Interparfums

Consolidated financial statements as of December 31, 2022

Consolidated financial statements

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Consolidated income statement

(€ thousands) Except per share data which is in units	**Notes**	**2021**	**2022**
Sales	4.1	**560,827**	**706,624**
Cost of sales	4.2	(195,187)	(234,344)
Gross margin		**365,640**	**472,280**
% of sales		*65.2%*	*66.8%*
Selling expenses	4.3	(243,187)	(305,835)
Administrative expenses	4.4	(21,576)	(28,133)
Current operating income		**100,877**	**138,312**
% of sales		*18.0%*	*19.6%*
Other operating expenses	4.5	(1,986)	(6,491)
Operating profit		**98,891**	**131,821**
% of sales		*17.6%*	*18.7%*
Financial income		560	1,997
Interest and similar expenses		(2,262)	(2,766)
Net finance costs		**(1,702)**	**(769)**
Other financial income		5,869	28,916
Other financial expense		(1,747)	(26,682)
Net financial income / (expense)	4.6	**2,420**	**1,465**
Income before income tax		**101,311**	**133,286**
% of sales		*18.1%*	*18.9%*
Income tax	4.7	(29,676)	(33,061)
Effective tax rate		*29.3%*	*24.8%*
Share of profit from equity-accounted companies		45	(47)
Net income		**71,680**	**100,178**
% of sales		*12.8%*	*14.2%*
Share of net (income)/ loss attributable to non-controlling interests		(585)	(655)
Net income attributable to owners of the parent		**71,095**	**99,523**
% of sales		*12.7%*	*14.1%*
Net earnings per share [(1)]	4.8	1.24	1.66
Diluted earnings per share [(1)]	4.8	1.24	1.66

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

Consolidated statement of comprehensive income and expense

(€ thousands)	2021	2022
Net income	**71,680**	**100,178**
Available-for-sale assets	—	—
Currency hedges	(1,559)	3,016
Deferred taxes on currency hedges	403	(779)
Currency translation adjustments	4,209	3,979
Items able to be recycled in profit or loss	**3,053**	**6,216**
Actuarial gains and losses	1,202	2,178
Deferred taxes on items unable to be recycled	(310)	(563)
Items unable to be recycled in profit or loss	**892**	**1,615**
Other comprehensive income total	**3,945**	**7,831**
Comprehensive income for the period	**75,625**	**108,009**
Share of net (income)/ loss attributable to non-controlling interests	(585)	(655)
Comprehensive income attributable to owners of the parent	**75,040**	**107,354**

Consolidated balance sheet

ASSETS (€ thousands)	Notes	2021	2022
Non-current assets			
Net trademarks and other intangible assets	3.1	149,777	231,595
Net property, plant, equipment	3.2	127,669	148,169
Right-of use assets	3.3	15,243	12,314
Long-term investments	3.4	4,047	3,316
Other non-current financial assets	3.4	2,273	7,901
Equity-accounted investments	3.5	12,722	12,424
Deferred tax assets	3.13	9,228	12,345
Total non-current assets		**320,959**	**428,064**
Current assets			
Inventory and work-in-progress	3.6	102,136	153,466
Trade receivables and related accounts	3.7	125,430	138,902
Other receivables	3.8	14,280	29,563
Corporate income tax		1,730	2,222
Current financial assets	3.9	100,976	99,013
Cash and cash equivalents	3.9	156,708	136,747
Total current assets		**501,260**	**559,913**
Total assets		**822,219**	**987,977**

SHAREHOLDERS' EQUITY & LIABILITIES (€ thousands)	Notes	2021	2022
Shareholders' equity			
Share capital		171,562	188,718
Additional paid-in capital		—	—
Retained earnings		298,752	304,218
Net income for the year		71,095	99,523
Equity attributable to owners of the parent		**541,409**	**592,459**
Non-controlling interests		1,920	2,183
Total shareholders' equity	3.10	**543,329**	**594,642**
Non-current liabilities			
Non-current provisions for contingencies and expenses	3.11	8,771	7,422
Non-current borrowings	3.12	98,218	122,767
Non-current lease liabilities	3.12	12,562	10,233
Deferred tax liabilities	3.13	3,302	5,211
Total non-current liabilities		**122,853**	**145,633**
Current liabilities			
Trade payables and related accounts	3.14	92,148	113,235
Current borrowings	3.12	11,803	24,259
Current lease liabilities	3.12	3,067	2,699
Current provisions for contingencies and expenses	3.11	5,114	—
Corporate income tax		3,789	7,315
Other liabilities	3.14	40,116	100,194
Total current liabilities		**156,037**	**247,702**
Total shareholders' equity and liabilities		**822,219**	**987,977**

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		
						Attributable to owners of the parent	Non-controlling interests	Total
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	—	—	—	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	—	—	—	—	—	—	—	—
Own shares	5,825	—	—	—	2,388	2,388	—	2,388
Currency translation adjustments	—	—	—	¤	—	4,209	—	4,209
As of December 31, 2021[(2)]	**56,999,729**	**171,562**	**—**	**2,765**	**367,082**	**541,409**	**1,920**	**543,329**
Bonus share issues	5,718,724	17,156	—	—	(17,156)	—	—	—
2022 net income	—	—	—	—	99,523	99,523	655	100,178
Change in actuarial gains and losses on provisions for pension	—	—	—	1,615	—	1,615	—	1,615
Remeasurement of financial instruments at fair value	—	—	—	2,237	—	2,237	—	2,237
2021 dividend paid in 2022	—	—	—	—	(53,565)	(53,565)	(392)	(53,957)
Changes in Group structure of consolidated operations	—	—	—	—	—	—	—	—
Own shares	97,778	—	—	—	(2,739)	(2,739)	—	(2,739)
Currency translation adjustments	—	—	—	3,979	—	3,979	—	3,979
As of December 31, 2022[(2)]	**62,816,231**	**188,718**	**—**	**10,596**	**393,145**	**592,459**	**2,183**	**594,642**

(2) Excluding own shares.

