for the three months ended September 30, 2011, as compared to \$11.4 million for the corresponding period of the prior year. Net income increased 36% to \$37.1 million for the nine months ended September 30, 2011, as compared to \$27.3 million for the corresponding period of the prior year.

Net income attributable to the noncontrolling interest aggregated 21% and 24% of net income for the three and nine months ended September 30, 2011, as compared to 26% for both the corresponding periods of the prior year. The decline in 2011 is the result of allocating 2011 losses of certain 50% owned distribution joint ventures to the

noncontrolling interest. Due to seasonality relating to the business of the distribution joint ventures, such losses are expected to reverse in the final quarter of the year.

INTER PARFUMS, INC. AND SUBSIDIARIES

Net income attributable to Inter Parfums, Inc. increased 23% to \$10.4 million for the three months ended September 30, 2011, as compared to \$8.4 million for the corresponding period of the prior year. Net income attributable to Inter Parfums, Inc. increased 38% to \$28.2 million for the nine months ended September 30, 2011, as compared to \$20.4 million for the corresponding period of the prior year.

Basic and diluted earnings per share were \$0.34 and \$0.28 for the three months ended September 30, 2011 and 2010, respectively. Basic and diluted earnings per share were \$0.92 and \$0.67 for the nine months ended September 30, 2011 and 2010, respectively. Weighted average shares outstanding aggregated 30.5 million for both the three and nine month periods ended September 30, 2011, as compared to 30.4 million and 30.3 million for the corresponding periods of the prior year. On a diluted basis, average shares outstanding were 30.7 million for both the three and nine months periods ended September 30, 2011, as compared to 30.6 million and 30.4 million for the corresponding periods of the prior. The increase in shares outstanding is primarily the result of shares issued pursuant to options exercised.

Liquidity and Capital Resources

Our financial position remains strong. At September 30, 2011, working capital aggregated \$209 million and we had a working capital ratio of 2.2 to 1. Cash and cash equivalents and short-term investments aggregated \$30 million.

Cash provided by (used in) operating activities aggregated (\$49.1) million and \$31.3 million for the nine months ended September 30, 2011 and 2010, respectively. For the nine months ended September 30, 2011, working capital items used \$97 million in cash from operating activities, as compared to \$0.5 million in the 2010 period. The \$73 million increase in accounts receivable represents a 75% increase from December 31, 2010 when accounts receivable balances are typically at their lowest level. The accounts receivable balance at September 30, 2011 is up 42% from the June 30, 2011 balance, which is reasonable as sales for the three months ended September 30, 2011 are also up 42% as compared to the three months ended June 30, 2011. The \$74 million increase in inventories for the nine months ended September 30, 2011, as shown on the statement of cash flows, reflects the needed inventory build to support anticipated sales growth and new licensing activities in both European operations and U.S. operations.

Cash flows provided by (used in) investing activities in 2011 reflect the net redemption of \$44.9 million in short-term investments which are certificates of deposit with maturities slightly greater than three months. We also spent approximately \$7.6 million for capital items. Our business is not capital intensive as we do not own any manufacturing facilities. However, we typically spend between \$3 million and \$4 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. Considering our very active 2011 launch schedule, capital expenditures in 2011 are expected to be in the range of \$8 million to \$9.0 million.

INTER PARFUMS, INC. AND SUBSIDIARIES

Our short-term financing requirements are expected to be met by available cash on hand at September 30, 2011, cash generated by operations and short-term credit lines provided by domestic and foreign banks. The principal credit facilities for 2011 consist of a \$15.0 million unsecured revolving line of credit provided by a domestic commercial bank and approximately \$23.0 million in credit lines provided by a consortium of international financial institutions. As of September 30, 2011, short-term borrowings aggregated \$20.4 million.

Our long-term credit facilities provide for principal and interest to be repaid in 20 quarterly installments. As of September 30, 2011, the long-term portion of long-term debt has been repaid and current maturities of long-term debt aggregated \$7.6 million. Proceeds from sale of stock of subsidiary reflect the proceeds from shares issued by our French subsidiary Interparfums, S.A. pursuant to options exercised in 2011. To partially offset the dilution resulting from such issuances, we paid \$0.75 million to repurchase outstanding shares of Interparfums, S.A.

In January 2011, our board of directors authorized an approximate 23% increase in the annual dividend to \$0.32 per share. The next quarterly dividend of \$0.08 per share will be paid on January 13, 2012 to shareholders of record on December 30, 2011. Dividends paid, including dividends paid once per year to noncontrolling stockholders of Interparfums, S.A., aggregated \$10.0 million for the nine months ended September 30, 2011. The annual cash dividend for 2011 is not expected to have any significant impact on our financial position.

