Interparfums

2021 consolidated financial statements

2021

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Consolidated financial statements	**3**
Operating highlights	**8**
Accounting principles	**9**
Principles of presentation	**16**
Notes to the balance sheet	**17**
Notes to the income statement	**32**
Segment reporting	**35**
Other information	**36**

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Consolidated income statement

(€ thousands) Except per share data which is in units	Notes	2020	2021
Sales	4.1	**367,365**	**560,827**
Cost of sales	4.2	(140,293)	(195,187)
Gross margin		**227,072**	**365,640**
% of sales		*61.8%*	*65.2%*
Selling expenses	4.3	(162,643)	(243,187)
Administrative expenses	4.4	(17,520)	(21,576)
Current operating income		**46,909**	**100,877**
% of sales		*12.8%*	*18.0%*
Other operating expenses	4.5	—	(1,986)
Operating profit		**46,909**	**98,891**
% of sales		*12.8 %*	*17.6 %*
Financial income		1,759	2,257
Interest and similar expenses		(901)	(2,262)
Net finance costs		**858**	**(5)**
Other financial income		4,045	5,662
Other financial expense		(6,051)	(3,237)
Net financial income / (expense)	4.6	**(1,148)**	**2,420**
Income before income tax		**45,761**	**101,311**
% of sales		*12.5%*	*18.1%*
Income tax	4.7	(15,220)	(29,676)
Effective tax rate		*33.3%*	*29.3%*
Share of profit from equity-accounted companies		477	45
Net income		**31,018**	**71,680**
% of sales		*8.4%*	*12.8%*
Net income (loss) attributable to non-controlling interests		(314)	(585)
Net income attributable to parent company shareholders		**30,704**	**71,095**
% of sales		*8.4%*	*12.7%*
Net earnings per share [(1)]	4.8	0.63	1.30
Diluted earnings per share [(1)]	4.8	0.63	1.30

[(1)] Restated on a prorated basis for bonus share grants.

Consolidated statement of comprehensive income and expense

(€ thousands)	2020	2021
Consolidated net profit for the period	**31,018**	**71,680**
Available-for-sale assets	—	—
Currency hedges	(97)	(1,559)
Deferred tax arising from items able to be recycled	31	403
Items able to be recycled in profit or loss	**(66)**	**(1,156)**
Actuarial gains and losses	8	1,202
Deferred taxes on items unable to be recycled	(3)	(310)
Items unable to be recycled in profit or loss	**5**	**892**
Other comprehensive income total	**(61)**	**(264)**
Comprehensive income for the period (1)	**30,957**	**71,416**
Net income (loss) attributable to non-controlling interests	(314)	(585)
Attributable to equity holders of the parent	**30,643**	**70,831**

Consolidated balance sheet

ASSETS (€ thousands)	Notes	2020	2021
Non-current assets			
Net trademarks and other intangible assets	3.1	153,578	149,777
Net property, plant, equipment	3.2	13,298	127,669
Right-of use assets	3.3	8,349	15,243
Long-term investments	3.4	2,834	4,047
Other non-current financial assets	3.4	2,566	2,066
Equity-accounted investments	3.5	12,977	12,722
Deferred tax assets	3.13	7,982	9,228
Total non-current assets		**201,584**	**320,752**
Current assets			
Inventory and work-in-progress	3.6	92,520	102,136
Trade receivables and related accounts	3.7	85,961	125,430
Other receivables	3.8	5,298	14,280
Corporate income tax		3,273	1,730
Current financial assets	3.9	103,192	141,280
Cash and cash equivalents	3.9	124,966	116,404
Total current assets		**415,210**	**501,260**
Total assets		**616,794**	**822,012**

SHAREHOLDERS' EQUITY & LIABILITIES (€ thousands)	Notes	2020	2021
Shareholders’ equity			
Share capital		155,965	171,562
Additional paid-in capital		—	—
Retained earnings		305,819	298,752
Net income for the year		30,704	71,095
Equity attributable to parent company shareholders		**492,488**	**541,409**
Non-controlling interests		1,630	1,920
Total shareholders’ equity	3.10	**494,118**	**543,329**
Non-current liabilities			
Provisions for non-current commitments	3.11	12,984	8,771
Non-current borrowings	3.12	—	96,712
Non-current lease liabilities	3.12	6,139	12,562
Deferred tax liabilities	3.13	1,913	3,302
Total non-current liabilities		**21,036**	**121,347**
Current liabilities			
Trade payables and related accounts	3.14	51,276	92,148
Current borrowings	3.12	11,000	13,102
Current lease liabilities	3.12	2,852	3,067
Provisions for contingencies and expenses	3.11	925	5,114
Income tax		2,939	3,789
Other liabilities	3.14	32,648	40,116
Total current liabilities		**101,640**	**157,336**
Total shareholders’ equity and liabilities		**616,794**	**822,012**

Statement of changes in consolidated shareholders' equity

(€ thousands)	Number of shares	Share capital	Paid-in capital	Other comprehensive income	Retained earnings and income	Total equity		
						Group share	Non-controlling interests	Total
As of December 31, 2019[(2)]	**47,055,449**	**141,787**	**—**	**(1,119)**	**322,161**	**462,829**	**1,609**	**464,438**
Bonus share issues	4,726,219	14,178	—	—	(14,178)	—	—	—
2020 net income	—	—	—	—	30,704	30,704	314	31,018
Change in actuarial gains and losses on provisions for pension	—	—	—	5	—	5	—	5
Remeasurement of financial instruments at fair value	—	—	—	(66)	—	(66)	—	(66)
2019 dividend paid in 2020	—	—	—	—	—	—	(294)	(294)
Changes in Group structure of consolidated operations	—	—	—	—	—	—	—	—
Treasury shares	13,396	—	—	—	2,292	2,292	—	2,292
Currency translation adjustments	—	—	—	—	(3,275)	(3,275)	—	(3,275)
As of December 31, 2020[(2)]	**51,795,064**	**155,965**	**—**	**(1,180)**	**337,704**	**492,489**	**1,629**	**494,118**
Bonus share issues	5,198,840	15,597	—	—	(15,597)	—	—	—
2021 net income	—	—	—	—	71,095	71,095	585	71,680
Change in actuarial gains and losses on provisions for pension obligations	—	—	—	892	—	892	—	892
Remeasurement of financial instruments at fair value	—	—	—	(1,156)	—	(1,156)	—	(1,156)
2020 dividend paid in 2021	—	—	—	—	(28,508)	(28,508)	(294)	(28,802)
Changes in Group structure of consolidated operations	—	—	—	—	—	—	—	—
Treasury shares	5,825	—	—	—	2,388	2,388	—	2,388
Currency translation adjustments		—	—	—	4,209	4,209	—	4,209
As of December 31, 2021[(2)]	**56,999,729**	**171,562**	**—**	**(1,444)**	**371,291**	**541,409**	**1,920**	**543,329**

(2) Excluding treasury shares.