Statement of cash flows

(€ thousands)	2021	2022
Cash flows from operating activities		
Net income	71,680	100,178
Depreciation, amortization and other	13,482	27,187
Share of profit from equity-accounted companies	255	298
Net finance costs	1,702	769
Tax charge of the period	29,676	33,398
Cash flow from operations before tax and finance costs	**116,795**	**161,830**
Interest expense payments	(1,992)	(2,694)
Tax payments	(28,571)	(30,346)
Cash flow from operations after tax and finance costs	**86,232**	**128,790**
Change in inventory and work in progress	(12,480)	(67,925)
Change in trade receivables and related accounts	(37,355)	(13,276)
Change in other receivables	(8,688)	(5,915)
Change in trade payables and related accounts	40,872	21,087
Change in other current liabilities	8,585	16,058
Change in working capital requirements	**(9,066)**	**(49,971)**
Net cash flows provided by (used in) operating activities	**77,166**	**78,819**
Cash flows from investing activities		
Net acquisitions of intangible assets	(1,253)	(51,439)
Net acquisitions of property, plant~~s~~ and equipment	(116,767)	(26,405)
Net acquisitions of right-of-use assets	(9,381)	5,105
Acquisition of equity interests	—	—
Net acquisitions of marketable securities	(45,457)	(2,363)
Changes in long-term investments	(713)	731
Net cash flows provided by (used in) investing activities	**(173,571)**	**(74,371)**
Cash flows from financing activities		
Issuance of borrowings and new financial debt	134,204	50,000
Debt repayments	(34,204)	(13,043)
Change in lease liabilities	6,638	(2,697)
Dividend payments to shareholders	(28,508)	(53,565)
Own shares	454	(5,104)
Net cash flows provided by (used in) financing activities	**78,584**	**(24,409)**
Change in net cash	**(17,821)**	**(19,961)**
Opening cash and cash equivalents	174,529	156,708
Closing cash and cash equivalents	**156,708**	**136,747**

The reconciliation of net debt breaks down as follows:

(€ thousands)	**2021**	**2022**
Cash and cash equivalents	156,708	136,747
Current financial assets	100,976	99,013
Cash and current financial assets	**257,684**	**235,760**
Current borrowings	(11,803)	(24,259)
Non-current borrowings	(98,218)	(122,767)
Net debt	**147,663**	**88,734**

Notes to the consolidated financial statements

Annual highlights

January

Launch of the fragrance line, *Montblanc Legend Red*

The famous *Montblanc Legend* fragrance goes red as it celebrates its 10-year anniversary and returns with a new woody fruity iteration, *Montblanc Legend Red*.

Launch of the *Kate Spade Sparkle* line

Kate Spade Sparkle celebrates a captivating and confident facet of the Kate Spade woman, reflecting the sensual and empowering spirit of the second chapter of the brand’s fragrance story.

Launch of *Patchouli Blanc* in the Van Cleef & Arpels Extraordinary Collection

The Patchouli Blanc spirit is a light and airy reinterpretation of a crystal-clear patchouli and the third “white wood” fragrance of the Collection.

February

Launch of *Coach Wild Rose*

Delicate and poetic, the Eau de Parfum draws its inspiration from the free-spirited beauty of a meadow of wild flowers.

Introduction of the new refillable bottle of the *Rochas Girl* eco-friendly line

Using the *Refill Good With Girl* provides savings of 40% in glass, 46% in plastics, 35% in cardboard and 66% in metal. A small gesture for you and for the planet.

March

Karl Lagerfeld: launch of the third *Places by Karl* duo

Karl Lagerfeld fragrances added two new olfactory destinations illustrating the designer's journey. *Rome - Divino Amor* (for women) and *Vienna - Opera* (for men).

Interparfums headquarters

Interparfums moved into its new Paris headquarters at 10 rue de Solférino at the end of March, a 3,700 sqm high environmental performance office complex.

3rd employee stock ownership plan

In March, reflecting its corporate culture as a responsible employer, Interparfums set up its third employee stock ownership plan for all group employees, following those of 2016 and 2019.

April

SBF 120 index

In April, the company's long-standing commitment to quality financial communications was rewarded by the inclusion of Interparfums' shares in the CAC Mid 60 and SBF 120 indices.

Launch of the *Jimmy Choo Man Aqua* line

Jimmy Choo Man expands its line with a new invigorating fragrance: *Jimmy Choo Man Aqua*, a refreshing Eau de Toilette which is laced with a marine-soaked breeze.

May

Dividend

The company paid a dividend of €0.94 per share representing a ratio of 75% of the 2021 consolidated net income.

June

Bonus share issue

The company proceeded with its 23rd bonus share issue on the basis of one new share for every ten shares held.

***Rochas Girl* as a two-time winner of the "Fragrance Foundation Awards"**

The Fragrance Foundation Awards ceremony represents an annual celebration of fragrance. Juries comprised of consumers and professionals selected the Rochas Girl line for both the Professional Prize as well as the Public Prize in the Best Women's Launch category.

Launch of the *Mon Éclat* line of Lanvin

Mon Éclat opens a new chapter of *Éclat Arpège* as a radiant and cheerful composition designed for all lovers of life.

July

Launch of the *I Want Choo Forever* line of Jimmy Choo

The Jimmy Choo Glam Squad has struck again and presents its new fragrance: *I Want Choo Forever*, which will delight fans by bringing together all the brand's signature codes.

August

Launch of *Boucheron Singulier* Eau de Parfum for Men

Thoroughly Boucheron and singularly masculine, the Eau de Parfum *Boucheron Singulier* captures all the Parisian essence of the brand in its ultramodern and sophisticated trail.

Launch of *Coach Open Road*

This new aromatic Eau de Toilette for Men, *Coach Open Road,* encapsulates the brand's distinctive character: the positive energy and invigorating vibe of a road trip with friends.

September

Launch of *Byzance Gold* by Rochas

Created in 1987 and reinterpreted in 2019, this legendary fragrance from the fashion house has been reinvented again this year, with a modern twist, in an opulent new composition: *Byzance Gold*.

October

Launch of *Moonlight Patchouli le Parfum* of the Van Cleef & Arpels Extraordinary Collection

The Maison is now releasing a fragrance version of this unique creation: *Moonlight Patchouli Le Parfum,* a bewitching and magnetic composition that seems to have captured the intensity of the night.

November

Interparfums improves its Gaïa index ESG rating

Interparfums has made further progress in the areas of environmental, social, and corporate governance (ESG) based on the results of the 2022 campaign of the rating agency Gaïa Research which ranks the top performing companies in this area.

December

Lacoste and Interparfums sign a fragrance license agreement

On December 21, Lacoste, the iconic fashion sport brand, and Interparfums SA, announced the signing of a worldwide exclusive 15-year fragrance license agreement effective January 1, 2024.

