interparfums

ANNUAL REPORT
2016

CONTENTS
STRONG GROWTH DRIVERS

Interview of Jean Madar and Philippe Benacin

With more than €365 million in sales and growth of 12% from the prior year, Interparfums had a very good year in 2016. What factors contributed to this performance?

A combination of several successes: the *Montblanc Legend Spirit* line allowed the Montblanc brand to achieve very significant gains of 25% and cross the €100 million milestone. The women's line, *Coach*, launched last year, also registered an excellent score in just one quarter: this performance is very promising for the future. Rochas Fragrances, for its first full year of operations, benefited from stable markets in France and Spain, and successfully completed their integration. Steady trends also benefited Jimmy Choo with the continuing success of the *Jimmy Choo Illicit*, line, after achieving 40% growth in 2015. Another positive point: the good start for *Modern Princess* of Lanvin. Sales for Van Cleef & Arpels fragrances also rose, gaining 9% thanks to steady growth by the *Collection Extraordinaire* line and the launches of the *So First* and *In New York* lines.

And by region?

Generally speaking, with the exception of Eastern Europe, all regions are experiencing significant growth. North America actually outperformed, continuing the growth momentum that began in the 2015 second half driven by the success of the Montblanc lines and the excellent start for Coach fragrances. This brand benefits from strong notoriety as one of the most iconic American brands for luxury leather goods.

Asia has confirmed its renewed upturn, Western Europe registered good results as did South America, despite underlying economic conditions that remain difficult. More specifically, sales in France grew 13%, a particularly good performance within a declining market for perfumes and cosmetics.

Beyond the continuing difficult global economic and geopolitical backdrop, regional market conditions that are more or less favorable, when viewed at local levels, trends demonstrate the vitality of our business and the strength of our approach. Our products are well received because they are particularly well adapted to their markets. Consumers appreciate our products because we know how to imagine beautiful stories that are perfectly aligned with the image and the culture of the brands.

Another highlight in 2016 was Interparfums' addition of a new business and the new universe of fashion with Rochas… How has this integration gone?

Indeed, in parallel with the fragrance business, we also launched the menswear's business. This introduces a different dimension with a design studio and a marketing team that is very engaged and committed to this new business. More broadly, this reflects the Interparfums mindset: highly motivated, good-natured and enthusiastic employees. It was also a year of intense activity in the area of human resources with many recruitments and a very positive atmosphere.

What are the outlook and objectives for 2017?

Prospects for 2017 are positive based on a number of major events on which we have been worked in 2016, starting with the launch of *Mademoiselle Rochas*, the first women's line since Interparfums acquired the brand in 2015. This represents an original project, at the same time romantic and very Parisian, that will contribute to rejuvenating the brand by addressing a new customer target.

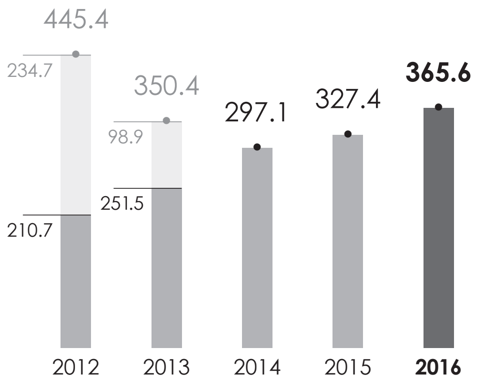
Another major initiative scheduled in the fall is the launch of the men's line, *Coach*. In parallel with the roll-out of the women's line in all countries, this should confirm the success achieved this year.

Also on the agenda for 2017: two important initiatives for Jimmy Choo, the launch of the third pillar of the *Montblanc Legend* line and a new Karl Lagerfeld duo that should positively reposition the brand. Boucheron will also benefit from a refined proposition with a collection comprised of six juices.

In terms of objectives, our guidance for annual sales is €385 million to €390 million for 2017 and 13% to 13.5% for the operating margin, as in 2016. Reflecting the strength of our business, in February 2017, the share price reached a record high and the market capitalization exceeded €1 billion.

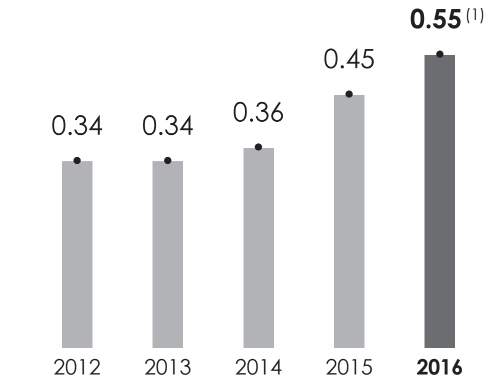
Key figures

With a 25% increase for the year, Montblanc fragrances registered their fifth consecutive year of growth. Sales reached €110 million, driven by the successes of the fragrance lines *Montblanc Legend* (+3%) and *Montblanc Legend Spirit*, launched in early 2016. After the very strong growth in 2015 (+40%), Jimmy Choo fragrances performed well in 2016, with further gains by the *Jimmy Choo Man* line, steady sales for the original *Jimmy Choo* line and the *Jimmy Choo Illicit Flower* line launch. Lanvin fragrances limited the decline in the 2016 first half by achieving stronger sales in the fall, particularly in the Russian market and also with the launch of the *Modern Princess* line in France. For its first full year of activity, Rochas fragrances had €29 million in sales, driven notably by the timeless fragrance *Eau de Rochas* (70% of sales).

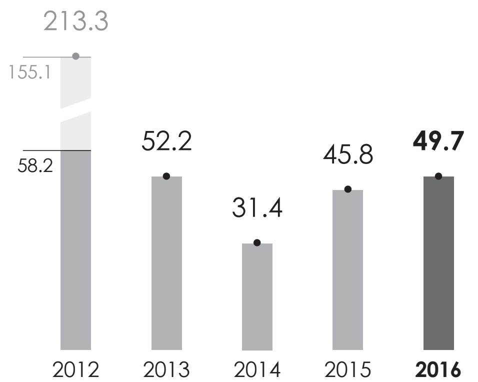


Sales
(€ million)

Recurring sales Burberry sales

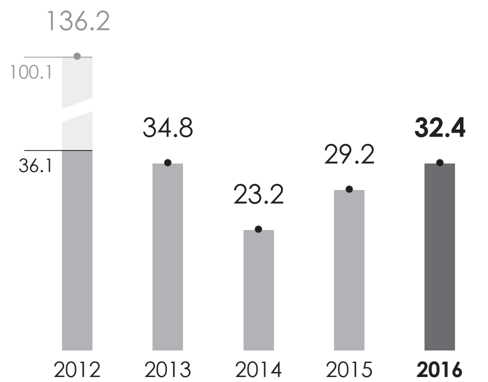


Ordinary dividend per share (2)
(€)



Operating profit
(€ million)

Current operating income
Burberry exit fee payment

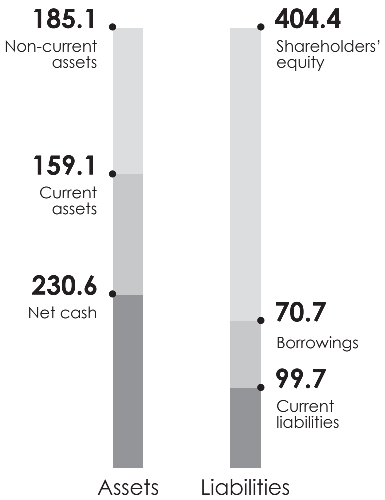


Net income (2)
(€ million)

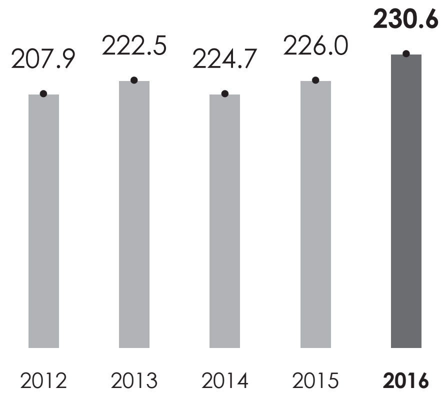
Recurring income
Burberry exit fee payment

Consolidated data at December 31.
(1) Subject to approval by the General Meeting. (2) Restated for bonuses issues.

Growth in North America that has been robust since the 2015 second half remained buoyant throughout 2016, reflecting the success of the *Montblanc Legend* and *Montblanc Legend Spirit* lines as well as the excellent start for Coach fragrances. With double-digit growth, Western Europe and France profited from Rochas fragrances' solid positions and continuing gains by Montblanc fragrances. Asia confirmed its upturn (+11%), driven by Montblanc, Jimmy Choo and Coach fragrances. In Eastern Europe, after declining significantly in the first six months, sales picked up in the second half despite the slowdown in the fragrance and cosmetics market in this region.



Balance sheet highlights
(€ million)



Net cash
(€ million)

At December 31, € thousands	2012	2013	2014	2015	2016
Sales	445,460	350,392	297,087	327,411	**365,649**
International (%)	*92.1%*	*90.1%*	*90.9%*	*91.0%*	*90.9%*
Operating profit	213,314	52,226	31,416	45,825	**49,663**
% of sales	*47.9%*	*14.9%*	*10.6%*	*14.0%*	*13.6%*
Net income	136,188	34,833	23,191	29,152	**32,438**
% of sales	*30.6%*	*9.9%*	*7.8%*	*8.9%*	*8.9%*
Shareholders' equity (attributable to the parent)	344,412	354,515	367,899	387,051	**403,558**
Net cash and current financial assets	207,927	222,471	224,672	225,992	**230,605**
Total assets	534,984	432,278	440,887	568,181	**574,804**
Headcount	205	208	210	223	**257**

January

Investor relations and financial communications award

The company was the recipient of an award for the best Investor Relations in the mid cap segment (*Trophée des Meilleures Relations Investisseurs par une Valeur Moyenne*) for 2015.

Launch of the *Montblanc Legend Spirit* line

The legend continues… a newfound expression of his personality caught in a moment of total freedom and serenity with a new spirited expression of masculinity… *Montblanc Legend Spirit.*

April

Interparfums eligible for PEA-PME

Based on the eligibility criteria for French tax-advantaged PEA-PME savings accounts, as defined by the Implementing Decree No. 2014-283 of March 4, 2014, Interparfums confirmed the eligibility of its shares for inclusion in this new vehicle.

Launch of the *So First* line of Van Cleef & Arpels

A reinterpretation of the soul of *First* with a creation that embodies grace and modernity. A sparkling bouquet made of Jasmine petals and frangipani blossom blended with addictive notes of an intense vanilla infused with creamy sandalwood…

May

Launch of the *Escapade en Méditerranée* line, a limited edition of *Eau de Rochas*

This limited edition of *Eau de Rochas* takes us to the Mediterranean. A modern interpretation of the original fragrance, *Escapade en Méditerranée* invites us on a Chypre Zesty Floral voyage.

Interparfums changes its shareholder registrar services provider

CM-CIC Market Solutions was appointed to provide shareholders registrar services.

June

Bonus share issue

The company proceeded with its 17th bonus share issue on the basis of one new share for every ten shares held.

July

Launch of the *In New York* line of Van Cleef & Arpels

A Fresh and Woody, Aromatic Fragrance. A majestic and timeless perfume that pays tribute to the city of New York! The iconic Van Cleef & Arpels boutique located at 744 Fifth Avenue also inspired this new fragrance for men.

Rochas Fashion womenswear

The company renewed the contract with Alessandro Dell' Acqua as Creative Director for Women's Fashion.

September

Launch of the women's line, *Coach*

The *Coach Eau de Parfum* is inspired by the spontaneous energy and downtown style of New York City. A fragrance full of contrasts, opens with bright, sparkling raspberry, which gives way to creamy Turkish roses, before drying down to a sensual suede musk base note.

Launch of the *Modern Princess* line of Lanvin

A fruity duo of pink apple and red currant with a tangy freshness and crispness. The middle notes offer a blend of jasmine with freesia flower. In the end, the base notes unveil sensual femininity of vanilla orchid with a touch of "femme fatale".

Rochas Fashion Menswear

One year after closing the Rochas brand acquisition, Interparfums announced Béatrice Ferrant's arrival as the Artistic Director for Men's Fashion.

November

Launch of the *Montblanc Lady Emblem Elixir* line

A magic potion… An elixir casting a spell of love… *Lady Emblem Elixir* offers a new vision of the Rose. A potion reputedly having the powers of transforming metals into gold.

December

End of Balmain license

Effective as of December 31, 2016, by mutual agreement Interparfums and Balmain decided to terminate the license agreement entered into in 2012. The final deliveries will cease on March 31, 2017.

2016 milestones and 2017 outlook

The Rochas showroom in Paris

Outlook

With growth of more than 14% in the fourth quarter, sales at the end of 2016 beat expectations, particularly for the Montblanc and Coach brands. The outlook for 2017, that will include notably the spring launch of the *Mademoiselle Rochas* line, the first major initiative since the Rochas brand acquisition in 2015, and the fall launch of the *Coach* men's line, is just as promising. In conjunction with the strength of Montblanc and Jimmy Choo fragrances and recent euro/US dollar exchange rates trends, consolidated sales for 2017 could reach €385 million-€390 million.

The good commercial performance at year-end enabled us to achieve an operating margin of 13.6% for 2016. In 2017, if the favorable euro/US dollar exchange rate is confirmed, we may be able to intensify our investments as part of our continuing focus to develop our brands over the long-term. On that basis, the operating margin is expected to range between 13%-13.5% for 2017.

Management

Philippe Benacin
Chairman
Chief Executive Officer

Angèle Ory-Guénard
Vice President,
Export Sales

Pierre Desaulles
Vice President,
Marketing

Delphine Pommier
Vice President,
Marketing

Frédéric Garcia-Pelayo
Executive Vice
President, Chief
International Officer

Renaud Boisson
Managing Director
Interparfums
Singapore

Board of

Philippe Benacin
Chairman - Chief
Executive Officer

Jean Madar
Director

Maurice Alhadève
Independent
Director

Patrick Choël
Director

Dominique Cyrot
Independent
Director

Committee

Jérôme Thermoz
Vice President,
French Distribution

Stanislas Archambault
Managing Director
Interparfums
Luxury Brands Inc.

Philippe Santi
Executive Vice
President, Chief Financial
and Administrative Officer

Catherine Bénard-Lotz
Chief Legal
Officer

Axel Marot
Vice President,
Supply Chain
& Operations

Directors

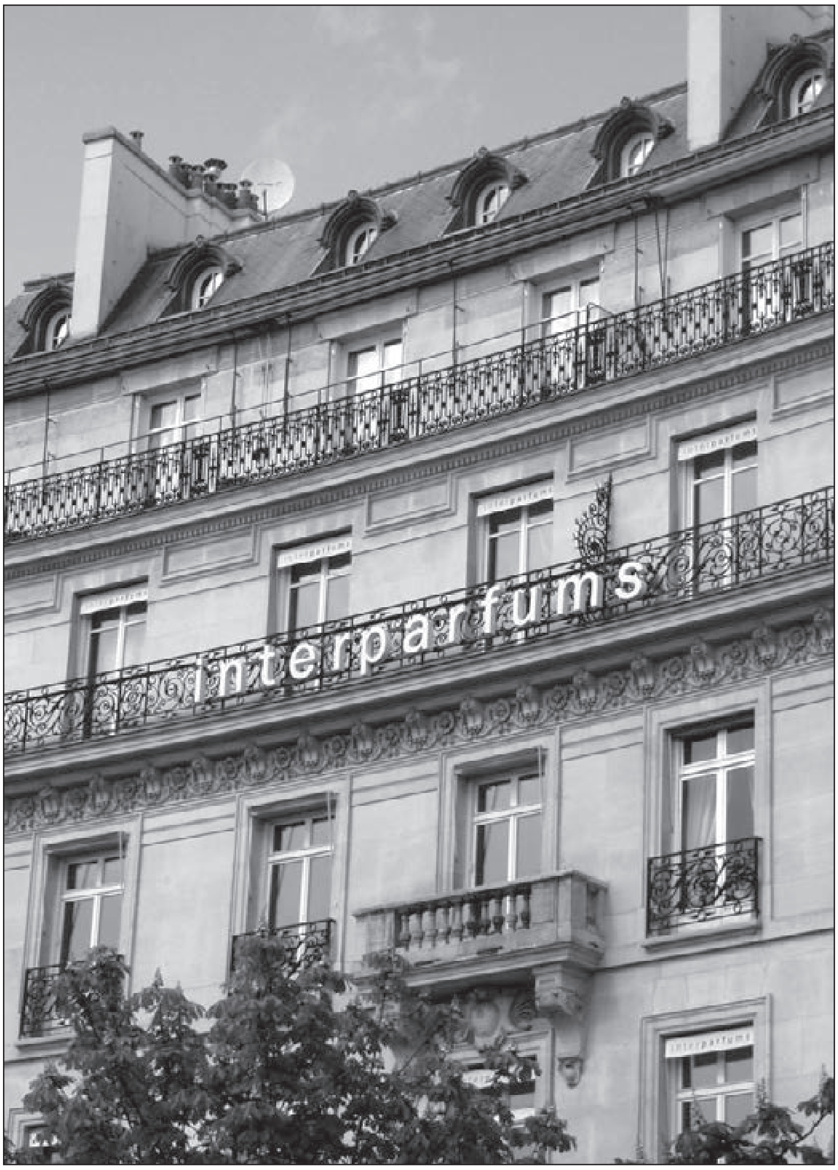
Frédéric Garcia-Pelayo
Director and Executive
Vice President

Chantal Roos
Independent
Director

Philippe Santi
Director and Executive
Vice President

Marie-Ange Verdickt
Independent
Director

Organization and teams



In France

Production & Logistics

The task of managing production, each year, for thousands of product references requires skill in orchestrating and ensuring a harmonious interaction between several activities: technical development, the supply chain, production planning at our subcontractors, logistics, the purchasing division for our promotional products, regulatory oversight for France and export markets. A staff of 36 headed by Axel Marot performs these missions supported by a Quality team to ensure the procedures defined in the specifications are respected.

Marketing

A staff of 36 working under Pierre Desaulles and Delphine Pommier is responsible for this fine-tuned alchemy of the product creation process from the initial idea and conception up to display at points of sale. In close collaboration with the fashion houses, this work is based on achieving just the right balance between imagination, sensitivity and maintaining the coherence of each new product with its brand universe.

Export

A staff of 26 spearheaded by Frédéric Garcia-Pelayo and Angèle Ory-Guénard manages the development of our products throughout the world through distributors that are in turn responsible for retail distribution networks. A task that remains focused on respecting all the criteria imposed by the brands (the choice of the distribution networks, pricing policy, communications strategy, merchandising…) while taking into account the specific cultural codes of each country.

French Distribution

The distribution policy, commercial management, monitoring sales margins and advertising budgets for France are managed by a team of 40 headed by Jérôme Thermoz. Every launch is based on its own specific strategy both with respect to each brand and each retail channel. The primary goal: reach the consumer through strong campaigns and true drivers of differentiation starting with the product's added value.

Finance

A team of 41 managed by Philippe Santi is responsible for this area that covers internal control, financial, statutory and tax accounting management, consolidation, internal control, cash management and collection, human resources, IT, financial communications, shareholder relations, as well as the management of brand licensing agreements and the protection of intellectual property.

Rochas Fashion

A team of 11 integrated the Group with the acquisition of the Rochas brand in May 2015. They are responsible for developing the Rochas brand. Béatrice Ferrant is the Artistic Director for Menswear. Alessandro Dell'Aqua is the Artistic Director for the Womenswear collection, under license, since 2013.

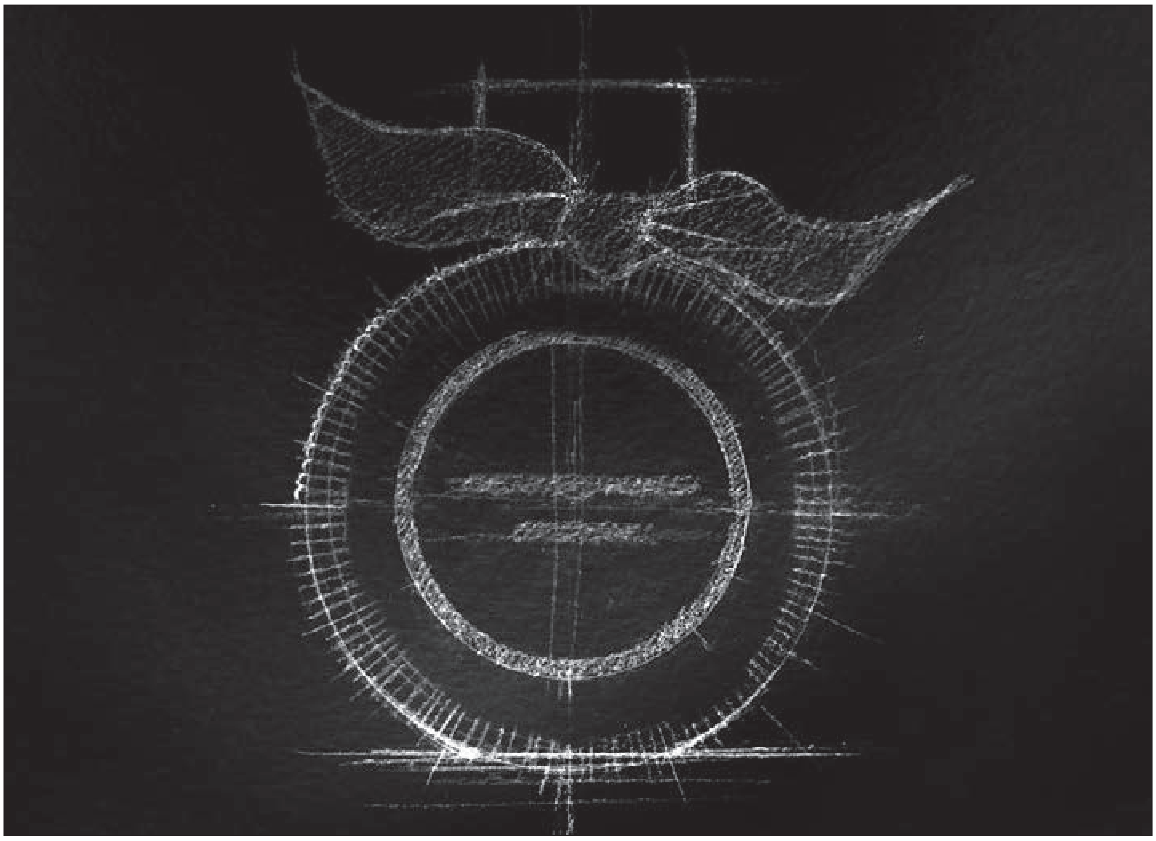
Subsidiaries

Interparfums has distribution subsidiaries in Europe (Interparfums Gmbh in Germany, Interparfums Srl in Italy and Inter España Parfums and Cosmetiques SL and Parfums Rochas Spain in Spain) working in collaboration with local partners.

It also has a standalone distribution subsidiary in the United States (Interparfums Luxury Brands Inc.) managed by a team of 53 headed by Stanislas Archambault.

Finally, development of operations in the Asian market is spearheaded by the Singapore subsidiary (Interparfums Singapore) with a team of 11 headed by Renaud Boisson.

The itinerary of a perfume: our know-how



Imagining, Creating

A perfume is born as an emanation of a brand's universe starting with its codes, identity and even fantasy, it seeks to express both the positioning developed over time and also a precise moment of dialogue between the brand and its public. For each fragrance, Interparfums' marketing team build on these core values to tell a unique story, with a connection to the parent companies.

Through this alchemy, life takes form: from the technical brief defined by the marketing department, the perfumer will assemble the components that will give birth to a unique fragrance. Delicate associations, subtle blends, original combinations: designing a fragrance calls for a unique mix of boldness, reason, experience and imagination.

Manufacturing, Packaging

Bottles, caps, pumps, glass makers, cardboard packaging materials for outside boxes and inner boxes, metallic components. These different components are manufactured by as many as 100 subcontractors. As for the fragrances, they are delivered in concentrated form.

All these phases are spearheaded by the production team who brings to bear their high level of expertise for coordinating and ensuring compliance with the industrial planning process. The entire process is carried out in accord with the principles of ethical and environmental responsibility.

Traceability, transport and distribution

As an interface with commercial teams, the logistics teams then intervene to ensure the traceability of products, their transport, the management of inventories in relation to orders and forecasts: a balancing act of the highest precision.

A specific regional or global distribution strategy is developed for each brand, integrating different cultural approaches according to countries. Interparfums furthermore has a network of loyal and well-established distributors. Partners ensuring the right segment for each fragrance while respecting the specific conditions of the selective distribution market.

The launch

After 18 months of development, the perfume reaches the end of its journey: its meeting with those who embrace its story and wear the fragrance.

Marketing and media campaigns, point-of-sale events… the launch process is designed for each country, well in advance to generate interest and momentum and to create the event.

Brand portfolio

Our missions: developing perfume and cosmetic lines through license agreements with leading luxury brands in close collaboration with their creative and marketing teams.

Our core values: meriting the respect of the prestigious brands that grant us their confidence, creativity in the service of their image, professionalism and high standards in product design and packaging, orchestrating their distribution and promotion.

Our underlying vision: a strategy based on long-term partnerships with all stakeholders for managing the process of creation and production and a streamlined organizational approach with the outsourcing of packaging and logistics.


COACH
NEW YORK


BALMAIN
PARIS
Extatic
TIGER ORCHID

Balmain

In July 2011, Maison Balmain and Interparfums signed a 12-year exclusive worldwide license agreement to create, produce and distribute perfumes under the Balmain brand that commenced on January 1, 2012.

Lines distributed: *Vent Vert* (1947), *Monsieur Balmain* (1964), *Ambre Gris* (2008), *Carbone* (2010), *Ivoire* (2012), *Extatic* (2014) and *Balmain Homme* (2015).

Since 2012, Balmain fragrances have been integrated into the Group's brand portfolio, inaugurated notably by the relaunch of the *Ivoire* line in September 2012 and followed by the *Extatic* line in 2014 and the new men's line, *Balmain Homme* in 2015.

€3.8 million

2016 sales,
% of total sales: 1.0%

Boucheron

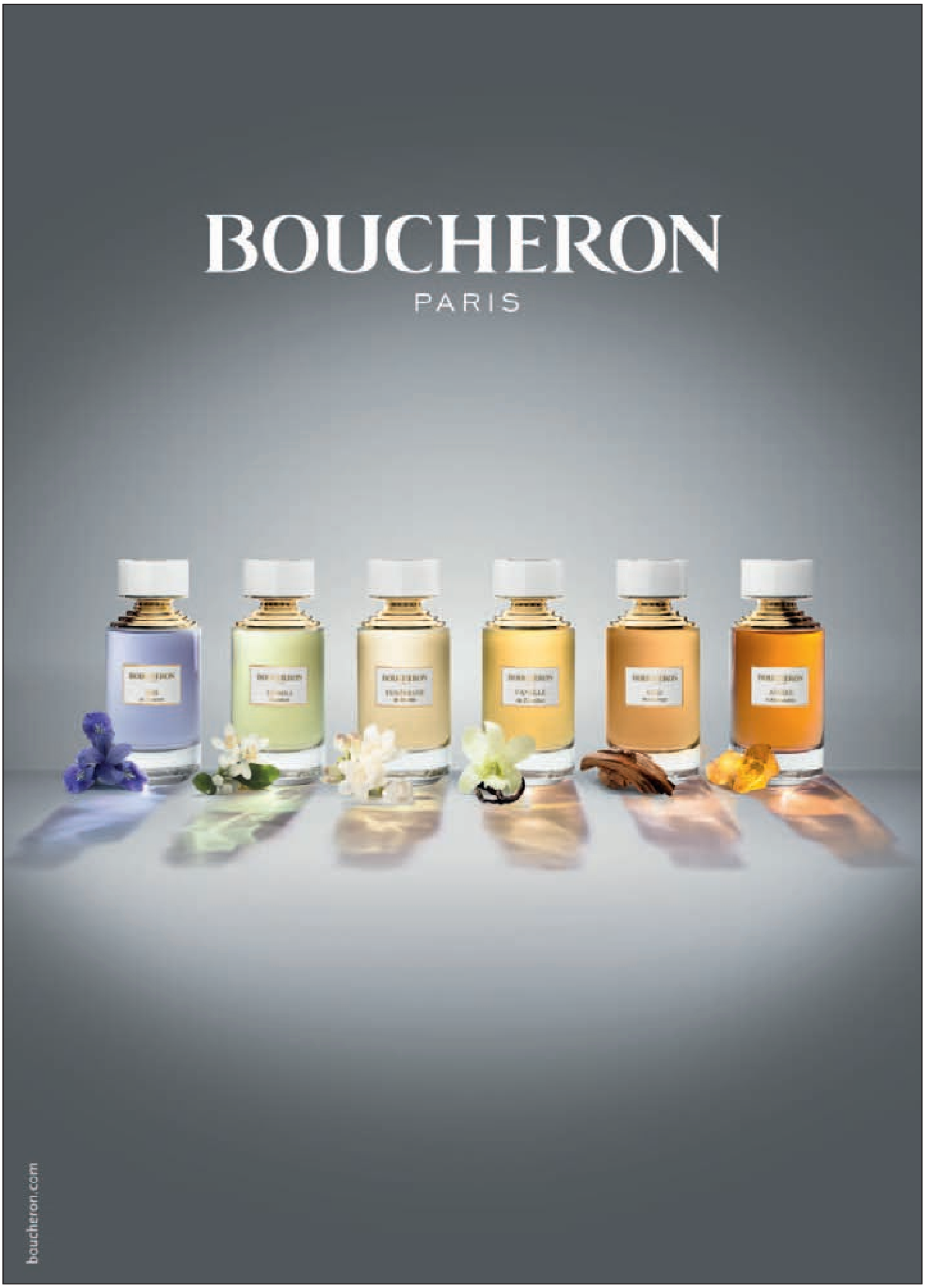
In late December 2010, Boucheron and Interparfums signed a 15-year exclusive worldwide license agreement to create, produce and distribute perfumes under the Boucheron brand that commenced on January 1, 2011.

Lines distributed: *Boucheron Femme* (1988), *Boucheron pour Homme* (1989), *Jaïpur Homme* (1998), *Jaïpur Bracelet* (2012), *Boucheron Place Vendôme* (2013) and *Boucheron Quatre* (2015).

With its historic lines maintaining their positions and the *Boucheron Quatre* line's good performance, sales for Boucheron fragrances amounted to €16 million, representing a limited decline from the prior year.

€16.0 million

2016 sales,
% of total sales: 4.4%


BOUCHERON
PARIS
boucheron.com


CHLOË Grace MORETZ Introducing The NEW FRAGRANCE for HER
COACH
NEW YORK

Coach

In April 2015, Interparfums signed an 11-year worldwide license agreement with Coach Inc., the leading New York design house of modern luxury and fashion accessories and lifestyle collections.

Line distributed: *Coach Eau de Parfum* (2016).

In July 2016, the company launched the first women's line *Coach*, mainly in the United States. Coach fragrances significantly outperformed expectations with more than €20 million in sales in six months.

€20.9 million

2016 sales,
% of total sales: 5.7%

Jimmy Choo

In early October 2009, the Jimmy Choo and Interparfums groups signed a 12-year worldwide license agreement commencing on January 1, 2010 for the creation, development and distribution of fragrances under the Jimmy Choo brand.

Lines distributed: *Jimmy Choo* (2011), *Flash* (2013), *Jimmy Choo Man* (2014), *Jimmy Choo Illicit* (2015) and *Jimmy Choo Illicit Flower* (2016).

Jimmy Choo fragrances performed well in 2016, with further gains by the *Jimmy Choo Man* line, steady sales for the original *Jimmy Choo* line and the *Jimmy Choo Illicit Flower* line launch.

Main 2016 awards

Jimmy Choo Illicit Flower: Star "Shape Beauty Awards" (United States)

€81.7 million

2016 sales,
% of total sales: 22.3%


JIMMYCHOO.COM
JIMMY CHOO
L'EAU
THE NEW FRAGRANCE


KARL
LAGERFELD
PARFUMS
#KARLPARFUMS
KARL
LAGERFELD
KARL
LAGERFELD

Karl Lagerfeld

In October 2012, Karl Lagerfeld, the internationally renowned fashion house, and Interparfums signed a 20-year exclusive worldwide license agreement to create, produce and distribute perfumes under the Karl Lagerfeld brand.

Lines distributed: *Karl Classic* (1978), *Karl Lagerfeld Femme*, *Karl Lagerfeld Homme* (2014) and *Private Klub* (2015).

Karl Lagerfeld fragrances had sales of €6.5 million. The launch of a fragrance duo and a new story is planned for the summer of 2017.

€6.5 million

2016 sales,
% of total sales: 1.8%

Lanvin

In July 2004 Interparfums entered into a 15-year exclusive worldwide license agreement with the company Lanvin to create, develop and distribute fragrances worldwide under the Lanvin name.

At the end of July 2007, Interparfums acquired the Lanvin brand names and international trademarks for class 3 fragrance and make up products from the Jeanne Lanvin SA. company. On the same date, the two companies mutually agreed to terminate the existing licensing contract signed in June 2004.

Lines distributed: *Arpège* (1927), *Lanvin L'Homme* (1997), *Éclat d'Arpège* (2002), *Rumeur 2 Rose* (2008), *Jeanne Lanvin* (2008), *Lanvin L'Homme Sport* (2009), *Marry Me!* (2010), *Jeanne Lanvin Couture* (2012), *Me* (2013), *Éclat d'Arpège Pour Homme* (2015), *Éclat de Fleurs* (2015) and *Modern Princess* (2016).

Lanvin fragrances limited the decline in the 2016 first half by achieving stronger sales in the fall, particularly in the Russian market and also with the launch of the *Modern Princess* line in France.

€56.1 million

2016 sales,
% of total sales: 15.3%


MODERN
PRINCESS
LANVIN
PARIS
LANVIN
www.lanvinparfums.com


MONT BLANC
Lady EMBLEM L'EAU
THE NEW FRAGRANCE FOR WOMEN
Visit & shop Montblanc.com

Montblanc

In early January 2010, Montblanc and Interparfums signed a 10 ½ year exclusive worldwide license agreement to create, produce and distribute perfumes and ancillary products under the Montblanc brand with a commencement date of July 1, 2010.

In October 2015, the two companies decided, to extend their partnership for an additional five years, i.e. until December 31, 2025. A new 10-year agreement entered into effect on January 1, 2016 without any material changes in operating conditions from the prior license.

Lines distributed: *Présence* (2001), *Présence d'une Femme* (2002), *Individuel* (2004), *Femme Individuelle* (2004), *Starwalker* (2005), *Montblanc Legend* (2011) et *Montblanc Legend Femme* (2012), *Montblanc Emblem* (2014), *Lady Emblem* (2015) and *Montblanc Legend Spirit* (2016).

Montblanc fragrances, with a 25% increase for the period, registered their fifth consecutive year of growth: sales reached €110 million, driven by the successes of the fragrance lines *Montblanc Legend* (+3%) and *Montblanc Legend Spirit*, launched in early 2016.

Main 2016 awards

Montblanc Legend Spirit: "Men's Grooming Awards" (United States)
Montblanc Legend: "GQ Editorial Beauty Award" (Spain)
Montblanc Legend: Men's Health Award, "Best Fragrance"(Spain)
Montblanc Lady Emblem Eau de Parfum: Award in international women's fragrance category,"Annual Awards" (Brazil)

€110.0 million

2016 sales,
% of total sales: 30.0%

Paul Smith

In December 1998, Interparfums entered into an exclusive worldwide 12-year license agreement with Paul Smith to create and produce perfumes and cosmetics under the Paul Smith brand.

In July 2008, this agreement was extended for seven years until December 31, 2017 on the basis of comparable contractual terms and conditions.

Lines distributed: *Paul Smith* (2000), *Paul Smith Extrême* (2002), *Paul Smith Rose* (2007), *Paul Smith Man 2* (2010) and *Paul Smith Essential* (2015).

Paul Smith came in on track with the 2016 budget, driven in notably by the *Paul Smith Extrême* and *Paul Smith Rose* lines and with sales that remained largely concentrated in the United Kingdom.

€9.2 million

2016 sales,
% of total sales: 2.5%


PAUL SMITH
ROSE
PAUL SMITH
ROSE


repetto
PARIS
LE BALLET BLANC
THE NEW PERFUMED ACT
repetto
PARIS

Repetto

In 2011, Repetto, the French maker of dance-inspired footwear and fashion accessories, and Interparfums signed a 13-year worldwide license agreement starting on January 1, 2012 for the creation, development and distribution of fragrances under the Repetto brand.

Lines distributed: *Repetto Eau de Toilette* (2013), *Repetto Eau de Parfum* (2014) and *Repetto Eau Florale* (2015).

Repetto, well-established in the French market, had €5 million in sales.

€5.0 million

2016 sales,
% of total sales: 1.4%

Rochas

On March 19, 2015 Interparfums signed an agreement with Procter & Gamble Company to acquire the Rochas brand, mainly for class 3 (cosmetics) and 25 (fashion). On June 1, Interparfums announced the closing of the Rochas brand acquisition (fragrances and fashion) on May 29, 2015.

Lines distributed: *Femme* (1945), *Madame* (1960), *Eau de Rochas* (1970), *Rochas Man* (1990), *Eau de Rochas Homme* (1993), *Tocade* (1994).

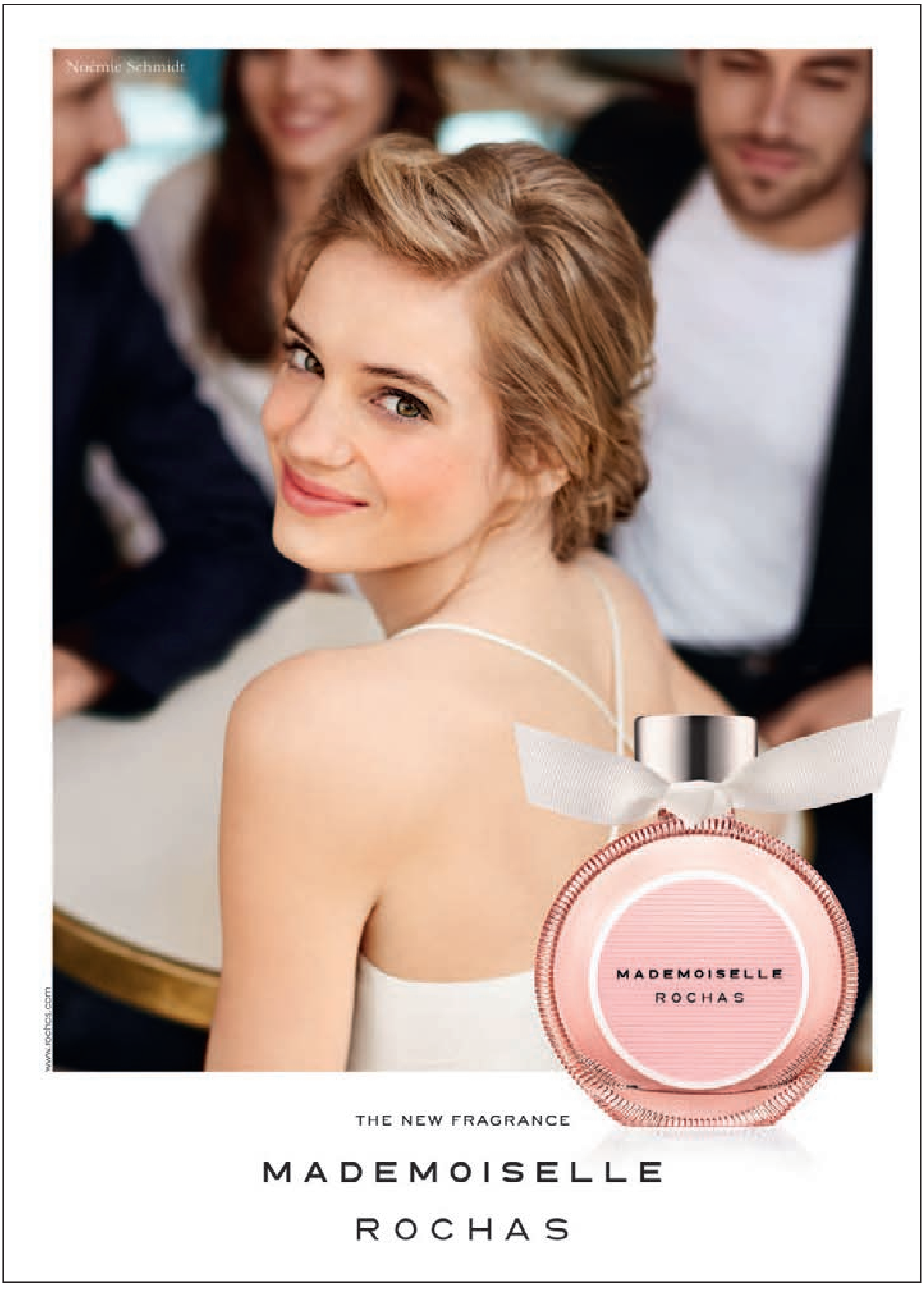
For its first full year of activity, Rochas fragrances had more than €29 million in sales, driven notably by the timeless fragrance *Eau de Rochas* (70% of sales).

Main 2016 awards

Eau de Rochas Escapade en Méditerranée :
Objetivo Bienestar magazine awards “Best Well-Being fragrance” (Spain)

€29.2 million

2016 sales,
% of total sales: 8.0%


MADEMOISELLE
ROCHAS
THE NEW FRAGRANCE
MADEMOISELLE
ROCHAS

La Maison Rochas

Womenswear collection
The discreet charm of a Parisian

Marcel Rochas is French and Parisian. The couturier does not merely feel the era in which he lives. He senses and sometimes even anticipates the era: he knows how to adapt his creations to the women for whom they are destined. He designs articles that are easy to wear and adaptable to all circumstances, for the day or the evening.

Marcel Rochas creations are accordingly designed for two wardrobes: models for the day, simple with clean lines and those for the evening, spectacular and decorative. This approach would become the model for the ideal collection for contemporary designers.

The creations of the Marcel Rochas fashion house (founded in 1925) play with the forms of its customers and adapt to each of them: from one season to the next they can associate and coordinate their wardrobe.

The Rochas Codes

The Guêpière

Chantilly lace

The art of mixtures

The Masculine-Feminine mix

Sportswear Chic

Rochas today

Alessandro Del Acqua

Alessandro dell'Acqua was appointed Creative Director for the womenswear collection in 2013. He has contributed his know how and taste for modern and elegant sensuality to this noble French fashion house.

The women's fashion collections are developed in the couture workshops that respect the tradition of craftsmanship where each model is created using the most luxurious materials. A contemporary style that emphasizes the Rochas' iconic and feminine signature silhouette design. Alessandro Dell'Acqua has succeeded in associating the vision of a modern and sophisticated woman in a manner that fully respects the tradition of the fashion house.