Statement of cash flows

(€ thousands)	2020	2021
Cash flows from operating activities		
Net income	31,018	71,680
Depreciation, amortization and other	18,902	15,179
Share of profit from equity-accounted companies	(477)	255
Net finance costs	(858)	5
Tax charge of the period	15,220	29,676
Operating cash flows	**63,805**	**116,795**
Interest expense payments	(896)	(1,992)
Tax payments	(17,991)	(28,571)
Cash flow after interest expense and tax	**44,918**	**86,232**
Change in inventory and work in progress	8,509	(12,480)
Change in trade receivables and related accounts	5,088	(37,355)
Change in other receivables	(1,160)	(8,688)
Change in trade payables and related accounts	(12,005)	40,872
Change in other current liabilities	641	8,585
Change in working capital requirements	**1,073**	**(9,066)**
Net cash flows provided by (used in) operating activities	**45,991**	**77,166**
Cash flows from investing activities		
Net acquisitions of intangible assets	(1,432)	(1,253)
Net acquisitions of property, plants and equipment	(8,543)	(116,767)
Net acquisitions of property, plants and equipment - right-of-use assets	(699)	(9,381)
Acquisition of equity interests	(12,500)	—
Net acquisitions of marketable securities (>3 months)	3,376	(36,198)
Changes in investments and other non-current assets	528	(713)
Net cash flows provided by (used in) investing activities	**(19,270)**	**(164,312)**
Cash flows from financing activities		
Issuance of borrowings and new financial debt	12,000	134,204
Debt repayments	(11,000)	(34,204)
Discharge of lease liabilities	(2,640)	6,638
Dividend payments to shareholders	—	(28,508)
Treasury shares	823	454
Net cash flows provided by (used in) financing activities	**(817)**	**78,584**
Change in net cash	**25,904**	**(8,562)**
Opening cash and cash equivalents	99,062	124,966
Closing cash and cash equivalents	**124,966**	**116,404**

The reconciliation of net cash breaks down as follows:

(€ thousands)	2020	2021
Cash and cash equivalents	**124,966**	**116,404**
Current financial assets	103,192	141,280
Net cash and current financial assets	**228,158**	**257,684**

Notes to the consolidated financial statements

Annual highlights

January

Launch of the *I Want Choo* line of Jimmy Choo
I Want Choo, the brand's 4th fragrance line, is a powerful oriental floral Eau de Parfum finished with a seductive twist.

Launch of the *Kate Spade New York* line
For Interparfums' first initiative, the radiating joy, confidence and optimism of the *Kate Spade New York* woman reflects the cheerful and sparkling spirit of the much-loved American fashion brand.

February

Launch of Orchid Leather of the Van Cleef & Arpels Extraordinary Collection
Named in honor of the precious orchid that produces the vanilla pod, *Orchid Leather* takes us on an imaginary journey. This new fragrance is the latest addition to the Collection Extraordinaire range launched several years ago.

March

Launch of the *Rochas Girl* line
Girl is the fragrance for a new generation which is attentive to its own well-being. *Girl* is a low-environmental impact line with a vegan formula that contains 90% natural-origin ingredients and manufactured in France using recycled glass and plastics.

April

Acquisition of the future headquarters office complex
In mid-April, Interparfums completed the acquisition of its future headquarters at 10 rue de Solférino in the 7th arrondissement of Paris

Launch of the *Montblanc Explorer Ultra Blue* line
The Montblanc Explorer Ultra Blue conveys an irrepressible spirit of adventure and exploration that awakens a desire to discover nature's palette of blues: sky, lakes and mountain glaciers. This new line thus expands the brand's top-selling line, *Montblanc Explorer*, launched in early 2019.

***Cuir de Venise*, a new fragrance added to the Boucheron collection**
Boucheron unveils its latest creation: *Cuir de Venise*, a warm and enveloping woody fragrance celebrating the leather craftsmanship of Venetian masters.

Karl Lagerfeld: a new *Places by Karl* duo
With *Tokyo - Shibuya* (a woman's *eau de parfum*) and *Hamburg - Alster* (a men's *eau de parfum*) the odyssey continues with two new destinations, a futuristic metropolis and the cradle of childhood where it all began.

May

Dividend

To partially compensate the absence of a dividend in 2020 (for FY 2019), the company decided to make a considerable effort in 2021 (for FY 2020) by offering a dividend of €0.55 per share representing nearly 95% of the prior's year's earnings.

June

End of eligibility for inclusion in equity savings accounts for small and mid caps (PEA-PME)

Reflecting the increase in Interparfums' market capitalization, it is no longer eligible for this tax-advantaged equity savings regime.

Launch of the *Coach Dreams Sunset* line

Following the launch of *Coach Dreams* line in early 2020, *Coach Dream Sunset* evokes the warmth of memories in the making and the magic of possibilities on the horizon.

Bonus share issue

The company proceeded with its 22nd bonus share issue on the basis of one new share for every ten shares held.

September

Launch of the *Les Fleurs de Lanvin* collection

A tale of the senses composed of three different bouquets… Lanvin writes its own story by creating this contemporary saga awaking the senses and unleashing emotions. Creating a bond, a source of delight.

October

Launch of the *Moncler pour Femme* and *Moncler pour Homme* lines

Two perfumes that signal a veritable expedition for the senses.
Moncler pour Femme: The composition opens with the crisp, bright sensation of the Powdery Snow accord – reminiscent of the evanescent beauty of freshly fallen snow.
Moncler pour Homme: Capturing the vibrant natural beauty of an alpine forest, this enveloping fragrance contains an unprecedented saturation of woody notes.

1. Accounting principles

1.1. Compliance statement

In accordance with EC regulations 1606/2002 of July 19, 2002 on international accounting standards, the 2021 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 subject to mandatory application;
- Options retained and exemptions used by the Group for the preparation of IFRS consolidated financial statements.

The consolidated financial statements at December 31, 2021 were adopted by the Board of Directors on March 1, 2022. They will become definitive after having been approved by the ordinary general meeting of April 29, 2022.

1.2. Changes in accounting standards

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, 2021.

The following standards, amendments or interpretations that entered into effect on January 1, 2021 were applied by the company in preparing its consolidated financial statements for the fiscal year ended December 31, 2021:

Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16 “Interest rate benchmark reform”

These amendments have no impact on the financial statements are presented.