Financial exposure to the war in Ukraine

With respect to the war between Russia and Ukraine, the Group has assessed the exposure of its financial and operating position to these two countries.

In 2022, Russia and Belarus accounted for less than 4% of Interparfums' sales. The Group complies with the restrictions imposed by the European Union and has implemented a specific billing policy for these two countries that renders the collection risks on trade receivables negligible.

The Group has factored this conflict and its potential impact into its impairment test for the Lanvin brand, which has historically maintained a strong presence in Eastern Europe. A 10% decline in annual sales for the years after 2024 has no impact on the value of the Lanvin brand at the end of December 2022.

1. Significant accounting policies

1.1. Compliance statement

In accordance with EC regulations 1606/2002 of July 19, 2002 on international accounting standards, the 2022 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, 2022 were adopted by the Board of Directors on February 28, 2023. They will become definitive after having been approved by the Ordinary General Meeting of April 21, 2023.

1.2. Changes in accounting standards

No standards, amendments or interpretations issued by the IASB and IFRIC were early adopted in preparing the financial statements for the year ended December 31, 2022.

Application of the following standards, amendments or interpretations, effective as of January 1, 2022, are mandatory. No transactions related to these standards were undertaken in 2022. These amendments have no impact on the consolidated financial statements for the year ended December 31, 2022.

Amendments to IAS 16 "Proceeds before intended use”

IFRS 3 Amendments updating the “Reference to the conceptual framework”

Amendments to IAS 37 “Onerous contracts – Costs of fulfilling a contract"

Annual improvements (2018-2020 cycle) “Annual improvements to IFRS standards 2018–2020”

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.

Interparfums Srl is in the process of being liquidated. While included in the consolidation scope, since the end of 2020 it no longer has had any commercial activities.

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. Consideration of climate change risks

The Group's current exposure to the consequences of climate change is limited. For that reason, any impact of climate change at this stage is not significant.

Interparfums is developing a sustainable development policy designed to offer consumers responsible products throughout their life cycle. This policy is based on 3 pillars: offering environmentally and socially responsible components and packaging, ensuring consumer health and safety, and increasing the use of natural ingredients and components in our fragrances. In the Group's opinion, this policy does not require significant short or medium term investments. Rather, it is more a matter of adjusting processes and procedures and supporting our suppliers in applying this approach.

In addition, climate change and the consequences thereof will invariably impact the price of raw materials, production, distribution and transportation costs. Short-term effects are considered insignificant. Moreover, the Group has a resilient business model that allows it to adjust variable costs to preserve the net margin should production costs increase or sales decline.

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. Payables and receivables in foreign currency are translated at the exchange rate in force on December 31, 2022. Translation losses and gains arising from the conversion of year-end amounts denominated in foreign currencies on December 31, 2022 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**	
	2021	**2022**	**2021**	**2022**
US dollar (USD)	1.1326	1.0666	1.1827	1.0530
Singapore dollar (SGD)	1.5279	1.4300	1.5891	1.4512
Swiss franc (CHF)	1.0331	0.9847	1.0811	1.0047

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, and of the provisions for contingencies and expenses. 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 any form of discount and rebate.
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 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 the 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 7.60% at December 31, 2022 compared to 7.47% at December 31, 2021. This ratio is determined on the basis of a positive long-term interest rate of 3.1% 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 1.6% at December 31, 2022 and December 31, 2021.

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.

In April 2021, the company completed the acquisition of its headquarters, comprising land, buildings and facilities. Land is not subject to depreciation while buildings and fixtures and fittings are depreciated on a straight-line basis over a period of 50 years and 7 to 25 years, respectively.

The majority of 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 assessed on a case-by case-basis and 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

The line "oon-current financial assets" consists 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.

– positive fixed-rate pay swaps used to hedge variable-rate debt.

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

Deferred taxes corresponding to timing differences between accounting and the tax basis of consolidated assets and liabilities, and to taxes on consolidation restatements are calculated under the liability method based on known year-end 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 are subject to depreciation when appropriate.

1.14. 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).

1.15. 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 into a known cash amount without penalty and subject to an insignificant risk of changes in value.

"Current financial assets" include capital redemption contracts and listed shares of companies in the luxury goods sector.

1.16. Own 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 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. The retirement benefit is paid in the form of a capital payment.

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 currency 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 2022, revenue was restated to take into account the impact of these hedges.

Interest rate hedges

A swap to hedge interest-rate risks in connection with the Solférino loan subject to interest based on the 1-month Euribor was arranged in 2021 on the basis of two-thirds of the nominal amount and two-thirds of the term. Because this financial instrument was not qualified as a hedge under IFRS 9, it is recognized for at fair value through profit or loss.

A swap to hedge interest-rate risks in connection with the Lacoste loan subject to interest based on the 1-month Euribor was arranged at the end of 2022 on the basis of the full nominal amount and term. Because this financial instrument was qualified as a hedge under IFRS 9, it is recognized at fair value through other comprehensive income (equity).

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. These amounts generally correspond to the amounts of the invoices in the case of short-term payables.

1.21. 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.

1.22. 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 own shares.

Fully-diluted earnings per share are calculated based on the average number of shares outstanding in the period, after subtracting only own 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. Basis 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 0.1% 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)	2021	+	-	2022
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
Lacoste upfront license fee	—	90,000	—	90,000
Other intangible assets				—
Rights on molds for bottles and related items	15,591	1,043	—	16,634
Registration of trademarks	570	—	—	570
Other	3,999	396	(258)	4,137
Total gross amount	**210,654**	**91,439**	**(258)**	**301,835**
Amortization and impairment				
Indefinite useful life intangible assets				
Rochas Fashion trademark	(1,986)	(6,491)	—	(8,477)
Finite useful 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	(948)	(52)	—	(1,000)
Boucheron upfront license fee	(11,000)	(1,000)	—	(12,000)
Karl Lagerfeld upfront license fee	(10,970)	(634)	—	(11,604)
Other intangible assets				—
Rights on molds for bottles and related items	(12,879)	(1,110)	—	(13,989)
Registration of trademarks	(500)	—	—	(500)
Other	(3,125)	(328)	252	(3,201)
Total amortization and impairment	**(60,877)**	**(9,615)**	**252**	**(70,240)**
Net total	**149,777**	**81,824**	**(6)**	**231,595**

Own brands

- **Lanvin trademark**

As the Group 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 the Group 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 €1.2 million 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 €3.3 million (See note 3.4.2. Other non-financial assets).
This upfront license fee was amortized in the amount of €5.2 million.