Menswear collection
Luxury, creativity and know how

One year after finalizing the acquisition of the famous Paris fashion and fragrance house, Interparfums is pleased to present in January 2017 its first Menswear collection.

The Fashion House called upon the traditional expertise of the craftsman of French luxury… pleat makers, painters, embroiderers, finishers, dyers…

Béatrice Ferrant, Creative Director, draws from the very essence of creation: the "twisted" volume, bold contrasts, technical materials, graphics and clean lines. She retains a sense of magnitude, a taste for generous volumes; rigorous cuts and respect for the Silhouette, refined details, an explosion of colors, rare and exclusive materials.

With her know-how and understanding of the notion of pleasure, she has constructed stylistic codes that are both contemporary and functional, precise down to the smallest details, giving her a unique style in the universe of French fashion.

The Rochas man

The Rochas man, ingenious, cosmopolitan and fascinating, has a sharp point of view on style. He has a fondness for a wardrobe under influence, devoid of ostentation.

He enjoys playing with the codes of masculinity: wearing a reinterpretation of the tuxedo jacket during the day, or coordinating a leather embroidered perfecto on a cable knit sweater with dress suit trousers.

Each garment made with luxurious and innovative fabrics carries the Rochas signature: an impeccable cut for a sober and elegant style blended with refined details.

The allure is well constructed, timeless, ingenious, creative for an imposing an assertive style, disordered precision and nonchalant elegance. The silhouette is voluntarily intentionally fitted.


S.T. Dupont
PARIS
S.T. Dupont
PARIS
Noble Wood
S.T. Dupont
PARIS
OUD & ROSE
S.T. Dupont
PARIS
ROYAL AMBER
COLLECTION

S.T. Dupont

In July 1997, Interparfums entered into an 11-year exclusive worldwide license agreement with S.T. Dupont to create and produce perfumes under the S.T. Dupont name and distribute them worldwide. In April 2006, this agreement was extended for an additional three years, i.e. until June 30, 2011.

In April 2011 this license agreement was renewed for 5 ½ years to December 31, 2016.

Lines distributed: *S.T. Dupont* (1998), *S.T. Dupont Essence Pure* (2002), *Passenger* (2008), *Passenger Cruise* (2011), *58 Avenue Montaigne* (2012), *S.T. Dupont Paris Saint-Germain*, *So Dupont* (2014) and *Royal Amber* (2016).

S.T. Dupont fragrances had €5 million in sales driven by the *Essence Pure* line, though down on the prior year.

€5.4 million

2016 sales,
% of total sales: 1.4%

Van Cleef & Arpels

At the end of September 2006, Van Cleef & Arpels and Interparfums signed an exclusive worldwide license agreement to manufacture and distribute perfumes and ancillary products under the Van Cleef & Arpels brand name with a 12-year term that took effect on January 1, 2007.

Lines distributed: *First* (1976), *Van Cleef pour Homme* (1978), *Tsar* (1989), *Van Cleef pour Femme* (1994), *Féerie* (2008), *Collection Extraordinaire* (2009), *Oriens* (2010), *Midnight In Paris* (2010), *Rêve* (2013), *Féerie Rubis* (2015), *So First* and *In New York* (2016).

Sales for Van Cleef & Arpels fragrances were up 9% as a result of steady growth by the *Collection Extraordinaire* line (+70%) and the launch of the *So First* and *In New York* lines.

Main 2016 awards

So First Eau de Parfum: "25 Years Bronze prize Beauty Awards" (Japan)

€19.1 million

2016 sales,
% of total sales: 5.2%


Van Cleef & Arpels
HAUTE PARFUMERIE
Van Cleef & Arpels
MOONLIGHT PATCHOULI
COLLECTION
EXTRAORDINAIRE
COLLECTION
EXTRAORDINAIRE
The New Fragrance

Shareholder information

"In a financial market dominated by uncertainty given the global economic environment, the Interparfums share traded at around €20 over the entire first six months of 2016, with daily volume of approximately 10,000 shares. With the bonus share grant of June 16, increased trading volume pushed the share price up to the €23-€24 range. The publication of better-than-expected nine-month sales then drove the share to above €26 at the end of October, representing growth of more than 25% since the start of the year.

In December, following the publication of a favorable outlook and the upward revision of guidance for sales, the share rose significantly, ending the year 2016 at €27.40, up 30% for the period.

The Group's market capitalization at December 31, 2016 reached €970 million: it has since exceeded €1 billion in the 2017 first quarter, following the publication of the definitive figure for 2016 annual sales."

Philippe Santi

Executive Vice President,
Chief Financial and Administrative Officer

Transparency and fair presentation of information

Since it was listed on the Paris Stock Exchange in1995, Interparfums' financial communications strategy has been based on a dual commitment to both transparency and fair presentation. This approach is strengthened by a commitment to dialogue and proximity with a range of both targeted and diversified tools: the annual report included with the registration document, half-year report, letter to shareholders, press releases and financial notices. These publications are supplemented by interactive tools and a platform for online exchange www.interparfums.fr as well as individual and group meetings with shareholders, analysts, journalists, fund managers…

Institutions providing financial research on Interparfums

CM-CIC Securities, Gilbert Dupont, ID Midcaps, Kepler Cheuvreux, Midcap Partners, Natixis Securities, Oddo Midcap.

Upcoming publications

2017 second-quarter sales: July 27, 2017
2017 first-half results: September 7, 2017
2017 third-quarter sales: End of October 2017
2018 outlook: Mid-November 2017
2017 Letter to shareholders: Mid-November 2017
2017 sales: End of January 2018
2017 annual results: Mid-March 2018

Upcoming meetings

Shareholders meeting "Investir", Paris: June 6, 2017
Shareholders meeting, F2iC, Paris: September 7, 2017
Investors Forum, Large & Mid Cap Events Fair, Paris: October 4 & 5, 2017
Actionaria fair, Paris: November 23 & 19, 2017

Shareholder base as of December 31, 2016

Interparfums Inc.: 72.7% – Free float: 27.3%

Interparfums has more than 7,360 individual shareholders and 330 institutional shareholders (with foreign investors representing one third).

Securities market information

Market : Euronext Paris
Market segment: Euronext compartiment B
IPO date: November 1995
ISIN code: FR0004024222 ITP
Stock market indexes: CAC Mid & Small, CAC-PME and eligible for PEA-PME French tax-advantaged savings accounts
Market maker: Oddo Securities

Dividends

At the Annual General Meeting of April 28, 2017, the Board of Directors will propose a dividend of €0.55 per share, a 20.9% increase from 2016 in light of the bonus share issue of June 2016. On this basis, the payout rate would be 60% of net income.

Furthermore, for the 18th consecutive year, a bonus share issue will be carried out in June on the basis, this year, of one new share for every ten shares held.

Dividend for fiscal year: *paid in*	**2014** *2015*	**2015** *2016*	**2016 (1)** *2017*
Dividend per share (€)	0.44	0.50	0.55
Dividend adjusted for bonus share issues (€)	0.36	0.45	0.55
Annual change for the adjusted dividend (%)	+7.6	+25.5	+20.9

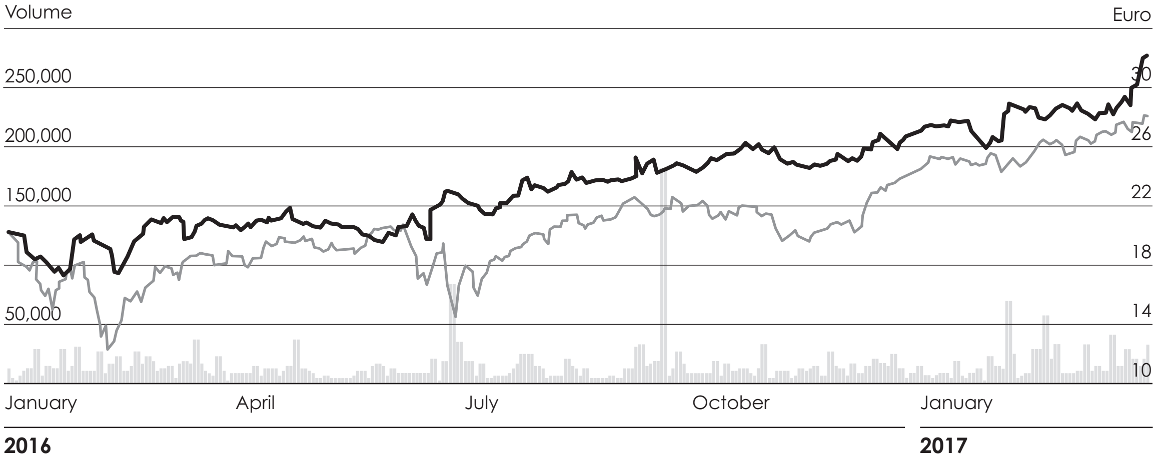
(1) Subject to approval by the General Meeting.

Share price trends

	2014	**2015**	**2016**
Closing price at December 31 (€)	22.45	22.70	27.40
Market capitalization (€m)	654	730	973
Number of shares comprising the capital (m)	29.2	32.2	35.5

Trading activity: Interparfums vs. the CAC Mid & Small index

(source: Boursorama.com)



Condensed financial statements

Consolidated income statement

At December 31, in € thousands,	2015	2016
Sales	**327,411**	**365,649**
Cost of sales	(119,343)	(128,694)
Gross margin	**208,068**	**236,955**
% of sales	*63.5%*	*64.8%*
Selling and administrative expenses	(162,243)	(186,383)
Current operating income	**45,825**	**50,572**
% of sales	*14.0%*	*13.8%*
Other operating expenses and income	-	(909)
Operating profit	**45,825**	**49,663**
% of sales	-	*13.6%*
Net financial expense	(670)	684
Income before income tax	**45,155**	**50,347**
% of sales	*13.8%*	*13.8%*
Income tax	(15,923)	(17,490)
Effective tax rate	*35.3%*	*34.7%*
Net income before non-controlling interests	**29,232**	**32,857**
% of sales	*8.9%*	*9.0%*
Attributable to non-controlling shareholders	80	419
Net income	29,152	32,438
% of sales	*8.9%*	*8.9%*

Consolidated balance sheet

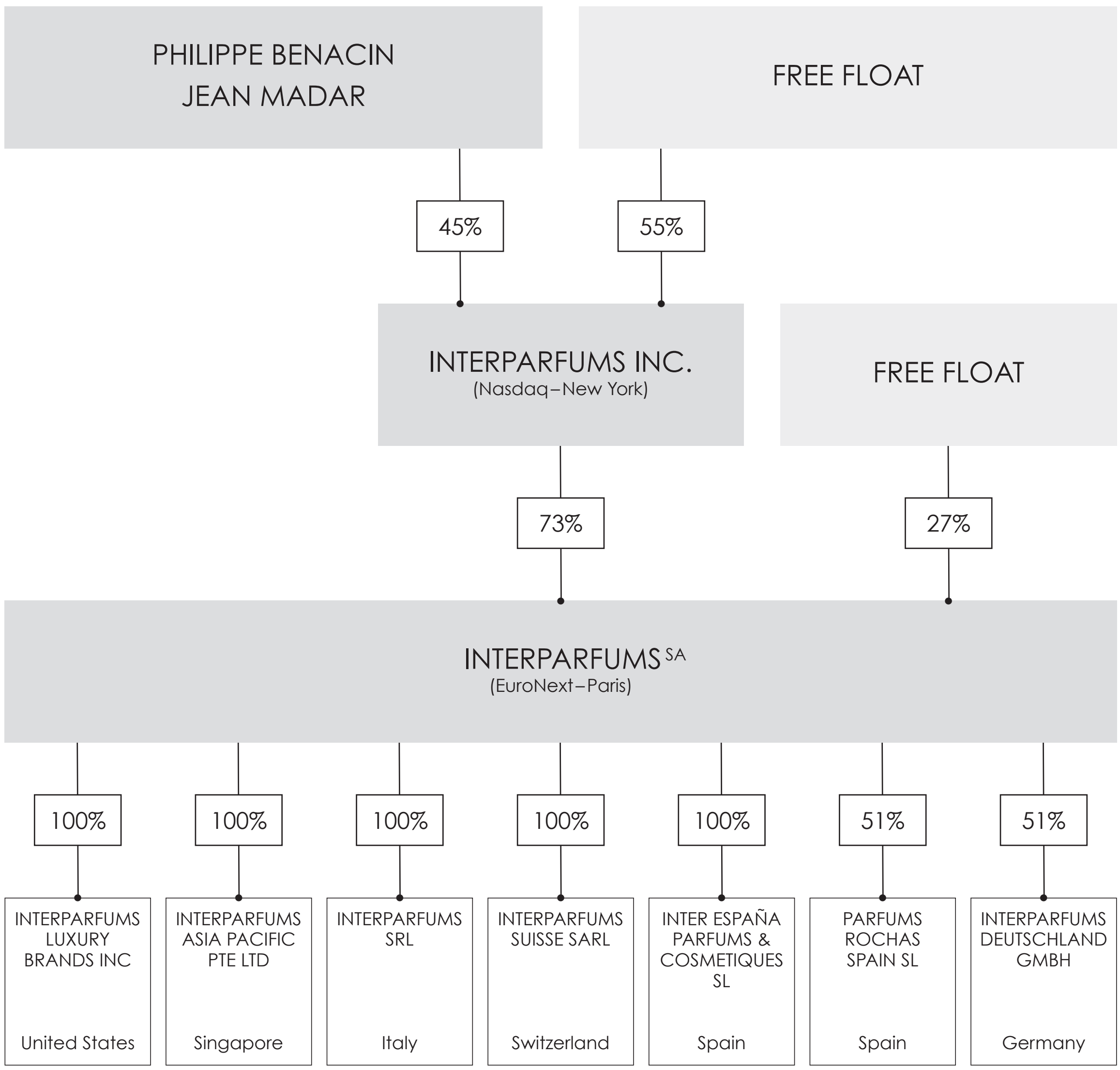
ASSETS

At December 31, in € thousands,	2015	2016
Non-current assets		
Net trademarks and other intangible assets	172,733	162,748
Net property, plant, equipment	5,927	7,025
Financial assets and other non-current financial assets	7,791	8,117
Deferred tax assets	5,605	7,174
Total non-current assets	**192,056**	**185,064**
Current assets		
Inventory and work in progress	70,653	66,328
Trade receivables and related accounts	69,515	76,618
Other receivables and tax assets	9,965	16,189
Cash and cash equivalents	225,992	230,605
Total current assets	**376,125**	**389,740**
Total assets	**568,181**	**574,804**

SHAREHOLDERS' EQUITY & LIABILITIES

At December 31, in € thousands,	2015	2016
Shareholders' equity		
Share capital	96,515	106,526
Additional paid-in capital and reserves	261,384	264,594
Net income for the year	29,152	32,438
Equity attributable to parent company shareholders	**387,051**	**403,558**
Non-controlling interests	429	847
Total shareholders' equity	**387,480**	**404,405**
Non-current liabilities		
Provisions for non-current commitments	5,745	6,940
Non-current borrowings	70,215	50,341
Deferred tax liabilities	2,676	2,565
Total non-current liabilities	**78,636**	**59,846**
Current liabilities		
Trade payables and related accounts	53,730	61,838
Current borrowings	20,357	20,391
Provisions for contingencies and expenses	248	945
Other payables and tax liabilities	27,730	27,379
Total current liabilities	**102,065**	**110,553**
Total shareholders' equity and liabilities	**568,181**	**574,804**

Group organization



interparfums

REGISTRATION DOCUMENT 2016

AMF | AUTORITÉ DES MARCHÉS FINANCIERS

This original French language version of the registration document (*Document de référence*) was filed with the French financial market authority (*Autorité des Marchés Financiers* or AMF) on March 31, 2017 in compliance with article 212-13 of the AMF General Regulation. It may be used in connection with a financial transaction only if accompanied by a memorandum approved by the AMF. The original French language version of this document was prepared by the issuer and is binding on its signatories.

1

Consolidated management report

Historical financial information

In accordance with article 28 of Commission Regulation (EC) 809/2004 implementing the prospectus directive, the following information shall be incorporated by reference in this registration document:

– the consolidated financial statements for the period ended December 31, 2015 prepared in accordance with international accounting standards and the auditors' report on these financial statements, as presented in the chapter "IFRS consolidated financial statements" of the original French language version of the registration document filed with the AMF on March 31, 2016 under No. D.16-0235.

– the consolidated financial statements for the period ended December 31, 2014 prepared in accordance with international accounting standards and the auditors' report on these financial statements, as presented in the chapter "IFRS consolidated financial statements" of the original French language version of the registration document filed with the AMF on April 1, 2015 under No. D.15-0238.

Disclaimer

This English language version of this registration document is a free translation of selected portions of the original "Document de Référence 2016" that was prepared in French. All possible care has been taken to ensure that this translation is an accurate representation of the original the issued in French language and registered on March 31, 2017 by the AMF (French Securities and Exchange Commission). However, in all matters of interpretation of information, views or opinions expressed therein, the original language version of the document in French takes precedence over this translation. In consequence, the translation may not be relied upon to sustain any legal claim, nor be used as the basis of any legal opinion and Interparfums SA expressly disclaims all liability for any inaccuracy herein.

1. ORGANIZATION OF THE COMPANY

1.1. Description of the business

The company creates, manufactures and distributes prestige perfumes based on trademarks acquired on a proprietary basis or license agreements with leading brands in the high-end ready-to-wear, high fashion, jewelry and accessories sectors. This business model based on license agreements consist in obtaining rights granted by a brand name company to Interparfums to use its brand name in exchange for royalty payments typically indexed to sales (see the list of licenses in note 6.2 and proprietary brands in note 6.3 of the consolidated financial statements).

The product design cycle of between 12 and 18 months is assured by the company's marketing and development teams in partnership with the licensor.

In this business model Interparfums outsources the entire production process to manufacturing partners ensuring optimal expertise in their respective areas. These include producers of juice, glass, caps and cardboard boxes and packaging companies.

The company distributes its products worldwide (see note 5.2 of the consolidated financial statements) through wholly-owned distribution subsidiaries or joint ventures, independent companies, subsidiaries of major luxury good corporations and duty free operators.

Product promotion and advertising are assured by Interparfums' marketing departments.

1.2. The selective market

In 2016 the prestige fragrance and cosmetics market in France suffered its worst downturn in ten years, dragged down by the economic situation that remains sluggish, and the decline in tourism.

Sales of perfume, make-up and skincare products in perfumery chains and department stores fell by 3% in France, down to €2.8 billion.

The market has remained weak over the last three years and was particularly affected by declining numbers of foreign tourists in Paris after the terrorist attacks.

As for fragrances, which account for two-thirds of the market, sales fell by 2%, as in 2015, down to €1.89 billion. And with the proliferation of promotions by major retailers limiting the rise of prices.

The average retail price for a perfume in 2016 was €60.30, up only 1.7%.

Conversely, the price of more concentrated high-end and niche scents has continued to rise and fragrances that have been selling at more than €100 a bottle for a number of years have remained buoyant.

Source: NPD Group.

1.3. Annual highlights

January

Investor Relations and financial communications award

The company was the recipient of an award for the best Investor Relations in the mid cap segment (*Trophée des Meilleures Relations Investisseurs par une Valeur Moyenne*) for 2015.

Launch of the *Montblanc Legend Spirit* line

The legend continues… a newfound expression of his personality caught in a moment of total freedom and serenity with a new spirited expression of masculinity… *Montblanc Legend Spirit*.

April

Interparfums eligible for PEA-PME

Based on the eligibility criteria for French tax-advantaged PEA-PME savings accounts, as defined by the Implementing Decree No. 2014-283 of March 4, 2014, Interparfums confirmed the eligibility of its shares for inclusion in this new vehicle.

Launch of the *So First* line of Van Cleef & Arpels

A reinterpretation of the soul of *First* with a creation that embodies grace and modernity. A sparkling bouquet made of Jasmine petals and frangipani blossom blended with addictive notes of an intense vanilla infused with creamy sandalwood…

May

Launch of the *Escapade en Méditerranée* line, a limited edition of *Eau de Rochas*

This limited edition of *Eau de Rochas* takes us to the Mediterranean. A modern interpretation of the original fragrance, *Escapade en Méditerranée* offers an invitation to a Chypre Zesty Floral voyage.

Interparfums changes its shareholder registrar services provider

CM-CIC Market Solutions was appointed to provide shareholders registrar services.

June

Bonus share issue

The company proceeded with its 17th bonus share issue on the basis of one new share for every ten shares held.

July

Launch of the *In New York* line of Van Cleef & Arpels

A Fresh and Woody, Aromatic Fragrance. A majestic and timeless perfume that pays tribute to the city of New York! The iconic Van Cleef & Arpels boutique located at 744 Fifth Avenue also inspired this new fragrance for men.

Rochas Fashion womenswear

The company renews the contract with Alessandro Dell' Acqua as Creative Director for Women's Fashion.

September

Launch of the women's line, *Coach*

The *Coach Eau de Parfum* is inspired by the spontaneous energy and downtown style of New York City. A fragrance full of contrasts, opens with bright, sparkling raspberry, which gives way to creamy Turkish roses, before drying down to a sensual suede musk base note.

Launch of the *Modern Princess* line of Lanvin

A fruity duo of pink apple and red currant with a tangy freshness and crispness. The middle notes offer a blend of jasmine with freesia flower. In the end, the base notes unveil sensual femininity of vanilla orchid with a touch of "femme fatale".

Rochas Fashion menswear

One year after closing the Rochas brand acquisition, Interparfums announced Béatrice Ferrant's arrival as the Artistic Director for Men's Fashion.

November

Launch of the *Montblanc Lady Emblem Elixir* line

A magic potion… An elixir casting a spell of love… *Lady Emblem Elixir* offers a new vision of the Rose. A potion reputedly having the powers of transforming metals into gold.

December

End of Balmain license

Effective as of December 31, 2016, by mutual agreement Interparfums and Balmain decided to terminate the license agreement entered into in 2012. The final deliveries will cease on March 31, 2017.

1.4. Annual operating highlights and key figures

Bolstered by better-than-expected year-end performances, particularly for Montblanc and Coach fragrances, 2016 fourth-quarter sales reached €92.7 million, up 14.3% at current exchange rates and 14.6% at constant exchange rates. Interparfums had in consequence a very good year with annual sales of €365.6 million, up 11.7% at current exchange rates and 12.5% at constant exchange rates from 2015.

1.5. Sales by brand

€m and as a% of sales	**2012**	**2013**	**2014**	**2015**	**2016**
Montblanc	46.1	62.7	83.4	88.1	110.0
	10.35%	*17.99%*	*28.07%*	*26.91%*	*30.09%*
Jimmy Choo	40.1	54.6	59.1	83.4	81.7
	9.00%	*15.67%*	*19.89%*	*25.47%*	*22.35%*
Lanvin	60.4	64.9	68	64.1	56.1
	13.56%	*18.62%*	*22.89%*	*19.58%*	*15.34%*
Rochas (7 months in 2015)	-	-	-	12.1	29.2
	-	-	-	*3.70%*	*7.99%*
Coach (6 months in 2016)	-	-	-	-	20.9
	-	-	-	-	*5.72%*
Van Cleef & Arpels	17.8	19.2	17.8	17.5	19.1
	4.00%	*5.51%*	*5.99%*	*5.35%*	*5.22%*
Boucheron	16.4	17.4	13.9	17.7	16.0
	3.68%	*4.99%*	*4.68%*	*5.41%*	*4.38%*
Paul Smith	11.6	8.9	9	9.5	9.2
	2.60%	*2.55%*	*3.03%*	*2.90%*	*2.52%*
Karl Lagerfeld	-	0.3	18.2	10.4	6.5
	-	*0.09%*	*6.13%*	*3.18%*	*1.78%*
S.T. Dupont	13.8	10.1	12.9	10.3	5.4
	3.10%	*2.90%*	*4.34%*	*3.15%*	*1.48%*
Repetto	-	9.0	9.3	8.0	5.0
	-	*2.58%*	*3.13%*	*2.44%*	*1.37%*
Balmain	1.5	2.5	5.1	4.8	3.8
	0.34%	*0.72%*	*1.72%*	*1.47%*	*1.04%*
Other	237.8	98.9	0.4	0.5	0.7
	53.38%	*28.38%*	*0.13%*	*0.15%*	*0.19%*
Fragrance sales	**445.5**	**348.5**	**297.1**	**326.4**	**363.6**
Rochas fashion license revenues	-	-	-	1.0	2.0
Total sales	**445.5**	**348.5**	**297.1**	**327.4**	**365.6**

With a 25% increase for the period, Montblanc fragrances registered their fifth consecutive year of growth: sales reached €110 million, driven by the successes of the fragrance lines *Montblanc Legend* (+3%) and the launch of *Montblanc Legend Spirit*, launched in early 2016.

After the very strong growth in 2015 (+40%), Jimmy Choo fragrances performed well in 2016, with further gains by the *Jimmy Choo Man* line, steady sales for the original *Jimmy Choo* line and the *Jimmy Choo Illicit Flower* launch.

Lanvin fragrances limited the decline in the 2016 first half by achieving stronger sales in the fall, particularly in the Russian market and also with the launch of the *Modern Princess* line in France.

For its first full year of activity, Rochas fragrances had €29 million in sales, driven notably by the timeless fragrance *Eau de Rochas* (70% of sales).

For their launch, Coach fragrances significantly outperformed expectations with more than €20 million in sales in six months.

Sales for Van Cleef & Arpels fragrances were up 9% as a result of steady growth by the *Collection Extraordinaire* line (+70%) and the launch of the *So First* and *In New York* lines.

With its historic lines maintaining their positions and the *Boucheron Quatre* line's good performance, sales for Boucheron fragrances amounted to €16 million, representing a limited decline from the prior year.

1.6. Sales by region

€m	**2015**	**2016**
North America	75.8	98.1
Western Europe	73.9	83.8
Asia	48.2	53.3
Eastern Europe	38.9	33.7
France	29.5	33.2
Middle East	31.0	32.4
South America	24.1	24.5
Africa	5.0	4.6
Perfume sales	**326.4**	**363.6**
Rochas fashion license revenues	1.0	2.0
Total	**327.4**	**365.6**

Growth in North America that has been robust since the 2015 second half remained buoyant throughout 2016, reflecting the success of the *Montblanc Legend* and *Montblanc Legend Spirit* lines as well as the excellent start for Coach fragrances.

With double-digit growth, Western Europe and France profited from Rochas fragrances' solid positions and continuing gains by Montblanc fragrances.

Asia confirmed its upturn (+11%), driven by Montblanc, Jimmy Choo and Coach fragrances.

In Eastern Europe, after declining significantly in the first six months, sales picked up in the second half despite the slowdown in the fragrance and cosmetics market in this region.

2. CONSOLIDATED FINANCIAL HIGHLIGHTS

2.1. Income statement highlights

€ thousands	**2013**	**2014(1)**	**2015**	**2016**
Sales	350,392	297,087	327,411	365,649
International (%)	*90.1%*	*91.0%*	*90.9%*	*90.9%*
Operating profit	52,226	31,416	45,825	49,663
% of sales	*14.9%*	*10.6%*	*14.0%*	*13.6%*
Net income	34,833	23,191	29,152	32,438
% of sales	*9.9%*	*7.8%*	*8.9%*	*8.9%*

(1) Restated to eliminate the impact of applying IFRIC Interpretation 21.

The gross margin for 2016 rose 14% from the prior year, bolstered by the integration of Rochas fragrances on a full-year basis and the volume effect from selected fragrance lines, including in particular the Montblanc brand.

After reaching a very high level in 2015 due in particular to the US dollar's strong appreciation, the operating margin for 2016 was 13.6% despite growth in marketing and advertising spending (+19%).

2.2. Balance sheet highlights

€m	**2015**	**2016**
Non-current assets	192.1	185.1
Inventories	70.7	66.3
Trade receivables	69.5	76.6
Current financial assets	76.1	89.2
Cash and cash equivalents	149.9	141.2
Group shareholders' equity	387.1	403.5
Borrowings and financial liabilities	90.6	70.7
Trade payables	53.7	61.8

By maintaining strict controls over working capital, the net cash position had risen by more than €25 million to €160 million at year-end. Shareholders' equity exceeded €400 million (70% of total assets).

2.3. Cash flow statement highlights

Key changes in consolidated cash flows:

– a 14% growth in cash flow from the prior year;

– a positive change in working capital reflecting lower inventories;

– an increase in cash investments in vehicles with maturities exceeding three months representing €13.5 million, given the more favorable rates of interest on short-term investments;

– financing activities taking into account the payment of a dividend for fiscal 2015 of €16.1 million and repayment of the annual installment on the Rochas loan for €20 million.

Current cash balances invested in vehicles with maturities of less than three months totaled €141.2 million at December 31, 2016.

In light of current financial assets with maturities exceeding three months, cash totaled €231 million at December 31, 2016, compared to €226 million one year earlier.

3. RISK FACTORS

After performing a review of risks that could potentially have a material adverse effect on its business, financial position or results (or its ability to meet its targets), the Company considers that there do not exist other risks than those presented below.

The map of risks first produced in 2004 and regularly updated since, has made it possible to classify risks into four categories: operating risks, risks related to international operations, environmental and employee-related risks and risks related to the financial environment.

3.1. Operating risks

3.1.1. License agreements

The licensing system which is typical in the perfume and cosmetics industry consists of a brand name company for ready-to-wear or accessories (Montblanc, Boucheron, etc.) granting the licensee (Interparfums) a right to use the brand name in exchange for royalty payments indexed to sales. The associated risk pertains to the possibility for the non-renewal of agreements upon expiration.

In the case of Interparfums, several factors tend to mitigate or eliminate this risk:

– the length of contracts (10 years or more);

– possibility of early renewal;

– diversified portfolio of licensed brands;

– factors specific to the company (sophisticated marketing, distribution network, corporate organization, etc.);

– limited number of potential licensees with a similar profile;

– ongoing efforts to add new licenses in order to limit the weight of existing brands in the portfolio.

Furthermore, the company is the owner of brand names and international trademarks for Lanvin for class 3 products (fragrances) and Rochas for class 3 (fragrances) and class 25 (fashion) which reduces the overall risk of the non-renewal of license agreements.

3.1.2. Market conditions

The creation and distribution of prestige perfumes is a highly competitive sector. The quality of its product portfolio, internal market studies and privileged relations with distributor partners maintained in each of the countries through regular visits, product presentations supported by marketing plans all reduce the risk of a loss of market share.

3.1.3. Sourcing and production

Sourcing of raw materials for the plants is assured by Interparfums' Production Department. Planning for the launch of production lines is regularly updated and monitored with component suppliers combined with recourse to multiple suppliers selected by the company, limit the risk of supply chain disruptions.

Production risks result from the possibility that manufacturing partners might be unable to manufacture products on time for their distribution. To reduce this risk, the company implements production plans early on in the process in partnership with manufacturers. These measures are supplemented by ensuring multiple supplies of molds for bottles and related items as well as a number of production sites.

3.1.4. Insurance

Interparfums has always carried adequate insurance for its activities worldwide under conditions that comply with industry standards, providing global coverage for important risks and activities. Insurance programs were put into place to provide global coverage for various risks and important activities.

This coverage includes:

– property damage and business interruption;

– inventory loss or damage;

– contingent business income coverage;

– civil liability;

– Directors' and officers' liability;

– product liability;

– transport;

– professional travel and automobile insurance;

– it equipment loss or damages;

– specific risks linked to particular events.

Interparfums purchases supplemental insurance when required, either in compliance with the law or more specifically to cover business risks or risks arising from specific circumstances.

Insurance coverage is overseen by a specialized broker and spread among four major European insurers.

All these risks are covered through outside insurance providers.

3.2. International business risks

3.2.1. Currency risks

Because a significant portion of Group sales is in foreign currencies, it incurs a risk from exchange rate fluctuations, primarily from the US dollar (41.2% of sales) and to a lesser extent the Pound sterling (6.6% of sales) and the Japanese yen (1.5% of sales).

The Group's exchange rate risk management policy seeks to cover trade receivables of the period in US dollars, pounds sterling and Japanese yens. To this purpose, the company has recourse to forward sale agreements according to procedures that prohibit any transactions of speculative nature.

Financial instruments used by the Group to manage its foreign exchange exposure are described in note 3.14.3 of the consolidated financial statements.

3.2.2. Country risks

With sales in more than 100 countries, Interparfums regularly reassesses country risks.

For the past few years, the company has incurred no significant default on payments in countries considered at risk.

Given our collections policies, receivables monitoring and the quality of our distributors' financial health, no country risk reserve allocations were made in the financial statements for the year ended December 31, 2016.

Furthermore, since November 2014, in order to limit the risks of default, and in a context of increasing geopolitical instability, the company has taken out a credit insurance policy with Coface for its export-related accounts receivable.

3.3. Employee-related risks

In light of the company's organizational structure, the role of personnel is decisive. To foster personnel retention and raise the level of expertise and service provided to customers, the company has developed a strong corporate culture and implemented a system for employee management and motivation based on a combination of tools including variable compensation, restricted share unit plans (bonus shares) available to all personnel, annual review meetings, training, etc.

The company has a very low rate of employee turnover and absenteeism (refer to the section "social responsibility" of this document).

3.4. Trade and financial risks

3.4.1. Customer risks

Trade receivable collection risks are managed from the inception of the receivable by maintaining a good knowledge of the company's market and customer base and limiting the volume of orders for new customers. In addition, this risk is further reduced by a diversified customer base with 100 customers accounting for 80% of sales. Balances of outstanding trade receivables are monitored daily, and collection procedures are immediately implemented.

3.4.2. Risks of default

The risk of the company not meeting its financial commitments is low in light of a cash position net of debt of approximately €160 million representing nearly 28% of total assets at December 31, 2016.

Interest rate risks on floating-rate loans are covered by interest rate swaps.

Financial instruments used by the Group to manage interest rate risk are described in note 3.14.1 of the consolidated financial statements.

3.4.3. Liquidity risk and covenants

A prudent management of liquidity risk implies maintaining a sufficient level of liquidity and the availability of financial resources through the appropriate types of credit lines. Given its extremely significant cash position, the company considers that it has the resources to meet its future commitments. Maturities for financial assets and liabilities are presented in note 3.14.2 of the consolidated financial statements.

Loans obtained by the company are subject to obligations under covenants. These ratios are calculated every year to verify compliance with these contractual obligations. A breach of these ratios could render these loan facilities subject to an obligation of immediate prepayment. However, as the result of these calculations is considerably above the required minimums, the company classifies the risk bridging these covenants as a very low. Covenants in force are described in note 3.10.3 of the consolidated financial statements.

3.4.4. Equity risks

Equity shares held are linked to a liquidity agreement entrusted to a brokerage firm on the one hand and the repurchase of shares for remittance to employees as part of a plan for restricted stock awards, on the other hand. They are recorded in the consolidated financial statements at acquisition cost as a charge under shareholders' equity.

The portfolio of marketable securities includes primarily money market funds that do not include an equity component. The Group does not use hedging instruments to cover these positions.

3.4.5. Valuation risks

A significant share of the company's assets consists of intangible assets whose value depends in large part on future operating performances. The valuation of intangible assets also implies recourse to objective judgments and complex estimates concerning items uncertain by nature. If a change occurs in the underlying assumptions on which this valuation is based, a reduction in the value of shareholders' equity will be recorded. The impact of such adjustment would however be extremely limited.

3.4.6. Risk associated with inadequate internal controls

Effective procedures applied by all Group companies and for all areas of financial risks identified are reassessed annually in compliance with the Financial Security Act (*Loi de Sécurité Financière*).

These internal controls are reinforced in France by application of the Sarbanes Oxley Act within the framework of the regulatory obligations of Interparfums Inc. (parent company of Interparfums SA) and its listing on NASDAQ (see section 3 "Corporate governance", chapter 6 "internal control" of this registration document).

3.4.7. Information technology risks

Interparfums and its subsidiaries have an ERP application providing integrated sales, production and accounting management capabilities. This system makes it possible to monitor information in real-time and reduce the risk of data loss and errors from multiple entries.

The company's computer system is subject to risks of breakdown, electrical power outages, computer viruses and data theft. To reduce such risks, the company has robust security systems (power converters, firewall, anti-virus programs, etc.) and has implemented business continuity and IT recovery plans. These plans contribute to improved computer performances and include a fault tolerance system for restoring normal operations in a few minutes.

3.4.8. Litigation and other risks

These risks are managed by regularly monitoring legal and regulatory developments and by taking measures to avoid exposure to potential criminal liability and risks related to commercial law and intellectual property rights. The company's legal department also manages litigation and disputes in close collaboration with outside legal counsel and attorneys, as well as the drawing up and reviewing the main contracts of the company.

A tax audit of 2012 of the French company resulted in a tax deficiency notification amounting to €6 million at the end of 2015.

After the company filed a formal challenge of these tax deficiency notifications and provided additional information and explanations, the tax authorities reduced this tax adjustment to €800,000 in May 2016. This tax adjustment concerned mainly the rates for royalties and commissions paid to certain Group subsidiaries.

The impact of this tax adjustment for the 2013, 2014 and 2015 financial years resulted in the recognition of an additional tax expense of €800,000, increasing the total amount of the tax adjustment to €1.6 million at December 31, 2016.

As these rates were adjusted starting with fiscal 2016, the company does not anticipate any tax contingencies of this nature for the following years.

There are no other legal, judicial or arbitration proceedings (including any that are pending or threatened of which the company is aware), which may have or have had during the past 12 months, a material effect on the financial position or profitability of the company and/or group.

4. CORPORATE SOCIAL RESPONSIBILITY

Information on corporate responsibility presenting Group's commitments and employee-related, social and environmental areas is provided in Part 4 of this document.

5. DIVIDENDS

Since 1998, the company has adopted a policy of distributing dividends that today represent approximately 50% of consolidated earnings, destined to reward shareholders while at the same time associating them with the Group's expansion. In early May 2016, a dividend of €0.50 per share was paid or a total of €16.1 million.

Dividends

Dividend for fiscal year: Paid in:	**2012** 2013 (1)	**2013** 2014	**2014** 2015	**2015** 2016
Dividend per share	€0.54	€0.49	€0.44	€0.50
Dividend adjusted for bonus share issues	€0.34	€0.34	€0.36	€0.45
Annual change for the adjusted dividend	18.80%	-	7.80%	25.00%

(1) Excluding the exceptional dividend.

6. PURCHASES BY THE COMPANY OF ITS OWN SHARES

In compliance with article 241-1 *et seq.* of the AMF General Regulation, this paragraph describes the share buyback program that will be submitted for authorization to the shareholders' Meeting of April 28, 2017.

6.1. Purpose of the new share repurchase authorization

The shareholders meeting of April 28, 2017 is called to renew through its eighth resolution the authorization granted to the Board of Directors to purchase and sell shares of the company for the following purposes:

– market making in the secondary market or ensuring the liquidity of the Interparfums share with an investment services provider through a liquidity agreement complying with the conduct of business rules of the French association of financial market professionals (AMAFI) recognized by the AMF;

– retaining shares purchased for subsequent use in exchange or as payment for acquisitions;

– ensuring sufficient shares are available to cover bonus share plans (or equivalent plans) to the benefit of employees and/or corporate officers of the Group as well as all share grants in connection with a company or group employee savings plan (or equivalent plan), employee profit-sharing schemes and/or all other forms of share grants to employees and/or corporate officers of the Group;

– ensuring that sufficient shares are available to cover requirements for securities granting entitlement to shares of the company in accordance with applicable regulations;

– canceling shares, as applicable, acquired in accordance with the authorization granted by the eighth extraordinary resolution of the shareholders' General Meeting of April 22, 2016.

6.2.
Maximum percentage of capital – Maximum purchase price

Excerpt of the eighth resolution to be submitted for approval to the shareholders meeting of April 28, 2017:

The General Meeting, having reviewed the Board of Directors' report, grants an authorization for eighteen months in accordance with the provisions of articles L.225-209 *et seq.* of the French Commercial Code, to purchase, on one or more occasions at times of its choosing up to 5% shares of the company making up the share capital, where applicable adjusted to take into account increases or reductions in the share capital that may be carried out during the period the share buyback authorization is in force.

The maximum purchase price is €40 per share; In the case of equity transactions including notably stock splits or reverse stock splits or bonus share grants, the amount indicated above will be adjusted in the same proportions (with the multiplier being equal to the ratio between the number of shares making up the share capital before the transaction and the number of shares thereafter).

The maximum amount for the purchase of shares under this authorization is €71,017,568.

6.3.
Duration of the share buyback program

In compliance with the provisions of the eighth resolution to be submitted to the shareholders meeting of April 28, 2017, the authorization to implement this share buyback program is granted for 18 months from the date of this meeting or no later than October 28, 2018.

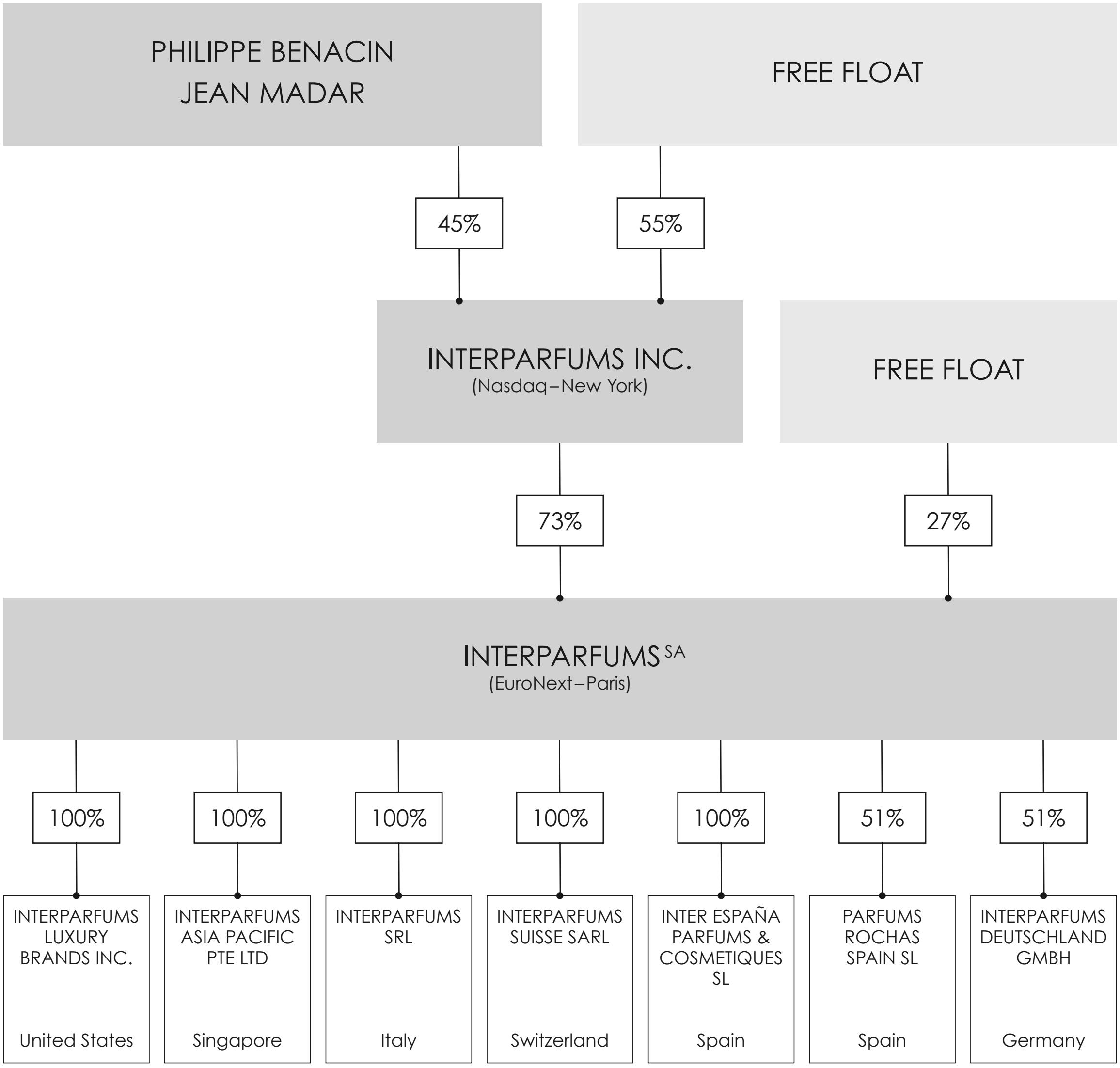
If one of the characteristics of the description of this program is modified during the period of its duration, the public shall be notified of this modification in accordance with the provisions set forth in article L.212-13 of the AMF General Regulation.