1.3. Basis of consolidation

Interparfums S.A.		Ownership interest (%)	Consolidation method
Interparfums Suisse Sarl	Switzerland	100%	Full consolidation
Parfums Rochas Spain	Spain	51%	Full consolidation
Interparfums Srl	Italy	100%	Full consolidation
Interparfums Luxury Brands	United States	100%	Full consolidation
Interparfums Asia Pacific pte Ltd	Singapore	100%	Full consolidation
Divabox	France	25%	Equity method

Parfums Rochas S.L 51%-held by Interparfums is fully consolidated based on the exercise of exclusive control over this company.

At June 30, 2020, Interparfums acquired 25% of the capital of Divabox, specialized in e-commerce for beauty products. Divabox is consolidated by the Group according to the equity method because it exercises significant influence but not control.

The procedures to wind up the subsidiary Inter España Parfums and Cosmetiques S.L have been completed and the company’s removal from the trade register is in progress. It was deconsolidated as of December 31, 2021 with no commercial activity during the period.

Interparfums Srl is in the process of being liquidated. While included in the consolidation scope it no longer had commercial operations in 2021.

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.

1.4. 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. Payables and receivables in foreign currency are translated at the exchange rate in force on December 31, 2021. Translation losses and gains arising from the conversion of accounts denominated in foreign currencies on December 31, 2021 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	
	2020	2021	2020	2021
US dollar (USD)	1.2271	1.1326	1.1422	1.1827
Singapore dollar (SGD)	1.6218	1.5279	1.5742	1.5891
Swiss franc (CHF)	1.0802	1.0331	1.0705	1.0811

1.5. 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.

1.6. 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.

1.7. Trademarks and other intangible assets

Trademarks and other intangible fixed assets, including trademarks under licensing contracts and acquired trademarks are recorded at cost. These legally protected trademarks 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 whenever there is any indication of impairment. Their recoverable value is determined 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.
Own brands are also tested for impairment at least once a year by comparing their net carrying value with their recoverable value. The recoverable value represents the higher of fair value less costs to sell and its value in use on the basis of the present value of estimated future cash flows derived from five-year budgets discounted to infinity.
A provision for impairment is recorded if this value is lower than the carrying value.
The discount rate before tax applied for remeasurement is the weighted average cost of capital (WACC) of 7.47 % at December 31, 2021 compared to 6.99 % at December 31, 2020. This ratio is determined on the basis of a positive long-term interest rate of 0.20 % 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 is 1.6 % at December 31, 2021 and 0 % at December 31, 2020.

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.

1.8. 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.

The purchase of the company's new headquarters, consisting of land, buildings and facilities, has not yet been allocated due to “VEFA” off-plan purchase (*Vente en l'Etat Futur d'Achèvement*) that will be finalized in the first quarter of 2022. The transfer of the rights on the land is effective from the execution date of the deed of purchase. Work under construction is capitalized on a proportional performance basis as progress advances.

The majority of tangible fixed assets are used in France.

1.9. 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.

1.10. Other non-current financial assets

The line item "non-current financial assets" consist mainly of a royalties advance on the Karl Lagerfeld license agreement that is charged against future royalties every year. This advance was remeasured at present value according to the amortized cost method over the license agreement's term and the corresponding offset is recognized by increasing the amortization of upfront license fees.

1.11. 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.

1.12. 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 based on the known year-end tax conditions.

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.

1.13. Equity-accounted investments

The line item “Equity-accounted investments” includes the 25% share of the capital of Divabox acquired in June 2020 (see note 3.5).

1.14. Cash, cash equivalents and current financial assets

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.

"Current financial assets" include certificates of deposit, capital redemption contracts and shares in luxury goods companies with a maturity of more than three months.

1.15. 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.

1.16. 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 by Ordinance 2017-1387 published in the French Official Journal of September 23, 2017 and Decree 2017-1398 published in the French Official Journal of September 26, 2017. 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.

1.17. 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.

Currency hedges

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 sales budgets in US dollars. In accordance with IFRS 9 these hedges 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 2021, revenue was restated to eliminate the impact of these hedges.

Interest rate hedges

A swap to hedge interest-rate risk in connection with the Solférino loan subject to interest based on the 1-month Euribor was arranged in 2021. In compliance with IFRS 9, the difference in the market value of this instrument and the notional amount is recorded in the income statement.

1.18. 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.

1.19. Other liabilities

Other financial debt and operating liabilities are measured at fair value on initial recognition. These amounts generally correspond to the amounts of the invoices in the case of short-term payables.

1.20. Performance share 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 to employees, estimated on the grant date. This value also takes into account assumptions relating to the departure of beneficiaries and 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 amortized and adjusted upon each exercise for changes in assumptions regarding the presence of the beneficiaries over the vesting period.

1.21. 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".

1.22. 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 Group 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 consolidated 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

The company's main activity is "Perfumes". Because the financial performance indicators of each brand making up this business are similar, the Group's income statement and balance sheet in consequence represents the "Perfumes" business as a whole.

The company also manages a "Fashion" business of small size and representing the operations generated by the fashion component of the Rochas brand. However because the "Fashion" business accounts for less than 0.5 % 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 Group 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)	2020	+	-	2021
Gross value				
Indefinite useful life intangible assets				
Lanvin trademark	36,323	—	—	36,323
Rochas Fragrances trademark	86,739	—	—	86,739
Rochas Fashion trademark	19,086	—	—	19,086
Finite useful life intangible assets				
S.T. Dupont upfront license fee	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
Karl Lagerfeld upfront license fee	12,877	—	—	12,877
Other intangible assets				
Rights on molds for bottles and related items	14,728	863	—	15,591
Registration of trademarks	570	—	—	570
Software	3,796	390	(187)	3,999
Total gross amount	**209,588**	**1,253**	**(187)**	**210,654**
Amortization and impairment				
Indefinite useful life intangible assets				
Rochas Fashion trademark	—	(1,986)	—	(1,986)
S.T. Dupont upfront license fee	(1,219)	—	—	(1,219)
Van Cleef & Arpels upfront license fee	(18,250)	—	—	(18,250)
Montblanc upfront license fee	(881)	(67)	—	(948)
Boucheron upfront license fee	(10,000)	(1,000)	—	(11,000)
Karl Lagerfeld upfront license fee	(10,335)	(635)	—	(10,970)
Other intangible assets				
Rights on molds for bottles and related items	(11,770)	(1,109)	—	(12,879)
Registration of trademarks	(500)	—	—	(500)
Software	(3,055)	(257)	187	(3,125)
Total amortization and impairment	**(56,010)**	**(5,054)**	**187**	**(60,877)**
Net total	**153,578**	**(3,801)**	**—**	**149,777**

Own 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.