- **Lacoste upfront license fee**

A €90 million upfront license fee was recognized at the end of 2022 which included €50 million paid in December of that year and €40 million payable in December 2023. This amount will be amortized over the life of the license, i.e. 15 years as from January 1, 2024.

- **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 7.60% is applied.

After considering physical and transitional climate-related risks that could impact cash flows, the Group has not identified any significant risks over the next five years. The Group has a resilient business model that allows it to adjust variable costs to preserve the net margin should production cost increase or sales decline.

- **Own brands**

A valuation was performed of the Lanvin and Rochas Perfumes brands on December 31, 2022 by discounting future cash flows to infinity.

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

With respect to Rochas Fashion, an evaluation of the value of the brand was performed in December 2022 by an independent outside expert appraiser. On that basis, an additional impairment charge of €6.5 million was recognized, reducing the brand's net value at December 31, 2022 to €10.6 million.

- **Upfront license fees**

All upfront license fees were measured on December 31, 2022 using the discounted cash flow method over the term of the licenses.

- **Analysis of sensitivity**

With regard to impairment testing of the Group's directly owned fragrance brands, the Group performed a sensitivity analysis based on assumptions for the discount rate, the net operating margin at completion, and for the perpetuity growth rate by applying a 100 bp increase to the discount rate, a 500 bp decrease to the net margin at completion and a 100 bp decrease to the perpetuity growth rate. Based on this analysis, no impairment risks were identified for the year 2022.

With regard to Rochas Fashion, a 100 bp increase in the discount rate would result in an additional impairment of €1.3 million and a 100 bp decrease in the recognition of a lower impairment charge of €1.7 million.

For licensed brands, the net carrying values are low. Sensitivity tests have nonetheless been performed and they did not call into question the carrying value recognized at the end of 2022.

3.2. Property, plant and equipment

(€ thousands)	**2021**	**+**	**-**	**Reclassification**	**2022**
Fixtures, improvements, fittings	4,596	1,710	(2,991)	2,492	5,807
Office and computer equipment and furniture	2,495	1,404	(742)	619	3,776
Molds for bottles and caps	18,433	4,464	—	(3,214)	19,683
Building (land and construction)	120,193	18,695	—	(1)	138,887
Other	549	132	(8)	104	777
Total gross amount	**146,266**	**26,405**	**(3,741)**	**—**	**168,930**
Amortization and impairment	**(18,597)**	**(5,756)**	**3,592**	**—**	**(20,761)**
Net total	**127,669**	**20,649**	**(149)**	**—**	**148,169**

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 New York and Singapore offices and the Rouen warehousing facility.

"Right-of use assets" also includes components relating to vehicle leases.

At December 31, 2022, “right-of use assets” broke down as follows:

(€ thousands)	2021	+	-	2022
Gross value				
Property leases	24,702	389	(5,418)	19,673
Vehicle leases	479	115	(191)	403
Total gross amount	**25,181**	**504**	**(5,609)**	**20,076**
Amortization				
Property leases	(9,667)	(3,308)	5,417	(7,558)
Vehicle leases	(271)	(124)	191	(204)
Total amortization	**(9,938)**	**(3,432)**	**5,608**	**(7,762)**
Net total	**15,243**	**(2,928)**	**(1)**	**12,314**

The €5.4 million decrease in right-of-use assets resulted from the early termination of the leases for the Group's former headquarters prior to moving to the new headquarters complex acquired on rue de Solférino in Paris in March 2022.

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

3.4.2.1. Advances on royalties

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 €1.6 million at December 31, 2022.
The corresponding offset is recognized by increasing the amortization of upfront license fees.

3.4.2.2. Interest rate swaps

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.

The variable-rate loan has been hedged by a fixed-rate pay swap for two thirds of its nominal amount and two third of its term.

At December 31, 2022, the valuation of the swap showed an asset position of €6,237,000.

In December 2022, to finance the acquisition of the Lacoste license agreement, for an amount of €90 million, the company obtained a 4-year €50 million loan.

The full amount and term of the variable-rate loan were hedged by a fixed-rate pay swap.

At December 31, 2022, the valuation of the swap showed an asset position of €98,000.

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	221
Dividend distribution	(250)
Share of earnings of the period	(47)
Equity-accounted investments at December 31, 2022	**12,424**

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

3.6. Inventory and work-in-progress

(€ thousands)	**2021**	**2022**
Raw materials and components	60,192	89,163
Finished goods	47,871	71,233
Total gross amount	**108,063**	**160,396**
Allowances for raw materials	(1,928)	(5,060)
Impairment of finished goods	(3,999)	(1,870)
Accumulated provisions for impairment	**(5,927)**	**(6,930)**
Net total	**102,136**	**153,466**

3.7. Trade receivables and related accounts

(€ thousands)	2021	2022
Total gross amount	**127,607**	**140,883**
Impairment	(2,177)	(1,981)
Net total	**125,430**	**138,902**

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

(€ thousands)	2021	2022
Not due	102,816	99,497
0-90 days	22,980	39,467
91-180 days	1,348	1,314
181-360 days	354	586
More than 360 days	109	19
Total gross amount	**127,607**	**140,883**

3.8. Other receivables

(€ thousands)	2021	2022
Prepaid expenses	1,204	2,924
Value-added tax	2,823	21,885
Hedging instruments	1,750	1,116
Advances and down payments	7,900	3,638
Other	603	—
Total	**14,280**	**29,563**

"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.

The increase in VAT item reflected mainly the recognition of €18 million in deductible VAT linked to the €90 million (excl. tax) upfront license fee for the Lacoste license agreement signed in December 2022.

3.9. Current financial assets, cash and cash equivalents

(€ thousands)	2021	2022
Current financial assets	100,976	99,013
Cash and cash equivalents	156,708	136,747
Current financial assets, cash and cash equivalents	**257,684**	**235,760**

3.9.1. Current financial assets

Current financial assets break down as follows:

(€ thousands)	2021	2022
Capital redemption contracts	78,897	79,644
Shares	21,637	18,621
Other current financial assets	442	748
Current financial assets	**100,976**	**99,013**

Because capital redemption contracts were analyzed as instruments designed as medium or long term investment vehicles, they are 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.