6.4.
Summary of the previous share buyback program

Transactions for 2016 under the share buyback program are described in note 3.8.4 Treasury shares to the consolidated financial statements.

7.
GROUP ORGANIZATION

The shareholder base of Interparfums Inc. at December 31, 2016 was as follows:



8. REAL ESTATE PROPERTIES

Interparfums does not own any real estate properties. Both the headquarters in Paris and the warehousing site in Rouen are rented. The manufacturing and packaging sites are owned by subcontractors.

9. MARKET SHARE AND COMPETITION

Market share

In France, Interparfums attained roughly a 2% share of the selective distribution market of prestige perfumes. In certain countries such as the United States, the United Kingdom, Russia or China, the company estimates its market share of total French perfume imports at between 1% and 4%.

Source: Internal estimates.

Competition

Interparfums operates in a sector dominated by ten major historic players in the perfume and cosmetics market that have fragrance divisions with billions of euros in sales. There exist around ten mid-size players like Interparfums also operating in this segment with sales ranging between €100 million and €1 billion.

While Interparfums has also developed a brand portfolio in the luxury universe, it has adopted a markedly different approach with a business model based on methodical long-term development focused on creation and building customer loyalty rather than volume and advertising.

10. POST-CLOSING EVENTS

None.

11. 2017 OUTLOOK

With growth of more than 14% in the fourth quarter, sales at the end of 2016 beat expectations, particularly for the Montblanc and Coach brands. The outlook for 2017, that will include notably the spring launch of the *Mademoiselle Rochas* line, the first major initiative since the Rochas brand acquisition in 2015, and the fall launch of the Coach men's line, is just as promising. In conjunction with the strength of Montblanc and Jimmy Choo fragrances and recent euro/US dollar exchange rates trends, consolidated sales for 2017 could reach €385 million-€390 million.

The good commercial performance at year-end enabled us to achieve an operating margin of 13% for 2016. In 2017, if the favorable euro/US dollar exchange rate is confirmed, the company may intensify its investments as part of its continuing focus to develop its brands over the long-term; On that basis, the operating margin is not expected to exceed 13%-13.5% for 2017.

2

Consolidated financials statements

Consolidated income statement

€ thousands, except per share data which is in units	**Notes**	**2015**	**2016**
Sales	4.1	**327,411**	**365,649**
Cost of sales	4.2	(119,343)	(128,694)
Gross margin		**208,068**	**236,955**
% of sales		*63.5%*	*64.8%*
Selling expenses	4.3	(149,954)	(172,821)
Administrative expenses	4.4	(12,289)	(13,562)
Current operating income		**45,825**	**50,572**
% of sales		*14.0%*	*13.8%*
Other operating expenses	4.5	-	(6,309)
Other operating income	4.5	-	5,400
Operating profit		**45,825**	**49,663**
% of sales		*14.0%*	*13.6%*
Financial income		2,242	2,555
Interest and similar expenses		(2,182)	(1,965)
Net borrowing costs		**60**	**590**
Other financial income		9,216	6,654
Other financial expense		(9,946)	(6,560)
Net financial income (expense)	4.6	**(670)**	**684**
Income before income tax		**45,155**	**50,347**
% of sales		*13.8%*	*13.8%*
Income tax	4.7	(15,923)	(17,490)
Effective tax rate		35.3%	34.7%
Net income		**29,232**	**32,857**
% of sales		*8.9%*	*9.0%*
Attributable to non-controlling shareholders		**80**	**419**
Net income		**29,152**	**32,438**
% of sales		*8.9%*	*8.9%*
Net earnings per share [1]	4.8	0.90	0.98
Diluted earnings per share [1]	4.8	0.90	0.98

(1) Restated for bonus share grants.

Consolidated statement of comprehensive income and expense

€ thousands	**2015**	**2016**
Consolidated net profit for the period	**29,232**	**32,857**
Available-for-sale assets	-	-
Currency hedges	-	(30)
Deferred tax arising from items able to be recycled	-	10
Items able to be recycled in profit or loss	**-**	**(20)**
Actuarial gains and losses	(454)	(630)
Deferred taxes on items unable to be recycled	156	217
Items unable to be recycled in profit or loss	**(298)**	**(413)**
Other comprehensive income total	**(298)**	**(433)**
Comprehensive income for the period	**28,934**	**32,424**
Attributable to non-controlling shareholders	80	419
Attributable to equity holders of the parent	**28,854**	**32,005**

Consolidated balance sheet

Assets

€ thousands	**Notes**	**2015**	**2016**
Non-current assets			
Net trademarks and other intangible assets	3.1	172,733	162,748
Net property, plant, equipment	3.2	5,927	7,025
Long-term investments		1,975	2,951
Other non-current financial assets	3.3	5,816	5,166
Deferred tax assets	3.11	5,605	7,174
Total non-current assets		**192,056**	**185,064**
Current assets			
Inventory and work in progress	3.4	70,653	66,328
Trade receivables and related accounts	3.5	69,515	76,618
Other receivables	3.6	8,601	14,631
Corporate income tax		1,364	1,558
Current financial assets	3.7	76,097	89,367
Cash and cash equivalents	3.7	149,895	141,238
Total current assets		**376,125**	**389,740**
Total assets		**568,181**	**574,804**

Shareholders' equity & liabilities

€ thousands	**Notes**	**2015**	**2016**
Shareholders' equity			
Share capital		96,515	106,526
Additional paid-in capital		459	874
Retained earnings		260,925	263,720
Net income for the year		29,152	32,438
Equity attributable to parent company shareholders		**387,051**	**403,558**
Non-controlling interests		429	847
Total shareholders' equity	3.8	**387,480**	**404,405**
Non-current liabilities			
Provisions for non-current commitments	3.9	5,745	6,940
Non-current borrowings	3.10	70,215	50,341
Deferred tax liabilities	3.11	2,676	2,565
Total non-current liabilities		**78,636**	**59,846**
Current liabilities			
Trade payables and related accounts	3.12	53,730	61,838
Current borrowings	3.10	20,357	20,391
Provisions for contingencies and expenses	3.9	248	945
Income tax		6,199	2,069
Other liabilities	3.12	21,531	25,310
Total current liabilities		**102,065**	**110,553**
Total shareholders' equity and liabilities		**568,181**	**574,804**

Statement of changes in shareholders' equity

€ thousands

	Number of shares	Share capital	Paid-in capital	Other compre-hensive income	Retained earnings and net income	Total equity		
						Group share	Non-controlling interests	Total
At December 31, 2014 (1) (2)	**29,084,374**	**87,460**	**26**	**(574)**	**280,987**	**367,899**	**111**	**368,010**
Bonus share issue	2,919,269	8,759	(467)	-	(8,292)	-	-	-
Shares issued on exercise of stock options	98,995	296	900	-	-	1,196	-	1,196
2015 net income	-	-	-	-	29,152	29,152	80	29,232
Change in actuarial gains and losses on provisions for retirement liabilities	-	-	-	(298)	-	(298)	-	(298)
2014 dividend paid in 2015	-	-	-	-	(12,814)	(12,814)	-	(12,814)
Treasury shares	(16,905)	-	-	-	(378)	(378)	-	(378)
Changes in Group structure of consolidated operations	-	-	-	-	-	-	238	238
Currency translation adjustments	-	-	-	-	2,277	2,277	-	2,277
Other changes	-	-	-	-	17	17	-	17
As of December 31, 2015 (2)	**32,085,733**	**96,515**	**459**	**(872)**	**290,949**	**387,051**	**429**	**387,480**
Bonus share issue	3,219,038	9,657	(646)	-	(9,011)	-	-	-
Shares issued on exercise of stock options	118,014	354	1,061	-	-	1,415	-	1,415
2016 net income	-	-	-	-	32,438	32,438	418	32,856
Change in actuarial gains and losses on provisions for retirement liabilities	-	-	-	(413)	-	(413)	-	(413)
Remeasurement of financial instruments at fair value	-	-	-	(20)	-	(20)	-	(20)
2015 dividend paid in 2016	-	-	-	-	(16,051)	(16,051)	-	(16,051)
Treasury shares	(74,783)	-	-	-	(1,394)	(1,394)	-	(1,394)
Currency translation adjustments	-	-	-	-	532	532	-	532
As of December 31, 2016 (2)	**35,348,002**	**106,526**	**874**	**(1,305)**	**297,463**	**403,558**	**847**	**404,405**

(1) Restated to eliminate the impact of applying IFRIC interpretation 21 presented in note 1.3.

(2) Excluding treasury shares.

Statement of cash flows

€ thousands	2015	2016
Cash flows from operating activities		
Net income	29,232	32,856
Depreciation, amortization and other	13,308	17,039
Capital (gains) losses on fixed assets disposals	-	-
Net finance costs	(60)	(590)
Tax charge of the period	15,923	17,490
Operating cash flows	**58,403**	**66,795**
Interest expense payments	(1,950)	(2,023)
Tax payments	(13,449)	(22,162)
Cash flow after interest expense and tax	**43,004**	**42,610**
Change in inventory and work in progress	(10,172)	2,950
Change in trade receivables and related accounts	(12,426)	(6,425)
Change in other receivables	(2,514)	(6,324)
Change in trade payables and related accounts	8,908	7,807
Change in other current liabilities	6,683	4,769
Change in working capital needs	**(9,521)**	**2,777**
Net cash flows provided by (used in) operating activities	**33,483**	**45,387**
Cash flows from investing activities		
Net acquisitions of intangible assets	(108,085)	(1,179)
Net acquisitions of property, plants and equipment	(2,451)	(3,054)
Net acquisitions of marketable securities (>3 months)	80,346	(13,513)
Changes in investments and other non-current assets	468	(326)
Net cash flows provided by (used in) investing activities	**(29,722)**	**(18,072)**
Cash flow from financing activities		
Issuance of borrowings and new financial debt	100,000	-
Debt repayments	(10,000)	(20,004)
Dividends paid to shareholders	(12,815)	(16,051)
Capital increases	1,196	1,415
Treasury shares	(299)	(1,332)
Net cash flows provided by (used in) financing activities	**78,082**	**(35,972)**
Change in net cash	**81,843**	**(8,657)**
Cash and cash equivalents, beginning of year	68,052	149,895
Cash and cash equivalents, end of year	**149,895**	**141,238**

The reconciliation of net cash breaks down as follows:

€ thousands	2015	2016
Cash and cash equivalents	149,895	141,238
Current financial assets	76,097	89,367
Net cash and current financial assets	**225,992**	**230,605**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Annual highlights

January

Investor relations and financial communications award

The company was the recipient of an award for the best Investor Relations in the mid cap segment (*Trophée des Meilleures Relations Investisseurs par une Valeur Moyenne*) for 2015.

Launch of the *Montblanc Legend Spirit* line

The legend continues… a newfound expression of his personality caught in a moment of total freedom and serenity with a new spirited expression of masculinity… *Montblanc Legend Spirit*.

April

Interparfums eligible for PEA-PME

Based on the eligibility criteria for French tax-advantaged PEA-PME savings accounts, as defined by the Implementing Decree No. 2014-283 of March 4, 2014, Interparfums confirmed the eligibility of its shares for inclusion in this new vehicle.

Launch of the *So First* line of Van Cleef & Arpels

A reinterpretation of the soul of *First* with a creation that embodies grace and modernity. A sparkling bouquet made of Jasmine petals and frangipani blossom blended with addictive notes of an intense vanilla infused with creamy sandalwood…

May

Launch of the *Escapade en Méditerranée* line, a limited edition of *Eau de Rochas*

This limited edition of *Eau de Rochas* takes us to the Mediterranean. A modern interpretation of the original fragrance, *Escapade en Méditerranée* offers an invitation to a Chypre Zesty Floral voyage.

Interparfums changes its shareholder registrar services provider

CM-CIC Market Solutions was appointed to provide shareholders registrar services.

June

Bonus share issue

The company proceeded with its 17th bonus share issue on the basis of one new share for every ten shares held.

July

Launch of the *In New York* line of Van Cleef & Arpels

A Fresh and Woody, Aromatic Fragrance. A majestic and timeless perfume that pays tribute to the city of New York! The iconic Van Cleef & Arpels boutique located at 744 Fifth Avenue also inspired this new fragrance for men.

Rochas Fashion womenswear

The company renews the contract with Alessandro Dell' Acqua as Creative Director for Women's Fashion.

September

Launch of the women's line, *Coach*

The *Coach Eau de Parfum* is inspired by the spontaneous energy and downtown style of New York City. A fragrance full of contrasts, opens with bright, sparkling raspberry, which gives way to creamy Turkish roses, before drying down to a sensual suede musk base note.

Launch of the *Modern Princess* line of Lanvin

A fruity duo of pink apple and red currant with a tangy freshness and crispness. The middle notes offer a blend of jasmine with freesia flower. In the end, the base notes unveil sensual femininity of vanilla orchid with a touch of "femme fatale".

Rochas Fashion menswear

One year after closing the Rochas brand acquisition, Interparfums announced Béatrice Ferrant's arrival as the Artistic Director for Men's Fashion.

November

Launch of the *Montblanc Lady Emblem Elixir* line

A magic potion… An elixir casting a spell of love… *Lady Emblem Elixir* offers a new vision of the Rose. A potion reputedly having the powers of transforming metals into gold.

December

End of Balmain license

Effective as of December 31, 2016, by mutual agreement Interparfums and Balmain decided to terminate the license agreement entered into in 2012. The final deliveries will cease on March 31, 2017.

1. ACCOUNTING PRINCIPLES

1.1. Compliance statement

In accordance with EC regulations 1606/2002 of July 19, 2002 on international accounting standards, the 2016 consolidated financial statements of Interparfums are established in compliance with IAS/IFRS (International Accounting Standards/ International Financial Reporting Standards) applicable since 2005 as endorsed by the European Union.

Financial information presented herein is based on:

– IFRS standards and interpretations whose application was mandatory starting in 2005;

– options retained and exemptions used by the Group for the preparation of IFRS consolidated financial statements.

The consolidated financial statements at December 31, 2016 were adopted by the Board of Directors on March 13, 2017. They will become definitive after having been approved by the ordinary general Meeting of April 28, 2017.

1.2. Changes in accounting standards

The following standards, amendments and interpretations that entered into force on January 1, 2016 were applied by the company in preparing its consolidated financial statements for the period ended December 31, 2016:

– amendment to IAS 1 "Presentation of financial statements – disclosure initiative";

– IFRS 2012-2014 annual improvement cycles.

These standards, amendments and interpretations did not have a material effect on the company's consolidated financial statements.

Furthermore no standards, amendments or interpretations currently under review by IASB and IFRIC were applied in advance in the financial statements for the period ending December 31, 2016.

The following standards, amendments and interpretations, not yet entered into effect, have been studied in advance to evaluate their impacts on future consolidated financial statements:

– IFRS 9 "instruments financiers" – entering into effect in January 2018: to date, the company does not anticipate any material impact in the consolidated financial statements in the future;

– IFRS 15 "Revenue recognition" – entering into effect in January 2018: to date, the company does not anticipate any material impact in the consolidated financial statements in the future;

– IFRS 16 "Leases" – entering into effect in 2019: the company has initiated a study. The impacts on the consolidated financial statements are currently being quantified. On this date, the company has identified the leases to be recognized under assets: These concern the premises for the Paris head office and the storage facility in Rouen. No other contract has been identified as falling within the scope of this standard.

1.3. Application of interpretation IFRIC 21 "Levies"

The interpretation IFRIC 21 was published in the Official Journal of the European Union on June 14, 2014 with a mandatory application date of January 1, 2015. It provides guidance on when to recognize a liability for a levy imposed by a government, and falling under the scope of application of IAS 37.

IFRIC 21 identifies the obligating event for the recognition of a tax liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

Only the French social security levy, *Contribution Sociale de Solidarité des Sociétés* (C3S) was identified as impacting the consolidated financial statements and as such must be recognized in the year due rather than in the year when the provision is recognized in the statutory financial statements.

The impacts of these provisions have been integrated in the financial statements as from January 1, 2015.

The impact of the change in method on equity at December 31, 2014 breaks down as follows:

€ thousands	**Shareholders' equity**
Other liabilities *(cancellation of the C3S debt accrued for in 2013)*	497
Deferred tax	(189)
Impacts of the amendment at December 31, 2014	**308**

1.4. Basis of consolidation

All Group subsidiaries are fully consolidated.

Interparfums SA		**Controlling interest** *(%)*	**Ownership interest** *(%)*
Interparfums Deutschland GmbH	Germany	51%	51%
Interparfums Suisse Sarl	Switzerland	100%	100%
Inter España Parfums et Cosmetiques SL	Spain	100%	100%
Parfums Rochas Spain	Spain	51%	51%
Interparfums Srl	Italy	100%	100%
Interparfums Luxury Brands Inc.	United States	100%	100%
Interparfums Asia Pacific Pte Ltd	Singapore	100%	100%

Subsidiaries' financial statements are prepared on the basis of the same accounting period as the parent company. The fiscal year covers the 12 month period ending on December 31.

In June 2015, Interparfums set up a new distribution subsidiary in Spain to market Rochas fragrances in a major market for this brand. This "Parfums Rochas Spain" entity is 51%-held by Interparfums and 49%-held by its local distributor. Because Interparfums exercises exclusive control over this company, it is fully consolidated.

In September 2015, Interparfums UK Ltd, a wholly-owned subsidiary of the Group, with no activity as from the end of 2014, was wound up. This had no impact on the consolidated financial statements.

All Group subsidiaries are fully consolidated.

1.5. Translation method

The company's operating currency and currency for the presentation of financial statements is the euro.

Transactions in foreign currencies are translated at the exchange rate in effect on the date of the transaction. Foreign currency denominated payables and receivables are translated at the exchange rate prevailing on December 31, 2016. Translation losses and gains arising from the conversion of accounts denominated in foreign currencies on December 31, 2016 are recorded in the income statement. Hedged transactions are translated at the negotiated exchange rate.

The main exchange rates applied for the translation of subsidiaries' accounts in relation to the Euro are as follows:

Currency	Closing exchange rate		Average exchange rate	
	2015	2016	2015	2016
US dollar (USD)	1.0887	1.0541	1.1095	1.1069
Singapore dollar (SGD)	1.5417	1.5234	1.5255	1.5275
Swiss franc (CHF)	1.0835	1.0739	1.0679	1.0902

1.6. Use of estimates

The preparation of consolidated financial statements requires the use of estimates and assumptions for the valuation of certain balance sheet and income statement balances. These concern primarily the valuation of intangible assets, amounts to be set aside for provisions for contingencies and expenses and provisions for inventory losses. Although these estimates are based on management's best knowledge of current events and situations, actual results may ultimately differ from these estimates.

1.7. Sales

Revenue includes principally ex-warehouse sales to distributors and agents and direct sales to retailers for the portion realized by Group subsidiaries.

Revenue from perfume and cosmetics products is presented net of all forms of discounts and rebates.

Revenue is recognized on the basis of conditions of transfer to the buyer of the risks and rewards incident to ownership. Amounts invoiced at year-end when the actual transfer of title occurs in the following year are not recognized under revenue of the year in progress.

1.8. Trademarks and other intangible assets

Trademarks and other intangible fixed assets, including trademarks under licensing contracts and acquired trademarks are recorded at cost.

These trademarks that constitute well-established legally protected international brand names are classified as indefinite life intangible assets and are not amortized.

Finite life intangible assets such as upfront license fees are amortized on a straight-line basis over the duration of the license.

Rights on molds for bottles and related items are classified as finite life intangible assets and amortized over a period of between three and five years.

Licenses and upfront license fees are remeasured at least once a year according to the discounted cash flow method defined as the present value of estimated future cash flows expected to arise from the continuing use of these assets calculated according to their estimated or actual length. Data used originates from the annual and multi-year budgets for duration of the license agreements drawn up by Management.

Proprietary brand names are remeasured at least once a year by comparing the net carrying value and the recoverable amount defined as the higher of value in use on the basis of the present value of estimated future cash flows derived from five year budgets discounted to infinity.

The discount rate before tax applied for remeasurement is the weighted average cost of capital (WACC) of 6.20% at December 31, 2016 compared to 8.02% at December 31, 2015. This ratio is determined on the basis of the long-term interest rate of 0.7% corresponding to the average rate for 10-year OAT French fungible treasury bonds of the last quarter, the rate expected by an investor in this sector and the specific risk premium for this sector. The perpetuity growth rate used was 0.2% at December 31, 2016 and December 31, 2015.

A provision for impairment is recorded if this value is lower than the carrying value.

Costs generated on acquisition analyzed as directly attributable costs are included in the cost of the acquired assets.

Other intangible assets are amortized over their useful lives and subject to impairment testing when an indication of impairment exists.

All license agreements provide for international rights of use. Other intangible assets, in particular rights on molds for bottles are mainly used in France by our subcontractors.

1.9. Property, plant and equipment

Tangible fixed assets are valued at cost (purchase price plus acquisition-related costs) and depreciated over their estimated useful lives on a straight-line basis (2 to 5 years). Tangible fixed assets include molds for caps.

All tangible fixed assets are used in France.

1.10. Inventory and work in progress

Inventories are valued at the lower of cost or probable resale value. A provision for impairment is recorded when their probable resale value is lower than the carrying value.

The cost of inventories of raw materials and supplies is valued on the basis of average weighted prices.

The cost of finished products includes the cost of materials used, production expenses and a share of indirect costs valued at a standard rate.

At the end of every year, these standard rates are compared with the effective rate obtained based on actual figures at year-end.

1.11. Other non-current financial assets

Marketable securities on initial recognition are recorded at cost and subsequently remeasured at fair value corresponding to the market value at the end of each period.

Because they are destined to be held for more than one year, all Group marketable securities have been classified as “Available-for-sale financial assets” and presented in “Non-current financial assets.

Gains and losses on “available-for-sale financial assets” are recorded at year-end in equity. However, a significant or prolonged decline in fair value below the cost value of the securities is recognized in profit or loss.

In addition, the line item “non-current financial assets” also includes a royalties advance on the Karl Lagerfeld license agreement that is charged against future royalties every year. This advance was discounted over the license agreement term and reduced accordingly to €5,166,000 at December 31, 2016.

The corresponding offset is recognized by increasing the amortization of upfront license fees.

1.12. Receivables

Accounts receivable are recorded at face value. A provision for impairment is recorded on a case-by-case basis when the probable recovery value is deemed to be less than the carrying value.

1.13. Deferred tax

Timing differences between the tax base of consolidated assets and liabilities and tax on restatements on consolidation give rise to the recognition of deferred taxes under the liability method, taking the known year-end tax conditions into account.

Potential tax savings resulting from loss carry forwards are recorded under deferred tax assets only when their use in the short term is deemed likely, and subject to depreciation when appropriate, are maintained in the balance sheet.

1.14. Current financial assets

Current financial assets consist of investments in the form of certificates of deposits, term deposits, capital redemption contracts or any other vehicles having maturities of more than three months.

1.15. Cash and cash equivalents

The item “Cash and cash equivalents” includes marketable securities and cash at bank and in hand that consist of highly liquid investments with maturities of less than three months readily convertible to a known cash amount and subject to an insignificant risk of changes in value.

1.16. Treasury shares

Interparfums shares held by the Group are recorded as a deduction from equity at cost.

If sold, the proceeds are recorded directly under equity net of tax.

1.17. Provisions for contingencies and expenses

Retirement severance benefits

This reserve is maintained to honor employee pension benefit commitments and corresponds to the present value of the payments to which employees are entitled, under the collective bargaining agreement, once they retire. For the measurement of retirement severance benefits, Interparfums has adopted the procedure for voluntary severance agreements introduced on July 23, 2008 extending the cross-industry agreement (*accord interprofessionnel*) of January 11, 2008. This procedure provides for the systematic signature of a severance agreement by the employer and the employee specifying the terms and conditions of the termination. Because the method in force prior to the end of the reporting period involved compulsory retirement, the impact of this change in the assumptions used for calculation was recognized under past service costs.
The projected unit credit was applied. This method takes into account rights and wages projected to term, the probability of payment as well as the prorated amount of seniority so that commitments correspond to the value of service already rendered by employees.

Accordingly, the calculation of commitments for severance benefits involves estimating the probable present value of projected benefit obligations (PBO), i.e. the rights of employees at the time of departure taking into account the probability of departure and death of the employees before term as well as the impact of revaluations and discounts. This projected benefit obligation is then prorated to take into account the seniority of the employees of the company on the calculation date.

Provisions for other contingencies and expenses

A provision is recognized when the company has a present obligation (legal or constructive) as a result of a past event when it is probable that an outflow of resources embodying economic benefits will be required to settle an obligation and a reliable estimate can be made of the amount of the obligation.

1.18. Financial instruments

Derivative financial and hedging instruments are used by the Group to reduce exposure to interest rate and foreign exchange risks. Such instruments are not used for speculative purposes.

The company has recourse to forward exchange contracts and cash flow hedges put into place at the time receivables or payables are recognized. These contracts have maturities of three to six months according to the maturities of the corresponding receivables and payables in foreign currencies (primarily the US dollar and Sterling pound). Currency gains and losses from these instruments are recognized in the income statement when the receivables are booked.

In addition hedges have been put into place to cover future sales in US dollars. In accordance with IAS 39, these hedges of projected cash flows were accounted for as cash flow hedges. Hedge accounting is applicable if the hedge is formally defined and documented on inception of the hedging relationship and it is demonstrated that the hedging relationship will be highly effective over the life of the hedging instrument. At year-end, hedging instruments corresponding to these criteria are recognized in the balance sheet at fair value. The ineffective portion of changes in fair value of these hedging instruments is recorded in profit or loss and the effective portion in equity. In 2017, revenue will be restated to eliminate the impact of these hedges.

1.19. Borrowings

On initial recognition, borrowings are measured at fair value to which are added transaction costs directly attributable to the issuance of the liability.

At year-end, borrowings are recognized at amortized cost according to the effective interest rate method.

1.20. Other liabilities

Other financial debt and operating liabilities are measured at fair value on initial recognition. This amount generally corresponds to the amount of the invoice in the case of short-term payables.

1.21. Stock option and restricted stock awards

1.21.1. Stocks options

IFRS 2 requires that a charge be recorded in the income statement with a corresponding increase to reserves representing advantages granted to beneficiaries of stocks options. For the measurement of these advantages, the company uses the Black & Scholes model. This model takes into account the characteristics of the plans (exercise price, exercise period), market data at time of grants (risk-free rate, share price, volatility, projected dividends) and assumptions with respect to the behavior of beneficiaries. Changes occurring after the grant date do not have an impact on this initial valuation. The value of the options is related notably to their expected lifespan. This expense is recognized over the duration of the vesting period.

1.21.2. Restricted stock awards

IFRS 2 requires that a charge be recorded in the income statement with a corresponding increase to reserves representing the market value of restricted stock awards, estimated on the grant date. This value also takes into account assumptions relating to the departure of beneficiaries in the rate of probability of achieving performance criteria to be eligible for the shares. Changes occurring after the grant date do not have an impact on this initial valuation. This expense is recognized over the duration of the vesting period.

1.22. Registration of trademarks

Under IAS 38, expenses incurred in connection with the registration of each trademark are not capitalized and are expensed under “research and consulting costs”.

1.23. Earnings per share

Basic earnings per share are calculated using the weighted average number of shares outstanding during the year after subtracting treasury shares.

Fully-diluted earnings per share are calculated based on the average number of shares outstanding in the period, after subtracting only treasury shares destined to be held on a long-term basis and adjusted for the effects of all potential diluted ordinary shares resulting from the exercise of stock options in the period.

To ensure the comparability of information, basic and diluted earnings per share of the prior year are systematically recalculated to take into account bonus share grants in the year in progress.

2. PRINCIPLES OF PRESENTATION

2.1. Presentation of the income statement

The consolidated income statement of the company is presented by function. Under this format, expenses and income are broken down by function (cost of sales, selling expenses, administrative expenses) and not according to the nature of the origin of expenses and income.

2.2. Presentation of the balance sheet

The balance sheet is presented according to a breakdown between assets and liabilities defined as current or non-current.

2.3. Segment information

Segment information presented in this report is based on the segments used by management to monitor Group operations.

2.3.1. Business lines

Up until December 31, 2014, the company operated solely in the segment of "Perfumes" where the indicators for financial performances for each brand of this segment were comparable. In consequence, the Group's income statement and balance sheet henceforth reflected the operations of the "Perfumes" activity in its entirety.

Since the acquisition of the Rochas brand on May 29, 2015, the company now operates in two distinct segments: "Perfumes" henceforth including Rochas' fragrance business and "Fashion" corresponding to activity generated by Rochas' fashion business.

However because the "Fashion" business accounts for less than 0.6% of revenue, it is not presented separately in the income statement.

Significant balance sheet items relating to the "fashion" business are presented in note 5.1.

2.3.2. Geographical segments

The company has a significant international dimension and analyses sales by geographic segment.

All assets necessary for the company's activity are located in France.

3.
NOTES TO THE BALANCE SHEET

3.1.
Trademarks and other intangible assets

3.1.1.
Nature of intangible assets

€ thousands	**2015**	**+**	**-**	**2016**
Gross value				
Indefinite life intangible assets				
Lanvin trademark	36,323	-	-	36,323
Rochas Fragrances brand	86,739	-	-	86,739
Rochas Fashion brand	19,086	-	-	19,086
Finite life intangible assets				
S.T. Dupont upfront license fee Dupont	1,219	-	-	1,219
Van Cleef & Arpels upfront license fee	18,250	-	-	18,250
Montblanc upfront license fee	1,000	-	-	1,000
Boucheron upfront license fee	15,000	-	-	15,000
Balmain upfront license fee	2,050	-	(2,050)	-
Karl Lagerfeld upfront license fee	12,877	-	-	12,877
Other intangible assets				
Rights on molds for bottles and related items	9,808	791	-	10,599
Registration of trademarks	500	80	-	580
Software	2,940	308	(11)	3,237
Total gross amount	**205,792**	**1,179**	**(2,061)**	**204,910**
Amortization and impairment				
Finite life intangible assets				
S.T. Dupont upfront license fee Dupont	(1,219)	-	-	(1,219)
Van Cleef & Arpels upfront license fee	(13,689)	(1,521)	-	(15,210)
Montblanc upfront license fee	(548)	(67)	-	(615)
Boucheron upfront license fee	(5,000)	(1,000)	-	(6,000)
Balmain upfront license fee	(684)	(170)	854	-
Karl Lagerfeld upfront license fee	(2,040)	(5,755)	-	(7,795)
Other intangible assets				
Rights on molds for bottles and related items	(7,238)	(1,043)	-	(8,281)
Registration of trademarks	(496)	(4)	-	(500)
Software	(2,145)	(408)	11	(2,542)
Total amortization and impairment	**(33,059)**	**(9,968)**	**865**	**(42,162)**
Net total	**172,733**	**(8,789)**	**(1,196)**	**162,748**

Proprietary brands

• Lanvin trademark

As Interparfums acquired ownership for the Lanvin trademark and brand name for class 3 products (perfumes) in July 2007 no amortization was recognized in its balance sheet.

• Rochas trademark

As Interparfums acquired ownership for the Rochas trademark and brand name for products of class 3 (perfumes) and class 25 (fashion) in May 2015, no amortization was recognized in its balance sheet.

The purchase price allocation of the Rochas fragrances brand and the Rochas Fashion brand were measured by an outside appraiser and analyzed as follows:

€ thousands	**Perfumes**	**Fashion**	**Total**
Brand	82,745	18,210	100,955
Allocated costs (cost of intermediaries and attorneys)	594	130	724
Allocated costs (registration rights)	3,400	746	4,146
Total indefinite life intangible assets	**86,739**	**19,086**	**105,825**
Rights on molds for bottles	155	-	155
Fixtures, improvements, fittings	197	-	197
Total property, plant and equipment	**352**	**-**	**352**
Total acquisition of Rochas brand	**87,091**	**19,086**	**106,177**

Brands under license agreements

• S.T. Dupont upfront license fee Dupont

The total upfront license fee of €1,219,000 has been fully amortized since June 30, 2011.

• Van Cleef & Arpels upfront license fee

An upfront license fee of €18 million paid on January 1, 2007 is amortized over the 12-year term of the Van Cleef & Arpels license agreement.

• Montblanc upfront license fee

The upfront license fee of €1 million paid on June 30, 2010 is amortized over the 10.5 year term of the Montblanc license agreement.

• Boucheron upfront license fee

The upfront license fee of €15 million paid on December 17, 2010 is amortized over the 15 year term of the Boucheron license agreement.

• Balmain upfront license fee

The upfront license fee of €2,050,000 was paid in 2011 and is amortized over the term of the Balmain license agreement or 12 years commencing on January 1, 2012. Interparfums and Balmain ended their partnership by mutual agreement on December 31, 2016. The net unamortized value of the license agreement in the amount of €1,196,000 was canceled (see note 4.5)

• Karl Lagerfeld upfront license fee

The upfront license fee of €12,877,000 was recognized in 2012 and is amortized over the term of the Lagerfeld license agreement that commenced on January 1, 2012.

The upfront license fee includes the difference between the nominal value and the present value of the advance on royalties for €3,287,000 (See note 3.3 Other non-financial assets).

• Rights on molds for bottles and related items

Rights on molds for bottles and related items are amortized over 5 years. Design costs are amortized over 3 years.

3.1.2. Impairment tests

• Rochas trademark

A valuation was performed on December 31, 2016 by discounting future cash flows to infinity. No provision was recorded.

• Lanvin trademark

A valuation was performed on December 31, 2016 by discounting future cash flows to infinity. No provision was recorded.

• Upfront license fees

All upfront license fees were measured on December 31, 2016 using the discounted cash flow method over the term of the licenses.

The measurement of the Karl Lagerfeld upfront license fee on December 31, 2016 indicated a net carrying value that was less than the market value.

On that basis, the company recorded an impairment charge for this asset of €5,113,000. The net value of the license agreement in the financial statements of December 31, 2016 amounted to €5,081,000.

Due to the non-recurring nature of this impairment, it is presented in the income statement under other operating expenses (see note 4.5).

No other provision was recorded.

For all discounts, the weighted average cost of capital (WACC) of 6.20% is applied.

• Analysis of sensitivity

A one point increase in the discount rate before tax would result in an additional impairment charge of €200,000 for the Karl Lagerfeld license agreement. No other additional impairment charge will be recorded for the other trademarks and other intangible assets.

3.2.
Property, plant and equipment

€ thousands	2015	+	-	2016
Fixtures, improvements, fittings	5,700	1,707	(43)	7,364
Office and computer equipment and furniture	1,936	339	(176)	2,099
Molds for bottles and caps	9,285	1,002	-	10,287
Other [(1)]	1,098	6	-	1,104
Total gross amount	**18,019**	**3,054**	**(219)**	**20,854**
Accumulated depreciation and impairment [(1)]	(12,092)	(2,073)	336	(13,829)
Net total	**5,927**	**981**	**117**	**7,025**

(1) Including fixed assets held under finance leases (vehicles) for a gross amount of €558,000 and an accumulated depreciation of €326,000.

3.3.
Other non-current financial assets

The signature of the Karl Lagerfeld license agreement resulted in an advance on royalty payments to be charged against future royalties of €9,589,000. This advance was discounted over the license agreement term and reduced accordingly to €5,166,000 at December 31, 2016.

The corresponding offset is recognized by increasing the amortization of upfront license fees.

3.4.
Inventory and work in progress

€ thousands	2015	2016
Raw materials and components	23,494	27,391
Finished goods	52,209	43,227
Total gross amount	**75,703**	**70,618**
Allowances for raw materials	(2,241)	(1,825)
Impairment of finished goods	(2,809)	(2,465)
Accumulated provisions for impairment	**(5,050)**	**(4,290)**
Net total	**70,653**	**66,328**

3.5.
Trade receivables and related accounts

€ thousands	2015	2016
Total gross amount	71,010	78,217
Impairment	(1,495)	(1,599)
Net total	**69,515**	**76,618**

The aged trial balance for trade receivables breaks down as follows:

€ thousands	2015	2016
Not due	62,170	63,154
0-90 days	6,822	13,346
91-180 days	909	447
181-360 days	185	108
More than 360 days	924	1162
Total gross amount	**71,010**	**78,217**

3.6.
Other receivables

€ thousands	2015	2016
Prepaid expenses	2,754	3,592
Accrued income	-	5,400
Interparfums Holding current accounts	2,807	2,957
Value-added tax	1,849	1,544
Hedging instruments	115	15
License royalties	237	459
Other	839	664
Total	**8,601**	**14,631**

Accrued income represents the Balmain exit fee.

3.7. Current financial assets, cash and cash equivalents

€ thousands	2015	2016
Current financial assets	76,097	89,367
Cash and cash equivalents	149,895	141,238
Current financial assets, cash and cash equivalents	**225,992**	**230,605**

3.7.1. Current financial assets

Current financial assets, represented by investments with maturities greater than three months, break down as follows:

€ thousands	2015	2016
Certificates of deposit	1,000	4,000
Capital redemption contracts	36,938	37,460
Term deposit accounts	37,935	47,693
Other current financial assets	224	214
Current financial assets	**76,097**	**89,367**

3.7.2. Cash and cash equivalents

Cash in banks and cash equivalents having maturities of less than three months break down as follows:

€ thousands	2015	2016
Certificates of deposit (less than 3 months)	1,915	5,311
Interest-bearing accounts	6,715	7,383
UCITS	-	5,612
Term deposit accounts	65,267	70,536
Current interest-bearing accounts	43,089	11,995
Bank accounts	32,909	40,401
Cash and cash equivalents	**149,895**	**141,238**

3.8. Shareholders' equity

3.8.1. Share capital

As of December 31, 2016, Interparfums' capital consisted of 35,508,784 shares fully paid-up with a par value of €3, 72.7%-held by Interparfums Holding.

For the 2016 financial period, capital increases result from the exercise of stock options for 118,014 shares and the capital increase in connection with the bonus issue of June 20, 2016 for 3,219,038 shares on the basis of one new share for every ten shares held.

3.8.2. Stock option plans

No stock option plan was in effect at December 31, 2016.

In the period, changes in plans issued by Interparfums SA break down as follows:

Plans	**Options outstanding at 12/31/2015**	**Conversions in the period**	**Bonus share grants**	**Cancellations in the period**	**Options outstanding at 12/31/2016**
Plan 2010	109,153	(118,014)	9,066	(205)	-
	109,153	**(118,014)**	**9,066**	**(205)**	**-**

Benefits granted to employees in the form of stock options, in accordance with IFRS 2, were calculated using the Black & Scholes model. The impact of this calculation represents an expense that is recognized over the duration of the vesting period. This expense had been fully amortized on June 30, 2015.

3.8.3. Restricted stock awards

Interparfums SA awarded performance shares to all employees and managers with at least six months of seniority as of the date of the plan. The maximum number of shares to be awarded is 133,000 shares for senior executives and managers and 15,100 shares for all other employees.

The restricted share units will be remitted to employees after a vesting period of three years. After this period, the beneficiaries will freely dispose of their shares, without being subject to a lock-up period.

Effective delivery of the securities is contingent on the following terms and conditions:

Beneficiaries	**Vesting conditions**
Senior executives and managers	– Condition of presence on September 6, 2019; and – Conditions of performance based on: - Consolidated revenue for fiscal 2018 for 50% of the restricted stock units awarded - Consolidated operating profit for 50% of the restricted stock units awarded
Other beneficiaries	– Condition of presence on September 6, 2019

In accordance with IFRS 2, the Interparfums SA share price used to estimate the value in the consolidated financial statements is the average price for the last three trading sessions preceding the implementation of the plan or €23.98. The fair value applied on the award date is €22.46 after taking into account future dividends.

An employee turnover rate and a rate of probability for achieving the performance criteria were also used for the calculation, bringing the total expense to be spread over the life of the plan (three years) to €3 million or €324,000 at December 31, 2016.

To ensure the availability of shares for remittance to employees on maturity, the company purchased an initial tranche of 108,000 shares on the market on December 31, 2016 for a total amount of €2.6 million. These shares are presented as a deduction from shareholders' equity.

At December 31, 2016, the estimated number of shares to be remitted was 136,500.

3.8.4. Treasury shares

Within the framework of the share repurchase program authorized by the General Meeting of April 22, 2016, 52,434 Interparfums shares were held by the company as of December 31, 2016 or 0.15% of the share capital.

Changes in the period break down as follows:

€ thousands	**Average price**	**Number of shares**	**Book Value**
At December 31, 2015	**-**	**85,999**	**1,952**
Acquisition	23.58	212,322	5,007
Bonus share issue of June 20, 2016	-	6,959	-
Sales	22.90	(252,846)	(5,791)
Impairment charges/reversals	-	-	106
At December 31, 2016	**-**	**52,434**	**1,274**

Management of the share buyback program is assured by an investment services provider within the framework of a liquidity agreement in compliance with the conduct of business rules of the French association of financial market professionals (AMAFI).

Purchases of shares under this program are subject to the following conditions:

– the maximum purchase price is €40 per share, excluding execution costs;

– the total number of shares acquired may not exceed 5% of the company's capital stock.