Licensed brands

- **S.T. Dupont upfront license fee**

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 has been fully amortized since December 31, 2018.
An amendment agreement extending the partnership between Van Cleef & Arpels and Interparfums was signed in May 2018 for six additional years. This amendment does not provide for an additional upfront license fee.

- **Montblanc upfront license fee**

The upfront license fee of €1 million paid on June 30, 2010 is amortized over the 15.5 year term of the Montblanc license agreement.

- **Boucheron upfront license fee**

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

- **Karl Lagerfeld upfront license fee**

The upfront license fee of €13 million was recognized in 2012 and is amortized over the term of the Lagerfeld license agreement or 20 years starting from 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 3.4.2. Other non-financial assets).
This upfront license fee was amortized in the amount of €5.2 million.

- **Rights on molds for bottles and related items**

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

3.1.2. Impairment tests

Impairment tests are carried out at the level of individual brands at least once a year and more frequently when evidence of impairment exists.

For all discounts, the weighted average cost of capital (WACC) of 7.47 % is applied.

- **Own brands**

A valuation was performed of the Lanvin and Rochas brands on December 31, 2021 by discounting future cash flows to infinity.

No impairment was recorded in the period for the Lanvin brand.

In March 2021, an independent external expert's appraisal of the value of the Rochas fashion brand resulted in the recognition of an impairment loss of €1,986,000.

- **Upfront license fees**

All upfront license fees were measured on December 31, 2021 using the discounted cash flow method over the term of the licenses.

- **Analysis of sensitivity**

An increase in the discount rate before tax or the perpetuity growth rate would not result in a significant impairment charge on trademarks and other intangible assets.

3.2. Property, plant and equipment

(€ thousands)	2020	+	-	2021
Fixtures, improvements, fittings	4,709	200	(313)	4,596
Office and computer equipment and furniture	2,351	212	(68)	2,495
Molds for bottles and caps	16,025	2,412	(4)	18,433
Building (land and construction)	6,250	113,943	—	120,193
Other	549	—	—	549
Total gross amount	**29,884**	**116,767**	**(385)**	**146,266**
Amortization and impairment	**(16,586)**	**(2,396)**	**385**	**(18,597)**
Net total	**13,298**	**114,371**	**—**	**127,669**

At the end of 2020, the company signed a preliminary sales agreement for the acquisition of its future headquarters, accompanied by an advance payment of €6.3 million. In April 2021, the company completed the acquisition of the real estate complex (land and buildings and facilities) under and off-plan the purchase agreement (VEFA or *Vente en l'Etat Futur d'achèvement*) agreement for a total of €125 million. This amount is recognized under fixed assets on a proportional performance basis as work progresses.

3.3. Right-of use assets

The main lease agreements identified which are required to be recognized in the balance sheet under assets in application of IFRS16 are the premises of the Paris headquarters, the New York and Singapore offices and the Rouen warehousing facility.

"Right-of use assets" also includes components relating to vehicle leases previously presented as tangible assets under IAS 17.

At December 31, 2021, “right-of use assets” broke down as follows:

(€ thousands)	2020	+	-	2021
Gross value				
Property leases	15,236	16,698	(7,232)	24,702
Vehicle leases	564	133	(218)	479
Total gross amount	**15,800**	**16,831**	**(7,450)**	**25,181**
Amortization				
Property leases	(7,082)	(6,648)	4,064	(9,666)
Vehicle leases	(369)	(121)	218	(272)
Total amortization	**(7,451)**	**(6,769)**	**4,282**	**(9,938)**
Net total	**8,349**	**10,062**	**(3,168)**	**15,243**

3.4. Long-term investments and other non-current financial assets

3.4.1. Long-term investments

Long-term investments consist primarily of deposit guarantees on property.

3.4.2. 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 €9.6 million. This advance was discounted over the license agreement term and reduced accordingly to €2.1 million at December 31, 2020.
The corresponding offset is recognized by increasing the amortization of upfront license fees.

3.5. Equity-accounted investments

At June 30, 2020, Interparfums acquired 25% of the capital of Divabox, specialized in e-commerce for beauty products.

Divabox is consolidated by the Group according to the equity method because it exercises significant influence but not control.

In accordance with IAS 28, the reconciliation of financial information with the carrying value of the Group's interest in this joint venture breaks down as follows:

(€ thousands)	
Divabox's shareholders equity at June 30, 2020	19,231
Group ownership interest (%) in Divabox	25 %
Share in net equity	4,808
Goodwill	7,692
Carrying value of the Group's ownership interest in the joint-venture at June 30, 2020	**12,500**
Share of prior period earnings	477
Dividend distribution	(300)
Share of earnings of the period	45
Equity-accounted investments	**12,722**

The amount of goodwill was definitively set at December 31, 2020.

3.6. Inventory and work-in-progress

(€ thousands)	**2020**	**2021**
Raw materials and components	41,578	**60,192**
Finished goods	57,736	**47,871**
Total gross amount	**99,314**	**108,063**
Allowances for raw materials	(3,076)	**(1,928)**
Allowances for finished goods	(3,718)	**(3,999)**
Accumulated provisions for impairment	**(6,794)**	**(5,927)**
Net total	**92,520**	**102,136**

3.7. Trade receivables and related accounts

(€ thousands)	2020	2021
Total gross amount	90,252	**127,607**
Impairment	(4,291)	**(2,177)**
Net total	**85,961**	**125,430**

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

(€ thousands)	2020	2021
Not due	61,011	**102,816**
0-90 days	25,823	**22,980**
91-180 days	934	**1,348**
181-360 days	30	**354**
More than 360 days	2,454	**109**
Total gross amount	**90,252**	**127,607**

3.8. Other receivables

(€ thousands)	2020	2021
Prepaid expenses	2,304	**1,204**
Interparfums Holding current accounts	—	**—**
Value-added tax	1,410	**2,823**
Hedging instruments	1,010	**1,750**
License royalties	423	**—**
Advances and down payments	—	**7,900**
Other	151	**603**
Total	**5,298**	**14,280**

“Advances and down payments” include amounts held in escrow relating to the acquisition of the company’s headquarters building and distributed in installments as the work progresses.

3.9. Current financial assets, cash and cash equivalents

(€ thousands)	2020	2021
Current financial assets	103,192	**141,280**
Cash and cash equivalents	124,966	**116,404**
Current financial assets, cash and cash equivalents	**228,158**	**257,684**

3.9.1. Current financial assets

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

(€ thousands)	2020	2021
Term deposit accounts	49,563	40,304
Capital redemption contracts	53,194	78,897
Shares	—	21,637
Other current financial assets	435	442
Current financial assets	**103,192**	**141,280**

The item "Shares" relates to the acquisition of shares in companies in the luxury sector.