The shares represent investments in companies in the luxury sector.

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)	2021	2022
Term deposit accounts	60,305	43,403
Interest-bearing bank accounts	10,278	24,432
Other bank account balances	86,125	68,912
Cash and cash equivalents	**156,708**	**136,747**

Term accounts of more than three months, previously reported under "current financial assets", have been analyzed as investments readily available within a few days, with no exit penalties, regardless of their original maturity. For that reason, they are now presented under "Cash and cash equivalents" for the current year and the year presented for the purpose of comparison.

3.10. Shareholders' equity

3.10.1. Share capital

As of December 31, 2022, Interparfums' capital was comprised of 62,905,973 shares fully paid-up with a par value of €3, 72.48% held by Interparfums Holding.

Capital increases in 2022 are the result of the bonus share issue of June 20, 2022 in the amount of 5,718,724 shares on the basis of one new share for every ten shares held.

3.10.2. Performance share awards

Plan 2018

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

Shares purchased by the company on the market will be vested by their beneficiaries on June 30, 2022 after a vesting period of three and a half years and without a holding period.

Actual transmission of the securities was 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 the year 2021 for 50 % of the restricted stock units awarded, and 2021 consolidated operating profit for the other 50% awarded to senior executive and manager beneficiaries.

This remittance concerned 211,955 shares with a value of €6.7 million.

At December 31, 2022, the cumulative expense since the beginning of the plan was €4,372,000.

Plan 2022

A new plan for the award of performance shares to employees was set up on March 16, 2022. This plan covers a total of 88,400 shares.

Shares, purchased by the company on the market, will be fully vested by their beneficiaries at the end of a vesting period of three years and three months, i.e. on June 16, 2025, and without a holding period.

Actual transmission of the securities is contingent on the presence of the employee on June 16, 2025 and on the achievement of performance criteria relating to consolidated revenue for the year 2024 for 50 % of restricted stock units awarded, and consolidated operating profit for the other 50%;

To ensure the availability of shares for remittance to employees on maturity, the company purchased 63,281 shares on the market on December 31, 2022 for a total amount of €2.8 million. These shares are presented as a deduction from shareholders' equity.

As of December 31, 2022, and taking into account the distribution of restricted stock units on the basis of one new share for every 10 shares held on June 20, 2022, the estimated number of shares to be delivered amounts to 85,062 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 €53.80. The fair value applied on the award date is €49.89 after taking into account future dividends. The total expense to be spread over the duration of the plan (3.25 years) amounts to €3.9 million.

At December 31, 2022, the cumulative expense since the beginning of the plan was €940,000.

3.10.3. Own shares

3.10.3.1. Own shares held under the liquidity agreement

Within the framework of the share repurchase program authorized by the General Meeting of April 29, 2022, 42,387 Interparfums shares with a nominal value of €3 per share were held by the company as of December 31, 2022 or 0.07% of the share capital.

Changes in the period break down as follows:

(€ thousands)	Av. Exch. Rate	Number of shares	Book Value
At December 31, 2021	**53.18**	**28,260**	**1,503**
Acquisition	47.99	401,427	19,263
Bonus issue of June 20, 2022	—	3,179	—
Sales	47.53	(390,479)	(18,560)
Impairment	—	—	—
At December 31, 2022	**52.04**	**42,387**	**2,206**

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.

3.10.3.2. Own shares held in connection with bonus share plans

The Group purchases its own shares to be used for bonus share plans destined for its employees. Transactions in own shares in fiscal year 2022 were as follows:

	12/31/2021	Purchases	Disposals	12/31/2022
Number of shares held	159,260	115,976	(211,955)	63,281
Value in € thousands	5,177	4,401	(6,744)	2,834

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)	2021	2022
Reserves attributable to non-controlling interests	1,335	1,529
Earnings attributable to non-controlling interests	585	654
Non-controlling interests	**1,920**	**2,183**

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.

In May 2022, for fiscal 2021, the company paid a dividend of €0.94 per share representing a payout ratio of more than 75% of the previous year's earnings (€0.55 for the previous year).

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 May 2021, a 10-year €120 million loan was obtained to finance the acquisition of the company's new headquarters complex in Paris.

In December 2022, the company obtained a 4-year €50 million loan to finance the acquisition of a fragrance license agreement to operate the Lacoste 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.

3.11. Provisions for contingencies and expenses

(€ thousands)	2021	Allowances	Actuarial gains / losses	Provisions used the period	Reversal of unused provisions	2022
Provisions for retirement severance payments	8,771	632	(2,178)	—	—	7,225
Provision for expenses[(1)]	—	197	—	—		197
Non-current provisions (> 1 year)	**8,771**	**829**	**(2,178)**	**—**	**—**	**7,422**
Provision for expenses	784		—	—	(784)	—
Lawsuit contingency provision	4,330	870	—	(5,200)	—	—
Other provisions for contingencies (< 1 year)	—	—	—	—	—	—
Current provisions (< 1 year)	**5,114**	**870**	**—**	**(5,200)**	**(784)**	**—**
Total provisions for contingencies and expenses	**13,885**	**1,699**	**(2,178)**	**(5,200)**	**(784)**	**7,422**

(1) The provision for expenses concerns the social contribution payable in connection with the restricted share unit plan of 2022.

The lawsuit contingency provision relating to the early termination of a contract for one of the portfolio's minor brands was reversed after the company reached an agreement with its owners.

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 2022, the following assumptions were applied:
- A negotiated termination at age 65;
- A rate of 50 % for employer payroll contributions for all employees;
- A 3 % 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 3.77%.

On the basis of these assumptions, the annual expense of €632,000 recorded under current income breaks down as follows:
– Service costs: €559,000;
– Financial expense: €73,000;

Actuarial gains and losses in 2022 resulted in a gain of €2,178,000 recorded under reserves resulting primarily from changes in assumptions and experience adjustments.

A 0.5 % increase in the discount rate would result in a €349,000 reduction in the present value of rights at December 31, 2022 versus a 0.5% decrease resulting in a €380,000 increase.

3.12. Borrowings, financial liabilities and lease liabilities

Borrowings and financial liabilities

Solferino office complex

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, 2022 was €99 million.

Lacoste

In December 2022, to finance the acquisition of the Lacoste license agreement, for an amount of €90 million, the company obtained a 4-year €50 million loan.