3.8.5. Non-controlling interests

Non-controlling interests concern percentages not held in European subsidiaries (Interparfums Deutschland GmbH: 49%; Parfums Rochas Spain SL: 49%). that break down as follows:

€ thousands	**2015**	**2016**
Reserves attributable to non-controlling interests	349	428
Earnings attributable to non-controlling interests	80	419
Non-controlling interests	429	847

Non-controlling shareholders have an irrevocable obligation and the ability to offset losses by an additional investment.

3.8.6. Information on equity

In compliance with the provisions of article L.225-123 of the French Commercial Code, the shareholders' Meeting of September 29, 1995 decided to create shares carrying a double voting right. These shares must be fully paid up and recorded in the company's share register in registered form for at least three years.

Since 1998, the company has adopted a policy of distributing dividends that today represents more than 50% of consolidated earnings to reward shareholders while at the same time associating them with the Group's expansion. In early May 2016, a dividend of €0.50 per share was paid or a total of €16.1 million.

Given its financial structure, the Group has the ability to secure financing for important projects from banks in the form of medium-term loans. At the end of May 2015, a 5 year €100 million loan was obtained to finance the acquisition of the Rochas brand.

The level of consolidated shareholders' equity is regularly monitored to ensure the company continues to have sufficient financial flexibility to take advantage of all potential opportunities for external growth.

3.9. Provisions for contingencies and expenses

€ thousands	**2015**	**Allowances**	**Actuarial gains/losses**	**Provisions used the period**	**Reversal of unused provisions**	**2016**
Provisions for retirement severance payments	5,745	565	630	-	-	6,940
Total provisions for expenses >1 year	**5,745**	**565**	**630**	**-**	**-**	**6,940**
Accruals for taxes	-	572	-	-	-	572
Other provisions for contingencies <1 year	248	375	-	(200)	(50)	373
Total provisions for contingencies >1 year	**248**	**947**	**-**	**(200)**	**(50)**	**945**
Total provisions for contingencies and expenses	**248**	**947**	**-**	**(200)**	**(50)**	**7,885**

3.9.1. Provisions for retirement severance payments

Since 2008, for the measurement of retirement severance benefits, Interparfums has adopted the procedure for negotiated terminations introduced on July 23, 2008 extending the cross-industry agreement of January 11, 2008.

For 2016, the following assumptions were applied:

– a negotiated termination at age 65;

– a rate of 50% for employer payroll contributions for all employees;

– a 4% average rate for annual salary increases;

– an employee turnover rate depending on the age of employees;

– the TH 00-02 mortality table for men and the TF 00-02 mortality table for women; and

– a discount rate for the 10 year IBOXX corporate bond index of 1.30%.

On the basis of these assumptions, the annual expense of €565,000 recorded under current income breaks down as follows:

– service costs: €450,000;

– financial expense: €115,000.

Actuarial gains and losses in 2016 amounting to €630,000 recorded under reserves resulted primarily from changes in assumptions.

A 0.5% increase in the discount rate would result in a €22,000 reduction in the present value of rights at December 31, 2016 versus a 0.5% decrease resulting in a €21,000 increase.

3.9.2.
Other provisions or disputes

A tax audit of 2012 of the French company resulted in a tax deficiency notification amounting to €6 million at the end of 2015.

After the company filed a formal challenge of these tax deficiency notifications and provided additional information and explanations, the tax authorities reduced this tax adjustment to €800,000 in May 2016. This tax adjustment concerned mainly the rates for royalties and commissions paid to certain Group subsidiaries.

The impact of this tax adjustment for the 2013, 2014 and 2015 financial years resulted in the recognition of an additional tax expense of €800,000, increasing the total amount of the tax adjustment to €1.6 million at December 31, 2016.

As these rates were adjusted starting with fiscal 2016, the company does not anticipate any tax contingencies of this nature for the following years.

3.10.
Borrowings and financial liabilities

A loan with was obtained on May 29, 2015 with a face value of €100 million repayable over five years to finance the acquisition of the Rochas brand executed on that same date.

Its repayment is made in quarterly installments of €5 million each for the principal. This loan will be subject to interest equal to the 3-month Euribor plus the applicable margin.

This debt is recognized at fair value to which is allocated the €775,000 in transaction costs directly attributable to the acquisition, in compliance with IAS 39.

The line item “Borrowings” also corresponds to debt relating to fixed assets held under finance leases (vehicles).

3.10.1.
Borrowings by the maturities

€ thousands	**Total**	**< 1 year**	**1 to 5 years**	**> 5 years**
Variable-rate bank debt	69,623	19,821	49,802	-
Interest rate swap	861	446	415	-
Automobile leases	248	124	124	-
Total at December 31, 2016	**70,732**	**20,391**	**50,341**	**-**

3.10.2.
Additional disclosures

The Rochas loan contracted in May 2015 was covered by an interest rate swap covering 90% of the debt, guaranteeing a maximum rate of 2%.

At December 31, 2016, on the basis of a notional amount of €70 million, a gain of €64,000 in connection with this swap was recognized in the income statement whereby the Group did not apply hedge accounting in accordance with IAS 39. The market value of the swap at December 31, 2016 represented a negative amount for the company of €861,000.

3.10.3.
Covenants

The Rochas loan obtained by the parent company is subject to the following covenant ratios:

– interest coverage ratio: consolidated EBITDA/consolidated interest expense;

– leverage ratio: Consolidated net debt/consolidated EBITDA.

At 31 December 2016, all these covenants were met. The current level of these ratios is considerably below the contractual limits. As a result, the Group has considerable financial flexibility in respect to these commitments.

3.11. Deferred tax

Deferred taxes arise mainly from timing differences between financial accounting and tax accounting. Deferred taxes from consolidation adjustments and deferred taxes based on loss carryforwards are recovered as follows:

€ thousands	**2015**	**Changes through reserves**	**Changes through income**	**2016**
Deferred tax assets				
Timing differences between financial and tax accounting	2,419	-	814	3,233
Provisions for retirement liabilities	179	217	(217)	179
Loss carryforwards	279	-	500	779
Swap instrument	318	-	(22)	296
Currency hedges	-	10	49	59
Intra-group inventory margin	1,993	-	701	2,694
Advertising and promotional costs	527	-	56	583
Other	169	-	(39)	130
Total deferred tax assets before amortization	**5,884**	**227**	**1,842**	**7,953**
Depreciation of deferred tax assets	(279)		(500)	(779)
Net deferred tax assets	**5,605**	**227**	**1,342**	**7,174**
Deferred tax liabilities				
Acquisition costs	576	-	(7)	569
Bonus shares	-	(13)	13	-
Levies imposed by governments	152	-	33	185
Borrowing costs associated with the Rochas brand acquisition	211	-	(80)	131
Capitalization of costs associated with the Rochas brand acquisition	1,677	-	-	1,677
Gains (losses) on treasury shares	39	73	(112)	-
Derivatives	21	-	(18)	3
Total deferred tax liabilities	**2,676**	**60**	**(171)**	**2,565**
Total net deferred tax	**2,929**	**167**	**1,513**	**4,609**

3.12. Trade payables and other current liabilities

3.12.1. Trade payables and related accounts

€ thousands	**2015**	**2016**
Trade payables for components	13,169	18,107
Other trade payables	40,561	43,731
Total	**53,730**	**61,838**

3.12.2. Other payables

€ thousands	**2015**	**2016**
Accrued credit notes	2,446	3,203
Tax and employee-related liabilities	11,507	12,909
Accrued royalties	6,545	7,493
Hedging instruments	4	584
Other liabilities	1,029	1,121
Total	**21,531**	**25,310**

3.13.
Financial instruments

Financial instruments according to IAS 39 classifications for measurement break down as follows:

€ thousands At December 31, 2016	Notes	Carrying value	Fair value	Fair value through profit or loss	Available-for-sale assets	Loans & receivables or payables	Derivatives
Long-term investments		2,951	2,951	-	-	2,951	-
Other non-current financial assets	3.3	5,166	5,166	-	-	5,166	-
Trade receivables and related accounts	3.5	76,618	76,618	-	-	76,618	-
Other receivables	3.6	14,631	14,631	-	-	14,616	15
Current financial assets	3.7	89,367	89,367	-	-	89,367	-
Cash and cash equivalents	3.7	141,238	141,238	-	-	141,238	-
Assets		**329,971**	**329,971**	**-**	**-**	**329,956**	**15**
Borrowings and financial liabilities	3.10	70,732	70,069 (1)	861	-	69,871	-
Trade payables and related accounts	3.12	61,838	61,838	-	-	61,838	-
Other liabilities	3.12	25,310	25,310	-	-	24,726	584
Liabilities		**157,880**	**157,217**	**861**	**-**	**156,435**	**584**

€ thousands At December 31, 2015	Notes	Carrying value	Fair value	Fair value through profit or loss	Available-for-sale assets	Loans & receivables or payables	Derivatives
Long-term investments		1,975	1,975	-	-	1,975	-
Other non-current financial assets	3.3	5,816	5,816	-	-	5,816	-
Trade receivables and related accounts	3.5	69,515	69,515	-	-	69,515	-
Other receivables	3.6	8,601	8,601	-	-	8,486	115
Current financial assets	3.7	76,097	76,097	-	-	76,097	-
Cash and cash equivalents	3.7	149,895	149,895	-	-	149,895	-
Assets		**311,899**	**311,899**	**-**	**-**	**311,784**	**115**
Borrowings and financial liabilities	3.10	90,572	88,780	925	-	89,647	-
Trade payables and related accounts	3.12	53,730	53,730	-	-	53,730	-
Other liabilities	3.12	21,531	21,531	-	-	21,527	4
Liabilities		**165,833**	**164,041**	**925**	**-**	**164,904**	**4**

(1) The fair value of borrowings and financial liabilities is measured as the total value of future cash flows discounted according to the prevailing interest rate on the market for comparable instruments.

In accordance with the amendment of IFRS 7, current and non-current financial assets, cash and cash equivalents and borrowings and financial liabilities are measured using directly observable inputs other than quoted market prices or provided by financial institutions (level 2). The carrying value of other financial assets presented above represents a satisfactory approximation of their fair value.

3.14.
Risk management

The primary risks related to the Group's business and organization result from interest rate and foreign exchange rate exposures that are hedged using derivative financial instruments. The potential impacts of other risks on the company's financials are not material.

3.14.1.
Interest rate risks

The Group's interest rate exposure is related principally to debt. The objective of the Group's policy is to ensure a stable level of financial expense through the use of hedges in the form of interest rate swaps (fixed rate swaps). These financial instruments are not eligible for hedge accounting under IAS 39. The Group nevertheless considers that these transactions are not speculative in nature and are necessary to effectively manage its interest rate exposure.

3.14.2.
Liquidity risks

The net position of financial assets and liabilities by maturity is as follows:

€ thousands	< 1 year	1 to 5 years	> 5 years	Total
Other non-current financial assets	1,100	2,000	2,066	5,166
Current financial assets	9,004	80,149	214	89,367
Cash and cash equivalents	141,238	-	-	141,238
Total financial assets	**151,342**	**82,149**	**2,280**	**235,771**
Borrowings and financial liabilities	(19,945)	(49,926)	-	(69,871)
Total financial liabilities	**(19,945)**	**(49,926)**	**-**	**(69,871)**
Net position before hedging	**131,397**	**32,223**	**2,280**	**165,900**
Hedging of assets and liabilities (swaps)	446	415	-	861
Net position after hedging	**131,843**	**32,638**	**2,280**	**166,761**

3.14.3.
Foreign exchange risks

Net positions of the Group in the main foreign currencies are as follows:

€ thousands	USD	GBP	JPY	CAD
Assets	17,775	3,822	819	198
Liabilities	(3,502)	(152)	(246)	(67)
Net position before hedging at the closing price	**14,273**	**3,670**	**573**	**131**
Net position hedged	(9,392)	(1,877)	(405)	-
Net position after hedging	**4,881**	**1,793**	**168**	**131**

In addition, because a significant portion of Group sales is in foreign currencies, it incurs a risk from exchange rate fluctuations, primarily from the US dollar (41.2% of sales) and to a lesser extent the Pound sterling (6.6% of sales) and the Japanese yen (1.5% of sales).

Foreign exchange risk management policy

The Group's exchange rate risk management policy seeks to cover budget exposures considered highly probable related to monetary flows resulting from US dollar sales, as well as trade receivables in the period in US dollars, Pound sterling and Japanese yens.

To this purpose, the Group has recourse to forward exchange sales, according to procedures that prohibit speculative trading:

– all forward currency hedging must be backed in terms of amount and maturity by an identified economic underlying asset;

– all budget exposures are identified.

At December 31, 2016, the Group had hedged 64% of its receivables and 57% of its payables in US dollars, 52% of its receivables and 72% of payables booked in Pound sterling and 49% of its receivables in Japanese yen.

At December 31, 2016, for the sales budget for the 2017 first-half, 70% was hedged, with additional forward currency sales made for the balance.

Sensitivity to foreign exchange risk

A 10% fluctuation in the exchange rate of the US dollar and the Pound sterling in relation to the euro represents a pertinent risk factor that may reasonably occur within a given year.
An immediate upswing in the exchange rate (US dollar and Pound sterling) of 10% would result in a maximum positive currency effect of €17.6 million on sales and €14.4 million on operating income. A 10% decrease of these same exchange rates would have an inverse negative effect.

3.14.4.
Counterparty risk

Financial instruments and cash deposits used by the Group to manage interest rate and foreign exchange risks are obtained from top-tier counterparties with benchmark ratings.

4. NOTES TO THE INCOME STATEMENT

4.1. Breakdown of consolidated sales by brand

€ thousands	**2015**	**2016**
Montblanc	88,031	110,016
Jimmy Choo	83,279	81,721
Lanvin	64,110	56,028
Rochas (7 months in 2015)	12,105	29,212
Coach (6 months in 2016)	-	20,906
Van Cleef & Arpels	17,525	19,106
Boucheron	17,745	16,027
Paul Smith	9,505	9,233
Karl Lagerfeld	10,352	6,465
S.T. Dupont	10,380	5,364
Repetto	8,013	5,041
Balmain	4,795	3,785
Other	538	669
Perfume sales	**326,378**	**363,573**
Rochas fashion license revenues	1,032	2,076
Total revenue	**327,410**	**365,649**

4.2. Cost of sales

€ thousands	**2015**	**2016**
Raw materials, trade goods and packaging	(120,150)	(120,173)
Changes in inventory and allowances for impairment	9,708	370
POS advertising	(2,341)	(2,255)
Staff costs	(3,960)	(4,021)
Property rental expenses	(1,810)	(2,119)
Transportation costs	(585)	(287)
Other expenses related to the cost of sales	(205)	(209)
Total cost of sales	**(119,343)**	**(128,694)**

4.3. Selling expenses

€ thousands	**2015**	**2016**
Advertising	(67,400)	(80,341)
Royalties	(24,594)	(26,954)
Staff costs	(20,608)	(26,638)
Service fees/subsidiaries	(11,107)	(8,966)
Subcontracting	(6,720)	(7,205)
Transportation costs	(3,284)	(3,672)
Travel and entertainment expenses	(3,714)	(5,900)
Allowances and reversals	(4,747)	(4,559)
Tax and related expenses	(2,469)	(3,186)
Commissions	(1,369)	(1,289)
Property rental expenses	(1,722)	(1,632)
Other selling expenses	(2,220)	(2,479)
Total selling expenses	**(149,954)**	**(172,821)**

4.4.
Administrative expenses

€ thousands	2015	2016
Purchases and external costs	(4,871)	(5,288)
Staff costs	(5,448)	(5,691)
Property rental expenses	(675)	(680)
Allowances and reversals	(260)	(625)
Travel expenses	(462)	(746)
Other administrative expenses	(573)	(532)
Total administrative expenses	**(12,289)**	**(13,562)**

4.5.
Other operating income and expenses

Other operating income and expenses include transactions related to the discontinuation of the Balmain license as well as the goodwill impairment charge on the Karl Lagerfeld brand that break down as follows:

€ thousands	Other operating income	Other operating expenses
Balmain license exit payment	5,400	-
Allowances for depreciation and amortization, provisions	-	(1,196)
Additional impairment for Karl Lagerfeld	-	(5,113)
Total administrative expenses	**5,400**	**(6,309)**

4.6.
Net financial income (expense)

€ thousands	2015	2016
Financial income	2,242	2,555
Interest and similar expenses	(2,182)	(1,965)
Net finance costs	**60**	**590**
Currency losses	(8,684)	(5,830)
Currency gains	7,958	5,917
Net currency gains (losses)	**(726)**	**87**
Other financial income and expenses	(4)	7
Net financial income/(expense)	**(670)**	**684**

Returns on investments, particularly in US dollars, combined with the expense initially linked to the Rochas loan as well as the subsequent renegotiation of rates thereof reflect this decrease in the net borrowing costs.

Prudent management of the level of hedges of receivables and payables, mainly in the US dollar and Pound sterling allowed the Group to benefit from positive currency effects in 2016.

4.7.
Income taxes

4.7.1.
Analysis of income taxes

€ thousands	**2015**	**2016**
Current income tax – France	(11,979)	(13,702)
Current income tax – Foreign operations	(3,028)	(3,675)
Total current income tax	**(15,007)**	**(17,377)**
Non-current tax	**-**	**(1,626)**
Deferred tax- France	(925)	1,422
Deferred tax- Foreign operations	9	91
Total deferred taxes	**(916)**	**1,513**
Total income taxes	**(15,923)**	**(17,490)**

The non-current tax corresponds to a tax expense relating to a tax audit of the French company in 2012 and the resulting tax adjustment for the periods of 2013 to 2015 (see note 3.9.2).

4.7.2.
Reconciliation of the effective tax expense and theoretical tax expense

The difference between the effective tax and theoretical tax expenses calculated by applying the tax rates applicable for fiscal 2016 and 2015 of respectively 34.43% and 38.11% to pretax income reflects the following.

€ thousands	**2015**	**2016**
Tax base	**45,155**	**50,347**
Theoretical tax calculated at the parent company rate	(17,209)	(17,334)
Effect of tax rate differences	1,750	896
Recognition of tax income not previously classified as tax assets	114	226
Deferred tax not recognized on losses of the period	(48)	(749)
Tax adjustment	-	(1,525)
Permanent non-deductible differences	(530)	996
Income tax	**(15,923)**	**(17,490)**

4.8.
Earnings per share

In € thousands, except number of shares and earnings per share in €	**2015**	**2016**
Consolidated net income	29,152	32,438
Average number of shares	32,312,538	33,192,284
Basic earnings per share (1)	**0.90**	**0.98**
Dilutive effect of stock options:		
Potential additional number of fully diluted shares	54,972	-
Potential fully diluted average number of shares outstanding	32,367,510	33,192,284
Diluted earnings per share (1)	**0.90**	**0.98**

(1) Adjusted for bonus shares granted in 2015 and 2016.

5. SEGMENT REPORTING

5.1. Business lines

Up until December 31, 2014, the company operated solely in the segment of "Perfumes" where the indicators for financial performances for each brand of this segment were comparable. In consequence, the Group's income statement and balance sheet henceforth reflected the operations of the "Perfumes" activity in its entirety.

Since the acquisition of the Rochas brand on May 29, 2015, the company now operates in two distinct segments: "Perfumes" henceforth including Rochas' fragrance business and "Fashion" corresponding to activity generated by Rochas' fashion business.

However, a separate presentation is not provided for income statement aggregates because the "fashion" business represents less than 0.6% of Group sales. Assets and liabilities relating to the Rochas brand at December 31 were as follows:

€ thousands	**Perfumes**	**Fashion**	**Total**
Intangible assets – Rochas brand	86,739	19,086	105,823
Medium-term loan	57,773	12,711	70,484

The amount of the loan has been allocated by business in proportion to the breakdown of intangible assets.

Segment assets and liabilities consist of assets (liabilities) used primarily in France.

5.2. Geographical segments

Sales by geographical sector break down as follows:

€ thousands	**2015**	**2016**
North America	75,834	98,157
Western Europe	73,934	83,783
Asia	48,141	53,272
Eastern Europe	38,878	33,715
France	29,496	33,196
Middle East	30,945	32,355
South America	24,116	24,535
Africa	5,035	4,560
Perfume sales	**326,379**	**363,573**
Rochas fashion license revenues	1,032	2,076
Total	**327,411**	**365,649**

6. OTHER INFORMATION

6.1. Off-balance sheet commitments

The following presentation of off-balance sheet commitments is based on AMF recommendation No. 2010-14 of December 6, 2010.

6.1.1. Off-balance sheet commitments in connection with the company's operating activities

€ thousands	**Main characteristics**	**2015**	**2016**
Guaranteed minima on trademark royalties	Guaranteed minima on royalties regardless of sales achieved for each of the trademarks in the period.	104,966	147,633
Headquarters rental payments	Rental payments due over the remainder of the lease terms (3, 6 or 9 years).	15,574	13,885
Guaranteed minima for warehousing and logistics	Contractual minima for remuneration of warehouses regardless of sales volume for the period.	6,039	4,697
Firm component orders	Inventories of components on stock with suppliers that the company undertakes to purchase as required for releases and which the company does not own.	3,800	4,485
Total commitments given in connection with operating activities		**130,379**	**170,700**

6.1.2. Off-balance sheet commitments in connection with the company's financing activities

Commitments with respect to forward currency sales at December 31, 2016 amounted to US$12,000,000, £1,700,000 and ¥50,000,000.

Commitments in connection with forward currency purchases at December 31, 2016 amounted to €1,975,000 for US dollar hedges and €108,000 for Pound sterling hedges representing total commitments of €2,083,000.

Commitments given with investments in foreign currency at December 31, 2016 amounted to US$5,695,000.

Commitments with respect to forward currency sales at December 31, 2016 budgeted in the 2017 first half amounted to US$50 million.

6.1.3. Commitments given by maturity at December 31, 2016

€ thousands	**Total**	**Up to 1 year**	**1 to 5 years**	**5 years or more**
Guaranteed minima on trademark royalties	147,633	14,609	58,269	74,755
Headquarters rental payments	13,885	2,368	8,070	3,447
Guaranteed minima for warehousing and logistics	4,697	1,342	3,355	-
Firm component orders	4,485	4,485	-	-
Total commitments given	**170,700**	**22,804**	**69,694**	**78,202**

Maturities are defined on the basis of the contract terms (license agreements, logistic agreements, etc.).

6.1.4. Commitments received

Commitments in connection with forward currency sales at December 31, 2016 amounted to €11,063,000 for hedges for US dollars, €1,978,000 for Pound sterling and €406,000 for Japanese yen representing total commitments of €13,447,000.

Commitments with respect to forward currency sales at December 31, 2016 amounted to US$2,100,000 and £93,000.

Commitments with respect to investments and foreign currency for US dollar hedges at December 31, 2016 amounted to €5,307,000.

Commitments with respect to forward currency purchases at December 31, 2016 budgeted in the 2017 first half amounted to €46,833,000 for US dollar hedges.

6.2. License agreements

	Nature of license	**License inception date**	**Duration**	**Expiration date**
S.T. Dupont	Original	July 1997	11 years	-
	Renewal	January 2006	5 years and 6 months	-
	Renewal	January 2011	6 years	-
	Renewal	January 2017	3 years	December 2019
Paul Smith	Original	January 1999	12 years	-
	Renewal	July 2008	7 years	December 2017
Van Cleef & Arpels	Original	January 2007	12 years	December 2018
Jimmy Choo	Original	January 2010	12 years	December 2021
Montblanc	Original	July 2010	10 years and 6 months	-
	Renewal	January 2016	5 years	December 2025
Boucheron	Original	January 2011	15 years	December 2025
Balmain	Original	January 2012	[1]	December 2016
Repetto	Original	January 2012	13 years	December 2024
Karl Lagerfeld	Original	November 2012	20 years	October 2032
Coach	Original	June 2016	10 years	June 2026

2015 highlights

With annual sales now exceeding €100 million, multiplied by 5 in just 4 years, Montblanc fragrances have met with enormous worldwide success, driven in particular by performances of the *Montblanc Legend*, *Montblanc Emblem* and *Montblanc Legend Spirit* lines.

In this context, and acting in advance, the two companies decided, to extend their partnership by an additional five years, i.e. until December 31, 2025. A new 10-year agreement entered into effect on January 1, 2016 without any material changes in operating conditions from the prior license.

2016 highlights

Interparfums and S.T. Dupont decided to extend their license agreement expiring in December 2016 for three years, i.e. until December 2019.

Effective as of December 31, 2016, by mutual agreement Interparfums and Balmain decided to terminate the license agreement entered into in 2012. The final deliveries will cease on March 31, 2017 [1].

6.3.
Proprietary brands

Lanvin

At the end of July 2007, Interparfums acquired the Lanvin brand names and international trademarks for fragrance and make-up products from the Jeanne Lanvin company.

Interparfums and Lanvin concluded a technical and creative assistance agreement in view of developing new perfumes effective until June 30, 2019 and based on net sales. The Jeanne Lanvin company holds a buy back option for the brands which will be exercisable on July 1, 2025.

Rochas

At the end of May 2015, Interparfums acquired the Rochas brand (perfumes and fashion) from Procter & Gamble.

This transaction covered all Rochas brand names and registered trademarks (*Femme*, *Madame*, *Eau de Rochas*…) for France and international markets, mainly for class 3 (fragrances) and class 25 (fashion).

This brand was acquired for a price of US$108 million, excluding inventory and financed by a €100 million loan repayable over five years, subject to standard covenants.

6.4.
Employee-related data

6.4.1.
Workforce by category

Number of employees at	12/31/2015	12/31/2016
Managers	145	177
Supervisory staff	7	8
Employees	71	72
Total	**223**	**257**

Changes in the number of employees in the year reflected primarily recruitment linked to the development of the Rochas fashion menswear department and the development of the US subsidiary Interparfums Luxury Brands Inc.

6.4.2.
Workforce by department

Number of employees at	12/31/2015	12/31/2016
Executive Management	2	2
Production & Operations	35	38
Marketing	50	53
Export	44	61
France	38	40
Finance & Corporate Affairs	51	52
Rochas fashion	3	11
Total	**223**	**257**

6.4.3.
Wages and benefits

€ thousands	2015	2016
Staff costs	19,662	24,340
Social security charges	8,588	9,358
Profit-sharing	1,832	2,349
Restricted stock awards	-	396
Total wages and benefits	**30,082**	**36,443**

In addition €507,000 in supplemental retirement benefits for Executive Management were paid in 2016.

6.5.
Information on related parties

No new agreements were entered into in the period, involving a significant amount or that were not in accordance with normal market conditions, between the parent company and its subsidiaries.

6.5.1.
Management Committee members

The members of the Management Committee exercise responsibilities in the areas of strategy, the management and oversight. They have employment contracts and receive compensation as follows:

€ thousands	2015	2016
Wages and social charges	4,520	5,923
Share based payment expenses	-	110

The increase compensation of the Management Committee reflects the addition of two new members in early 2016.

Total gross compensation for the three corporate officers breaks down as follows:

€ thousands	2015	2016
Gross wages	1,403	1,703
Benefits in-kind	18	18
Supplemental retirement contribution	50	51
	1,471	**1,772**

The executive officers Philippe Benacin and Jean Madar, co-founders of Interparfums SA are also executive officers and majority shareholders of the parent company Interparfums Inc.

6.5.2.
Board Meeting

The members of the Board of Directors exercise responsibilities in the areas of strategy, management consulting, acquisitions and oversight. Only outside Directors are paid Directors' fees that break down as follows:

€ thousands	**2015**	**2016**
Directors' fees (1)	108	78

(1) Calculated on the basis of actual Board meeting attendance.

6.5.3.
Relations with the parent company

The accounts of Interparfums SA and its subsidiaries, through Interparfums Holding, are fully consolidated into the accounts of Interparfums Inc., whose registered office is located at 551 Fifth Avenue, New York, NY 10176, United-States. No material transaction exists between Interparfums SA and Interparfums Inc. or Interparfums Holding.

6.6.
Statutory Auditors' fees

Total auditors' fees expensed in the income statement relating to their engagement as Statutory Auditors break down as follows:

€ thousands			**Mazars**				**SFECO & Fiducia Audit**	
	2015	**%**	**2016**	**%**	**2015**	**%**	**2016**	**%**
Statutory auditing and certification of accounts, review of separate and consolidated accounts								
For the Issuer	349	74%	280	63%	90	100%	90	96%
For fully consolidated subsidiaries	120	25%	155	35%	-	-	-	-
Services other than for the certification of accounts								
For the Issuer	4	1%	7	2%	-	-	4	4%
For fully consolidated subsidiaries	-	-	-	-	-	-	-	-
Total	**473**	**100%**	**442**	**100%**	**90**	**100%**	**94**	**100%**

6.7.
Post-closing events

None.

3

Corporate governance

1. BOARD OF DIRECTORS

Interparfums adopted the form of a *société anonyme*, the French equivalent of a joint stock company, when it was created in 1989. It is governed by a Board of Directors and a Management Committee.

On March 8, 2010, the Board of Directors of the company decided to refer to the Middlenext Code of December 2009 updated in September 2016 designed for Small and Mid Caps, after reviewing the points requiring special attention ("*points de vigilance*") set forth therein, duly noting the main issues relating to effective corporate governance.

1.1. Composition of the Board of Directors

On December 31, 2016, the Board of Directors had nine members.

The rules governing the composition and functioning of the Board are described in the Board Charter reproduced in full in chapter 2 of this section.

The Board includes four independent Directors, Dominique Cyrot, Chantal Roos, Marie-Ange Verdickt and Maurice Alhadève.

To date, the Board has two members with the status of employee resulting from an employment contracts predating their appointment as Directors and Executive Vice President.

1.2. Composition of the Board and profiles

As of December 31, 2016 the composition of the Board of Directors was as follows:

Philippe Benacin
Chairman and Chief Executive Officer of Interparfums

Date of 1st appointment: January 03, 1989.

Date of last reappointment: April 25, 2014.

Professional address: Interparfums, 4 rond-point des Champs-Élysées, 75008 Paris, France.

Philippe Benacin, 58, a graduate of the ESSEC Business School and co-founder of the company with his partner Jean Madar, has served as Chairman-CEO of Interparfums SA since its creation in 1989.

Philippe Benacin sets the strategic priorities for the Paris-based Interparfums SA Group and development of the brands of the portfolio: Balmain, Boucheron, Jimmy Choo, Coach, Karl Lagerfeld, Lanvin, Montblanc, Paul Smith, Repetto, Rochas, S.T. Dupont et Van Cleef & Arpels.

Current offices: Chairman of the Board of Directors of Interparfums Holding, President and Vice Chairman of the Board of Interparfums Inc. (United States), Managing Partner and Chairman of Interparfums Suisse, Director of Interparfums Asia Pacific Pte Ltd (Singapore) and Chairman of the Board of Directors of Parfums Rochas Spain, Sole Director of Interparfums Luxury Brands Inc. (US), Director of Inter España Parfums et Cosmetiques SL (Spain) and Interparfums Srl (Italy), Member of the Supervisory Board of Vivendi.

Offices having expired in the last five years: none.

Term of office expiring at the close of the Annual General Meeting of April 2018.

Jean Madar
Director

Date of 1st appointment: December 23, 1993.

Date of last reappointment: April 25, 2014.

Professional address: Interparfums, 4 rond-point des Champs-Élysées, 75008 Paris, France.

Jean Madar, 56, a graduate of the ESSEC Business School, is the co-founder of the company with his partner Philippe Benacin. Jean Madar sets the strategic priorities for the New York-based Group Interparfums Inc. and development of the brands of the portfolio: Anna Sui, Dunhill, Oscar de la Renta, Shanghai Tang, Bebe, Abercrombie & Fitch, Hollister, Gap and Banana Republic.

Current offices: Chief Executive Officer and Director of Interparfums Holding, Chief Executive Officer and Vice Chairman of the Board of Interparfums Inc. (United States).

Offices having expired in the last five years: none.

Term of office expiring at the close of the Annual General Meeting of April 2018.

Philippe Santi
Director and Executive Vice President

Date of 1st appointment: April 23, 2004.

Date of last reappointment: April 25, 2014.

Professional address: Interparfums, 4 rond-point des Champs-Élysées, 75008 Paris, France.

Philippe Santi, 55, graduate of the Ecole Supérieur de Commerce of Reims and a public accountant has served as the Chief Financial and Administrative Officer of Interparfums SA since 1995 and as Executive Vice President since 2004.

Current office: Director of Interparfums Inc. (United States).

Offices having expired in the last five years: none.

Term of office expiring at the close of the Annual General Meeting of April 2018.

Frédéric Garcia-Pelayo
Director and Executive Vice President

Date of 1st appointment: April 24, 2009.

Date of last reappointment: April 25, 2014.

Professional address: Interparfums, 4 rond-point des Champs-Élysées, 75008 Paris, France.

Frédéric Garcia-Pelayo, 58, EPSCI international exchange program graduate of the ESSEC Business School, has been Vice President for Export Sales of Interparfums since 1994 and Executive Vice President since 2004.

Current offices: Chairman of the Board of Directors of Interparfums Srl (Italy) and Director of Inter España Parfums & Cosmetiques SL (Spain).

Offices having expired in the last five years: none.

Term of office expiring at the close of the Annual General Meeting of April 2018.

Maurice Alhadève

Independent Director

Date of 1st appointment: April 23, 2004.

Date of last reappointment: April 25, 2014.

Professional address: 2 rue Gounod, 75017 Paris, France.

Maurice Alhadève, age 74, a graduate of Sciences Po Paris and Northwestern University (Chicago) was the Chief Executive Officer of the Luxury division of "Française de soins et Parfums" (Unilever Group), and then, a manager for several companies specialized in the creation of fragrance concentrates: International Flavors and Fragrance (IFF), Créations Aromatiques and Haarmann & Reimer. He was head of the ISIPCA, the school for fragrances, cosmetics and flavors, located in Versailles, France. He is today the cofounder and President of the École Supérieure du Parfum de Paris, providing specialized programs in the fields of creation and management for the perfume industry.

Other offices and directorships: none.

Term of office expiring at the close of the Annual General Meeting of April 2018.

Patrick Choël

Director

Date of 1st appointment: December 1, 2004.

Date of last reappointment: April 25, 2014.

Professional address: 140 rue de Grenelle, 75007 Paris.

Patrick Choël, 73, a graduate of Sciences Po Paris, was Chairman of the Fragrance and Cosmetics division of LVMH from 1995 to 2004.

Current offices: Director of Interparfums Inc. (United States), Director of Parfums Christian Dior, Director of Guerlain.

Offices having expired in the last five years: Director of Modelabs, Director of SGD, Director of ILEOS.

Term of office expiring at the close of the Annual General Meeting of April 2018.

Chantal Roos

Independent Director

Date of 1st appointment: April 24, 2009.

Date of last reappointment: April 25, 2014.

Professional address: CREA, 177 avenue Achille Peretti, 92200 Neuilly sur Seine, France.

Chantal Roos, 73, served as Vice-President for International Marketing than Deputy Chief Executive Officer within the Yves Saint Laurent Parfums Group, then Chair of Beauté Prestige Internationale. She was appointed President of Gucci group in 2000 as President of the Yves Saint Laurent Beauté division, becoming subsequently in 2007, Strategic Adviser to the Chairman and Chief Executive Officer. In 2008, she launched her own company specialized in the creation and development of fragrance and cosmetic brands.

Current offices: Managing Partner of CREA, Managing Partner of ROOS&ROOS.

Offices having expired in the last five years: Chairman and Chief Executive Officer of Yves Saint Laurent Beauté.

Term of office expiring at the close of the Annual General Meeting of April 2018.

Dominique Cyrot

Independent Director

Date of 1st appointment: April 27, 2012.

Professional address: 8 rue de la Pompe, 75016 Paris, France.

Dominique Cyrot, 65, has a master's degree in management from University Paris IX Dauphine.

Her professional career included positions with the French insurer AGF from 1973 to 2011, which has become today ALLIANZ GI.

After heading the research department, then responsible for insurance portfolio management for AGF, Dominique Cyrot was responsible for managing the UCTIS for the group for French large caps then for all French and European Mid Caps.

Up until 2000, Dominique Cyrot was a Director of the investment funds Louxor (luxury), Agroplus (food industry), Galileo (high tech), and for Assystel and Geodis, two listed companies, as well as numerous SICAVs of the AGF group and also external SICAVs.

Current offices: Director of FIME (SA) since April 16, 2015.

Offices having expired in the last five years: Director of SAFETIC (office expired in February 2012), Director of SECHE Environnement (office expired in April 2015).

Term of office expiring at the close of the Annual General Meeting of April 2020.

Marie-Ange Verdickt

Independent Director

Date of 1st appointment: April 24, 2015.

Professional address: 18 avenue de Villepreux, 92420 Vaucresson (France).

Marie-Ange Verdickt, 54, has a business degree from École Supérieure de Commerce de Bordeaux (1984), and is a member of the French Society of Financial Analysts (SFAF) She began her career as an auditor with Deloitte, then management controller for the computer group, Wang. In 1990 she joined Euronext as a financial analyst and was subsequently appointed as head of Euronext's office of financial analysis. In 1998, she joined the asset management company, Financière de l'Échiquier, as a manager of equity funds specialized in French and European Mid Caps. She also contributes to developing socially responsible investment practices.

Current offices: Member of the Supervisory Board of Solucom, Member of the Supervisory Board of CapHorn Invest, Director of ABC Arbitrage, Member of the Supervisory Board of Bonduelle.

Offices having expired in the last five years: Financière de l'Échiquier (expired in June 2012).

Term of office expiring at the close of the Annual General Meeting of April 2018.

The Board of Directors met seven times in 2016 (nine times in 2015).

1.3. Proposal for appointment submitted to the AGM of April 28, 2017

Véronique Gabai-Pinsky

Véronique Gabai-Pinsky, a business school graduate of ESSEC, is currently the Chair of the US company, Vera Wang, operating in the luxury ready-to-wear sector.

Her expertise in the field of luxury is based on a solid professional career marked by many successes. She possesses an in-depth knowledge of the market, brands and business models of the luxury industry. She has received many awards in the United States where she currently resides.

Véronique Gabai-Pinsky began her career with L'Oréal where she was Vice President for Marketing for the Giorgio Armani fragrances, and contributed to the success of l'Aqua di Gio for men. She then joined Guerlain as Vice President for Marketing and Communication where she successfully spearheaded projects including in particular repositioning iconic Shalimar and the Aqua Allegoria launch.

Véronique Gabai-Pinsky then spent 12 years with Estée Lauder as Global Brand President for Aramis and Designer Fragrances where she actively spearheaded growth projects for the group's fragrance business, before joining Vera Wang where she is currently serving as President.

Current offices: Chair of the Vera Wang Group.

Offices having expired in the last five years: none.

1.4. Multiple directorships

By accepting the Board Charter, reproduced in Chapter 2 of this document, the Directors undertake to comply with the rules governing multiple directorships provided for in L.225-21, L.225-77 and L.225-94 of the French Commercial Code and article L.511-52 of the French Monetary and Financial Code.

At December 31, 2016, the number of offices held by each of the Directors was in compliance with the applicable laws.

2. CHARTER OF THE BOARD OF DIRECTORS

INTRODUCTION

The members of the Board of Directors of Interparfums wished to adhere to the rules governing Board practices providing the basis for its Rules of Procedure or Charter. In adopting these Rules of Procedure, the Board of Directors of Interparfums refers to the spirit of the Middlenext corporate governance code as reflected in its recommendations and points to be watched.

This Charter applies to all Directors, present or future, and its purpose is to supplement rules of statute, regulations and the provisions of the bylaws applicable to Interparfums in order to define the operating procedures of the Board of Directors in the interest of Interparfums, its Directors and shareholders.

This Charter is for internal use and does not replace the company's bylaws but rather implements them in a practical matter. In this respect it is not binding on third parties. Shareholders are informed of its existence through the company's website and/or the Chairman's report on internal control and corporate governance and/or in the registration document.

It may be amended by decision of the Board of Directors.

This Charter, adopted in its initial version by the Board of Directors on March 3, 2009, was subsequently amended by the Board of Directors meeting of March 9, 2015. On November 7, 2016, the Board of Directors duly noted the revised version of the Middlenext Code and, in order to take into account the amendments thereto, on March 13, 2017, the Directors decided to fully revise its Charter.

ARTICLE 1. PURPOSE OF THE BOARD CHARTER

The purpose of this Charter is to define the rules and operating procedures of the Board and its special committees, when they exist, supplementing provisions of the law and the bylaws of Interparfums, and in reference to the Middlenext Code.

It also describes the missions and, as applicable, the limitations of the powers of the Executive Management, in order to clarify the roles of each government body. And it recalls the obligations of each Board member and their committees, when they exist, whether they are natural persons or permanent representatives of a legal entity.

ARTICLE 2.
MISSIONS AND POWERS OF THE BOARD OF DIRECTORS

2.1.
Powers of the Board

2.1.1.
Represent all shareholders

The Board of Directors is a collegiate body which collectively represents all the shareholders and is bound by the obligation to act in the corporate interest of the company at all times.

The role of the Board of Directors is based on two fundamental actions, decision-making and supervision:

– the decision-making function involves preparing, in coordination with the company's management, the fundamental policies and strategic objectives as well as the approval of certain significant actions;

– the supervisory function involves examining the decisions of management, the compliance of systems and controls, and the implementation of policies.

The Board of Directors' mission consists in setting the business priorities of Interparfums, choosing the strategy and monitoring its implementation; The Board considers any matter relating to the proper management of the company.

In particular, it:

– appoints the executive officers;

– approves the annual and interim financial statements;

– calls the General Meetings of the shareholders and sets the agenda;

– performs such controls and verifications that it judges appropriate;

– discusses major transactions being considered by the company;

– remains informed about any material events that concern the company.

2.1.2.
Addressing the strategic priorities

The Board of Directors provides opinions about all decisions relating to the major strategic economic, social, financial or technical priorities of Interparfums prepared and presented by the Chief Executive Officer to be discussed in meeting. The Board monitors their implementation by Executive Management.

The Chief Executive Officer also presents a draft version of the annual budget as part of these considerations which is discussed, possibly amended and approved by the Board. The Chief Executive Officer is responsible for implementing the priorities of the strategic plan and the annual budget. He or she informs the Board of any problem or, more generally, any fact compromising their implementation.

2.1.3.
Studying the issue of succession planning for the "manager" and key persons.

The Board or a specialized committee regularly updates its work on succession planning for the current manager (and possibly, certain key persons).

2.1.4.
Addressing a proposal for audit or verification

The Board of Directors may consider a proposal calling for an audit or verification by the Chairman or the Audit Committee. It considers such proposal in any case in a timely manner.

When the Board decides to proceed, it defines the purpose and procedures in proceedings and carries out itself the audit or verification or entrust the execution to a third party. When the Board decides that the control or verification shall be performed by a third-party, the mission is defined according to the conditions defined by the article which follows.