Because capital redemption contracts were analyzed as instruments designed as medium or long term investment vehicles, they were classified as current financial assets. However, it is noted that these contracts are liquid and readily convertible into cash by the company at any moment.

3.9.2. Cash and cash equivalents

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

(€ thousands)	2020	2021
Interest-bearing accounts	—	**—**
Term deposit accounts	24,604	**20,001**
Current interest-bearing accounts	8,759	**10,278**
Bank accounts	91,603	**86,125**
Cash and cash equivalents	**124,966**	**116,404**

3.10. Shareholders' equity

3.10.1. Share capital

As of December 31, 2021, Interparfums' capital was comprised of 57,187,249 shares fully paid-up with a par value of €3, 72.60 %-held by Interparfums Holding.

Capital increases in 2021 are the result of the bonus share issue of June 16, 2021 in the amount of 5,198,840 shares on the basis of one new share for every ten shares held.

3.10.2. Performance share awards

The maximum number of shares to be awarded on the inception date of the plan implemented on December 31, 2018 was 133,000 shares for senior executives and managers and 26,000 shares for all other employees.

Shares previously purchased by the company on the market will be vested by their beneficiaries after a vesting period of three and a half years.

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 June 30, 2022 regardless of the status of the beneficiary and/or criteria of performance relating to consolidated revenue for fiscal 2021 for 50 % of the restricted stock units awarded, and consolidated operating profit for the other 50% awarded to senior executive and manager beneficiaries.

To ensure the availability of shares for remittance to employees on maturity, the company purchased 159,260 shares on the market on December 31, 2021 for a total amount of €5.2 million. These shares are presented as a deduction from shareholders' equity.

At December 31, 2021, the estimated number to be remitted was 172,343 shares.

In accordance with IFRS 2, the Interparfums SA share price used to estimate the value in the consolidated financial statements is that of the last trading session preceding the implementation of the plan or € 33.15. The fair value applied on the award date is € 30.20 after taking into account future dividends. The total expense to be spread over the duration of the plan (3.5 years) amounted to €3.9 million.

At December 31, 2021, the cumulative expense since the beginning of the plan was €3,352,000.

3.10.3. Treasury shares

Within the framework of the share repurchase program authorized by the General Meeting of April 23, 2021, 28,260 Interparfums shares with a nominal value of €3 per share were held by the company as of December 31, 2021 or 0.05 % of the share capital.

Changes in the period break down as follows:

(€ thousands)	Av. exch. rate	Number of shares	Book Value
At December 31, 2020	**40.28**	**48,563**	**1,956**
Acquisition	50.76	126,764	6,435
Bonus issue of June 16, 2021	—	1,601	—
Sales	46.33	(148,668)	(6,888)
Impairment	—	—	—
At December 31, 2021	53.18	**28,260**	**1,503**

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 €125 per share, excluding execution costs,
- The total number of shares acquired may not exceed 2.5 % of the company's capital stock.

3.10.4. Non-controlling interests

Non-controlling interests concern the percentage not held in the European subsidiary, Parfums Rochas Spain S.L (49 %). that break down as follows:

(€ thousands)	2020	2021
Reserves attributable to non-controlling interests	1,316	**1,335**
Earnings attributable to non-controlling interests	314	**585**
Non-controlling interests	**1,630**	**1,920**

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

3.10.5. 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, Interparfums has been distinguished by a dividend policy designed to reward shareholders while at the same time associating them with the Group's expansion.

To partially compensate for the absence of a dividend in 2020 (for FY 2019), the company decided to make a considerable effort in 2021 (for FY 2020) by offering a dividend of €0.55 per share representing nearly 95 % of the prior's year's earnings.

Given its financial structure, the Group has the ability to secure financing for important projects from banks in the form of medium-term loans. In April 2021, a 10-year €120 million loan was obtained to finance the acquisition of the company's new headquarters complex in Paris.

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.

3.11. Provisions for contingencies and expenses

(€ thousands)	2020	Allowances	Actuarial gains / losses	Provisions used the period	Reversal of unused provisions	2021
Provisions for retirement severance payments	9,770	677	(1,202)	(474)	—	8,771
Provision for expenses[1]	439	—	—	—	(439)	—
Provisions for operating losses	2,775	—	—	—	(2,775)	—
Total provisions for expenses > 1 year	**12,984**	**677**	**(1,202)**	**(474)**	**(3,214)**	**8,771**
Provision for expenses	—	345	—	—	439	784
Lawsuit contingency provision	—	4,330	—	—		4,330
Provisions for operating losses	925	—	—	—	(925)	—
Other provisions for contingencies < 1 year	—	—	—	—	—	—
Total provisions for contingencies > 1 year	**925**	**4,675**	**—**	**—**	**(486)**	**5,114**
Total provisions for contingencies and expenses	**13,909**	**5,352**	**(1,202)**	**(474)**	**(3,700)**	**13,885**

[1] (1) The provision for expenses concerns the social contribution payable in connection with the restricted share unit plan of 2018.

The provision for operating losses which concerned the risk of future losses for the activity of a minor brand of the portfolio has been reversed. As the company has entered into discussions with the owners of this brand in order to terminate our commitments before term, a lawsuit contingency provision, evaluated by the lawyers, has been recorded.

3.11.1. Provisions for retirement severance payments

For the measurement of retirement severance benefits, Interparfums has adopted the procedure for voluntary severance agreements introduced by Ordinance 2017-1387 published in the French Official Journal of September 23, 2017 and Decree 2017-1398 published in the French Official Journal of September 26, 2017.

For 2021, the following assumptions were applied:
- A negotiated termination at age 65;
- A rate of 50 % for employer payroll contributions for all employees;
- A 2 % 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 0.87 %.

On the basis of these assumptions, the annual expense of €677,000 recorded under current income breaks down as follows:
- Service costs: €644,000;
- Financial expense: €33,000;

Actuarial gains and losses in 2021 resulted in a gain of €1,202,000 recorded under reserves resulting primarily from changes in assumptions and experience adjustments. A reversal relating to retirement severance benefits in 2021 was recognized in the amount of €474,000.

A 0.5 % increase in the discount rate would result in a €9,000 reduction in the present value of rights at December 31, 2021 versus a 0.5% decrease resulting in a €9,000 increase.

3.11.2. Tax risk

In recent years, Interparfums SA has been subject to tax audits concerning notably the activity of Interparfums Suisse, without however calling into question the legal basis for this company.