This loan is repayable in fixed monthly installments of €1.04 million each for the principal beginning in December 2022. 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 €150,000 in transaction costs directly attributable to the acquisition, in compliance with IFRS 9.

The outstanding balance at December 31, 2022 was €49 million.

Lease liabilities

“Lease liabilities" includes liabilities representing the present value of future lease 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 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)	2021	Cash flow	Non-cash items			2022
			Net acquisitions	Changes in fair value	Amortization	
Headquarters office complex loan	110,021	(12,000)	—	—	195	98,216
Lacoste license agreement loan	—	48,808	—	—	2	48,810
Total borrowings and other financial liabilities	**110,021**	**36,808**	**—**	**—**	**197**	**147,026**
Lease liabilities	15,630	—	360	—	(3,058)	12,932
Total financial debt	**125,651**	**36,808**	**360**	**—**	**(2,861)**	**159,958**

* The fair value of the swap showing an asset position was reclassified at the beginning of the year as a "non-current financial asset"

Two thirds of the nominal amount and two thirds of the term of the Solférino variable-rate loan have been hedged by a fixed-rate pay swap.

The full amount and term of the Lacoste variable-rate loan were hedged by a fixed-rate pay swap.

The net swap hedging position for these loans is as follows:

(€ thousands)	2021	2022
Borrowings and financial liabilities	110,021	147,026
Interest rate swaps (asset position)	(207)	(6,335)
Borrowings and financial liabilities net of hedging	**109,814**	**140,691**

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	147,026	24,259	83,893	38,874
Lease liabilities	12,932	2,699	7,908	2,325
Total at December 31, 2022	**159,958**	**26,958**	**91,801**	**41,199**

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.

A leverage ratio (consolidated net debt/consolidated EBITDA) is attached to the Lacoste loan obtained by the parent company.

No other special provision is attached to this loan.

3.13. Deferred tax

Deferred taxes arising mainly from timing differences between financial accounting and tax accounting, deferred taxes accounted for consolidation adjustments and deferred taxes for tax losses carryforwards break down as follows:

(€ thousands)	**2021**	**Changes through reserves**	**Changes through profit or loss**	**2022**
Deferred tax assets				
Timing differences between financial and tax accounting	3,555	—	(596)	2,959
Currency hedges on future sales	334	—	(334)	—
Right-of-use assets	—	—	27	27
Leases	1	—	—	1
Intra-group inventory margin	4,488	—	3,738	8,226
Advertising and promotional costs	716	—	282	998
Provisions for retirement liabilities	134	(563)	563	134
Tax Loss carryforwards	1141	—	(622)	519
Total deferred tax assets before depreciation	**10,369**	**(563)**	**3,058**	**12,864**
Depreciation of deferred tax assets	**(1,141)**	**—**	**622**	**(519)**
Net deferred tax assets	**9,228**	**(563)**	**3,680**	**12,345**
Deferred tax liabilities				
Acquisition costs	(1,118)	—	(367)	(1,485)
Levies imposed by governments	(186)	—	(55)	(241)
Borrowing costs	(253)	—	13	(240)
Capitalization of costs associated with the headquarters building acquisition	(1,258)	—	226	(1,032)
Bonus shares	—	131	(131)	—
Right-of-use assets	(37)		37	—
Currency hedges on future sales	—	(754)	294	(460)
Gains (losses) on own shares	—	(96)	96	—
Derivatives	(12)	—	(35)	(47)
Swap instrument	(53)	(26)	(1,558)	(1,637)
Unrealized capital gains on securities	(385)	—	354	(31)
Other	**—**	**—**	**(38)**	**(38)**
Total deferred tax liabilities	**(3,302)**	**(745)**	**(1,163)**	**(5,211)**
Total net deferred tax	**5,926**	**(1,308)**	**2,517**	**7,134**

3.14. Trade payables and other current liabilities

3.14.1. Trade payables and related accounts

(€ thousands)	2021	2022
Trade payables for components	20,207	29,463
Other trade payables	71,941	83,772
Total	**92,148**	**113,235**

3.14.2. Other liabilities

(€ thousands)	2021	2022
Accrued credit notes	2,498	3,017
Tax and employee-related liabilities	16,879	18,634
Accrued royalties	13,061	16,809
Hedging instruments	1,808	64
Interparfums Holding current accounts	1,473	1,538
Outstanding balance of the Lacoste upfront license fee payable	—	48,000
Other liabilities	4,397	12,132
Total	**40,116**	**100,194**

In accordance with the contractual terms, €50 million of the €90 million upfront fee for the Lacoste license was paid in December 2022. The remaining €40 million balance will be paid in December 2023 (€48 million in other liabilities less €8 million in deductible VAT included under other receivables).

As required by IFRS 15, it is specified that the other liabilities include contract liabilities 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:

		2022			
(€ thousands)	**Notes**	**Carrying value**	**Fair value through profit or loss**	**Fair value through equity**	**Amortized cost**
Other non-current financial assets					
Long-term investments	3.4	3,316	—	—	3,316
Other non-current financial assets	3.4	7,901	6,237	98	1,566
Current financial assets					
Trade receivables and related accounts	3.7	138,902	—	—	138,902
Other receivables	3.8	29,563	—	1,116	28,447
Current financial assets	3.9	99,013	99,013	—	—
Cash and cash equivalents	3.9	136,747	—	—	136,747
Non-current financial liabilities					
Non-current borrowings	3.12	122,767	—	—	122,767
Current liabilities					
Trade payables and related accounts	3.14	113,235	—	—	113,235
Current borrowings	3.12	24,259	—	—	24,259
Other liabilities	3.14	100,194	64	—	100,130

			2021		
(€ thousands)	Notes	Carrying value	Fair value through profit or loss	Fair value through equity	Amortized cost
Other non-current financial assets					
Long-term investments	3.4	4,047	—	—	4,047
Other non-current financial assets	3.4	2,273	207	—	2,066
Current financial assets					
Trade receivables and related accounts	3.7	125,430	—	—	125,430
Other receivables	3.8	14,280	—	—	14,280
Current financial assets	3.9	100,976	100,976	—	—
Cash and cash equivalents	3.9	156,708	—	—	156,708
Non-current financial liabilities					
Non-current borrowings	3.12	98,218	—	—	98,218
Current liabilities					
Trade payables and related accounts	3.14	92,148	—	—	92,148
Current borrowings	3.12	11,803	—	—	11,803
Other liabilities	3.14	40,116	57	1,750	38,309