The chair sets the conditions for the execution of the control or verification. In particular, provisions are adopted so that the operation entails the minimum disruption possible for the proper functioning of the company's operations. Meetings with personnel of Interparfums re organized when necessary. The Chief Executive Officer ensures that information useful for the control or verification is provided to person performing the procedure. Regardless of the person who performs of the control or verification, he or she is not authorized to interfere in the management of business. He or she reports to the Board upon completion of the control or verification. The Board then determines the follow-up to be given to its conclusions.

2.1.5.
Reviewing the points to be watched of the Middlenext Code

Every year the Board reviews the points to be watched of the code. It reports on this review in the Chairman's report on internal control and corporate governance and/or in the registration document.

2.1.6.
Entrusting a mission to a Director

When the Board of Directors decides to entrust a mission to one or several members, it defines the main characteristics. The Director concerned does not participate in the vote and this mission is subject to a regulated agreement.

2.2. Procedures for exercising the chairmanship and Executive Management

2.2.1. The Chairman of the Board

The Board of Directors appoints members, from among its members a Chairman who is an individual person. This Chairman may be appointed for the entire term of his or her office as Director and may be reappointed.

He or she chairs the meetings of the Board. If the chair is absent, the Board of Directors' meeting is chaired, according to the provisions of the bylaws, or failing this, by a member appointed by the majority of votes of members present or represented. He or she organizes the work of the Board and reports thereon General Meeting of the shareholders.

The chair possesses all material resources necessary to ensure the proper functioning of the Company's governing bodies and, ensures in particular, that the Directors are able to carry out their duties.

2.2.2. Procedures for exercising Executive Management

The Board determines the procedures for exercising Executive Management conditions provided for by the bylaws. As provided for by law, the Executive Management shall be assumed either by the chair of the Board of Directors or by another individual appointed by the Board and with the title of Chief Executive Officer (*Directeur Général*). Shareholders and third parties shall be informed of this choice under the conditions provided for by regulations in force. The Board of Directors sets the term of the option, and the Board's decision on this point shall remain valid in any case until a decision to the contrary.

The Board of Directors of Interparfums has decided not to separate the functions of the Board chair and Chief Executive Officer.

The Chief Executive Officer may be assisted by one or more executive vice presidents (directeurs généraux délégués) appointed by the Board of Directors in accordance with statute and the bylaws.

The Board of Directors seeks at all times to ensure the implementation by Executive Management of the priorities it has defined.

2.2.3. Powers of Executive Management/Limitations

The Executive Management, whether exercised by the chair of the Board of Directors or another person, is vested with the broadest powers to act in all circumstances on behalf of the company. It exercises these powers within the limit of the corporate purpose, in accordance with the rules defined in the company's bylaws and subject to those expressly granted by law to shareholders' General Meetings and the Board of Directors.

The following strategic decisions are subject to the Board of Directors' approval.

– any financial commitment (immediate or deferred) for an amount exceeding €10 million per transaction and having a material impact on the company's scope of consolidation, including mainly the acquisition or disposal of assets or equity investments in companies;

– any decision, regardless of the amount involved, that could potentially materially affect the strategy of the company or materially modify the scope of its normal activity.

The Chief Executive Officer represents the company in dealings with third parties.

2.3. Directors and officers liability insurance (D&O insurance)

Interparfums has obtained for managers exercising a corporate office Directors and officers liability insurance (D&O insurance).

ARTICLE 3. COMPOSITION OF THE BOARD OF DIRECTORS

The Board of Directors reflects the company's wish to draw on the different and complementary experience, expertise and profiles. In this way, the foremost quality of a Board of Directors lays in its composition: integrated and competent Directors, understanding the operations of the company, attentive to the interests of all shareholders, sufficiently involved in defining the strategy and the proceedings to effectively participate in the Board's decisions.

3.1. Conditions for appointing Board members

The bylaws set the number of Board members.

The Directors are appointed or reappointed by the shareholders' Meeting, except for employee Directors as applicable.

In compliance with the bylaws, the term of office of a Director is four years.

The maximum age for Directors is set by the bylaws. When the legal limit is exceeded, the oldest Director is considered to have automatically resigned, subject to provisions of the bylaws.

3.2. Criteria of independence of Directors

At least two members of the Board are independent Directors. Directors are considered independent when they have no relation whatsoever with the company, group or its management that could compromise their free exercise of judgment.

Every year, the Board reviews the situation of its members and ensures, in compliance with the Middlenext corporate governance code that they comply on a permanent basis with the following criteria:

– they must not have been during the last five years an employee or executive officer of the company or a company in its group;

– they must not have had any material business relationship with the company or its group for the last two years (as a client, supplier, competitor, service provider, creditor, banker, etc.);

– they must not be a reference shareholder of the company or hold a significant percentage of voting rights;

– they must not have a close relationship or close family ties with a corporate officer or a reference shareholder;

– they must not have been an auditor of the company in the course of the previous six years.

In this respect, the Board may consider that a member is independent when it does not fulfill all the criteria of independence and conversely, consider that a member is not independent, even if all the independence criteria are met. In this case, the Board must justify its position.

When a new member is appointed or one of its members is reappointed, the Board of Directors assesses the situation of this member in reference to the criteria referred to above.

Each member classified as an independent Director informs the Chairman as soon as he or she has knowledge of any change in his or her personal situation with respect to the same criteria.

ARTICLE 4. DUTIES AND CODE OF CONDUCT OF DIRECTORS

4.1. Duty of loyalty and respecting the laws and bylaws

In exercising his or her office, each Director must make decisions based on the corporate interest of the company. Each must take full account of their obligations, understand and undertake to respect the provisions of the law and regulations relating to their function, as well as the specific rules of the company resulting from the bylaws and the Board Charter.

When members of the Board hold a position as a manager, they must not accept more than two other offices as Directors in listed companies, including in foreign companies or companies outside their group.

4.2. Obligation of disclosure/Conflicts of interest

In a situation that reveals or may reveal a conflict between the company's interest and their personal interests, either directly or indirectly, or the shareholders' interests or those of the group of shareholders that they represent, the Directors in question must inform the Board as soon as they become aware of the conflict and draw the appropriate conclusions regarding the exercise of their office.

And according to the case, they must:

– either abstain from voting on the corresponding resolution;

– or not attend the Board meetings during the period when they find themselves in a conflict of interest situation;

– or, as an extreme recourse, resign from their duties as Director.

Once a year, the Board shall review the known conflicts of interest. Each Director shall notify, as applicable, changes in his or her situation.

4.3. Directors' duty of confidentiality

The members of the Board of Directors are bound by an absolute duty of confidentiality with respect to the discussions and resolutions of the Board of Directors and, as applicable, its committees and any information presented at the meetings. In general, members of the Board of Directors are required not to disclose any information to anyone outside the Board, particularly the media.

In the event of a manifest breach by a Director to honor his or her confidentiality duty, the Chairman of the Board, after having consulted with the Board called for that purpose, informs the Board on any actions it intends to take as a result of this breach of confidentiality.

4.4. Obligation of diligence and attendance

In accepting a Board position, each Director undertakes to fully take on the duties of the position, in particular:

– to devote the time necessary to analyze the issues brought before the Board of which he or she is a member;

– to request any additional information he or she deems useful;

– to ensure that this Charter is applied;

– to form freely an opinion prior to any decision, considering only the corporate interest of the company;

– to participate actively in all meetings except when unable to do so;

– to attend General Meetings;

– to formulate any proposals intended to improve the working conditions of the Board and its Committees.

4.5. Obligations and rights to information

To participate effectively in the work of the Board, the company provides its members all useful documents in a timely manner. Requests for information are made to the Chair.

Each member of the Board is authorized to meet with the main company managers on condition of informing the Chairman in advance.

The Board is regularly informed by the chair of the financial situation, cash position, financial commitments and significant events of the company and group.

Finally, any member of the Board is entitled to receive training on the specific characteristics of the company and group, their business lines and sectors.

4.6. Non-compete obligation

Putting the company's interest before the Director's personal interests imposes a non-compete obligation on the Director. For the entire term of their directorship, each Director undertakes not to hold any positions with a competitor of the company and companies it controls. It shall inform the company of any new office.

4.7. Obligations relating to holding shares of the company

The bylaws sets the minimum number of shares that must be held by each Director. In addition, it is recommended that each Director hold 300 shares.

All Board members must convert into registered form the securities of the company, the parent company and its subsidiaries held by them, their minor children or spouse living separately and apart.

4.8. Obligations to abstain in dealing in shares of the company during blackout (or closed) periods

Members of the Board must abstain from dealing in securities of the company:

– during at least 30 calendar days before the publication of the interim and annual financial results;

– during at least 15 calendar days before the publication of sales (annual, half-yearly or quarterly).

A list of these blackout periods based on the schedule of publications is provided to each Director.

This list must be consulted before any dealing in the company's securities. Dealings are only authorized as from the publication of the information in question, on condition that the relevant party does not hold other inside information.

4.9. Obligations relating to possession of inside information/Preventing insider misconduct and trading

In general, concerning non-public information acquired in connection with their duties, each member of the Board shall be considered subject to an obligation of strict professional confidentiality that exceeds the obligation of discretion provided for by article L.225-37 of the French Commercial Code. More specifically, in the performance of his/her duties, the Board member regularly has the opportunity to obtain specific and non-public information concerning the company or the financial instruments that it issues, which if made public, would be likely to have a significant influence on the stock market price of its shares.

For this reason, each Board member is included on a list of insiders drawn up by the company.

When in possession of such information, the Board member must refrain from:

– engaging or attempting to engage in insider trading, notably by acquiring or disposing of, or by trying to acquire or dispose of, for one's own account or for the account of a third party, either directly or indirectly, the financial instruments to which this information relates or the securities with which these financial instruments are linked;

– disclosing or attempting to disclose this information to another person outside the normal course of his or her work, profession or functions;

– recommending or attempting to recommend or inducing or attempting to induce another person to acquire or dispose of or have acquired or disposed of by another person, said financial instruments.

4.10. Disclosures on dealings in shares and the crossing of thresholds

Each Director must be diligent and report in a timely manner his or her dealings in securities and the crossing of thresholds.

ARTICLE 5. FUNCTIONING OF THE BOARD OF DIRECTORS

5.1. The frequency of meetings

The Board of Directors shall meet as often as required in the Company's interest and at least four times per year.

The calendar of meetings is set at least one year in advance.

5.2. Meeting agenda and information to be given to Board members

The Chairman sets the agenda for each Board meeting which it communicates to its members in a timely manner using all appropriate means.

The documents enabling Directors to make a fully informed decision on the items on the agenda are communicated to the Directors in a timely manner before the Board meeting, except in emergency situations or where there is a need to maintain absolute confidentiality.

In any case, the Board of Directors may, at any meeting, in emergencies and on the Chairman's recommendation, deliberate on items that are not included on the agenda that have been sent to the Board.

The Director who wishes to conduct a visit within an establishment to obtain information required to exercise his/her office shall submit a written request to the Chairman, indicating the purpose of this visit. The Chairman defines with the Chief Executive Officer the conditions of access and organizes the procedures for this visit.

5.3. Meeting venues

Meetings are held in any location specified in the bylaws, or failing this, at the venue indicated in the meeting notice.

5.4. Use of videoconferencing or telecommunications media

To the extent possible, in the interests of efficiency, the Board gives preference to face-to-face exchanges.

When this is not possible, use of videoconferencing is preferred over conference calls for the meetings. The videoconferencing or telecommunications material must meet the technical characteristics guaranteeing an effective participation in the Board meeting and the continuous and simultaneous transmission of the proceedings. Accordingly, the meeting of the Board of Directors may validly be held only if all or part of its members are continuously and simultaneously connected, at least for audio communications, through a broadcasting system using a web camera connected to the Internet or by telephone conferencing.

5.5. Technical incidents

Should a technical incident in the videoconferencing or telecommunications communications occur during the Board meeting, this must be mentioned in the minutes. If this incident could disrupt the continuity of the retransmission or degrades the quality of the image or sound as to prevent effective participation in the meeting by all Directors present, the meeting shall be suspended.

This suspension of the meeting will be lifted as soon as technical conditions allow the Directors to resume their communications and conduct proceedings according to the conditions described above.

5.6. Restrictions of making certain decisions using videoconferencing and teleconferencing

The above provisions do not apply for adopting decisions for the verification and control of annual and consolidated financial statements and, as applicable, those cases prohibited by the bylaws.

5.7. Record of attendance

A record of attendance is maintained and signed by Directors physically participating in the Board meeting and, as applicable, must mention the names of those Directors having participated in the proceedings by videoconferencing or other means of telecommunications (for themselves and those they represent).

5.8. Quorum and majority

For the calculation of the *quorum* and majority, Directors participating by using videoconferencing or telecommunications are deemed present.

All Directors may participate simultaneously in a meeting through videoconferencing or telecommunications.

5.9. Proxies

Any Director may be represented by another Director at a given meeting. The proxy which must be given in writing may be in the form of a simple email. Each Director is limited to a single proxy for the same meeting.

The above provisions apply to the permanent representative of a Director who is a legal entity.

5.10. Proceedings

Proceedings of the Board of Directors are valid only if a *quorum* of at least half of its members is present, except subject to specific provisions of the bylaws.

Decisions are adopted by the meeting by a vote of a majority of members present or represented, except subject to specific provisions of the bylaws. The Director holding a proxy by one of his or her peers has two votes.

The Chairman of the Board of Directors or, in his or her absence, the person replacing the Chairman, presides over the discussions.

5.11. Minutes

The proceedings of the Board of Directors are recorded in minutes drawn up in a special record, in compliance with the applicable laws and regulations and signed by the chair of the meeting and at least one Director. If the chair of the meeting is prevented from attending, the minutes are signed by at least two Directors.

These minutes are approved at the following meeting. To this purpose, a draft thereof is sent in advance to each Director.

The minutes of the meeting indicate the name of those Directors present or considered present, excused or absent. It mentions the presence of absence of other persons called to attend the Board meeting and the presence of any other person having attended all or part of the meeting.

The minutes specified the videoconferencing or telecommunications technology used, the name of each Director having participated in the meeting through this technology and, as applicable, any technical incident having disrupted the conduct of the meeting, including the interruption and resumption of remote participation.

As applicable, the minutes record the opposing views expressed by Directors.

Copies or excerpts (short form certificates) are certified by the Chairman of the Board of Directors, the Chief Executive Officer, the Director temporarily appointed to fulfill the functions of chair of the meeting, the Secretary of the Board or a person duly authorized by the Board for that purpose.

5.12. Role of the Secretary of the Board

In accordance with the bylaws, the Board of Directors may appoint a secretary who may be chosen from outside its members. The duties of the Secretary of the Board are to call the Board meetings on the authority of the Chairman and draw up draft versions of the meeting minutes which are then submitted to the Board for approval.

He or she is also tasked with sending working documents to the Directors, and generally responding to all requests for information by Directors concerning their rights and obligations, and Board procedures or the life of the company.

5.13. Evaluation of the work of the Board

The Board of Directors performs an evaluation of its work once a year and in particular:

– reviews its operating procedures, composition and organization as well as its committees as applicable;

– ensures that the important questions are properly prepared and discussed.

The Board of Directors reports on this evaluation in the meeting minutes and informs each shareholder in the annual report.

5.14. Meetings of the Directors outside the presence of the Chairman

The Directors – collectively or the independent Directors only – regularly meet in an executive session outside the presence of the Chairman for exchanges on the performances of the Chairman-Chief Executive Officer when the functions of Chairman of the Board of Directors and Chief Executive Officer are combined, or of the Chairman and the Chief Executive Officer when these functions are separated.

ARTICLE 6. FORMATION OF AN AUDIT COMMITTEE IN PLENARY SESSION OF THE BOARD OF DIRECTORS (AS APPLICABLE)

To prepare its work, the Board of Directors may create committees and set their areas of responsibility; In the same way, in the interest of the efficacy of the Board, it may freely dissolve committees having become unnecessary. The Board may also decide to create an ad hoc Audit Committee from its members or in a plenary session.

6.1. Audit Committee in plenary session of the Board of Directors

In consideration of the size of the company and the Board's operating procedures, the Board decided not to form an autonomous Audit Committee.

The Board decided instead to exercise in its plenary session the functions of Audit Committee so that the Directors can contribute to monitoring the preparation of financial information and the efficacy of the internal control systems.

The Audit Committee formed in plenary session of the Board of Directors may not for the exercise of these missions be chaired by the Chairman of the Board if the latter also exercises the functions of Chief Executive Officer.

6.2. Operating procedures

The Board of Directors appoints members of the Audit Committee who personally participate in their meetings.

The Board of Directors convened as an Audit Committee meets at least twice a year.

The term of office of the members of this Audit Committee coincides with their terms of office as members of the Board of Directors. These terms may be renewed at the same time as their terms of office as Director.

The Chairman of the Board of Directors ensures that all information required by its members to conduct their work is provided to them. He or she shall also ensure that the committee members are regularly informed of any changes in the legislation and regulations relevant to its area of expertise. Proposals, recommendations and opinions issued by members of this body are conveyed to the Board of Directors.

The Audit Committee's mission is not able to be separated from that of the Board of Directors which retains the responsibility of approving the statutory and consolidated financial statements. The Audit Committee's mission is to assist the Board of Directors in understanding the procedures for the account closing (timetable, principles, accounting options, etc.), the choice of auditors, the organization, procedures and management systems of the company.

6.3. Composition

At least 50% of the members of Board of Directors appointed to form the Audit Committee in plenary session shall be independent Directors in accordance with the criteria of independence of this Charter. Its members are selected for the expertise in finance and/or accounting and/or legal auditing of accounts. The Directors exercising Executive Management functions may not be members of the Audit Committee.

6.4. Attributes

Without prejudice to the powers of the Board, the Audit Committee formed in plenary session of the Board of Directors is tasked with in particular the following missions:

– it supervises procedures related to the preparation of financial information and, if need be, formulates recommendations in order to ensure its integrity;

– it monitors the effectiveness of internal control and risk management systems as well as, as applicable, Internal Audit, regarding procedures for the preparation and processing of accounting and financial information, without however compromising its independence;

– it issues a recommendation for the appointment of Statutory Auditors submitted to the General Meeting. This recommendation sent to the Board is prepared according to regulations. It issues as well a recommendation to the Board when the reappointment of the auditor's term is considered under the conditions defined by regulation;

– it monitors the performance by the auditors of their mission and takes into account the observations and conclusions of the French auditors supervisory body (*Haut Conseil du Commissariat aux Comptes*) pursuant to audits performed in accordance with regulations;

– it ensures the compliance by Statutory Auditors of the conditions of independence according to the conditions and procedures provided for by regulations;

– it approves, for public interest entities the provision of services other than account certification in compliance with applicable regulations;

– it reports regularly to the Board of Directors of the committee's mission. It also reports on the results of the audit, on how this mission has ensured integrity of the financial information and the role played by the committee in this process. It informs the Board of any difficulties encountered.

6.5. Ad hoc committees

The Board of Directors may at any time establish one or more temporary ad hoc committees, responsible in particular for conflicts of interests, and shall be responsible for determining the composition and operating procedures thereof.

ARTICLE 7. DIRECTORS' COMPENSATION RULES

Directors may receive attendance fees. The amount of these fees is voted by the ordinary general Meeting and the allocation thereof decided by the Board of Directors based on the amount of time the Directors devote to their mission, in part according to their level of attendance, and finally, as applicable, according to the performance of certain specific assignments.

The Board of Directors sets the compensation of the Chairman and the Chief Executive Officer and considers the compensation of all company managers.

ARTICLE 8. ENTRY INTO FORCE – BINDING NATURE

This Charter may be modified by decision of the Board of Directors.

Any new member of the Board will be invited to sign this document upon taking up his or her function.

All or part of this Charter will be made available to the public and available for consultation on the company's website.

3. MANAGEMENT COMMITTEE

Mission

The purpose of the Management Committee, led by the Chairman and Chief Executive Officer, is to address operational issues related to the development of the company.

Composition as of December 31, 2016

Philippe Benacin, Chairman and Chief Executive Officer.

Philippe Santi, Executive Vice President, Chief Financial and Administrative Officer.

Frédéric Garcia-Pelayo, Executive Vice President, Chief International Officer.

Catherine Bénard-Lotz, Chief Legal Officer.

Angèle Ory-Guénard, Vice President, Export Sales.

Jérôme Thermoz, Vice President, French Distribution.

Axel Marot, Vice President, Production & Logistics.

Pierre Desaulles, Vice President, Marketing.

Delphine Pommier, Vice President, Marketing.

Renaud Boisson, Managing Director of Interparfums Asia Pacific Pte Ltd.

Stanislas Archambault, Managing Director of Interparfums Luxury Brands Inc.

The Management Committee met three times in 2016. The meeting agendas addressed the following items of business:

March: Strategy by brand, External growth, 2016 and 2017 budgets, supply chain – 2016 average purchase prices, 2016-2018 marketing plans, focus on Mlle Rochas, French market trends – 2016 issues, outlook, structure and organization in the United States, 2016 plan and Asia ranking.

June: License agreements, external growth, first half 2016 purchases by brand, 2017 launches, 2016 first half and annual results, performance share award plans, export customers update, 2016-2018 marketing plan summary, market response to *Montblanc Spirit* and *Jimmy Choo Illicit* launches, 2016 French market, Coach launch in the United States, the US subsidiary structure, Asian market first half update.

October: External growth, update by brand, 2016 and 2017 sales budget, 2016 income statement, initial response to Coach EDP launch, French market – strategy of main retailers and three-year objectives, retail figures for the American market, focus on the Chinese market.

4. COMPENSATION OF EXECUTIVE OFFICERS

In connection with the preparation of this registration document, the Board of Directors has analyzed the different components of compensation and benefits for corporate officers in light of the principles set forth in the Middlenext Code recommendations of December 2009 as revised in 2016. It reviewed the procedures in place for determining cash compensation and benefits of all kinds granted to corporate officers that are presented below in detail.

In general, the Board of Directors sets the compensation policy for officers both in reference to market practice in comparable sectors and the size of the company notably in respect to sales, earnings and the number personnel.

On this basis, information is provided below on compensation paid to executives as officers or salaried employees in connection with employment contracts concluded prior to becoming officers in accordance with French regulations (AMF recommendation of December 22, 2008 pertaining to information on executive compensation to be disclosed in the registration document, updated on December 20, 2010).

4.1.
Summary of compensation and options/shares granted to each executive officer

	Fiscal 2015	Fiscal 2016
Mr. Philippe Benacin		
Chairman-CEO		
Compensation due for the year	€527 800	€500 800
Valuation of options granted in the period (Interparfums Inc. plan)	$113,810	$141,170
Valuation of performance shares granted in the period	N/A	€67 380
Mr. Philippe Santi		
Director – Executive Vice President		
Compensation due for the year	€591 000	€613 200
Valuation of options granted in the period (Interparfums Inc. plan)	$42,710	$44,580
Valuation of performance shares granted in the period	N/A	€157 220
Mr. Frédéric Garcia-Pelayo		
Director – Executive Vice President		
Compensation due for the year	€597 840	€620 040
Valuation of options granted in the period (Interparfums Inc. plan)	$42,710	$44,580
Valuation of performance shares granted in the period	N/A	€157 220
Mr. Jean Madar		
Director		
Compensation due for the year	$630,000	$630,000
Valuation of options granted in the period (Interparfums Inc. plan)	$113,810	$141,170
Valuation of performance shares granted in the period	N/A	€67 380

4.2.
Summary of compensation for each executive officer

	Fiscal 2015		Fiscal 2016	
	Compensation due for the year	**Compensation paid in the year**	**Compensation due for the year**	**Compensation paid in the year**
Mr. Philippe Benacin				
Chairman and Chief Executive Officer				
Fixed compensation	€420,000	€420,000	€420,000	€420,000
Variable compensation	€97,000	€87,000	€70,000	€87,000
Exceptional compensation	-	-	-	-
Attendance fees	-	-	-	-
Benefits in kind (vehicle)	€10,800	€10,800	€10,800	€10,800
Total	**€527,800**	**€517,800**	**€500,800**	**€517,800**
Mr. Philippe Santi				
Director – Executive Vice President				
Fixed compensation	€300,000	€300,000	€307,200	€307,200
Variable compensation	€291,000	€283,000	€306,000	€291,000
Exceptional compensation	-	-	-	-
Attendance fees	-	-	-	-
Benefits in-kind	-	-	-	-
Total	**€591,000**	**€583,000**	**€613,200**	**€598,200**
Mr. Frédéric Garcia-Pelayo				
Director – Executive Vice President				
Fixed compensation	€300,000	€300,000	€307,200	€307,200
Variable compensation	€291,000	€283,000	€306,000	€291,000
Exceptional compensation	-	-	-	-
Attendance fees	-	-	-	-
Benefits in kind (vehicle)	€6,840	€6,840	€6,840	€6,840
Total	**€597,840**	**€589,840**	**€620,040**	**€605,040**
Mr. Jean Madar				
Director				
Fixed compensation	$630,000	$630,000	$630,000	$630,000
Variable compensation	-	-	-	-
Exceptional compensation	-	-	-	-
Attendance fees	-	-	-	-
Benefits in-kind	-	-	-	-
Total	**$630,000**	**$630,000**	**$630,000**	**$630,000**

Compensation of officers consists of fixed and variable components and benefits in kind.

In accordance with the French Law of December 9, 2016 on transparency, the fight against corruption and modernization of the economy (the "Sapin II" law), the principles and criteria for setting, allocating and granting fixed, variable and exceptional compensation making up the total compensation and benefits in kind granted to the chairman-CEO and the executive vice presidents on the basis of their offices will be submitted to the combined General Meeting of April 28, 2017.

Fixed compensation

This is determined each year in relation to changes and responsibilities or events affecting the company, the environment for the business and the market of reference and must be proportionate to the situation of the company. The fixed compensation due and paid to the Chairman-Chief Executive Officer in 2016 amounted to €420,000 and €307,200 for each of the Executive Vice Presidents.

Variable compensation

This is based on clearly defined, quantifiable and operational objectives and contingent on the achievement of financial objectives on the one hand, and qualitative objectives on the other.

For the 2016 financial period, one half of variable compensation is determined in reference to net sales and operating profit, and half in reference to qualitative criteria of performance. This latter criteria is evaluated on the basis of the contribution of executive officers to achieving the objectives of the company and results actually obtained. In 2016, each of the Executive Vice Presidents received €291,000. The Chairman-Chief Executive Officer, having renounced a portion of his variable compensation, received €80,000.

For 2017, the Board of Directors decided on March 13, 2017 to define new qualitative criteria and a new breakdown between quantitative and qualitative objectives, with the first accounting for 60% and the second 40% of the total. These financial criteria are based on a target for consolidated sales and consolidated operating profit for 2017, with each of the criteria given equal weight in determining variable compensation. The qualitative criteria were defined and a precise manner and are based on four components relating to the resources implemented for the growth strategy of the company and its subsidiaries, and the management of the Rochas fashion business. These criteria are not described in detail in this presentation for reasons of confidentiality.

For each of these quantitative and qualitative objectives, a minimum threshold of meeting 80% of the objectives set is required to justify payment of the variable compensation. When the rate of achievement reaches 150% of the objectives set, the amount of variable remuneration due will be increased by 10%.

Benefits in-kind

The Chairman-CEO and the two Executive Vice Presidents have the use of a company car representing respectively benefits in kind of €10,800 and €6,840.

No other benefits in kind are provided.

4.3. Attendance' fees paid to non-executive Directors

Attendance fees are allocated to the Board of Directors by the shareholders' Meeting and distributed to non-executive Directors on the basis of a fixed flat amount and Board meeting attendance criteria. The maximum amount for these fees decided by the ordinary general Meeting of April 22, 2016 was €180,000.

Based on the amount thus allocated, for 2016, five non-executive Directors were paid attendance fees totaling an amount of €78,000, it being specified that the four members of the Board of Directors making up the Audit Committee are granted an additional amount for preparatory work for the Board of Directors' meetings The other Directors expressly waived their rights to receive attendance fees.

No other form of compensation is paid to non-executive Directors.

	Board of Directors	
Directors	**Directors' fees paid in 2015**	**Directors' fees paid in 2016**
Maurice Alhadève	€20,000	€18,000
Patrick Choël	€21,000	€15,000
Dominique Cyrot	€24,000	€18,000
Chantal Roos	€18,000	€12,000
Marie-Ange Verdickt	€ 21,000	€15,000

4.4. Options to subscribe for or purchase shares

Information on grants of options to subscribe for or purchase shares are described in chapter 3 of the section "Corporate governance", entitled "Special report of the Board of Directors on stock options".

Rules for the grant of options to subscribe for shares to officers are based on the level of responsibilities and the performance of the company's share. The quantity of options to subscribe for shares granted to officers may vary from one year to another according to the performance of the company over this period.

On December 17, 2009 and October 8, 2010, the Board of Directors decided to grant options to corporate officers on that date whose exercise will be contingent on criteria of internal performance based on the company's sales. Under these terms, the number of options exercisable is based on the average rate of actual growth for the company's sales relative to the rate of attainment of the target for average growth. This objective is set by the Board of Directors for a period of reference corresponding to the 4 year tax waiting period that applies to the stock option plan established by this Board.

The Board of Directors has decided that these officers must retain 10% of the shares resulting from the exercise of stock options for the duration of their terms of office in accordance with the provision of article L.225-185 of the French Commercial Code.

4.5.
Restricted stock awards

A performance share plan was implemented on September 6, 2016 for all employees and managers having six months seniority on that date. The maximum number of shares to be awarded is 133,000 shares for senior executives and managers and 15,100 shares for all other employees.

The restricted share units will be remitted to employees after a vesting period of three years (September 6, 2019). After this period, the beneficiaries will freely dispose of their shares, without being subject to a lock-up period.

Actual remittance of shares is contingent on the employee's presence on September 6, 2019 and/or meeting the performance criteria described in.5.2 - Special report of the Board of Directors on restricted stock awards.

4.6.
Summary of executive compensation

	Employment contract		Supplemental retirement plan		Compensation or benefits that may be due on termination or following a change of position		Compensation resulting from a non-compete clause	
	yes	no	yes	no	yes	no	yes	no
Mr. Philippe Benacin Chairman and Chief Executive Officer Date of last reappointment: 04/25/2014 End up of term: AGM 2018		X	X			X		X
Mr. Philippe Santi Director – Executive Vice President Date of last reappointment: 04/25/2014 End up of term: AGM 2018	X		X			X		X
Mr. Frédéric Garcia-Pelayo Director – Executive Vice President Date of last reappointment: 04/25/2014 End up of term: AGM 2018	X		X			X		X
Mr. Jean Madar Director Date of last reappointment: 04/25/2014 End up of term: AGM 2018		X	X			X		X

Philippe Benacin does not have an employment contract with the company. He exercises his functions as Chairman and Chief Executive Officer pursuant to his appointment as a corporate officer by the Board of Directors. No attendance fees are paid to him for the performance of his functions as Director.

Philippe Santi receives compensation in the form of salary under an employment contract as Director of Finance and Corporate Affairs. This employment contract predates his appointment as Executive Vice President (*Directeur Général Délégué*) and Director of the Company and has been maintained as is. Philippe Santi does not receive any attendance fees paid in connection with his office as Director.

Frédéric Garcia-Pelayo receives compensation in the form of salary under an employment contract as Chief International Officer. This employment contract predates his appointment as Executive Vice President (*Directeur Général Délégué*) and has been maintained as is. Frédéric Garcia-Pelayo does not receive any attendance fees paid in connection with his office as Director.

Compensation is paid to Jean Madar by the parent company of the Group, Interparfums Inc. (United States) as the Chief Executive Officer of this company. Jean Madar receives no compensation of any nature from Interparfums SA.

Senior executives benefit from a supplemental retirement plan in the form of a defined contribution annuity fund. The benefits of this defined benefit plan were subsequently extended to management employees of the company. This contribution to a private defined contribution pension fund is paid in part by the beneficiaries and in part by the employer for an amount equal four times French Social Security ceiling. The annual contribution to this fund per executive officer beneficiary is €16,991. The supplemental retirement plan is part of the overall compensation policy adopted by the company for senior executives and managers.

No executives benefit from forms of remuneration, indemnities or benefits owed or which could be owed resulting from the assumption, termination or change of functions of corporate officer of the company or subsequent to these events.

5. SPECIAL REPORTS OF THE BOARD OF DIRECTORS

5.1. Special report of the Board of Directors on stock options

In compliance with article L.225-184 of the French Commercial Code, this report is produced by the Board of Directors to inform the combined shareholders' Meeting of April 28, 2017 of transactions carried out in fiscal 2016 by virtue of the provisions under articles L.225-177 to L.225-186 of said code.

Options granted on inception by Interparfums SA under plans in force to each corporate officer in connection with operational responsibilities exercised in the company

No stock option plan was in effect at December 31, 2016.

Options granted on inception by Interparfums Inc. under plans in force to each corporate officer in connection with operational responsibilities exercised in the company

	Plan 2011	Plan 2012	Plan 2013-1	Plan 2013-2	Plan 2014	Plan 2015-1	Plan 2015-2	Plan 2016
Grant date	12/30/11	12/31/12	01/31/13	12/31/13	12/31/14	01/28/15	12/31/15	12/30/16
Subscription price	$15.59	$19.33	$22.20	$35.75	$27.80	$25.82	$23.61	$32.83
Valuation of options granted (1)	$4.59	$5.54	$6.24	$9.20	$7.42	$6.77	$5.99	$7.43
Options granted at inception								
Philippe Benacin	19,000	19,000	-	19,000	19,000	-	19,000	19,000
Jean Madar	19,000	19,000	-	19,000	19,000	-	19,000	19,000
Philippe Santi	3,000	3,000	2,000	5,000	5,000	1,000	6,000	6,000
Frédéric Garcia-Pelayo	3,000	3,000	2,000	5,000	5,000	1,000	6,000	6,000
Options outstanding at December 31, 2016								
Philippe Benacin	19,000	19,000	-	19,000	19,000	-	19,000	19,000
Jean Madar	19,000	19,000	-	19,000	19,000	-	19,000	19,000
Philippe Santi	600	1,200	1,600	5,000	5,000	1,000	6,000	6,000
Frédéric Garcia-Pelayo	1,200	1,800	2,000	5,000	5,000	1,000	6,000	6,000

(1) Valuation applied in the consolidated financial statements of Interparfums Inc. according to the Black-Scholes model.

Valuation of options granted

			In fiscal 2015			In fiscal 2016
	Options granted	Black & Scholes valuation	Value of options	Options granted	Black & Scholes valuation	Value of options
Interparfums Inc.						
Philippe Benacin	19,000	$5.99	$113,810	19,000	$7.43	$141,170
Jean Madar	19,000	$5.99	$113,810	19,000	$7.43	$141,170
Philippe Santi	1,000	$6.77	$6,770	-	-	-
Philippe Santi	6,000	$5.99	$35,940	6,000	$7.43	$44,580
Frédéric Garcia-Pelayo	1,000	$6.77	$6,770	-	-	-
Frédéric Garcia-Pelayo	6,000	$5.99	$35,940	6,000	$7.43	$44,580
Total			**$313,040**			**$371,500**

In 2015 and 2016, no Interparfums SA options have been granted.

Options exercised by each corporate officer of the company in 2016 received in connection with operational responsibilities exercised in the company

	Number of shares exercised	Subscription price	Expiration date
Interparfums Inc. options exercised in the period by officers			
Philippe Benacin			
Plan of December 30, 2010	19,000	$19.03	12/30/2016
Jean Madar			
Plan of December 30, 2010	19,000	$19.03	12/30/2016
Philippe Santi			
Plan of December 30, 2010	600	$19.03	12/30/2016
Plan of December 29, 2011	1,200	$15.59	12/29/2017
Plan of December 30, 2012	600	$19.33	12/30/2018
Plan of January 30, 2013	400	$22.20	01/30/2019
Frédéric Garcia-Pelayo			
Plan of December 30, 2010	600	$19.03	12/30/2016
Plan of December 29, 2011	600	$15.59	12/29/2017
Interparfums SA options exercised in the period by officers (1)			
Plan of October 08, 2010			
Philippe Benacin	13,530	€11.80	10/08/2016
Jean Madar	13,530	€11.80	10/08/2016
Frédéric Garcia-Pelayo	1,320	€13.00	10/08/2016
Philippe Santi	1,320	€13.00	10/08/2016

(1) Number and subscription price adjusted for the grant of new bonus shares (1 for 10) of June 20, 2016.

Stock options granted to the top 10 employed beneficiaries of the company who are not officers and options exercised by the 10 employees of the company having exercised the greatest number in 2016

	Number of shares granted/exercised	Subscription price	Expiration date
Options exercised by the ten employees exercising the greatest number			
Plan of October 08, 2010	8,234	€13.00	10/08/2016
Plan of October 08, 2010	45,819	€11.80	10/08/2016
Total	**54,053**		

5.2. Special report of the Board of Directors on restricted stock awards

In compliance with article L.225-197-4 of the French Commercial Code, this report is produced by the Board of Directors to inform the combined shareholders' Meeting of April 28, 2017 of transactions carried out in fiscal 2016 by virtue of the provisions under articles L.225-197-1 to L.225-197-3 of said code.

Over 2016, performance shares were awarded to all employees and executive officers of the French company having more than six months of seniority on the grant date.

Performance shares awarded on inception by Interparfums SA under plans in force to each corporate officer in connection with operational responsibilities exercised in the company

	Plan 2016
Grant date	09/06/2016
Vesting date	09/06/2019
Share price on the grant date	€23.98 (1)
Number of shares awarded on inception	
Philippe Benacin	3,000
Jean Madar	3,000
Philippe Santi	7,000
Frédéric Garcia-Pelayo	7,000

(1) The valuation of shares granted in the consolidated financial statements amounted to €22.46.

Performance shares awarded at inception by Interparfums SA to employees who are not executive officers of the company

	Plan 2016
Grant date	09/06/2016
Vesting date	09/06/2019
Share price on the grant date	€23.98 (1)
Number of shares awarded on inception	
Senior executives and managers (other than executive officers)	114,000
Other employees	15,000
Of which awards to the ten employees having received the highest number	38,000

(1) The valuation of shares granted in the consolidated financial statements amounted to €22.46.

Shares previously purchased by the company on the market are vested by their beneficiaries after a vesting period of three years.

The vesting of these shares is contingent on a condition of presence and conditions of performance. The shares awarded without consideration and fully vested may be sold on the vesting date without the application of a holding period.

Actual transmission of the securities is contingent on the presence of the employee on September 6, 2019 and/or the criteria of performance described below:

Beneficiaries	Vesting conditions
Senior executives and managers	– Condition of presence on September 6, 2019; and – Conditions of performance based on: - Consolidated revenue for fiscal 2018 for 50% of the restricted stock units awarded, - Consolidated operating profit for 50% of the restricted stock units awarded.
Other beneficiaries	– Condition of presence on September 6, 2019

6. CHAIRMAN' REPORT ON CORPORATE GOVERNANCE AND INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

Pursuant to the provisions of article L.225-37 of the French Commercial Code the Chairman of the Board of Directors hereby reports on the:

– The Board's composition and application of the principle with respect to the representation of women and men;

– Preparation and organization of the Board's work;

– Limitations on the powers of the Chief Executive Officer (*Directeur Général*) that may exist;

– Internal controls and risk management procedures implemented by the company.

This report has been produced on the basis of work undertaken by the Finance and Corporate Affairs Department, in collaboration with the operating departments of the company and in consultation with Executive Management and the Board of Directors as well as exchanges with the Statutory Auditors.

This report was submitted for approval to the Board of Directors on March 13, 2017.

6.1. Preparation and organization of the Board's work

6.1.1. The company's corporate governance code

Since 2010, the company has referred to the Middlenext Corporate Governance Code of December 2009 and which was revised in September 2016. This decision was made by the Board of Directors in relation with the's shareholder structure, of which 73% of the share capital at December 31, 2016 was held by the holding company.

In accordance with the recommendations, Board members also duly noted the "points to be watched "set forth therein in order to recall the main questions that must be raised to ensure effective governance. The full text of this corporate governance code may be consulted at Middlenext's website: www.middlenext.com.

Out of the 19 recommendations presented in the Middlenext Code followed by the company, recommendation 9 introduces a new provision recommending that the renewal of terms of office be staggered. The company has decided to follow this recommendation by submitting to the shareholders meeting of April 28, 2017 a proposal to modify the bylaws for the purpose of establishing a system providing for the staggered renewal of the terms of Directors. Subject to approval by the shareholders of the resolution modifying the bylaws, this procedure for staggering term renewals will be implemented as from the Annual General Meeting of 2018, when the Directors' terms expire at the end of that meeting called for the purpose of approving the financial statements for the period ending December 31, 2017.

6.1.2. Composition of the Board of Directors

The Directors have diverse and complementary profiles reflecting their broad and diversified backgrounds. Accordingly, in addition to their expertise in finance, management and corporate strategy, their knowledge of the luxury sector contributes to the quality and professionalism of the Board's discussions. Detailed information on the composition of the Board of Directors and their offices is disclosed in this registration document (annual report) in chapter 1 of section 3 entitled "Corporate governance".

The provisions of the company's bylaws, provide that the company may be managed by a Board of Directors having three to eighteen members. At December 31, 2016, management of the company was entrusted to a Board that had nine members.

In line with the spirit of Middlenext Code recommendation No. 9, Directors have renewable four-year terms. The company provides to adopt a system for staggering the terms of Directors in the conditions presented above in section 6.1.1.

6.1.3. Gender diversity in Board membership

The French law of January 27, 2011 on the balanced representation of men and women on Boards of Directors and Supervisory Boards and professional gender equality requires that listed companies meet a quota target for the number of women on Boards of Directors. At December 31, 2016, three of the Board's nine Directors were women, representing a percentage of more than 30%.

The proposal to appoint a new female Board member will be submitted to the 2017 General Meeting. The proportion of women on the Board would accordingly increase to 40% at the end of the ordinary general Meeting, in compliance with statute.

Information about her professional background is provided in the presentation of the resolutions proposed to the combined General Meeting of April 28, 2017 and in chapter 3 of section 6, "Shareholder information" of this registration document.

6.1.4. Independence of Directors and rules of business conduct

With respect to the criteria set forth in the Middlenext Code recommendation No. 3, a Director is characterized as independent by the absence of any significant financial, contractual or family relationship likely to affect his/her independence of judgment. The Middlenext Code recommends that the Board has at least 2 independent members.

On this basis, the Board of Directors has four independent members, with respect to the following criteria:

– criteria of independence No. 1: They must not have been during the last five years an employee or executive officer of the company or a company in its group;

– criteria of independence No. 2: They must not have or had any material business relationship with the company or its group for the last two years (as a client, supplier, competitor, service provider, creditor, banker, etc.);

– criteria of independence No. 3: They must not be a reference shareholder of the company or hold a significant percentage of voting rights;

– criteria of independence No. 4: They must not have a close relationship or close family ties with a corporate officer or a reference shareholder;

– criteria of independence No. 5: They must not have been an auditor of the company within the previous three years.