In 2018, tax authorities raised questions about the potential tax in France of all or part of the earnings generated by Interparfums Suisse. Because the territoriality of this company had never, at any time, been challenged, Interparfums SA did not consider recording a provision for tax contingencies in the financial statements for the period ended December 31, 2018 to be necessary.

In February 2020, the French tax authorities continue to review this matter by issuing a new audit notification.

During the 2021 first half, pursuant to discussions with the tax authorities on the subject of transfer pricing, the company recognized an additional tax charge of €2.5 million over the period, paid in the 2021 4th quarter.

3.12. Borrowings, financial liabilities and lease liabilities

Borrowings and financial liabilities

In April 2021, to finance the acquisition of its future headquarters, for an amount of €120 million, the company obtained a 10-year €120 million loan.

This loan is repayable in fixed monthly installments of €1 million each for the principal beginning in April 2021. This loan will be subject to interest equal to the 1-month Euribor plus the applicable margin.

This debt was recognized at fair value to which were allocated the €1.1 million in transaction costs directly attributable to the acquisition, in compliance with IFRS 9.

The outstanding balance at December 31, 2021 was €111 million.

Lease liabilities

“Lease liabilities "includes liabilities representing the present value of future these payments recognized as assets in accordance with IFRS 16. The main lease contracts included under this heading are those relating to the premises of the Paris headquarters, the New York and Singapore offices and the warehousing facility in Rouen.

3.12.1. Changes in finance costs

In accordance with IAS 7, cash flows relating to changes in borrowings and financial liabilities break down as follows:

(€ thousands)	2020	Cash flow	Non-cash items			2021
			Net acquisitions	Changes in fair value	Amortization	
Borrowings	11,000	100,000	—	—	—	111,000
Loan acquisition costs	—	(1,134)	—	—	155	(979)
Interest rate swap	—	—	—	(207)	—	(207)
Total borrowings and other financial liabilities	**11,000**	**98,866**	**—**	**(207)**	**155**	**109,814**
Lease liabilities	8,991	(4,010)	15,795	—	(5,147)	15,629
Total financial debt	**19,991**	**94,856**	**15,795**	**(207)**	**(4,992)**	**125,443**

3.12.2. Borrowings, financial liabilities and lease liabilities by maturity

(€ thousands)	Total	Up to 1 year	1 to 5 years	> 5 years
Borrowings and financial liabilities	**109,814**	13,102	46,578	50,134
Lease liabilities	**15,629**	3,067	8,580	3,982
Total at December 31, 2021	**125,443**	**16,169**	**55,158**	**54,116**

3.12.3. Covenants and special provisions

There are no covenants associated with the loan to acquire the new headquarters.

No other special provision is attached to this loan.

€80 million of the loan amount is backed by a fixed-rate swap guaranteeing a maximum interest rate of 2 %.

3.13. 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)	**2020**	**Changes through reserves**	**Changes through income**	**2021**
Deferred tax assets				
Timing differences between financial and tax accounting	3,209	—	346	3,555
Provisions for retirement liabilities	134	(310)	310	134
Loss carryforwards	293	—	848	1,141
Currency hedges on future sales	—	403	(69)	334
Right-of use assets	53	—	(53)	—
Leases	2	—	(1)	1
Intra-group inventory margin	3,580	—	908	4,488
Advertising and promotional costs	1,004	—	(288)	716
Total deferred tax assets before amortization	**8,275**	**93**	**2,001**	**10,369**
Depreciation of deferred tax assets	**(293)**	**—**	**(848)**	**(1,141)**
Net deferred tax assets	**7,982**	**93**	**1,153**	**9,228**
Deferred tax liabilities				
Acquisition costs	(416)	—	(702)	(1,118)
Right-of use assets	—	—	(37)	(37)
Bonus shares	—	314	(314)	—
Levies imposed by governments	(132)	—	(54)	(186)
Borrowing costs associated with the headquarters building acquisition	—	—	(253)	(253)
Capitalization of costs associated with the headquarters building acquisition	(1,258)	—	—	(1,258)
Gains (losses) on treasury shares	—	(185)	185	—
Impairment of treasury shares	—	—	—	—
Derivatives	(107)	—	95	(12)
Swap instrument	—	—	(53)	(53)
Unrealized capital gains on securities	—	—	(385)	(385)
Total deferred tax liabilities	**(1,913)**	**129**	**(1,518)**	**(3,302)**
Total net deferred tax	**6,069**	**222**	**(365)**	**5,926**

3.14. Trade payables and other current liabilities

3.14.1. Trade payables and related accounts

(€ thousands)	2020	2021
Trade payables for components	10,054	20,207
Other trade payables	41,222	71,941
Total	**51,276**	**92,148**

3.14.2. Other liabilities

(€ thousands)	2020	2021
Accrued credit notes	2,335	2,498
Tax and employee-related liabilities	12,451	16,879
Accrued royalties	11,218	13,061
Hedging instruments	803	1,808
Interparfums Holding current accounts	1,681	1,473
Other liabilities	4,160	4,397
Total	**32,648**	**40,116**

As required by IFRS 15, it is specified that the other liabilities include liabilities for a contract in for non-significant amounts (less than 2% of other liabilities).

3.15. Financial instruments

Financial instruments according to IFRS 9 classifications for measurement break down as follows:

		2021				2020	
(€ thousands)	**Notes**	**At amortized cost**	**Fair value through profit or loss**	**Carrying value**	**Fair value**	**Carrying value**	**Fair value**
Other non-current financial assets							
Long-term investments	3.4	4,047	—	4,047	4,047	2,834	2,834
Total non-current financial assets	3.4	2,066	—	2,066	2,066	2,566	2,566
Equity-accounted investments	3.5	12,722	—	12,722	12,722	12,977	12,977
Current financial assets							
Trade receivables and related	3.7	125,430	—	125,430	125,430	85,961	85,961
Other receivables	3.8	14,280	—	14,280	14,280	5,298	5,298
Derivative instruments subject to		—	—	—	—	—	—
Other current financial assets	3.9	141,280	—	141,280	141,280	103,192	103,192
Cash and cash equivalents	3.9	116,404	—	116,404	116,404	124,966	124,966
Non-current financial liabilities							
Non-current borrowings and financial liabilities [(1)]	3.12	90,282	—	96,712	96,712	—	—
Current liabilities							
Trade payables and related	3.14	92,148	—	92,148	92,148	51,276	51,276
Current borrowings and financial liabilities [(1)]	3.12	13,027	—	13,102	13,102	11,000	11,000
Other liabilities	3.14	38,310	—	40,116	40,116	32,648	32,648
Derivative instruments subject to		1,806	—	—	—	—	—

(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.