In accordance with IFRS 13, financial assets and liabilities are measured at fair value based on level 2 inputs, except for the fair value of listed shares, presented under "current financial assets" and measured by income based on listed market-based prices (level 1). The carrying value of other items presented above offers 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). The Group 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
Financial assets and liabilities before hedging				
Other non-current financial assets	500	1,066	—	1,566
Current financial assets	87,483	10,782	748	99,013
Cash and cash equivalents	136,747	—	—	136,747
Total financial assets	**224,730**	**11,848**	**748**	**237,326**
Borrowings and financial liabilities	(24,259)	(83,893)	(38,874)	(147,026)
Total financial liabilities	**(24,259)**	**(83,893)**	**(38,874)**	**(147,026)**
Net position before hedging	**200,471**	**(72,045)**	**(38,126)**	**90,300**
Hedging of assets and liabilities (swaps)	1,877	4,262	196	6,335
Net position after hedging	**202,348**	**(67,783)**	**(37,930)**	**96,635**

3.16.3. Foreign currencies exchange 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 (52.5% of sales) and to a lesser extent the pound sterling (4.3% of sales) and the Japanese yen (0.9% of sales).

Only Interparfums SA has a significant exposure to foreign exchange risk as the Group's other subsidiaries operate in their local currency.

Interparfums SA’s net positions in the main foreign currencies are as follows:

(€ thousands)	USD	GBP	JPY
Assets	48,538	6,425	549
Liabilities	(4,007)	(517)	—
Net position before hedging at the closing price	**44,531**	**5,908**	**549**
Net position hedged	(14,020)	—	—
Net position after hedging	**30,511**	**5,908**	**549**

- Foreign exchange risk management policy

Interparfums SA'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, Interparfums SA 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, 2022, Interparfums SA had hedged 31% of its US dollar denominated receivables and 25% for US dollar-denominated payables.

- 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

€40.3 million on sales and €33.9 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.

The group applies a set of procedures to limit collection risk for its accounts receivable. This includes insurance coverage from Euler Hermes and Coface on a significant portion of export receivables. Credit limits are set on a client-by-client basis based on their financial standing. With respect to sales in Russia and Belarus, the Group complies with the restrictions imposed by the European Union and has implemented a specific prepayment billing policy for these two countries that renders collection risks on trade receivables negligible.

4. Notes to the income statement

4.1. Breakdown of consolidated sales by brand

(€ thousands)	2021	2022
Montblanc	142,323	183,970
Jimmy Choo	130,966	181,561
Coach	115,630	153,814
Lanvin	52,391	50,336
Rochas	35,332	37,680
Van Cleef & Arpels	18,344	22,440
Karl Lagerfeld	16,920	21,058
Kate Spade	13,635	19,264
Boucheron	15,350	17,720
Moncler	4,861	13,956
Other	15,075	4,825
Sales	**560,827**	**706,624**

4.2. Cost of sales

(€ thousands)	2021	2022
Raw materials, trade goods and packaging	(198,508)	(280,058)
Changes in inventories	16,218	63,389
POS advertising	(1,839)	(2,655)
Staff costs	(6,921)	(7,376)
Allowances and reversals	(2,755)	(4,130)
Property rental expenses	984	(110)
Transportation costs	(864)	(1,371)
Other expenses related to the cost of sales	(1,502)	(2,033)
Total cost of sales	**(195,187)**	**(234,344)**

4.3. Selling expenses

(€ thousands)	2021	2022
Advertising	(123,423)	(158,610)
Royalties	(46,497)	(59,853)
Staff costs	(30,286)	(33,174)
Transportation costs	(7,764)	(13,351)
Allowances and reversals	(8,800)	(9,548)
Service fees / subsidiaries	(7,945)	(8,237)
Subcontracting	(6,394)	(7,585)
Travel and entertainment expenses	(3,204)	(5,957)
Tax and tax related expenses	(3,739)	(3,677)
Commissions	(1,185)	(1,722)
Property rental expenses	1,467	(115)
Other selling expenses	(5,417)	(4,006)
Total selling expenses	**(243,187)**	**(305,835)**

4.4. Administrative expenses

(€ thousands)	2021	2022
Administrative fees	(4,657)	(5,320)
Other purchases and external expenses	(1,947)	(2,594)
Staff costs	(11,375)	(13,178)
Property rental expenses	(432)	(459)
Allowances and reversals	(1,804)	(4,382)
Travel expenses	(302)	(504)
Other administrative expenses	(1,059)	(1,696)
Total administrative expenses	**(21,576)**	**(28,133)**

4.5. Other operating expenses

Other operating expenses relate to the impairment loss recognized on the Rochas Fashion brand (See note 3.1.2.).

4.6. Net financial income / (expense)

(€ thousands)	2021	2022
Financial income	792	2,093
Interest and similar expenses	(2,266)	(2,739)
Interest expense on lease liabilities	(228)	(123)
Net finance costs	**(1,702)**	**(769)**
Currency losses	(3,237)	(23,666)
Currency gains	5,662	22,886
Net currency gains (losses)	**2,425**	**(780)**
Financial income on interest rate swaps	207	6,030
Charges to/(reversals) of financial provisions	1,490	(3,017)
Net financial income / (expense)	**2,420**	**1,464**

Financial income rose sharply in response to the overall increase in interest rates on significant cash balances.

The foreign exchange result was mainly impacted by the significant increase in the value of the US dollar against the euro during the period. This included recognition of a realized foreign exchange gain in the amount of €3.5 million and an unrealized foreign exchange loss of €4.3 million for the year 2022.

Charges to/(reversals) of financial provisions reflect changes in fair value of listed shares of companies in the luxury goods sector.

4.7. Income tax

4.7.1. Analysis of income taxes

(€ thousands)	2021	2022
Current income tax - France	(17,216)	(25,265)
Current income tax – Foreign operations	(10,031)	(10,310)
Total current income tax	**(27,247)**	**(35,575)**
Non-current income tax	**(2,064)**	**—**
Deferred tax- France	(214)	2,264
Deferred tax- Foreign operations	(151)	250
Total deferred taxes	**(365)**	**2,514**
Total income taxes	**(29,676)**	**(33,061)**

Non-current taxes in 2021 related to the adjustment by tax authorities of transactions with the Swiss subsidiary Interparfums. During the 2021 first half, pursuant to discussions with the tax authorities on the subject of transfer pricing with Interparfums Suisse, the company recognized an additional tax charge of €2.1 million over the period, paid in the 2021 4th quarter.