Criteria of independence	**Maurice Alhadève**	**Philippe Benacin**	**Patrick Choël**	**Dominique Cyrot**	**Frédéric Garcia-Pelayo**	**Jean Madar**	**Chantal Roos**	**Philippe Santi**	**Marie-Ange Verdickt**
Criteria of independence No. 1	X			X			X		X
Criteria of independence No. 2	X	X	X	X	X	X	X	X	X
Criteria of independence No. 3	X		X	X	X		X	X	X
Criteria of independence No. 4	X	X	X	X	X	X	X	X	X
Criteria of independence No. 5	X	X	X	X	X	X	X	X	X
Qualification of independence	**yes**	**No**	**No**	**yes**	**No**	**No**	**yes**	**No**	**yes**

On the date of this registration document, the independent Directors did not have any relations of any nature with the company that could compromise their independence.

In accordance with the Middlenext Code recommendation No. 1, each Director is informed of the responsibilities arising from his/her appointment and over the term of his/her office, and informed of his or her obligation to comply with rules of conduct relating to his or her appointment as set forth in the Board Charter. Directors are provided with a Board of Directors Guide that contains all information about the company, the Board Charter and all legal and regulatory provisions as well as those of the Middlenext Code relating to their rights and obligations in the performance of their functions.

The company adheres to recommendation No. 8 of the Middlenext Code by providing at shareholders' meetings information on the experience and skills of each Director at the time of their appointment or the renewal of their terms of office. The appointment of each Director and the renewal of their terms of office are the subject of a distinct resolution.

6.1.5. Procedures for exercising Executive Management – Limitations on the powers of the Chief Executive Officer

To effectively take into account the changing and highly competitive environment of the sector in which the company operates, the Board decided not to separate the functions of Chairman of the Board of Directors from that of Chief Executive Officer (*Directeur Général*): Philippe Benacin is the Chairman-Chief Executive Officer(*Président-Directeur Général)* of Interparfums SA. Having an in-depth knowledge of the company, since its creation, that he cofounded with his partner, Jean Madar, CEO of the US company, Interparfums Inc, he has a very clear vision of the future prospects of the company His active involvement in running company operations was a decisive factor in the Board's choice. This option has contributed to efficient corporate governance by promoting an alignment between the strategy and operating functions that is necessary for a responsive and efficient decision-making process.

The Chairman-Chief Executive Officer is vested with all powers in respect to third parties to act under all circumstances in the name of the company and within the limitations expressly provided by law granted to the Board of Directors or shareholders meetings, and in compliance with the general and strategic orientations defined by the Board of Directors.

The Chairman-Chief Executive Officer is assisted by two Executive Vice Presidents (*Directeurs Généraux-Délégués*), possessing the same powers in dealings with third parties as the Chief Executive Officer and form with the latter, the Executive Management responsible for the overall management of the company.

Decisions having a material impact on the scope of consolidation or that could materially affect the company's strategy must be submitted to the Board of Directors for approval or subject to a delegation of authority for this purpose by the Board. This limitation is specified in the Board Charter as subject to the following conditions:

– any financial commitment (immediate or deferred) for an amount exceeding €10 million per transaction and having a material impact on the company's scope of consolidation, including mainly the acquisition or disposal of assets or equity investments in companies;

– any decision, regardless of the amount involved, that could potentially materially affect the strategy of the company or materially modify the scope of its normal activity.

The effective functioning of the Board of Directors is based on a balance between the powers of the Directors and the Executive Management made possible by the organization of means and the transparent flow of information to Directors. This exchange is necessary for the performance of their mission throughout the terms of their office. In this context, the Executive Management is able to benefit from the support of a well-informed and vigilant Board of Directors in determining and adopting the strategic priorities that it submits to their judgment.

6.1.6 Charter of the Board of Directors

In compliance with recommendation 7 of the Middlenext Corporate Governance Code, the Board of Directors established a Charter (Rules of Procedure) defining the operating rules of the Board and the terms of a code of conduct for Directors that supplement the provisions provided for by law and the company's bylaws. The main provisions of this Charter are as follows:

– the composition, role, organization and operating procedures of the Board of Directors;

– the functions of Audit Committee exercised by the Board of Directors in plenary session;

– the rules of conduct applicable to members of the Board of Directors;

– compensation of Directors;

– obligations relating to possession of inside information in connection with the prevention of insider misconduct and trading;

– rules governing transactions involving the company's shares in accordance with the provisions of the French Monetary and Financial code and the AMF General Regulation;

– the protection provided to Directors and officers: Directors and officers liability insurance (D&O insurance);

– succession planning information for the manager and key persons.

This Board Charter is destined to regularly evolve to take into account the application of new regulations and recommendations in the area of corporate governance and respond to proposals by Directors in order to ensure the optimal effectiveness of the Board's work.

The last update of the Board Charter was decided by the Board of Directors on March 13, 2017 in order to complete the new headings recommended by the Middlenext Code that was revised in September 2016.

This Charter was drafted in a manner that respects the spirit of the principles of corporate governance developed in the Middlenext Code. This Charter is reproduced in full in chapter 2 of section 3 "Corporate governance" of this registration document.

6.2. Charter of the Board of Directors

6.2.1. Meetings

The number of meetings held is in compliance with the provisions of recommendation No. 5 of the Middlenext Code. It meets as often as the interests of the company require and at least four times a year at the request of the Chairman and according to a calendar jointly established that may be modified at the request of Directors or when justified by unforeseen events.

The Chairman represents the Board of Directors. He organizes the work of the Board and reports on this work to the General Meeting. The work of the Board is carried out in a collegial framework and in a manner that complies with the laws, regulations and recommendations. Accordingly, the Chairman of the Board of Directors ensures Directors are provided with information in advance and on a regular basis, that constitutes an essential condition for the performance of their duties.

In 2016, the Board of Directors met seven times with an attendance rate of 79% for meetings lasting on average three hours. These meetings addressed the following items of business:

– review of the parent company statutory and consolidated financial statements for the fiscal year ended December 31, 2016 and the interim financial statements and the notice of the Annual General Meeting;

– review of the fiscal year 2016 budget and outlook and the forward-planning documents;

– compensation of corporate officers;

– analysis of financial information disclosed by the company to shareholders and the market;

– analysis of the major strategic, economic and financial priorities of the company;

– review and authorization of external growth projects;

– discussions on workplace and wage equality policy within the framework of CSR;

– review of the issue of succession planning for the manager;

– review of the audit reform, and in particular on the extension of the Audit Committee's missions and ensuring the independence of the auditors.

Auditors attend Board of Directors' meetings held to consider the company's accounts or any other matters regarding which they may provide Board members an informed opinion. Each of the meetings of the Board called to adopt the annual and half year accounts was preceded by a meeting of the Board of Directors in the form of an Audit Committee.

On the date of this registration document, the Board of Directors met twice since the beginning of 2017 to consider, on the one hand, the compensation of the corporate officers, on the other hand, the review and closing of the annual and consolidated financial statements for the year ended December 31, 2016 and the notice for the Annual General Meeting of 2017.

6.2.2. Committees

Having duly noted recommendation 6 of the Middlenext Code, in this context, the company has not deemed it necessary to date to form special committees, notably a nominating or compensation committee, in part because of the company's size and organization, and in part because of the extensive in-depth experience Directors have in the world of business and the international markets of competitors. Their input is thus solicited on a collective basis for all significant items relating to the company's management.

With respect to the Audit Committee, article L.823-20 of the French Commercial Code provides for an exemption to create an independent Audit Committee for companies with a corporate body that fulfills the functions of this committee "that may be the Board of Directors, on condition that use of this option is made public along with the composition of its membership".

To maintain its flexibility and decision-making processes and the consultation of financial information and internal controls, the company's Board of Directors, decided to apply the provisions for an exception under article L.823-20 as amended, and on that basis assume itself the tasks normally exercised by an independent Audit Committee. In light of their responsibilities in this area, this will enable the Directors to be more responsive and efficient, in monitoring the production of financial information and the effectiveness of internal control systems. There are four Directors meeting as an Audit Committee in plenary session:

– Marie-Ange Verdickt, independent Director, acting as chair of the Board of Directors meeting as an Audit Committee, Dominique Cyrot, also an independent Director, both with expertise in finance;

– Maurice Alhadève, independent Director and Patrick Choël, a non-independent Director.

Through their complementary experience, they contribute to the work of monitoring the preparation of financial information and the review of financial statements audited by the Statutory Auditors and report on their work to the Board of Directors. The Board of Directors duly noted the provisions of the audit reform and new missions to be assumed by the Audit Committee.

Within the framework of its functions as an Audit Committee, in 2016 the Board of Directors reviewed the following points relating to the audit of the annual and interim consolidated financial statements:

– the assessment of accounting policies their consistent application in compliance with IFRS;

– the implementation of audit programs and financial information defined in relation to the risks identified after evaluating the accounting and internal control systems and also in particular the review of the Rochas acquisition and its impacts on the accounts, asset impairments (accounts receivable, inventory) and provisions (legal and tax risks), actuarial assumptions used for calculating the provision for retirement severance benefits, impacts relating to foreign exchange;

– the validation of financial information.

6.2.3. Evaluation of the Board's work

In accordance with recommendation No. 11 of the Middlenext Code, since 2011, Board members perform their self-evaluation on the functioning of the Board and its work through a questionnaire sent to each Director on notably:

– the missions assigned to the Board;

– the functioning and composition of the Board;

– the meetings and quality of the discussions;

– Directors' access to information;

– the functions of the Board of Directors.

Based on the information received in response to this annual self-evaluation questionnaire, on March 11, 2016 the Board reviewed its membership and evaluated, in total independence and freedom of judgment, the organizational and operating effectiveness. These questionnaires highlighted an assessment of Board practices that was largely favorable, and in accordance with the spirit of Middlenext recommendations and a satisfactory analysis of the environment in which the Directors exercise in practice their functions and responsibilities.

6.3. Powers and missions of the Board of Directors

The Board of Directors determines strategic, economic, social and financial priorities of the company and ensures that they are implemented. Subject to the powers granted to shareholders' meetings and within the limits of the company's Charter, the Board considers any matter relating to the proper management of the company.

It issues decisions concerning the holding of multiple appointments or the separation of the appointments of Chief Executive Officer (*Directeur Général*) and Chairman of the Board, appoints corporate officers, imposes possible limits on the authorities of the Chief Executive Officer, approves the draft report of the Chairman, performs controls and verifications it considers appropriate, in respect to management control and the fair presentation of accounts, reviews and approves the financial statements, and ensures the quality of financial information provided to shareholders and the market.

6.4. Transmission of information to Directors

Directors are provided with all relevant documents and information to effectively perform their duties. Before each Board meeting, Directors receive:

– a meeting agenda established by the Chairman in coordination with General Management and, when applicable, Directors proposing items to be discussed;

– an information file concerning issues to be addressed under the agenda requiring particular analysis for the purpose of an informed discussion, during which Directors may ask relevant questions to ensure their adequate understanding of the matters addressed;

– and, when useful, press releases that have been published by the company as well as significant press articles and reports of financial analysts.

In compliance with Middlenext Code recommendation No. 4, outside of Board meetings, and when justified by events of the Company, Directors are regularly provided with all important information about the company that could have an impact on its commitments and financial position. They may request any explanation or the issuance of additional information, and in general, formulate any requests for access to information they may consider useful.

Directors designated to meet as an Audit Committee in a plenary session of the Board of Directors organize preparatory work for the Board meetings and may on occasion meet to address questions relating to their missions and operating procedures.

6.5. Attendance' fees

Attendance' fees are allocated exclusively to outside non-executive officers of the Board of Directors, namely, Chantal Roos, Dominique Cyrot, Marie-Ange Verdickt, Patrick Choël and Maurice Alhadève. The total amount granted by the General Meeting is freely allocated by the Board of Directors to each member on the basis of their rate of attendance.

For fiscal 2016, the General Meeting of April 22, 2016 decided to allocate a total amount of €180,000. The total amount of attendance fees was €78,000, taking into account in addition the preparatory work and ad hoc meetings held by these Directors designated for the purpose of the Board of Directors' meeting as an Audit Committee in its plenary session. Detailed information on this amount is presented in chapter 4 of section 3 "Corporate governance" of this 2016 registration document.

6.6. Representations concerning Directors

6.6.1. Absence of condemnations

To the best of the Company's knowledge, in the last five years none of the members of the Board of Directors have been:

– convicted for fraud or penalties for infractions rendered by statutory or regulatory authorities;

– been a party in a bankruptcy, receivership or liquidation proceeding as a Director or officer;

– disqualified from serving as a Director or officer or participating in the management of the operations of an issuer.

6.6.2. Absence of potential conflicts of interest

To the best of the Company's knowledge, there exist no potential conflicts of interest between the duties towards the company and the personal interests and/or other duties of one of the members of the Board.

In compliance with the Board Charter, it is noted that in exercising their office, each Director must determine independently make their own assessment in respect to any corporate interest of the company. Each Director is obligated to inform the Board of any situation involving a conflict of interest, even a potential conflict of interest, and must abstain from voting in the proceedings relating thereto, and if necessary, resign.

Directors are asked each year to update information about their functions, and executive, administrative and management offices currently held or that have been held in the last five years. In addition, they are requested to return a sworn statement attesting to the absence of a conflict of interest, conviction for fraud rendered in the last five years, the absence of any public charges and/or sanctions rendered against them by the courts or independent authorities.

6.6.3. Absence of service contracts with Board members

To the best of the Company's knowledge, none of the Board members is bound by service agreements with the company or one of its subsidiaries providing for the grant of benefits under its terms.

6.6.4. Restrictions on holding shares by Directors

Article 12 of the bylaws imposes on Directors an obligation to hold at least one share for the duration of their term.

6.7. Shareholder participation in General Meetings

Under the terms of article 19 of the company's bylaws all shareholders have a right to participate in General Meetings, personally or through a proxy, regardless of the number of shares they hold, upon simple justification of their identity and ownership of the shares.

6.8. Items having a potential impact in the event of a public offering (article L.225-100-3 of the French Commercial Code)

To the best of the company's knowledge, the items adopted by the company and listed below are not expected to have an impact in the event of a public offering:

– the structure of the share capital as well as direct or indirect equity interests brought to the company's attention and any other information relating thereto are described in Chapter 2 of section 6, "Shareholder information" of this registration document;

– conditions for exercising the double voting right: A double voting right is granted to all fully paid up shares registered in the name of the same shareholder for at least three years. (article 11 of the bylaws);

– the conditions for implementing the share buyback program described in chapter 6 of section 1 "Consolidated management report" of this registration document);

– the delegations of financial authority given to the Board of Directors to decide on equity transactions. The summary of financial delegations is provided in chapter 4 of section 6 "Shareholder information" of this registration document.

6.9. Principles and rules for determining the compensation of corporate officers

The compensation policy is subject to the appreciation of the Board of Directors that sets the general principles that are based not only in reference to market practice in comparable sectors but also to the size of the company notably in respect to sales, earnings and the number of employees. All information on the components making up the compensation of corporate officers is disclosed in chapter 4 of section 3 of this registration document.

6.10. Risks relating to climate change – measures taken by the company to reduce these risks by implementing a low carbon strategy

In light of the nature of its business, Interparfums does not anticipate any regulatory risks or risks resulting from physical changes associated with climate change which could have a material financial impact for the Group.

Nevertheless, conscious of our impact with regards to greenhouse gas emissions, particularly with regards to our logistics system, the company is committed to limiting its carbon footprint.

To this purpose, it has adopted an action plan to optimize transportation flows by reducing the number of kilometers traveled and by optimizing truck loads. This information is presented in detail in our "Corporate social responsibility" report in section 4 of the 2016 registration document.

6.11. Internal control and risk management procedures

6.11.1. Definition

The Company has implemented internal control and risk management procedures in large part based on the guidelines established by article 404 of the Sarbanes Oxley Act that applies to the US parent company because it is listed on a New York Stock Exchange. The principles determined therein are in part provided for under the AMF guidelines of 2007 and updated in July 2010 and completed by the guidelines for Small and Mid Caps of January 9, 2008.

The Company has defined and implemented a group of internal control and risk management systems that include rules of conduct and procedures adapted to the Company's organization to enable it to:

– limit risk to an acceptable and reasonable level to ensure its continuing operation;

– better identify material operating and financial risks;

– manage its activities and ensure an efficient use of its resources.

These procedures are based on the COSO 2013 integrated framework for internal control for implementing the risk assessment and internal control matrices.

6.11.2. Objectives of the risk management and internal control system

The purpose of risk management procedures is to therefore:

– safeguard the value, assets and reputation of the Company and its brand licenses;

– secure the decision-making process and other processes of the Company to achieve its objectives by analyzing potential threats and opportunities;

– promote the coherence the Company's actions and values;

– deploy and motivate the Company's staff around a common vision of the main risks.

The processes for defining and implementing internal control procedures seek to ensure:

– compliance with laws and regulations and respect of the Company's internal values;

– the application of instructions and priorities set by Executive Management;

– the effective application of internal processes notably concerning the protection of corporate assets;

– the reliability of financial information.

However, no system of internal control can provide an absolute guarantee of achieving these objectives. The probability of achieving such objectives is subject to limits inherent in any system of control, related notably to uncertainties concerning the external environment, the exercise of judgment or problems that may arise in response to human error or simple error, or the need to perform cost-benefit analysis before implementing any controls.

6.11.3. Components of the risk management and internal control system

6.11.3.1. The risk management system

The risk management system is based on processes including three steps:

– identifying risks in order to determine and rank those which are the most important (risk mapping). A risk is characterized by as an event originating from one or several internal sources or consequences. This identification process constitutes an ongoing approach of the Company;

– analyzing risks in order to examine the potential consequences that may be in particular financial, human and legal in nature and assess their occurrence. This analysis is performed by the company on an annual basis;

– handling the risk with the objective of defining action plans most adapted to the Company, and in particular by trade-off between the opportunities and the cost of measures for handling the risk. These action plans are accompanied by the appropriate measures for prevention and reinforcing existing controls relating to internal control processes.

Risk management responsibilities are exercised at every reporting level of the company. Staff, line management and support function management actively intervene as participants with a direct stake in an approach focused on internal controls of the processes they supervise, within the framework of missions defined by Executive Management, their organization and contributions to critical decisions. Furthermore, the limited number of levels in the decision-making process and the contribution of line management to strategic considerations facilitates the identification and handling of risks. To this purpose, they possess the knowledge and information necessary to establish, operate and oversee the internal control procedures in relation to the objectives that have been set for them. An in-depth analysis of the separation of operational and control tasks was undertaken to effectively address the objectives of control.

The mapping of Group risks, established according to the COSO 2013, made it possible to classify risks into four categories: operating risks, risks related to international operations, environmental and employee-related risks and risks related to the financial environment, that are presented in detail in Chapter 3 of Section 1 of the management report. These regular updates keep pace with the Company's activity and evolving organizational changes.

This mapping constitutes the basis for an analysis required to verify the relevance of measures taken to improve and strengthen the internal control system. This has made it possible to highlight risk areas, and for each of these areas, risks with potential for having a significant financial impact and its probability of occurrence. Each risk identified and tested is monitored to ensure that all action plans are properly implemented.

The Board of Directors is informed of the features of this risk mapping as well as the remedial action plans.

This risk management system is regularly reviewed to improve the methodology for managing risks.

6.11.3.2.
Application of risk management and internal control procedures

The risk management and internal control systems both contribute in a complementary manner in effectively managing the Company's operations. In effect, within the framework of internal control processes, action plans are implemented to address risks identified as having a material impact on the Company's assets, image or reputation.

6.11.3.3.
Components of the internal control system

The company's internal control system is deployed by a team of managers and officers under the authority of Executive Management who in turn reports to the Board of Directors. It is based on a combination of actions and measures, such as:

– clearly defined responsibilities in preparing, implementing and ensuring the management of internal control procedures;

– risk mapping: identifying, analyzing and handling risks;

– ad hoc tests conducted on a periodic basis of the effectiveness of internal controls.

Organization of the Company

The Company is organized around two divisions:

– the operational division organized around the line management departments for Export Sales and French Sales, Marketing and Production and Development;

– whereas the division for support functions is organized through the Finance, Human Resources, Information Technology and Legal Affairs departments.

The line management departments, assisted by the technical expertise provided by the support functions, coordinate the implementation of objectives and achieving the operating results set by Executive Management. To this purpose, they participate in the internal control procedures and are involved in the risk management process.

Support function departments cover all processes relating to the management of resources (cash management, human resources, compliance with tax obligations, the processing and communication of accounting and financial information, information systems, legal intelligence, etc.). They also have a role in defining and communicating policies and information about good practices for the company's activity and ensure their effective application, maintaining a safe and secure environment, the reliability of financial information and compliance with laws and regulations. The reliability of information is in particular guaranteed by the Information Technology department. This department is divided into two units: Systems and Networks responsible for maintaining and securing information technology infrastructure (hardware) and Information Systems responsible for managing applications (software).

This organization has demonstrated its relevance through its success in achieving real synergies between the Operational and Support Service departments. It is based on the staff's knowledge and understanding of the processes for operating and overseeing the internal control system in relation to the objectives having been set.

The company also consolidates seven foreign subsidiaries that apply the Group's internal procedures relating to the preparation and processing of accounting and financial information. The US subsidiary Interparfums Luxury Brand Inc., formed in September 2010, in light of the size of its operating entity, has been included in the scope of tests conducted on the effectiveness of the internal control system in 2011.

Tools of the internal control system

These features are based on documentary tools and awareness raising initiatives for management bodies and staff about the internal control and risk management principles adopted within the company. These rules and procedures make it possible to ensure that the instructions of Executive Management are concretely implemented at the level of the operating and support function activities.

- **Code of Good Conduct**

A priority for managing human resources is to ensure that profiles effectively match the corresponding responsibilities while adhering to the key values: prudence, pragmatism, responsiveness, high standards, transparency and loyalty. Contributing to the expertise and know-how of a team of men and women sharing a common culture of commitment to integrity and high standards that distinguish the company thus constitutes an important part of internal control. These values are set forth in a Code of Good Conduct that describes the professional conduct to be adopted, notably in the areas of compliance with laws and regulations, preventing conflicts of interest and financial transparency in order to prevent situations of fraud. This Code is signed by each employee and remitted to all new employees when joining the Company.

• Information System Charter

This document defines the rights and obligations of employees, users of the information system, to ensure that the information technology resources are used in a secure environment complying with the procedures of internal control. It is signed by all users and made available to all new employees who undertake to comply with its provisions.

• Whistleblowing procedure

Under this procedure, each employee that considers that he or she has legitimate doubts about company practices in areas relating to finance, accounting, banking and combating corruption is invited to contact an independent Director as specified therein. It also provides that no sanctions of any nature can be taken against the employee having made use of this professional alert procedure in good faith.

• List of insiders

In accordance with article 223-30 of the AMF Regulation, employees having regular access to insider information, and also all Directors, are recorded on a list of company insiders and undertake accordingly to comply with the limits imposed by article 622-1 of the AMF General Regulation governing the acquisition or disposal of securities of the company directly or indirectly. A list has also been drawn up of persons outside the company having regular access to inside information within the framework of their professional relations with the issuer.

6.11.4. Key participants in internal control procedures

6.11.4.1. The Board of Directors

In connection with information provided to the Board, its members review all characteristics of the internal control and risk management systems and more particularly examine them in accordance with their Audit Committee functions exercised in plenary session. The Board is kept regularly informed about internal control and risk management methodologies The Board may exercise its authority to request verifications and controls it considers appropriate to ensure the transparency, effectiveness and security of the internal control environment.

6.11.4.2. Executive Management

This includes the Chairman and Chief Executive Officer, assisted by two Executive Vice Presidents. They define the major strategic priorities, discussed and approved by the Board of Directors, to achieve the commercial and financial objectives of the company. This is done by providing clearly defined internal procedures and an internal control system for which they are directly responsible. They define the general principles, oversee their coordination and ensure that measures to implement the different components are effectively taken.

6.11.4.3. Management Committee

This Committee includes management from the operating and support function departments who report directly to the Chairman and Chief Executive Officer. This corporate governance body focuses on strategic issues through medium-term plans, monitors budgets and addresses important issues relating to the company's organization and new projects.
It is informed of the implementation of the policy of internal control management, monitoring the work carried out and the corresponding action plans. Each Management Committee member is responsible for ensuring that the common rules and principles comprising the framework of the internal control system are applied and understood in the departments under his or her responsibility.

6.11.4.4. The Finance and Corporate Affairs Department

Operating under the responsibility of Executive Management, this Division includes several departments and notably Consolidation, Cash Management, Accounting, Management Control, Information Systems, Human Resources and Legal Affairs.

The Finance and Corporate Affairs Department is responsible for implementing the internal control to prevent and manage risks resulting from the company's activities, and notably risks of accounting errors and fraud in the area of accounting and finance. To this purpose, it must ensure that the ongoing controls having been defined and implemented are necessary and adequate and are correctly applied in order to protect the company's assets against all potential incidents.

It also provides technical support to operating departments by establishing operating procedures, defining and promoting the use of information tools, procedures and good practices essential for the effective application of the objectives defined by Executive Management.

It centralizes and consolidates financial and accounting information for all Group entities. It furthermore ensures that this information is consistent with the budget as approved by Executive Management and the Board of Directors.

It is also responsible for ensuring that Executive Management and the operating departments are aware of legal issues.
To this purpose, it monitors legal and regulatory developments and takes measures to avoid exposure to potential criminal risks and risks related to commercial law and intellectual property rights. It is also responsible for managing litigation and disputes in close collaboration with outside legal counsel and attorneys, as well as drawing up and reviewing the main contracts of the company.

6.11.4.5. Internal Audit

The company has implemented a flexible organization for its internal control system and risk management processes adapted to the needs and organization of its operational and support function divisions. To ensure that this methodology remains relevant and effective and the organization continues to be adapted to its size, the Company has not considered it useful to create an independent audit department which could potentially disrupt the proper functioning of internal control processes in place.

The evaluation of the internal control system is assured by an Internal Control manager, in coordination with the Finance Department, under the authority of Executive Management that defines the general principles and objectives. This manager performs missions that consist in examining the internal control system and proposing recommendations for improving its effectiveness both with regards to purely financial aspects as well as operational issues relating to processes for purchasing, sales and the management of the Company's image.
In addition to these missions, this manager spearheads and coordinates risk management by producing a risk map that is monitored by implementing action plans. Within the framework of these responsibilities, this manager coordinates, harmonizes and optimizes the methodology for internal control

and risk management processes, drawing on information obtained from evaluation procedures to validate or reassess existing controls.

6.11.5. Internal control procedures

Internal control procedures are designed to secure the different processes used to achieve the objectives set by the company. To this purpose, controls performed at every level of responsibility, are based primarily on the application of standards and procedures. The internal control guidelines relies significantly on the integrated SAP ERP which makes it possible to automate a significant number of controls, thus strengthening their effectiveness.

The company fully reviewed its internal control procedures in 2014 in order to comply with COSO 2013 guidelines. In this same year the company implemented a specific internal control application named "Supervisor". This application makes it possible to verify all accounting transactions and identify possible errors, omissions or fraudulent transactions in a comprehensive manner.

These procedures are organized around the following key areas identified as areas of potential risk:

6.11.5.1. Operating processes

Sales and accounts receivable processes

This process ensures that all deliveries made and/or services rendered are invoiced within the specified period and invoices are properly recorded in the trade receivables accounts. It also determines procedures for issuing credits which must be justified and controlled before being booked. This procedure makes it possible to identify potential doubtful trade receivables and anticipate risks of default. The credit manager monitors accounts receivable payments on a daily basis.

The company has taken out a credit insurance policy with Coface for its expert-related accounts receivables in order to limit the risks of default and in a context of increasing geopolitical instability.

In addition, in 2016, the company implemented a financial intelligence tool for its entire France and export customer portfolio with BVD, Orbis as well as the software application SAAS Credit Catalyst, which makes it possible to rationalize financial risks and optimize average trade receivable collection periods.

Purchasing and accounts payable processes

This process is formalized by procedures based, on the one hand, on the separation of the functions for placing orders and for authorizing orders, acceptance, the recording of the transactions in the accounts and payment of suppliers, and on the other hand a process for monitoring and reconciling purchase orders, receiving slips and invoices (quantity, price, terms of payment) that is fully automated and supplemented by a procedure for preventing dual recognition/payment of supplier invoices. Anomalies that may be identified are analyzed and monitored.

The reliability of this process was optimized in early 2015 by the implementation of electronic invoicing for general expenses. This project seeks to automate data entry, the recording and approval of invoices, guaranteeing in this way optimal security at the level of accounts payable processes. Automation, applying the same principles, for invoices to purchase components and supplies will be implemented in 2017.

The inventory management process

Incoming and outgoing inventory is managed directly by the warehouse personnel at the facility located near Rouen, using the fully automated Logidrive application of Acteos which interfaces with the SAP ERP. This automation allows for real-time updating of physical inventory levels which is monitored daily by the headquarters logistics teams contributing to rigorous management of incoming orders and stock levels.

In addition, a continuous inventory process has been in place for several years making it possible to ensure a perfect alignment between actual and theoretical inventories. On this basis, the entire inventory is counted approximately 5 times in one year. The results of these inventory counts are supported by a complete inventory count carried out at the end of the year.

6.11.5.2. Accounting and financial processes

Cash management

Controls in place are destined to ensure that bank accounts are reconciled on a regular basis with information received from the banks and reviewed periodically in order to document and explain eventual variances; The company has also implemented a system for hedging foreign exchange risk related notably to transactions conducted in US dollars and pounds sterling. The amount of hedges as well as the exchange rate targets are the subject of regular discussions between the Finance Department and Executive Management and are reported to the Board of Directors.

Budget process

Control, in this context, consists of ensuring that annual budget is established according to the instructions of Executive Management and that actual performances are monitored through regular reporting tools based on data obtained from the operating departments with the primary objective of analyzing actual performances in relation to forecast and prior periods. This review of "forecasts versus actual" makes it possible to identify potential inconsistencies, errors or omissions and make the appropriate management decisions to correct the corresponding data.

Preparing financial and accounting information

This process consists in reviewing the fair presentation and consistency of account closing procedures to ensure a reliable consolidation consistent with data collected and submitted to the Finance Department.

The accounting department has a process for identifying and processing changes in accounting standards and the approval of the resulting procedures for accounting treatment. Similarly, there exist procedures to ensure the accounting department is informed of changes in Group practices that could affect the methodology or procedures for recording transactions.

Regulatory developments are monitored throughout the year to ensure that the accounts produced comply with the IFRSs and US GAAP applied by the group. For more technical subjects the company also has recourse to specialized outside firms.

Information systems management

The company uses an ERP application that integrates sales management, logistics, purchasing management, financial accounting, subsidiary accounts and cost accounting information. This tool is supplemented by other applications with which it interfaces, such as the tools for cash management, payroll administration, applications of our partners (suppliers, warehouse logistics, customers) or consolidation or management control.

These different applications have been configured to guarantee an effective separation of tasks. In effect, user access to these applications is rigorously managed to ensure that access is strictly limited to the scope required for the performance of its functions.

Every year, SAP, the Company's main software application was subject to a thorough audit by the internal control application, Supervisor. The purpose of this audit is to identify major deficiencies in terms of managing access and the separation of tasks. The tool also makes it possible to perform a thorough automated analysis of the general ledger to identify irregularities based on tests involving transactions qualified as abnormal.

The IT department exercises considerable vigilance in managing authorizations for access to Information Systems through rigorous control of compliance of the principle of the separation of tasks and the management of infrastructure services and governance of the information technology department. The transfer of an employee or a change in his or her area of responsibility requires an update of his or her access rights in the SAP, subject to prior approval by the Internal Control department This ensures that the principle of the separation of task is effectively maintained.

The organization and operating of all information systems is subject to measures defining conditions for validating processing and closing procedures, the conservation of data, and verification of entries. In terms of protection of data, a procedure for secure access to accounting and financial information has been developed involving the designation of individual and personal rights assigned to specific persons accompanied by passwords.

To ensure continuity in processing accounting data, daily computer backup mechanisms and a continuity plan have been implemented in the event of a sudden dysfunction.

A Business Continuity Planning (BCP) has been implemented which includes in particular internal virtualization of the servers for ensuring efficient backup system in the event of any equipment failure. In 2010 and early 2011, an IT recovery plan was deployed to strengthen these measures to secure the information system, duplicating computer data at an external "secure dormant site" as a precaution in the event of malfunctions.

Furthermore, the SAP meets the following objectives:

– systematizing internal procedures; By way of example, a customer order cannot be processed (withdrawal of stock, delivery, invoicing) until it has been validated within the system by authorized persons;

– shortening the logistics cycle for improved customer service. For example, the logistics warehouse receives all information from Interparfums in real time through automated and computerized information flows;

– strict monitoring of flows for the sourcing, inventories and real-time access to physical inventory;

– reinforcing the decision-making processes and cost accounting for optimized management accounting;

– ensuring compliance with the rules of traceability and security through the harmonization of information processing tools. In this way, a user can be linked to each transaction generated by the application.

6.11.5.3. Oversight of the internal control and risk management procedures

This oversight is ensured through an internal procedures assessment plan that is necessary for a better understanding and appropriation of internal control procedures, ensure their correct application and, if necessary, improve procedures currently in force.

These periodic reviews make it possible to measure progress in implementing programmed actions, changes since the previous assessment and implement new procedures that may be identified as necessary through this process.

This assessment process is performed annually. This involves identifying assets of key importance, analyzing potential risks, existing or emerging, by type of task assigned to each department concerned and meetings with the operating departments concerned.

Internal control procedures are carried out in accordance with the provisions of US law of the Sarbanes Oxley Act based on the COSO 2013 integrated framework.

If processes and the associated controls do not exist or are not sufficiently formalized, a remediation plan or corrective actions are implemented and monitored by the manager concerned.

At the end of this evaluation phase, the results were provided both to the Finance Department and Executive Management who provide a summary to the Board of Directors. Executive Management also communicates these results to the Management Committee so its members can ensure that management of the respective department is aware of the results of the work and the issues at stake in implementing remediation plans in response to the dysfunctions identified or those that could result from inadequate controls.

On this basis, in 2016, 134 controls were carried out focusing on 47 areas of risk relating to sales and purchasing activity, license royalties, advertising expenses, inventory, cash management, closing activities, payroll management and information systems. In 2015, the scope for this evaluation was the same as the prior year.

The US company, Interparfums Luxury Brands Inc., was subject to these same tests. The assessment of internal control for this subsidiary was carried out in collaboration with an outside US consulting firm.

Evaluations carried out within the Company did not indicate any weaknesses of a significant or noteworthy nature that might call into question the relevance of internal controls. In line with its policy of strengthening internal control procedures, the Company has continued to analyze priorities for improving existing procedures and developing remediation plans.

This work also concerns the organization of the Information Systems Department, the evaluation of general IT controls, the management of operations, projects and security and the policy for ensuring the availability and continuity of service of systems.

6.12. Preparing accounting and financial information

6.12.1. Operating process for producing the accounting information

Internal control processes relating to accounting production have been implemented through the following measures based on previously defined procedures and approval mechanisms:

– a planned program for account closings subsequently communicated to operating departments;

– close collaboration between the different managers of the support function and operating departments;

– analysis of the relevance of information reported particularly concerning sales, orders and the examination of margins;

– a detailed review of the accounts by Executive Management in view of their approval before the final closing.

Meetings are organized to coordinate activity with the different departments concerned in order to ensure the exhaustive nature of information provided to prepare the accounts.

6.12.2. Process for account closings and the production of consolidated financial statements

Account cut-off procedures are subject to precise instructions issued by the Finance Department in respect to the closing process, indicating the timetable for these actions as well as the planning for precise tasks for each party participating in this process. These procedures are accompanied by a process for validating key items, and notably the reconciliation of separate financial statements with the consolidated financial statements and analysis of changes in consolidated net equity.

Procedures for producing interim and annual financial consolidated financial statements are based on IFRS guidelines.

At the level of subsidiaries, local management provides detailed reporting that includes audited financial statements and analysis of business performances. This information is subject to in-depth analysis by Executive Management with the technical support of the Finance Department.

6.12.3. Financial communications

The financial communications process is subject to a clearly defined reporting schedule for information destined for financial markets and market authorities. This schedule ensures that communications complies with the requirements of applicable laws and regulations relating to financial disclosures both concerning the nature of information to be disclosed, the required deadlines and compliance with the principle of equal access to information by all shareholders.

6.13. Relations with Statutory Auditors

In connection with the half yearly and annual closings of the accounts, the Statutory Auditors organize their work as follows:

– a prior review of procedures and internal control tests;

– a meeting prior to the approval of the accounts to define the program of reviews and the calendar and organization of their work;

– a limited review or audit of the financial statements prepared by the Finance Department;

– a meeting presenting a summary of their work to Executive Management.

On this basis, the Statutory Auditors certify the fair presentation of the separate parent company and consolidated interim and annual financial statements.

6.14. Trend forecasts for 2017

The company assures permanent oversight of all organizational changes to anticipate, adapt and optimize internal control procedures in real time and to facilitate the appropriation of these procedures by operational teams. Its internal control procedures are also designed to respond to both regulatory requirements and future issues facing the company.

Priorities for the Company for the year 2017 include implementing:

– continuous updating of the risk mapping and resulting internal control procedures;

– improving the accounting system: automating bank reconciliations, customer reminders and checking trade receivables accounts;

– adopting dematerialized invoicing for component suppliers;

– coordinating and training sales personnel in using the Catalyst credit database to better analyze any relation with new customers.

4

Corporate social responsibility

This report is part of a comprehensive approach to taking into account the Group's corporate, environmental and social responsibility and transparency with respect to these issues.

1. INTRODUCTION

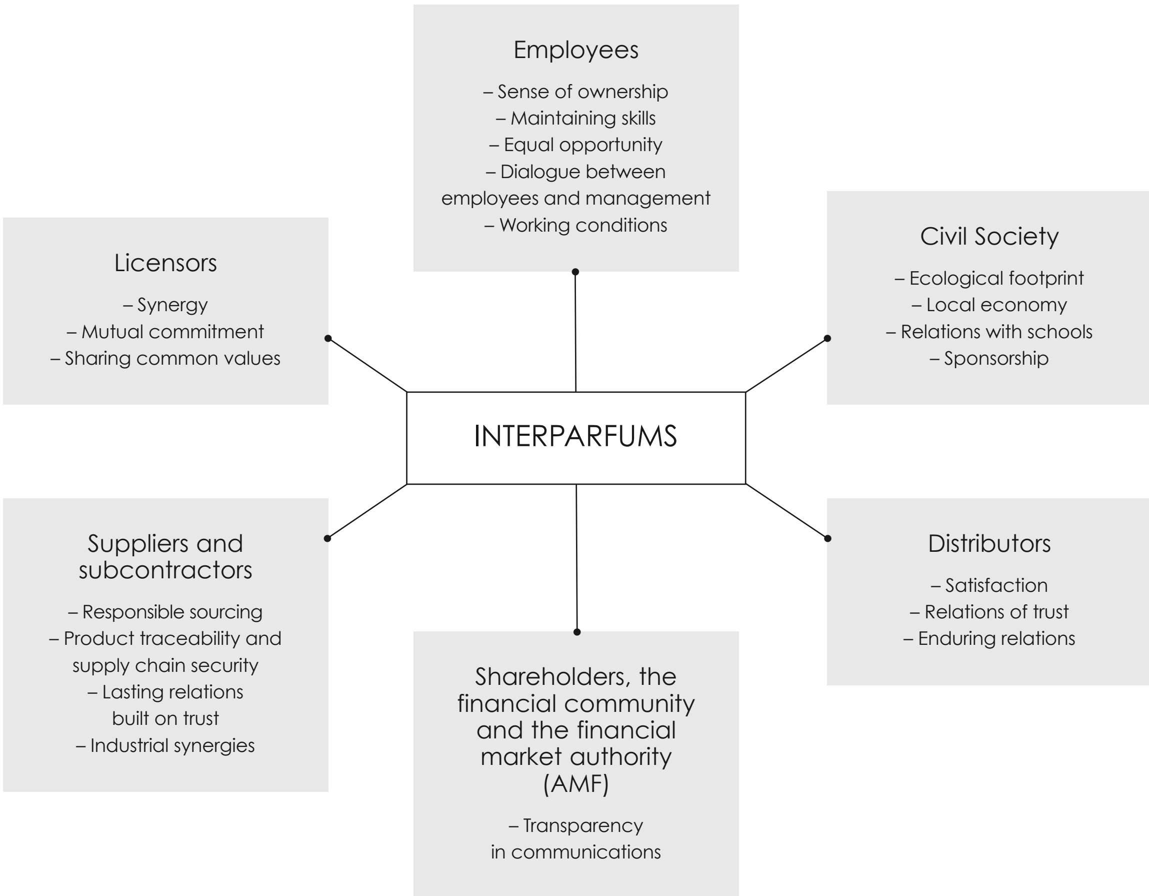
1.1. Oversight

The Group has developed from one year to the next its corporate social responsibility (CSR) policy implemented by its operational and support departments.

The Finance and Legal department spearheads the implementation, ongoing application and continuous improvement by involving all employees.

1.2. Identification of stakeholders

The Group is a responsible industry stakeholder and service provider of high quality. It is essential to identify the Group's stakeholders and their expectations in a constantly changing environment.



1.3. Our responsibilities

The Group has taken steps to identify its key issues organized around three lines of action: responsibilities toward operational stakeholders, staff and the company.

Its responses to these issues are presented in this report.

1.3.1. Our responsibilities to our operational stakeholders

By engaging in and developing its activities, Interparfums develops the following areas, drivers of stakeholder satisfaction and service quality:

– developing lasting relations and trust with our distributor customers;

– developing long-term partnerships with our suppliers and subcontractors by closely collaborating in exchanging information;

– maintaining relations of a high level with our licensors based on synergies, mutual commitment the sharing of common values.

1.3.2. Our responsibility is to employees

The Group's employees constitutes its most important contributor to creating value. For that reason, their professional fulfillment and motivation are indispensable drivers for our development

In this context, the principle employment-related challenges are:

– developing a team spirit;

– maintaining a high level of expertise;

– ensuring equal opportunity employment;

– promoting dialogue between employees and management;

– good working conditions.

1.3.3. Our responsibility is to society

Even though the Group does not directly manage industrial sites, it is nevertheless involved in developing an environmentally responsible strategy in partnership with its subcontractors and suppliers, focusing notably on the following areas:

– the choice of techniques and materials;

– recycling and waste elimination measures;

– reducing CO_2 emissions from transport.

It also intervenes in the civil society in the following areas:

– developing the local economy;

– relations with schools and educational establishments;

– financing not-for-profit initiatives.