No change in fair value has been recorded through equity.

In accordance with IFRS 13, 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.

3.16 Risk management

The primary risks related to the Group's business and organization concern 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.

3.16.1. 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 IFRS 9. The Group nevertheless considers that these transactions are not speculative in nature and are necessary to effectively manage its interest rate exposure.

3.16.2. Liquidity risks

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

(€ thousands)	Up to 1 year	1 to 5 years	> 5 years	Total
Other non-current financial assets	500	1,566	—	2,066
Current financial assets	78,897	61,941	442	141,280
Cash and cash equivalents	116,404	—	—	116,404
Total financial assets	**195,801**	**63,507**	**442**	**259,750**
Borrowings and financial liabilities	(11,803)	(47,430)	(50,788)	(110,021)
Total financial liabilities	**(11,803)**	**(47,430)**	**(50,788)**	**(110,021)**
Net position before hedging	**183,998**	**16,077**	**(50,346)**	**149,729**
Hedging of assets and liabilities (swaps)	(1,299)	852	654	207
Net position after hedging	**182,699**	**16,929**	**(49,692)**	**149,936**

3.16.3. Foreign exchange risks

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

(€ thousands)	USD	GBP	JPY
Assets	37,696	6,410	304
Liabilities	(6,807)	(2,271)	(19)
Net position before hedging at the closing price	**30,889**	**4,139**	**285**
Net position hedged	(13,685)	(4,165)	—
Net position after hedging	**17,204**	**(26)**	**285**

Because a significant portion of Group sales is in foreign currencies, it incurs a risk from exchange rate fluctuations, primarily from the US dollar (51.7 % of sales) and to a lesser extent the pound sterling (5.2 % of sales) and the Japanese yen (1.1 % 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, 2021, the Group had hedged 36% of its receivables in US dollars and 65% for trade receivables booked in Pound sterling.

- 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 €32.1 million on sales and €27.0 million on operating income. A 10% decrease of these same exchange rates would have an inverse negative effect.

3.16.4. 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

In light of the public health crisis and the measures adopted in 2020 in response, the income and expense aggregates forming the operating profit were subject to significant variations in the period.

Expenses directly related to operations, such as royalties and transportation costs, as well as other, expenses more flexible in nature, mainly related to certain advertising campaigns, which were cancelled or postponed, and provisions related to variable compensation adjusted in 2020, returned to a more normal level in 2021.

4.1. Breakdown of consolidated sales by brand

(€ thousands)	2020	2021
Montblanc	99,961	142,323
Jimmy Choo	73,761	130,966
Coach	81,107	115,630
Lanvin	32,943	52,391
Rochas	29,696	35,332
Van Cleef & Arpels	10,381	18,344
Karl Lagerfeld	11,415	16,920
Boucheron	12,018	15,350
Kate Spade	2,734	13,635
Moncler (3 months of activity in 2021)	—	4,861
Other	13,349	15,075
Sales	**367,365**	**560,827**

4.2. Cost of sales

(€ thousands)	2020	2021
Raw materials, trade goods and packaging	(120,882)	(198,508)
Changes in inventories	(5,101)	14,859
POS advertising	(1,559)	(1,839)
Staff costs	(5,118)	(6,921)
Allowances and reversals	(6,024)	(2,755)
Property rental expenses	(850)	984
Transportation costs	(672)	(864)
Other expenses related to the cost of sales	(87)	(143)
Total cost of sales	**(140,293)**	**(195,187)**

4.3. Selling expenses

(€ thousands)	2020	2021
Advertising	(71,794)	(123,423)
Royalties	(29,578)	(46,497)
Staff costs	(26,641)	(30,286)
Service fees / subsidiaries	(5,897)	(7,945)
Subcontracting	(4,322)	(6,394)
Transportation costs	(3,778)	(7,764)
Travel and entertainment expenses	(2,203)	(3,204)
Allowances and reversals	(11,021)	(8,800)
Tax and related expenses	(3,087)	(3,739)
Commissions	(840)	(1,185)
Property rental expenses	(376)	1,467
Other selling expenses	(3,106)	(5,417)
Total selling expenses	**(162,643)**	**(243,187)**

4.4. Administrative expenses

(€ thousands)	2020	2021
Purchases and external costs	(6,152)	(6,984)
Staff costs	(9,012)	(11,375)
Property rental expenses	(147)	(432)
Allowances and reversals	(1,431)	(1,804)
Travel expenses	(199)	(302)
Other administrative expenses	(579)	(679)
Total administrative expenses	**(17,520)**	**(21,576)**

4.5. Other operating expenses

Other operating expenses relate to the impairment loss recognized on the Rochas Fashion brand.

4.6. Net financial income / (expense)

(€ thousands)	2020	2021
Financial income	1,759	2,257
Interest and similar expenses	(901)	(2,262)
Net finance costs	**858**	**(5)**
Currency losses	(6,051)	(3,237)
Currency gains	4,045	5,662
Net currency gains (losses)	**(2,006)**	**2,425**
Other financial income and expenses	**—**	**—**
Net financial income / (expense)	**(1,148)**	**2,420**

The change in the foreign exchange result reflects significant weakening of the Euro against the US dollar in the second half of 2021.

4.7. Income tax

4.7.1. Analysis of income taxes

(€ thousands)	2020	2021
Current income tax - France	(8,989)	(17,216)
Current income tax – Foreign operations	(5,298)	(10,031)
Total current income tax	**(14,287)**	**(27,247)**
Non-current income tax	**—**	**(2,064)**
Deferred tax- France	(1,331)	(214)
Deferred tax- Foreign operations	398	(151)
Total deferred taxes	**(933)**	**(365)**
Total income taxes	**(15,220)**	**(29,676)**

Non-current taxes relate to the adjustment by tax authorities of transactions with the Swiss subsidiary Interparfums (see 3.11.2.)

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

The difference between the effective tax recorded and the theoretical tax expense calculated by applying the tax rate of 28.41 % and 32.02 % applicable in France for fiscal 2021 and 2020 respectively to pre-tax income reflects the following.

(€ thousands)	2020	2021
Tax base	**45,761**	**101,311**
Theoretical tax calculated at the parent company rate	(14,653)	(28,782)
Effect of tax rate differences	1,013	965
Recognition of tax income not previously classified as tax assets	—	—
Tax adjustments	(1,398)	(2,064)
Permanent non-deductible differences	(182)	205
Income tax	**(15,220)**	**(29,676)**

4.8. Earnings per share

(€ thousands) except number of shares and earnings per share in euros	2020	2021
Consolidated net income	**30,704**	**71,095**
Average number of shares	48,508,541	54,614,015
Basic earnings per share (1)	**0.63**	**1.30**
Dilutive effect of stock options:		
Potential additional number of fully diluted shares	—	—
Potential fully diluted average number of shares outstanding	48,508,541	54,614,015
Diluted earnings per share(1)	**0.63**	**1.30**

(1) Adjusted for bonus shares granted in 2020 and 2021.