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 25.83% and 28.41% applicable in France for fiscal 2022 and 2021 respectively to pre-tax income reflects the following.

(€ thousands)	2021	2022
Tax base	**101,311**	**133,286**
Theoretical tax calculated at the parent company rate	(28,782)	(34,428)
Effect of tax rate differences	965	1,062
Recognition of tax income not previously classified as tax assets	(864)	337
Tax adjustments	(2,064)	—
Permanent non-deductible differences	1,069	(32)
Income tax	**(29,676)**	**(33,061)**

4.8. Earnings per share

(€ thousands) except number of shares and earnings per share in euros	2021	2022
Consolidated net income	**71,095**	**99,523**
Average number of shares	57,503,425	60,066,833
Basic earnings per share [(1)]	**1.24**	**1.66**
Dilutive effect of stock options:		
Potential additional number of fully diluted shares	—	—
Potential fully diluted average number of shares outstanding	57,503,425	60,066,833
Diluted earnings per share[(1)]	**1.24**	**1.66**

(1) Adjusted for bonus shares granted in 2021 and 2022.

5. Segment reporting

5.1. Business lines

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

However, because the "Fashion" business represents less than 0.1% of Group sales, a separate presentation is not provided for income statement aggregates.

Gross intangible assets relating to the Rochas trademark include €86,739,000 for fragrances and €19,086,000 for fashion or a gross amount totaling €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)	2021	2022
Africa	4,917	5,012
North America	224,832	286,395
South America	42,157	51,375
Asia	78,136	98,607
Eastern Europe	47,780	54,174
Western Europe	90,947	116,659
France	35,655	39,361
Middle East	36,403	55,041
Sales	**560,827**	**706,624**

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	2021	2022
Guaranteed minima on trademark royalties	Guaranteed minima on royalties regardless of sales achieved for each of the trademarks in the period.	120,285	259,029
Guaranteed minima for warehousing and logistics	Contractual minima for remuneration of warehouses to be paid regardless of sales volume for the period.	—	25,523
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.	10,391	11,096
Total commitments given in connection with operating activities		**130,676**	**295,648**

The guaranteed minimum amount for brand royalties is estimated on the basis of sales up to December 31, 2022 without taking into account future forecasts.

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

Commitments with respect to forward currency sales covering foreign currency receivables at December 31, 2022 amounted to US$15 million. Commitments received with respect to forward currency purchases for US Dollar hedges at December 31, 2022 amounted to €13,940,000.

Commitments with respect to forward currency sales at December 31, 2022 budgeted for the first quarter of 2023 amounted to US$22,500,000. Commitments with respect to forward currency purchases at December 31, 2022 budgeted for the first quarter of 2023 amounted to €22,013,000 for US dollar hedges.

The commitment on forward purchases covering foreign currency receivables in the balance sheet at December 31, 2022 amounted to US$1 million. Commitments received with respect to forward currency sales for US Dollar hedges at December 31, 2022 amounted to €946,000.

6.1.3. Commitments given by maturity at December 31, 2022

(€ thousands)	Total	Up to 1 year	1 to 5 years	5 years or more
Guaranteed minima on trademark royalties	259,029	38,026	102,877	118,126
Guaranteed minima for warehousing and logistics	25,523	15,236	10,287	—
Firm component orders	11,096	11,096	—	—
Total commitments given	**295,648**	**64,358**	**113,164**	**118,126**

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	-
	Renewal	January 2023	1 year	December 2023
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	September 28, 2022 in advance
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
Lacoste	Inception	January 2024	15 years	December 2038

In July 2022, Interparfums and S.T. Dupont extended their worldwide exclusive fragrance license agreement for a one-year period until December 31, 2023.

Interparfums and Repetto decided, by mutual agreement, to terminate the perfume license agreement signed on December 2, 2011, effective September 29, 2022. Under the terms of this agreement, the company retained the right to sell the products in inventory until midnight on September 28, 2022.

In December 2022, Lacoste and Interparfums signed a worldwide exclusive 15-year fragrance license agreement effective January 1, 2024.

Under this agreement, including an entrance fee of €90 million, Interparfums will be responsible for the creation, development, production and marketing of all perfume and cosmetics lines under the Lacoste brand, in selective distribution as well as in the Lacoste boutique network.

The launch of the first new perfume line is scheduled for 2024.

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

6.4.1. Workforce by department

Number of employees at	12/31/2021	12/31/2022
Executive Management	5	5
Production & Operations	49	58
Marketing	65	70
Export	76	77
French Distribution	40	39
Finance & Corporate Affairs	60	66
Rochas fashion	3	2
Total	**298**	**317**

6.4.2. Headcount by region

Number of employees at	12/31/2021	12/31/2022
France	214	228
North America	65	70
Asia	19	19
Total	**298**	**317**

6.4.3. Staff costs

(€ thousands)	2021	2022
Staff costs	31,022	34,461
Social security charges	14,192	15,129
Profit-sharing	4,680	4,700
Performance share awards	1,433	2,783
Total wages and benefits	**51,327**	**57,073**

In addition €801,000 in supplemental retirement benefits for executive management were paid in 2022.

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)	2021	2022
Wages and social charges	6,870	7,577
Share based payment expenses	311	625

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

(€ thousands)	2021	2022
Gross wages	2,074	2,286
Benefits in-kind	22	22
Supplemental retirement contribution	45	45
	2,141	**2,353**

Mr. Philippe Benacin, co-founder of Interparfums SA, is also a majority shareholder 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)	2021	2022
Compensation received by directors (1)	176	185

(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			
	2021	%	2022	%	2021	%	2022	%
Statutory auditing, certification of accounts, review of separate and consolidated accounts								
For the issuer	334	73%	371	59%	102	97%	103	97%
For fully consolidated subsidiaries	116	25%	258	41%	—	—	—	—
Services other than for the certification of accounts								
For the issuer	3	1%	5	1%	3	3%	—	—%
For fully consolidated subsidiaries	2	—%	—	—%	—	—	—	—%
Total	455	100%	634	100%	105	100%	106	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

On February 23, 2023, Montblanc and Interparfums signed in advance a five-year extension of the exclusive worldwide fragrance license agreement, until December 31, 2030, without any major changes to the operating conditions.