2. UNIQUE KNOW-HOW

2.1. Creator of perfumes

The Group's core business is developing perfume and cosmetic lines through license agreements with leading world-class luxury brands.

Utmost respect for the brands that grant their confidence, creativity in the service of their image, Interparfums' professionalism and high standards in its imaginative and design processes for products and their packaging, orchestrating their distribution and promotion.

The Group possesses expertise built up over more than thirty years combined with a strategy based on long-term collaboration with all its partners and mastery of processes of creation, production, and logistics.

Interparfums directs and manages the entire fragrance lifecycle from creation through distribution in France and international markets. As such, it coordinates the different phases of this lifecycle from marketing, olfaction, the bottle and packaging to the choice of promotional tools and communication media.

Every brand has its own codes and unique identity. Each brand of the Group's license portfolio is distinguished by excellence and a quest for perfection.

Respecting this identity has always been a priority of Interparfums teams.

All which makes up a brand, which creates its desirability and defines its uniqueness, represents the point of departure for its marketing teams. All which forms the brand's universe provides direction for defining the artistic focus, setting the course to be followed. Any possible notion of hazard is eliminated to ensure that each fragrance thoroughly respects to the most minute detail and remains fully faithful at all times to the house it represents.

The jus of course, but also the glass, the metallic and plastic components of each box, fabric materials, cardboard and paper forming the box… Each fragrance is the product of an infinite number of parameters requiring the utmost care and attention to detail and absolute perfection, to remain faithful to the prestige and excellence of its brands.

For more than thirty years the Group's Supply Chain and Operations teams have put their expertise to the service of creations, to coordinate the activities of the many partners and other stakeholders intervening in the fragrance lifecycle.

In a competitive landscape marked by a multitude of launches, creative excellence alone is no longer enough. The success of its product lines is determined by the juice and packaging, but also the visual and the full range of communications materials.

Every launch is an occasion to create a new universe, a new story told through different vectors of communication: Advertising visuals, press relations, point-of-sale advertising material… all of which must respect the image of the brand and provide its product lines with visibility.

2.2. Enduring partnerships with stakeholders

2.2.1. Sharing information and relations of trust with subcontractors and suppliers

The Group has maintained relations of quality and trust with most of its suppliers, subcontractors and other vendors for periods of more than ten years. These partners are indispensable for the Group to ensure its sourcing requirements for raw materials, packing and packaging activities by products and promotional items. Reflecting its requirements for quality and performance, the selection process and conduct of relations with partners is a critical issue for the Group.

In addition to collaboration relating to cost controls, quality, and innovation, the Group is committed to developing lasting and responsible partnerships in the areas of employment and the environment.

In 2014, the company focused on implementing a working group tasked with developing guidelines on purchasing and Good Manufacturing Practices (GMP) and on the integration of a supplier portal which has been operational since 2015. The positive results of these action plans, noted with enthusiasm by suppliers, encouraged the company to take further steps, going beyond the basic process of formalization.

With this objective, the company has not considered it useful to require its partners to adopt responsible purchasing charters in light of the commitments already imposed on two thirds of its suppliers and most important subcontractors already possessing ethical charters and/or environmental and social charters and already perform audits on a regular basis.
In this context, developing an Interparfums Charter prepared along the same lines and the same social and environmental principles that already applies to the partners would have been unnecessary.

For that reason, the company has preferred to focus on concrete actions that effectively address the purchasing policy objectives by integrating requirements and measures for developing lasting and growing relations with stakeholders that are based on continuing efforts to improve efficacy, quality of services and communications between the parties. These engagements address priorities that are truly shared by the company and partners to develop and reinforce their relations over time.

The supplier specifications and portal form the basis of the company's engagements for promoting close and constructive collaboration with its suppliers and partners. These engagements are essential in an environment of growing economic instability that can lead to the financial fragility of certain partners and increasingly complex regulatory requirements generating uncertainties resulting from the production stoppages for selected components.

To this purpose, the Group has deployed since 2014 a web-based system for exchanging information reserved for suppliers. Through this system, it is possible to exchange supply plans, issue orders and confirm their receipt. Most suppliers are equipped with this communication tool. In this way, each participant is able to concentrate on its value-added tasks while improving its productivity. This portal sends a strong signal of Interparfums' goal of sharing with its suppliers and subcontractors its commitments for building long-term relations of quality and the promotion of sustainable growth for both parties. The ability of the suppliers to participate in this collaboration also constitutes a criteria for their selection by the Group.

This communication platform is destined to evolve over time to address the needs of both the Group and its partners.

Accordingly, the framework that the company has established for its actions carried out jointly with suppliers and subcontractors includes commitments for optimizing performance and smooth and transparent communications by using this supplier portal. This portal makes it possible to identify the needs of the company and suppliers, and taking appropriate measures to address these needs. The company supports its suppliers in their efforts to improve services if their contributions do not effectively respond to the company's needs. It was in this context that in 2016 the company adopted supplier performance indicators, and in particular OTIF (On Time In Full) supplier performance metrics based on information collected from the portal. These indicators will provide a source of information about the ability of suppliers to adapt to current needs and evolve to respond to the company's future needs. This portal accordingly represents a key tool for fulfilling our engagements to develop lasting relations, by strengthening our contacts with our suppliers for a better understanding of their activities and for better identifying and anticipating the difficulties they might encounter.

If the needs and actions of Interparfums in terms of lasting relations with its suppliers are not necessarily promoted through a responsible purchasing Charter formalized in writing, they are nevertheless concretely executed through targeted action plans within a continuous improvement approach. This involves both efforts to achieve economic performance and also a balance between the needs for quality and the objective of promoting a lasting partnership.

Through the specifications and the supplier portal, the company and its suppliers work together in achieving a common objective, that consists in particular in:

– innovating by increasing quality, service and added value;

– increasing the solidity of products, reducing the defects and the needs for after-sales service;

– identifying and developing new techniques destined for new products or for improving existing products.

Beyond the formalization of its communications tools and measures, this approach establishes a collaboration based on a real commitment to highlight the core business of each of our suppliers by sharing information, communications tools and skills. In this spirit, at the end of 2016, the company initiated a business review program that will be implemented in 2017 with the participation of its suppliers. The purpose of this review is to produce a report on activity of the prior year and determine actions and the needs of each of the parties for the following year.

The supplier specifications and portal contribute to promoting a collaborative approach designed to assist suppliers and subcontractors to progress and develop with the company a genuine long-term partnership.

Within this collaborative framework, action plans have been established for the purpose of preventing situations of economic dependence of the company's partners. This vigilance is exercised in particular in the case of partners exposed to this risk as a result of their size and infrastructure. The company has adopted a procedure for identifying companies who might in time develop a risk of economic dependence with potential for jeopardizing their relation.

For this purpose, the company has developed methodologies and action plans for identifying these situations and taking appropriate measures.

The company's vigilance is also assured through transparent communications about items enabling its partners to prevent this risk of dependency based on medium and long-term visibility for its business forecasts, strategies for evolving and its needs in terms of innovation, allowing its suppliers to build their own strategy and develop their capacities for adaptation to meet the desired objectives. In this context, we encourage and support the innovation efforts of our suppliers and subcontractors.

As applicable, the company may also consider disengaging in advance and in a gradual manner from the supplier concerned according to this situation of dependency.
In general, as part of its policy of vigilance regarding the risk of economic dependency, the company invites its suppliers to regularly diversify their customer bases. Similarly, a supplier having developed an innovative technique giving it a monopoly may also expose the company to risk in terms of sourcing. This may result, by common agreement with its supplier, in identifying a second source of procurement.

2.2.2.
By applying standards for Good Manufacturing Practices (GMP)

The ISO 22716 international standard for Good Manufacturing Practices establishes guidelines standard for the manufacturing, packaging, testing, storage, and transportation of cosmetic products. It represents the practical application of quality assurance concepts based on a description of plant manufacturing practices.

This standard has imposed an obligation on all participants in the cosmetics product cycle since July 2013 to comply with the Good Manufacturing Practices. The other subcontractors such as glassmakers and suppliers of raw materials are not concerned by this standard.

The Group has identified the following benefits from this standard:

– controlling potential Risk Factors affecting the quality of cosmetic products;

– reducing the risk of confusion, deterioration, contamination and error;

– greater vigilance by personnel in the performance of their activities;

– the guarantee of quality products.

In this context, a new quality audit campaign in accordance with ISO 22716 of all packaging plants was initiated in 2015 and was completed in the 2016 first half. The ultimate purpose of this audit is to ensure that packaging service providers maintain a good level of traceability for their activities. All plant activities were reviewed: receiving raw materials and packaging materials, manufacturing, packaging and quality controls. Generally speaking, these reports demonstrated that the Group's subcontractors comply with ISO 22716 Good Manufacturing Practices and in particular traceability requirements for all perfume production operations. Quality plans initiated in 2015 continued in 2016 and corrective measures have been monitored and verified by the Group.

The primary missions of the Quality department are to:

– consolidate the quality requirements and ensure their implementation by subcontractors and suppliers;

– strengthen and monitor quality for sourcing of production processes;

– monitor audits of Good Manufacturing Practices;

– implement quality indicators;

– monitor nonconformities and corrective measures taken by subcontractors and suppliers;

– monitor customer complaints.

Quality action plans implemented by the manufacturing sites led the Group to identify areas for improvement and work. The Group has developed specifications determining the conditions for verifying components when received by subcontractors. These specifications were applied throughout 2015 and were expanded in 2016 to existing references.

2.2.3.
By consumer health and safety measures

The Group has an obligation for assuring consumer safety by implementing procedures for the verification of the use of quality control processes and compliance with applicable constraints.

As the Group assures the introduction of products on the market, it is responsible for assessing the safety of the cosmetic products it distributes. To this purpose, the Group conducts tests that include ensuring the innocuous nature for the skin and eyes. In accordance with the EU Cosmetics Products Regulation 1223/2009, these products are not subject to any tests on animals. Tests for skin irritation are thus conducted on healthy voluntary adult subjects and ocular safety tests are performed through cell cultures.

The Group has also taken measures with respect to the European Community Regulation on chemicals and their safe use concerning the Registration, Evaluation, Authorization and Restriction of Chemical substances (EC Directive 1907/2006 of December 18, 2006) or REACH with all its suppliers. Accordingly, all technical and organizational measures pursuant to the adoption of REACH have been implemented by the Group.

The Group itself is not subject to this registration requirement as a downstream user of such substances. However, it has nevertheless sought to maintain an active role by ensuring that the registration process proceeds effectively and that there exists a continuous supply for sourcing chemical substances contained in its products.

The Group took the initiative to contact its different subcontractors and suppliers to ensure they and those further down the supply chain effectively comply with registration, notification or authorization request procedures. Interparfums has thus asked all its suppliers to provide commitments that they will not supply articles containing substances listed in appendix XIV (Substances of Very High Concern). To date, no supplier has declared the presence in articles provided to Interparfums of substances subject to authorization.

Information relating to REACH including notably risk management measures transmitted through security data files will be taken into account by the Group or its suppliers as they are issued.

For information, the deadlines for the implementation of REACH are spread over the period from June 1, 2008 to June 1, 2018.

2.3. Internal communications and working conditions

All information relating to its responsible approach is included by the Group in its communication processes.

With a family-style management culture that is close to its employees, everyone is free to share their ideas in a manner that respects the company's values.

Management attaches great importance to ensuring that each employee fully understands and supports the Group's strategy.

Through weekly memos and regular information meetings on business developments and trends, employees are kept up-to-date on expectations of management and the market. The organization's flexibility largely made up of small teams facilitates its continuous adaptation to all changes or evolving external conditions.

This sharing of the "Interparfums" spirit, also entails a commitment to and understanding of its ethical values by each employee, the fulfillment of employees at work and compliance with good working conditions.

This ethical commitment is formalized by a "Code of Good Conduct" to which each employee subscribes, and that is focused in particular on health, safety, discipline, risk management, preventing harassment, respecting individual freedoms, sensitive transactions, fraud and business confidentiality.

The company monitors and analyzes the following employment related indicators:

2.3.1. Absenteeism

The absenteeism rate, a key indicator for measuring employee engagement and motivation, is very low: 4.78% in 2016 (3.86% in 2015). This rate of absenteeism reflects primarily absences for maternity leave (2.7%).
(French reporting boundary only).

2.3.2. Health and safety

As required by French law, elections are held every two years to select members of the Health, Safety and Working Conditions Committee (CHSCT). The committee formed on that basis is comprised of two non-management employees.

The purpose of the meetings of this committee destined to be held at least once every quarter is to contribute to protecting the physical and psychological health, the safety and improved working conditions of employees of Interparfums, including temporary workers, and ensure that legal and regulatory provisions on occupational health and safety are respected.

Only one occupational accidents of limited severity was recorded in 2016 that resulted in sick leave without any impact on the company's general operations. No occupation illness was reported.

As Interparfums does not possess manufacturing sites, the risk of occupational accidents are minimized. Furthermore, the Group does not generate hazardous situations.

Working conditions are excellent with most employees working at the head office in Paris. These offices are calm and bright. The company pays particular attention to the issue of good posture in the workplace and the prevention of muscle-skeletal and related risks. In this context, employees may upon simple request benefit from adaptations to their workstation (ergonomic chairs and mouse pads, LCD displays with variable brightness levels, etc.).

Itinerant employees are provided with quality company cars and computer equipment specifically adapted to their needs.

To comply with new legislation governing conditions exposed to work-related stress, starting in 2015, the Group has been conducting workstation mapping in order to be ready by produce the ad hoc declaration. To date, no workstations have been identified as entailing occupational hardships.

Awareness-training and practical training on safety and first aid is provided on a regular basis. Accordingly, in 2016, the company has a workplace first-aid/safety team of 10 members spread over at each floor of the headquarters building as well as the warehousing facility. Similarly, training was given to 24 employees to assist during evacuation procedures and 17 employees on the use of fire extinguishers in the event of an outbreak of fire and the evacuation of the premises.

In addition, two employees received an electrical safety clearance certification for non-electricians (H0B0).

Finally, one employee, after a three-day training course, was appointed as the employee with responsibility for issues relating to the prevention of occupational hazards.

All employees receiving these certifications are subject to reviews of their knowledge in accordance with legislation.

Furthermore, for the prevention of psycho-social risks, a platform providing counseling and psychological support has been available to employees since 2013 through a special toll-free number in partnership with a specialized organization (IAPR *Institut Permanent Psychologique et de Ressources*).

2.3.3. Workplace dialogue

Information relating to labor relations published in this section concerns exclusively employees present in France.

As required by law, elections are held every four years to select a works' committee and employee representatives. The last elections resulted in the formation of a single body of employee delegates (*Délégation Unique du Personnel*) comprised of four management employee.

Destined to meet on a monthly basis, the Works committee is informed and consulted on strategic and organizational issues having an impact on Group employees.

In addition, an action plan promoting the employment of seniors has been in place by the Group since 2009. An action plan on workplace gender equality was adopted in 2011 and reinforced in 2014 after new measures were adopted in France (Decree 2012-1408 of 12/18/2012).

2.3.4. Equal opportunity and non-discrimination

The Human Resources department pays particular attention to ensuring equal opportunity and non-discrimination for each recruitment. Only skills, experience, qualifications and the personality of the candidates are taken into account in the selection process for new employees.

This diversity in terms of profiles, culture, age and gender constitutes a decisive strength of our teams, the company's most important asset.

In 2016 women accounted for 70% of Interparfums' workforce (with 53% of management positions occupied by women) compared to 30% in 2015.

The Group does not currently employ any disabled workers. Since 1998 it has used the services of sheltered workshops for disabled workers (*Centres d'Aide par le Travail* – CAT) for gift set packaging. In 2016, work assigned to such facilities represented a budget of €500,408.

3. WITH OUR TEAMS

3.1. Human capital: skills and motivation

Maintaining the diverse range and high level of competencies of its employees is a key success factor of the Group.

3.1.1. Adapting professional competencies

The quality of work performed by the teams is developed throughout the career of employees in order to maintain their skills a high level for all activities and functions.

All Interparfums employees are offered training to develop technical, managerial or personal skills.

In 2016, Interparfums devoted €138,000 to support continuing vocational training and provided 1,661 hours of training for 77 employees or 40% of the workforce.

Subjects covered by training programs in 2016 concerned mainly language skills, business function-specific training, safety and personal development.

3.1.2. Remuneration and payroll trends

Interparfums has a compensation policy, a system of job classifications and performance evaluations uniformly applied to all employees. These procedures guarantee the principle of fairness as well as equal treatment of men and women employees. All employees benefit from a combination of fixed and variable incentive compensation benefits linked to the Group's performance.

As required by French law, a statutory employee profit-sharing agreement was implemented on December 20, 2001. In April 2015, this agreement was amended following the signature by employee representatives to provide by derogation more advantageous terms to employees, representing an important component of compensation and motivation for all staff. In effect, the high level of the Group's equity for the last two years, had prevented further profit-sharing payments to employees under existing statutory provisions. Only employees of the French company benefit from this agreement.

The amount paid for employee profit sharing for 2016 was €2.3 million (compared to €1.9 million in 2015).

In addition, each employee receives an employee contribution to a group pension saving scheme (PERCO).

In addition, in September 2016, the company implemented a performance share plan available to all staff as an employee motivation measure. Under certain conditions, the shares will be fully vested in September 2019.

Quantitative data on compensation is provided below:

€ thousands	**2015**	**2016**
Staff costs	19,662	24,268
Social security charges	8,588	9,430
Profit-sharing	1,832	2,349
Performance share awards	-	396
Total wages and benefits	**30,082**	**36,443**

3.2. A flexible organization: workforce organization management

The strength of the Group's organizational model is based on teams with a human scale and the homogeneous breakdown in terms of ages and occupational categories ensuring the benefits of a wide mix of experiences.

3.2.1. Organization

The breakdown of the workforce is as follows:

Headcount by function/division

Number of employees at	**12/31/2015**	**12/31/2016**
Executive Management	2	2
Production & Logistics	35	38
Marketing	50	53
Export	44	61
France	38	40
Finance & Corporate Affairs	51	52
Rochas fashion	3	11
Total	**223**	**257**

Changes in the number of employees in the year reflected primarily recruitment linked to the development of the Rochas fashion menswear department and the development of the US subsidiary Interparfums Luxury Brands Inc.

Headcount by geographic region

Number of employees at	12/31/2015	12/31/2016
France	180	193
North America	30	53
Asia	11	11
Europe excluding France	2	-
Total	**223**	**257**

Headcount by age

Number of employees at	12/31/2015	12/31/2016
Less than 25 years	7	8
Between 25 and 35 years	82	89
Between 36 and 45 years	80	82
Between 46 and 55 years	41	56
> 55 years	13	22
Total	**223**	**257**

The average age for the Group employees is 40.

By gender, women accounted for 70% of the workforce at Interparfums in 2016 and men 30% (compared to 67% for women and 33% for men in 2015).

3.2.2. Breakdown of staff

Headcount by occupational category

Number of employees at	12/31/2015	12/31/2016
Managers	145	177
Supervisory staff	7	8
Employees	71	72
Total	**223**	**257**

Change in headcount

Headcount at 12/31/2015	223
Recruitment	56
Dismissals	(10)
Resignations	(6)
Expiration of contracts	(6)
Headcount at 12/31/2016	**257**

4. AS A RESPONSIBLE CORPORATE CITIZEN

4.1. Location of production

The Group's headquarters is in the center of Paris.

Production facilities handling raw materials and packaging as well as warehousing facilities for finished products are located primarily in the Haute Normandie region of France. The activity generated by Interparfums contributes to developing the local economy.

The search for new more efficient logistics solutions adapted to the Group's needs resulted in the construction of a HQE certified warehouse operating since the summer of 2011. This certification concerns notably improved insulation, a lighting system with presence-detectors, Ecolabel finishing materials, centralized technical management for energy controls, rainwater recovery, high-performance waste separation collection installations, etc.

With respect to promoting and complying with the ILO core conventions, all personnel of Interparfums are employed within a framework based on consensual relations where the working conditions are the result of negotiations between management and employees. All Group staff are employed in countries with favorable labor legislation (France, United States, Singapore and Italy). The Group does not operate in countries subject to risks with respect to noncompliance with international labor conventions.

Interparfums respects the convention for the abolishment of child labor since all employees are of legal age at minimum at the time of their recruitment.

4.2. Production and the environment

The Group has developed a business model built around creative and commercial services covering the concept, development and distribution of products. On this basis, it has decided not to engage in industrial activities with the entire production process outsourced to manufacturing partners with optimal expertise and accountable leadership in their respective areas. These include producers of juice, glass, caps and cardboard boxes and packaging companies. With no production activities of its own, Interparfums does not own laboratories or manufacturing sites.

Despite this, the Group considers respecting and preserving the environment an important issue. This concern is reflected by its choice of partners and continuing efforts to reduce its environmental footprint, notably in terms of energy consumption and CO_2 emissions. The Group has identified the key issues resulting from the main phases of its activities ranging from the sourcing of raw materials to managing logistics for transportation between production sites or to customers, and including product packaging activities of subcontractors.

At every stage of the purchasing process, the company seeks to determine the precise needs and considers the requirement of limiting sources of unnecessary costs:

– reducing waste, in particular at the phases of production, consumption and the end of the product life;

– recycling flawed production, notably at the production phase;

– repairing to increase the lifespan of materials or products (in particular the palettes).

The Group's industrial partners represent relays that reflect its own commitment to respecting the environment. The Group takes environmental issues into account at each of these phases, and in particular regarding the choice of materials used for components, waste management and reducing the carbon footprint. The focus of studies and concrete lines of actions are presented below.

4.2.1. Consideration of environmental issues

Measures to prevent environmental risks and pollution involve firstly the choice of techniques and materials.

Concerning the HQE certified warehouse, the company has implemented an energy management system for the entire site designed to ensure the proper functioning of tools and satisfactory use of materials. The company also regularly upgrades the system by strengthening existing measures or by adopting other more appropriate techniques based on the most efficient results in terms of reducing energy consumption. Finally, at the end of 2015 the company conducted an energy and water consumption audit to assess possibilities for improving energy efficiencies in the area of lighting, heating and air-conditioning for the entire warehousing site.
The Company has taken into account opportunities outlined in the audit report, and in particular providing for a modulation in ventilation rates, programming reductions in heating/ventilation over weekends and replacing the lighting of the storage areas.

In this way, the company has reviewed its system for controlling the operating needs of the site, in particular by adapting energy consumption to the actual presence of employees on-site. With this objective, measures are planned to automatically turn off lights in the warehouse when employees are taking outside breaks and maintain the warehouse temperature at 10°. These energy savings initiatives include measures providing for managing the hours for reloading the electric forklifts during non-peak hours during the night, requiring low consumption for a maximum of 280,000 kW instead of 600,000 kW during the day. Monthly reports on electricity consumption are prepared, allowing the company to analyze the causes for overconsumption, when applicable, in order to take corrective actions as applicable. For 2016, the measurement of energy consumption highlighted stable levels for electricity and gas over the last three years, with a rate of consumption comparable to 2014 and 2015, whereas water consumption declined marginally. Finally, in the spirit of contributing to protecting the environment, the company has installed parking places at the logistic site for bicycles and electric recharging stations for cars.

In addition, to further reduce the impacts of its activities, the Group selects partners using cutting-edge design techniques with a commitment to reduce the impact of manufacturing processes on the environment.

A water-soluble solution in part biodegradable that does not harm the environment is used in the coloring of some of its bottles. For the remainder of the product lines, the coating process provides for the gradual elimination of solvent-based coatings and the progressive adoption of hydro-coating for all the company's products, in compliance with the law of 2005 for reducing emissions of Volatile Organic Compounds (VOC) in the air. With this objective, the company gives preference to the use of a water-soluble solution for its calls for tenders with subcontractors. In addition, certain sub-contractors for glass making have electrostatic air filters to reduce dust and smoke emissions in addition to wastewater recycling.

The Group has in addition eliminated thermosetting plastics from its line of bath and body care products in favor of recyclable plastic.

No provisions and guarantees have been recorded for environmental risks in the Group's financial statements.

No training and employee information initiatives have been carried out relating directly to environmental protection.

4.2.2. Pollution and waste management – Waste prevention, recycling and elimination measures – circular economy

To balance product quality and aesthetics with environmental considerations, the Group takes care to reduce packaging volumes and select the appropriate materials at each stage of production to ensure optimal conditions for their recycling or disposal.

The manufacture of bottles using recyclable glass provides for a system for recovering, grinding and recasting certain bottle components, which can generate savings in volume of materials used of 20%. Indicators in place since 2013 for tracking wastage have improved the Group's ability to monitor wastage rates by glass bottle decorators. Its first objective is to apply a continuous improvement approach and reduce rates of wastage over the long term. The second objective is to succeed in reducing this wastage and reintroduce bottles back into the manufacturing cycle.

Furthermore, cardboard packaging materials for testers have now been replaced by recycled cardboard.

In 2014, in connection with initiatives taken with subcontractors providing for waste separation and recycling procedures, the Group has implemented a system for retrieving collection bins with suppliers of perfume sets. Despite this, results are not yet in line with objectives as the packaging materials thus recovered have been of mediocre quality. The Group continued to pursue in 2016 initiatives in this area by exploring other areas of study. in addition, the company has adopted procedures for recovering waste from subcontractors originating from surplus production or components of discontinued products. The recovered waste is then sorted prior to collection for the purpose of destruction.

Furthermore, international and European regulations impose environmental requirements with respect to the design and manufacture of packaging, and in particular limits on volumes and weight. Reducing packaging is clearly associated with the priorities with respect to transport as it contributes to reducing the cost and consequently the level of CO_2 emissions.

With this objective, the Group initiated a study in 2012 that was finalized in the first half of 2014 on optimizing and rationalizing bulk and secondary packaging (product boxes and perfume sets). In 2015, the company met its objectives for the following:

– optimization of palettes;

– reducing cardboard packaging materials;

– reducing the volumes transported by decreasing the amount of empty space for optimized transport. The company henceforth requires a minimum number of palettes per truck.

The initial positive results for the selected solution that proved satisfactory in 2015 were confirmed in 2016. This positive result is reflected by a very significant decrease in the quantity of cardboard boxes purchased, the number of packaged boxes and the number of truck rotations.

Finally, the Group actively contributes to the treatment and recycling of the packages, cardboard boxes and glass left once end customers have finished using its products. On this basis, through its participation in the "Eco Emballages" packaging recycling program, the Group contributes to waste management and recycling/recovery.

The Group has also adopted an action plan for repurchasing damaged pallets that are reconditioned for reuse and reintegration back into the operating cycle.

4.2.3.
Greenhouse gas emissions

The Group subcontracts 100% of its transport activities. The multi-modal transport method for its products, reducing transport distances and optimizing loads all contribute to improved environmental outcomes. Conscious of the environmental impact of logistics systems, and to limit the environmental footprint associated with transporting products, the Group initiated an action plan to optimize transportation flows by reducing the number of kilometers and optimizing truck loads.

In this way, promotional materials manufactured in Asia are shipped directly to Asian and American distributors without being imported and stored in France.

Finally, by establishing a warehouse strategically located at the crossroads for its subcontractors, the Group has reduced distances for shipments of finished products.

Measures undertaken in collaboration with the warehouse and trade goods shipping manager, within the framework of the improvement and optimization of shipments between production sites and the logistics platform have contributed to reducing the number of back-and-forth trips for trucks.

In the area of transport, the Group's priority is in favor of road transport for France and Europe and maritime transport for Asia and the Americas. Use of air transport is very limited and reserved only for urgent situations where no other solutions are available.

The Group systematically seeks to identify sourcing and subcontracting solutions in order to facilitate reducing CO_2 emissions. Similarly, to reduce the transfer of components which contributes to multiple shipments, the Group prefers the use of service providers that cover several areas or integrate different production phases (for example glass design and plastic processing). In 2014 and 2015, as part of its strategy for optimizing sourcing, 70% of Interparfums suppliers were located in France and 60% in neighboring countries. This breakdown remained the same in 2016.

4.3.
Relations with not-for-profits and educational establishments

4.3.1.
Educational establishments

Keen to share its experience and train future generations, the Group is a regular contributor, particularly in the fields of marketing and finance, at different leading schools (business schools, Sciences Po, École supérieure de parfumerie…).

Interparfums also regularly welcomes interns within the Group.

4.3.2.
Sponsorship

The Group contributes to associations intervening in the areas of solidarity, childhood, combating exclusion and promoting health, by providing financial assistance to support their projects and initiatives:

– **AEM – *Les Amis des Enfants du Monde*:** an association providing financial support to local initiatives in favor of children. Projects are initiated managed by partners present on-site with whom relations of confidence have been developed over the years.

– **Restos du Cœur:** a French food aid NGO offering access to free meals and measures in favor of social and economic integration in addition to initiatives seeking to combat all forms of poverty.

– **Ayiti Bel:** a not-for-profit contributing to the development of Haiti in the areas of education, training and sustainable development.

– **Centre de Beauté CEW:** a not-for-profit with the mission of offering beauty care treatments in hospital environments.

– **EliseCare:** a not-for-profit providing medical care to populations in conflict areas.

– **Alliance for Cancer Research:** a non-profit promoting and developing research against cancer in partnership with major national and international research teams.

– **La Fondation Motrice:** a not-for-profit association promoting and supporting research in the area of cerebral palsy.

– **Sidaction:** a not-for-profit supporting research for combating AIDS and providing care to persons living with AIDS.

– **Fondation Paris Descartes:** a not-for-profit providing support and assistance to children victims of social, moral or academic distress.

– **Now Future:** a not-for-profit supporting medical research on bone marrow transplants.

– **Un pas vers la vie:** a not-for-profit providing support to adults and children affected by developmental disabilities and their families.

In 2016, funding of sponsorship initiatives amounted to €185,000.

5.
METHODOLOGY NOTE

5.1.
Background

The 2016 CSR report provides a detailed presentation of Group corporate social responsibility priorities and practices. It describes the challenges faced by the Group in this area, the strategic approaches adopted in response and progress achieved in meeting its objectives. This report is drawn up in accordance with CSR reporting requirements applicable in France (L.225-102-1 and R.225-105-1 of the French Commercial Code). It provides a tool for measuring employment-related and societal impacts, governance and environmental performances.

This report was reviewed for compliance by the independent third-party, BDO France – Léger et associés.

5.2.
Reporting boundary

The reporting boundary for employment, societal and environmental indicators is comprised of the subsidiaries controlled by Interparfums Group. These subsidiaries are consolidated according to the full consolidation method.

The reporting boundary for employment indicators for fiscal 2016 coincides with the Group' structure for consolidation (cf. note 1.4 to the consolidated financial statements.

The indicators listed below concern only the workforce located in France (75% of the Group's workforce) due to the absence of information reported by certain entities of the Group: occupational accidents, absenteeism, training and the organization of dialogue between employees and management, equal opportunity employment.

5.3.
Selection criteria for indicators

Analysis of employment-related, environmental and social impacts relating to Group activities made it possible to define relevant indicators in accordance with requirements resulting from the Grenelle II environmental law (article 225). Certain information not falling within the scope of the Group's activity or its environmental and societal priorities due to its operating method and structure was not considered pertinent and on that basis excluded from the reporting boundary:

– the management of noise pollution and other forms of pollution specific to an activity;

– water consumption and supply in relation to local constraints;

– land use;

– adapting to the consequences of climate change;

– measures taken to preserve or develop biodiversity;

– impacts on neighboring or local populations;

– food wastage.

5.4.
Definition of indicators

– headcount: full and part-time employees on fixed-term, permanent and professional training contracts present on December 31. Temporary personnel is not included in this data.

– training: the percentage of persons trained in relation to the total French workforce at December 31.

– workforce by social professional category: as the same classification for management versus non-management employees does not exist in certain countries, the breakdown in subsidiaries is made according to the level of the employees' responsibilities.

6.
CONCORDANCE TABLE

To facilitate the reading of the CSR report, the following concordance table provides cross-references to the main categories of information required by French law (article R.225-105.1 of the French Commercial Code):

Subjects	Chapters
Employment	
1 - Total workforce and breakdown by age and region	3.2.1
2 - Recruitment and dismissals	3.2.2
3 - Remuneration and payroll trends	3.1.2
Work organization	
4 - The workweek organization	N/A(1)
5 - Absenteeism	2.3.1
Labor relations	
6 - The organization of dialogue between employees and management	2.3.3
7 - Assessment of collective agreements	2.3.3
Health and safety management	
8 - Occupational health and safety	2.3.2
9 - Report on agreements signed with trade unions concerning occupational safety	2.3.2
10 - Occupational accidents, frequency and severity	2.3.2
Training	
11 - Policies on training	3.1.1
12 - Number of training hours	3.1.1
Equal opportunity	
13 - Gender equality measures	2.3.4
14 - Measures in favor of disabled workers	2.3.4
15 - Combating discrimination	2.3.4
Promoting and complying with the ILO core conventions	
16 - Upholding freedom of association and recognition of the right to collective bargaining	2.3.3
17 - Elimination of discrimination in respect of employment and occupation	2.3.4
18 - Elimination of forced and compulsory labor	4.1
19 - Abolition of child labor	4.1
General environmental policy	
20 - Consideration of environmental issues	4.2.1
21 - Employee training actions relating to environmental protection	4.2.1
22 - Environmental risk and pollution protection measures	4.2.2
23 - Amount of provisions and guarantees for environmental risks	4.2.1
Pollution and waste management – circular economy	
24 - Measures for preventing, reducing and repairing discharges in the environment	4.2.3
25 - Measures for preventing, recycling and eliminating waste	4.2.2
26 - Management of noise pollution specific to an activity	N/A

(1) Compliant with French legislation and not including any specific arrangements.

Subjects	Chapters
Sustainable use of resources	
27 - Water consumption and supply	N/A
28 - Consumption of raw materials and measures taken to improve efficiency in their use	4.1
29 - Energy consumption, recourse to renewable energy	4.1
30 - Ground use	N/A
Climate change	
31 - Greenhouse gas emissions generated by the business	4.2.3
32 - Adapting to the consequences of climate change	N/A
Protection of biodiversity	
33 - Measures taken to preserve or develop biodiversity	N/A
Regional, economic and social impact of the company's activity	
34 - Employment and regional development	4.1
35 - Impacts on neighboring or local populations.	4.1
Relations with non-profit organizations for social and occupational insertion, educational establishments, not-for-profits in the defense of the environment, consumer interests, etc.	
36 - Conditions of dialogue with these persons organizations	4.3
37 - Partnership or sponsorship initiatives	4.3.2
Subcontracting and suppliers	
38 - Taking into account social and environmental issues in the purchasing policy	2.2.1 2.2.2
39 - The importance of subcontracting, supplier relations	2.2.1 2.2.2
Fair practices	
40 - Actions taken to prevent corruption	2.3
41 - Consumer health and safety measures	2.2.3
Other actions in favor of human rights	
42 - Other actions in favor of human rights	4.3.2
Food wastage	
43 - Food wastage	N/A

5

Shareholder information

1.
STATUTORY INFORMATION

1.1.
The company

1.1.1.
General information

Company name: Interparfums

Registered office: 4, rond-point des Champs-Élysées 75008 Paris, France. Tel.: +33 (0)1 53 77 00 00

Date of incorporation: April 5, 1989

Company term: the Company is incorporated for a period of ninety-nine years (99) effective from its date of entry in the Trade and Companies Register (*Registre du Commerce et des Sociétés*), barring early liquidation or extension.

Legal form: a French corporation (*société anonyme*) with a Board of Directors

Corporate Charter: the company's business purpose in France and all other countries includes:

– the purchase, sale, manufacture, import and export of all products related to perfumes and cosmetics;

– the use of license agreements;

– providing all services related to the above-mentioned activities;

– the company's participation by all means, directly or indirectly, in all transactions that may relate to its business purpose through the creation of new companies, the contribution, subscription or purchase of company shares or rights, mergers or other, through the creation, acquisition, rental or lease management of all rights to conduct business or establishments, and through the acquisition, operation or disposal of all procedures and patents related to these activities;

– and, generally, all commercial, industrial, financial, civil, securities and real estate transactions that relate directly or indirectly to the company's business purpose or to any similar and related activities.

Fiscal year: the fiscal year is a twelve-month period starting on January 1 and ending December 31.
Siret No.: 350 219 382 00032
Trade register No. (RCS): 1989 B 04913
Place of registration: Registrar of the Commercial Court of Paris.
Activity code: 46.45 Z Wholesale perfume and beauty products.

1.1.2.
Legal form of the shares and identification of shareholders (article 9 of the bylaws)

At the option of their owners, shares in France are registered in a standard personal account (*compte nominatif pur*), an administered personal account (*compte nominatif administré*) or to the bearer identifiable at an authorized intermediary.

The Company may request at any time, from the entity providing clearing services for its securities, in accordance with applicable laws and regulations, and in return for payment at its expense, disclosure of information regarding the identity of holders of securities issued by it, which give immediate or future rights to vote in shareholders meetings, their identity, their address as well as the number of shares held by each and, where appropriate, any restrictions attaching to such securities.

1.2.
Main legal provisions and bylaws

1.2.1.
Shareholders' meetings (article 19 of the bylaws)

Any shareholder may attend meetings in person or by proxy, regardless of the number of shares owned, subject to proof of identity, on condition that the shares are paid up in full and have been registered in the securities account in the name of the shareholder or the intermediary, in accordance with subsection 7, article L.228-1 of the French Commercial Code no later than the second business day preceding the date of the shareholders meeting at midnight Paris time, either in the registered securities account maintained by the company or the bearer share account maintained by the authorized intermediary.

All shareholders may be represented at meetings in accordance with the provisions provided for by law. A shareholder may be represented by another shareholder or by his or her spouse or civil law partner. The shareholder may be represented by any other individual or legal entity of his or her choice. The designation or revocation of a proxy holder may be notified by electronic means.

1.2.2.
Special shareholder disclosure obligations (article 20 of the bylaws)

In accordance with the provisions of article L.233-7 of the French Commercial Code, all shareholders, natural persons or legal entities, acting alone or in concert, who cross thresholds in either direction in respect to the number of shares owned representing more than one twentieth, one tenth, three twentieths, one fifth, one quarter, three tenths, one third, one half, two thirds, eighteen twentieths or nineteen twentieths of the capital or voting rights of the Company, must inform the Company by registered mail with return receipt of the number of shares and voting rights they hold within four trading days thereafter before the close of trading. This notification must also be sent to the AMF no later than the fifth trading day before the close of trading following the day this threshold was crossed.

Under article L.233-7 subsection VII of the French Commercial Code, shareholders subject to the above disclosure obligations must also state their intentions with regard to share ownership for the next twelve months whenever the thresholds of one tenth or one fifth of the capital or voting rights have been crossed.

1.2.3. Appropriation and distribution of earnings (article 24 of the bylaws)

If the financial statements approved by the shareholders' Meeting show a distributable profit as defined by law, the shareholders' Meeting decides whether to make appropriations to one or more retained earnings or reserve accounts under its control, to carry it forward or to distribute it. The shareholders' Meeting may grant shareholders the choice of receiving a dividend in cash or in shares for all or part of the dividend or interim dividends to be distributed, subject to the applicable legal provisions.

Following the approval of the financial statements by the General Meeting of the shareholders, any losses that may occur are carried forward to be offset against future earnings until these losses have been fully used.

1.2.4. Documents on display

The bylaws, accounts, reports and other information destined for shareholders can be consulted at the company's headquarters by appointment.

1.2.5. Legal jurisdiction

In the event of litigation, the courts having jurisdiction are those of the registered office in cases where the company is a defendant. They are designated according to the nature of the litigation, barring any contrary provisions of the new Civil Procedure Code.

2. CAPITAL STOCK

2.1. Five-year history of capital stock transactions

Year	Transaction type	Number of shares	Shares created	Total shares	Share capital *in €*
2012	Exercise of 2006 stock options	132,948	132,948	20,000,274	60,000,822
	Bonus share issue	2,000,027	2,000,027	22,000,301	66,000,903
2013	Exercise of 2009 stock options	31,087	31,087	22,031,388	66,094,164
	Bonus share issue	2,200,030	2,200,030	24,231,418	72,694,254
2014	Exercise of 2009 stock options	63,239	63,239	24,294,657	72,883,971
	Exercise of 2010 stock options	480	480	24,295,137	72,885,411
	Bonus share issue	4,858,331	4,858,331	29,153,468	87,460,404
2015	Exercise of 2009 stock options	35,325	35,325	29,188,793	87,566,379
	Exercise of 2010 stock options	63,670	63,670	29,252,463	87,757,389
	Bonus share issue	2,919,269	2,919,269	32,171,732	96,515,196
2016	**Exercise of 2010 stock options**	**118,014**	**118,014**	**32,289,746**	**96,869,238**
	Bonus share issue	**3,219,038**	**3,219,038**	**35,508,784**	**106,526,352**

As of December 31, 2016, Interparfums' capital was composed of 35,508,784 shares with a par value of €3.

2.2. Authorized capital

The shareholders' Meeting of April 24, 2015 also authorized the Board of Directors to increase the capital by an amount not exceeding €30 million through the capitalization of earnings, additional paid-in capital and reserves.

The Board of Directors made use of this authorization for the first time pursuant to its decision of June 12, 2015 to increase the capital stock by €8,757,807 through the creation of 2,919,269 new bonus shares granted to shareholders on the basis of one new share for every ten shares held.

The Board of Directors made use of this authorization for the second time pursuant to its decision of May 26, 2016 to increase the capital stock by €9,657,114 through the creation of 3,219,038 new bonus shares granted to shareholders on the basis of one new share for every ten shares held.

The shareholders' Meeting of April 22, 2016 authorized the Board of Directors to increase the capital stock by issuing ordinary shares with shareholders' preemptive rights for a maximum nominal amount of €100 million and without shareholders' preemptive rights for a maximum nominal amount of €9 million. These authorizations are valid for a period of 26 months.
The Board of Directors has not made use of these authorizations.

2.3.
Ownership of Interparfums capital stock and voting rights

2.3.1.
Situation at February 28, 2017

	Shares held	% of capital	Theoretical voting rights	% of theoretical votes	Voting rights exercisable at the AGM	% of voting rights at the AGM
Interparfums Holding SA	25,694,244	72.4%	51,388,488	83.9%	51,388,488	84.0%
French investors	3,857,860	10.9%	3,864,200	6.3%	3,864,200	6.3%
Foreign investors	3,551,969	10.0%	3,551,969	5.8%	3,551,969	5.8%
Individuals	2,356,466	6.6%	2,404,188	3.9%	2,404,188	3.9%
Treasury shares	48,245	0.1%	48,245	0.1%	-	-
Total	**35,508,784**	**100.0%**	**61,257,090**	**100.0%**	**61,208,845**	**100.0%**

Based on a survey of shareholder ownership, there were 7,690 shareholders at February 28, 2017. Excluding Interparfums Holding, the Interparfums' shareholder base breaks down as follows:

– 220 French institutional investors and mutual funds owning 10.9% of the capital stock compared with 210 in 2016 owning 10.1%;

– 120 foreign investors located mainly in the U.K., Switzerland, the U.S., Belgium and Luxembourg, who own 10.0% of the capital stock compared with 110 in 2016 with 10.2%;

– 7,350 individual shareholders owning 6.6% of the capital stock (compared with 7,180 in 2016 owning 6.9%).