5. Segment reporting

5.1. Business lines

The company now operates in two distinct segments, "Perfumes" and "Fashion" corresponding to the activity generated by Rochas' fashion business.

However, a separate presentation is not provided for income statement aggregates because the "Fashion" business represents less than 0.5% of Group sales.

Intangible assets relating to the Rochas trademark include €86,739,000 for fragrances and €19,086,000 for fashion or a total of €105,825,000.

Segment assets consist of operating assets used primarily in France.

5.2. Geographical segments

Sales by geographical sector break down as follows:

(€ thousands)	2020	2021
Africa	4,331	4,917
North America	126,046	224,832
South America	25,666	42,157
Asia	52,021	78,136
Eastern Europe	25,556	47,780
Western Europe	67,748	90,947
France	31,821	35,655
Middle East	34,176	36,403
Sales	**367,365**	**560,827**

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	2020	2021
Guaranteed minima on trademark royalties	Guaranteed minima on royalties regardless of sales achieved for each of the trademarks in the period.	257,664	319,998
Guaranteed minima for warehousing and logistics	Contractual minima for remuneration of warehouses to be paid regardless of sales volume for the period.	4,891	—
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.	4,155	10,391
Total commitments given in connection with operating activities		**266,710**	**330,389**

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, 2021 amounted to £3,500,000.

Commitments with respect to forward currency sales at December 31, 2021 budgeted in the first three quarters of 2022 amounted to US$64,500,000.

6.1.3. Commitments given by maturity at December 31, 2021

(€ thousands)	Total	Up to 1 year	1 to 5 years	5 years or more
Guaranteed minima on trademark royalties	319,998	39,701	154,791	125,506
Guaranteed minima for warehousing and logistics	—	—	—	—
Firm component orders	10,391	10,391	—	—
Total commitments given	**330,389**	**50,092**	**154,791**	**125,506**

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

6.1.4. Commitments received

Commitments with respect to forward currency purchases for Pound sterling hedges at December 31, 2021 amounted to €4,104,000.

Commitments with respect to forward currency purchases at December 31, 2021 budgeted in the first three quarters of 2022 amounted to €55,012,000 for US dollar hedges.

6.2. License agreements

	Nature of license	License inception date	Duration	Expiration date
S.T. Dupont	Inception	July 1997	11 years	-
	Renewal	January 2006	5 years and 6 months	-
	Renewal	January 2011	6 years	-
	Renewal	January 2017	3 years	-
	Renewal	January 2020	3 years	December 2022
Paul Smith	Inception	January 1999	12 years	-
	Renewal	July 2008	7 years	-
	Renewal	July 2017	4 years	December 2021
Van Cleef & Arpels	Inception	January 2007	12 years	-
	Renewal	January 2019	6 years	December 2024
Jimmy Choo	Inception	January 2010	12 years	-
	Renewal	January 2018	13 years	December 2031
Montblanc	Inception	July 2010	10 years and 6 months	-
	Renewal	January 2016	5 years	December 2025
Boucheron	Inception	January 2011	15 years	December 2025
Repetto	Inception	January 2012	13 years	December 2024
Karl Lagerfeld	Inception	November 2012	20 years	October 2032
Coach	Inception	June 2016	10 years	June 2026
Kate Spade	Inception	January 2020	10 years and 6 months	June 2030
Moncler	Inception	January 2021	6 years	December 2026

In June 2020, Interparfums and Moncler entered into an exclusive global fragrance license agreement for a contractual period of 6 years and with the possibility for an extension for 5 years.

Under this agreement, Interparfums will create, produce and distribute new perfumes and fragrance-related products. Interparfums will distribute these fragrances globally to department and specialty stores and duty free shops, as well as in the Moncler brand retail stores.

The launch of the first fragrance line is planned during the first quarter of 2022.

The Paul Smith license expires on December 31, 2021 and is not renewed.

6.3. Own 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 had a buy back option for the brands exercisable on July 1, 2025.

In September 2021, an agreement was signed to postpone this buyback option to July 1, 2027.

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*,…) mainly for class 3 (fragrances) and class 25 (fashion).

6.4. Employee-related data

The increase in the number of employees in the year is linked to the growth in business.

6.4.1. Workforce by department

Number of employees at	12/31/2020	12/31/2021
Executive Management	5	5
Production & Operations	45	49
Marketing	66	65
Export	71	76
French Distribution	42	40
Finance & Corporate Affairs	57	60
Rochas fashion	4	3
Total	**290**	**298**

6.4.2. Headcount by region

Number of employees at	12/31/2020	12/31/2021
France	213	214
North America	59	65
Asia	18	19
Total	**290**	**298**

6.4.3. Staff costs

(€ thousands)	2020	2021
Staff costs	29,057	32,747
Social security charges	9,489	12,467
Profit-sharing	2,357	4,680
Restricted stock awards	1,349	1,433
Total wages and benefits	**42,252**	**51,327**

In addition €701,000 in supplemental retirement benefits for executive management were paid in 2021.

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)	2020	2021
Wages and social charges	6,672	6,870
Share based payment expenses	311	311

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

(€ thousands)	2020	2021
Gross wages	2,037	2,074
Benefits in-kind	19	22
Supplemental retirement contribution	45	45
	2,101	**2,141**

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 of Directors

The members of the Board of Directors exercise responsibilities in the areas of strategy, management consulting, acquisitions and oversight. Only outside directors receive compensation which breaks down as follows:

(€ thousands)	2020	2021
Compensation received by directors (1)	264	176

(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			
	2020	%	2021	%	2020	%	2021	%
Statutory auditing, certification of accounts, review of separate and consolidated accounts								
For the issuer	316	68%	334	73%	92	100%	102	100%
For fully consolidated subsidiaries	115	25%	116	25%	—	—	—	
Services other than for the certification of accounts								
For the issuer	3	1%	3	1%	—	—	3	—%
For fully consolidated subsidiaries	28	6%	2	—%	—	—	—	—%
Total	462	100%	455	100%	92	100%	105	100%

Services other than account certification relate to statements certificates issued at the request of the company for bank covenants and sales for our licensors and suppliers.
In accordance with applicable regulations, these assignments were approved by the audit committee.

6.7. Post-closing events

None