We believe that funds provided by or used in operations can be supplemented by our present cash position and available credit facilities, so that they will provide us with sufficient resources to meet all present and reasonably foreseeable future operating needs.

Inflation rates in the U.S. and foreign countries in which we operate did not have a significant impact on operating results for the three month period ended September 30, 2011.

INTER PARFUMS, INC. AND SUBSIDIARIES

Contractual Obligations

The following table sets forth, as of December 31, 2010, 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 1 year | Years 2-3 | Years 4-5 | More than 5 years |
| Long-Term Debt (2) | \$16,800 | \$11,600 | \$5,200 | | |
| Capital Lease Obligations | | | | | |
| Operating Leases | \$29,700 | \$6,900 | \$8,200 | \$5,500 | \$9,100 |
| Purchase obligations(1) | \$1,240,600 | \$140,400 | \$294,800 | \$311,100 | \$494,300 |
| Other Long-Term Liabilities Reflected on the Registrant's Balance Sheet under GAAP | | | | | |
| Total | \$1,287,100 | \$158,900 | \$308,200 | \$316,600 | \$503,400 |

(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, 2010, without consideration for potential renewal periods and do not reflect the fact that our distributors share our advertising obligations.

(2) Includes long-term debt and related interest costs including interest rate swap amounts. Interest due as the result of interest rate swaps is all at a fixed rate and is payable \$0.21 million and \$0.47 million in 2011 and 2012, respectively.

Item 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General

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

Foreign Exchange Risk Management

We periodically enter into foreign currency forward exchange contracts to hedge exposure related to receivables denominated in a foreign currency and to manage risks related to future sales expected to be denominated in a currency other than our functional currency. We enter into these exchange contracts for periods consistent with our identified exposures. The purpose of the hedging activities is to minimize the effect of foreign exchange rate movements on the receivables and cash flows of Interparfums, 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.

INTER PARFUMS, INC. AND SUBSIDIARIES

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

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

At September 30, 2011, we had foreign currency contracts in the form of forward exchange contracts in the amount of approximately U.S. \$68 million and GB pounds 8.1 million which all have maturities of less than one year. We believe that our risk of loss as the result of nonperformance by any of such financial institutions is remote.

Interest Rate Risk Management

We mitigate interest rate risk by monitoring interest rates, and then determining whether fixed interest rates should be swapped for floating rate debt, or if floating rate debt should be swapped for fixed rate debt. We entered into an interest rate swap in September 2007 on €22 million of debt, effectively exchanging 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 September 30, 2011 was €4.4 million. This derivative instrument is recorded at fair value and changes in fair value are reflected in the accompanying consolidated statements of income.

Item 4.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 quarterly report on Form 10-Q (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.

Changes in Internal Control Over Financial Reporting

During the 2nd quarter of 2011, our French subsidiary, Interparfums, S.A. implemented SAP, a new accounting software system for its operations ("SAP System"). The implementation was completed and the SAP System went "live" in May 2011. The SAP System is a fully-integrated set of programs and databases that incorporate order processing, production planning and scheduling, purchasing, accounts receivable, inventory management and accounting. This implementation was subject to various testing and review procedures prior to going "live". In connection with this SAP System implementation, we are updating our internal control over financial reporting, as necessary, to accommodate modifications to our business processes and accounting procedures. Other than described above, 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 quarterly period covered by this report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

INTER PARFUMS, INC. AND SUBSIDIARIES

Part II. Other Information

Items 1. Legal Proceedings, 1A. Risk Factors, 2. Unregistered Sales of Equity Securities and Use of Proceeds, 3. Defaults Upon Senior Securities and 5. Other Information, are omitted as they are either not applicable or have been included in Part I.

Item 6. Exhibits.

The following documents are filed herewith:

| Exhibit No. | Description |
|-------------|--|
| 31.1 | Certifications required by Rule 13a-14(a) of Chief Executive Officer |
| 31.2 | Certifications required by Rule 13a-14(a) of Chief Financial Officer |
| 32.1 | Certification required by Section 906 of the Sarbanes-Oxley Act of Chief Executive Officer |
| 32.1 | Certification required by Section 906 of the Sarbanes-Oxley Act of Chief Financial Officer |
| 101* | Interactive data files |

* XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these Sections.

SIGNATURES

Pursuant to the requirements 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 on the 9th day of November 2011.

INTER PARFUMS, INC.

By: /s/ Russell Greenberg
Executive Vice President and
Chief Financial Officer