To the Company's knowledge, there are no other shareholders that possess directly, indirectly or together, 5% or more of the capital or voting rights.

Four independent Directors serve on the Board of Directors providing a mechanism for preventing an abusive exercise of control of the company.

2.3.2.
Changes in Interparfums SA's shareholder base

At February 28	2015	2016	2017
Interparfums Holding SA	72.8%	72.6%	72.4%
French investors	9.9%	10.1%	10.9%
Foreign investors	10.6%	10.2%	10.0%
Individuals	6.6%	6.9%	6.6%
Treasury shares	0.1%	0.2%	0.1%
Total	**100.0%**	**100.0%**	**100.0%**

2.4.
Breakdown of Interparfums Holding's capital stock as of December 31, 2016

Interparfums Holding, whose sole equity holding is Interparfums, is itself wholly owned by Interparfums Inc., listed on NASDAQ in the United States with approximately 9,500 shareholders. As of December 31, 2016 it had the following ownership structure:

– Philippe Benacin and Jean Madar: 44.93%;
– Free float: 55.07%.

2.5.
Dividend

Since 1998, the company has adopted a policy of distributing dividends that today represents more than 55% of consolidated earnings to reward shareholders while at the same time associating them with the Group's expansion. In early May 2016, a dividend of €0.50 per share was paid or a total of €16.1 million.

2.6.
Shareholders' agreements

No shareholders' agreements exist at the level of Interparfums Holding.

2.7.
Double voting right

In accordance with the provisions of article L 225-123 of the French Commercial Code, the extraordinary shareholders' Meeting of September 29, 1995 created shares with double voting rights. These shares must be fully paid up and recorded in the company's share register in registered form for at least three years.

2.8.
Special shareholder disclosure obligations

Thresholds are defined by article 20 of the bylaws whereby in accordance with the provisions of article L.233-7 of the French Commercial Code (*Code de Commerce*) all shareholders, natural persons or legal entities, acting alone or in concert, who cross thresholds in either direction in respect to the number of shares owned representing more than one twentieth, one tenth, three twentieths, one fifth, one quarter, three tenths, one third, one half, two thirds, eighteen twentieths or nineteen twentieths of the capital or voting rights of the company, must inform the Company by registered mail with return receipt of the number of shares and voting rights they hold within four trading days thereafter before the close of trading. This notification must also be sent to the AMF no later than the fifth trading day before the close of trading following the day this threshold was crossed.

In 2016, no incidents of the crossing of such share ownership or voting right thresholds were reported to the company.

2.9.
Key stock market data

In number of shares and €	**2012**	**2013**	**2014**	**2015**	**2016**
Shares outstanding as of December 31	22,000,301	24,231,418	29,153,468	32,171,732	35,508,784
Market capitalization as of December 31	€510m	€720m	€654m	€730m	€973m
High (1)	23.45	32.25	34.50	33.33	27.40
Low (1)	16.00	21.10	17.82	20.73	19.60
Average (1)	19.72	25.85	27	26.07	23.68
Year-end (1)	23.16	31.35	22.45	22.70	27.40
Average daily volume (1)	15,016	18,101	17,058	14,840	11,124
Earnings per share (1)	6.48	1.50	0.87	0.95	0.98
Dividend per share (1)	0.54	0.49	0.44	0.50	0.55
Average number of shares outstanding (2)	20,957,788	23,182,575	26,739,881	30,649,926	33,192,284

(1) Historical data (not restated for bonus share issues undertaken each year).
(2) Excluding treasury shares.

2.10.
Share price

In a financial market dominated by uncertainty given the global economic environment, the Interparfums share traded at around €20 over the entire first six months of 2016, with daily volume of approximately 10,000 shares. With the bonus share grant of June 16, increased trading volume pushed the share price up to the €23-€24 range. The publication of better-than-expected nine-month sales then drove the share to above €26 at the end of October, representing growth of more than 25% since the start of the year.

In December, following the publication of a favorable outlook and the upward revision of guidance for sales, the share rose significantly, ending the year 2016 at €27.40, up 30% for the period.

The Group's market capitalization at December 31, 2016 reached €970 million: it has since exceeded €1 billion in the 2017 first quarter, following the publication of the definitive figure for 2016 annual sales.

2.11.
Share price and trading activity trends since 2014

In €	**High**	**Low**	**Trading volume** *number of shares*	**Trading volume** *€ millions*
2014				
January	34.00	28.93	678,039	21,311
February	33.04	31.47	304,788	9,878
March	34.50	31.97	347,175	11,565
April	33.25	30.93	279,050	9,009
May	32.66	30.94	162,137	5,101
June	33.90	26.60	395,600	12,212
July	26.39	22.80	385,674	9,447
August	23.64	22.07	211,492	4,884
September	23.75	20.39	315,804	7,073
October	20.73	17.82	445,116	8,696
November	22.58	19.60	508,941	10,527
December	23.34	21.75	311,304	7,072
2015				
January	26.80	22.80	425,101	10,751
February	28.45	26.30	314,603	8,608
March	32.10	27.54	503,848	15,283
April	33.33	29.85	435,852	13,714
May	31.55	28.17	231,430	6,850
June	30.04	24.45	326,546	9,038
July	27.84	24.01	413,627	10,714
August	26.15	22.30	178,703	4,280
September	24.06	22.04	204,175	4,686
October	25.50	23.21	212,796	5,102
November	24.09	22.03	312,979	7,267
December	23.90	21.20	239,332	5,348
2016				
January	22.51	19.60	221,041	4,680
February	23.60	19.81	245,393	5,400
March	23.80	22.23	208,408	4,839
April	24.40	22.85	179,685	4,221
May	23.50	21.98	131,518	2,971
June	23.90	20.18	347,195	7,937
July	24.16	21.79	206,329	4,752
August	24.49	23.25	136,533	3,251
September	25.40	23.93	546,572	13,513
October	26.35	24.90	211,956	5,243
November	26.06	24.75	224,930	5,660
December	27.40	25.15	199,200	5,239
2017				
January	28.10	26.02	257,345	7,031
February	28.90	27.90	307,340	8,742

Historical data (not restated for bonus share issues).

A capital increase through a bonus share issue on the basis of one new share for ten existing shares in June 2014 resulted in the automatic division of the share price from this date by 1.20.

A capital increase through a bonus share issue on the basis of one new share for five existing shares in June 2015 resulted in the automatic division of the share price from this date by 1.10.

A capital increase through a bonus share issue on the basis of one new share for five existing shares in June 2016 resulted in the automatic division of the share price from this date by 1.10.

3. COMBINED ORDINARY AND EXTRAORDINARY GENERAL MEETING OF APRIL 28, 2017

3.1. Board of Directors' report – Presentation of resolutions to the Annual General Meeting

Approval of the annual and consolidated financial statements (1st and 2nd resolutions)

We hereby request that you approve these separate annual and consolidated financial statements for the period ended December 31, 2016 showing a profit of €30,781,010 in the separate annual financial statements and profit attributable to equity holders of the parent in the consolidated financial statements of €32,438,000. Information on revenue and earning performances for the period are presented in the 2016 registration document.

Appropriation of net income and distribution of dividends (3rd resolution)

You are requested to duly note a net income of €30,781,010 for fiscal 2016 and set the amount for the ordinary dividend per share at €0.55. On this basis, the payout rate would be 60% of net income.

If your General Meeting approves this proposal, the ex-dividend date will be May 5, 2017 and the payment date May 9, 2017 after establishing a dividend record date of May 8, 2017.

The breakdown of amounts of dividends paid for the last three financial periods are presented in this resolution. Individual investors having their tax residence in France are eligible for a 40% rebate on the dividend.

Regulated agreements subject to articles L.225-38 *et seq.* of the French Commercial Code (4th resolution)

Your Board of Directors informs you that no new agreements covered by articles L.225-38 of the French Commercial Code were concluded in 2016 and hereby requests that you accordingly simply note the absence of new agreements entered into in the period under review.

Appointment of Véronique Gabai-Pinsky as Director (5th resolution)

On December 31, 2016, your Board of Directors appointed three women out of nine members, or a percentage for female membership on the Board of 30% In accordance with the French law on the balanced representation of men and women on Boards of Directors and professional gender equality, the minimum percentage of women serving on the Board will increase to 40% at the end of the ordinary general Meeting to be held in 2017.

In this context and to reinforce gender balance on the Board of Directors of Interparfums, it has been decided to appoint a new Director, Véronique Gabai-Pinsky, for a term of four years which will expire at the end of the General Meeting called in 2021 to approve the financial statements for the period ending December 31, 2020.

Biography of Ms. Véronique Gabai-Pinsky:

Ms. Véronique Gabai-Pinsky, a graduate of the French business school, ESSEC, is currently the Chair of the US luxury ready-to-wear company, Vera Wang.

Her expertise covering more than 25 years in the field of luxury is based on a solid professional career marked by many successes. She was Vice President for Marketing for Giorgio Armani fragrances of the L'Oréal group, and contributed to the success of l'Aqua di Gio for men. She then joined Guerlain as Vice President for Marketing and Communication where she successfully spearheaded projects including in particular repositioning the iconic Shalimar fragrance. She then spent 12 years with Estée Lauder as Global Brand President for Aramis and Designer Fragrances where she actively spearheaded growth projects for the group's fragrance business that she would leave in 2014 to join Vera Wang. Since 2015, Véronique Gabai-Pinsky has served as Chair of the Vera Wang Group.

She will contribute to the Board of Directors her in-depth knowledge of the universe of luxury, her entrepreneurial spirit and human values.

The Board of Directors examined her situation in reference to the independence criteria as set forth in the Middlenext Code. If your shareholders' Meeting approves her appointment, the Board of Directors will include five independent members (or 50% of its members) and for women (or 40%).

Approval of the principles and criteria for setting, allocating and granting total compensation and benefits granted to executive officers (6th resolution)

In accordance with the French Law of December 9, 2016 on transparency, the fight against corruption and modernization of the economy (the "Sapin II" law), with vote of resolution 6, you are asked to approve the principles for setting, allocating and granting the fixed, variable and exceptional components of total compensation and benefits in kind granted to executive officers for their offices for the year 2017 as presented below in detail.

This presentation constitutes the report provided for by article L 225-37-2 of the French Commercial Code (*Code de commerce*)

In accordance with article L 225-100 of the French Commercial Code you will be requested at the next Annual General Meeting to vote on the fixed, variable and special components of total compensation and benefits in kind paid or granted in the previous financial year for each executive officer concerned.

The Board of Directors defines the policy for the compensation of the Chairman-Chief Executive Officer (*Président-Directeur Général*) and the two Executive Vice President (*Directeurs Généraux Délégués*) in accordance with the principles set forth in the Middlenext Code, and in particular the goal of achieving the proper balance and taking into account company's overall interest, market practices and the managers' performances. The principles guiding the Board of Directors in achieving this proper balance are based on an assessment of the real contribution of the corporate officers to operating performances and a balance between financial and qualitative criteria on which the variable component is based.

In addition, the Board of Directors considers in an exhaustive manner all components of the compensation, whether fixed, variable, performance share awards and benefits in kind such as the provision of a company car to the Chairman or an Executive Vice President.

Detailed disclosures on all compensation including stock options, restricted stock awards, benefits in kind as well as amounts paid for fiscal 2016 are provided in Chapter 4 of section 3 of this registration document.

None of the executive officers concerned receives attendance fees which are reserved exclusively for non-executive Directors.

Fixed compensation

This is determined each year in relation to changes and responsibilities or events affecting the company, the environment for the business and the market of reference and must be proportionate to the situation of the company. The fixed compensation due and paid to the Chairman-Chief Executive Officer in 2016 amounted to €420,000 and €307,200 for each of the Executive Vice Presidents.

Variable

This is based on clearly defined, quantifiable and operational objectives and contingent on the achievement of financial objectives on the one hand, and qualitative objectives on the other.

For the 2016 financial period, one half of variable compensation is determined in and reference to net sales and operating profit, and half in reference to qualitative criteria of performance. This latter criteria is evaluated on the basis of the contribution of executive officers to achieving the objectives of the company and results actually obtained. In 2016, each of the Executive Vice Presidents received €291,000. The Chairman-Chief Executive Officer, having renounced a portion of his variable compensation, received €80,000.

For 2017, the Board of Directors decided on March 13, 2017 to define new qualitative criteria and a new breakdown between quantitative and qualitative objectives, with the first accounting for 60% and the second 40% of the total. These financial criteria are based on a target for consolidated sales and consolidated operating profit for 2017, with each of the criteria given equal weight in determining variable compensation. The qualitative criteria were defined in a precise manner and are based on four components relating to the resources implemented for the growth strategy of the company and its subsidiaries, and the management of the Rochas fashion business. These criteria are not disclosed this presentation for reasons of confidentiality.

For each of these quantitative and qualitative objectives, a minimum threshold of meeting 80% of the objectives set is required to justify payment of the variable compensation. When the rate of achievement reaches 150% of the objectives set, the amount of variable remuneration do will be increased by 10%.

Benefits in-kind

The Chairman-CEO and the two Executive Vice Presidents have the use of a company car representing respectively benefits in kind of €10,800 and €6,840.

No other benefits in kind are provided.

Attendance fees (7th resolution)

We propose that you set for the year in progress the total annual amount for attendance fees at €180,000. We remind you that the distribution of attendance fees solely to non-executive Directors is based on the rate of attendance of each of these Directors on the Board.

For fiscal 2016, the total amount of attendance fees paid to non-executive Directors was €78,000.

Authorization for trading in own shares (8th resolution)

As at every annual ordinary general Meeting, we hereby ask you to renew the authorization given to your Board of Directors, which it may in turn delegate, to maintain the share buyback program of the company for a new period of 18 months, according to the terms and conditions and with the objectives submitted to your approval, and in particular:

– a maximum purchase price of €40;

– a limitation of acquiring not more than 5% of the number of shares comprising the capital stock. By way of indication, based on a capital stock of 35,508 shares at December 31, 2016 and a purchase price of €40 per share, the theoretical maximum amount of funds that may be allocated to financing this program would be €71,017,568.

During the period from January 1, 2016 to December 31, 2016, the company acquired 212,322 shares at an average price of €23.58 and sold 252,846 shares at an average price of €22.90 within the framework of the liquidity agreement. No shares acquired through this program were canceled. In this respect, we remind you that the authorization given to the Board of Directors by the General Meeting of April 22, 2016 to reduce the share capital resulting from the cancellation of shares purchased by your Company as part of this provision remains in effect until April 22, 2018.

At December 31, 2016, the shares held in treasury by the company represented 0.15% of the capital stock. These treasury shares do not carry voting rights or entitlement to dividend payments which will be allocated in consequence to "retained earnings".

Authority granted to the Board of Directors to issue shares through the capitalization of additional paid-in capital, reserves or profit (9th Resolution)

The authorization previously granted by your General Meeting of April 24, 2015 will expire on June 24, 2017.

By this resolution, we propose that you renew the authorization to be given to your Board of Directors to increase the capital stock, through one or more transactions, for an amount not exceeding €40 million through the capitalization of additional paid-in capital, reserves or other amounts, notably for the purpose of granting new bonus share issues for its shareholders.

This authorization would be valid for a term of 26 months from the date of this General Meeting, i.e. until June 28, 2019.

If this authorization were to be approved, your Board would carry out for the 18th consecutive year a new bonus share issue for its shareholders.

Your Board used this authorization in 2015 by creating 2,919,269 new shares in the amount of 8,757,807 and in 2016 by creating 3,219,038 new shares in the amount of €9,637,114.

Modification of the bylaws (10th to 15th resolutions)

Given the integration of the Rochas fashion business within the scope of the company's business operations, it is proposed in the 10th resolution to modify the company's corporate purpose in order to specified that it includes a secondary activity relating to fashion and you are thus asked to approve the modification of article 2 of the bylaws.

The 11th and 14th resolutions concern the harmonization of articles 4 and 17 of the bylaws with newly amended legislative and regulatory provisions.

By the 12th resolution, it is requested that you approve the modification of the term of office of Directors and the corresponding modification of article 12 of the bylaws currently providing for a four-year term. This proposal is submitted to you in accordance with Middlenext Code's recommendations in favor staggering Directors' terms of office in order to prevent a renewal of all Directors at the same time and enable you to vote on a sufficient frequency for their terms. If this shareholders' Meeting approves this proposal, the term of office will be five years and by exception to this term, the shareholders may appoint the Directors for a term of three years. This new proposal will be implemented starting from the expiration of the terms of office in 2018.

In the 13th resolution, your shareholders meeting is asked to vote on the elimination of the obligation of Directors to hold at least one share and the corresponding modification to article 12 of the bylaws.

To allow your Board of Directors to have the sufficient flexibility offered by the law, we request in the 15th resolution that you grant your Board of Directors authority giving it the possibility to harmonize the bylaws with the provisions of the law and regulations, subject to their ratification by the next extraordinary general Meeting.

Powers for formalities (16th resolution)

You are asked to confer upon the Board of Directors all powers necessary to fulfill the legal formalities required and resulting from this shareholders' Meeting.

3.2. Draft resolutions and Board of Directors' report to the combined ordinary and extraordinary shareholders' Meeting of April 28, 2017

Ordinary resolutions

First resolution

Approval of the annual financial statements for the period ended December 31, 2016, approval of non-deductible expenses

The shareholders, after having considered the reports of the Board of Directors and the Auditors for the period ended December 31, 2016, approve the financial statements as presented showing on this date net profit of €30,781,010.

The shareholders furthermore approve the total amount of disallowed deductions under article 39-4 of the French General Tax Code of €23,240.

Second resolution

Approval of the consolidated financial statements for the period ended December 31, 2016

The shareholders, after having considered the reports of the Board of Directors and the Auditors on the consolidated financial statements for the period ended December 31, 2016, approve these financial statements as presented showing on this date a net profit (attributable to equity holders of the parent) of €32,438,000.

Third resolution

Approval of the net income appropriation, setting the dividend

The shareholders, on the Board of Directors' proposal, decide to appropriate net income for the fiscal period ended December 31, 2016 as follows:

Amount	
Profit of the period	€30,781,010
Appropriation	
Legal reserve	€1,001,115
Dividends	€19,441,401
Retained earnings	€10,338,494

The shareholders duly note a total gross dividend reverting to the share of €0.55, with the full amount thus distributed eligible for the 40% tax basis reduction provided for under article 158-3-2° of the French General Tax Code.

The ex-dividend date will be May 5, 2017

And the dividend payment date May 9, 2017.

In the event of a change in the number of shares conferring dividend rights, excluding treasury shares, in relation to the number of 35,508,784 shares comprising the share capital of December 31, 2016, the total amount of dividends will be adjusted in consequence and the amount allocated to "Retained earnings" will be determined on the basis of dividends actually paid.

In accordance with the provisions of article 243 bis of the French General Tax Code, shareholders shall duly note that dividends for the last three financial periods were as follows:

	Distributions eligible for the tax basis reduction		
For the fiscal year	**Dividends**	**Other distributions**	**Distributions not eligible for the tax basis reduction**
2013	€11,902,911.93(1) or €0.49 per share	-	-
2014	€12,830,249.52(1) or €0.44 per share	-	-
2015	€16,088,502(1) or €0.50 per share	-	-

(1) Including the unpaid amount of dividends relating to treasury shares and allocated to retained earnings.

Fourth resolution

Statutory Auditors' special report on regulated agreements and commitments – Recognition of the absence of new agreements

The shareholders, after considering the auditors' special report indicating the absence of any new agreements of the type mentioned in articles L.225-38 *et seq.* of the French Commercial Code, duly note their conclusions.

Fifth resolution

Appointment of Ms Véronique Gabai-Pinsky as Director

The shareholders decide to appoint Véronique Gabai-Pinsky as a new member of the Board of Directors for a term of four years expiring at the end of the Annual General Meeting that will be called in 2021 to approve the financial statements for the fiscal year ended.

Sixth resolution

Approval of the principles and criteria for setting, allocating and granting fixed, variable and exceptional compensation making up the total compensation and benefits in kind granted to the Chairman-CEO and the Executive Vice President on the basis of their offices

The shareholders, after considering the Board of Directors' report established in accordance with article L.225-37-2 of the French Commercial Code, approve the principles and criteria for setting, allocating and granting fixed, variable and exceptional compensation making up the total compensation and benefits in kind granted to the Chairman-CEO and the Executive Vice President on the basis of their offices, as described in this report.

Seventh resolution

Amount of attendance fees allocated to Board members

The shareholders decide to maintain the total amount in attendance fees to be allocated to the Board of Directors at €180,000.

This decision will apply to the period in progress and remains in force until such time as a new decision is issued.

Eighth resolution

Authorization to be granted to the Board of Directors for dealing in its own shares within the framework of article L.225-209 of the French Commercial Code

The General Meeting, having reviewed the Board of Directors' report, grants an authorization for eighteen months in accordance with the provisions of articles L.225-209 *et seq.* of the French Commercial Code, to purchase, on one or more occasions at times of its choosing up to 5% shares of the company making up the share capital, where applicable adjusted to take into account increases or reductions in the share capital that may be carried out during the period the share buyback authorization is in force.

This authorization cancels the authorization granted to the Board of Directors by the seventh ordinary resolution of the General Meeting of April 22, 2016.

Shares may be acquired for all purposes authorized by law, and namely:

– market making in the secondary market or ensuring the liquidity of the Interparfums share with an investment services provider through a liquidity agreement complying with the conduct of business rules of the French association of financial market professionals (AMAFI) recognized by the AMF;

– retaining shares purchased for subsequent use in exchange or as payment for acquisitions, whereby it is specified that the shares acquired for that purpose may not exceed 5% of the company positivist share capital;

– ensuring sufficient shares are available for stock option and/or restricted share award (bonus share) plans (or equivalent plans) for the benefit of employees and/or corporate officers of the Group as well as all share grants in connection with a company or group employee savings plan (or equivalent plan), employee profit-sharing schemes and/or all other forms of share grants to employees and/or corporate officers of the Group;

– ensuring that sufficient shares are available to cover requirements for securities granting entitlement to shares of the company in accordance with applicable regulations;

– canceling shares, as applicable, acquired in accordance with the authorization granted by the eighth extraordinary resolution of the shareholders' General Meeting of April 22, 2016.

These shares may be purchased by any means, including through block purchases of shares, and at times deemed appropriate by the Board of Directors.

The company does not intend to make use of options or derivatives.

The maximum purchase price is €40 per share; In the case of equity transactions including notably stock splits or reverse stock splits or bonus share grants, the amount indicated above will be adjusted in the same proportions (with the multiplier being equal to the ratio between the number of shares making up the share capital before the transaction and the number of shares thereafter).

By way of indication, the maximum amount of the transaction would be €71,017,568 based on the share capital at December 31, 2016.

The shareholders grant all powers to the Board of Directors, which it may in turn delegate, to proceed with these transactions, set the terms and conditions and procedures, conclude all agreements and fulfill all formalities.

Extraordinary resolutions

Ninth resolution

Authority granted to the Board of Directors to issue shares through the capitalization of additional paid-in capital, reserves or profit

The shareholders, in accordance with the conditions of *quorum* and majority that apply at extraordinary shareholders meetings, after having reviewed the Board of Directors' report, and in compliance with the provisions of articles L.225-129-2 and L.225-130 of the French Commercial Code:

1) Grant the Board of Directors authority to decide to increase the share capital through one or several tranches and at times and according to procedures it shall determine through the capitalization of reserves, retained earnings or additional paid-in capital or other amounts that may be capitalized, by the issuance and grant of bonus shares or the increase in the par value of existing ordinary shares, or a combination thereof.

2) Decide if the Board makes use of this authorization, in accordance with provisions of article L.225-130 of the French Commercial Code, in the case of a capital increase in the form of a bonus share grant, that the fractional shares shall not be negotiable or transferable and that the corresponding security shall be sold. The proceeds of said sales will be allocated to the holders of such rights within the time limits provided for by regulation.

3) Set the duration for this authorization provided for under this resolution at twenty-six months from the date of this meeting.

4) Decide that the maximum nominal amount of the capital increase resulting from issues carried out under this resolution may not exceed forty million euros (€40,000,000), without taking into account the amount necessary to preserve the rights of holders of securities giving access to the shares, as required by law.

5) This limit is independent of all other limits set by other resolutions of this General Meeting.

6) Give to the Board of Directors, which it may in turn delegate, all powers to implement this resolution and, in general, undertake all measures and formalities necessary for the successful completion of the capital increase, record its completion and amend the bylaws in consequence.

7) Duly note that this authorization supersedes and cancels, for the unused portion, as applicable, of any prior authorization having the same purpose.

Tenth resolution

Modification of the corporate purpose – Corresponding modification of article 2 of the bylaws

The shareholders, after having reviewed the report of the Board of Directors, decide to:

– include in the corporate purpose a secondary activity relating to fashion;

– and in consequence, modify article 2 of the bylaws as follows:

"Article 2 - Corporate purpose

The Company's business purpose in France and other countries includes:

– as its principal activity*, the purchase, sale, manufacture, import and export of all products related to perfumes and cosmetology;*

– as a secondary activity, the purchase, sale, manufacture, import and export of all products relating to fashion;

– the use of license agreements;

– providing all services related to the above-mentioned activities;

– the Company's participation by all means, directly or indirectly, in all transactions that may relate to its business purpose through the creation of new companies, the contribution, subscription or purchase of company shares or rights, mergers or other, through the creation, acquisition, rental or lease management of all rights to conduct business or establishments, and through the acquisition, operation or disposal of all procedures and patents related to these activities;

– and, generally, all industrial, commercial, financial, non-trading, securities and real estate transactions that relate directly or indirectly to the Company's business purpose or to any similar and related activities."

Eleventh resolution

Harmonization of article 4 of the bylaws entitled "Registered office"

The General Meeting, after considering the Board of Directors' report, decide to harmonize article 4 "Registered office" of the bylaws with article L.225-36 of the French Commercial Code as amended by the French Law of December 9, 2016 on transparency, the fight against corruption and modernization of the economy (the "Sapin II" law).

In consequence, subsection 2 of article 4 of the bylaws has been modified with the remainder of the article unchanged:

"It may be transferred to any other location in France (including its overseas territories) by decision of the Board of Directors, subject to ratification of this decision by the next ordinary general Meeting".

Twelfth resolution

Modification of Directors' terms of office – Corresponding modification of article 12, subsection 3 of the bylaws

The shareholders, after having reviewed the report of the Board of Directors, decide to:

(i) increase the Directors' term of office from four to five years, it being specified that this extension of the term of office will be without effect on the terms of office in progress which will continue until their term as initially set; and

(ii) organize these staggering of their terms.

In consequence, the first sentence of subsection 3 of article 12 of the bylaws has been modified with the remainder of the article unchanged:

"The term of office for Directors is five (5) years. This term shall cease at the end of the ordinary general Meeting called to approve the financial statements of the previous year held in the year it expires."

As an exception, and in order to permit the implementation and maintain the staggering of Directors' terms of office, the General Meeting may appoint one or more Directors for terms of three (3) years".

Thirteenth resolution

Modification of article 12 of the bylaws concerning the obligation requiring Directors to hold one share

The shareholders, after considering the Board of Directors' report, decide to modify article 12 "Board of Directors" of the bylaws, by eliminating the obligation that requires Directors to own one share.

In consequence, the last subsection of article 12 of the bylaws has been canceled with the remainder of the article unchanged.

Fourteenth resolution

Harmonization of article 17 of the bylaws relating to the Statutory Auditors

The shareholders, after considering the Board of Directors' report, decide to bring article 17 of the company' bylaws into compliance with the provisions of Ordinance 2016-315 of March 17, 2016 relating to Statutory Auditors and with the provisions of the Law of December 9, 2016 on transparency, the fight against corruption and modernization of the economy (the "Sapin II" law) and, in consequence modifies it as follows:

"The Company will be audited by one or more Statutory Auditors who are appointed and shall perform their duties in conformity with the law".

Fifteenth resolution

Authority granted to the Board of Directors to make the necessary modifications to the bylaws to bring them into compliance with the provisions of the law and regulations, subject to ratification of these modifications by the next extraordinary general Meeting

The shareholders, after considering the Board of Directors' report, grant all powers to the Board to bring the bylaws into compliance with the provisions of the law and regulations, subject to ratification of these modifications by the next extraordinary general Meeting.

Sixteenth resolution

Powers for formalities

All powers are granted to the bearer of copies or extracts of the minutes thereof to perform all legal formalities required by law.

4. SUMMARY OF DELEGATIONS OF FINANCIAL AUTHORITY

Summary of delegations of financial authority requested from the General Meeting of April 28, 2017 (Art. L 225-100 paragraph 7 of the French Commercial Code)

Nature of authorizations	Limits of the issue	Expiry date
Authorization to increase the capital through the capitalization of reserves, earnings or paid-in capital *(9th resolution) - Renewal of the authorization granted by the 2015 AGM (8th resolution)*	Within the limit of €40,000,000	06/28/2019

Summary of authorizations in force

Authorizations granted by the 2016 AGM

Nature of authorizations	Limits of the issue	Authorizations used	Expiry date
Authorization to issue shares or securities, maintaining shareholders' preemptive subscription rights *(9th resolution)*	Within the limit of €30,000,000	None	06/22/2018
Authorization to issue shares or securities, canceling shareholders' preemptive subscription rights *(10th resolution)*	Within the limit of €9,000,000	None	06/22/2018
Authorization to increase the share capital by an offering covered by article L.411-2 of the French Monetary and financial code *(11th resolution)*	Within the limit of €9,000,000	None	06/22/2018
Authorization to issue shares or securities giving access to the capital as consideration for contributions in kind *(14th resolution)*	Within the limit of 10% of the share capital	None	06/22/2018
Authorization for restricted share awards (bonus shares) to employees and/or selected corporate officers *(15th resolution)*	Within the limit of 3% of the share capital	Authorization used by the Board of Directors' meeting of September 6, 2016 for 148,100 shares with effective delivery on September 6, 2019 contingent on meeting the conditions of presence and performance defined by the performance share plan	06/22/2019
Authorization to grant stock options to employees or selected corporate officers *(16th resolution)*	Within the limit of 1% of the share capital	None	06/22/2019
Authorization to issue shares reserved for employees of the Group participating in a company savings plan *(17th resolution)*	Within the limit of 2% of the share capital	None	06/22/2018

Authorizations granted by the 2015 AGM

Nature of authorizations	Limits of the issue	Authorizations used	Expiry date
Authorization to increase the capital by capitalizing reserves, earnings or premiums *(8th resolution)* *(Renewal proposed to the 2017 AGM 9th resolution)*	Within the limit of €30,000,000	– Authorization used by the Board of Directors' meeting of May 22, 2015, creating 2,919,269 new shares in the amount of €8,757,807 – Authorization used by the Board of Directors' meeting of May 26, 2016, creating 3,219,038 new shares in the amount of €9,657,114	06/24/2017

6

Group organization

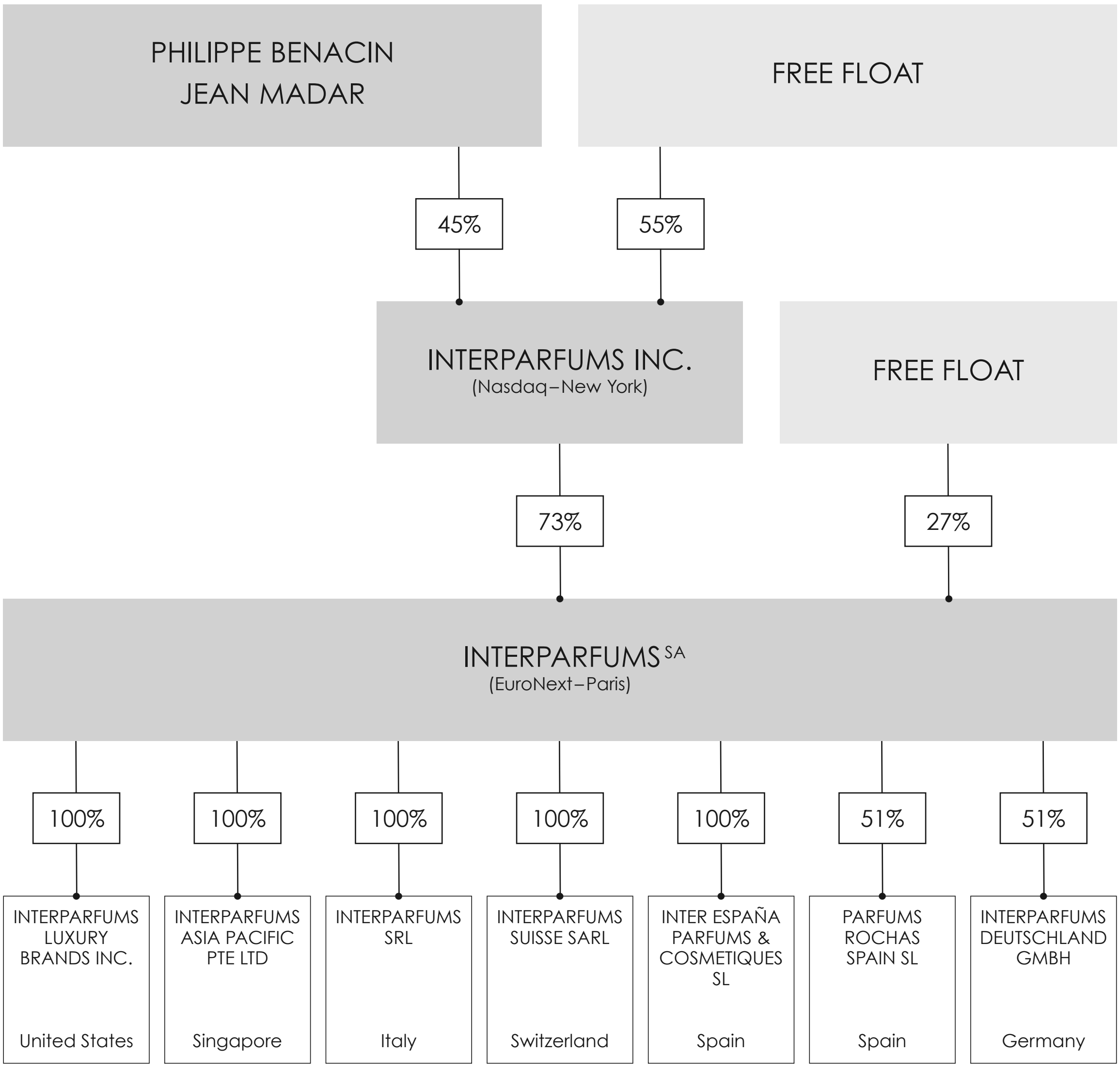
INTERPARFUMS AND ITS SUBSIDIARIES

Commercial operations are conducted largely through Interparfums SA. To pursue its international development, Interparfums set up three new subsidiaries in 2007 in the key European markets on a wholly-owned basis or in partnership with its local distributors: Germany (51%), Italy (100%) and Spain (100%).

Interparfums also created a wholly-owned subsidiary in Switzerland, Interparfums Suisse Sarl. This subsidiary is the owner of the Lanvin brand name for class 3 products.

In 2010, Interparfums SA further strengthened its presence in markets and major regions by creating wholly-owned distribution subsidiaries in Singapore (Interparfums Asia Pacific Pte Ltd) and the United States (Interparfums Luxury Brands Inc.) respectively.

Pursuant to the Rochas brand acquisition in 2015, Interparfums SA created a subsidiary for the distribution of fragrances under this new brand in Spain (Parfums Rochas Spain SL). This entity is 51%-held.



7

History of the company

1982

Creation of Interparfums SA in France by Philippe Benacin and Jean Madar.

1985

Creation of Interparfums Inc. in the United States, parent company of Interparfums SA.

1988

Beginning of the selective perfume activity with the signature of a license agreement for the Régine's brand.
Initial public offering of Interparfums Inc. on NASDAQ in New York.

1993

Signature of a license agreement to create and produce perfumes under the Burberry name and distribute them worldwide.

1994

Listing of Interparfums SA on the over-the-counter market of the Paris Stock Exchange.

1995

Transfer of the company from the over-the-counter market to the Second Market of Paris Stock Exchange with a rights issue.

1997

Signature of a license agreement to create and produce perfumes under the S.T. Dupont name and distribute them worldwide Dupont.

1998

Signature of a license agreement to create and produce perfumes under the Paul Smith name and distribute them worldwide.

2000

Extension of the license agreement for the Burberry brand.

2004

Signature of a new Burberry license agreement for the Burberry brand.
Signature of a license agreement for the Nickel brand, specialized in skincare and personal hygiene products for men.
Signature of a license agreement to create and produce perfumes under the Lanvin brand and distribute them worldwide.

2006

Extension of the S.T. Dupont license agreement.

2007

Signature of a license agreement to create and produce perfumes under the Van Cleef & Arpels brand and distribute them worldwide.
Acquisition of the Lanvin trademark and brand name for class 3 products (fragrances and make-up).

2008

Extension of the Paul Smith license agreement.

2009

Signature of a license agreement to create and produce perfumes under the Jimmy Choo brand and distribute them worldwide.

2010

Signature of a license agreement to create and produce perfumes under the Montblanc brand and distribute them worldwide.
Extension of the license agreement for the Burberry brand.
Signature of a worldwide license agreement to create and manage new and existing fragrances under the Boucheron brand.

2011

Signature of a license agreement to create and produce perfumes under the Balmain brand and distribute them worldwide.
Signature of a license agreement to create and produce perfumes under the Repetto brand and distribute them worldwide.
Extension of the S.T. Dupont license agreement.

2012

Discontinuation of the Burberry license agreement before the expiry date.
Signature of a license agreement to create and produce perfumes under the Karl Lagerfeld brand and distribute them worldwide.

2015

Signature of a license agreement to create and produce perfumes under the Coach name and distribute them worldwide.
Acquisition of the Rochas trademark and brand name for class 3 (perfumes make-up) and class 25 (fashion) products.

2016

Extension of the S.T. Dupont license agreement.
Extension of the Montblanc license agreement.

8

Nominations and corporate Awards

1997

"Prix Cristal" for the transparency in financial information
(French Institute of Statutory Auditors – *Compagnie Nationale des Commissaires aux Comptes*)

1998

Nomination for the award for the best annual report
(*La Vie Financière*)

1999

"Grand Prize for Entrepreneurs" award for international growth
(Ernst & Young – *L'Entreprise*)

2001

Oscar for financial performance
(*Cosmétique Magazine*)

2002

Nomination for the award for innovation
(KPMG – *La Tribune*)

Nomination for the "Boldness and Creativity Prize"
(Fimalac – *Journal des Finances*)

2003

Nomination for the "Boldness and Creativity Prize"
(Fimalac – *Journal des Finances*)

2005

Nomination for the "Boldness and Creativity Prize"
(Fimalac – *Journal des Finances*)

"Grand Prize for Entrepreneurs – Région Île de France" award

2007

Investor Relations Prize for the Small and Mid Caps category
(*Forum de la communication financière*)

3rd Prix Boursoscan award for financial communications for the Small and Mid Caps category
(*Boursorama – Opinion Way*)

2010

Trophée Relations Investisseurs – Best Investor Relations Award for the Mid Cap category
(*Forum des Relations Investisseurs et Communication Financière*)

2011

Special Award for Inspiration of the Great Place to Work Institute
(*Institut Great Place to Work® – Le Figaro Économie*)

Mid Cap Corporate Governance Prize
(*Agefi*)

"Boldness and Creativity Prize" given at an award ceremony by French Prime Minister, François Fillon
(Fimalac – *Journal des Finances*)

2012

Trophée Relations Investisseurs – Best Investor Relations Award for the Mid Cap category
(*Forum des Relations Investisseurs et Communication Financière*)

2013

Trophée Relations Investisseurs – 3rd Prize for Best Investor Relations for the Mid Cap category
(*Forum des Relations Investisseurs et Communication Financière*)

2015

Trophée Relations Investisseurs – Best Investor Relations Award for the Mid Cap category
(*Forum des Relations Investisseurs et Communication Financière*)

2016

Trophée Relations Investisseurs – Third Prize for the "Best Investor Relations by a CEO"
(*Forum des Relations Investisseurs et Communication Financière*)

9

Auditors and responsibility statements

Auditors

The Statutory Auditors having issued reports on the parent company and consolidated financial statements are:

Mazars

61 rue Henri Regnault
92400 Courbevoie
Represented by Guillaume Wadoux
Appointed by the AGM of December 1, 2004
Reappointed by the AGM of April 22, 2013
Expiration date: 2019 AGM

SFECO & Fiducia Audit

50, rue de Picpus
75012 Paris
represented by Roger Berdugo
Appointed by the AGM of May 19 9095 1995
reappointed by the AGM of April 22, 2013
expiration date: 2019 AGM

The alternate Auditors are respectively:

Jean Maurice El Nouchi

61 rue Henri Regnault
92400 Courbevoie
Appointed by the AGM of December 1, 2004
Reappointed by the AGM of April 22, 2013
Expiration date: 2019 AGM

Serge Azan

16 rue Daubigny
75017 Paris
Appointed by the AGM of May 19 9095 1995
reappointed by the AGM of April 22, 2013
expiration date: 2019 AGM

Auditors' fees are described in note 6.6 to the consolidated financial statements.

Responsibility statement for the registration document

I declare, after having taken all reasonable measures in this regard that to the best of my knowledge the information in this registration document is accurate and there are no omissions likely to alter its import.

I declare that, to the best of my knowledge, the financial statements have been prepared in accordance with the applicable financial reporting standards and give a true and fair view of the assets and liabilities, financial position and results of the operations of the Company and consolidated companies and that the management report included in part one of this registration document faithfully presents business trends, the results and financial position of the company and the description of the main risks and uncertainties.

I have obtained a completion of work letter from the Statutory Auditors in which they indicate that they have verified the information concerning the financial situation and accounts presented in this registration document and read the entire registration document.

Philippe Santi
Executive Vice President

Executive officer responsible for financial information

Philippe Santi
Executive Vice President
psanti@interparfums.fr
00 (33)1 53 77 00 00

Requests for information

To receive information or be added to the company's financial communications mailing list contact the Investor Relations department (attention: Karine Marty):

Telephone: +33 800 47 47 47
Fax: +33 (0)1 40 74 08 42
Via the website: www.interparfums.fr

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BOUCHERON
COACH
JIMMY CHOO
KARL LAGERFELD
LANVIN
MONTBLANC
PAUL SMITH
REPETTO
ROCHAS
S.T. DUPONT
VAN CLEEF & ARPELS

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